Annual Financial Report 2013

El.En. Group

EL.EN. S.p.A.

ANNUAL FINANCIAL REPORT
as of DECEMBER 31st 2013

El.En. S.p.A.
Headquarters in Calenzano (FI) – Via Baldanzese n. 17
Capital stock: 36 underwritten and paid € 2.508.671,
Company registered with the Registro delle Imprese di Firenze n. 03137680488

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This document has been translated into English for the convenience of readers who do not understand Italian.
The original Italian document should be considered the authoritative version.

CORPORATE BOARDS OF THE PARENT COMPANY

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Michele Legnaioli

Stefano Modi

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

Executive officer responsible for the preparation of the Company's financial statements in compliance with Law 262/05

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

Management Report 2013

INTRODUCTION

To our shareholders:

The financial year which ended on December 31st 2013 closed with net income for the Group of 6.080 thousand Euros net of income taxes for an amount of 4.275 thousand Euros and with non recurring revenue of 2.523 thousand Euros due to the evaluation of the residual equity in Cynosure at fair value as described further on in this report. The performance indicators show an improvement with respect to last year, with a growth in the consolidated sales volume of about 4% and a growth in the EBIT of 28% , with an incidence on the sales volume of 6,1%. The overall net income show a decrease with respect to last year in which the net income of 23,2 million Euros was achieved thanks to the decisive contribution of the capital gains of 5,4 million Euros which was the result of the sale of a part of the shares of the American company Cynosure and thanks to the re-evaluation in the income statement for 13,5 million Euros of the residual shares evaluated at fair value at the closing price of the offer.

REGULATORY FRAMEWORK

In compliance with the *European Regulation* n. 1606 of July 19th 2002, the El.En. Group has formulated the consolidated statement as of December 31st 2013 in compliance with the international accounting standards approved by the European Commission.
In conformity with Legislative Decree 38/2005, starting in the financial year 2006 the annual financial statements of the parent company, El.En. S.p.A. (separate statement) has been drawn up according to the international accounting standards (IFRS); when reporting data related to the parent company we will refer to the above mentioned standards.

SIGNIFICANT EVENTS WHICH OCCURRED DURING THE FINANCIAL YEAR 2013

During the month of January 2013, the constitution of Penta Laser Equipment (Wenzhou) Co., Ltd in which Cutlite Penta S.r.l., holds a 55% equity, was completed; this company will conduct the manufacturing activities that are presently conducted at the site in Wuhan.

Also in the month of January 2013, after a decision taken at the end of 2012, Quanta System liquidated its equity in GLI, thus putting an end to an investment that had been made useless by the financial crisis in Spain. The investment and the account receivables from the company had already been accrued as losses in the preceding years.

The shareholders' meeting of the parent company El.En. S.p.A., met on May 15th 2013 to approve the financial statement for 2012 and voted to allocate the net income of 9.804.911,00 Euros as follows:
- 7.403.301,00 as extraordinary reserve;
- for the shares in circulation on the date that coupon 11 becomes due on May 20th 2013, to distribute a dividend of 0,50 Euros gross for each share– in compliance with art. 2357-ter, second sub-section of the Civil Code, for an overall amount on the date of the vote of 2.401.610,00 Euros; they further voted to set aside, in a special reserve of retained earnings, the residual dividend derived form the treasury stock held by the company on the date the coupon came due.

The assembly approved the first part of the report on remuneration in compliance with art. 123-ter, sub-section 6, D. Lgs. 24 February 1998, n. 58.
Moreover, the assembly proceeded with the renewal of the Board of Statutory Auditors for the three-year period 2013-2015; they appointed Vincenzo Pilla as president, Paolo Caselli and Gino Manfriani as auditors, and Rita Pelagotti and Manfredi Bufalini as alternate auditors. All those appointed had the qualifications required by law and by the Company statutes and they will remain as auditors until the approval of the annual financials on December 31st 2015.
The assembly, during the extraordinary meeting, also modified articles 19 and 25 of the company by-laws which regulate the method for electing, respectively, first, the Board of Directors and, secondly, the Board of Statutory Auditors, by removing the ban to withdraw the certifications proving the legitimacy of the right to present proposals for appointments before the actual date of the meeting. At the same time they approved to delete some typos present in those article which refer to the date of the deposit/ communication of the certification.

In the month of May 2013 they also completed operations for the increase of capital stock in Cutlite do Brasil which involved the issuing of 730.960 new quotas, 249.288 of which were underwritten by new partners and 481.672

underwritten by the parent company El.En. S.p.A.. As a result of this operation, El.En. now holds 68,56% of Cutlite do Brasil.

Also in the month of May 2013, the parent company El.En. S.p.A. increased their equity in Cutlite Penta srl by purchasing 2,90% from a minority shareholder for the amount of 121 thousand Euros, this increasing their equity in the company to 96,65%.

Also in the month of May 2013 the parent company El.En. S.p.A , during the founding of the company, underwrote a quota of 17% of Imaginalis Srl for the amount of 17 thousand Euros; an additional quota of 14% was underwritten by Actis Srl, a company in which the parent company El.En. has a 12% equity.

In accordance with the agreements signed in March 2013, on June 24th 2013, the transactions for the acquisition of Palomar Inc. by the associated company Cynosure Inc was closed. This operation, which makes Cynosure one of the most important companies in the sector, allowed Cynosure to acquire a 100% interest in their competitor for an amount of about 300 million dollars, half of which was in cash and the other half in Cynosure shares which had been issued for this purpose. The amount of El.En's equity in Cynosure therefore fell to 9,41%, since our company did not underwrite the newly issued shares. At the same time, Ing. Andrea Cangioli's term on the Board of Directors of Cynosure expired.

On June 25th 2013, Dott. Gino Manfriani turned in his resignation in order to allow the company reorganize the composition of the Members of the Board of Auditors to comply with article art. 148, comma 1-*bis*, T.U.F in relation to gender quotas; as a result, the Board of Auditors of the parent company is now composed as follows: Dott. Vincenzo Pilla, President; Dott. Paolo Caselli, auditor; Dott.ssa Rita Pelagotti, auditor; Dott. Manfredi Bufalini, alternate auditor.

During the second quarter of 2013 the subsidiary Penta-Chutian Laser (Wuhan) Co. Ltd founded Chutian (Tianjin) Laser Technology Co. Ltd of which it holds 49%, paying the amount of 980 thousand Yuan, equal to about 122 thousand Euros.

On August 1st 2013 the subsidiary Cutlite Penta S.r.l. acquired an equity of 19% of the capital stock of Cesa S.r.l. for the amount of 19 thousand Euros.

During the third quarter, El.En. began to become aware that they were losing all of their influence in the governance of the American associated company Cynosure both after their acquisition of Palomar but above all after the El.En.'s representative left the Board of Directors of Cynosure. In consideration of this fact, the Board of Directors of El.En S.p.A. decided that the connection was no longer valid. This change also comported a difference in the entry into accounts of the equity which was changed from the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39) and the entry of a non-recurring and non-received revenue along with the other net charges and revenue for the amount of about 2,5 million Euros.

On October 18th 2013 Deka Laser Technologies, Inc. acquired treasury stock from one of its minority partners for the amount of 1.000 US dollars. As a result of this operation, the equities of the other two partners, El.En. Spa and BRCT rose to 12,74% and to 87,26%, respectively.

On November 19th 2013 the equity held by Quanta System SpA in Arex Srl was sold to the minority partner for an amount of 33 thousand Euros.

During the month of December 2013 the partners of the subsidiary company Esthelogue Srl communicated their intention to change the reason for the amount owed them by the company, limited to the amount of 175 thousand Euros each, to a payment in capital account to be entered as part of the shareholders' equity under the heading of "Other reserves".

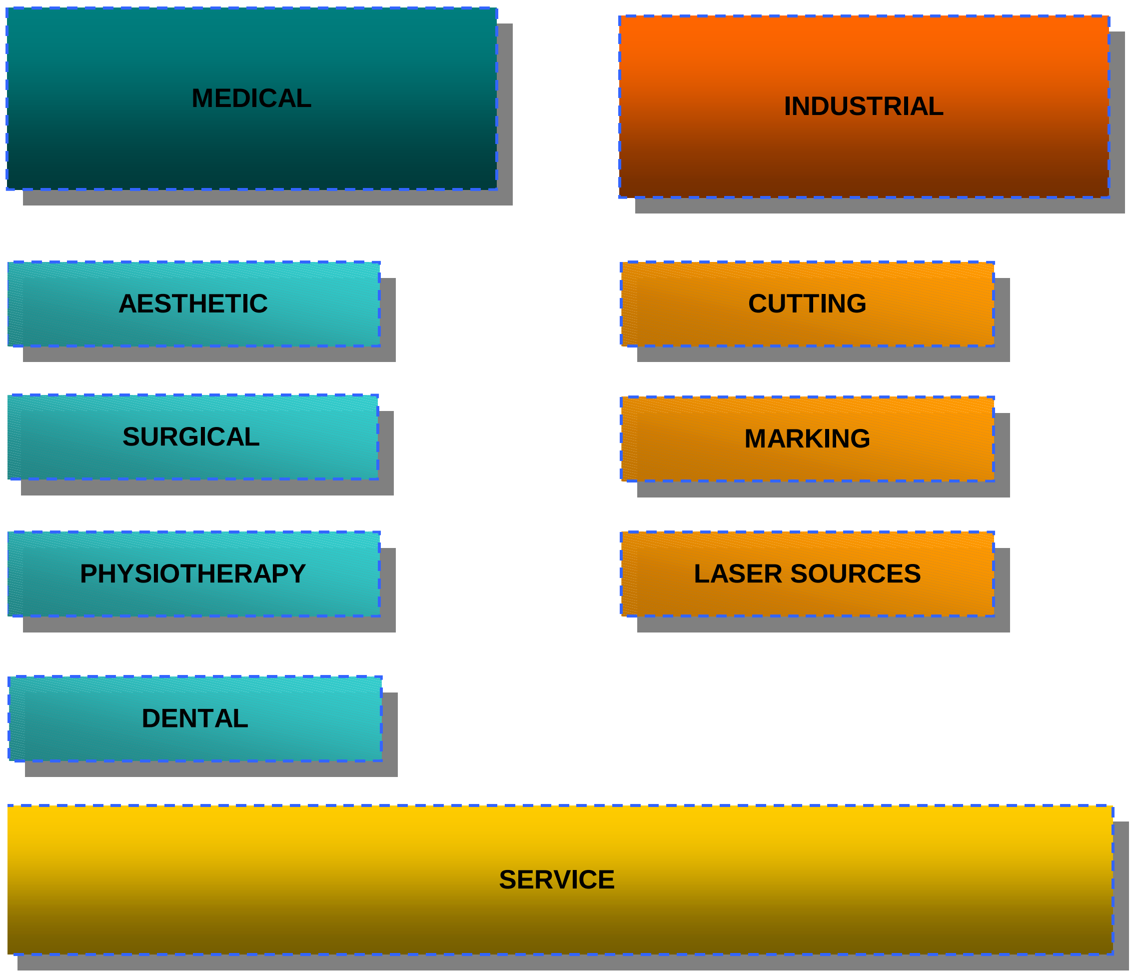
On December 30th 2013 the shareholders' meeting of Deka Sarl, which is owned 100% by the parent company El.En. S.p.A. voted to increase the capital stock of 76.250 Euros, by a total of 1.500.000 Euros and, at the same time, to reduce it by 1.420.582 Euros in order to cover the losses sustained in the preceding years as well as to set up a reserve to cover the losses expected for this year.

DESCRIPTION OF THE ACTIVITIES OF THE GROUP

El.En. SpA controls a group of companies operating in the field of manufacture, research and development, distribution and sales of laser systems. The structure of the Group has been created over the years as a result of the founding of new companies and the acquisition of the control of others. Each company has a specific role in the general activities of the Group which is determined by the geographical area it covers, by its technological specialization or by the particular position within one of the merchandise markets served by the Group.

Apart from the sub-division of the roles of the various companies, the Group conducts its activities in two major sectors: that of laser systems for medicine and aesthetics, and that of laser systems for manufacturing uses. In each of these two sectors the activities can be subdivided into different segments which are heterogeneous in the application required from the system and consequently for the underlying technology and the kinds of users. Within the activity sector of the Group, which is generally defined as the manufacture of laser sources and systems, the range of clients varies considerably, especially if one considers the global presence of the Group and therefore, the necessity of dealing with the special requirements which every region in the world has in the application of our technologies.

This vast variety, together with the strategic necessity of further breaking down some of the markets into additional segments in order to maximize the quota held by the Group and the benefits derived from the involvement of management personnel as minority shareholders, is the essence of the complex structure of the Group; however, this complexity is based on the linear subdivision of the activities which can be singled out, not just for reporting purposes, but, above all, for strategic purposes, as follows:

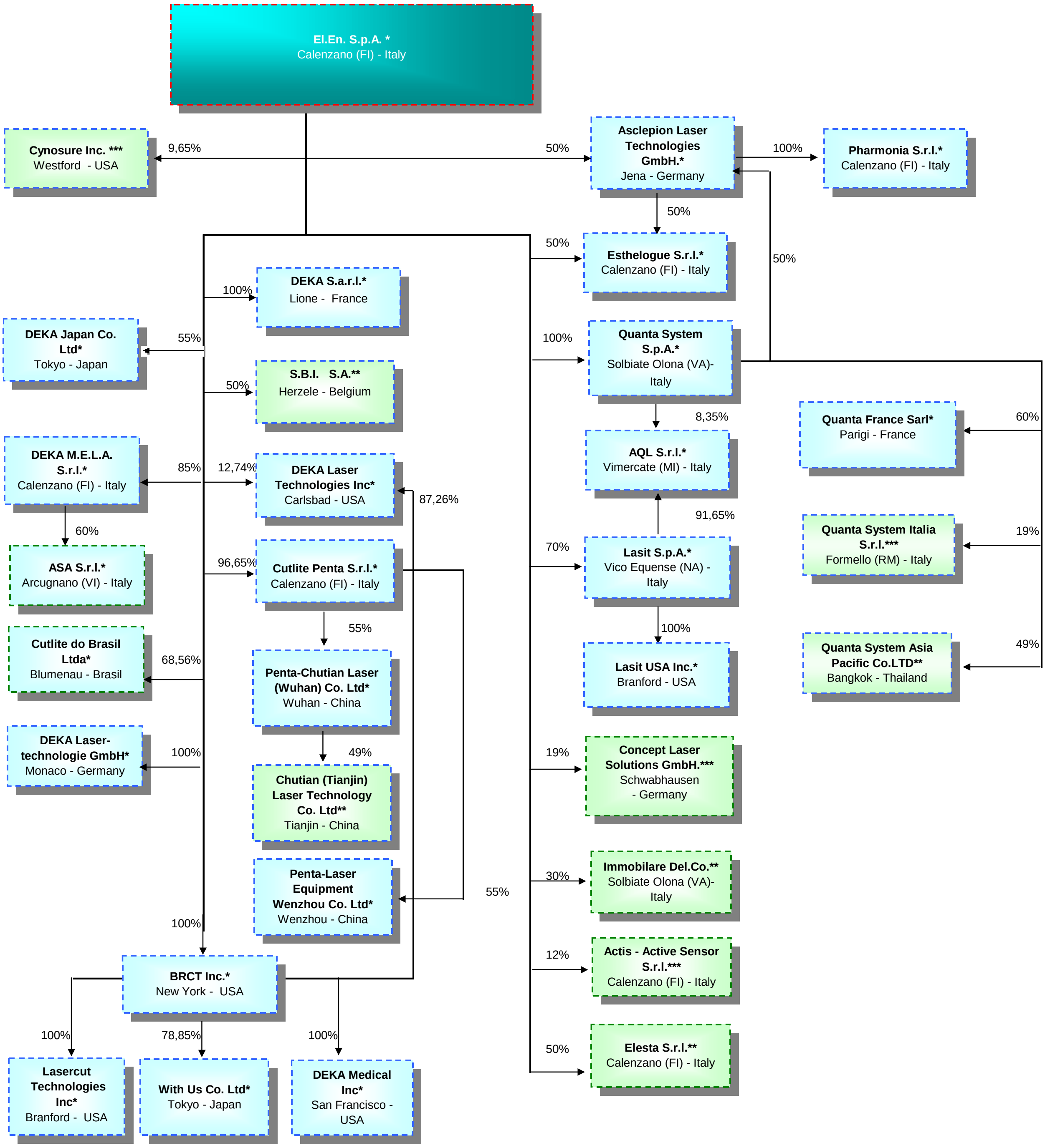


Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

We believe that the tendency of the two main macro-markets to develop will continue to be positive in the next few years thanks mainly to an increasing demand for medical and aesthetic treatments by an aging population that wants to appear younger, as well as the continuing need of manufacturers to have equipment with innovative and flexible technologies like laser instruments which are extremely receptive to innovation and optimization of industrial processes and products.
The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure which left the Group at the end of 2012 and Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

GROUP STRUCTURE

As of December 31st 2013, the structure of the Group is as follows:



* *Entirely consolidated*
** *Consolidated using the equity method*
*** *Kept at fair value*

PERFORMANCE INDICATORS

The following performance indicators have been shown for the purpose of providing additional information on the economic and financial performance of the Group:

	31/12/13	31/12/2012 (a)
Profitability ratios:		
ROE	5,0%	26,0%
(Net income / Share Capital and Reserves)		
ROS	6,1%	4,9%
(EBIT/ Revenues)		
Structure ratios:		
Financial flexibility	0,66	0,68
(Current assets / Total assets)		
Leverage	1,17	1,18
((Shareholders' Equity + Financial liabilities) / Shareholders' Equity)		
Current Ratio	2,14	2,52
(Current assets / Current liabilities)		
Acid ratio	1,43	1,66
((Current receivables + Cash and cash equivalents+securities)/ Current liabilities)		
Quick ratio	0,64	0,77
((Cash and cash equivalents + Investments) / Current liabilities)		

(a) Restatement of comparative data after the adoption of IAS 19 Revised

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

- Own Capital = Shareholders' equity of the Group – Net income (loss)

ALTERNATIVE NON-GAAP MEASURES

In compliance with the CESR/05-178b recommendations on alternative performance indicators, as part of the Director's Report, besides the main financial figures required by IFRS, the Group is presenting some figures derived from these latter although they are not strictly required by the IFRS (non – GAAP measures). These figures are presented for the purpose of allowing for a better evaluation of the performance of the Group and should not be considered as alternatives to those required by the IFRS.
The Group uses the following alternative non-GAAP measures to evaluate the economic performance:

- The **earnings before interests and income taxes** or EBIT represents an indicator of operating performance and is determined by adding to the Profit / Loss for the period: the income tax, the other net income and charges, the quota of the earnings of the associated companies, the financial income/charges;
- the **earnings before income taxes, devaluations, depreciations and amortizations** or "EBITDA", also represents an indicator of operating performance and is determined by adding to the EBIT the amount of "Depreciations, Amortizations, accruals and devaluations";

-the **value added** is determined by adding to the EBITDA the “cost for personnel”;
- the **gross margin** represents the indicator of the sales margin determined by adding to the Value Added the “Costs for services and operating charges”.
- the **incidence** that the various entries in the income statement have on the sales volume.

In order to evaluate its capacity to meet its financial obligations the Group uses as alternative performance indicators :

- the **net financial position** which means: cash available + securities entered among current assets + current financial receivables – debts and non-current financial liabilities - current financial debts.

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

GROUP FINANCIAL HIGHLIGHTS

Thanks to the excellent results achieved in the fourth quarter, the overall results for 2013 are fully positive and are in line with the forecasts made at the beginning of the year; the growth of 17,3% registered for this quarter drove the annual growth rate up to 4,1% , coming close to the 5% that was set as our goal and helped reach the EBIT of over 9,5 million which represents a great improvement over last year both in the amount (+28%) as well as for the incidence on the sales volume (6,1%), thus respecting the forecasts.

Although the EBIT increased with respect to last year, the net income as of December 31st 2013 for 6,1 million Euros showed a marked decrease with respect to 2012 because that financial year had benefitted from the capital gains and the re-evaluation registered as part of the sale of the block of Cynosure stock which brought in 18,9 million Euros in revenue. The financial year 2013 also benefitted from the re-evaluation made on the residual Cynosure shares held by the Company, with a re-evaluation of 2,5 million Euros which represented the adjustment to "fair value" made at the end of the third quarter.

The financial position of the Group was re-enforced during this year and as of December 31st 2013 amounted to 21,8 million Euros.

During the fourth quarter most of the companies in the Group also showed positive results. Usually the last quarter is the most favorable for sales because the clientele is more inclined to purchase investment goods before the end of the year in order to benefit from, among other things, the tax deductions, and in fact, all of the activities in the medical sector and, above all, those in the industrial sector took advantage of this occasion. The results of the manufacturing branches in Brazil and in China were excellent and contributed considerably to the sales volume of over 50 million achieved during this quarter as well as greatly improving their revenue results which up until that time had been in deficit.

The results shown in this quarter demonstrate the excellent potential for growth in the sales volume and the manufacturing structures of the Group which, in the past few years have always been thwarted by the difficulties that the crisis has caused on some of the markets but which have been overcome this quarter by the general improvement in all of the activities of the Group as well as by the decision to close or re-organize some of the companies that were having a negative influence on the results in general.

It should be recalled, moreover, that the Group, with its multi-national structure and tendency towards globalization of sales and production structures, is still closely connected to the manufacturing conditions of its main factories in Europe and Italy and consequently is subject to the effects of the difficult conditions which Italy and Europe in general now are facing.
The major phenomenon which now severely influence our operations are caused by the European crisis which has produced a decrease in the desire to purchase and the continuing strength in the Euro. The rise of the Euro in relation to the Japanese Yen, or else its sudden devaluation comported for the Group a loss in sales volume and of sales margins on the Japanese markets of about 4% on the consolidated sales volume and of 20% on the EBIT. The gradual weakening of the US dollar on the other hand on the International markets negatively influenced our trade in comparison with that of our main competitors which are, in general, American or working with cost structures in US dollars.

The strategy of the Group has always been to create a competitive advantage for itself through technological innovation obtained from a systematic activity of research and development of new products or new applications and technical innovations applied to pre-existing products. Thanks to the technical innovations and new applications we believe we can overcome the general difficulties of the market through our unique products, and avoid the dynamics of the market even for a high-tech activity like ours, which submit products in an advanced state of their life-cycle to the more ordinary market dynamics and pressures.

Since 2013 the results of Cynosure (NASDAQ CYNO) have no longer been wholly consolidated in the financial statement of the El.En. Group since El.En. non longer detains a majority share after the increase in the capital that was underwritten by Cynosure in November of 2012 and the acquisition of Palomar last June. This operation which created in the state of Massachusetts one of the most important groups on the market of laser systems for medical and aesthetic applications, comported a reduction in the equity held by El.En. on account of the issue by Cynosure of shares for half of the purchase price of 300 million US dollars.

The chart below shows the breakdown of the sales volume among sectors of activity of the Group during 2013 compared with the same break-down for 2012.

Note: for consistency in the comparison with 2013, the results for 2012 are also shown excluding Cynosure from the area of consolidation. With reference to 2012, the results of Cynosure Inc., even for the period in which the company was wholly consolidated, i.e., until November 2012, is shown on those lines which, in the income statement, are just below the results of the ordinary management along with the discontinued operations, as illustrated in further detail below.

	31/12/2013	Inc%	31/12/2012	Inc%	Var%
Industrial systems and lasers	42.337	26,90%	35.590	23,53%	18,96%
Medical and aesthetic lasers	89.407	56,81%	87.889	58,11%	1,73%
Service	25.636	16,29%	27.756	18,35%	-7,64%
Total	**157.380**	**100,00%**	**151.234**	**100,00%**	**4,06%**

The overall growth was over 4% and consequently was close to the expectations for the year. The medical sector maintained its position while the industrial sector represented the main factor in the growth. The drop in sales volume for technical assistance and after-sales service reflects, first of all, the exchange rate with the Japanese Yen which penalized an extremely important market, together with the fact that the clientele is less inclined to make intensive use of the systems and the reduction in the demand for consumable materials and repair services on the equipment.

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

	31/12/2013	Inc%	31/12/2012	Inc%	Var%
Italy	30.574	19,43%	27.055	17,89%	13,01%
Europe	33.037	20,99%	32.164	21,27%	2,72%
Rest of the world	93.769	59,58%	92.016	60,84%	1,91%
Total	**157.380**	**100,00%**	**151.234**	**100,00%**	**4,06%**

After several quarters in which the global vocation of the Group was reflected in the increase in sales volume for foreign clients, 2013 registered a return to a two-digit growth of the sales volume in Italy, in particular thanks to the products offered in the medical sector. This result was also obtained thanks to the investments made in two sectors which have Italy as their primary market and which during this year yielded good results: Cutlite Penta Srl in the industrial sector started to grow again thanks to increased focus and Esthelogue Srl in the sector of professional aesthetics, which has become a company that is increasingly recognized in this sector which, after having suffered severely from the effects of the crisis is now slowly gaining ground again.

Within the medical/aesthetic sector, which represents almost 57% of the sales of the Group, the trend in sales in the various segments is shown on the chart below:

	31/12/2013	Inc%	31/12/2012	Inc%	Var%
Surgical CO2	9.450	10,57%	8.973	10,21%	5,32%
Physiotherapy	6.841	7,65%	6.125	6,97%	11,68%
Aesthetic	53.611	59,96%	54.442	61,94%	-1,53%
Dental	1.042	1,17%	3.057	3,48%	-65,92%
Other medical lasers	14.455	16,17%	11.710	13,32%	23,43%
Accessories	4.010	4,48%	3.582	4,08%	11,94%
Total	**89.407**	**100,00%**	**87.889**	**100,00%**	**1,73%**

This sector also showed an increase in sales volume this year. It should be recalled that the Group is represented in the medical sector by four main distributing structures, one focused on the physical therapy sector (ASA), and the others (Deka, Quanta, Asclepion) focused on aesthetics but also able to offer some surgical and dental products. Each one is

present on the market with a wide range of products. The respective research centers in Florence, Solbiate Olona and Jena autonomously develop systems especially for their distribution networks with particular characteristics which distinguish them.
The main sector, aesthetics, showed a slight drop which is entirely due to the effects of the Exchange rate on the Japanese market. The positions of the Group on the other markets were all consolidated thanks to the range of products characterized by the continual innovation which is the indispensable tool for maintaining and increasing the position in a highly competitive market.

The down-sizing of the distribution activities which were specifically organized in the United States determined a drop in the dental sector: the switch to a distribution model using third-party distributors penalized the sales volume but not the revenue since the high costs of managing the American branch, Deka Laser Technologies Inc. had always registered a loss in the last few years.

The sector named "Others" showed a growth along with the "surgical CO_2" and the "Accessories", thanks mainly to the laser applications in surgery: Quanta System and Asclepion offer Holmium and Thulium systems for the treatment of benign hyperplasia of the prostate and lithotripsy (shown in the "Others" sector), and, in particular, the position of Quanta System on this market has assumed a certain importance; Deka offers CO_2 systems for ORL (otolaringology) and gynecology; in this latter sector, the "*Mona Lisa Touch*" application for the treatment of vaginal atrophy and the health of mature women is becoming one of the best selling systems of the Group.

The physical therapy sector continued to grow thanks to the excellent performance of Asa of Vicenza, which, with their continual innovation in products and careful marketing strategy and clinical experiments, has continued to grow ever since they became part of the Group.

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

	31/12/2013	Inc%	31/12/2012	Inc%	Var%
Cutting	29.492	69,66%	24.551	68,98%	20,13%
Marking	11.066	26,14%	9.601	26,98%	15,25%
Laser sources	1.333	3,15%	1.140	3,20%	16,96%
Welding, other industrial systems	446	1,05%	298	0,84%	49,71%
Total	**42.337**	**100,00%**	**35.590**	**100,00%**	**18,96%**

Growth in this sector was almost 20% and involved almost all of the segments to the same extent.
Within its own area of competition, the growth in the sector of conservation and restoration was particularly gratifying. Thanks to our laser systems masterpieces of every era can be restored to their original splendor; in particular, among our "patients" were included the Gothic masterpiece, the Cathedral of Cologne and the frescoes of the Villa dei Misteri at Pompeii.

The cutting segment began to grow again and registered an increase of 20%, thanks to the good results shown this quarter in China and the excellent contribution of Cutlite Penta in Italy. The marking sector also did well, which, with the addition to Cutlite-Penta of the range of products sold in the past by Ot-las (which merged with Cutlite Penta at the end of last year) had a new incentive as part of the improved organization of production and sales; the activity of Lasit will continue to be conducted in a positive manner notwithstanding the drying-up of the American market which had represented an important client in the past.
Moreover, the sales of laser sources to third parties also grew. This sector had been penalized in the last few years by the efforts of the Group to develop the activities of the companies producing systems. Starting in the fourth quarter of the year this sector benefitted from an important order which will bring the sales volume back up significantly.

CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31st 2013

The chart below shows the consolidated income statement for the year ending on December 31st 2013, compared with that for 2012.
It should be recalled that on account of the sale of part of the Cynosure shares held by El.En. (as described in the section titled "significant events that occurred in 2012 in the Management Report as of December 31st 2012) and the consequent loss of control of the American company, starting at the end of November 2012 until September 2013 this company was no longer wholly consolidated but was consolidated using the shareholder's equity method.
In order to make the data for 2012 comparable, the contribution of Cynosure to the consolidated has been shown under the heading of "Income (loss) for the financial period from Discontinued Operations".

Since the end of the third quarter of 2013, El.En. began to become aware that they were losing all of their influence in the governance of the American associated company Cynosure both after their acquisition of Palomar but above all after the El.En.'s representative left the Board of Directors of Cynosure. In consideration of this fact, the Board of Directors of El.En S.p.A. decided that the connection was no longer valid. This change also comported a difference in the entry into accounts of the equity which was changed from the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39) and the entry of an unearned an non-recurring capital gains in the other net charges and income for an amount of 2,5 million Euros before taxes.
For this reason, until the third quarter of 2013 the economic transactions that took place with Cynosure are shown with the revenue, income, costs and charges from associated companies, whereas for the last quarter of 2013 they are shown among the revenue, income, costs and charges from third parties.

Income Statement	**31/12/13**	**Inc.%**	**31/12/12**	**Inc.%**	**Var.%**
Revenues	157.380	100,0%	151.234	100,0%	4,1%
Change in inventory of finished goods and WIP	1.586	1,0%	(2.148)	-1,4%	
Other revenues and income	1.989	1,3%	2.739	1,8%	-27,4%
Value of production	**160.955**	**102,3%**	**151.825**	**100,4%**	**6,0%**
Purchase of raw materials	76.679	48,7%	68.820	45,5%	11,4%
Change in inventory of raw material	(2.797)	-1,8%	61	0,0%	
Other direct services	12.511	7,9%	10.894	7,2%	14,8%
Gross margin	**74.563**	**47,4%**	**72.050**	**47,6%**	**3,5%**
Other operating services and charges	25.661	16,3%	25.846	17,1%	-0,7%
Added value	**48.902**	**31,1%**	**46.204**	**30,6%**	**5,8%**
For staff costs	35.161	22,3%	33.685	22,3%	4,4%
EBITDA	**13.741**	**8,7%**	**12.519**	**8,3%**	**9,8%**
Depreciation, amortization and other accruals	4.159	2,6%	5.045	3,3%	-17,6%
EBIT	**9.582**	**6,1%**	**7.474**	**4,9%**	**28,2%**
Net financial income (charges)	(1.180)	-0,7%	(1.362)	-0,9%	-13,4%
Share of profit of associated companies	(474)	-0,3%	48	0,0%	
Other net income (expense) (*)	2.767	1,8%	(68)	-0,0%	
Income (loss) before taxes	**10.694**	**6,8%**	**6.092**	**4,0%**	**75,5%**
Income taxes	4.275	2,7%	2.953	2,0%	44,8%
Income (loss) for the financial period from continuing operations	**6.419**	**4,1%**	**3.140**	**2,1%**	**104,4%**
Income (loss) for the financial period from discontinued operations	0	0,0%	26.672	17,6%	
Net income (loss) before minority interest	**6.419**	**4,1%**	**29.812**	**19,7%**	**-78,5%**
Minority interest from continuing operations	339	0,2%	1.010	0,7%	-66,5%
Minority interest from discontinued operations	0	0,0%	5.603	3,7%	
Net income (loss)	**6.080**	**3,9%**	**23.199**	**15,3%**	**-73,8%**

(*) 31/12/2013: of which 2.523 thousand Euros related to non-recurring operations

Thanks to the increase in the consolidated sales volume the gross margin was 74.563 thousand Euros, an increase of 3,5% with respect to the 72.050 thousand Euros registered for the same period last year; in terms of incidence on the sales volume no significant variations were shown. It should also be noted that the entry “Other income” decreased in 2013 by 750 thousand Euros, with an incidence on the consolidated sales volume which decreased by 0,5%, exclusively due to the decrease in the amount of research grants that were entered during the year.

Again in 2013, as in previous years, some of sales were financed by the clientele with operating leasing. Although the Group received the price for the sale of the goods, in conformity with IAS/IFRS principles they are considered as income from multi-year rentals. In any case, the phenomenon had a minimum effect on the results for the period.

The costs for operating services and charges were 25.661 thousand Euros and showed no significant changes in overall value with respect to last year and therefore had a lower incidence on the sales volume, which decreased from 17,1% to 16,3% .
The staff costs were 35.161 thousand Euros, an increase of 4,4% over the 33.685 thousand Euros for the same period last year and the incidence on the sales volume at 22,3% was unchanged.
Among the staff costs we have included the figurative costs for the stock options assigned to employees. As of December 31st 2013 these costs amounted to 4 thousand Euros as opposed to the 135 thousand Euros registered on December 31st 2012.

The entity of these last two expenses, which represent the overhead costs are therefore under control and demonstrate a management of the costs which, with an increase in productivity contributes to the improvement of the income registered for this period.
A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. As of December 31st 2013 the grants received amounted to 832 thousand Euros, while the amount received for the same period in 2012 was 1.523 thousand Euros.

On December 31st 2013 the number of employees in the Group was 859, an increase with respect to the 812 registered on December 31st 2012.

On account of the trends described above the EBITDA showed an improvement and amounted to 13.741 thousand Euros, as opposed to 12.519 thousand Euros for last year.

Costs for amortizations, depreciations and accruals amounted to 4.159 thousand Euros, decrease of 17,6% with respect to December 31st 2012, as well as the incidence on the sales volume which decreased from 3,3% last year to 2,6% on December 31st 2013. The decrease is mainly due to the smaller amounts of the accruals set aside for credit risks which fell from 1.580 thousand Euros in 2012 to 1.083 thousand Euros in 2013: the amount of the fund set aside is still quite significant and reflects both the precarious situation that the crisis has created for many companies in the past few years as well as en increased tendency to run credit risks that many companies have had to adapt to in order to continue to work despite the lack of financing for their clients.

The EBIT amounted to 9.582 thousand Euros, a sharp increase over the 7.474 thousand Euros registered on December 31st 2012, and is equal to 6,1% of the sales volume, thus exceeding the forecasts made at the beginning of the year.

Financial charges amounted to 1.180 thousand Euros, which, in any case, is an improvement over the 1.362 thousand Euros registered on al December 31st 2012: these negative results are determined by the weakness of the currencies in which part of the credits of the Group are represented, the US dollar and the the Brazilian real, which have become increasingly weaker in the last two years.

The quota of the results of the associated companies contributed negatively for the amount of 474 thousand Euros. 594 thousand Euros was due to the pro-quota results of Cynosure which, once it had left the area of consolidation was involved in this entry in the income statement until the third quarter of 2013. It should be noted that this company is now going through a phase of excellent development and the loss shown for 2013 is only on account of the exceptional charges that had to be sustained for the acquisition of Palomar, which had an impact almost entirely on the financials of 2013. The contribution of the other associated companies, in particular Elesta, was positive for 2013.
The other net income (expenses) for 2,5 million Euros refer to the re-evaluation of the Cynosure shares in the portfolio which was made on September 30th 2013 after the recognition of the lack of influence by El.En. on the running of Cynosure; the rest of this entry is related to the sale of Grupo Laser Idoseme and Arex Srl by Quanta System S.p.A..

The pre-tax profit was 10.694 thousand Euros, a significant increase over the 6.092 thousand Euros registered on December 31st 2012.

The costs for current and deferred taxes this year was 4.275 thousand Euros, with a tax rate of 40%; for further details on this please consult the corresponding chart in the explanatory notes.

The income from continuing operations was 6.419 thousand Euros, which doubles the amount of 3.140 Euros registered for 2012.
As far the results of discontinued operations are concerned, as described in the paragraph below these were involved in 2012 and made it possible to enter revenue not only for the contribution of Cynosure during the 11 months in which the company was part of the Group, but also for the capital gains of 5,4 million Euros which were earned from the sale of part of the Cynosure shares and a re-evaluation in the income statement of 13,5 million Euros for the residual shares evaluated at fair value at the closing price of the offer. It is evident that this event which was not repeatable in 2013 makes it impossible to compare the net results for the two years. Net of the quota pertaining to third parties the result for 2013 amounts to 6.080 thousand Euros, as opposed to the 23.199 thousand Euros for the preceding year. It should be noted that if we remove the portion relative to discontinued operations from the quota of interest of third parties, the quota related to continued operations amounted to 1.010 thousand Euros in 2012 and then dropped, even thus the result had improved, to 339 thousand Euros in 2013, reflecting the generation of revenue concentrated in the companies in which the parent company had the greatest equity, in particular reflecting the decrease in revenue from the Chinese companies in which the Group has an interest as a Joint Venture of just over 50%.

Discontinued Operations 2012

The charts below show the details of the results of the discontinued operations for 2012

	Discontinued Operations	Continuing Operation Elisions	2012 Balance
Revenues	106.905	(4.783)	102.122
Change in inventory of finished goods and WIP	5.051	0	5.051
Other revenues and income	424	(2)	422
Value of production	**112.380**	**(4.785)**	**107.595**
Purchase of raw materials	42.293	(4.746)	37.548
Change in inventory of raw material	(1.200)	0	(1.200)
Other direct services	10.919	0	10.919
Gross margin	**60.368**	**(40)**	**60.328**
Other operating services and charges	21.274	0	21.274
Added value	**39.094**	**(40)**	**39.054**
For staff costs	24.170	0	24.170
EBITDA	**14.924**	**(40)**	**14.885**
Depreciation, amortization and other accruals	5.114	0	5.114
EBIT	**9.811**	**(40)**	**9.771**
Net financial income (charges)	(201)	40	(161)
Capital gain on stocks sold	5.416	0	5.416
Revaluations	13.530	0	13.530
Other net income (expense)	0	0	0
Income (loss) before taxes	**28.555**	**0**	**28.555**
Income taxes	1.559	0	1.559
Income taxes on capital gain and revaluation	324	0	324
Income (loss) for the financial period from discontinued operations	**26.672**	**0**	**26.672**
Minority interest from discontinued operations	5.603	0	5.603
Net income (loss)	**21.069**	**0**	**21.069**

As mentioned earlier and as shown in the special section of the consolidated Notes, after El.En lost control of Cynosure, starting in the end of November of 2012 this latter company is no longer wholly consolidated and the financials for

2012 were drawn up in conformity with IFRS 5. Since up to the date of sale the contribution of Cynosure to the results of the Group were defined as a *major line of business*, the sale operation was represented as a *Discontinued Operation*.

The net income from the “*Discontinued Operations*” for 2012, was 26,7 million Euros, and includes among other things the contribution of Cynosure for the 11 months in which it remained part of the Group, the capital gains derived from the sale of 840.000 shares in the company at the unit price of Euros 15,33 (net of the commissions for the underwriting) for a total of 5,4 million Euros, besides the re-evaluation at fair value (represented by the price at the closing of the offering for sale to the public) of the residual quota of the equity in Cynosure for a total amount of 13,5 million Euros. The net result from the “*Discontinued Operations*” for 2012 moreover also includes the reclassification of the comprehensive income of the conversion reserve related to Cynosure Inc. for 438 thousand Euros, after the loss of control of the American company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2013

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

	31/12/2013	31/12/2012 (a)	Var.
Statement of financial position			
Intangible assets	3.397	3.428	-31
Tangible assets	21.853	21.415	439
Equity investments	41.568	32.550	9.018
Deferred tax assets	6.123	5.812	311
Other non current assets	34	4	30
Total non current assets	**72.976**	**63.209**	**9.766**
Inventories	48.372	45.465	2.907
Accounts receivables	42.545	38.918	3.628
Tax receivables	4.254	3.522	732
Other receivables	6.324	4.763	1.561
Financial instruments	300	1	299
Cash and cash equivalents	42.868	40.475	2.393
Total current assets	**144.663**	**133.144**	**11.520**
TOTAL ASSETS	**217.639**	**196.353**	**21.286**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	50.493	37.664	12.829
Treasury stock	-528	-528	
Retained earnings / (deficit)	31.121	10.867	20.255
Net income / (loss)	6.080	23.199	-17.118
Share Capital and Reserves attributable to the Shareholders' of the Parent Company	**128.269**	**112.304**	**15.966**
Share Capital and Reserves attributable to non-controlling interests	6.037	11.651	-5.614
Total equity	**134.306**	**123.954**	**10.352**
Severance indemnity	3.115	3.340	-225
Deferred tax liabilities	1.303	1.315	-12
Other accruals	4.485	4.385	100
Financial liabilities	6.968	10.281	-3.313
Non current liabilities	**15.872**	**19.321**	**-3.449**
Financial liabilities	15.763	12.421	3.342
Accounts payables	31.227	22.992	8.235
Income tax payables	1.726	1.101	625
Other payables	18.745	16.337	2.409
Current liabilities	**67.461**	**52.850**	**14.611**
Non current liabilities held for sale		**228**	**-228**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**217.639**	**196.353**	**21.286**

(a) It should be noted that, as described in detail in the paragraph titled "Accounting principles and Evaluation Criteria of the Consolidated Report, the retroactive application of the amendments to IAS 19 ("Benefits to employees") comported the restatement on December 31st 2012 of the entries "Deferred tax assets", "Severance indemnity fund" and "Shareholders' equity".

In compliance with the Consob communication of July 28th 2006 and in conformity with the CESR recommendations of February 10th 2005 “Recommendations for the uniform implementation of the regulations of the European Commission on information charts”, the net financial position of the El.En. Group on December 31st 2013 is the following:

Net financial position		
	31/12/2013	**31/12/2012**
Cash and bank	42.868	40.475
Financial instruments	300	1
Cash and cash equivalents	**43.168**	**40.476**
Short term financial receivables	**1.383**	**20**
Bank short term loan	(13.612)	(9.321)
Part of financial long term liabilities due within 12 months	(2.151)	(3.100)
Financial short term liabilities	**(15.763)**	**(12.421)**
Net current financial position	**28.788**	**28.075**
Bank long term loan	(4.670)	(7.187)
Other long term financial liabilities	(2.299)	(3.093)
Financial long term liabilities	**(6.968)**	**(10.281)**
Net financial position	**21.820**	**17.794**

The net financial position of the Group has increased since December 31st 2012, and is presently about 22 million Euros thanks to the cash generated by current activity.
It should be noted that payments were made during this year by minority partners for about one million Euros to increase the capital as part of the operations being conducted to re-enforce the operating structures in the industrial sector in China and 0,6 million Euros in Brazil. In China about 1,7 million Euros in grants were received to facilitate the creation of the factory in Wenzhou.
Among the financial transactions that are not directly related to current operations, about 1 million Euros were spent for the purchase of a construction site in Wenzhou for the new factory.
Moreover, dividends were paid to third parties by the parent company El.En. S.p.A. for about 2.402 thousand Euros, and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A., ASA S.r.l. and Penta Chutian for a total of 1.482 thousand Euros.

RECONCILIATION CHART COMPARING THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH THE STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

	31/12/13 Income statement	**31/12/13 Capital and reserves**	**31/12/12 Income statement**	**31/12/12 Capital and reserves (a)**
Balance per parent company statement	**1.998.784**	**119.837.619**	**9.804.911**	**87.181.910**
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiary companies	1.615.358		1.432.486	
- share of profit (loss) of associated companies	(473.782)		48.214	
- elimination of rectification of value of equities	(355.745)		1.789.168	
- elimination of dividends	(2.150.098)		(418.512)	
- value adjustment of the Cynosure equity and rectification of the capital gains	2.488.657		8.721.320	
- other (charges) income	2.737.296		820.032	
Total contribution of subsidiary companies	3.861.686	11.277.751	12.392.708	28.187.601
Elimination of intercompany profits on inventory	333.283	(2.576.072)	967.255	(2.909.355)
Elimination of intercompany profits from sales of fixed assets	(113.583)	(270.009)	33.710	(156.426)
Balance as per consolidated statement – Group quota	**6.080.170**	**128.269.289**	**23.198.584**	**112.303.730**
Balance as per consolidated statement – Third party quota	**338.838**	**6.036.667**	**6.613.117**	**11.650.697**
Balance as per consolidated statement	**6.419.008**	**134.305.956**	**29.811.701**	**123.954.427**

(a) Comparative data restated after the adoption of IAS 19 Revised

RESULTS OF THE PARENT COMPANY EL.EN. S.p.A.

Financial highlights

The parent company, El.En. SpA, is active in the development, planning, manufacture and sale of laser systems for use on two main markets, the medical-aesthetic market and the industrial market; it also includes a series of after-sales services, like supplying of spare parts and consulting and technical assistance.
In following a policy of continued expansion over the years, El.En. SpA has founded or acquired numerous companies which operate in specific sectors or geographic areas, the activities of which are coordinated through the definition of the supply channels, the selection and control of the management, the partnerships in research and development activities and financing both on capital account and financing with interest or through the granting of credit on sales

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and determines the allocation of important managerial resources; also from a financial point of view, a large part of the resources of the company are allocated to sustain the activities of the Group.

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

The chart below shows the results of the sales in the sectors mentioned above shown in comparative form with those of last year.

	31/12/2013	Inc%	31/12/2012	Inc%	Var%
Industrial systems and lasers	7.466	16,13%	5.919	14,04%	26,13%
Medical and aesthetic lasers	31.427	67,88%	29.158	69,15%	7,78%
Service	7.404	15,99%	7.092	16,82%	4,41%
Total	**46.297**	**100,00%**	**42.169**	**100,00%**	**9,79%**

The growth in sales volume came close to 10 % , an excellent result that was achieved by all three sectors in which the Company operates. The sales volume in the industrial sector showed significant growth, over 25% thanks mainly to the excellent results of the company’s main client, the subsidiary Cutlite Penta and to an important order that is now being completed. The medical systems sector whose growth was also driven by the excellent results obtained by the main client, the subsidiary Deka MELA, also did well.

Income statement as of December 31st 2013

Income Statement	31/12/13	Inc.%	31/12/12	Inc.%	Var.%
Revenues	46.297	100,0%	42.169	100,0%	9,8%
Change in inventory of finished goods and WIP	1.412	3,0%	(494)	-1,2%	
Other revenues and income	846	1,8%	1.836	4,4%	-53,9%
Value of production	**48.555**	**104,9%**	**43.511**	**103,2%**	**11,6%**
Purchase of raw materials	25.513	55,1%	18.658	44,2%	36,7%
Change in inventory of raw material	(2.160)	-4,7%	1.108	2,6%	
Other direct services	3.874	8,4%	3.092	7,3%	25,3%
Gross margin	**21.328**	**46,1%**	**20.653**	**49,0%**	**3,3%**
Other operating services and charges	5.420	11,7%	4.832	11,5%	12,2%
Added value	**15.908**	**34,4%**	**15.821**	**37,5%**	**0,5%**
For staff costs	10.540	22,8%	9.950	23,6%	5,9%
EBITDA	**5.368**	**11,6%**	**5.871**	**13,9%**	**-8,6%**
Depreciation, amortization and other accruals	3.907	8,4%	3.197	7,6%	22,2%
EBIT	**1.460**	**3,2%**	**2.674**	**6,3%**	**-45,4%**
Net financial income (charges)	557	1,2%	(375)	-0,9%	
Other net income (expense)	716	1,5%	8.311	19,7%	-91,4%
Income (loss) before taxes	**2.733**	**5,9%**	**10.610**	**25,2%**	**-74,2%**
Income taxes	734	1,6%	806	1,9%	-8,9%
Net income (loss)	**1.999**	**4,3%**	**9.805**	**23,3%**	**-79,6%**

The gross margin was 21.328 thousand Euros, an increase of 3,3% with respect to the 20.653 thousand Euros for the same period last year and with an incidence on the sales volume which fell from 49% on December 31st 2012 to 46,1% on December 31st 2013. In relation to this, the drop this year of over a million Euros in research grants received and entered in the income statement has had a significant impact because it penalizes the gross margin directly as well as all the other results which we will comment on below.

Costs for operating services and charges were 5.420 thousand Euros, showing an increase of 12,2% with respect to December 31st 2012, which is just slightly more than the growth in sales volume and consequently has an incidence on the sales volume which rose from the 11,5% registered on December 31st 2012 to 11,7% .

The cost for staff was 10.540 thousand Euros showing an increase of 5,9%, and indicates greater productivity. As of December 31st 2013 there were 193 employees in the company, 11 more than at the end of 2012.

A large portion of the personnel expenses is directed towards research and development, for which El.En. S.p.A. receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. The grants entered into accounts as of December 31st 2013 amounted to 284 thousand Euros while for the same period last year they amounted to 1.391 thousand Euros.

For the reasons explained above the EBITDA is 5.368 thousand Euros, a decrease with respect to the 5.871 thousand Euros for last year, with an incidence on the sales volume which fell from 13,9% for last year to 11,6% for 2013.

Costs for amortizations, depreciations and accruals amounted to 3.907 thousand Euros, an increase with respect to the 3.197 thousand Euros for 2012. This increase is mainly due to accruals made during the year for credit risks made necessary by the presence of some receivables that may be difficult to collect from some of the subsidiary companies, including the approx. 2 million Euros owed by the subsidiary Deka GmbH.

The EBIT consequently fell from 2.674 thousand Euros in 2012 to 1.460 thousand Euros for this year and registered a decrease of 45,4% and an incidence on the sales volume of 3,2%.

Net financial income was 557 thousand Euros, thanks to an improved exchange rate and, above all, to the dividends received by the subsidiaries Deka MELA S.r.l. for 357 thousand Euros, Quanta System S.p.A. for 200 thousand Euros and Lasit S.p.A. forr 140 thousand Euros.

The other net income and charges registered a positive amount, most of it generated by the 1.676 thousand Euros reversed from the reserve for losses of associated companies for the accrual made in preceding years on Deka GmbH. On the other hand, negative amounts were shown due to the devaluation made on the amount of the equities held in Cutlite do Brasil, Esthelogue Srl, SBI SA and Deka Sarl for a total amount of 960 thousand Euros.

The pre-tax profit consequently was 2.733 thousand Euros as opposed to the 10.610 thousand Euros for last year.

The fiscal costs for this year were 734 thousand Euros as opposed to the 806 thousand Euros for last year. Due to the fact that as the parent company they adhered to the procedure described in articles 117 and following of the TU on income tax and the Ministerial Decree which came in to force on June 9th 2004 (national fiscal consolidated) the entry for income taxes includes, for the amount of 51 thousand Euros, the charges derived from the recognition in favor of the subsidiary companies adhering to it, the compensation sum that is equal to the amount of the transformation of the losses used in the procedure, on the basis of the tax aliquot for companies (IRES) in force at the time of use that is refereed to, as stipulated with the other parties. The option is valid for the three-year period 2011-2013 for the subsidiary Esthelogue Srl and for the three-year period 2012-2014 for the subsidiary Cutlite Penta Srl.
The tax rate for this year rose from 7,59% last year to 26,87% for this year because the significant amount of capital gains registered last year benefitted from the partial exemption called “PEX”.

STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2013

	31/12/2013	31/12/2012 (a)	Var.
Statement of financial position			
Intangible assets	55	40	15
Tangible assets	12.590	12.807	-218
Equity investments	57.749	21.777	35.972
Deferred tax assets	3.042	2.353	689
Other non current assets	33	3	30
Total non current assets	**73.469**	**36.980**	**36.488**
Inventories	20.687	17.350	3.336
Accounts receivables	27.381	31.403	-4.022
Tax receivables	1.079	1.181	-102
Other receivables	4.124	4.337	-213
Cash and cash equivalents	21.809	22.929	-1.120
Total current assets	**75.079**	**77.200**	**-2.121**
TOTAL ASSETS	**148.548**	**114.181**	**34.367**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	78.183	37.721	40.462
Treasury stock	-528	-528	
Retained earnings / (deficit)	-918	-918	
Net income / (loss)	1.999	9.805	-7.806
Total equity	**119.838**	**87.182**	**32.656**
Severance indemnity	968	1.056	-88
Deferred tax liabilities	1.128	769	359
Other accruals	490	3.028	-2.538
Financial liabilities	4.037	7.358	-3.322
Non current liabilities	**6.623**	**12.212**	**-5.589**
Financial liabilities	6.207	4.049	2.158
Accounts payables	12.287	7.218	5.069
Income tax payables	146	33	113
Other payables	3.448	3.487	-39
Current liabilities	**22.087**	**14.787**	**7.301**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**148.548**	**114.181**	**34.367**

(a) It should be noted that, as described in detail in the paragraph titled “Accounting principles and Evaluation Criteria of the Consolidated Report, the retroactive application of the amendments to IAS 19 (“Benefits to employees”) comported the restatement on December 31st 2012 of the entries “Deferred tax assets”, “Severance indemnity fund” and “Shareholders’ equity.

Net financial position		
	31/12/2013	**31/12/2012**
Cash and bank	21.809	22.929
Cash and cash equivalents	**21.809**	**22.929**
Short term financial receivables	**102**	**20**
Bank short term loan	(5.350)	(2.349)
Part of financial long term liabilities due within 12 months	(856)	(1.300)
Other short term financial liabilities	0	(400)
Financial short term liabilities	**(6.207)**	**(4.049)**
Net current financial position	**15.704**	**18.900**
Bank long term loan	(3.187)	(5.533)
Other long term financial liabilities	(850)	(1.825)
Financial long term liabilities	**(4.037)**	**(7.358)**
Net financial position	**11.667**	**11.542**

For an analysis of the net financial position, please consult the Notes in the separate financial statement of El.En. S.p.A.

SUBSIDIARY RESULTS

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

The chart below contains a summary of the results of the companies belonging to the Group that are included in the area of consolidation. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the financial year 2013.

	Revenues 31-dic-13	**Revenues 31-dic-12**	**Var. %**	**EBIT 31-dic-13**	**EBIT 31-dic-12**	**Net income 31-dic-13**	**Net income 31-dic-12**
Deka Mela Srl	29.567	24.937	18,57%	1.259	682	1.166	724
Cutlite Penta Srl	14.168	10.068	40,72%	272	-1.023	1.234	-649
Esthelogue Srl	5.192	3.845	35,04%	-450	-349	-337	-259
Deka Sarl	2.534	2.315	9,46%	-646	-707	-642	-704
Deka Lasertechnologie GmbH	145	147	-1,07%	-339	-34	-339	-34
Deka Laser Technologies Inc.	481	1.525	-68,42%	-60	-335	-77	-350
Deka Medical Inc.	1.430	3.120	-54,18%	-663	-260	-687	-256
Quanta System SpA	27.116	24.095	12,53%	3.026	1.595	2.021	757
Asclepion Laser Technologies GmbH	23.152	21.796	6,22%	1.433	1.033	281	412
Asa Srl	6.788	6.451	5,23%	1.170	1.053	731	725
Arex Srl (*)	412	665	-38,06%	-7	4	-18	-15
AQL Srl	121	181	-33,19%	9	4	5	0
Lasit Spa	7.339	7.444	-1,40%	399	523	390	389
Lasercut Technologies Inc.	251	195	28,45%	-331	-16	-336	-21
BRCT Inc.	0	0		-585	-1	-603	2
With Us Co LTD	19.486	24.508	-20,49%	-377	513	-284	224
Deka Japan Co LTD	3.136	3.543	-11,51%	328	529	161	304
Penta Chutian Laser (Wuhan) Co Ltd	19.122	16.926	12,98%	-191	-2	-566	109
Penta Laser Equipment (Wenzhou) Co Ltd	10.861	0		-418	0	-335	0
Lasit Usa INC	89	591	-84,97%	230	131	230	131
Cutlite do Brasil Ltda	4.587	3.991	14,93%	-239	-265	-212	-471
Pharmonia Srl	3.630	1.905	90,54%	113	157	73	110
Quanta France Sarl	1.044	354	194,87%	193	-194	191	-197

(*) data up to 09/30/2013

Deka M.E.L.A. S.r.l.

Deka represents the main marketing channel for the range of medical laser systems developed in the El.En. factory in Calenzano; it was one of the first companies to become part of the Group and has gradually consolidated its position on the market, first in Italy and then abroad. Deka operates in the field of dermatology, aesthetics, and surgery and makes use of a network of agents for direct distribution in Italy and highly qualified representatives for export.

To the subsidiary ASA, after the acquisition in 2003, DEKA has assigned the management of the physical therapy segment with excellent results in terms of both sales volume and earnings.

Again in 2013 the growth of the company of 18,6% was exceptional thanks to the good results on the Italian market especially in consideration of the extremely negative economic climate but, above all, to the export sales.

Also on the international markets the conditions are not all the same, but it is mainly the Far Eastern and Middle Eastern markets that are driving the growth and have overcome the difficulties that are still present on the European markets. The increase in sales volume in any case, was obtained with a stable margin which, with substantially no changes in overhead, comported a significant increase in the EBIT.

The organization of Deka, both in Italy and on the international network, is now a recognized presence and is known for innovative products, professional quality of its range and excellent performance of the laser systems it distributes; this is an achievement for the development of the company in the past few years and it is also a condition which will allow for further growth in the future thanks to the capacity of the company to move new products through a consolidated and highly organized distribution network.

Cutlite Penta S.r.l.
This company, located in Calenzano, is active in the manufacture of laser systems for industrial cutting applications and installs the laser power sources produced by El. En. SpA on “X-Y” movements controlled by CNC. Since 2013, after the merger with Ot-las S.r.l., they added the business of laser marking for large surfaces with galvanometric movement of the beam. The reorganization of the operations thanks to the combined technical and commercial management produced results immediately on the market position of the company and allowed Cutlite Penta to close the year with a good EBIT of 272 thousand Euros. This result, besides its importance in absolute terms, should be interpreted in even more positive terms as a brilliant recovery from the loss of over one million Euros that occurred in the previous year. During 2013 the parent company El.En. increased its equity in the company by acquiring the quota of one of the minority partners.
As previously mentioned, the source of the good results for this year is to be found in the renewed focus on some segments in which Cutlite Penta traditionally excelled, the cutting of plastic and moulds, and the work that has been conducted in the sector of marking systems. The sales volume increased over 40% and reached 14 million Euros and the sales margin increased 3,5 points, thus creating the base necessary for a return to operating revenue.

For this company the connection with the parent company El.En. S.p.A., remains fundamental both for the supply of laser sources and for the collaboration on projects for new systems and new accessories, in particular for “beam delivery”, and for the financial support that El.En. supplies even for mid-term initiatives like the expansion on the Chinese market through the subsidiary **Penta Chutian Laser (Wuhan).**
This latter company was created six years ago for the purpose of acquiring a local manufacturing structure in the most important market in the world. This represented the condition that was necessary in order to play a significant role against the local competition which is very fierce at a price level, and the International competition which is better established than ours. The results have been encouraging and a significant portion of the market in the field of high to medium power sheet metal cutting has been obtained along with a company worth about 20 million Euros. In early 2013 an operation was initiated, with the founding of **Penta Chutian Laser (Wenzhou)**, a subsidiary of Cutlite Penta with the same percentage as Wuhan, directed toward the expansion of the production capacity through the construction of a new factory, and to give new impetus to the development of products for the Chinese market thanks also to some grants provided by the local government. From an operative standpoint the results of the two Chinese companies has not been very satisfactory this year, and they have registered significant losses which were due to the failure to achieve the growth objectives. The range of the products being offered, especially in relation to the changes in the technological pattern of the segment of metal cutting, has been reorganized by the company this year in order to win back a position that will let them start growing again and the results became visible in the fourth quarter.
Moreover, as part of the reorganization of the activities and the transition to Wenzhou, Penta Chutian Laser of Wuhan paid a dividend to the shareholders of about 2.271 thousand Euros, of which 1.249 thousand Euros as part of the quota to Cutlite Penta Srl.
The financial income derived from this payment when added to the EBIT, created for Cutlite Penta a record amount of net income amounting to over 1,2 million Euros.

Quanta System S.p.A.
Quanta System started as a research laboratory and became part of the area of consolidation of the Group in 2004; it represents a company of excellence at a global level for its innovation and technological research in the laser sector.
In 2012 the parent company El. En. acquired 40% of the shares of the company from the minority shareholder who also left his position as president, and thus El.En. became sole owner. In the last few years, Quanta has capitalized on its superiority in laser technologies and has acquired increasingly larger shares of the market in some sectors of applications of medical lasers. The most important of these applications are: the instruments for the treatment of benign hyperplasia of the prostate, originally with Nd:YAG at 532nm technology, and later with Thulium technology; Holmium medium power laser systems for lithotripsy; Q-switched laser systems for the removal of tattoos and pigmented lesions, and alexandrite systems for hair removal.
At present the products offered by Quanta System are very focused on the demands of the market and have produced the brilliant results that Quanta achieved again in 2013: a growth of 12,5% and an EBIT of 11,2% on the sales volume which is above the average of the Group. These results confirm the decision of the parent company to buy out the entire capital and thus give free rein to all of its potential.

Lasit Spa is specialized in the manufacture of marking systems for small surfaces and besides having a valid research and development team in the headquarters in Torre Annunziata (Naples). Lasit is also equipped with a complete modern mechanical workshop where they carry out work for other companies of the Group and are able to offer their own clientele customized services which make the company unique on the market. The ability to offer customized products and services and the specific attention to the requirements of the clientele have been the basis for the success that Lasit has had starting in 2011 and culminating in 2012 with the best financial year in the history of the company and the consolidation of its position on the market.
In 2013 the company was able to repeat the success they had achieved in 2012 and obtained a sales volume and a revenue that was only slightly below that of the previous year. The financial position remains very solid. The activities

of the American branch, **Lasit Usa** Inc. have gradually diminished and in December 2013 the company changed its name to **Lenap Inc**., ceased to operate and initiated procedures for closure.

Asclepion Laser Technologies GmbH
This company was acquired in 2003 from Carl Zeiss Meditec and represents one of the main companies of the Group; thanks to its geographical location in Jena, the global cradle of the electro-optical industry and its capacity to associate its image with the highly prestigious consideration which the German high-tech products enjoy throughout the world, in the last few years, Asclepion has continually acquired portions of the market for laser equipment for medical applications.
The results for 2013 were very good and registered a growth in sales volume of 6,2% and an EBIT close to 1,5 million Euros. A crucial factor in the success of the company was the Mediostar Next laser system for hair removal which was enormously successful. In any case, the research activity of the company produced new systems to be sold along with Mediostar in 2013, in particular, Quadro Star PRO Yellow for vascular applications and the new Erbio MCL 31 Dermablate system which represent an evolution of the special systems for which Asclepion has historically been the market leader. Sales of Holmium and Thulium systems in the surgical sector also made significant contributions to the results for this year.

With Us Co Ltd
This company distributes Deka products on the Japanese market and in the past few years has become one of the most important companies for the Group. Some specific models are produced specifically for the requirements of this market. Although some of these systems were directed to a single market they have often turned out to be best sellers for Deka. There are already several thousand units installed and they increase every year. The “all inclusive” customer assistance contracts which are supplied to the numerous clientele represent an important part of the sales volume of the company.
The impact of the sudden devaluation of the Japanese Yen is evident in the accounts of the company which shows revenue connected to the local currency and a large portion of the purchases, those that come from the companies of the Group, which are connected instead to the Euro. The average exchange rate between the Euro and the Yen which, in 2012, was 102, in 2013 rose to 129. The results from sales is equal to that of last year (2,5 billion Yen), but they are influenced by the increase of the incidence of the purchases so that the sales margin is reduced by 5% which is decisive in determining a loss for this year. When this result is transferred to the consolidated statement in Euros, the impact of the exchange rate is evident and reduces the sales volume by 20%, six million Euros, with respect to last year.
Independently from the situation of the Exchange rate which at present limits the possibility of producing revenue with the sole activity of distribution of European products on the Japanese markets, the company, with its particular size and position is still a fundamental market for the products of the Group.

ASA S.r.l.
This company, located in Vicenza, is a subsidiary of Deka M.E.L.A. S.r.l., and operates in the sector of physical therapy, for which it develops and manufactures a range of laser equipment, and it also is active in the distribution and marketing of some of the equipment produced by the Parent Company El.En. S.p.A.. The perfect balance between the innovation of products and the clinical and commercial activities directed towards the support of the therapeutic methods of the systems developed has consolidated the quality of their offer and along with it their position on the market so that the company has been able to register a constant growth rate, even in these years of crisis.
Again in 2013 ASA showed a growth in their sales volume (+5%) and EBIT (+11%) and thanks to this the company has been able to consistently pay dividends to their shareholders .

Other companies in the medical sector
Deka Sarl distributes the range of Deka laser systems in France. Although the sales volume showed a recovery (+9,5%) this year, in 2013 the company was not able to register the expected turn-around in the results, which remain negative. The French market is a fiercely competitive arena where our main international competitors, most of them American, operate, and they have had the advantage in the last few years of the weakness of the US dollar. This has caused produced considerable pressure on the sales margins which has nullified the growth in sales volume and has limited to just a few tens of thousands of Euros the improvement in the result for this year. In order to sustain the capitalization which ha been made insufficient by the losses, El.En. S.p.A. has re-capitalized the company by converting to capital and covering the losses of the debts for supplies.

La **Deka Lasertechnologie GmbH,** had the same purpose as the French company but operated on the German market. At the end of 2012 it left its activity of direct distribution in order to act as a support for the external distributor and in 2013 it ceased activty entirely.

Deka Japan, operates as a distributor of the Deka brand medical systems on the Japanese market. The company has gradually acquired a significant role on the market and increased its sales volume. It has consolidated its competitive position by obtaining from the MOH (Ministry of Health) the authorization to sell Smartxide Dot systems which can now be advertised and sold in Japan this increasing sales. Due to the variety and innovation of the products being offered and notwithstanding the impact of the weakness of the Japanese Yen on the sales margins, the results for this year are good thanks to a significant increase in sales. (+12% in Yen).

The two companies that are involved in the distribution of Deka systems in the United States, **Deka Laser Technologies Inc**. for the dental sector and **Deka Medical Inc**. for the medical/aesthetic and surgical sector were reorganized this year. Distribution in the dental sector has been assigned to a third party and Deka Laser Technologies has been assigned an external supporting role. The medical/aesthetic sector has also been given to an outside distributor who, at the time that this annual report was closed, had been assigned distribution in the United States. Deka Medical in any case, will still maintain a central role in the marketing and in relations with the experimenters and medical representatives. The loss for this year therefore should be interpreted as a period of transition to a new form of organization which will be able to deal with the American market more profitably.

Since 2009 **Esthelogue S.r.l.** has been active in the distribution of the systems produced by the Group for the professional aesthetics market in Italy. After the initial rapid expansion in 2010 which was followed by a series of problems created by the lack of financing and insolvency of the clientele of this sector, a painful but necessary reorganization of the activities and structure of the company was made. The company was restructured on a new basis with reduced overhead and organization more suited to the present market conditions and, thanks to the financial and operative support of the El.En. and Asclepion partners the activities were re-launched and in 2012 showed positive results which were re-enforced in 2013. One should recall in this regard the importance of the regulations issued in the inter-ministerial decree which clarified the areas in which laser technology could be used by professional beauticians. In 2013, the Region of Tuscany which initially had opposed the decree, also accepted it. Consequently, after the market had been opened also for technologies in the hair removal segment, Esthelogue obtained success by demonstrating the technological superiority of the performance and reliability of the systems the offered, in particular the Mediostar Next laser system which has become leader and point of reference on the market. The current results are positive but the accruals and devaluations entered into accounts continue to demonstrate the difficulty in collecting the mid-term credits that were granted during the first years of activity. The financial support of the parent company remains essential for the expansion in a segment that was severely hit by the economic crisis and which could benefit significantly by slackening of the present restrictions on the granting of financing to individuals operating in this sector.

Pharmonia S.r.l., to their activity as distributors of aesthetic systems specifically designed and created for use in pharmacies, has now added the distribution in Italy of the systems for medical applications that are produced by their parent company, Asclepion.

Quanta France is the French distributor for Quanta System which controls it by 60%. The activity in 2013 was satisfactory and contributed to the positive results of Quanta. Quanta contributed to their financial stability also by formally living up a part of the amounts owed for supplies which, in any case will be reimbursed by the subsidiary company when conditions are better, i.e., if they maintain the profitability registered in 2013.

This year the controlling interest in the medical center **Arex S.r.l.,** specialized in the treatment of psoriasis and vitiligo, was sold to the minority shareholder.

Other companies in the industrial sector

BRCT Inc. owns the little industrial factory Branford, Connecticut, and acts as a financial sub-holding which owns a series of foreign equities including **Lasercut Technologies Inc.,** which has its headquarters in the offices in Branford and conducts residual activity of after-sales service for some of the industrial systems in the United States.

Cutlite do Brasil Ltda has their factory in Blumenau in the state of Santa Catarina. The company has 31 employees and manufactures laser systems for industrial applications and distributes laser systems produced by the Italian companies belonging to the Group. Between the end of 2012 and the beginning of 2013 in the company some of the minority partners involved in the operative management were replaced and at the same time there was an increase in the capital to cover the losses incurred in the start-up years of the company. In 2013 the success of the new management was apparent in terms of growth of the sales volume (+ 31% in Brazilian Reals) while the net result was influenced by the costs inherent in the extraordinary operations and, even though an improvement over 2012 was registered, it is still negative. The results of the fourth quarter with an excellent volume of business with good sales margins and operating costs now under control, demonstrates the improvements that have been made in the management of the activities, which will certainly be confirmed in 2014.

RESEARCH AND DEVELOPMENT ACTIVITIES

During 2013 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.
This activity was intensified by the economic crisis which required even more attractive items for the market through the presentation of new products and applications. Effective innovations, in fact, can convince both our medical and industrial clients to overcome their fears about investing, since they can look forward to attracting clients with the improvements and novelties that we offer.

In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance 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- to long-term schedules.

In our laboratories we conduct research on new or unsolved problems in medicine and industry and we try to find solutions on the basis of the experience and culture that we have developed on the interaction between laser light and biological and inert materials. As far as laser lights are concerned, we develop the sources on one hand by making a selection of its spectral content, the methods for generating it and the optimal level of power and, on the other hand, we program its management over time in relation to the laws governing its disbursement and in space as far as the shape and movement of the light beam is concerned.

The research which is aimed at obtaining mid-long-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centers throughout the world, some of which we collaborate with.
Research which is dedicated to achieving results according to a short-term schedule is concentrated on subjects for which all the preliminary feasibility studies have been completed. For these subjects a choice has already been made regarding the main functional characteristics and specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study and some in the phase of field verification.

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

The El.En. Group is currently the corporation in the world that produces such a vast range of laser sources, in terms of the different types of active means (liquid, solid, with semiconductor, gas) each one with various power versions in some cases, and using various manufacturing technologies. Consequently, research and development activity has been directed to many different systems and subsystems an accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the parent company and some of the subsidiary companies have been involved is given below.

<u>Systems and applications for lasers in medicine</u>
The parent company, El.En. has developed a new family of equipment and sub-systems for the SMARTXIDE[2] family products for surgical uses and aesthetic medicine. The systems are equipped with a laser source fed by radio frequency with an average power of up to 80w and interface management from personal computer installed on the device.

These are multi-disciplinary systems which can be used in general surgery, otolaryngology, dermatology, gynecology, odontostomatology, neurology, laparoscopic surgery, aesthetic surgery, and, in the same field, research for new clinical applications in gynecology, paradontology and endodontics, in neurology and ophthalmology has been continued or initiated. For this purpose we are now working on further technological innovations contained in scanning systems characterized by optical systems and newly developed electronic controls, which make it possible to perform surgical operations on various parts of the anatomy with extreme precision. For some of the versions of this type of instruments we have developed a way to install a second semiconductor laser source in which the wave length can be selected by the client when ordering. For the semiconductor sources we are now conducting research with medical specialists for the development of uses in other fields.

Intense research is also being conducted at various centers in Italy and other countries in order to collect clinical results relating to the innovative possibilities offered by the equipment of this type.

An application that is extremely important is used in gynecology and, in particular, for a new treatment to reduce the effects of the atrophy of vaginal mucous. There are already several centers in Italy and other countries that perform this treatment which is called the "Mona Lisa Touch". This particular pathology is common and quite disabling with interactions with other pathologies that often causes urinary incontinence; it afflicts a high percentage of women in menopause and younger women with tumors.
We have developed a new applicator for endovaginal laser treatment and have requested an international patent for it. This treatment has the advantage of greater facility of use with respect to the previous El.En. device for which an International patent had already been requested.

The research activities that are part of the MILORDS project were continued. This project was approved by the Region of Tuscany and co-financed by the European Union; the MILORDS project involves the development of new robot-controlled laser systems for surgical applications in opthamology, cutaneous ulcers, treatment of benign hypertrophy of the prostate, and, eventually, the percutaneous ablation of masses inside the human body. The project, in which El.En. is the leader, has as its partners the leading research centers in Tuscany in this sector and companies that are connected to multinationals in the field of robotics. The research of this type is part of the trend involving development of systems for minimally invasive surgery which has a major impact both on the quality of life of the patient and on the reduction of expenses for the health care agencies.

In the important and highly innovative field of the development of laser devices and procedures for regenerative medicine, we have continued to develop new laser equipment and to conduct clinical experimentation in the veterinary field in the United States and in Europe, in particular in relation to valuable horses involved in competitive sports, with innovative laser equipment for therapies that are part of regenerative medicine belonging to the HILT family (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment) which we introduced and which have recently been successfully used in physical therapy for the treatment of trauma and chronic infections.

We are now concluding the development of high performance hair removal systems obtained by increasing the power so that the doctor can cover a greater surface with every position of the handpiece. Some of the new devices have already been sold.

We have actively continued the engineering and development activities related to the results of the TRAP project financed by the European Union through the Department of Economic Development of the Region of Tuscany.

As part of this project, in collaboration with the associated company Elesta Srl created by El.En. and Esaote we have conducted research and technological development activities on new cooled percutaneous applicators with circulation of liquids and diffusion terminals. Research and experimentation have continued *in vitro* and *in vivo* on animal subjects for new devices and methods for the percutaneous laser ablation of the liver, thyroid, breast, prostate and lungs.

We have continued research and experimentation in collaboration with the university clinics of Pisa and Florence and with the Department of Engineering and Telecommunications of the University of Florence; we have continued research for to determine methods to characterize tissue, treated with lasers for purposes of ablation, with radio frequency ultrasound signals to improve the verification phase of the effects of the treatment that has been received.

We have conducted operations for the industrial development and certification of the therapeutic effectiveness of the laser equipment and devices for the treatment of cutaneous ulcers that were developed as part of the TROPHOS project. This project was conducted with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany.

At the same time, active clinical experimentations have continued in Italy and in qualified foreign centers in order to confirm and document the effectiveness of innovative therapeutic laser treatments in various fields of medicine: odontostomatology and aesthetics.
We continued operations to extend the intellectual property of the Group by formulating international patents and assistance in granting them on an international basis; at the same we have been taking the necessary measures for the protection in the most important countries of our brand names and applications. We have conducted studies on the feasibility of new dye laser applications in dermatology. The dye laser system also underwent new technological developments.

In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of ophthalmology and neurology. We are now conducting experiments with laser devices for surgical operations in the fields of orthopedics and the spinal column.

Quanta System continued their activity for the development of two new laser types, a Holmium and a Thulium infrared, for the treatment of benign hypertrophy of the prostate; they also conducted research on new multiple wave-length laser applications with Q-switch technology for the treatment of skin blemishes and for the removal of tattoos.

In part with financing derived from a project of the European Union, Asclepion Laser Technologies continued their clinical experimentation and development of a fiber laser for use in the field of urology.

DEKA M.E.L.A. in collaboration with El.En. carried on an intense research activity with the objective of identifying new applications and the experimentation of new methods to be used by laser equipment in various medical sectors: aesthetic, surgical, gynecological, otolaryngology and odontostomatology. This activity is conducted by involving highly specialized personnel working for the company and the Group to which the company belongs, as well as for Italian and foreign academic and professional medical centers.

Laser systems and applications for industry

At El.En., in collaboration with the subsidiary Cutlite Penta they are conducting research to optimize the emission wave length of the CO_2 power lasers for applications in the field of cutting and welding plastic products. We have also developed innovations in the radio frequency sources in order to obtain versions with greater avergae power.
We also continued tests and experiments on scansion heads and focalizing for fiber lasers for remote control welding plants for metal materials in the automotive field and the mass production of furniture parts. As part of this research, we have begun to develop a new dynamic system for high-speed response focalizing.

We have also been working on the development of systems for focalizing and beam scanning to be used for the cutting and welding of plastic materials in the sector of equipment for making packaging of food and for chemicals for various uses. We have conducted tests and experiments on algorithms and sensors for new high-speed marking methods with variable jobs in real time, according to the codes that are present on the material that needs to be processed in reels of paper and other materials. We have applied for a patent for this process.

Further development activities and tuning processes have been carried out for cutting MDF (Medium Density Fiberboard) rigid wooden modular packaging, an expanding sector as far as high quality fruits and vegetables packaging is concerned. These products are increasingly imported from other latitudes since they have to balance the seasonal shortage, so packaging must be safer in order to reduce costs and preserve the quality of the products. For this purpose El.En is cooperating with Obeikan Group, leader for volume and advanced technology in MDF packaging sector. The work of development was focused on the optimization of the process parameters whose efficiency needs to be brought to the highest level in order to achieve the economic competitiveness required in the transition between the laser excitation and high tension discharge to the new RF laser sources with the beam being carried by optics housed on Cartesian high dynamic handling systems. To further optimize the performance of these new sources, we are also starting a collaboration on the development of the galvanometer scan technology for sources in order to exploit the even higher dynamics of these systems of deflection of the laser beam, with respect to the Cartesians systems: we need to develop aspects and limits of this technology which manages cutting through a remote process without the aid of proximity devices for focusing and supplying process gas.

At El.En., in collaboration with SITEC of the Politecnico of Milan, we have conducted research on remote control welding of sheet metal with superficial treatments and applications with optical retroaction systems. We are now conducting feasibility studies for the manufacturing process of subsets for the oil drilling industry.

In the metal cutting sector, Cutlite Penta has been involved in the development of new systems and innovation of technical solutions for systems that are already being manufactured. They have completed tests on the structural and functional innovations developed for sealed CO_2 sources produced by El.En., with higher power and greater level of compaction.
They have developed new compact cutting systems with higher performance and lower costs. They are developing systems to eliminate most of the optical routes of the CO_2 laser ray with solutions that include the direct assembly of the new sources with Radiofrequency pumping on the mobile portal of the machine. They completed the development of the software for the execution using raster scansion for marking metal and other kinds of surfaces on the cutting machine in order to obtain a selective effect of light diffusion for functional and decorative purposes.

They have begun feasibility studies for new laser applications in the manufacturing cycle of glass objects, both for cutting and superficial treatments. They continued the activity for the of systems directed to the OEM market and for the integration on production lines or cells for work on high speed 2D marking lines for 3D cutting of components and thermo-perforated plastics.

The following chart shows the costs for Research and Development for this year.

thousands of euros	**31/12/2013**	**31/12/2012**
Costs for staff and general expenses	5.947	5.855
Equipment	35	39
Costs for testing and prototypes	1.001	1.186
Consultancy fees	468	372
Other services	340	79
Total	**7.791**	**7.532**

As has been the regular company policy in the past, the expenses listed in the table have been entirely entered into accounts with the operating costs.
The amount of expenses sustained corresponds to 5,% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 9% of its sales volume.

RISK FACTORS AND PROCEDURES FOR THE MANAGEMENT OF FINANCIAL RISKS

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
The Group is exposed to the risk of fluctuations in the exchange rates of the currencies used for some of their financial and sales transactions. These risks are monitored by the management which takes all the necessary measures to limit the risks. Since the parent company draws up its financial reports in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency can negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity expressed in Euros in the consolidated statements of the Group.

This year With Us Co. Ltd stipulated a "currency rate swap" agreement in order to cover in part the exchange rate risks for purchases in Euro.

Operation	*Notional value*	*Fair value*	
		Positive	*Negative*
Currency swap	€ 2.750.000		-105
Total	€ 2.750.000		-105

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation fund which is accrued at the end of the year represent about 16% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the relative note of the consolidated financial statement.

In relation to guarantees granted to others, it should be noted that the Parent Company El.En., along with a minority partner, in 2009 underwrote a bank guarantee for a maximum of 1 million Euros to guarantee the debt of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing of 900 thousand Euros, the installments for which expire up to 84 months after the date of issuance, which took place in the second half of 2009. Moreover, after the acquisition of the entire equity from the minority shareholder on October 8th 2012, El..En. was committed to relieve this partner of any type of economic demand made by the Banca Popolare di Milano.

During 2011 the Company also underwrote the following guarantees:

- a bank guarantee jointly with the companies which are participating in the ATS constituted for this purpose, for a maximum of 3.074 thousand Euros as a guarantee for the pay back of the amount guarantee as down payment on the research project “MILORD”, which has been included in the grant issued by *Bando Regionale* 2010 approved by the Region of Tuscany with Directive Decree n. 670 of February 25th 2011, which expires in September 2014.

And this year:
- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duty in compliance with ex art. 34 of the T.U.L.D., owed for temporary imports, which expire in June of 2014 and can be extended annually.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum of 1.178 thousand Euros as a guarantee for the payment of the sum required as a reimbursement for the tax on the value added related to the fiscal period 2010, which expires in March 2015.

Cash and interest rate risks
As far as exposure of the Group to cash and interest rate risks is concerned, it should be recalled that the amount of cash held by the Group remained substantial during this year and was sufficient to pay off all debts and with a very positive net financial position at the end of the year. For this reason we believe that this type of risks is adequately covered. In any case, during the year the Parent Company El.En. and Quanta System underwrote IRS contracts with major credit institutions for the coverage of the interest rates on current financing.

The coverage was made with the neutralization of the potential losses on the instrument (the financing) with the profits registered on another element (the derivative).

IAS 39 covers some types of *Hedge Accounting*, one of which, the *Cash Flow Hedge* corresponds to this type of hedge. The *Cash Flow Hedge* has as its objective that of covering exposure to variations in future cash flow which can be attributed risks associated with certain items in the financial statement. In this case, the variations in *fair value* of the derivative are referred to the shareholders’ equity for the effective amount of the coverage and they are reported in the income statement only when, with reference to the item covered, the variation in cash flow to be compensated appears. If the coverage turns out not to be effective the variation in fair value of the coverage contract must be entered in the income statement.

Operation	*Notional value*	*Fair value*	
		Positive	*Negative*
IRS	€ 833.333		(6.262)
IRS	€ 52.632		(465)
Total	€ 885.965		(6.727)

In order to evaluate the potential impact derived from the variation in the interest rates being used, it should be pointed out that, since the financing involved is not for exceptionally large amounts, any variations in the rate would not have a significant impact on the shareholders' equity.

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

STOCK OPTIONS OFFERED TO DIRECTORS AND EMPLOYEES

The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated stockholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were working in a subordinate position. The stock option plan was divided into two equal portions which can be implemented in conformity with the following terms:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report for 2011 by the Board of Directors.

Subsequently, the rights on the options could be exercised as follows:

- if the shareholders' meeting, during the approval of the report for 2011, had voted to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits were not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting had voted in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013;
- otherwise, if it was decided to not distribute the profits for the year 2012, the period in which the rights could be exercised would terminate on the date, if earlier than May 15th 2013, of the approval of the proposed annual report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors could take place exclusively during the time intervals mentioned above for the exercising of the rights.
b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the proposed annual report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options could be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approved the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it was decided not to distribute the profits for the year 2012, the period for exercising the rights would terminate on the date, if before May 15th 2013, of the approval of proposed annual report for 2012, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros could take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

On May 15th 2013 the term for underwriting the increase in capital voted by the Board of Directors on July 15th 2008 for the stock option plan expired without any of the options having been picked up. Consequently, since it had been specifically voted that the capital stock should be increased on May 15th 2013 for the amount of the underwriting collected up to that time and in conformity with art. 2439, sub-section 2 , of the Civil Code, the capital of 2.508.671,36 Euros is understood to be the amount definitively approved and underwritten.

TREASURY STOCK

For information on the treasury stock, please refer to the specific section in the consolidated explanatory notes.

STAFF

As mentioned earlier, staff members of the Group increased from 812 on December 31st 2012 to 859 people on December 31st 2013.
Staff members divided by Group company are shown on the chart below:

Company	2013 Average	31-dec-13	31-dec-12	Var	Var %
El.En. S.p.A.	187,50	193	182	11	6,04%
Cutlite Penta Srl	37,00	38	36	2	5,56%
Esthelogue Srl	9,00	9	9	0	0,00%
Deka M.E.L.A. Srl	15,50	16	15	1	6,67%
Quanta System SpA	86,00	88	84	4	4,76%
AQL Srl	1,00	1	1	0	0,00%
Arex Srl	2,00	0	4	-4	-100,00%
Lasit SpA	37,50	39	36	3	8,33%
Asa Srl	34,00	35	33	2	6,06%
Deka Technologies Laser Sarl	8,00	8	8	0	0,00%
Deka Lasertechnologie GmbH	0,00	0	0	0	0,00%
Deka Medical Inc	2,50	1	4	-3	-75,00%
Asclepion Laser T. GmbH	86,50	88	85	3	3,53%
Lasercut Technologies Inc	1,50	1	2	-1	-50,00%
Deka Laser Technologies Inc	2,00	0	4	-4	-100,00%
With Us Co Ltd	34,50	37	32	5	15,63%
Wuhan Penta Chutian Laser Equipment Co Ltd	193,50	145	242	-97	-40,08%
Penta-Laser Equipment Wenzhou Co. Ltd	61,00	122	0	122	0,00%
Lasit Usa Inc	0,00	0	0	0	0,00%

BRCT	0,00	0	0	0	0,00%
Cutlite do Brasil Ltda	29,50	31	28	3	10,71%
Quanta France Sarl	2,00	2	2	0	0,00%
Deka Japan Ltd	5,00	5	5	0	0,00%
Total	**835,50**	**859**	**812**	**47**	**5,79%**

CORPORATE GOVERNANCE AND OWNERSHIP, IN APPLICATION OF D.LGS. 231/01

In compliance with legislation and regulations, El.En. SpA has drawn up a "Report on corporate governance and ownership" which is deposited and published in a specific section of this Management Report. This document can also be consulted on the internet site www.elengroup.com at the section titled Investor Relations/governance/ corporate documents.

Starting on March 31st 2008 El.En. Spa adopted an organization, management and control model in compliance with Legislative Decree n. 231/2001.

INTERGROUP RELATIONS AND RELATED PARTIES

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

The operations conducted with related parties, including the inter-Group relations can not be qualified as atypical or unusual; these operations are regulated by ordinary market conditions.
In regard to the relations with related parties, please refer to the notes that accompany the consolidated statement of the El.En. Group and the separate statement of El.En. SpA..

OPT-OUT REGIME

It should be recalled that on October 3rd 2012 the Board of Directors of El.En. S.p.A. voted to adhere to the possibility of *opt-out* in compliance with art. 70, sub-sections 8 and 71, sub-section 1-bis of the Consob Regulations 11971/99, exercising their right to waive the requirement to publish the information documents concerning any significant extraordinary operations related to mergers, divisions, increases in capital in kind, acquisitions and sales.

OTHER INFORMATION

Atypical and unusual operations

In compliance with Consob Communication DEM/6064296 of July 28th 2006, we wish to state that during 2013 the El.En. Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

Managing and coordinating activities

El.En. S.p.A. is the Parent Company and therefore is not subject to any activity of management or coordination in conformity with art. 2497 and following of the Civil Code.

Adoption of measures intended to guarantee the protection of privacy

Considering the logic for the treatment of personal data that is applied by the Company, they have decided to up-date the *Documento Programmatico sulla Sicurezza* (Safety Program Document) in order to maintain an orderly management of privacy, and a document suited for the reconstruction of the basic criteria on which decisions have been based related to the application of the regulations. The contents of the document essentially are a summary of the compliance required by the Guaranteeing Authority.

Information in conformity with art. 36 and following of the *Regolamento Emittenti Consob* for the regulation of markets

In relation to the recent regulations concerning the conditions for the quotation of companies controlling companies constituted or regulated according to the laws of countries not belonging to the European Uinon and of significant importance in relation to the consolidated financial statement, we declare that:

- As of December 31st 2013 among the companies controlled by El.En. S.p.A. the ones to which these rules are applicable are the following: With Us Co. Ltd, Penta Chutian Laser (Wuhan) Co. Ltd and Penta – Laser Equipment (Wenzhou) Co. Ltd;
- Adequate procedures have been adopted to assure complete compliance to the regulations.

Fiscal consolidation

It should be noted that for the three year period, 2011-2013, for the subsidiary Esthelogue S.r.l. and, for the three year period, 2012-2014, for the subsidiary Cutlite Penta S.r.l., the Parent Company El.En. S.p.A. adheres to a national consolidated IRES tax rate in compliance with art.117 and following of the TUIR and the Ministerial Decree activated on June 9th 2004. The relations between the parties, in conformity with the laws, are regulated by the specific "consolidation agreement".

SUBSEQUENT EVENTS

No significant events occurred after the closing of the financial year.

CURRENT OUTLOOK

The financial year 2013 closed while running full speed ahead with an excellent result during the fourth quarter. The out look for 2014 is generally good. The state of uncertainty in the global economy continues and is by now a constant that we must deal with. We believe that we will be able to repeat the results obtained in 2013 in terms of growth (about +5%) and that we can continue to improve the EBIT.

DESTINATION OF THE NET INCOME

To our shareholders:
we are herewith submitting for your approval the separate financial statement of El.En. S.p.A. as of December 31st 2013, and propose:
- to allocate all of the net income for distribution to the shareholders;
- to distribute to the shares now in circulation on the date coupon no. 12 came due on May 19th 2014 , in compliance with art. 2357-ter, second sub-section of the Civil Code - a dividend of 0,50 Euros (point fifty) gross for each share in circulation for a total amount of 2.401.610,00 Euros utilizing all of the net income for this year which amount to

1.998.784,00 Euros and, for the residual amount of 402.826,00 Euros, the net income that were not distributed last year and allocate to “extraordinary reserve";
- to allocate in the special reserve of retained earnings the residual dividends destined for additional treasury stock held by the company on the date the coupon came due.

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

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

in compliance with art. 123-bis D. Lgs. February 24th 1998, n. 58

Approved by the Board of Directors during the meeting held on March 13th 2014

Financial year 2013

Interne site: www.elengroup.com

GLOSSARY

Codice: the self-disciplining code of the companies quoted on the stock market which was approved in December 2011 by the Committee for Corporate Governance and promoted by the Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

"c.c.": the Civil Code;

"Board": the Board of Directors of El.En. s.p.a.

"El. En."/ "the Company": the listed company to which this report refers.

"Financial year": the financial period closed on December 31st 2013 which is referred to in the report

"Regolamento Emittenti Consob": the Regulations issued by Consob (*Commissione Nazionale per le Società e la Borsa*, after vote n. 11971 in 1999 (and later modified) concerning listed companies;

"Regolamento Mercati Consob": the Regulations issued by Consob after vote n. 16191 in 2007 (and later modifications) concerning stock markets.

"Regolamento Parti Correlate Consob": the Regulations issued by Consob after vote n. 17221 in 2010 (and later modifications) related to operations with related parties.

"Report": the report on corporate governance and ownership that all companies are required to issue in compliance with art. 123-bis TUF.

"TUF": Legislative Decree of February 24th 1998, n. 58 (*Testo Unico della Finanza*).

* * *

1. PROFILE OF THE EL.EN. COMPANY

Since December 11th 2000, with the admission of its ordinary stock to the MTA (formerly MTAX, and before that, *Nuovo Mercato*) organized and managed by Borsa Italiana SpA – it has always been the intention of El.En. ("the Company"), apart from any legal obligations and/or regulations, to follow, maintain and perfect, compatibly with its own organization and structure, the adaptation of its own system of corporate governance in conformity with the suggestions and recommendations of the Code - both in the original version of 1999, revised in 2002 and in 2006, and the latest version in 2011, and identified as the best practice, since it represents a unique opportunity to increase their reliability and reputation in relation to the market.
The company has been part of the Techstar segment since the founding of the segment in 2004 and has been quoted in the Star segment since 2005.
The corporate governance of El.En. consists of a Board of Directors, a controlling body and an assembly.
During the phase of adaptation to the regulations set forth by Legislative Decree n. 6 of January 17th 2003, and the later amendments and modifications, the shareholders of El.En. voted to keep the traditional system of administration and management.
Consequently, the company is currently administered by a Board of Directors which is regulated, in all of its aspects (composition, functions, salaries, powers, representation of the company), by Articles 19 to 23 of the company by-laws and is subject to the control and supervision of a Board of Statutory Auditors which is governed in every aspect by Art. 25 of the by-laws.
The auditing of accounts is conducted by a company that is enrolled in the special CONSOB professional register.
During the assembly held on October 28th 2010 El.En. adopted some modifications in the by-laws that were deemed necessary for compliance with D. Lgs. of January 27th 2010, n. 27 related to the exercising of the rights of shareholders owning stock in companies listed on the stock market, and issued on the basis of the relative European Union directive 2007/39/CE of July 11th 2007 (the so-called "*Shareholders' rights*") and the D. Lgs. of January 27th 2010, n. 39 related to legal audits of the annual accounts and consolidated accounts issued in implementation of the relative EU 2006/43/CE.

The Board of Directors

The Board of Directors holds full powers for the ordinary and extraordinary administration of the activities related to the pursuit of the aims of the company.
The Board Members were elected by the shareholders' meeting held on May 15th 2012 and, after the vote of approval of the Board of Directors on the same day, is made up of executive and non-executive members organized in three committees so as to carry out consulting and executive functions in support of the Board: the committees for internal control, for remuneration, and for nominations.
Two of the Board members were elected since they possessed the independence requirements as per art. 148-ter TUF.
The board members have legal domicile at the headquarters of the Company for the duration of their mandate.
The executive Board Members retain, in accordance with the vote of the Board of Directors held on May 15th 2012, separately from each other and with independent signature, all of the ordinary and extraordinary administrative powers for achieving all of the aims included in the company purpose, excluding only the attributions which are prohibited from being object of proxy in conformity with art. 2381 of the civil code and the company by-laws.
The approval of the financial statement for 2014 represents the end of the mandate.
Since September 5th 2000 the Board has instituted amongst its members the following committees

which are composed for the most part, of non-executive members who have the following tasks described below and which are disciplined by the specific regulations:

a) *Nominations Committee for the appointment of the director,* (henceforth referred to as the Nominations Committee") which has the task of assuring the transparency of the procedures for the selection and election of the board members as well as the balanced and efficient composition of the board.
b) *Remuneration Committee*, which has the task of formulating proposals for the amount of remuneration to be paid to the executive Board Members and to those that have particular responsibilities, and, in response to the indications given by the delegated commissions, to determine the criteria for the remuneration of the top executive officials of the company. Following the modification of article 7 of the Code, the Board, on May 13th 2011, formally adapted the regulations of the Remuneration Committee to the new rules with reference to the performance of some of the tasks of the Committee regarding the general policy for the remuneration of the administrators and other strategic figures. Most recently, on May 15th 2012, the newly elected Board proceeded with the addition to the regulations of the modifications in the Code in relation to the reference to art. 6 rather than 7;
c) *Committee for controls and risks (*formerl*y the Internal Control Committee)*, which has consulting, executive and sustaining functions for the Board of Directors in the realization and the supervision of the internal controls systems and of the evaluations of the proposals of the independent auditors. With the vote held on November 12th 2010 the Board integrated the functions of the Internal Control Committee on the light of the role attributed to the independent administrators in accordance with article 4, subsection 3 of the *Regolamento Parti Correlate Consob* and the new company regulations related to operations with related parties approved on the same day. Subsequently, following the changes in the controls pursuant to D. Lgs. 39/2010 and the functions attributed to the Board of Auditors in relation to the evaluation of the proposals made by the auditing companies concerning the performance of these same, as well as the preliminary clarifications provided by Borsa Italiana (notice 18916 of December 21st 2010) concerning the coordinating of the changes in the rules with the contents of article 8 of the Code, with a vote cast on May 13th 2011 the Board adapted the regulations of the committee and conferred to the latter, as far as the legal reviewing of the accounts was concerned, a role that was merely that of a sustaining body. Most recently, on May 15th 2012, the newly appointed Board of Directors decided to change the name of the committee to Committee for controls and risks and to add the further modifications introduced by art. 7 of the Code to the regulations.

The regulations of the committees also determine their composition and role.
The first version of these rules was approved on September 5th 2000, and they were revised in order to adapt them to the new regulations or new structural reorganization in the company. They were revised in December of 2003 and in 2007. To the regulations for the Internal Controls Committee, as previously mentioned, further additions were made in 2010 and they were modified in 2011. The regulations for the Remuneration Committee also received further additions in 2011. All of the regulations were revised most recently by a vote on May 15th 2012 on the basis of the new Code.

On September 5th 2000 the Board also appointed a provost for internal control. The internal control system was later amplified and organized as described below in this report.

The Board of Directors convenes at least once every quarter also in order to guarantee adequate information for the Board of Statutory Auditors related to the most important transactions conducted by the Company and its subsidiaries as well as, when required, the conducting of operations with related parties or those that are particularly complex or important and, moreover, every time that the president and/or the executive board members decide to present questions and decisions related to their area of expertise to the entire board.

The directors of the Company participate as members of the administrative bodies of the subsidiary companies or else have the position of sole director, otherwise the administrative body of the subsidiary companies supply complete detailed information required for the organization of the activities of the Group and the accounting statements necessary for conformity with the relative legislation; normally, the usual policy in the past has been for the subsidiary companies to supply all of the information necessary for the preparation of the consolidated financial and economic reports before the end of the month following the closing of the quarter.
The company by-laws concerning the appointment of directors, the composition of the Board and their related areas of competency – specifically articles 19, 21 and 22 – were modified by the assembly which was held on May 15th 2007 for the purpose of adapting them, to the extent required and not already included, to the new TUF and to the Code and, most recently, further adapted by the assembly held on October 28th 2010 to the directives contained in the a.m. D. Lgs. 27/2010. At that time, the Board was also attributed the prerogatives described in articles 11 and 13 of the Consob Regulations on urgent dealings with related parties.
During the meeting held on May 15th 2012, article 19 of the by-laws was adapted to L. July 12th 2011, n. 120 in terms of the balance between genders.

Moreover, the shareholders' meeting of May 15th 2013, from the text of Articles 19 and 25 – which regulate the method of election, respectively: the first, of the administrative body and the second of the controlling bodies, removed the prohibition from withdrawal of the certificates demonstrating the validation of right to present proposals for nominations before the actual meeting of the assembly. At the same time, we also corrected some typographical errors present in these articles referring to the date of deposit/communication of the certificates.
For a detailed description, please refer to the specific paragraphs contained in the part of this report related to information on the adhesion to the Code.
In relation to the required presence of the so-called independent board members which, since 2005 has been obligatory by law, the company by-laws specifically state this practice in relation to the rules regarding the appointment and composition of the Board; it should be noted that, in conformity with the Code, this practice has been regular policy since 2000, the year in which the company was first quoted on the stock market.

The Board of Statutory Auditors
The Board of Statutory Auditors is the body which, in conformity with the laws and company by-laws, is entrusted with the supervision of the conformity to the laws and to the company by-laws, the respect of the principles of correct administration, of the adequacy of the company organizational set-up related to the specific tasks, systems of internal controls and accounting administration system used by the company and its concrete functioning. The Board of Statutory Auditors moreover supervises the implementation of art. 19 of D. Lgs. January 27th 2010 n. 39 as well as the means for the correct application of the rules for corporate governance contained in the self-disciplining code and on the conformity with the Consob regulations and the implementation of the company procedures related to dealing with related parties.
This Board is also entrusted with the supervision of the adequacy of the instructions given to the subsidiary companies so that they supply all the information necessary in order to be in compliance with the communication obligations required by law.
The present Board of Statutory Auditors, elected by the assembly on May 15 th 2013 will remain in office until the approval of the financials for 2015.
After the resignation of Dott. Gino Manfriani which was accepted in order to enable the company to reorganize the composition of the acting members of the Board of Auditors in compliance with. 148, sub-section 1-bis, T.U.F. in relation to the balance of genders, and the appointment of Dott.ssa

Pelagotti to replace him in conformity with 2401 c.c., the shareholders' meeting is required to add two female members to the Board of Auditors, one to be acting auditor and the other as alternate auditor.
The term for the additional members who are appointed to the Board of Auditors will expire with that of the other members of the Board when the financials for December 31st 2015 are approved.

Company by-laws establish a limit in the accumulation of assignments, in conformity with 148-bis TUF, so that the appointment of a candidate or auditor who already functions as acting auditor in more than five listed companies is considered ineligible or invalid, as well those who are in a situation of incompatibility or that exceed the maximum limit as per the *Regolamento Emittenti* (art. 144-*duodecies* and following).
After the modifications in the by-laws approved by the assembly on May 15th 2007, they specified in art. 25 of the statute, which already contemplated the election using a voting list, that the acting auditor drawn from the minority list which came in first would be elected president of the Board of Statutory Auditors. Most recently, with the assembly of May 15th 2012 the company adapted art.25 of the by-laws to L. July 12th 2011, n. 120 in terms of the balance between genders.

Auditing of Accounts
The auditing of accounts (in compliance with D. Lgs. 39/2010) is conferred to companies that are enrolled in the CONSOB professional register. Starting from the date of the quotation of the company on the stock market until the December 31st 2011 the task of auditing the separate and consolidated financial statement of the company, in conformity with art. 159 TUF in force at the time the appointment, was conferred to RECONTA ERNST & YOUNG SpA.
The shareholders' meeting which meets in order to approve the financials for 2011 for the years 2012 – 2020 conferred the appointment on Deloitte & Touche SpA in conformity with articles 13,14 and 17 of D. Lgs 39/2010.

Other information
On February 24th 2006, the original shareholders who had adhered to the pact stipulated in 2000 and later renewed in 2003, decided unanimously to terminate the Pact in advance with effect to take place immediately.

Internal dealing
Up until March 30th 2006, for the relevant definable subjects in accordance with and in conformity with articles 2.6.3 and 2.6.4. of the "*Regolamento dei Mercati organizzati e gestiti da Borsa Italiana SpA*" starting on January 1st 2003 there had been in force an "Ethics Code" which, with reference to operations made by those subjects, regulated the obligations of information and the types of behaviour to be observed with an aim to guaranteeing the maximum transparency and homogeneity of information in relation to the market.
On account of the modifications determined by the TUF of the EU law 2004 (L. April 18th 2005, n. 62), in consideration of the EU directives concerning market abuse, and of the later regulating activity in conformity issued by CONSOB, since April 1st 2006 the company has been required to conform to the regulations on the subject of internal dealing in particular to articles 114, sub-section 7, *Testo Unico sulla Finanza* and from 152-sexies to 152-octies of the *Regolamento Emittenti*.
Since April 1st 2006, therefore, it has become obligatory to communicate to the public all the operations made on the financial instruments of the company by relevant persons or persons closely connected to them and, consequently, the laws regarding internal dealing contained in the Market Regulations (*Regolamento dei Mercati*) organized and managed by Borsa Italiana SpA, have been abrogated.

As a consequence of this, the Ethics Code adopted in 2003 by the Company was replaced by another document, adopted on March 31st 2006 and later modified on November 13th 2006, which, besides describing in detail the legal obligations, also specifies the time limits or prohibitions for the operations made by the above mentioned subjects.

2. INFORMATION ON OWNERSHIP (ex art. 123-bis, sub-section 1, TUF) on December 31st 2013

a) Structure of capital stock (ex art. 123-bis, sub-section 1, letter a), TUF)

The capital stock which is approved, underwritten and paid out is 2.508.671,36 Euros divided into 4.824.368 ordinary shares for a nominal value of 0,52 Euros each.

Up until May 15th 2013 the approved capital stock amounted to 2.591.871,36 Euros on account of the decision made by the Board of Directors on July 15th 2008 to authorize the increase in capital as per *ex* art. 2443 c.c. of the shareholders' meeting on May 15th 2008 for use in the employee incentive plan 2008-2013 as described in the Director's report on operations which accompanied the Financial Statement for 2012, in the section titled "Stock Options offered to directors and employees" in compliance with 84-*bis Regolamento Emittenti Consob* on the internet site of the El.En. Group www.elengroup.com, (in the Italian version), investor relations sector, assembly and by-laws – Ordinary and Extraordinary assembly April 29th/May 15th 2008 – descriptive report on the assembly.

On May 15th 2013 the term for underwriting an increase in the capital stock expired without any of the subjects underwriting shares. Consequently, starting on that date the capital of 2.508.671,36 Euros must be considered as effectively and definitively approved and underwritten.

b) Restrictions in the transfer of stock (ex art. 123-bis, sub-section 1, letter b), TUF)

There are no particular restrictions on the transfer of stock.

c) Significant ownerships in shareholders' capital (ex art. 123-bis, sub-section 1, letter c), TUF)

From the information and data available on December 31st 2013 the shareholders listed on the attached Table 1 have significant ownership (over 2%) of the capital stock of El.En.

d) *Shares which confer special rights (ex art. 123-bis, sub-section 1, letter d), TUF)*

None.

e) Shares held by employees: mechanism of the voting rights (ex art. 123-bis, sub-section 1, letter e), TUF)

None.

f) Restrictions in the right to vote (ex art. 123-bis, sub-section 1, letter f), TUF)

None.

g) Agreements among shareholders (ex art. 123-bis, sub-section 1, letter g), TUF)

None.

h) Clauses related to change of control (ex art. 123-bis, sub-section 1, letter h), TUF) and by-laws relating to OPA (ex artt. 104, sub section 1-ter and 104 bis, sub section 1)

None.

In relation to the regulations contained in the by-laws regarding offers of public acquisition (OPA), the shareholders' meeting voted on May 13th 2011 to include among the prerogatives of the Board of Directors, in compliance with art. 104, sub-section 1-ter, T.U.F., the power to implement defensive measures in case of an offer of public acquisition even in the absence of the authorization of the shareholders' meeting.

i) Authorizations to increase the capital stock and to purchase treasury stock (ex art. 123-bis, sub-section 1, letter m), TUF)

On May 15th 2013 the authorization granted to the Board by the extraordinary assembly on May 15th 2008 in conformity with and due to the effects of art. 2443 of the Civil Code, to increase the capital stock one or more times, by a maximum of nominal 83.200 Euros (eighty three thousand two hundred) by issuing a maximum of 160.000 (one hundred-sixty thousand) ordinary shares for a nominal value of 0,52 Euros (point 52 Euros) each, with payment the same as that for ordinary stock of El.En. Group on the date of underwriting, to be issued through the payment of a price determined by the Board in due time, in compliance with art. 2441 of the Civil Code – that is to say, on the basis of the value of the shareholders' equity, bearing in mind also the trend of the quotation of the stock on the stock market during the last half year, and in a unit value comprehensive of the share premium, which cannot be less than the greatest of the following.

- the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options;
- the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options;
- the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organised and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options;

This authorization had been conferred with the exclusion of the option rights in favour of partners ex-art.2441, VIII sub-section of the Civil Code, since it was directed to the creation of the incentive plan for the period from 2008 to 2013 in favour of the employees of the Company and their subsidiaries, to be effected with the assignment free of charge of stock option rights, the exercising of which is regulated by the set of rules which was approved definitively by the Board on July 15th 2008 during the meeting for the authorization and activation of the incentive plan.

For further information, see the Director's report on operations for 2013, the section titled "*Stock options offered to directors and employees*".

In relation to treasury stock, on March 3rd 2008, the shareholders meeting, voted to authorize the Board of Directors to acquire treasury stock in conformity with art. 2357 ss. of the Civil Code, within eighteen months of that date for an amount which represents not more than 10% (ten percent) of the capital stock in conformity with the law, at a price which is not more than 20% (twenty percent) less nor more than 10% (ten percent) greater than the official trading price registered for the day preceding the purchase. The authorization of the shareholders also allows them to authorize the Board of Directors to return the shares to circulation within three years of the purchase date, as long as the price is not less than 95% (ninety-five percent) of the average of the trading official prices registered in the five days preceding the sale, and is in compliance with the regulations governing this type of transaction.

Upon request of the Board of Directors, the shareholders' meeting convened on October 28th 2010 renewed their authorization for the Board to purchase, in one or more portions, on the regular stock market and, therefore, in conformity with art. 144 *bis*, sub.section 1, letter b) of the *Regolamento Emittenti Consob* and according to the operative means established by the organizational and management regulations of the market issued by Borsa Italiana S.p.A., within 18 months from that date, treasury stock representing a number of ordinary shares which, in any case, considering the shares held in the portfolio, cannot amount to more than a fifth of the capital stock, in compliance to the laws and regulations, at a price that is not less than 20% (twenty percent) more nor more than 10% (ten percent) more of the official price quoted for regular negotiations registered on the day

before the purchase. The shareholders also voted to authorize the Board of Directors to put back into circulation the shares within 10 (ten) years from the date of purchase including those already held in the portfolio on October 28th 2010, at a price which is not less than 95% (ninety five percent) of the average official price for the negotiations registered during the 5 days preceding the sale, all of which must be conducted in compliance with the laws in force at the time.
Finally, since the earlier authorizations had expired, upon the request of Board the shareholders' meeting which met on November 14th 2012 renewed the authorization to purchase in one or more sections, on the regular stock markets and consequently in compliance with art. 144 *bis*, sub-section 1, letter b) of the Consob regulations (*Regolamento Emittenti Consob*) and according to the operative methods established by the organization and management regulations of the market that were issued by Borsa Italiana S.p.A., within eighteen months of that date, treasury stock representing a number of ordinary shares which, in any case, considering the number of shares held in the portfolio, must not exceed one fifth of the capital stock, in compliance with the laws and regulations, at a price that is not over 20% (twenty percent) less nor 10% (ten percent) more than the official price of the transactions registered on the day preceding the purchase. The shareholders' vote also established that the Board should put the shares back in circulation within 10 (ten) years from the date of purchase, at a price that was not less than 95% (ninety-five percent) of the average of the official transaction price registered in the five days before the sale, all of which was to occur with full compliance to the laws. As of December 31st 2013 the company held a portfolio of 21.148 shares of treasury stock.

l) Management and coordinating activities (ex. art. 2497 and following of Civil Code)

El.En. SpA is the Parent Company and therefore is not subject to any activity of management or coordinating in compliance with art. 2497 and following of the Civil Code.

* * *

In compliance with art. 123-*bis*, first sub-section, letter i) TUF we herewith declare that *"no agreements have been stipulated between the Company and the Directors which include indemnities in case of resignation or firing without just cause or if their employment is terminated due to an offer of public acquisition"*.

The information required by article 123-*bis*, first sub-section, letter l) TUF *("the regulations applicable to the appointment and the replacement of the directors….as well the modification of the by-laws, if different from the legislative and regulatory ones applied in addition")* are described in the section of the Report dedicated to the Board of Directors (Section 4.1).

* * *

3. COMPLIANCE (ex art. 123-bis, sub-section 2, letter a), TUF)

Until the ordinary stock of El.En. was quoted on the stock market organized and managed by the Borsa Italiana s.p.a. on December 11th 2000, apart from any legal obligations and/or regulations, compatibly with its size and structure, the Company acted in accordance with the suggestions and recommendations of the Code, both in the original version of 1999, the revised version of 2002, and the versions of March 2006 and 2011.

The present version of the Code is accessible to the public at the web site of the Borsa Italiana (www.borsaitaliana.it).

The information in compliance with art. 123-bis, sub-section 2, letter a), is contained in the related and pertinent sections of the Report.

* * *

4. BOARD OF DIRECTORS

4.1. APPOINTMENTS AND REPLACEMENTS (ex art. 123-bis, sub-section 1, letter l), TUF) – ART. 6 Code

The appointment of the members of the Board is conducted by means of a vote from lists and is governed by art. 19 of the company statutes. This article has been modified several times in order to adapt it to the repeated changes in the laws which govern the subject. It was first modified by the extraordinary shareholders' meeting held on May 15th 2007 in compliance with art. 147-*ter* comma 1 TUF and the *Regolamento Emittenti* 11971/1999, and then by the assembly held on October 28th 2010 in compliance with art. 147-*ter sub-section* 1-*bis* introduced most recently by art. 3 D. Lgs. January 27th 2010, n. 27 and by the one which met on May 15th 2012 to adapt it to art. 147-*ter, sub-section* 1-*ter,* as well as the regulations for the activation as per art. 144-*undecies* of the *Regolamento Emittenti Consob* 11971/1999, regarding the respect of the balance among types in the compiling of the lists of candidates as well as in the composition of the body elected and in the replacement of members who have ceased.
Most recently, the shareholders' meeting held on May 15th 2013, in consideration of the change in legislation and regulations concerning the validation of the right to present lists of candidates as per D, Legs. 18th June 2012, n. 91, removed from the text of the by-laws the prohibition from withdrawing the certificates before the meeting was held.

At this time, in relation to appointments, the text states as follows:

*"**Art. 19 – Administrative organ** – (… omissis …) For the appointment of the members of the Board of Directors the procedure described below must be followed: At least 25 (twenty-five) days before the date set for the first convocation of the ordinary assembly the partners who intend to propose candidates for the appointment as members of the board must deposit the following documents at the company headquarters:*
a) a list containing the names of the candidates for the position of board member numbered progressively and an indication of which ones have the requisites for independence in compliance with art. 147-ter, sub-section 4, D. Lgs. February 24th 1998, n. 58 and the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a.;*
b) together with this list the partners must deposit: a complete and detailed description of the professional curriculum of the candidates being presented, with adequate reasons for the proposal of their candidacy; a complete curriculum vitae of each candidate from which it will be possible to see the positions held in administrative boards or controlling commissions in other companies; a declaration in which each candidate accepts their candidacy and declares under their own responsibility that no causes exist for ineligibility or incompatibility, and that all the prerequisites established by the applicable regulations and by the company by-laws for their respective positions exist.
The creation of the lists containing not fewer than three candidates must take place observing the regulations related to the respect of the balance among types.
The lists must show the identifying list of the partners, or the name of the partner, who is presenting the list with complete indications of personal data and the percentage of capital held singularly and overall.
Each partner may present and participate in the presentation of a single list and each candidate can be presented in only one list, otherwise he/she will be considered ineligible. The partners who belong to the same union pact may present only one list.
The partners who have the right to present lists either by themselves or together with other partners are those who possess the percentage of equity in the capital stock specified by art. 147-ter D. Lgs.

February 24th 1998, n. 58, or the greater amount established by Consob regulations considering the capitalization, floating funds and ownership of the companies quoted.
The ownership of the minimum number of shares necessary for the presentation of the lists is determined by the amount of shares registered in the possession of the partners on the day in which the lists are deposited with the company. The relative certification must, in any case, be produced at least twenty-one days before the day set for the first convocation of the ordinary shareholders' meeting.
The board members are appointed by the ordinary assembly on the basis of the lists presented by the partners in which the candidates are listed in numerical order.
Each partner having the right to vote may vote for only one list.
The board members are drawn from the list or lists which have received the most votes and, in any case, a percentage of votes which is at least half of that necessary for the presentation of the list itself.
At least one member of the board must always be drawn from the minority list which received the largest number of votes. In the case that there are lists which receive the same number of votes, the entire ordinary assembly must vote again and the list which obtains a simple majority of votes will be elected.
If, within the established term, no list has been presented, the assembly will vote according to the relative majority of shareholders present at the assembly.
In the case of a sole list being presented, all of the board members will be elected as part of that list in the order in which they appear on the list.
In the case that no minority list receives votes, the board will be completed by the vote by the relative majority of the shareholders present at the assembly.
Among the candidates the assembly must elect an appropriate number of board members who possess the requisites for independence established for the controllers by art. 148, sub-section 3, D. Lgs. February 24th 1998, n. 58 and by the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a". A Board Member who, after his/her appointment loses the prerequisites for independence must immediately communicate the circumstances to the Board of Directors and, in any case, the appointment is nullified.*
The composition of the body that is elected must, in any case, guarantee the balance between genders in compliance with art. 147-ter, sub-section 1-ter, D. Lgs. of February 24th 1998, n. 58.
The mandate for the members of the Board lasts for 3 (three) years, that is, for the shortest period that is established each time by the Assembly in conformity with art. 2383, sub-section 2 c.c. and they may be re-elected; if, during the year one or more members are missing the other members may have them replaced in conformity with art. 2386 c.c.. In every case in which one or more board member ceases, the appointment of the new board members must take place in compliance with the current regulations concerning the balance between genders represented (… omissis…)"

For the purpose of guaranteeing the greatest transparency, the Company has adopted and has expressly mentioned in the notice convening the assembly, the recommendations of the CONSOB in their communication n. DEM/9017893 of February 26th 2009, related to the necessity for all of those who intend to present a list of candidates, to be elected to the position of so-called minority board members, to deposit together with the list, a declaration which demonstrates the absence of connections, even indirect ones, as per art. 147-*ter*, sub-section 3, D. Lgs. 58/1998 and art. 144-*quinquies* of the *Reg. Emittenti* 11971, with shareholders who detain, even jointly, a controlling equity or relative majority which can be identified on the basis of the "communication of significant equities" as per art. 120 of D. Lgs. 58/1998 or of the publication of company pacts as per art. 122 of the same D. Lgs. 58/1998.
Moreover, already before the introduction of art.147-ter, sub-section1-bis. TUF, in order to satisfy the interest of most shareholders to know in advance the personal and professional characteristics of

the candidates so as to cast a more informed vote, it was decided to anticipate the statutory term for depositing the lists (in compliance with the previous law, Code 2006 6.C.1.).
El.En. Spa is not subject to any other special regulations related to the composition of the Board of directors, in particular those related to the representation of minority shareholders and/or the number and characteristics of the independent directors.

Succession plans (Criteria 5.C.2 of the Code 2011)
The Company does not belong to the FTSE-Mib index.
Following the recommendations of the Nominations Committee, the current Board has decided to defer the formulation o fan actual succession plan for the executive board members since it is clear that any new board members that are chosen to replace one or more of the members who have ceased must be persons who have a profound knowledge of the functional and organizational characteristics of the company and, equally important, that the member appointed to represent on the board of the driving sector of the company, i.e., the research and development office, must have adequate technical knowledge.
The Board has also based its evaluation on the fact that over time, thanks to the investment that the company has made in this sector, qualified personnel of the Company has acquired the managerial capacity which in any case would make it possible at any time to find a replacement in case of necessity.

4.2. COMPOSITION (ex art. 123-bis, sub-section 2, letter d), TUF) – ART. 2 CODE

Current members of the Board of Directors
The current Board which will be in office until the approval of the annual report for the year which ends on December 31st 2014, is composed of the following members:
1) Gabriele Clementi – president and executive member;
2) Barbara Bazzocchi – executive member;
3) Andrea Cangioli – executive member;
4) Stefano Modi – special member, without powers of attorney but executive in compliance with art. 2, application criteria 2.C.1 of the Code since he is the director of the R&D department of El.En. Spa.
5) Paolo Blasi – independent board member in compliance with art. 147-ter TUF and art. 3 of the Code;
6) Alberto Pecci – board member;
7) Michele Legnaioli – independent board member in compliance with art. 147-ter TUF and art. 3 of the Code;.

The number of board Members which was established as eight by the assembly which met on May 15th 2012 and which elected the current Board, was later reduced to seven by the meeting which met on November 14th 2012, after the resignation tendered for strictly personal reasons, by the Board Member Angelo Ercole Ferrario on August 27th 2012.

The Board was elected with 55,460% of the voting capital by the shareholders meeting held on May 15th 2012 and, after the vote of the Board of Directors on May 15th 2012, is made up of executive and non-executive members who, in order to carry out the consulting and proposing functions of the Board, are organized in three committees: one for internal controls, one for remuneration and one for nominations and appointments.

For the elections only one list was presented and deposited at least twenty-five days before the assembly and this list contained the names of all the candidates who were subsequently elected.
The list was presented jointly by the following partners: Andrea Cangioli, Gabriele Clementi, Barbara Bazzocchi, Alberto Pecci on his own and as representative of S.M.I.L. di Alberto Pecci & C. s.a.s., Elena Pecci who detains 100% of the usufruct of the quotas of IMMOBILIARE IL CILIEGIO s.r.l., Carlo Raffini.

The personal data of the board members is listed below:

GABRIELE CLEMENTI – Born in Incisa Valdarno (Florence) on July 8th 1951. He received his degree in electrical engineering from the University of Florence in 1976 and collaborated with the university until 1981, while at the same time founding a centre for experimenting applications of biomedical equipment together with Barbara Bazzocchi. In 1981, together with Mrs. Bazzocchi he founded El.En. as a collective company. Since that time he has been dedicated full time to the direction and management of El.En. Spa and of the Group in which he has several different positions. Since 1989, year of the transformation of the company into Srl (company with limited responsibility) he has been President of the Board of Directors. Since 2000 he has also been executive director.

BARBARA BAZZOCCHI – born in Forlì on June 17th 1940. She received her diploma in accounting in 1958 and as an executive secretary in 1961. From 1976 until 1981 she managed and administered a centre for the experimentation and application of biomedical equipment and then, with G. Clementi, founded El.En. Spa. As director, she has been involved full time in the management of the company since its founding. Since 1989 she has been executive board member.

ANDREA CANGIOLI – born in Florence in December 31st 1965. In 1991, he received his Engineering degree from the Politecnico di Milano with a major in Engineering of Technological Industries specializing in Economics and Organization. Since 1992 he has been on the Board of Directors of El.En. s.r.l. and since 1996 he has been executive board member of the company and of numerous companies belonging to the Group.

STEFANO MODI – was born in Borgo San Lorenzo (Florence), on January 16th 1961. In 1989, he received his degree in Electronic Engineering from the University of Florence and up until 1990 collaborated with the Institute of Quantistic Electronics on projects related to the technical and functional specifications as well as the design and engineering of diode lasers. Since 1990 he has been an employee of the Company and has worked on projects related to the technical and functional specifications engineering and development of various types of laser systems intended for use primarily in medical and aesthetic applications. Since 1999 he has been an officer of the company with management responsibilities in the medical research and development department. He has been a board member since 2006.

ALBERTO PECCI – born in Pistoia on September 18th 1943. He received his degree in Political Science and after a brief experience working at the BNL bank USA, he founded the Lanificio Pecci, of which he is president, as well the other companies of the textile group of which the Lanificio is parent company. He was nominated Cavaliere del Lavoro in 1992, and was first Vice President (1988-1993) and then President (1993-2002) of the La Fondiaria Assicurazioni; he has been a member of the Board of Directors of Mediobanca, of Assicurazioni Generali, of Banca Intesa and of Alleanza Assicurazioni. He is currently a member of the board of Directors of Mediobanca s.p.a, a company listed on the Italian stock market (Borsa Italiana).

PAOLO BLASI – born in Florence on February 11th 1940. He received his degree in Physics from the University of Florence in 1963, in 1971 received a teachers certificate for teaching General Physics. From 1979 o 1982 he was director of the National Laboratories of Legnaro of the I.N.F.N. (*Istituto Nazionale di Fisica Nucleare*); from 1985 to 1989 he was a member of the Directing Committee of the I.N.F.N. and from 1989 to 1991 at the executive joint commission of the same institute; from 1987 to 1996 he was Vice President of the I.N.O. (*Istituto Nazionale di Ottica*). Since 1980 he has been Professor of the "Physics Laboratory" for the university course in physics. From November 1st 1991 until October 31st 2000 he was president (Magnifico Rettore) of the University of Florence. From 1994 to 1998 he was president of the *Conferenza dei Rettori delle Università Italiane* (C.R.U.I.), for two consecutive terms. He is a member of the *International Association of Universities* (I.A.U.) and during the "*10th I.A.U. General Conference in New Delhi*", in February 1995, he was elected member of the Administrative Board for the five year term from 1995-2000, and in 2000 re-appointed until 2004. In August of 1998 he was elected board member of CRE (Association of European Universities) and later was appointed vice president of the same association, up until March 2001. By decree of the Ministry of the University and Scientific Research on February 25th 1999 he was appointed member of the Board of Directors of the C.N.R. (*Consiglio Nazionale delle Ricerche*), and served on the board until 2003. He was elected executive board member of the Banca d'Italia representing the headquarters of Florence and Leghorn, during the Assembly of July 15th 1999 and reappointed in 2003. He has been a member of the Board of Directors of the *Ente Cassa di Risparmio* of Florence since and was re-elected in November of 2000 and in November of 2003. With a decree of the Ministry of Health on October 31st 2001 he was appointed member of the ministerial commission on University Hospitals and served in this position until 2002. From 2000 to 2004 he was a member of EURAB (*European Research Advisory Board*). Since 2003 he has been a member of the *Comité national d'Evaluation des établissements publics à caractère scientifique culturel et professionnel* upon appointment by the President of France.
Since 1970 he has collaborated in the elaboration and discussion of the Proposals for Laws on the University and on Research.
From 1974 to 1977 he was a member of the Board of Directors of the University of Florence.
Since 1981 he has been a member of the *Fondazione Internazionale Nova Spes* (for the Global Development of People and Society) and director of the *Istituto per una Scienza Aperta* of the same Foundation.
From 1983 to 1988 he was director of the Physics Department of the University of Florence and promoted and directed the creation of the *Laboratorio Europeo di Spettroscopie non Lineari* (L.E.N.S.) and of the *Centro Eccellenza Optronica* (C.E.O.).
He was a member of the Board of Directors of the consortium promoting study and research (*Consorzio per l'Incremento degli Studi e delle Ricerche*) of the Physics Institute of the University of Trieste from 1985 to1991.
From 1988 to 2002 he was president of the technical and scientific committee for the evaluation of requests for financing of applied research projects for the development of Southern Italy in collaboration with the *Ministero per gli Interventi Straordinari nel Mezzogiorno* and presently with the ministry for Economic Planning (*Ministero del Tesoro, del Bilancio e della Programmazione Economica*).
In 1993-'94 he was a member of the Committee of Experts of MURST for the formulation of an agreement on Scientific and Technological parks in Southern Italy.
From 1994 to 2000 he was president of the consortium "Ortelius", that created the Data Base for all the institutes of advanced education in the European Union.
From 1994 to 1996 he was a member of the Technical and Scientific Commission of the Ministry of the University and Scientific and Technological Research aimed at identifying the types of intervention required in the economically depressed areas in Italy.

He is a member of the *National Geographic Society*, of the *Forum per i Problemi della Pace e della Guerra*, of the *Centre for the Study of Decorative Arts*, and the *Director's Advisory Committee* of the *Italian Academy for Advanced Studies in America* at Columbia University.
He is now or has been a member of the Board of Directors of various institutions including: Officine Galileo, from 1985 to 1988; Società Galileo Vacuum Tec, from 1988 to 1990; Istituto Nazionale di Ottica (INO), from 1987 to 1996; Fondazione Scienza e Tecnica, from 1987 to 2000; Fondazione "Progettare Firenze", since 1995; Conservatorio di Santa Maria degli Angeli, since 1985; British Institute of Florence, since 1995; Scuola di Musica di Fiesole, since 1996.
He has received several awards like the title of *Commendatore della Repubblica Italiana* (N° 8073 *dell'elenco Nazionale sez. V*), on December 27th 1992; the honorary degree of *Doctor of Humanae Litterae* confered on May of 1997 by the University of New York; in May of 2000 he received the Sir Harold Acton Award from New York University; the title of *Chevalier de l'Ordre National de la Légion d'Honneur was awarded to him in June of* 2000 by the President of France; the honorary degree of *Doctor of Humanae Litterae* was awarded to him in December 2003 by the University of Arizona.

MICHELE LEGNAIOLI – born in Florence on December 19th 1964. He has had a vast professional experience, including, among other offices, president of Fiorentinagas s.p.a. and Fiorentinagas Clienti s.p.a., of the *Gruppo Giovani Industriali di Firenze* (Young Industrialist of Florence), national vice president of the young entrepreneurs of Confindustria, from May 2003 member of the joint commission of Confindustria, and from April 28th 2004 until 2010, president of the Aeroporto di Firenze s.p.a.

<u>Number and composition of the Board of Directors</u>

Art. 19 of the company by-laws states that the Board of Members must be composed of a minimum of three and a maximum of fifteen members appointed, even among non-partners, by the assembly which will, on each occasion, determine the number of members
The members of the administrative board will serve for three years, or else for the a shorter period determined on each separate occasion by the assembly, in compliance with art. 2383, sub-section 2, c.c. and can be re-elected; if during the year, one or more of the board members dies or resigns, the other board members will have them replaced in conformity with art. 2386 c.c.
In compliance with art. 2 of the Code (principle 2.P.1.), the present Board of Directors of El.En., is composed of executive directors (including the president) in compliance with application criteria 2.C.1. and non-executive members: of the seven persons that are now board members, three directors including the president are formally executive members (Clementi, Cangioli and Bazzocchi) since they have authorized signature and four (Blasi, Legnaioli, Pecci, Modi) are formally non-executive.
In relation to the board member Modi, please refer to the preceding paragraph.
During a self-evaluation conducted by the Board after the election, they were considered to have the required expertise and professionalism. The self-evaluation was repeated with a positive outcome on November 14th 2012 after the change in the numerical composition of the Board as a result of the resignation of Ferrario. It will be repeated once every year.
(2.P.2 and 2.P.3) As far as the non-executive members are concerned, although they are outstanding and experienced personalities, to their activity as Board Members they dedicate adequate time and personal commitment so as to constantly have an active and knowledgeable role in the assemblies and board meetings and on the committees of which they are members. In fact the two independent administrators and the non-executive Board Member, Pecci, through their assiduous participation in the work of the committees of which they are members and at the board meetings are directly involved with the issues of remuneration and systems of internal control and risk management.

The positions held by non-executive directors in other companies is shown on the following chart:

Name	Position and name of company	Number of large size companies or those quoted on the stock market (also foreign)
Michele Legnaioli	• Sole director of Valmarina s.r.l.	0
Paolo Blasi	• President of the Scuola di Musica di Fiesole Fondazione Onlus • President of the Fondazione Simonetta e Luigi Lombardi	0
Alberto Pecci	• President E. Pecci & C. • President of Pecci Filati s.p.a. • Sole Director SMIL s.a.s di Alberto Pecci & C. • Alero s.a.s. di Alberto Pecci & C. • Pontoglio s.p.a. • Non-executive Board Member of Mediobanca s.p.a.	1

Maximum number of positions which can be held in other companies

During the board meeting held on May 15th 2012, the board members confirmed what they had already stated in the past in relation to the maximum number of positions as director or auditor which El.En. directors could hold in other companies that are quoted on the regular Italian and foreign stock markets, in financial institutions, banks, insurance companies or others of significant dimensions. During this meeting, the board elaborated their evaluations on the basis of the involvement related to each role (executive, non-executive, independent board member) also in relation to the type and size of the company in which the positions were held as well as the eventuality of their belonging to the El.En. Group and established that their executive board members could not hold positions as directors and/or auditors in more than five companies quoted on the stock market.

As far as the Board of Statutory Auditors is concerned, after the approval of the shareholders' meeting, the board of directors, using the regulatory recall method, inserted into art. 25 of the statutes, the further limits which were introduced by art.. 144-*duodecies* ss. of the *Regolamento Emittenti* issued by the Consob in compliance with 148-*bis* TUF, in addition to the previously established maximum limit of five positions as acting auditor in quoted companies.

As far as the Company is concerned, as of December 31st 2013 none of the current board members or auditors has exceeded the maximum number of positions.

Induction Program

As already mentioned, the current executive members of the Board of Directors conduct their activity every day at the Company, and two of them, the President and the Board Member Bazzocchi, who were the partners who founded the Company in 1981 and since then have been

directly involved in the operating management of the Company and the Group, each in his/her own area of expertise. Since 1992 Andrea Cangioli has been a Board Member and since 1996 managing director of El.En. and numerous other companies of the Group. Board member Modi is head of Research and Development. The independent Board Members, Prof. Blasi and Mr. Legnaioli, besides their technical competence which for the former is mainly of a scientific nature and for the latter, company and corporate, have by now accrued over a decade of experience within the Company through their constant presence on the committees that were created in September of 2000. Alberto Pecci has also been a Board Member of the Company since 2002.
As far as the members of the Board of Statutory Auditors are concerned, all of them have an exceptional technical and legal background and experience, and they also, like the President were present at the founding of the Company and since then have sustained it, or as in the case of the two acting auditors, they have been involved for over a decade in the internal controls of the Company where they have worked with dedication and commitment.
For these reasons, in consideration of the current composition of the Board of Directors, and the Board of Auditors, there is no need for particular initiatives in relation to an induction program. It is evident that the President will take into consideration such a necessity should their occur a change in the compositions of these Boards.

4.3. ROLE OF THE BOARD OF DIRECTORS (ex art. 123-*bis*, sub-section 2, letter d), TUF) – ART. 1, CODE

In compliance with art. 21 of the statutes, the Board of Directors is the body to which the most ample powers of ordinary and extraordinary administration are conferred and which is responsible for the management of the company.
In conformity with principles 1.P.1. and 1.P.2, and with art. 20B of the company by-laws, the Board of Directors, meets at least once every quarter in order to receive information from the delegated bodies and, also, to inform the Board of Statutory Auditors on the activity conducted in relation to the operations of major economic and financial importance made by the company and by the subsidiaries, as well as the transactions involving potential conflict of interest, those with related parties, and those which are atypical or unusual with respect to the normal operations of the company.
The fixed schedule for the meetings is planned so as to assure that the Board of Directors is able to carry out their functions in an informed and responsible manner. It also has the purpose of guaranteeing the conduction on the part of the Board of Directors of all the necessary and essential activities of a strategic nature and the verification in relation to the exercising of the powers delegated to them also in reference to the main subsidiaries which are subject to activities of management and coordination which usually include among the components of their respective controlling bodies one of the executive board members if not the president of El.En. or, in some cases, the president of the scientific-technical commission.
The scheduled meetings, moreover, have the purpose of allowing the non-executive board members to acquire all the elements necessary for the evaluation of the organizational, administrative and accounting arrangements both of El.En. and the main subsidiaries, with their actual operations set up by the executive board members (1.C.1. lett. c).
On the other hand, the provision that the incumbent head of the executive board members report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, on the activities conducted during the year (1.C.1. lett. d), on the general trend of the operations and on their foreseeable evolution, as well as on all the main operations of major economic and financial significance performed by the Company or by its main subsidiaries, usually in advance but, in any case, before the next meeting of the Board, not only is required by law in compliance with 150 TUF, but is part of the policy of creating all the conditions necessary so that the Board can evaluate

the overall results of the management and periodically compare the results actually obtained with those programmed (1.C.1 lett. e) as well as evaluating the reaction of the management towards situations in potential conflict of interest. In particular, in view of the future approval by the Board and, as a preventive measure, the executive board members, in compliance with art. 20 E mentioned above, must promptly report the operations in potential conflict of interest, those with related parties, as well as those which are atypical or unusual with respect to the normal operations of the company. Moreover, in compliance with Art. 6 of the *Internal Regulations for operations with related parties* of the Company, the board member who, directly or indirectly, has an interest is required to absent himself/herself from a board meeting during which discussions on this subject are taking place.

During the financial year 2013 the Board of Directors met four (4) times on the following dates:

1. March 13th (Legnaioli absent)
2. May 15th
3. August 29th
4. November 14th

During the financial year 2014, the Board of Directors of El.En. has met on the following dates:

1. March 13th

and, on November 14th 2013 established the following calendar of meetings in compliance with the company regulations:

2. May 15th Quarterly report as of March 31st 2014;
3. August 28th – Half-yearly report
4. November 14th – Quarterly report as of September 30th 2014.

This schedule, of course, may have additional dates added to it should there be a need for other meetings of the Board of Directors.

In relation to the documentation and information supplied to the Board so that they can express informed and knowledgeable opinions on the subjects to be discussed, art. 20 A of the company by-laws states that the president must take measures to make sure that all of the members of the Board are supplied, at a reasonable time well in advance of the date of the meeting (except in urgent cases) all of the documentation and information necessary related to the subjects to be discussed and submitted for their approval. In practice, in order to assure that the pre-meeting information sheet is delivered rapidly and completely, we send the documentation needed for the discussion of the subjects as part of the order of the day of the meeting, either dispatched *brevi manu* or by e-mail to all of the board members and members of the Board of Statutory Auditors.

It should be noted that, as far as the presence of the single board members at the Board meetings is concerned, three executive directors including the president, must be present unless prevented from attending (because they are at one of the foreign subsidiaries, for health reasons, or in mourning). As far as the independent board members are concerned, unless prevented from attending for the same reasons, they attend the board meetings and participate actively in the discussions.
The exact percentage of attendance for each board member is shown on Chart 2 in the Appendix of this report.

Considering the fundamental importance that research has in the activity of El.En., the president of the technical-scientific commission of El.En., usually invited by the president, participates in the meetings of the Board. In order to illustrate changes in regulations, the legal consultant of the Company is also usually present at the board meetings and, when deemed necessary in order to describe and to illustrate subjects to be discussed that day of a purely technical nature, an executive or professional of the type considered most suitable.

In order to formally acknowledge the recommendations of the Code, during the meeting held on May 15th 2012, even though this occurs normally, the Company voted to recognize in a by-law (art. 20) the faculty that the President of the Board of Directors has to request that managers of the company, the subsidiaries or the associated companies, who are responsible for particular sectors that needs to be dealt with, attend the board meetings in order to supply the opportune information on the subjects on the agenda (art. 1, applicative criteria 1.C.6).

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In compliance with art. 20 E of the company statutes, besides the attributions which by law cannot be delegated and are part of the specific duties and functions of the Board, the following activities are reserved as the exclusive right of the Board of Directors:
- establishing the general direction to be taken by the management and overseeing the general trend of the management with particular reference to situations of conflict of interest;
- the study and approval of the strategic, industrial and financial plans of the company and of the structure of the Group of which it is the leader (1.C.1. lett.a) and b);
- the attribution and the revocation of powers to the board members or to the executive committee with the definition of the content, the limits, and the means of exercising them, as well as the adoption of measures specifically intended to avoid the concentration of excessive power and responsibility in the management of the company (2.P.4);
- the determination of the amounts of remuneration of the delegated bodies, of the president and the board members charged with special tasks and, in the case that the assembly has not already taken measures in this direction, the subdivision of the overall salary owed to the single members of the Board of Directors and the executive commission;
- the creation of committees and commissions, and the establishment of their fields of expertise, attributions and means of functioning, also with an aim to the creation of the form of corporate governance in compliance with the self-disciplining codes for the companies quoted on the stock market. (4.P.1);
- the approval, usually given in advance, of operations of major strategic, economic, and financial importance (1.C.1 lett. f), with particular reference to the operations with related parties, to those in which a board member has personal interest for himself or for a third party or that are atypical or unusual.
- the verification of the adequacy of the type and size of the organizational, administrative and general accounting structures set up by the delegated bodies (1.C.1 lett. c);
- the appointment of the general managers and the determination of their duties and powers;
- the appointment of agents for single acts or categories of acts.
- the appointment or the revocation, in accordance with the opinion expressed by the Board of Statutory Auditors of the executive responsible for drawing up the company financial documents (art. 154-*bis* T.U.F.)

In implementation of the functions attributed to them by the above mentioned regulation, through the activity initiated and coordinated by the controls and risks commission as well as the half-yearly reports presented by the provost for internal controls/internal auditors and by the executive officer responsible for the preparation of the financial statement of the company, during the meetings held respectively on March 13th 2013 (related to the activities of the second half of 2012; the adequacy of the reports and consequently the adequacy of the managerial control of the attribution of commercial and marketing expenses of their relative sales areas; activity related to Law 262/05); on August 29th 2013 (related to the first half of 2013, the activities initiated by the various structures involved in the collection of commercial debts; activities related to Law 262/05); on March 13th 2014 (related to the second semester of 2013, verification of the areas of risk and follow up of the control activities undertaken since December 31st 2013; activities related to Law 262/05); the adequacy of the organizational, administrative and general accounting structures of El.En. set up by the executive board members, with particular reference to the system of internal controls and the management of risks (Applicative criteria 1.C.1., lett. c).

In relation to the organizational, administrative and general accounting structure of the subsidiary companies with strategic importance set up by the executive directors, with particular reference to the internal control system and the management of risks (Applicative criteria 1.C.1., lett. c), El.En. as part of the activities *ex* L. 262/2005, at the end of 2012 after the exclusion from the area of consolidation of Cynosure Inc., the company that, up to that time, had been the most significant on the basis of most of the indicators, including its percentage of the total consolidated assets (43%) and the consolidated revenue (38%), re-evaluated the scoping area and of the increment in the processes that were subjected to tests even on companies already in the scope as of December 31st 2012. As far as the area of evaluation is concerned, since 2013 it has included two other companies of the Group (With Us – Japan and Penta Chutian Laser equipment, China) and has amplified the sectors subjected to tests in other companies that had already been tested earlier (Deka Mela Srl – Italy, Quanta System Srl – Italy, Cutlite Penta Srl – Italy, Asclepion Laser Technologies GmbH – Germany).

Moreover, with reference to the other companies and the processes that are already included in the control activities as of December 31st 2012, El.En. S.p.a., Cutlite Penta Srl, Deka M.e.l.a. s.r.l. and Quanta System S.p.a., and, for certain aspects, Asclepion Laser Technologies GmbH and Esthelogue Srl., - and for which El.En., in compliance with L. 262/2005, already applied different types of testing on the procedures being used (like the asset and liability cycle, management of the warehouse, management of the personnel, of the fixed assets, finance, equity investments, closing of the separate and consolidated financial statements, fiscal obligations and general computer controls), during this year has conducted a revision on the procedure organization according to a "risk based" standard in order to improve the analysis of the risks connected with financial reporting. This approach was applied also to the new companies and the new processes that have been within the scope since 2013.

The results of the tests, as usual, were shown to the committee for controls and risks and to the Board of statutory auditors acting as a committee for internal controls in periodic meetings.

The Board evaluates the general trend of the management on the basis of the information received from the delegated bodies and at every board meeting and therefore, every three months, compares the results programmed with those actually achieved. (Applicative criteria 1.C.1., lett. e).

As already mentioned, art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations of El.En. and of its subsidiaries, whenever these operations have significant strategic, economic, or financial importance for the Company (Applicative criteria 1.C.1., lett. f).

Art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations of El.En. and of it subsidiaries in which one or more of the directors have an interest either for themselves or for a third party. Moreover, article 6 of the internal regulations for dealings with related parties requires that the Board Member who holds an interest, directly or indirectly, must inform the Board in advance and then absent themselves from the meeting, except in those cases in which they have to remain in order to not compromise the quorum, in which case instead of absenting himself/herself, he/she must abstain from the vote.
Art. 20 of the company statutes grants the faculty to the Board to examine and approve in advance all the operations with related parties, in conformity with those identified on the basis of IAS 24 and

Regolamento Parti Correlate CONSOB, of El.En., and of its subsidiaries, when these operations have significant strategic, economic or financial importance for El.En.

Generally speaking, in relation to the identification of the operations that have particular strategic, economic or financial importance, no general criteria have been established because the evaluation for each individual case is turned over to the delegated bodies which conduct the daily management and, in the opinion of the Board, have all the characteristics required for identifying these cases.
This is different from what occurs with operations conducted with related parties in relation to which the company has adhered, in compliance with the internal regulations for such operations, to the definition of operations of major significance as defined by the Consob in the *Regolamento Parti Correlate Consob*, Attachment 3.

When the proposal is brought before the assembly, the Board evaluates the size, composition and functioning of the Board itself and of its committees in terms of determining the number of board members, and subsequently for the division and delegating of functions and the election of the committees (Applicative criteria 1.C.1., lett. g).
This year the evaluation was conducted on March 13th. Before the self-evaluation the Board received the favourable opinion of the Nominations Committee.
Once a year, after the approval of the financial statement, the Board proceeds with the evaluation of the presence of the requirements of independence for the independent Board Members considered sufficient also in quantitative terms in relation to the Code and to the law.

As far as the current activities of the board members and their evaluation by the Board is concerned (criteria 1.C.4), in case of general preventive authorization by the assembly of the derogation of the prohibition of concurrency, on May 15th 2007 the shareholders' meeting, authorized the inclusion in the statutes at art. 19 last sub-section, of a regulation according to which no act of authorization is necessary as long as the concurrent activity is conducted because of having the role of member in one of the administrative bodies in one of the subsidiaries. This authorization is limited to the area of consolidation.
The Board therefore evaluated *a priori* that the assumption of office as part of the area of consolidation must take place in the interest of the parent company for the purpose of coordinating the subsidiaries.

4.4. MANAGING DIRECTORS

Executive directors

The Board of Directors now serving, elected by the shareholders' meeting held on May 15th 2012, appointed from among its members, three executive members, one of which is also the president. These members have, separately from each other and with individual signature, all the ordinary and extraordinary powers of administration for the conduction of all activities that are part of the company purpose, excluding only those powers the attribution of which is prohibited in conformity with law and the company statutes**.**

(2.P.4) The circumstance in which quite ample powers are conferred is related mainly, according to an inveterate usage, to the exercising, in practice, of the powers delegated according to a model that requires, on the one hand, daily involvement on the part of the three executive board members in pursuing the company objective, with each one acting individually and autonomously carrying out only those tasks related to everyday management, each one in the sector to which he has been designated and, on the other hand, confronting and cooperating with each other in every operation which has even the most minor significance or importance.

In effect, therefore, there is never a concentration of company powers in a single individual as described in principle 2.P.4, although each one could potentially achieve this. In practice, although they have held a mandate as executive director for many years, none of the three executive board members, including the president, has ever become the sole and principal person responsible for the management of the company.

For this reason the Board reserves the right to further evaluate the expediency of appointing a *lead independent director* as described in Applicative criteria 2.C.3. or whether to adopt other criteria.

In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the management of the company.

President of the Board of Directors (2.P.5)

In conformity with art. 2. of the Code, art. 20 A of the El.En. company statutes assigns to the President the possibility/duty of organizing the work of the Board, by proceeding with the convocation and the organization of the Order of the Day as well as the coordinating of the Board's activities, the conduction of the various meetings, and the rapid communication of information to the board members so that they can act and decide knowledgeably and autonomously.

Art. 23 of the company statute assigns the representation of El.En to the president of the Board of Directors without any limitations and, within the limitations of the powers delegated to them, to the members of the Board of Directors who have executive powers.

In effect, to the president of the Company – Gabriele Clementi – on account of the small/medium size of the Company and the close collaboration, even in operational terms, with the other two executive board members, executive powers have been conferred which have a content and breadth analogous to those of the other executive directors: in fact, like the other two executives, he conducts a concrete and daily activity in the service of the company.

During the board meetings he also makes it a habit to inform and involve the non-executive members in the company activities, the strategies of the Group and the prospects for their long-term realization.
As already described and explained above in relation to the conferring of powers, the Board of Directors at this time does not feel that it is opportune to appoint one of the two independent members as *lead independent director* to collaborate with the president in order to further re-enforce the connection between the executive and non-executive directors.

The President is not the principal, in the sense of "sole person", responsible for the management of El.En., as explained in the motivations given in the preceding paragraph and he is not the controlling partner of El.En.

Information given to the Board of Directors

The delegated bodies refer to the Board concerning the activities conducted while exercising the powers conferred to them:
- normally, on a quarterly basis;
- when a significant transaction takes place with related parties or in conflict of interests, by calling a special board meeting.

4.5. OTHER EXECUTIVE BOARD MEMBERS

One of the non-executive board members, Stefano Modi, is also the director of the research and development sector of El.En. and therefore is not qualified as an executive board member as per art. 2381, sub-section 2, c.c., however he is considered "executive for the purposes of the Applicative criteria 2.C.1. and 6.C.1.

4.6. INDEPENDENT DIRECTORS

In its Board of Directors, currently composed of seven members, El.En. includes two non-executive administrators qualified as independent in conformity with art. 148, sub-section 3, TUF, recalled in art. 147-ter, comma 4, TUF, and in conformity with art. 3 of the Code.

During the election of the current Board, in relation to the two candidates presented as independent, the shareholders' meeting evaluated the existence of the requisites for independence in conformity with art. 148 sub-section 3 TUF and the criteria 3.C.1 and 3.C.2. of the Code. In fact, as was immediately communicated in the press release sent out during the election, the assembly decided that the circumstance in which the two above mentioned candidates had held the position of independent directors of the company for twelve years did not in itself constitute a relation of a nature that would exclude their fitness to be qualified as independent directors, notwithstanding the absence of any other kind of relationship among those listed in art. 148 sub-section 3 D. Lgs. 58/98 cit. and in criteria 3.C.1 of the Code and considering the recognized ethical character and professional capacity of the persons involved as well as the continuation of their independence of judgment and evaluation.

On May 15th 2012, at the first meeting after the election, while forming the internal commissions, the Board decided that the requisites for independence existed in relation to the two non- executive board members elected as such (Applicative criteria 3.C.4.).
The independence of the directors is subsequently evaluated annually during the meeting for the approval of the financial statement on the basis of information obtained from the directors themselves (3.C.4): according to policy, in fact, the company sends a questionnaire to the two directors qualified as independent which contains the declaration concerning the controlling, economic or personal relations with the company, the subsidiaries or executives of the company.
In this regard it should be noted that during the approval of the financials for 2013 and of this Report, the Board, during the meeting of March 13th 2014, after gaining the approval of the Board of Statutory Auditors, on the basis of the information supplied by the independent directors did not find any variation in the conditions and the requisites for independence in conformity with the law and with the Code.

The Board of Statutory Auditors checked the correct application of the verification criteria and procedures used by the Board to evaluate the independence of its members and issued a positive result. (Applicative criteria 3.C.5.).

As far as Applicative criteria 3.C.6. is concerned, the independent board members who, as mentioned above, participate in all three of the commissions created within the Board, during 2013 did not believe it necessary to convene formal meetings in the absence of the other directors because during the meetings of the commissions, and above all that for internal controls, they have the opportunity to consult and discuss many topics with each other and to have direct access to the management of the company.

At the moment of the presentation of their candidacy in the lists for appointment to the Board, the two independent administrators indicated their suitability to qualify as independent both in compliance with art. 148, comma 3 TUF, and with art. 3 of the Code.

4.7. LEAD INDEPENDENT DIRECTOR

El.En. Spa believes that a concentration of company positions in a sole person has not occurred, in conformity with principle 2.P.4, and that none of the three executive board members, including the president, has ever effectively become the sole and principal person responsible for the management of the company. None of them, even if a significant shareholder, is a controlling shareholder.
For this reason the Board of Directors has decided at this time to not proceed with the appointment of a *lead independent director* as per Applicative criteria 2.C.3. and to adopt other delegating criteria.
In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., if necessary, during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the conduction of the company.

5. TREATMENT OF COMPANY INFORMATION

The confidential information is managed by the executive board members so as to guarantee its preservation and diffusion in conformity with the laws now in effect. The information which is not publicly known and which, if rendered public, is of a nature that could significantly influence the price of the financial instruments, is divulged following the specific instructions from the executive board members, in compliance with art. 114 D.Lgs. 58/98, in order to guarantee the parity, punctuality and completeness of the information.
In particular, any news related to El.En. is carefully evaluated by the executive directors, along with the employees and collaborators who elaborate the data and are aware of information related to the company, first on the basis of its nature – whether it is confidential or not - and, secondly as to what is the best and most correct means of diffusion.
On March 30th 2007 the Board of Directors, on the basis of a proposal made by the executive board members, approved a special procedure called "Regulations for the treatment of El.En. company information" ("*Regolamento per il trattamento delle informazioni societarie di El.En. s.p.a.*") with which, besides putting into practice the above mentioned policy for the diffusion of information, they intend to codify, in a form which is simple but safe and confidential, the internal management of the information and knowledge of special importance for the company activities and the conduction of its functions and, where necessary, in order to prevent illegal behaviour and for the fulfilling of the obligations imposed by law for quoted companies, for the purposes of a correct divulgation of information which is of interest to the stock market, i.e., price sensitive.
The above mentioned regulations were adopted, therefore, with the double intent of preventing, on one hand, an uncontrolled diffusion of information which could compromise the legitimate interests of the company and of its stockholders and, on the other, to insure a correct, rapid and impartial communication to the market of the important sensitive information which, as per art. 181 TUF could significantly influence the prices of the financial instruments issued by the Company which involve El.En. itself or its subsidiaries.
Moreover, following the acceptance by the Italian legislators of the European regulations regarding *market abuse*, this document also includes the rules for the institution and management of the persons who have access to sensitive information in compliance with art. 115 TUF and the relative Consob regulations implementing them.
As already mentioned, moreover, in conformity with articles 2.6.3 and 2.6.4 of the markets organized and managed by Borsa Italiana s.p.a. then in effect, from 2003 until March 31st of 2006, the Company had adopted an internal ethics code for the Group concerning *internal dealing.*
After the modifications made on the TUF by the law on saving (*Legge sul Risparmio*) and the regulations issued by Consob to implement them, the obligation to communicate all operations made by significant subjects as prescribed in the ethics code became law, and the threshold of the operations to be communicated was reduced to 5.000,00 Euros; for this reason it was necessary to adopt a new text for the internal regulations which described the current regulations.
In following the recommendations of Borsa Italiana, El.En. accepted the new ethics code which is called the "Ethics code for operations performed on financial instruments of El.En. by significant persons" ("*Codice di comportamento per operazioni compiute su strumenti finanziari di El.En. s.p.a. da persone rilevanti*") adopted by the Board of Directors after the vote on March 31st 2006 and subsequently modified by the vote on November 13th 2006, the imposition on the significant persons and those closely connected to them, as defined in art. 152-*sexies* Regolamento Consob 11971/1999, to respect a blackout period of 15 days prior to the approval of the financial for the year and the relative intermediate reports.

In the case of extraordinary operations, moreover, the Board of Directors may impose extra temporal limits *ad personam* for the negotiation of company shares, or, in exceptional and motivated cases they may grant exceptions to the blackout periods.

In the above mentioned ethics code the exercising of stock options or of rights for options related to financial instruments and, solely for the shares derived from the stock option plans the consequent selling operations (as long as they are made when exercising the stock option right) are not subject to the limits and prohibitions described in the above mentioned ethics code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (ex art. 123-bis, sub-section 2, letter d), TUF) – ART. 4 CODE

Since 2000, and after that at each re-election, the Board has created from among its members three commissions which are supposed to take initiatives and to be consulted.
In conformity with Criteria 4.C.1 the commissions:
a) are all composed of three non-executive members, two of which are independent;
b) are governed by regulations defining their composition, duties and functions approved by the Board of Directors and periodically updated by the Board. As mentioned earlier, they were revised during the adaptations to new regulations or to new internal reorganizations of the company, in December 2003 and in 2007. Further additions were made to the regulations governing the internal controls committee in 2010 and it was also modified in 2011. Additions were also made to the regulations governing the remuneration committee in 2011; all of them were revised when the new committees were appointed in May of 2012.
c) the composition reflects the recommendations expressed in the Code and the last time the members were replaced was on May 15th 2012 after the election of the present board;
d) the regulations of each committee state that minutes must be made to record the content of each meeting;
e) the regulations of each committee state that in order to carry out their duties and their functions, the committee has access to the information and company functions necessary for this task, as well as the faculty of consulting outside experts and of disposing of any financial resources placed at their disposal by the Company to the extent required for carrying out the activities with which they have been entrusted;
f) the regulation of each commission states that persons from outside the company may be sent to participate in the meetings when their presence constitutes a useful auxiliary for the conducting of the activities and functions of the commissions.

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7. NOMINATION COMMITTEE – ART. 5 CODE

In conformity with art. 5.P.1. of the Code, the Board of Directors appointed a nominating committee for the appointment of the Directors, composed of prevalently of its own non-executive members.

Composition and function of the nominations committee (ex art. 123-bis, sub-section 2, letter d), TUF)

The composition has always been in conformity with the Code in its various versions.

The first appointment was made during the meeting of the Board of Directors held on September 5th 2000, which, on the same date created the nominations committee with the following persons as its members: President, Gabriele Clementi and two non-executive independent directors Paolo Blasi e Michele Legnaioli.

Likewise, the Board elected on November 6th 2003, created the nominations committee on November 13th 2003 with the following persons as its members: executive board member Barbara Bazzocchi and two non-executive independent directors Paolo Blasi and Michele Legnaioli.

Moreover, the Board elected on May 9th 2006, voted on May 15th 2006 to appoint all non-executive members to the committee, two of which were independent from the nominations committee appointed by the preceding Board, as did the current Board elected on April 30th 2009 by their vote cast on May 15th 2009. Most recently, after the vote of May 15th 2012, the current Board, on the occasion of the appointment of the new committees after the election of the new Board, confirmed the composition so that the current committee is composed of the members Pecci (non executive), Blasi (non executive, independent) and Legnaioli (non executive, independent).

The tasks to be carried out and the functioning of the above mentioned committee were originally described in the relations approved *ad hoc* by the Board of Directors on September 5th 2000, which accepted the contents of the Code then in effect (1999); on November 13th 2003 the regulations were changed in order to put them in conformity with the version of the Code updated in July 2002; on March 30th 2007 a further revision of the regulations was made in compliance to Code 2006 criteria 6.C.2. (in force at the time); moreover, on May 15th 2012 we proceeded with the adjustment of the functions of the nominations committee so that they conform to those described in the present Code.

During 2013 the committee met once. All of the members were present and the meeting lasted 45 minutes. The work conducted during the meeting was coordinated by the president. All the members of the Board of Auditors participated.

The nominations committee this year has been made up mostly of independent directors (5.P.1): two of the three members.

The secretary and, upon invitation by the committee, a member of the Board of Statutory Auditors and the internal auditor participate in the meetings. (Applicative criteria 4.C.1., lett. f).

Functions of the nomination committee

In compliance with art. 9 of the regulations of the committee, they are entrusted with the tasks described in art. 5 of the Code. The committee must guarantee the transparency of the selection and the election of the Board as well as the balance in its composition and therefore has the following functions:

a) they must guarantee the transparency of the procedures for the selection of the directors and the observance of the nominating procedures in compliance with art. 19 of the by-laws.

b) to the Board of Directors they propose candidates for the position of administrator in cases where

it is necessary to replace an independent administrator.
c) they can give opinions to the Board of Directors concerning the size and composition of the Board and give recommendations concerning the type of professional figures that it would be opportune to have on the Board for a correct and effective functioning, as well as on the subjects mentioned in art. 1.C.3. (maximum number of positions that can be held by an administrator or an auditor) and 1.C.4. (problematic cases in terms of competition);
d) they can conduct the investigation and formulate proposals related to the evaluation of the use of succession plans for the executive administrators and, when necessary, contribute to the creation of the plan.

When carrying out their functions and duties, the commission has the concrete possibility of gaining access to the company information and operations necessary to conduct their activity, as well as making use of outside advisors and any financial resources put at their disposal by the Company to the extent that is necessary to carry out the tasks which have been assigned to them.

During 2013, the committee conducted support activities and gave advice to the Board related to self-evaluation, as well as to confirm the measures already approved in relation to any plans to replace the administrators.
Except for extemporaneous meetings requested during the regular board meetings and which are recorded in the board minutes, normally, the meetings of the nominations committee are recorded in the minutes book. (Applicative criteria 4.C.1., lett. d).

In carrying out its functions, the committee has had access to all of the information and the company functions that it has deemed necessary for fulfilling its tasks.
At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

8. REMUNERATION COMMITTEE – ART. 6 CODE

In order to guarantee the most complete information and total transparency in the remuneration paid to the directors, in 2000 the Board of Directors created the remuneration committee from among its own members (Principle 6.P.3.).

Composition and function of the remuneration committee (ex art. 123-bis, sub-section 2, letter d), TUF)

During the Board meeting held on May 15th 2012, the current Board confirmed the members of the preceding committee. Therefore, at this time the committee is composed of three members all of which are non-executive, two of which are independent.

The committee for remuneration functions and has the duties described in the regulations approved *ad hoc* by the Board of Directors during the meeting held on September 5th 2000 which had accepted the contents of the Code which was then in effect (1999); on November 13th 2003, the regulation was modified to conform it to the contents of the Code in the version updated in July of 2002; on March 30th 2007 a further revision of the regulations was made in conformity with Code 2006, applicative criteria 7.C.3; most recently, on May 13th 2011, the Board made a further revision of the rules in order to comply with art. 7 of the Code as modified in March 2010.
Moreover, on May 15th 2012 the Board added the finishing touches to the regulations changed due to modifications in the Code.

It should be noted that the remuneration committee only has the faculty of making proposals and that, in conformity with art. 2389, sub-section 3, c.c. and art. 20 E of the company statutes, only the Board of Directors has the power to determine the remuneration of the delegated bodies, the president and the board members with special positions once the opinion of the Board of Auditors has been expressed.

The president of the committee, on the basis of art. 3 of the relative regulations, has the task of coordinating and planning the activities of the committee and conducting the meetings. During this year the committee met specifically and autonomously two times.
The duration of the committee meetings held during the year was 45-50 minutes.

All of the committee members were present and at one of the meetings the entire Board of Auditors was present.
Number of meetings already held by the committee in 2014: 1 (one) held on March 13th.
During this year the committee was composed of non-executive members, most of whom were independent. (Principle 6.P.3.).
During this year the remuneration committee was composed of at least three members (Applicative criteria 4.C.1., lett. a).

All of the members of the committee, as previously mentioned, are outstanding personalities who have developed a long experience in important companies (KME, Florence Airport, etc.) and the president has even been on the Board of the Bank of Italy.
The Board therefore did deem it necessary to proceed with a further evaluation of the expertise of one of the members on the subject of accounting and finances, and/or in relation to remunerative policy, since for all the components these characteristics emerged from the curriculum they presented when their names were added to the list of candidates for the appointment of the current Board.

The regulations of the committee state in art. 4 that no board member may be present at the meetings of the committee during which his/her own salary is discussed.
The salaries of non-executive and independent directors were voted by the assembly and since the committee is composed only of non-executive directors, the executive directors to which the remuneration proposals refer do not participate in the meetings of the commission in which the proposals of the committee are made concerning their own salaries. (Applicative criteria 6.C.6.).

The secretary and the provost for internal controls participated in the meetings of the remuneration committee upon invitation from the committee and in relation to the specific subjects being dealt with. (Applicative criteria 4.C.1., lett. f).

Functions of the remuneration committee
The remuneration committee has the functions that were assigned to it by the regulations approved by the Board of Directors and revised the most recently, substantially on May 13th 2011, and with reference the main formal aspects on May 15th 2012. They consist chiefly in the tasks described in art. 6 of the Code. Its role, consequently, is to advise and to propose:

- the committee presents proposals for the definition of a remuneration policy of the administrators and mangers with strategic responsibilities (6.P.4) to the Board of Directors;
- the commission periodically evaluates the adequacy, the overall consistency and the concrete application of the general policy adopted for the remuneration of the executive directors, the other directors who have special functions, and the executives with strategic responsibilities, supervises their application on the basis of information supplied by the executive directors and transmits general recommendations to the Board of Directors (6.C.5);
- it presents to the Board of Directors proposals for the remuneration of the executive directors and the other directors who have special functions as well as setting the performance objectives related to the variable component of this remuneration; it also monitors the application of the decisions adopted by the board and, in particular, verifies that the performance objectives have actually been achieved (6.C.5);
- on its own initiative or upon request by the Board, it conducts the investigative and preparatory activities that are adequate and necessary for the elaboration of the remuneration policy.
- it reports to the shareholders on the manner in which they have carried out their functions.

In making their recommendations, the committee may stipulate that:

- the remuneration of the executive administrators be defined so as to be in line with interests in achieving a priority objective for the creation of value for the shareholders over a mid- to long-term period;

- a significant part if the overall salaries of the board members, who have managerial responsibilities, be dependent to the reaching of certain objectives which may even not be of a economic nature, identified and specified in advance by the Board of Directors.

During this year the remuneration committee was involved chiefly in evaluating what had occurred with the incentive salary plan for 2012 and in the definition of a proposal for the remuneration policy of incentive salaries and the incentive salary plan for 2013. They also formulated a proposal for a remuneration policy that was the subject of the report submitted for approval to the shareholders. Moreover, bearing in mind the recommendations contained in the notice of the Italian Stock Market no. 8342 of May 6th, they elaborated the integration of the guide lines for the remuneration policy related to incentives for executive administrators and those with special appointments for the purpose of including in the remuneration plan starting in 2014 also results and specific objectives that are not exclusively short-term.

At least one of the acting auditors and sometimes the entire Board of Auditors participated in the meetings.

Normally, the meetings of the remunerations committee are recorded in the minutes book. (Applicative criteria 4.C.1., lett. d).

When carrying out their functions and duties, the remuneration commission has access to the company information and operations necessary to conduct their activity, as well as making use of outside advisors according to the terms established by the Board. (Applicative criteria 4.C.1., lett. e).

At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

9. REMUNERATION OF THE DIRECTORS

The contents of the report on remuneration published in compliance with art. 123 *ter*-TUF and art. 84-quarter of the Consob regulations should be added on to the information which follows. This information is available on the El.En. site: www.elengroup.com in the section: *Investor relations/governance/shareholders'meeting documents/2013*.

* * *

The Board has defined the guide lines for the incentive policy for the executive directors and the directors with strategic responsibilities (6.P.4.) which they have submitted in the first part of the fir Report on Remuneration 2013 for the approval of the shareholders' meeting during the meeting for the approval of the financials for 2012. According to applicative criteria 6.C.1 the main characteristics are the following:
The set component and the variable component attributed to the executive board members and to those holding special positions, in consideration of the structure of El.En. and of the sector in which it operates is adequately balanced in relation to the strategic objectives and the risk management policy of El.En.
Maximum limits have been set for the variable components.
The set component is held to be enough to remunerate the performance of the executive administrators or those who hold special positions even when the variable component has not been issued due to the fact that the performance objectives set by the Board have not been reached. These objectives are set in the first quarter of the year and are measurable and deemed by the Board to be related to the creation of value for the shareholders within a mid-term period.
All of the variable component that is due is paid out during the following year.
No indemnity is paid for the premature cessation of employment or for its failure to be renewed but only a severance pay amounting to 6.500,00 Euros each annually which is implemented through the spevial insurance policy and paid at the end of the mandate.

Remuneration plans based on stocks
There are none.

Remuneration of the executive directors
A significant portion of the salaries of the executive directors depends on the earnings of the Company and/or reaching certain goals specified in advance by the Board proposed by the remuneration committee consistently with the incentive policy, for which the maximum amount which can be paid out, were approved by the share holders' meeting on May 15th 2012 (6.P.2), and the guide lines that were approved by the shareholders' meeting on May 15th 2013.
The incentive remuneration plan proposed by the Board on March 13th was later definitively confirmed by the Board on May 15th, after the approval of the shareholders' of the first part of the Report on Remuneration and the maximum amount set allocated.

Remuneration of directors with strategic responsibilities
In relation to the directors with strategic responsibilities, at this time the Board of Directors of El.En. has identified only one director with strategic responsibilities who is also a board member and therefore also qualified as executive in compliance with art. 2 (applicative criteria 2.C.1). This person, like the other executive directors is the recipient of an incentive remuneration adopted in accordance with the general policy described above (6.P.2), consequently a significant part of his remuneration as a board member is connected to achieving the goals in conformity with the terms that have been described with reference to executive administrators.

This person, moreover, has benefitted from his position as an employee and not as a board member, from the employee incentive plan for 2008-2013 described in the Director's report on operations which accompanied the financials for 2012, in the section titled "*stock options offered to directors and employees*" in compliance with art. 84-*bis* of the *Regolamento Emittenti Consob* on the internet site of El.En., www.elengroup.com, Italian version, "*sez. investor relations – assemblea*". Consequently this is not part of a remuneration incentive plan. That plan expired definitively on May 15th 2013.

The Board of Directors decided to assign an incentive remuneration to the president of the technical-scientific commission who, although he is not a director of El.En. is considered a figure of strategic importance in consideration of the fact that the main characteristic of the business of the company is that it is based on research.

Incentive mechanisms for the provost for internal control and the director of the financial reports
The incentive mechanisms directed at the provost for internal controls and the executive officer responsible for the preparation of the financial statements of the company are established by the managing director of internal controls and are deemed to be consistent with the roles that are assigned to them (*applicative criteria 6.C.3*.).

Remuneration of the non-executive directors
The remuneration of the non-executive directors is established by the shareholders meeting at a set sum and is in no way connected to the economic results of El.En. (Applicative criteria 6.C.4.).

The remuneration of the non-executive directors is represented by the base salary established by the shareholders' meeting for all of the board members when they are appointed and currently amounts to 12.000,00 Euros a year.

The non-executive directors are not included in the incentive plans involving stock options (Applicative criteria 6.C.4.).

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Indemnities for the directors in case of resigning, dismissal, or discharging on account of an offer of public acquisition (ex art. 123-bis, sub-section 1, letter i), TUF)

Except for the severance pay indemnity established by the assembly in compliance with art. 17 of the TUIR, at the moment of appointment of the president or the executive board members for a maximum amount of 19.500,000 Euros a year, no agreements have been stipulated between El.En. and the directors concerning an indemnity in case of resignation or dismissal/discharge without just cause or if the relationship with the Company ceases on account of an offer of public acquisition.
At this time there are no further rights assigned in relation to the severance pay indemnity described above, there are no agreements that stipulate the assignment or maintenance of non-monetary benefits in favor of subjects who have terminated their employment, nor consulting contracts that have been stipulated for a period following the termination of employment; no agreements exist in relation to payments for non-disclosure agreements.

10. COMMITTEE FOR CONTROLS AND RISKS

In 2000 the Board of Directors created an internal controls committee which, in 2012, was renamed "Committee for controls and risks" (Principle 7.P.3) the independent components of which were confirmed upon renewal of the mandate on November 13th 2003 and May 9th 2006; on May 15th 2006 its third component, again a non-executive member, Alberto Pecci, was appointed.
On May 15th 2012 the Board confirmed as members of the commission three non-executive members, two of which were independent.

Composition and function of the committee for controls and risks (ex art. 123bis, sub-section 2, letter d), TUF)
The commission is currently composed of three non-executive board members (Pecci, Blasi, Legnaioli), two of which are independent (Blasi and Legnaioli).

The president, Michele Legnaioli, in conformity with art. 3 of the committee regulations, has the task of coordinating and scheduling their activities as well as conducting the meetings.
The commission always meets before the approval of the annual financial statement and the half-yearly report by the Board of Directors and whenever requested by one of the commission, Board of Directors or the provost for internal controls.

During this year the commission met twice, on March 8th and on August 29th.
The meetings lasted for an average of 85 minutes and all of the members were present.
For the current year a meeting has been held on March 13th and another is scheduled for August 28th.

In 2013 the committee for controls and risks was composed of non-executive directors, most of whom were independent (Principle 7.P.4.).

In 2012 the committee for controls and risks was composed of at least three members (Applicative criteria 4.C.1., lett. a).

All of the members of the committee for controls and risks have experience in the fields of accounting and finance which the Board felt was adequate at the time of the appointment (Principle 7.P.4), for the reasons mentioned above in the paragraph related to the remuneration committee.

The Board of Auditors, the executive officer responsible for the preparation of the financial statements, the executive director of internal controls, the secretary and the internal auditor, participate in the meetings of the internal controls commission and, when necessary, in order to resolve specific orders of the day, a person or professional that the president deems useful in the discussion. (Applicative criteria 4.C.1., lett. f).

Functions attributed to the committee for controls and risks
According to the regulations, the commission is responsible for the tasks described in art. 7 of the Code, as well as those derived from the CONSOB *Regolamento Part Correlate* regarding the regulations for dealings with related parties.

During this year in the light of D. Lgs. 39/2010 which redefined some aspects of internal controls, El.En., on the basis of the contents of Stock Market Notice n. 18916 of December 21st 2010 – regarding the requirements which must be possessed by companies belonging to the STAR segment, had already proceeded with the vote taken on May 13th 2011, to attribute to the committee

a role that was merely supportive with reference to the activities assigned by D. Lgs. 39/2010 to the board of auditors concerning the legal auditing of accounts.
On December 31st 2013 the committee was assigned those tasks described in the *Regolamento Consob* 17221/2010 related to operations with related parties and those mentioned in art. 7 of the Code.
Therefore, the committee, as part of the operations conducted with related parties:
(a) examines, analyzes and expresses an opinion in advance on the procedures and on the relative modifications adopted by the Board of Directors in relation to operations conducted with related parties;
(b) carries out the tasks which have been assigned to it in those procedures in relation to the instruction and examination of the operations with related parties governed by these same procedures
Moreover, in relation to art. 7 of the Code, in offering advice and proposals, it must analyze the problems and implement the practices for the control of the company activities and in particular, as far as is compatible with the functions attributed by the law to the Board of Statutory Auditors of companies listed on the stock market, it must:
a)assist the Board of Directors in defining the directives for internal control, in the periodic evaluation of the adequacy of the system, of the efficiency and effectiveness of the system, with respect to the characteristics of the company and the risk profile that has been assumed and its effectiveness as well as the verification activity aimed at the identification and management of the main risks involving the company and its subsidiaries, and the determining of compatibility criteria for the risks which have been identified involving the company or its subsidiaries, through a sound and correct management of the company.
(b) evaluate, together with the executive officer responsible for the preparation of the financial statements and the independent auditors and the Board of Statutory auditors, the adequacy of the accounting principles being used and their consistency in relation to the drawing up of the consolidated statement of the Group;
(c) express their opinions on specific aspects related to the identification of the main risks to which the company is exposed
(d) examine the periodic reports which have as their subject, the evaluation of the system for internal controls and management of risks and, in particular, those concerning internal audit.
(e) monitor the autonomy, the adequacy, the effectiveness and the efficiency of the internal auditing system.
(f) using their own discretion and specifically communicating with the president of the Board of Auditors, to ask for the function of an internal audit to conduct verifications on specific operating areas.
(g) assist the Board of Auditors when specifically requested, in the evaluation of proposals advanced by the auditing company in order to obtain the position of auditors and evaluate the work plan drawn up for the auditing and the results shown in the report and in the letter of suggestions.
(h) assist the Board of Auditors when specifically requested, in their supervision of the effectiveness of the auditing process.
(i) report to the Board, at least twice a year, on the occasion of the approval of the financial and the half-yearly report, on the activity conducted and on the adequacy of the system of internal controls and management of risks;
(l) form an opinion concerning the appointment, revocation and remuneration of the manager of the internal auditing system and they qualities that this person has that are necessary for carrying out his functions and responsibilities;
m) carry out the other tasks which from time to time may be assigned to it by the Board of Directors.

During this year the commission evaluated, in particular, the activities conducted by the manager in relation to Law 262/2005, the adequacy of the reporting and the consequent adequacy of the relative managerial controls relative to the commercial and marketing expenses in their relative sales areas, and of the activities initiated by the various structures involved in the collection of commercial debts; moreover, we have begun a verification of the limits of the areas of risk and the follow up of the control activities conducted up until December 31st 2013.
All the members of the Board of Auditors participate in the work of the committee for controls and risks (Applicative criteria 7.C.3.).
Normally the meetings of the commission for internal controls are recorded in the book of minutes (Applicative criteria 4.C.1., lett. d).
When carrying out its functions, the commission for controls and risks may have access to the company information and operations which are necessary for it to conduct its activities, and it may also, when opportune, consult with outside experts, in accordance with the terms established by the Board. (Applicative criteria 4.C.1., lett. e).
At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

11. INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

As part of its activities for the management of the Company, and while defining their strategic industrial and financial plans, the Board of Directors evaluates the nature and the degree of risk compatibly with the goals that have been set.

While mandating the various bodies involved in the system of internal controls (managing director, internal auditor, committee, supervising body, provost, etc.) the Board has defined the various directives of the internal controls and risk management system in such a way that the principal risks pertaining to El.En. and its subsidiaries are correctly identified, adequately measured, managed and monitored, and, at the same time, determining the degree of compatibility of these risks with a management of the company that is consistent with the strategic objectives that have been set (Applicative criteria 7.C.1, lett. b)

The essential elements of the system of internal controls and risk management (Applicative criteria 7.C.1, lett. d) of El.En. are represented, on one hand by the rules and procedures, and on the other, by the bodies for corporate governance and control.
The rules consist mainly of a series of fundamental principles which El.En has always adopted for its operations and which, in 2008 where codified in the Ethics Code; secondly, they consist of a series of second level procedures (those in *ex* Legislative Decree 231/01, L.262/05, L.81/09, internal regulations on the treatment of confidential information, operations with related parties, internal dealing, etc.) which make it possible to apply them to the specific situation of the company and to implement the above mentioned general principles.
On the other hand, the commission for controls and risks, the internal auditors, the provosts for internal controls, the executive responsible for the company financial documents, the supervising bodies 231, the Board of Statutory Auditors, the Independent auditors are all charged with the supervision of the compliance, with the rules and procedures on the basis of the competence and functions defined and attributed by the Board, of the rules and different bodies at their respective levels.
The details of the current system for the management of risks and for internal controls now in existence in relation to the policy on financial information, even consolidated (ex art. 123-bis, sub-section 2, letter b), TUF), are described in Appendix 1. The following is a summary of the policy followed by El.En. after law 262/2005 came into effect.
On May 5th 2007, in implementation of art. 154-bis TUF, for the purpose of formalizing a set of rules and tests to add to those already in existence which were related to the financial information process (including the consolidated) the Board appointed Enrico Romagnoli, an employee who has worked for the company since its admission to the stock market organized and managed by the Borsa Italiana Spa, as the executive officer responsible for the preparation of the financial statements.
Initially, El.En. instituted a task force with the objective of analysing the system of internal controls with reference to the tasks assigned by law to the executive responsible for the accounting and company documents collaborating with Price Waterhouse Coopers company (a company which is different from that which audits the books of El.En.).
The analysis was conducted using as a model the CoSo Report – Internal Control Integrated Framework and upon conclusion of the project a report was written which summarized the results which had emerged; on the basis of these results they identified the specific instruments to apply in order to guarantee the coordination and functioning of all the elements of the SCI which were related to information and data on the economic and financial situation of the company, in compliance with the law and/or diffused on the market. Since that time, the provost has carried out this activity with an aim to continuous improvement and constant verification of the instruments being used and, as part of this activity, during this year manager assigned, in collaboration with

Deloitte ERS, has conducted activities focused on the revision of the procedures for the company according to a risk-based method in order to make a better analysis of the risks connected to the financial reports. This model has been applied also to the new companies that are now within the scope.
Through the activities implemented and coordinated by the internal controls committee, as well as the reports presented periodically by the internal controls provost and the superintending institution 231, during the meetings held on March 13th, May 15th, August 29th , and November 14th , the Board evaluated as adequate the efficiency, effectiveness and correct functioning of the internal controls system (Applicative criteria 7.C.1., lett. b and d).

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has identified an administrator for the institution and maintenance of an effective system for internal controls and risk management (7.P.3) and has appointed Andrea Cangioli as executive director in charge of supervising the functioning of the system.
In the name of the Board of Directors, he is in charge of the supervision of the functioning of the system of internal controls and risk management and carries out the tasks and the functions as per the Code and in particular: the identification of the main risks for the company (strategic, operative, financial, compliance), bearing in mind the characteristics of the activity conducted by El.En. and by its subsidiaries, and submits them for periodic examination by the Board (Applicative criteria 7.C.4, lett. a); implementing the directives defined by the Board of Directors, including the planning, activation and management of the internal controls system and constant verification of its adequacy, effectiveness and efficiency (Applicative criteria 7.C.4., lett. b); adaptation of the system to the dynamics of the operating conditions and the legislative and regulating situation (Applicative criteria 7.C.4., lett. c); request to the person responsible for the internal audit to conduct the verifications in specific operating sectors and on the respect of the regulations and procedures in carrying out company operations, while keeping the commissions for controls and risks and the Borard of Statutory auditors informed (Applicative criteria 7.C.4., lett. d).

During the work sessions of the committee for control and risks and of the Board of Auditors , when necessary, the executive director will refer concerning the problems that have emerged or that he has been informed of as part of the activity that he conducts.

11.2. PROVOST FOR INTERNAL AUDITING

Since 2000 the Board has appointed one or more persons to verify that the internal controls system is always adequate, fully operative and functioning (provost(s) for internal controls, internal auditors) (Applicative criteria 7.P.3., lett. b).
The current provosts for internal auditing are Cristina Morvillo and, exclusively in relation to the drawing up of the financial statements, Lorenzo Paci' the appointment of which occurred on the basis of the executive director in charge of supervising the systems for internal controls and the opinions expressed by the commission for controls and risks (Applicative criteria 7.C.1.) with the approval of the Board of Auditors.

The Board is the body in charge of the remuneration of the provost(s) for internal auditing; consistent with the company policy, upon proposal from the executive director in charge of supervising the functions of the internal controls system and, on the basis of the opinion expressed by the commission for controls and risks, (Applicative criteria 7.C.1) and of the Board of Auditors.

The provosts for internal auditing are not responsible for any of the operative sectors and in the hierarchy depend on the Board of Directors (Applicative criteria 7.C.5., lett. b).

The provosts responsible for internal auditing conduct verifications continually and also in relation to specific cases and, in conformity with the international standards, the operations and the effectiveness of the system of internal controls and risk management based on a process of analysis and classification of the main risks of the controls (7.C.5, lett. a).
The provosts for internal auditing have direct access to all the information that is useful for conducting their activities (Applicative criteria 7.C.5, lett. c); they prepare periodic reports containing adequate information concerning their activities, on the ways that the risk management is conducted in the investigative sectors that have been assigned as well as the compliance with the plans for controlling them, besides an evaluation of the effectiveness of the system used for internal controls and risk management (Applicative criteria 7.C.5., lett. d) and communicate them to the presidents of the board of auditors and the committee for controls and risks as well as the administrator responsible for the system of internal controls and risk management (Applicative criteria 7.C.5., lett. f); they have not had an opportunity to report on events of particular significance; on the basis of the activity conducted by the director in charge of the 262/2005, they have verified the reliability of the computer systems including the systems used for entering the accounts (Applicative criteria 7.C.5, lett. g).
At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

During 2013 the activities of the internal auditor continued to be focused on coordinating the various instruments used for internal controls, with particular reference to D. Lgs. 231/2001, on the implementation of the procedures related to the organizational model being adopted; the internal auditor concentrated on the verification of the adequacy of the reporting, and consequently on the managerial controls of the commercial and marketing expenses in the relative sales areas that were initiated by the various structures involved in the collection of commercial debts; the verification of the limits of the area of risk and the follow up of the control activities that were conducted up until December 31st 2013.

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The function of internal auditing with reference to the area of drawing up the financial statement which is an activity of the ex-262/05 area of monitoring has been assigned to Dott. Lorenzo Paci, an external subject involved in the activities for the implementation of model 231.

11.3. ORGANIZATIONAL MODEL ex D. Lgs. 231/2001

El.En. has a model for organization, management and control in compliance with Legislative Decree n. 231/2001.
As far as the subsidiaries of strategic importance are concerned, it is now in the process of being adopted by the subsidiary Deka M.E.L.A. s.r.l. and by Quanta System s.p.a .
The organizational model has already been adopted by the subsidiary ASA srl.
The present model of El.En. is the result of a revision of the one originally approved and intended to prevent offences which could in some way be related to the activity of El.En. in consideration of its structure and the area in which it operates; it includes the part concerning health and safety in the workplace which valid in compliance with art. 30 L. 81/09.
The superintending body is a commission composed of three members, one of which is an acting auditor, Dott. Paolo Caselli.
At this time, although the Company, in accordance with the by-laws, has the faculty of attributing to this function to the Board of Auditors, they have deemed it more effective to maintain the current organization of the supervising body: an acting auditor, a director of internal auditing and a criminal lawyer.

11.4. INDEPENDENT AUDITORS

The auditing activity, in conformity with articles 13, 17, and 19, D. Lgs. 39/2010 is assigned to an independent auditors that is enrolled in the specific CONSOB registry; the shareholders' meeting of May 15th 2012, for the auditing of the annual financial statement and the consolidated statement of the company for the years 2012-2020, Deloitte & Touche s.p.a. has been appointed. The appointment expires upon the approval of the financial statements for 2020.

11.5. EXECUTIVE OFFICER RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS OF THE COMPANY

The executive officer responsible for the preparation for the financial statements is Enrico Romagnoli who is the manager of the financial department of El.En. and also has the position of head of Investor Relations.

The executive officer responsible for the preparation for the financial statements is appointed according to the statutes by the Board of Directors and in compliance with art. 20 G must possess all of the requisites of honesty in accordance with the law for statutory auditors and directors and the professional characteristics and requisites in terms of experience in the work place which are adequate for the tasks assigned to him.

The provost in charge of the accounting documents has access to all the powers and means that are necessary for conducting this activity.

The principles and the means that are implemented by the provost are described in detail in Appendix 1.

11.6. COORDINATING THE SUBJECTS INVOLVED IN THE SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT

In essence this coordinating activity has already been described above and therefore does not require repeating, however, it should be stated that El.En. must provide a strict coordination of the persons that are involved in the system of internal controls and risk management through a cross-designation of the subjects belonging to a body as members of others or else through the participation in the work of the various subjects belonging to other bodies that are involved in the system of control and risk management.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

With reference to the operations in which one of the directors has an interest or the operations with related parties, meaning those which involve the parties identified according to IAS 24, in art. 20 the statute states that the approval by the Board in relation to operations having a significant strategic, economic or financial importance, with particular reference to the operations with related parties, to those in which one of the board members detains an interest for himself or for a third party, or those that are unusual or atypical, must be given in advance**.**
The Board, moreover, in conformity with art. 2391-*bis* of the Civil Code, on March 30th 2007 adopted a special procedure called "*Regolamento per la disciplina delle operazioni con parti correlate di El.En. s.p.a.*" (El.En. Regulations for the operations with related parties), in compliance with the CONSOB regulations with related parties, was revised in 2010, and contains the rules which govern the approval and conducting of operations initiated by the company, either directly or through one of the subsidiary companies, with parties with which there is a pre-existing equity investment, a professional or employee relationship, or a close family relationship which could condition the conclusion, regulating or substance of a contractual relationship. This set of rules has rendered, in formal terms, the intent which, in any case, in the past has always been followed by the Company, to act in such a way as to guarantee that the performance of operations with related parties (meaning also the operations in which the correlation exists on account of the interest of an director or an auditor for himself or for a third party) takes place with the greatest transparency and correctness both in substance and in procedure.
The Company and its directors in any case must act and conform to the regulations of the Civil Code concerning this subject (articles 2391 e 2391-*bis*).
Moreover, the specific procedure controlling the relations with related parties and the existence of conflicts of interest which involve the administrative and controlling bodies is contained in the manual of administrative and management procedures, in force since 2000.
This procedure specifies that the provost for internal controls/internal auditor must proceed every six months with the verification, by means of interviews with the members of the Board of Directors and the Board of Statutory Auditors, of the existence of other related parties or of situations which might determine a conflict of interest.
In practice, this verification is conducted by means of a written interview consisting of a questionnaire which is filled out and signed by the above mentioned officers and kept in a file by the provost for internal controls/internal auditor.
The procedure approved by the Board contains the criteria for identifying the operations which must be approved by the Board after the opinion of the commission for controls and risks has been expressed.

Besides the regulations on this subject contained in the statutes (art. 20 E) and the internal regulations according to which, in particular, the executive board members are required, in conformity with the above mentioned art. 20 E, in view of the necessity of approval in advance, to immediately call attention to operations potentially in conflict of interest, those with related parties, and those which are atypical or unusual with respect to the normal operations of the company, in a review of the internal Regulations, and in particular of art. 6, the Board decided that a board member having an interest of his own or on behalf of a third party in a specific operation must reveal this information in advance at the meeting which has been called to deliberate this subject and that he/she must absent themselves from the meeting.

13. APPOINTMENT OF STATUTORY AUDITORS

In conformity with art. 144-*sexies Regolamento Emittenti Consob*, as well as art. 148, sub-section 2 TUF as last modified by D.Lgs. 27/2010 and in the new policies introduced relating to gender balance, by law 120 of July 12,2011, art. 25 of the company statutes the following procedure must be applied for the appointment of the auditors.
***"Art. 25 – Statutory Board of auditors** (...omissis). For the appointment of the members of the Board of Statutory Auditors the following procedure must be applied: the partners who intend to nominate candidates to be appointed Auditor at least 25 (twenty-five) days before the date set for the first convocation of the ordinary assembly must deposit the following documents at company headquarters:*
a) a list containing the names shown in numerical order and divided into two sections: one for the candidates for acting auditor and the other for supplementary auditor.
b) along with the list, they must present a complete description of the professional curriculum of the persons being nominated and supply adequate reasons for the nomination as well as a complete CV for each candidate;
c) along with the list, they must present a declaration in which each candidate accepts his nomination and declares, on their own responsibility, the non-existence of causes for ineligibility or incompatibility as well the existence of all of the requisites prescribed by the applicable regulations and by the company statutes for this particular position;
d) along with the list they must add a declaration by the partners who are not among those who detain, even jointly, a controlling equity or relative majority, which attests the absence of the connections as per art. 144-quinquies Regolamento Consob 11971/1999 *with these latter.*
The lists must contain the identity of the partners or the name of the partner, who is presenting the list with all of the personal data and the percentage of capital possessed individually or jointly.
The creation of this list containing the names of the least three candidates must take place in compliance with the regulations of the balance of genders.
Each partner may present and participate with only one list and each candidate can be present on only one list, otherwise they will be considered ineligible.
Only the partners who either alone or jointly with other partners represent the quota of equity in the capital stock in the amount established by art. 147-ter D. Lgs. February 24th 1998, n. 58, or in the greater amount established by the Consob regulations bearing in mind the capitalization, floating funds and ownership of the quoted companies, may present lists.

The ownership of the minimum quota of equity necessary for the presentation of the lists is determined by the shares which are registered in the name of the partners in the day on which the lists are deposited at the company. The relative certification must, in any case, be presented at least 21 days before the date set for the first convocation of ordinary assembly.
The auditors are nominated by the ordinary Assembly on the basis of the lists presented by the partners in which the candidates are listed in numerical order. Each partner having the right to vote may vote only for one list.

*In the case that, upon expiration of the term for presenting the lists, only one list has been deposited, or else that only lists presented by partners that, on the basis of sub-section 4 of art. 144-*sexies Regolamento Consob 11971/1999*, are connected to each other as per art. 144-quinquies* Regolamento Consob 11971/1999*, additional lists may be presented up until the fifth day after that date. In this case the amount of equity which must be held in the capital for the presentation of the list is reduced by half.*

In the case that there is more than one list, for the election of the members of the Board of Statutory Auditors the procedure described below must be followed:

a) the votes obtained by each list must be divided by one, two, three, etc. according to the progressive number assigned to each candidate;
b) the quotients that are thus obtained must be assigned progressively to the candidates of each list in the order in which they appear on the list and they will placed in a single classification in descending order.
c) the candidates that receive the highest quotients will be elected.
At least one acting Auditor must be taken from the minority list which obtained the greatest number of votes. Consequently, in the case that the three highest quotients were obtained by candidates belonging to the majority lists, the last acting auditor to be elected must, in any case, be taken from the minority list which obtained the most votes, even though he obtained a quotient that was lower than that of the majority candidate with the third highest quotient.
In the case in which the candidates have obtained the same quotient, the candidate on the list which has not yet elected any Auditor will be elected, or in the case that all the lists have elected the same number of Auditors, the candidate on the list which obtained the greatest number of votes will be elected. In the case of the same number of votes for the list and the same quotients, a new election will be held by the entire ordinary Assembly, and the candidate who receives the simple majority of votes will be elected.
The presidency of the Board of Statutory Auditors is assigned to the acting Auditor elected first on the minority list who has obtained the greatest number of votes, or, if there is no minority list, to the acting auditor elected first from the list which received the greatest number of votes. In the case of the substitution of the acting Auditor, he will be replaced by the substitute Auditor belonging to the same list as the one who is being replaced.
In the case that no list has been presented before the expiration date, the Assembly will vote with the relative majority of partners present at the Assembly.
In the case that only one list has been presented the acting and supplementary auditors will be elected from that list in the order in which they appear on the list.
In the case that no minority list receives votes the integration of the Board of Statutory Auditors will take place by means of a vote with the relative majority of the partners present at the Assembly.
The composition of the body that is elected, in any case, must be of such a nature as to assure the balance between genders represented inconformity with art. 148, sub-section 1-bis, D. Lgs. 24 February 1998, n. 58.
The appointment of the auditors for the completion of the Board of Auditors in conformity with article 2401 c.c. is made by the Assembly with a relative majority.
In any case, the cessation of the appointment of one or more components of the controlling body, the designation and appointment of new members must be in compliance with the current regulations regarding the balance between genders represented.

The present Board of Auditors was elected by the ordinary assembly on May 15th 2013 for the financial years 2013-2015 and expire upon the approval of the financials on December 31st 2015.
After the resignation of for the purpose of allowing the company to recompose the Board pof Auditors in compliance with article. 148, sub-section 1-*bis*, T.U.F. in connection with the balance of genders, the Board of Auditors of El.En. s.p.a. is now composed as follows: Dott. Vincenzo Pilla, President; Dott. Paolo Caselli, auditor; Dott.ssa Rita Pelagotti, auditor; Dott. Manfredi Bufalini, alternate auditor.
Dott.ssa Pelagotti became a member of the Board in compliance with art. 2401 c.c. and consequently the shareholders’ meeting is required to integrate the Board of Auditors with two female members, one of which as auditor and the other as alternate auditor.
The members that are appointed to the Board of Audtors have terms that will expire along with that of the entire Board after the approval of the financials for December 31st 2015.

The minimum equity quota in the capital stock that is required for the presentation of the lists of candidates for member of the Board of Auditors is 4,5%, in conformity with art. 25 of the by-laws, art. 144-*sexies* Reg. Emittenti and CONSOB vote 18775 of January 29th , 2014.

14. COMPOSITION AND FUNCTION OF THE BOARD OF AUDITORS (ex art. 123-bis, sub-section 2, letter d), TUF)

In conformity with the specific company statutes, the auditors must possess the requisites required by law and, consequently, also the requisites of independence as per art. 148 TUF.

They must act with autonomy and independence also in relation to the shareholders who have elected them (8.P.2.): the current Board comes from a single list presented by Andrea Cangioli, and Immobiliare del Ciliegio s.r.l since no other lists were presented at the time of the elections held on May 15th 2013.
The company constantly places at their disposal their staff and the resources which the Board deems useful in order to conduct their functions in conformity with the current version of art. 25 of the statutes.
As already mentioned, for the purposes of implementing Applicative Criteria 8.C.5, one of the auditors, Dott. Paolo Caselli has always participated actively in the meetings and activities of the Committee for controls and risks with the director of internal auditing. Moreover, in accordance with the vote made by the Board on March 31st 2008 and confirmed on May 15th 2012, he is also a member of the supervising body as per *ex* D.Lgs. 231/2001.
Since D.Lgs. 39/2010 came into force, the acting auditors have participated in the committee for control and risk management.
The activities in relation to the internal auditor and the director take place at the committee for internal control in the broadest sense, including the committee for control and management of risks and for internal control ex D.Lgs. 39 cit.

The Board of Statutory Auditors, is the body which legally is supposed to supervise the compliance with the law and with the company statutes, the respect of the principles for correct administration, the adequacy of the organization of the company in relation to the aspects in which they are competent, the internal controls system and the administrative and accounting systems used by the company and their actual functioning. The Board of Statutory auditors, moreover, supervises the application of the dispositions contained in art. 19 of D. Lgs. No. 39 of January 27th 2010, as well as the methods used for the correct implementation of the rules for corporate governance contained in the self-disciplining code and the compliance with the Consob rules and the effective implementation of company procedures regarding dealings with related parties.
This body is also entrusted with the supervision of the adequacy of the instructions given to the subsidiaries so that they can supply all of the information necessary in order to comply with the requirements for communication according to the law.
When requested by the Board of Directors, this body also acts as a supervising body in conformity with art. 6, D. Lgs. 8th June 2001, n. 231
The current Board of Statutory Auditors was elected by the Assembly on May 15th 2013 and their term will end upon the approval of the financials for 2015.

As of December 31st 2013 the Board is composed of three acting auditors and one supplementary auditor:

Name	Position	Residence	Place and date of birth
Vincenzo Pilla	President	Firenze, Via Crispi, 6	S. Croce di Magliano (CB), May 19th 1961
Paolo Caselli	Acting auditor	Pistoia, Via Venturi, 1/B	Firenze, April 14th 1966
Gino Manfriani	Acting auditor until June 25th 2013	Firenze, Via Lamarmora 29	Borgo San Lorenzo (FI) April 26th 1963
Rita Pelagotti	Supplementary auditor until June 25th 2013, then acting auditor	Firenze, Piazza Santo Spirito 7	Firenze, December 6th 1956
Manfredi Bufalini	Supplementary auditor	Firenze, Piazza S. Firenze, 2	Firenze, August 24th 1966

According to the Statutes there is a limit in the number of offices which can be held, in conformity with art. 148-*bis* TUF, so that those auditors who hold the office of acting auditors in more than five companies quoted on the stock market as well as those who are in situations of incompatibility or are over the maximum number of offices according to the *Regolamento Emittenti* (articles. 144-*duodecies* and following) are considered ineligible and dismissed if they are candidates or elected auditors.

As of December 31st 2013 the following components of the Board of Statutory Auditors of the company were also members of the controlling bodies of the following subsidiary companies:

First and last name	Positions
Vincenzo Pilla	- President of the Board of Statutory Auditors of Lasit s.p.a. - President of the Board of Auditors of Quanta System s.p.a. (since May 30th 2013) - President of the Board of Statutory Auditors of Deka M.E.L.A. s.r.l. (until May 9th 2013) - Acting auditor of Cutlite Penta s.r.l. (until May 9th 2013)
Paolo Caselli	- Sole Auditor of Deka M.E.L.A. s.r.l.. (since May 10th 2013) - Acting auditor of Lasit s.p.a. - Alternate auditor of Quanta System s.p.a. (since May 30th 2013) - President of the Board of Auditors of Cutlite Penta s.r.l. (until May 9th 2013) - Acting auditor of Deka M.E.L.A. s.r.l. (until May 9th 2013)
Gino Mandriani (Acting auditor until June 25th 2013)	- Sole auditor of Cutlite Penta s.r.l. (until May 10th 2013)

The average duration of the meetings of the Board of Statutory Auditors is 2 hours.
The number of meetings of the Board of Statutory Auditors scheduled for 2014 is six, two of which have already been held (on January 8th and February 3rd 2014).
The active participation of the members of the Board can be summarized as follows: all of the members were present at all of the meetings. Naturally, Ms. Pelagotti and Mr. Manfriani, were present at all the meetings to which they had been called.

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The Board of Statutory Auditors:

- verified the independence of its members on the first occasion after their appointment (Applicative criteria 8.C.1) and evaluated their requisites for independence as art. 148, comma 3, TUF (*Art. 144-novies*, sub-section 1-*bis*, *Regolamento Emittenti Consob*);
- during the year verified that their members continued to have the requisites for independence (Applicative criteria 8.C.1.);

- while conducting the evaluations mentioned above, applied all of the criteria stated in the Code with reference to the independence of the directors (Applicative criteria 8.C.1.).
All of the verifications had a positive outcome.

In relation to the initiatives taken by the President of the Board for purposes of an induction program, as stated above, the members of the Board of Auditors all have long experience both in relation to the technical and legislative aspect and/or, as in the case of the president they were present at the founding of the Company and since then have always sustained it, or, as in the case of the two acting auditors, they have been involved for more than a decade in the internal controls activity, in the broadest sense, of the company where they have worked with dedication and commitment.
For this reason, considering the current composition of the Board of Auditors, we do not believe that it is necessary to take particular measures towards the creation of an induction program. The president will take into consideration such measures should there be a change in the composition of the Board.

An auditor who, either for himself or for a third party has an interest in a particular operation of El.En. must inform immediately and in detail the other auditors and the president of the Board concerning the nature, terms, origin and extent of his interest and in compliance with art. 6 of the internal regulations for operations with related parties, must leave the meeting which is voting in this regard. (Applicative criteria 8.C.3.).

The Board of Auditors, for which the methods have already been described previously in this report, in conducting their activities, are coordinated with the functions of internal audit and with the committee for controls and risks which are present in the Board of Directors. (Applicative criteria 8.C.4. and 8.C.5.).

The Board of Statutory auditors has continued among other things to exert its control on the operations with related parties and to actively participate as one of the components of the supervising body *ex* D. Lgs. 231/2001; it has also carried out the functions attributed to it by D. Lgs. 39/2010 with reference to the supervising activity of the auditing company to be proposed as successor appointed by the shareholders' meeting which met on May 15th 2012 .

15. RELATIONS WITH SHAREHOLDERS

El.En. has created a special section in its Internet site which is easy to find and to access and which contains all of the information concerning El.En. which is of importance to its shareholders so that they can gain the knowledge they need to exercise their rights.

The person responsible for management of relations with the El.En. shareholders is Enrico Romagnoli (investor relations manager) (Applicative criteria 9.C.1.).

El.En. does not feel it is necessary to create a special department in the company for the relations with shareholders (Applicative criteria 9.C.1.).

In conformity with art. 9 of the Code, the Board of Directors, compatibly with the organization and structure of El.En. endeavours to encourage the participation of the shareholders in the assemblies and to facilitate the exercising of the rights of its partners also by creating a continuous dialogue with them. The Board of Directors endeavours to set a convenient time, date and place (usually the company headquarters) for the meetings and to comply rapidly with the requirements set by law in relation to the convening of the assembly, the communication that the assembly has been convened, and the participation of the shareholders at the assembly.
In conformity with the Code, all of the directors normally attend the assemblies and, during the assemblies all of the information and news concerning El.En. are communicated to the shareholders, naturally in compliance with the regulations related to price sensitive information.
The president of the Board of Directors and the executive board members have unanimously agreed to appoint one of the employees, Enrico Romagnoli, to be responsible for the relations with institutional investors and the other shareholders. The *investor relations manager* is part of a company department which is composed of employees who elaborate accounting and administrative documents and information.

In conformity with the procedure for the communication of documents and information concerning El.En., the investor relations manager is involved in a dialogue with the shareholders and with the institutional investors also through the creation and management of a special section of the Company's Internet site and the communication of the appropriate documents in compliance with the law and the regulations regarding the treatment of company information ("*Regolamento sul trattamento della informazione societaria")*, in particular confidential information.

16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, sub-section 2, letter c), TUF)

The assembly is governed by Title III of the Company Statutes (articles 11-18) which, in conformity with the law and the specific rulings, regulates its areas of competence, functioning, means of convening, constitutional quorums, intervention etc. as described below in the version that was updated on December 31st 2013:

"***Article 11***

Assembly

The legally constituted Assembly represents the entirety of the shareholders, and its decisions, made in conformity with the law and with the Statutes, are binding for all of the shareholders including those that dissent or were not present.

The Assembly may be ordinary or extraordinary and may be convened even in second or third convocation.

The ordinary Assembly must be convened at least once a year for the approval of the financial report within the terms established by the law. It can be convened within one-hundred and eighty days after the closing of the financial year for the years for which the company is obliged to draw up the consolidated statement and when particular reasons related to the structure and the subject of the company require it.

The Shareholders' Meeting is convened whenever the administrative body deems it opportune, or when a special request has been presented by the persons who may do so according to law, or else upon the initiative of the Board of Statutory Auditors or a part of it, in conformity with art. 25 of the current Statutes.

Article 12

Place of asssembly

The Assemblies are held at the headquarters of the company or in another place that is specified in the notification of the assembly, as long as it is in Italy.

Article 13

Convocation of the Assembly

The Assembly is convoked normally by the Administrative body, in conformity with the relative regulations, by means of a notice which is published, in accordance with the law, on the internet site of the company and in the daily newspaper "ITALIA OGGI" (except in those cases where the law states otherwise). The notice must state the day, the time and the place where the meeting is being held and the list of subjects which will be discussed.

A single notice may contain the dates for the first, second and third convocations.

Article 14

Attendance at the Assembly

Attendance at the Assembly is governed by the related laws and regulations now in effect.

The shareholders who have the right to vote may attend the assembly on the condition that, and for the number of shares in relation to which, they have deposited certification in conformity with the law.

A partner who has the right to attend the Assembly in conformity with D. Lgs February 24th 1998, n. 58 and the other applicable regulations, may be represented by conferring a written power of attorney. The power of attorney which is written and signed digitally must be sent to the company by certified e-mail.

The company does not make use of the institution of "designated representative of the company with listed stock" as described in article 135-undecies D.Lgs. February 24th 1998, n. 58.

Article 15
Presidency of the Assembly

The Assembly is presided over by the President of the Board of Directors or, if he is absent or impeded, by the Vice-President; if neither of them are present, then by the person elected with the greatest majority of votes by the shareholders present.
The Assembly elects, even among the non-shareholders, a Secretary and, if deemed necessary, two scrutinizers.
The presence of a secretary is not necessary if the minutes are kept by a notary.
The President of the Assembly has the duty of verifying that the meeting complies with regulations and of ascertaining the identity and legitimate rights of those present. Once the validity of the constituents of the Assembly has been certified, it cannot be invalidated because some of those present have left the meeting.
The President also has the task of presiding over the regular conduction of the meeting of the Assembly, directing and moderating the discussion and establishing, when necessary the duration of each intervention, determining the methods and order for voting and ascertaining the results, all in conformity with the regulations which, formulated by the Board of Directors and approved by the ordinary Assembly can govern the orderly and functional activity of the meeting both in ordinary and extraordinary assembly.

Article 16
Minutes

The decisions taken by the Assembly must be transcribed in the minutes and be signed by the President, by the Secretary, or by a notary and by the scrutinizers if there are any. In the cases where it is set forth by the law, and, also, when the President of the Assembly deems it opportune, the minutes may be drawn up by a notary.

Article 17
Ordinary Assembly

For the first convocation the ordinary assembly is considered to be duly constituted when the number of shareholders present represents at least half of the capital stock calculated in conformity with art. 2368, sub-section 1, c.c.; the assembly votes by absolute majority. For the second convocation the ordinary assembly, whatever the portion of capital stock represented is, votes according to the absolute majority of those present on the subjects which should have been decided earlier.
For appointment of the Board of Statutory Auditors the regulations as per Art. 25 of the present Statute must be observed.
In conformity with the laws and regulations, write-in votes are allowed.

Article 18
Extraordinary Assembly

In first and second convocation the extraordinary assembly is considered to be duly constituted when the number of shareholders present represents the portion of the capital stock indicated as per art. 2368, sub-section second and 2369, third sub-section c.c.. For the third convocation, the Assembly is duly constituted when the number of shareholders present represents at least a fifth of the capital stock. The assembly decides in first, second and third convocation with the favourable vote of at least two thirds of the capital stock represented in the assembly.

In particular, since 2000, El.En. has included in its Statute the possibility for its shareholders to use write-in votes (absentee ballots) and this has been mentioned in every notification of convocation of assembly along with the instructions for casting the write-in vote.
The notifications of convocation of assembly and the relative courtesy communications concerning

the actual date of the meeting are published both on the Internet site of the company and, where required and if allowed also in a summary, in a national daily newspaper (at this time ITALIA OGGI).

The president of the Board of Directors, who generally presides over the assembly, must proceed with a detailed description of the proposals and the subjects in the Order of the Day of the shareholders' meeting in such a way as to guarantee that the assembly is conducted in an efficient and orderly fashion. For this purpose, the shareholders meeting held on May 15th 2007 approved the assembly regulations drawn up by the board (9.C.3), which were later modified on May 13th 2011 in the part related to attendance at the assembly. In fact, the modification made on article 14 of the company by-laws which was approved by the shareholders' meeting on October 28th 2010 after the innovations introduced by lawmakers with D. Lgs. No. 27 of January 27th 2010 in relation to article 2370 C.C. regarding the right to attend the assembly and exercising of the right to vote, and the introduction of art. 83-sexies TUF, a rule which established the so-called record date, made it necessary also to revise the current assembly regulations.

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ASSEMBLY REGULATIONS OF EL.EN. S.p.A.

Art. 1 – Subject and area of application

This set of regulations governs the orderly and efficient conduction of the shareholders' meeting of El.En. s.p.a. ("the Company") both for the ordinary and extraordinary assemblies.

The regulations can be consulted at company headquarters or on the Internet site of the Company (www.elen.it investor relations section) as well as whenever an assembly meets.

Art. 2 – Place and presidency of the assembly meetings

The assembly meets in first, second and third convocations at the time and place shown in the notice of convocation published in conformity with art. 13 of the Statute, and it is normally presided over by the president of the Board of Directors, or in case of his absence or impediment, by the persons indicated in art. 15 of the company statutes.

Art. 3 – Attendance at the assembly

3.1. The right to attend the assembly is governed by article 14 of the Company by-laws according to which the persons who may attend the assembly are: the shareholders and those who have a legitimate right to attend the assembly, who possess the right to vote on the condition that, they have made the deposit for the number of shares possessed within the established term and following the methods required by law.

3.2. Upon invitation by the president, the employees of the Company, consultants and representatives of the company in charge of auditing the accounts may attend the assembly meetings when their presence is considered useful or opportune in relation to the subjects to be discussed or the work to be conducted.

3.3. Experts, financial analyst, and journalists, with the consent of the president, may also attend the meetings of the assembly unless there are objections on the part of the shareholders present. For this purpose, those who wish to attend must send the president a written request by the second weekday before the date set for the assembly.

3.4. Before starting the description and discussion of the various items in the Order of the Day, the president must inform the assembly of the presence and participation in the meeting of those persons indicated in sub-sections 3.2.and 3.3. above.

Art. 4 –Verification of the right to attend the assembly and access to the meetings.

4.1. Only the approved and authorized persons, as per article 3 above, after showing personal identification and verification of their legitimate right, may have access to the assembly rooms.

4.2. The personal identification and verification of the legitimate right to attend the assembly must be conducted by auxiliary personnel hired specifically for this purpose, at the entrance to the rooms

where the meeting will be held and normally take place during the thirty minutes prior to the time set for the beginning of the meeting, unless otherwise stated in the notice of convocation.
4.3. at the entrance to the meeting rooms those persons who have the right to attend the assembly must display personal identification and the certification described in the notice of convocation to the auxiliary personnel. Once the identification and the verification has taken place as per sub-section 4.2. above, the auxiliary personal will give the attendees a special voucher which they must keep for the duration of the assembly meeting and return to the auxiliary personnel should they leave the meeting, even temporarily.
4.4. In order to facilitate the verification of the powers of representation to which they have the right, the persons who attend the assembly as legal or voluntary representatives of shareholders or of other persons who possess the right to vote, may send the documents proving their powers to the Company within the two days preceding the date set for the meeting.
4.5. Except for the audio-visual equipment which may be authorized by the president to assist the creation of the written report (minutes) and documentation of the meeting of the assembly, no type of recording equipment (including cell phones), photographic equipment or similar.

Art. 5 – Constitution of the assembly and opening of discussions

5.1. The president of the assembly is assisted in drawing up the minutes by a secretary appointed, even from among the non-shareholders, by the assembly on the basis of a proposal made by the president himself or by a notary and, when necessary in conformity with the law, by two scrutinizers designated in the same way among the non-shareholders. The secretary or the notary can be assisted by persons of their choice and, as an exception to art. 4.5, upon authorization by the president, they may use audio-visual recording equipment
5.2. Among his duties, the president also has that of ascertaining and guaranteeing the legitimacy of the individual delegations and, in general, the legitimacy of the attendees present at the assembly and, consequently, also to verify and declare the legitimate constitution of the assembly. The president may create a presidential office which has the task of assisting him in the verification of the legitimacy of the participation and of the voting, as well as the specific assembly procedures.
The president may solve any conflicts which may arise related to the legitimacy of the attendees.
5.3. The President of the assembly may make use of the security services provided by the auxiliary services which have been specifically hired for the occasion.
5.4. In the case that the number of shareholders present does not reach the amount of capital stock necessary for the legitimate constitution of the assembly in conformity with articles 17 and 18 of the company statutes, the president of the assembly, after an appropriate amount of time, in any case not less than an hour after the time set for the beginning of the meeting, will communicate this information to the attendees and postpone the discussion of the Order of the Day until the next convocation.
5.5. Once the legitimate constitution of the assembly has been ascertained, the president of the assembly declares that the discussions may begin.

Art. 6 – Discussion of the subjects and proposals in the Order of the Day

6.1.The president of the assembly must describe to the attendees the subjects and the proposals on the agenda, by using, whenever he deems opportune, the opinions of directors, auditors and employees of the Company. The subjects and the proposals can be dealt with in a different order that is approved on the basis of a proposal by the president with a vote by the majority of the capital represented, and, in the same way, a proposal by the president to deal partially or completely may be approved.
6.2. The president of the legitimate assembly also has the duty of directing and moderating the discussions and the right to intervene by establishing the methods and maximum duration of each intervention.
The president of the assembly has faculty to: call a conclusion to the discussions which are lasting longer than the set time limit or that are not pertinent to the subject or proposal on the agenda; to silence those who intervene without having the right to do so or those who have been reprimanded

and persist; to prevent words and attitudes that are inappropriate, pretentious, aggressive, offensive or slanderous as well as evident excesses, revoking the right to speak whenever he deems necessary and, in the most serious cases, ordering the expulsion of the person from the meeting area for the entire duration of the discussions.
6.3. The request to be present at the discussions of the individual subjects on the agenda must be directed to the president, who in granting the right to speak, normally follows the progressive order of the requests to speak. The faculty of a brief reply is granted to whoever has requested the right to speak.
6.4. The president of the assembly or, upon his invitation, the directors, auditors, company employees or consultants normally reply after all of the discussions on each subject on the agenda. The components of the administrative body and of the Board of Statutory Auditors may request to intervene in the discussions.
6.5. In order to prepare adequate replies to the various interventions, bearing in mind the purpose and relevance of the subjects and proposals being dealt with, the president of the assembly may, on the basis of his indisputable judgement, suspend the work of the assembly for an interval of not more than two hours.
6.6. After all of the interventions and replies, the president declares the discussions concluded and puts the proposals to a vote.

Art. 7 – Voting and conclusion of the meeting

7.1. Voting on the various items usually takes place right after the conclusion of the discussions on each item listed in the Order of the Day and the discussions are held in the order in which they appear in the agenda unless the president of the assembly decides otherwise and determines that the voting take place in a different order or after the conclusion of the discussions of all or some of the items.
7.2. Before the voting can begin, the president of the assembly must readmit the shareholders who wish to return to the meeting and had left or been expelled during the discussion time.
7.3. Except in the case of incontrovertible laws to the contrary, the voting must take place with open scrutiny.
7.4. The president of the assembly establishes the means for expressing the votes, which is normally by a show of hands, the recording and counting of the votes, and can also express a time limit within which the vote must be cast.
Upon conclusion of the voting, the scrutiny of the votes takes place; when this is terminated, the president, assisted by the secretary or the notary and scrutinizers if there are any, proclaims the results of the voting.
7.5. The votes that are expressed in a manner that is different from that established by the president of the assembly are null and void.
7.6. The shareholders who express negative votes or who abstain, must declare at the time of the declaration of their vote, their name and the number of shares which they hold on their own or for which they have power of attorney. After the agenda has been concluded, the president of the assembly declares the meeting terminated and proceeds with the formalities for the completion of the minutes.

Art. 8 – Final provisions

8.1. In compliance with art. 15 of the company statutes now in effect, this set of Regulations was approve, by the ordinary assembly of the Company which was held on May 15th 2007, and it can be modified or abrogated only by the vote of the same body.
8.2. Besides the various measures described in this set of regulations, the president may adopt any measures that he deems opportune in order to guarantee the orderly and correct conduction of the work of the assembly and the exercising of the rights of those present."

The Board of Directors, with all members present during the meeting held on May 15th 2013, reported to the assembly in relation to the activities conducted and endeavored to make sure that adequate information concerning the necessary elements were supplied to the shareholders so that they can make informed decisions on those matters that were of competence of the assembly.

The remuneration committee which was present and at the disposal of the assembly, stated that they believed to have reported to the shareholders in their remuneration report (*Relazione sulla Remunerazione*) and the present report.

During this year no significant variations occurred in the Market capitalization of the El.En. stock or in the structure of the company.
Consequently, no evaluation by the Board was necessary concerning whether or not it was opportune to propose modifications of the by-laws in relation to the percentage set for the exercising of the shares and the prerogatives advanced for the protection of the minorities (Applicative criteria 9.C.4.).

17. OTHER POLICIES OF CORPORATE GOVERNANCE (ex art. 123-bis, sub-section 2, letter a), TUF)

There are no additional policies of corporate governance other than those described in the preceding paragraphs.

18. CHANGES SINCE THE CLOSING OF THE FINANCIAL YEAR

No changes have been made in the structure of the corporate governance.

For the Board of Directors
The President – Gabriele Clementi

TABLE 1 – INFORMATION ON OWNERSHIP

On the basis of information supplied by El.En.

STRUCTURE OF CAPITAL STOCK				
	Number of shares	% of the capital stock	Quoted	Rights and obligations
Ordinary shares	4.824.368	100%	Milan Stock Exchange	*ex lege*
Shares with limited voting rights	0			
Shares with no voting rights	0			

OTHER FINANCIAL INSTRUMENTS *(attributing the right to underwrite newly issued shares)*				
	Quotated (state the market) / not quoted	Number of instruments in circulation	Category of the shares available for conversion or use	Number of shares available for conversion or use
Convertible bonds	= = =	0	= = =	0
Warrant	= = =	0	= = =	0

SIGNIFICANT OWNERSHIPS IN SHAREHOLDERS' CAPITAL			
Person declaring	Direct shareholder	Quota % of the ordinary capital	Quota % of the voting capital
ANDREA CANGIOLI	ANDREA CANGIOLI	13,425	13,425
GABRIELE CLEMENTI	GABRIELE CLEMENTI	11,083	11,083
BARBARA BAZZOCCHI	BARBARA BAZZOCCHI	10,464	10,464
ALBERTO PECCI	ALBERTO PECCI	0,345	0,345
ALBERTO PECCI	S.M.I.L. di Alberto Pecci & C. s.a.s.	8,218	8,218
ELENA PECCI	ELENA PECCI	0,079	0,079
ELENA PECCI	IMMOBILIARE IL CILIEGIO s.r.l.	7,512	7,512
CARLO ALBERTO MARSILETTI	REX CAPITAL s.p.a.	5,004	5,004
LASERFIN srl	LASERFIN s.r.l..	2,01	2,01

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors as of December 31st 2013											Internal controls committee		Remuneration committee		Nomination committee	
Position	Members	From	Until	List (M/m)	Executive	Non Executive.	Indep. As per the Code	Indep. for TUF	Percentage of attendance at meetings	Number of other positions	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings	Members	Percentage of attendance at meetings
President and executive director	Gabriele Clementi	May 15th 2012	Appr. of annual report 2014	M	X				100%	0						
Executive director	Andrea Cangioli	May 15th 2012	Appr. of annual report 2014	M	X				100%	1						
Executive director	Barbara Bazzocchi	May 15th 2012	Appr. of annual report 2014	M	X				100%	0						
Director	Paolo Blasi	l May 15th 2012	Appr. of annual report 2014	M		X	X	X	100%	0	X	100%	X	100%	X	100%
Director	Michele Legnaioli	May 15th 2012	Appr. of annual report 2014	M		X	X	X	75%	0	X	100%	X	100%	X	100%
Director	Alberto Pecci	May 15th 2012	Appr. of annual report 2014	M		X			100%	1	X	100%	X	100%	X	100%
Director	Stefano Modi	May 15th 2012	Appr. of annual report 2014	M		X			100%	0						
Number of meetings held during 2013				Board of Directors: 4 (four)		Internal controls committee 2 (two)				Remuneration committee: 2(two)				Nomination committee: 1 (one)		
Quorum required for the presentation of lists during the last appointment				4,5%												

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Member	since	until	List (M/m)	Indipendence from Code	Percentage of attendance at the board meetings	Number of other positions in companies quoted on the Italian stock market
President	**Vincenzo Pilla**	May 15th 2013	Approval annual report 2015	**M**	**X**	**100%**	0
Acting auditor	**Paolo Caselli**	May 15th 2013	Approval annual report 2015	**M**	**X**	**100%**	0
Acting auditor	**Gino Manfriani**	May 15th 2013	Resigned June 25th 2013	**M**	**X**	**100%***	0
Acting auditor starting on June 25th 2013	**Rita Pelagotti**	Starting May 15th 2013 alternate auditor; starting June 25th acting auditor	Approval annual report 2015	**M**	**X**	**100%***	0
Alternate auditor	**Manfredi Bufalini**	May 15th 2013	Approval annual report 2015	**M**	**X**	**-**	0
Number of meetings held in 2013: 7							
Upon the occasion of the last appointment, the CONSOB, with vote 18452 of January 30th 2013 set the amount required for the presentation of the lists at 4,5% of the capital stock.							
***Since Pelagotti replaced Manfriani their attendance at the meetings they were called to is considered 100%**							

Appendix 1: Paragraph on the "Main characteristics of the systems for risk management and internal controls in relation to the financial information process" in compliance with art. 123-bis, sub-section 2, lett. b), TUF

This document contains a description of the "Principal characteristics of the risk management and internal controls systems now in existence in relation to the financial information process" in conformity with art. 123-bis, sub-section 2, lt. b), TUF (henceforth called the System).

***

1) <u>Premise</u>

El.En. has defined their own system for risk management and internal controls in relation to the process of financial information which is consistent with international best practice and is based on the CoSO Report model to which, for the computer aspects, the COBIT model "Control Objectives for Information and Related Technology") has been added.

The CoSO Report defines internal controls as the process, implemented by the Board of Directors by the management and by all of the employees, which is supposed to furnish a reasonable assurance for the achievement of the company goals:

- Effectiveness and efficiency of the operating activities (*operation*);
- Reliability of the financial information reported (*reporting*), for the purpose of guaranteeing that the financial reporting supplied a true and correct representation of the financial and economic situation in conformity with the generally accepted accounting principles.
- Conformity with the laws and with the applicable regulations (*compliance*).

After Cynosure Inc. left the area of consolidation at the end of 2012, since this company up to that time had represented the most significant entity on the basis of several indicators like its percentage of the total consolidated assets (43%) and of the consolidated revenue (38%), the Company re-examined the area of scope and incremented the processes that were subject to tests also for the companies that were already part of the scope as of December 31st 2012.

The internal controls system of El.En. is based on the following principal features:

Control environment: this is the environment in which the individuals work and represents the control culture which has permeated the organization. It consists of the following elements: Ethics Code, company structure, systems of powers of attorney and proxy, organizational arrangements, procedure for fulfilling the obligations in relation to internal dealing, organizational model *ex* D.Lgs 231/2001.

Identification and evaluation of risks: this is the process which is intended to guarantee the identification, analysis, and management of company risks particularly in relation to the analysis of risks of an administrative and accounting nature, related to accounting information and to the controls meant defend against the risks which have been identified.

Control activities: this is the set of control policies and procedures which has been defined to create a defence against company risks for the purpose of reducing them to an acceptable level as well as guaranteeing that company objectives are reached. It is composed of the following elements:

i. *Administrative and accounting procedures*: the set of company procedures that are significant in relation to the drawing up and diffusion of accounting information (like related administrative and accounting procedures, in particular, statements and periodic financial reports and matrices of the administrative and accounting controls;

ii. *Company procedures that are significant for the purpose of preventing and monitoring operative risks like:* quality management system ISO 9001:2008.

Monitoring and information sheets: this is the process that has been created in order to ensure an accurate and rapid collection of information as well as the set of activities which are necessary in order to verify and periodically evaluate the adequacy, effectiveness and efficiency of the internal controls. We focus on the process of evaluation of the adequacy and the actual application of the procedures and of the controls of the accounting information, so as to enable the Director in charge of the Internal Controls System and Risks assessment and the Provost for Internal Controls to issue the declarations required in conformity with art. 154-*bis* TUF.

***

2) <u>Description of the main characteristics of the System for managing risks and internal controls existing in relation to the process of financial information.</u>

The system of internal controls related to the process of financial information is intended to guarantee the reliability, the accuracy, and the timeliness of the financial information.

a) <u>Phases of the System for managing risks and internal controls existing in relation to the process of financial information</u>

The main characteristics of the System for internal controls in relation to the process of financial information are described below:

<u>a.1) Identification and evaluation of the risks in financial information:</u>
The process for identifying and evaluating risks (*risk assessment*) related to financial and accounting information is directed by the provost for internal controls and shared with the Director in charge of the System for Internal Controls and risk assessment and the Internal Controls and Risks Commission.

The process of *risk assessment* is divided into the following activities:
- **analysis and selection of significant financial information** diffused on the market (analysis of the last statement or of the last available half-yearly statement of the Parent Company or consolidated for the purpose of identifying the principal area of risk or and the significant related processes.
- **identification of the significant subsidiary companies and of the significant administrative and accounting areas**, for each entry of the consolidated statement on the basis of defined quantitative criteria;
- **identification and evaluation of the risks** inherent in the significant administrative and accounting areas, as well as of the relative financial processes and flows, on the basis of the analysis of qualitative and quantitative indicators;
- **communication** to the function involved, of the areas of intervention for which it is necessary to create or update the administrative and accounting procedures**.**

<u>a.2) Identification of the controls for the risks which have been identified</u>
After the identification of the risks we proceeded with the identification of the specific controls needed to reduce to an acceptable level the risk related to the failure to reach certain objectives of the system both in relation to the company and to the process. For this purpose El.En. has defined,

within the system of administrative and accounting procedures, the so-called "administrative and accounting control matrices" which are documents which describe the control activities existing in every significant administrative and accounting process. The controls described in the matrices should be considered an integral part of the administrative and accounting procedures of El.En.

At *the procedural level* specific controls have been identified like the verifications of the correct recording of accounts on the basis of supporting documentation, the issuing of authorizations, the conducting of reconciliations, and of verifications of consistency. The controls identified at the procedural level, moreover, have been classified according to their characteristics in manual or automatic.

At the company level specific controls have been identified as "pervasive", meaning that they characterize the entire company, like assigning of responsibilities, powers, and jobs, and controls of a general nature on the computer systems, the separation of incompatible jobs.

<u>a.3) Evaluation of the controls for the risks which have been identified:</u>
The periodic verification and evaluation of the adequacy, effectiveness and efficiency of the administrative and accounting controls is divided into the following phases:
- **Continuous supervision,** by the managers of the operations/company which is an integral part of the current management;
- **Conducting of the activities of control and monitoring** for the purpose of evaluating the adequacy of the plan and the actual effectiveness of the controls being used, conducted by the executive delegated to internal controls who makes use of the assistance of financial management office for the testing activities.

Following up the verifications described related to the effectiveness of the accounting control system a written report on the efficiency of the system was made which, along with the Executive Director of the Internal Controls and Risk Assessment System, was communicated by the Director to the Internal Controls and Risk Assessment Commission and Statutory Auditors.

b) Roles and functions involved
In particular, the main responsibilities which are intended to guarantee the correct functioning of the System are as follows:
• the ***Board of Directors*** is responsible for the appointment of the Executive responsible for drawing up the company and accounting documents, for ascertaining that the Executive has all the necessary prerequisites (in terms of authority, professional competence and independence), powers and means for carrying out the tasks which have been assigned to him; for the institution of a regular flow of information through which the Executive may report the results of the activities conducted and any critical issues which may emerge, also with an aim to taking the necessary steps to overcome the significant critical issues. In carrying out their functions, the Board makes use of the assistance of the ***Internal Controls and Risks Committee***, which has the duty to advise and to recommend also in reference to the administrative and accounting internal controls system;
• the ***Executive Director in charge of the internal controls and risk assessment system*** is responsible for the implementation and monitoring of the Internal Controls System, with particular reference to the Administrative and Accounting procedures; for the evaluation, together with the Executive in charge of Internal Controls, of the results of the periodic risk assessments; for the evaluation, bearing in mind the preliminary activity of the Executive, of the effectiveness of the procedures being used; for the revision of the "other information of a financial nature" released to the market.

- The ***Executive officer responsible for the preparation of the company financial statements***, besides the responsibilities he is assigned jointly with the Director in charge of the internal controls and risk assessment system, is also responsible for evaluating and monitoring the level of adequacy and effectiveness of the administrative and financial internal control system by conducting investigative activities.

EL.EN. GROUP
CONSOLIDATED FINANCIAL STATEMENT
AS OF DECEMBER 31st 2013

FINANCIAL CHARTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial position

	Note		31/12/2013		31/12/2012(a)
Statement of financial position					
Intangible assets	1		3.397.119		3.427.768
Tangible assets	2		21.853.353		21.414.733
Equity investments:	3				
- in associates		916.988		32.476.985	
- other investments		40.651.133		73.431	
Total equity investments			41.568.121		32.550.416
Deferred tax assets	4		6.122.854		5.812.270
Other non current assets	4		34.459		4.302
Total non current assets			**72.975.906**		**63.209.489**
Inventories	5		48.372.067		45.465.369
Accounts receivables:	6				
- from third parties		41.854.685		35.902.198	
- from associates		690.463		3.015.331	
Total accounts receivables:			42.545.148		38.917.529
Tax receivables	7		4.254.067		3.522.039
Other receivables:	7				
- from third parties		6.260.385		4.698.966	
- from associates		63.565		63.565	
Total other receivables			6.323.950		4.762.531
Financial instruments	8		299.995		1.013
Cash and cash equivalents	9		42.868.084		40.475.322
Total current assets			**144.663.311**		**133.143.803**
TOTAL ASSETS			**217.639.217**		**196.353.292**
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		50.493.427		37.664.046
Treasury stock	13		-528.063		-528.063
Retained earnings / (deficit)	14		31.121.466		10.866.874
Net income / (loss)			6.080.170		23.198.584
Share Capital and Reserves attributable to the Shareholders' of the Parent Company			**128.269.289**		**112.303.730**
Share Capital and Reserves attributable to non-controlling interests			6.036.667		11.650.697
Total equity			**134.305.956**		**123.954.427**
Severance indemnity	15		3.115.099		3.340.030
Deferred tax liabilities	16		1.303.365		1.315.099
Other accruals	17		4.485.047		4.384.819
Financial liabilities:	18				
- to third parties		6.968.331		10.280.914	
Total financial liabilities			6.968.331		10.280.914
Non current liabilities			**15.871.842**		**19.320.862**
Financial liabilities:	19				
- to third parties		15.762.815		12.421.004	
Total financial liabilities			15.762.815		12.421.004
Accounts payables:	20				
- to third parties		31.224.517		22.923.219	
- to associates		2.728		68.563	
Total accounts payables			31.227.245		22.991.782
Income tax payables	21		1.725.985		1.100.845
Other payables:	21				
- to third parties		18.745.374		16.335.347	
- to associates				1.381	
Total other payables			18.745.374		16.336.728
Current liabilities			**67.461.419**		**52.850.359**
Non current liabilities held for sale	22				**227.644**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**217.639.217**		**196.353.292**

(a) It should be noted that, as described in detail in the following paragraph “Accounting standards and evaluation criteria” the retroactive application of the amendments to IAS 19 (“Benefits for employees”) as of December 31st 2012 comported a restatement of the entries “Deferred tax assets”, “Severance indemnity” and “Shareholders’ equity”.

Consolidated Income Statement

Income statement	**Note**		**31/12/2013**		**31/12/2012**
Revenues:	23				
- from third parties		152.768.266		143.805.118	
- from subsidiaries				4.776.152	
- from associates		4.611.936		2.653.049	
Total revenues			157.380.202		151.234.319
Other revenues and income:	24				
- from third parties		1.977.434		2.696.535	
- from subsidiaries				1.848	
- from associates		11.459		40.958	
Total other revenues and income			1.988.893		2.739.341
Total revenues and income			**159.369.095**		**153.973.660**
Purchase of raw materials:	25				
- to third parties		76.644.049		68.655.089	
- to subsidiaries				7.239	
- to associates		34.671		157.822	
Total purchase of raw materials			76.678.720		68.820.150
Change in inventory of finished goods and WIP			(1.586.229)		2.148.258
Change in inventory of raw material			(2.796.770)		60.670
Other direct services:	26				
- to third parties		12.510.586		10.835.795	
- to associates				58.605	
Total other direct services			12.510.586		10.894.400
Other operating services and charges:	26				
- to third parties		25.478.294		25.683.535	
- to associates		182.426		162.503	
Total other operating services and charges			25.660.720		25.846.038
For staff costs	27		35.161.450		33.685.368
Depreciation, amortization and other accruals	28		4.158.939		5.044.663
EBIT			**9.581.679**		**7.474.113**
Financial charges:	29				
- to third parties		(2.286.615)		(2.597.235)	
Total financial charges			(2.286.615)		(2.597.235)
Financial income	29				
- from third parties		1.106.059		1.232.762	
- from associates		240		2.086	
Total financial income			1.106.299		1.234.848
Share of profit of associated companies			(473.782)		48.214
Other net expenses	30				(67.620)

Other net income *	30	2.766.527	
Income (loss) before taxes		**10.694.108**	**6.092.320**
Income taxes	31	4.275.100	2.952.618
Income (loss) for the financial period from Continuing operations		**6.419.008**	**3.139.702**
Income (loss) for the financial period from Discontinued operations*	34		26.671.999
Net income (loss) before minority interest		**6.419.008**	**29.811.701**
Minority interest from Continuing operations		338.838	1.010.325
Minority interest from Dicontinued operations			5.602.792
Net income (loss)		**6.080.170**	**23.198.584**
Basic net (loss) income per share		1,27	4,83
Diluted net (loss) income per share		1,27	4,83
Net (loss) income per share from Continuing operations		1,27	0,44
Net (loss) income per share from Discontinued operations		0,00	4,39

* In compliance with Consob regulation 15519 of July 27th 2006 the amounts related to significant non-recurrring operations for 2012 for an amouunt of 18.184 thousand Euros entered under the headaing of “Income (loss) for the financial period from Discontinued operations” and for 2013 for the amount of 2.523 thousand Euros entered under the heading of “Other net income”, are reported in note (35).

The amounts from/to subsidiary companies for 2012 refer to the economic relations that the companies of the Group had with Cynosure Inc. for the period of time in which the company was a subsidiary.

Consolidated statement of comprehensive income

	31/12/2013	**31/12/2012(a)**
Reported net (loss) income (A)	6.419.008	29.811.701
Other income/(loss) that will not be entered in income statement net of fiscal effects:		
Measurement of defined-benefit plans	174.172	(440.760)
Other income/(loss) that will be entered in income statement net of fiscal effects:		
Cumulative translation adjustments	138.390	(154.406)
Unrealized gain (loss) on investment AFS	5.023.140	0
Unrealized gain (loss) on derivatives and other changes	16.765	(21.040)
Total other income/(loss), net of fiscal effectes (B)	5.352.467	(616.206)
Total comprehensive (loss) income (A)+(B)	11.771.475	29.195.495
Referable to:		
Parent Shareholders	11.599.320	23.008.171
Minority Shareholders	172.155	6.187.324

(a) It should be noted that, as described in detail in the paragraph titled “Accounting principles and evaluation criteria” in the consolidated statement, on December 31st 2012 the retroactive application of the amendments to IAS 19 (Employee benefits) comported a restatement of the entries titled “Deferred tax assets”, “Retirement fund” and “Shareholders Equity”.

Consolidated cash flows statement

Cash Flow Statement	Note	31/12/2013	Related parties	31/12/2012 (a)	Related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period continuing		6.419.008		3.139.702	
Amortizations and depreciations	28	2.761.460		2.983.149	
Devaluations of equity investments	30	-2.523.353		49.620	
Share of profit of associated companies		473.782	473.782	-48.214	-48.214
Stock Options	27	3.564		134.984	
Change of employee severance indemnity	15	-224.931		711.714	
Change of provisions for risks and charges	17	100.228		152.288	
Change of provisions for deferred income tax assets	4	-310.584		85.974	
Change of provisions for deferred income tax liabilities	16	-11.734		142.676	
Stocks	5	-2.906.698		922.397	
Receivables	6	-3.627.619	485.424	1.557.769	-1.636.464
Tax receivables	7	-732.028		2.069.083	
Other receivables	7	-198.770		41.239	
Payables	20	8.235.463	-61.516	-1.547.235	-55.576
Income Tax payables	21	625.140		485.972	
Other payables	21	2.408.646		-1.023.007	1.381
Cash flow by discontinued operations				4.143.459	
		4.072.566		10.861.867	
Cash flow generated by operating activity		10.491.574		14.001.569	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-2.994.519		-2.095.561	
(Increase) decrease in intangible assets	1	-174.912		1.929.099	
(Increase) decrease in equity investments and non current assets	3-4	-183.173	-144.554	-257.065	-257.565
Increase (decrease) in financial receivables	7	-1.362.649			
(Increase) decrease investments which are not permanent	8	-298.982		79.858	
Cash flow from sell of subsidiary companies				-12.134.670	
Cash flow by discontinued operations				-14.255.170	
Cash flow generated by investment activity		-5.014.235		-26.733.509	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	18	-3.540.227		3.978.615	
Increase (decrease) in current financial liabilities	19	3.341.811		-391.753	
Change in Capital and Reserves and consolidation scope		668.171		-6.113.011	
Change in Treasury Stock				2.047.548	
Dividends distributed	32	-3.883.659		-374.986	
Cash flow by discontinued operations				6.312.524	
Cash flow from financing activity		-3.413.904		5.458.937	
Change in cumulative conversion adjustment reserve and other no monetary changes		329.327		-616.217	
Increase (decrease) in cash and cash equivalents		2.392.762		-7.889.220	
Cash and cash equivalents at the beginning of the financial period		40.475.322		48.364.542	
Cash and cash equivalents at the end of the financial period		42.868.084		40.475.322	

(a) It should be noted that, as described in detail in the paragraph titled “Accounting principles and evaluation criteria” in the consolidated statement, on December 31st 2012 the retroactive application of the amendments to IAS 19 (Employee benefits) comported a restatement of the entries titled “Deferred tax assets”, “Retirement fund” and “Shareholders Equity”.

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.

Interest earned during this financial period amounts to about 705 thousand Euros.

Income taxes for this financial year amounted to 4,8 million Euros.

Changes in the consolidated Shareholders' equity

SHAREHOLDERS' EQUITY:	**Balance 31/12/2011**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2012 (a)**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-2.575.611			2.047.548		-528.063
Others reserves:						
Extraordinary reserves	33.780.537	1.264.103		1		35.044.641
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	-259.710				202.894	-56.816
Other reserves	1.752.001			134.984	-174.723	1.712.262
Retained earnings	20.294.487	-1.534.439		-7.674.590	-218.584	10.866.874
Profits (loss) of the year	-270.336	270.336			23.198.584	23.198.584
Parent company's shareholders' equity	94.787.616	0	0	-5.492.057	23.008.171	112.303.730
Capital and reserves of third parties	80.437.768	-18.469	-374.986	-74.580.940	-425.793	5.037.580
Profit (loss) of third parties	-18.469	18.469			6.613.117	6.613.117
Share Capital and Reserves attributable to non-controlling interests	80.419.299	0	-374.986	-74.580.940	6.187.324	11.650.697
Total Shareholders' equity	175.206.915	0	-374.986	-80.072.997	29.195.495	123.954.427

SHAREHOLDERS' EQUITY:	**Balance 31/12/2012 (a)**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2013**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-528.063					-528.063
Others reserves:						
Extraordinary reserves	35.044.641	7.403.301				42.447.942
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	-56.816				333.434	276.618
Other reserves	1.712.262			3.564	5.089.082	6.804.908
Retained earnings	10.866.874	15.795.283	-2.401.610	6.764.285	96.634	31.121.466
Profits (loss) of the year	23.198.584	-23.198.584			6.080.170	6.080.170
Parent company's shareholders' equity	112.303.730	0	-2.401.610	6.767.849	11.599.320	128.269.289
Capital and reserves of third parties	5.037.580	6.613.117	-1.482.049	-4.304.136	-166.683	5.697.829
Profit (loss) of third parties	6.613.117	-6.613.117			338.838	338.838
Share Capital and Reserves attributable to non-controlling interests	11.650.697	0	-1.482.049	-4.304.136	172.155	6.036.667
Total Shareholders' equity	123.954.427	0	-3.883.659	2.463.713	11.771.475	134.305.956

(a) The amounts reflect the application of IAS 19 *revised*.

The amount referred to in the column "Comprehensive (loss) income" refer to:

- The conversion reserve for the change that involved the assets in currency held by the Group;
- To the other reserves, mainly for the adaptation of the amount of the Cynosure equity to the market value as of December 31st 2013.
- The retained profits and losses, mainly for the re-measurement of the severance fund at the end of the year.

The other movements in the net shareholders' equity of the Group refer to:
- the variations in the stock option reserve (Other reserve) for the amount of about 4 thousand Euros which includes the payment of the costs determined in compliance with IFRS 2 of the stock option plan assigned by El.En. S.p.A. for the quota that matured on December 31st 2013;
- to the variations in the "Retained earnings" which summarizes, among other things, the increase in the net shareholders' equity registered by Cynosure after closing the operations for the acquisition of Palomar Medical Technologies, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Consolidated Financial Statement for the El.En. Group was examined and approved by the Board of Directors on March 13th 2014.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The consolidated statement has been drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments, the evaluation of which has been conducted on the basis of the principle of *fair value.*

This consolidated Annual Report consists of:

- the Consolidated Statement of financial position,
- the Consolidated Income Statement,
- the Consolidated statement of comprehensive income
- the Consolidated Cash flow statements
- the Statement of changes in the Consolidated Shareholders' equity,
- the following Notes

The economic information which is provided here is related to the financial years 2013 and 2012. The financial information, however, is supplied with reference to December 31st 2013 and December 31st 2012.

It should be recalled that because of the sale of some of the Cynosure shares held by El.En. S.p.A. (as described in the paragraph titled "Significant events which occurred in 2012" in the management Report on December 31st 2012) and the consequent loss of control of the American company, starting in November 2012 and up until September of 2013 the company was no longer wholly consolidated but was consolidated with the shareholders' equity method. In 2012 the economic effects derived from the loss of control of Cynosure were classified under the heading of "*Income (loss) from Discontinued Operations*".

Since the end of the third quarter of 2013, El.En. began to become aware that they were losing all of their influence in the governance of the American associated company Cynosure both after their acquisition of Palomar but above all after the El.En.'s representative left the Board of Directors of Cynosure. In consideration of this fact, the Board of Directors of El.En S.p.A. decided that the connection was no longer valid. This change also comported a difference in the entry into accounts of the equity which was changed from the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39) and the entry of an unearned an non-recurring capital gains in the other net charges and income for an amount of 2,5 million Euros before taxes.
For this reason, up until the third quarter of 2013 the economic transactions conducted with Cynosure are shown among the revenue, income, costs and charges from/to associated company, while, for the last quarter of 2013 they are included among the revenue, income, costs and charges from/to third parties.

The parent company El.En. S.p.A. appointed the auditing company Deloitte & Touche S.p.A.. as Independent auditors for the consolidated financial statement dated December 31st 2013.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

This consolidated statement for the financial year ending December 31st 2013 has been drawn up in compliance with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

Accounting principles, amendments and IFRS interpretations applied since January 2013

The accounting standards used for drawing up the consolidated financial statement are in compliance with the accounting standards used for drawing up the consolidated statement for December 31st 2012 except for the application of new standards and interpretations issued by the IASB, approved by the European Union and applied since January 1st 2013, as described below:

- Modifications to *IAS 1 Presentation of the financial statement* – required companies to group all of the components shown in the "Other comprehensive income" chart in two categories according to whether they can later be reclassified in the income statement. The relative tax income must be allocated on the same basis.
- Modifications to *IAS 19 Employee benefits* – eliminates the option of deferring the recognition of the actuarial gain and losses with the corridor method and requires that all the actuarial gain or losses be entered immediately in the "Other comprehensive income" chart so that the entire net amount of the fund for defined benefits (net of the assets being used for the plan) is entered in the consolidated financial position. The amendments state that the variations in the fund for defined benefits from one year to the next and those of the assets that are used for the plan must be subdivided in to three components: the cost components related to the performance of work during the year that must be entered in the income statement as "service costs"; the net financial charges calculated by applying the appropriate rate to the net amount in the fund for defined benefits net of the assets present at the start of the year must be entered in the income statement as such; the actuarial gain and losses derived from the re-measurement of the assets and liabilities must be entered in the chart of the "Comprehensive income". Moreover, the yield of the assets included among the net financial charges as shown above must be calculated on the basis of the rate of the liabilities and no longer on the expected yield of the assets. Moreover, the amendment introduces new additional information to be included in the Notes of the financial statements. The amendment is applicable retroactively. For an analysis of the effects related to the application of this amendment, please consult the paragraph titled "Effects related to the application of the modifications of IAS 19".
- Modifications of IFRS 7 Financial instruments: additional information – The amendment required information on the effects or potential effects of the compensations of the financial assets and liabilities of a company by the application of IAS 32. The information must be supplied retroactively.
- *IFRS 13 Evaluation of fair value* – this principle establishes how the fair value must be determined for purposes of the financial statement and it is applied to all elements for which the IAS/IFRS principles require or permit the evaluation at fair value or the presentation of information based on fair value, with a few limited exceptions. Moreover, the principle requires an information sheet on the measurement of fair value (hierarchy of fair value) that is more complete thna the one that is now required by IFRS 7. The principle is applicable starting January 1st 2013.

- Improvements of the IFRS –2009-2011 cycle, includes the modifications to the principles as part of the annual process of improvement and focuses on modifications that are considered necessary but not urgent. Below we are listing the modifications that will comport some change in the presentation, entry or evaluations of the amounts in the statements but excluding those that are related only to changes in terminology or editorial variations with minimal effects in terms of accounting numbers, or those that have effects on principles and interpretations that are not applicable by the Group:

  - IAS 1 Presentation of the statements – Comparative information: this improvement clarifies that, in the case that additional comparative information is shown , they must be presented in compliance with IAS/IFRS. Moreover, it clarifies that in the case that an entity modifies an accounting principle or makes a retroactive correction or reclassification, this same entity must present the net financial position also at the beginning of the period being compared ("third financial position" in the financial charts), while in the Notes for the statements no comparative disclosures are required even for the "third financial position" except for the specific entries involved.

- IAS 16 Real estate, plants and machinery – Classification of servicing equipment: this improvement clarifies that the servicing equipment must be classified along with the real estate, plants and machinery if used for more than one year and, otherwise, among the inventory.

- IAS 32 Financial instruments: presentation in the statements – Income taxes on the distribution to owners of capital instruments; the improvement clarifies that the direct taxes related to these instruments follow the rules of IAS 12.

- IAS 34 Intermediate financial statements – Total of the assets for a reportable segment: the improvement clarifies that the total of the assets must be reported only if this information is normally supplied to the chief operating decision maker of the entity and a material change in the total of the assets in the segment with respect to the preceding year has occurred.

The application of the modifications of IAS 1, IFRS 7 and IFRS 13 as well as the improvements of the IFRS (2009-2011 cycle) will not have any significant effects on this consolidated financial statement.

New accounting principles, amendments and interpretations of the IFRS and IFRIC approved by the European Union but not yet applicable and not adopted in advance by the Group.

On the date of this consolidated statement the competent bodies of the European Union had not yet completed the authorization process required for the adoption of the amendments and principles described below.

- **IFRS 10 – Consolidated financial statement.** The principle will replace *SIC-12 Consolidation – Companies with specific destination (vehicle companies)* and parts of IAS 27 – *Consolidated and separate financial statement* which will be renamed Separate Statement and will govern the accounting treatment of the equities in the separate statement. The main variations that have been made by the new principle are the following:

  - According to IFRS 10 there is only one basic principle for the consolidation of all of the types of entities, and this principle is based on control.. This variation removes the inconsistency that is evident between the preceding IAS 27 (based on control) and SIC 12 (based on the passage of risks and benefits).

  - They have introduced a definition of control that is more specific than in the past and is based on three elements: (a) power over the company acquired; (b) exposition to or rights derived from the variable performance proceeding from involvement with the latter; (c) ability to use the power to influence the level of this performance;

  - IFRS 10 requires that an investor, in order to evaluate if he has the control of the company acquired, must focus on the activities that significantly influence the performance of the latter.

  - IFRS 10 requires that, when evaluating the existence of control , one must consider only the substantial rights, i.e., those that can be exercised in practice when important decisions must be made concerning the company acquired;

  - IFRS 10 includes guide lines to help in the evaluation to determine if control exists in complex situations like de facto control, potential voting right, situations in which it is necessary to establish if the person who has the power to decide is acting as agent or principal, etc. .

In general terms the application of IFRS 10 requires a significant degree of discretion on a certain number of applicative aspects.

The principle is retroactively applicable starting on January 1st 2014. The principle is not applicable to the Group.

- **IFRS 11 – Joint venture agreements.** This principle will replace *IAS 31 – Equities in joint ventures,* and *SIC 13 – Joint venture companies – Contributions in kind by participants in joint ventures*. This principle supplies the criteria for identifying joint venture agreements based on the rights and the obligations derived from the agreements rather than the legal form of the latter and establishes the shareholders' equity method as the sole method for evaluating the equities in joint venture companies. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition for the classification of a special purpose agreement as a joint venture. The new principle is retroactively applicable starting January 1st 2014. After the issuing of the principle, IAS 28 *Equities in Associated*

Companies, the principle was amended to include in its area of application, starting on the date in came into force, also the equities in jointly controlled companies. The principle is not applicable to the Group.

- **IFRS 12 – Additional information on equities in other companies -** The principle was issued by the IASB on May 12th 2011 and has been applicable retroactively since January 1st 2014. It deals specifically with the additional information to be supplied for every type of equity, including subsidiary companies, associated companies, joint ventures, special purpose companies and other non-consolidated vehicle companies.

- **IAS 32 – Financial instruments: presentation in the statements -** On December 16th 2011 the IASB issued some amendments to the IAS 32 – *Financial instruments: presentation in the statement*s in order to clarify the application of some of the criteria for the compensation of financial assets and liabilities present in IAS 32, in fact making it more difficult. The amendments are applicable retroactively for the financial years starting on or after January 1st 2014.

- On June 28th 2012 the IASB published a documented titled ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12****)*. The document clarifies the rules transition rules of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. These modifications are applicable, along with the principles they refer to, for the financial years starting on January 1st 2014 unless applied in advance.
- On October 31st 2012 they issued amendments to **IFRS 10, to IFRS 12 and to IAS 27 "Entity of the investment**", which introduce an exception to the consolidation of subsidiary companies by an investment company, with the exception of cases in which the subsidiaries supply services which refer to the investment activities of that company. In application of these amendments an investment company must evaluate its investments in subsidiaries at fair value. In order to qualify as an investment company, an entity must:

  - Obtain funds from one or more investors for the purpose of supplying them with investment management services;

  - Commit themselves to their investors to invest funds exclusively for the purpose of obtaining yields from the re-evaluation of the capital, from the income of the investment or from both; and

  - Measure and evaluate the performance of substantially all of the investments on the basis of fair value.

These amendments are applicable along with the principles that they refer to, for the financial years starting on January 1st 2014, unless applied in advance.

- On May 29th 2013 the IASB issued some amendments to **IAS 36 – *Reduction of the value of assets – Additional information on the recoverable value of non- financial assets.*** The modifications are intended to clarify the additional information to be supplied concerning the recoverable value of assets (including start-up) or units generating cash flow, in the case in which their recoverable value is based on the fair value net of the costs of disposal and are related only to the assets or the cash generating units for which a loss for reduction in value has been registered or eliminated during the year. The modifications must be applied retroactively for financial years starting on January 1st 2014.

- On June 27th 2013 the IASB published amendments to **IAS 39 "Financial instruments: recording and evaluation – Innovation of the derivatives and continuation of the hedge accounting"**. The modifications are related to the introduction of some exemptions to the requirements for hedge accounting defined by IAS 39 in the case that an existing derivative has to be replaced with a new derivative which, by law or by regulations directly or indirectly has a CCP (Central Counterparty). The modifications must be applied retroactively for the financial years that start on January 1st 2014. Application in advance is allowed.

Accounting principles, amendments and IFRS interpretations not yet approved by the European Union.

On the date of this Consolidated Report the relative commissions of the European Union had not yet concluded the approval procedures for the amendments and principles described below.

- On November 12th 2009 the IASB published principle **IFRS 9 – Financial instruments**: this same principle was later amended on October 28th 2010. The principle, which is retroactively applicable starting on January 1st 2015, represents the first part of a process which will gradually completely replace IAS 39 and introduce new criteria for the classification and evaluation of financial liabilities and assets. In particular, for the financial assets the hew principle uses a single approach based on the methods for managing financial instruments and the characteristics of contractual cash flow of these same financial assets for the purpose of determining the evaluation criteria, by replacing the different rules that were established by IAS 39. For the financial liabilities, on the other hand, the modification that has been made is related to the accounting treatment of the variations in fair value of a financial liability designated as a financial liability evaluated at fair value through the income statement, in the case that these are due to the variations in the credit worthiness of the liability itself. According to the new principle these variations must be recorded in the chart showing "Other comprehensive income" and will not be shown in the income statement.

- On May 20th 2013 they published the interpretation of IFRIC 21 – Levies, which supplies clarifications on the time for recording a liability related to levies imposed by a government institution, both for those that are recorded in accounts following the instructions of IAS 37 – *Accruals, potential assets and liabilities*, as well as for levies the timing and amount of which are certain.
- On November 19th 2013 the IASB published a document called "IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39" related to the new model for hedge accounting. The purpose of the document was to answer some of the objections to the requirements in IAS 39 for hedge accounting which were considered too restrictive and not suitable to reflect the risk management policy of the companies. The main changes in this document are related to:
  - Modifications for the types of transactions that can be considered hedge accounting, in particular the risks for non-financial liabilities and assets among those managed in hedge accounting;
  - Change in the method used for entering into accounts of forward contracts and options when they are included in a hedge accounting report for the purpose of reducing the volatility of the income statement.
  - Modifications in the effectiveness test by means of the replacement of the present method based on the parameter of 80-125% with the principle of "economic report" between the entry of hedge and hedge instrument; moreover, a retroactive evaluation of the effectiveness of the hedge report will no longer be required;
  - The increased flexibility of the new accounting rules is offset by the additional requests for information on the risk management activities of the company.
- On December 12th 2013 the IASB published a document called "Annual Improvements to IFRSs: 2010-2012 Cycle" which includes the modifications to the principles as part of the annual improvement process applied to the principles. The main modifications are related to:
  - IFRS 2 Share Based Payments – Definition of vesting condition. Modifications were made on the definition of "vesting condition" and "market condition" and they also added the definitions of "performance condition" and "service condition" (which used to be included in the definition of "vesting condition").
  - IFRS 3 Business Combination – Accounting for contingent consideration. The modification clarifies that a contingent consideration classified as a financial asset or liability must be re-measured at fair value at the closing of each financial year and the variations in fair value must be registered in the consolidated income statement on the basis of the requirements of IAS 39 (or IFRS 9).
  - IFRS 8 Operating segments – Aggregation of operating segments. The modifications require that an entity give information about the evaluations made by the management for the application of the aggregation criteria and the economic indicators considered in determining if these operating segments have "similar economic characteristics".
  - IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The modifications clarify that the reconciliation between the total assets of the operating segments and the total assets of the entity must be presented only if the total of the assets of the operating segments is regularly supervised by the highest level of operating decision making.
  - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this principle has been changed for the purpose of clarifying that with the issuing of IFRS 13, and the consequent modifications of IAS 39 and IFRS 9, the possibility of entering into accounts current credits and commercial debts without having to report the effects of the actualization, should these effects turn out not to be material, remains valid.
  - IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The modifications which eliminated the inconsistencies in reporting the amortization funds when a tangible or intangible asset is subjected to devaluation. The new requirements clarify that the gross carrying value is significantly adapted to the re-evaluation of the carrying value of the asset and that the amortization fund is the same as the difference between the gross carrying value and the carrying value net of the losses in value entered into accounts.

- IAS 24 Related Parties Disclosures – Key management personnel. This modification clarifies that in the case in which the services of a manager with strategic responsibilities are supplied by an entity (and not a physical person) this entity must be considered a related party.

These modifications will be applied to the financial years which start on July 1st 2014 or later; Application in advance is allowed.

- On December 12th 2013 IASB published a document called "Annual Improvements to IFRSs: 2011-2013 Cycle" which includes the modifications to the principle that are part of the annual improvement process of the principles. The main modifications are the following::
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS"*. This modification clarifies that the entity that adopts the IFRS for the first time a san alternative to the application of a principle that is still in force at the time of the first IAS/IFRS statement, may choose to apply in advance a new principle that will replace that in force. The option is allowed only when the new principle allows the application in advance. Moreover, the same version of the principle must be applied for all of the periods being presented in the first IAS/IFRS statement.
  - IFRS 3 *Business Combinations – Scope exception for joint ventures*. The modification clarifies that Paragraph 2(a) of IFRS 3 excludes the formation of all types of joint arrangements, as defined by IFRS 11, from the area of application of IFRS 3.
  - IFRS 13 *Fair Value Measurement – Scope of portfolio exception* (par. 52). The modification clarifies that the *portfolio exception* included in paragraph 52 of the IFRS 13 must be applied to all contracts included in the area of application of IAS 39 (or IFRS 9) whether or not they satisfy the definition of financial assets and liabilities supplied by IAS 32.
  - IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. The modification clarifies that IFRS 3 and IAS 40 do mutually exclude each other and that for the purposes of determining if the purchase of real estate property is included in the area of application of IFRS 3, it is necessary to refer to the specific indications supplied by IFRS 3; on the other hand, in order to determine if the purchase involved is included in the area of IAS 40, one must refer to the specific indications of IAS 40.

The modifications must be applied for the financial years starting on July 1st 2014 or later. Application in advance is allowed.

Effects related to the application of the modifications of IAS 19

In compliance with the transition rules indicated in IAS 19 paragraph 173, the Group applied the amendment to IAS 19 staring on January 1st 2013 retroactively, re-determining the amounts of the financial position on January 1st 2012 and December 31st 2012 as though the amendment had always been applied.
The introduction of the different methods for booking the profits and losses of the Group which previously had used the corridor method comported the entry of a larger liability on December 31st 2012 for the amount of 475 thousand Euros and a negative impact on the shareholders' equity of the Group for that date, net of fiscal effects, for the amount of 280 thousand Euros. The comparative data in the Statement of Financial Position shown on December 31st 2012 have consequently been rectified.
The following charts show a summary of the variations with respect to the amounts originally published in the Consolidated Financial Statement on December 31st 2012 and the variations on the financial situation on January 1st 2012 after the new version of IAS 19:

	31/12/12 published	**Effects of the application of the IAS 19 revised**	**31/12/12 revised**
Deferred tax assets	5.681.705	130.565	5.812.270
Retirement funds	2.865.242	474.788	3.340.030
Share Capital and Reserves attributable to the Group	112.583.945	(280.215)	112.303.730
Share Capital and Reserves attributable to non-controlling interests	11.714.705	(64.008)	11.650.697
Comprehensive (loss) income	29.636.255	(440.760)	29.195.494

	01/01/2012	Effects of the application of the IAS 19 revised	01/01/12 revised
Deferred tax assets	6.354.281	(36.620)	6.317.661
Retirement funds	2.761.474	(133.158)	2.628.316
Share Capital and Reserves attributable to the Group	94.705.319	82.297	94.787.616
Share Capital and Reserves attributable to non-controlling interests	80.405.058	14.241	80.419.299
Comprehensive (loss) income	3.097.862	96.541	3.194.403

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The consolidated financial statement of the El.En. Group includes the statements of the Parent Company and of the Italian and foreign companies that El.En. S.p.A. controls directly or indirectly through a majority of votes in the ordinary assembly. The companies included in the scope of consolidation on the date of this report are listed in the chart below which also shows the percentage owned directly or indirectly by the Parent Company:

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr. capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:								
El.En. SpA		Calenzano (ITA)	EURO	2.508.671				
Subsidiary companies:								
Deka M.E.L.A. Srl		Calenzano (ITA)	EURO	40.560	85,00%		85,00%	85,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	154.621	96,65%		96,65%	96,65%
Esthelogue Srl	1	Calenzano (ITA)	EURO	100.000	50,00%	50,00%	100,00%	100,00%
Deka Sarl		Lyons (FRA)	EURO	155.668	100,00%		100,00%	100,00%
Deka Lasertechnologie GmbH		Munchen (GER)	EURO	51.600	100,00%		100,00%	100,00%
Deka Laser Technologies Inc.	2	Carlsbad (USA)	USD	25	12,74%	87,26%	100,00%	100,00%
Lasit SpA		Vico Equense (ITA)	EURO	1.154.000	70,00%		70,00%	70,00%
BRCT Inc.		New York (USA)	USD	no par value	100,00%		100,00%	100,00%
Quanta System SpA		Solbiate Olona (ITA)	EURO	1.500.000	100,00%		100,00%	100,00%
Asclepion Laser Technologies GmbH	3	Jena (GER)	EURO	2.025.000	50,00%	50,00%	100,00%	100,00%
AQL Srl	4	Vimercate (ITA)	EURO	50.000		100,00%	100,00%	72,50%
ASA Srl	5	Arcugnano (ITA)	EURO	46.800		60,00%	60,00%	51,00%
With Us Co Ltd	6	Tokyo (JAP)	YEN	100.000.000		78,85%	78,85%	78,85%
Deka Japan Co. Ltd		Tokyo (JAP)	YEN	10.000.000	55,00%		55,00%	55,00%
Penta Chutian Laser (Wuhan) Co Ltd	7	Wuhan (CHINA)	YUAN	20.467.304		55,00%	55,00%	53,16%
Penta Laser Equipment (Wenzhou) Co Ltd	8	Wenzhou (CHINA)	YUAN	16.747.725		55,00%	55,00%	53,16%
Lasit Usa Inc.	9	Branford (USA)	USD	30.000		100,00%	100,00%	70,00%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	REAL	11.666.678	68,56%		68,56%	68,56%
Lasercut Technologies Inc.	10	Branford (USA)	USD	50.000		100,00%	100,00%	100,00%
Pharmonia Srl	11	Calenzano (ITA)	EURO	50.000		100,00%	100,00%	100,00%
Deka Medical Inc	12	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
Quanta France Sarl	13	Paris (FRA)	EURO	35.000		60,00%	60,00%	60,00%

(1) owned by Elen SpA (50%) and Asclepion (50%)
(2) owned by BRCT Inc. (87,26%) and by ElEn Spa (12,74%)
(3) owned by Elen SpA (50%) and by

Quanta System SpA (50%)
(4 owned by Quanta System SpA (8,35%) and Lasit SpA (91,65%)
(5) owned by Deka Mela Srl (60%)
(6) owned by BRCT (78,85%)
(7) owned by Cutlite Penta Srl (55%)
(8) owned by Cutlite Penta Srl (55%)
(9) owned by Lasit SpA (100%)
(10) owned by BRCT (100%)
(11) owned by Asclepion (100%)
(12) owned by BRCT (100%)
(13) owned by Quanta System SpA (60%)

Operations conducted during this year
For the operations conducted during this year, please refer to the description given in the paragraph "Significant events which occurred during 2013" in the Management Report.

ASSOCIATED COMPANIES

El.En. SpA holds directly and indirectly equities in companies for which, however, it does not have control. These companies are evaluated according to the shareholders' equity method. The equities possessed in associated companies are the following:

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**percentage**
Immobiliare Del.Co. Srl		Solbiate Olona (ITA)	EURO	24.000	30,00%		30,00%	30,00%
Actis Srl		Calenzano (ITA)	EURO	10.200	12,00%		12,00%	12,00%
SBI S.A.		Herzele (B)	EURO	1.200.000	50,00%		50,00%	50,00%
Elesta Srl		Calenzano (ITA)	EURO	110.000	50,00%		50,00%	50,00%
Quanta System Asia Pacific Co.LTD	1	Bangkok (Thailand)	BAHT	5.000.000		49,00%	49,00%	49,00%
Chutian (Tianjin) Lasertechnology Co. LTD	2	Tianjin (China)	YUAN	2.000.000		49,00%	49,00%	26,05%

(1) owned by Quanta System S.p.A. (49%)
(2) owned by Penta Chutian Laser (Wuhan) Co. Ltd (49%)

Operations conducted during this period
For the operations conducted during this year, please refer to the description given in the paragraph "Significant events which occurred during 2013" in the Management Report.

EQUITIES IN OTHER COMPANIES

On May 24th 2013the Parent Company underwrote, for the founding of the company, Imaginalis S.r.l., an equity of 17%, for the amount of 17 thousand Euros; a further quota of 14% was underwritten by Actis S.r.l., a company that is 12% owned by the Parent Company El.En. S.p.A..

On August 1st 2013 the subsidiary Cutlite Penta S.r.l. acquired an equity of 19% of the capital stock of Cesa S.r.l.for the amount of 19 thousand Euros.

As already mentioned, starting in the end of the third quarter of 2013 the management of El.En. began to perceive a slackening in the relations with the governance of the American associated company Cynosure Inc., both after the acquisition by this latter of Palomar Inc. And, above all, after the El.En. representative left the Board of Directors. In consideration of this situation, the Board of Directors of El.En. S.p.A. decided that the connection between the two companies no longer existed.
This change comported a difference in the accounting of the equity in Cynosure Inc., with the switch from the criteria of the equity method (IAS 28) to that of fair value for the assets available for sale (IAS 39) and consequently the entry of the latter among the "Equities in other companies" instead of the "Equities in associated companies".

TREASURY STOCK

On March 3rd 2008, the shareholders' meeting of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire, in compliance and within the limits established by articles 2357 and following of the Civil Code, within 18 months of that date, treasury stock representing not more than 10% of the capital stock in accordance with the law, at a price which was not less than 20% more nor more than 10% more than the official price for negotiations registered on the day preceding the purchase. With the same vote they authorized the method for disposing of the shares which can be put back into circulation within 3 years of the purchase at a price which is not less than 95% of the average of the official prices for negotiations registered during the five days preceding the sale, all of which must take place respecting the laws in force in this regard.
Consequently, between March and April 2008 the Board of Directors of El. En. SpA proceeded with the purchase of 103.148 shares of the company at an average price of 24,97 Euros for a total of 2.575.611 Euros.

Upon request of the Board of Directors, the Shareholders' Meeting of the Parent Company which met on October 28th 2010 renewed the authorization of the Board to purchase in one or more tranches, on the regular stock market, and therefore according to the conditions described in art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob*, and following the operative procedures established by the organization and management regulations of the market issued by the Borsa Italiana S.p.A., within 18 months of that date, treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed one-fifth of the capital stock, respecting the laws and regulations, at a price that is not more than 20% less or over 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders' also authorized the Board of Directors to put the shares back into circulation within ten years of the date of purchase, including those already held in the portfolio on December 28th 2010, at a price that is not less than 95% of the average official price for negotiations registered during the five days preceding the sale, all of which must take place respecting the regulations in force.

On October 8th 2012 the Company sold 82.000 ordinary shares of treasury stock at 25 Euros each, for a total amount of 2.050.000 Euros to Laserfin S.r.l. as part of the amount owed for the purchase of 10% of the shares of Deka Mela S.r.l. and 40% of the shares of Quanta System S.p.A.

Upon request of the Board of Directors, the shareholders' meeting that met on November 14th 2012 authorized the Board to buy, in one or more blocks, on the regular stock market, and consequently in conformity with art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob* and according to the operating methods established by the management and organization rules issued by Borsa Italiana S.p.A., within eighteen months of that date, treasury stock, representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed the fifth part of the capital stock, in respect of the laws and rules, at a price that is not more than 20% less nor more than 10% more than the official selling price registered on the day preceding the purchase.
The shareholders also voted to authorize the Board of Directors to return the shares to circulation within ten years of the date of acquisition at a price that is not less than 95% of the average of the official selling price registered in the five days preceding the sale, in conformity with all of the regulations in force at the time.

Due to the selling operation described above, and in consideration of the fact that no purchases were connected to the vote of November 14th 2012, the treasury stock held in the portfolio of the Company as of December 31st 2012 is 21.148 shares for a total amount of 528.062,54 Euros.

STANDARDS OF CONSOLIDATION

The statements used for the consolidation of the annual reports are those of the individual companies. These statements are opportunely reclassified and rectified in such a way as to make them uniform with the accounting standards and IFRS evaluation criteria used by the Parent Company.
The economic results of the subsidiary companies that are bought or sold during the year are included in the consolidated Income Statement from the actual date of purchase to the actual date of sale.
In drawing up the consolidated financial statement the assets and liabilities, the income and charges of the companies included in the area of consolidation have all been included. We have not included the payables and receivables, income and charges, profits and losses which have been generated by transactions made between the consolidated companies.
The book value of the equity in each of the subsidiaries is eliminated in the place of the corresponding portion of the shareholders' equity of each of the subsidiaries including the final adaptation at fair value on the date of purchase; the difference which emerges, if it is in the black (positive), is treated as goodwill, and as such is entered into accounts, in accordance with IFRS 3, as illustrated below. If it is in the red (negative) it is entered directly into the Income Statement.

The amount of capital and reserves of subsidiary companies corresponding to equities of third parties is entered under a heading of the shareholders' equity titled "Capital and Reserves of third parties"; the portion of the consolidated economic result which corresponds to the equities of third parties is entered into accounts under the heading "Income (loss) this year pertaining to third parties".

TRANSACTIONS IN FOREIGN CURRENCY

The accounting situation of each consolidated company is drawn up in the working currency of the particular economic context in which each company operates. In these accounting situations, all of the transactions which take place using a currency that is different from the working currency are recorded applying the exchange rate that is current at the time of the transaction. The monetary assets and liabilities listed in a currency which is different from the working currency are subsequently adapted to the exchange rate current on the date of closure of the period being presented.

CONSOLIDATION OF FOREIGN CURRENCY

For the purposes of the Consolidated Statement, results, assets, and liabilities are expressed in Euros, the working currency of the Parent Company, El.En. SpA. For drawing up the Consolidated Statement, the accounting situations with a working currency which is different from the Euro are converted into Euros using, for the assets and liabilities, including goodwill and the adjustments made at the time of consolidation, the exchange rate in force on the date of closure of the financial period being presented and, for the Income Statement, the average exchange rates for the period which approximate the exchange rates in force on the date of the respective transactions. The relative differences in exchange rates are shown directly in the shareholders' equity and are displayed separately in a special reserve of the same. The differences in the exchange rate are shown in the Income Statement at the time that the subsidiary is sold.
The first time that the IFRS were applied, the cumulative differences generated by the consolidation of the foreign companies with a working currency different from the Euro were reclassified into Retained earnings, as is allowed by the IFRS 1; consequently, only the differences in conversion accumulated and entered into accounts after January 1st 2004 are involved in the determination of the capital gains and losses deriving from their possible sale.

For the conversion of the financial statements of the subsidiary and associated companies using a currency that is not the Euro, the exchange rates used are as follows:

	Exchange Rate	Average exchange rate	Exchange Rate
Currencies	**31/12/2012**	**31/12/2013**	**31/12/2013**
USD	1,3194	1,3281	1,3791
Yen	113,61	129,66	144,72
Baht	40,35	40,83	45,18
Yuan	8,22	8,16	8,35
Real	2,70	2,87	3,26

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Consolidated Annual Report requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.
Goodwill is subjected to an impairment test in order to determine any loss in value.

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The Group has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.
The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income Statement in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.

Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test. If the amount that can be recovered is estimated to be less than the relative book value, it is reduced to the lowest recoverable value. A loss in value is shown immediately in the Income Statement. For goodwill, devaluations are not subject to reversals of impairment.

Business combinations and goodwill

Business combinations since January 2010

Business combinations are entered into accounts using the acquisitions method. The cost of an acquisition is evaluated as the sum of the amount transferred measured at fair value on the date of the acquisition and the amount of any minority equities in the company acquired. For each business combination the purchaser must evaluate at fair value any minority equities in the company acquired or else in proportion to the quota of the minority equity in the net assets

indentified in the company acquired. The costs of acquisitions are entered into accounts and classified among the management expenses.
When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in compliance with the terms of the contract acquired, the economic conditions and the other pertinent conditions in force on the date of the purchase. This includes the verification conducted in order to establish if an incorporated derivative must be separated from the primary contract.
If the business combination takes place in more than one phase, the purchaser must recalculate the fair value of the equity held previously and evaluated with the shareholders' equity method and report in the Income Statement any profits or losses which have been registered.
Every potential amount must be reported by the purchaser at fair value on the date of acquisition. The variation in the fair value of the potential amount classified as asset or liability will be reported in compliance with IAS 39, in the Income Statement and in the chart showing the other components of the overall Income Statement. If the potential amount is classified in the shareholder's equity, its value must not be recalculated until its extinction is entered into accounts against the capital and reserves.
Goodwill is initially evaluated at the costs which emerges from the excess between the sum of the amounts paid and the amount recognized for the minority quotas with respect to the identified net assets acquired and the liabilities assumed by the Group. If the amount is less than the fair value of the net assets of the subsidiary acquired, the difference is reported in the Income Statement.

Business combinations prior to January 1st 2010
The business combinations registered before January 1st 2010 were recorded following the previous version of the IFRS 3 (2004).

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income Statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item**.**
The Group uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is amortized.
The aliquots used for depreciation are the following:

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Income Statement at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected cash flow are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Income Statement wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

Financial assets which consist of equities in associated companies are evaluated according to the shareholders' equity method, that is to say, for an amount equal to the corresponding fraction of the shareholders' equity shown in the last financial statement of the companies, after having subtracted the dividends and after having made the rectifications required by the accounting standards used for drawing up the consolidated statement in compliance with the IFRS to make them compatible with the accounting standards used by the Parent Company.
The joint-venture companies are evaluated in the consolidated statement using the shareholders' equity method, starting with the date on which the joint-venture was initiated until it ceased to exist.

F) FINANCIAL INSTRUMENTS

Equities in other companies
The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) which are not owned with the intent of reselling or trading them (the so-called "available for sale", after being entered into accounts, are evaluated at fair value. The assumption for this disposition is that the fair value can be reliably estimated. When the fair value cannot be estimated reliably the investment is evaluated at cost.

The profits and losses that are not made from these financial activities, according to IAS 39, are entered into accounts through the comprehensive statement of income in the shareholders' equity, in the fair value reserve. These profits and losses are transferred from the fair value reserve to the income statement when the financial asset is disposed of or if the asset loses value.

Financial instruments and financial assets at fair value with variations entered in the Income Statement.
This category includes the assets held for negotiation and the designated assets, at the time that they were first reported, as financial assets at fair value with variations entered in the Income Statement. The Group evaluates its financial assets at the time for value registered in the Income Statement (held for negotiation) if the intention to sell them within a brief period of time is still appropriate.

Stocks – financial assets available for sale
The financial assets that are available for sale are evaluated at fair value, with effect on the shareholders equity with the exception of the losses due to reduction in value, until the financial asset is eliminated; at this time the total entered earlier in the shareholder's equity must be entered in the Income Statement.

Commercial receivables
The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets
Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.
Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Income Statement under the heading "Financial Revenue (Charges)" or in a special reserve of the Shareholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents
This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock
Treasury stock is entered against shareholders' equity. No profit/loss is shown in the Income Statement for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables
Commercial payables, the due date of which falls within the normal commercial terms, are not discounted and are entered at cost (identified as their nominal value).

Financial liabilities
Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method.

Derivatives and measurement of hedging operations
Fair value hedge: if a derivative is designated as a hedge against exposure to the fluctuations in the current value of an asset or a liability entered into accounts, that can be attributed to a particular risk which can affect the income statement, the profit or loss derived from the later evaluations of the current value of the hedging instrument are shown in the income statement. The profit or loss on the amount being hedged, that are attributed to the risk being covered, modify the book value of this amount and are entered into the income statement.

Cash flow hedge: if an instrument is designated as a hedge against the fluctuations in cash flow of an asset or a liability entered into accounts or a highly probable planned operation and which could have an effect on the Income Statement, the efficient portion of the profits or losses on the financial instrument is shown in the shareholders' equity. The profit or loss accumulated are subtracted from the shareholders' equity and entered in the Income Statement for the same period in which the hedging operation is shown. The profit or loss associated with the hedge or with that part of the hedge which has become ineffective, are entered immediately in the Income Statement. If a hedging instrument or a hedging report are closed, but the operation which is the subject of the hedging has not yet occurred, the profits and the losses accumulated and up to that time entered in the shareholders' equity, are shown in the Income Statement when the relative operation actually occurs. If the operation which is the subject of the hedging is no longer considered probable, the profits and losses that have not yet been realized and suspended in the shareholders' equity are immediately shown in the Income Statement.

G) INVENTORY
Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labor and the indirect costs of production (variable and fixed). Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.
Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) RETIREMENT FUNDS AND EMPLOYEE BENEFITS

SEVERANCE INDEMNITY
Up until December 31st 2006 the severance indemnity fund was considered a defined benefit plan. The regulating of this fund was changed by law no. 296 of December 27th 2006 ("Legge Finanziaria 2007) and later decrees and regulations issued during the first months of 2007. On the basis of these modifications, and with particular reference to companies with at least 50 employees, this institution is now considered a defined benefit plan exclusively for the amounts which matured before January 1st 2007 (and not yet liquidated in the financial statement) whereas for the quotas which mature after that date, it is considered a defined contribution plan.
For defined benefit plans, the amount already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently recalculated, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.

By means of the actuarial estimate, the *current service cost* which defines the amount of rights matured during the financial year by employees is entered under the "labor costs" heading of the Income Statement and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity.

The actuarial gain and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, were entered pro-quota in the Income Statement for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeds the value of the liability by 10% (so-called corridor method).

In compliance with the transition rules stipulated by IAS 19 in paragraph 173, the Group applied the amendment to IAS 19 starting on January 1st 2013 retroactively, re-determining the amounts of the financial position shown on January 1st 2012 and December 31st 2012, as though the amendment had always been applied, as described in detail above.

For defined contribution plans the Group pays its contribution to a public or private pension fund on an obligatory, contractual or voluntary basis. Once the contributions have been paid the Group has no further obligations. The contributions they have paid are entered into the Income Statement when owed.

STOCK OPTION PLANS

The costs of staff labor remunerated by means of a *stock option plan* are determined on the basis of the fair value of the options granted to the employees at the date of assignment.
The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Income Statement during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In compliance with the IFRS 1, the said standard has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Group has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Group will have to use its resources to honor such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Income Statement for the financial year in which the variation takes place.

L) REVENUE RECOGNITION

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped.
Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate.

M) ENTRIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency, with the exception of real estate, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses are entered into the Income Statement.

N) GRANTS

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Income Statement at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Income Statement in relation to the period of depreciation of the assets they refer to. Grants in operating account are shown entirely in the Income Statement at the moment in which the conditions for entering them are satisfied.

O) FINANCIAL LEASING

Financial leasing operations are entered into accounts using the financial methodology which stipulates that the fixed asset acquired and its relative financing be entered into accounts. The relative amounts of depreciation and financial charges are entered in the Income Statement.

P) TAXES

Income taxes include the current and deferred taxes calculated on the taxable income of the companies of the Group. Current taxes represent an estimate of the amount of the income taxes calculated on the taxable income for the period. Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference. Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating deferred tax assets is re-examined at the closing of each financial year.

Q) EARNINGS PER SHARE

The basic earnings per ordinary share are calculated by dividing the portion of the Group's net profit attributable to ordinary shares by the weighted average of the ordinary shares in circulation during the financial year, excluding treasury stock. For the purposes of calculating the diluted earnings per share, the weighted average of the shares in circulation is modified by assuming the subscription of all the potential shares deriving from the conversion of stock options having a diluting effect.

STOCK OPTION PLANS

El.En. spa

The chart below shows information related to the stock options voted during the year 2008 by the Parent Company El.En. S.p.A. for the employees of the company and the Group.

	Max. expiration date	Outstanding options 01.01.2013	Options issued 01.01.13-31.12.2013	Options cancelled 01.01.13-31.12.2013	Options exercised 01.01.13-31.12.2013	Expired option not exercised 01.01.13-31.12.2013	Outstanding options 31.12.2013	Exercisable options 31.12.2013	Exercise price
Plan 2008/2013	May, 15 2013	152.000	0	0	0	152.000	0	0	€ 24,75

This plan expired definitively on May 15th 2013 without any of the options being picked up.

With regard to the characteristics of the individual stock option plans as well as the increases of capital decided on to implement it, please refer to the description contained in note (10) of this report.

During 2013 the average price of the El. En. stock was about 15,9 Euros.

Information on the Consolidated Statements of financial position - Assets

Non-current assets

Intangible assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	Balance 31/12/12	Variation	(Devaluation)	Other Operations	(Amortizations)	Conversion Adjustemnts	Balance 31/12/13
Goodwill	3.093.065			-55.000			3.038.065
Patents and rights to use patents of others	10.056	4.272			-7.696	-168	6.464
Concessions, licences, trade marks and similar rights	272.771	92.190		-3.284	-178.283	-11.798	171.596
Other	26.876	20.300		7	-19.582	-1	27.600
Intangible assets in progress and payments on account	25.000	128.394					153.394
Total	**3.427.768**	**245.156**		**-58.277**	**-205.561**	**-11.967**	**3.397.119**

Goodwill

Goodwill, which constitutes the most significant component of the intangible fixed assets, represents the excess of the purchase cost with respect to the fair value of the assets acquired net of the current and potential liabilities assumed. Goodwill is not subject to amortization and is subject to an impairment test at least once a year. The decrease in goodwill with respect to last year is due to the fact that Arex Srl left the scope of consolidation when it was sold to a third party.

At the end of each impairment test, the single entries of goodwill have been placed in the respective "*cash generating unit*" (CGU) which has been identified. The identification of the CGU coincides with each juridical subject and corresponds to what the directors envision as their own activity.

The following chart shows the book value of goodwill for each "*Cash generating unit":*

CASH GENERATING UNIT (CGU)	Goodwill 31/12/2013	Goodwill 31/12/2012
Quanta System SpA	2.079.260	2.079.260
ASA Srl	439.082	439.082
Cutlite Penta Srl	415.465	415.465
Asclepion Laser Technologies GmbH	72.758	72.758
Arex Srl	0	55.000
Deka MELA Srl	31.500	31.500
Total	3.038.065	3.093.065

As of December 31st 2013 the recoverable value of the CGUs shown on the chart was subjected to an impairment test in order to verify the existence of any losses in value by comparing the accounting value of the unit and the recoverable amount, i.e., the current value of the expected future financial flows which one supposes will be derived from the continued use and from the eventual disuse at the end of the useful life of the unit. Results of these tests are shown below.

Quanta System S.p.A.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta

System SpA, which covered a time span from 2014-2016. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2013 and with the outlook for the particular market in which they operate.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 10,33%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 11,33%.

Cutlite Penta S.r.l.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Cutlite Penta S.r.l., which covered a time span from 2014-2016. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast

The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2013.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 10,33%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 11,33%.

ASA S.r.l.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of ASA S.r.l., which covered a time span from 2014-2016. This company in Vicenza, a subsidiary of Deka MELA S.r.l, which operates in the sector of Physical therapy, despite the difficult economic conditions typical of the past few years, showed a growth in sales volume and constant profitability.
These results made it possible to distribute significant dividends. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2013 and with the outlook for the particular market in which they operate.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 10,33%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 11,33%.

The verification of the procedures used for the impairment tests to determine if they were in conformity with the regulations prescribed in the international accounting standards was approved independently by the same Board of Directors of the Parent Company.

Other intangible fixed assets

The "Patent and rights to use the patents of others" were related to the capitalization of the costs sustained for the purchase by Quanta System of patents and license agreements.

Under the heading "concessions, licenses, trademarks and similar rights" we have entered among other things, the costs sustained in particular by the Parent Company El.En. and by the subsidiaries, Asclepion, With Us, Wuhan Penta Chutian and Quanta System for new software.

The decrease in the column "Other movements" is related to the departure of Arex srl from the area of consolidation because the equity in the company was sold to a third party.
The residual heading of "Others" consists mainly of the costs sustained by the subsidiaries Quanta System S.p.A and Deka Mela for the creation of software.
The "Intangible fixed assets in progress" refer mainly to the costs of research and development sustained by the subsidiary ASA for the development of a prototype now in progress.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets is shown on the chart below:

Cost	**Balance 31/12/12**	**Increments**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/13**
Lands	2.422.780	1.155.553				-7.364	3.570.969
Buildings	14.766.991	46.834				-20.525	14.793.300
Plants and machinery	4.210.547	174.327		-54.307	-95.734	-13.024	4.221.809
Industrial and commercial equipment	9.749.394	1.061.194		-352.600	-702.715	-174.987	9.580.286
Other goods	8.640.460	752.959		-30.284	-409.841	-216.078	8.737.216
Tangible assets under construction		285.578					285.578
Total	**39.790.172**	**3.476.445**		**-437.191**	**-1.208.290**	**-431.978**	**41.189.158**

Depreciation provisions	**Balance 31/12/12**	**Depreciation**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/13**
Lands							
Buildings	2.473.378	448.688				-4.655	2.917.411
Plants and machinery	2.508.878	379.424		-21.641	-75.267	-6.125	2.785.269
Industrial and commercial equipment	7.729.653	912.243		-332.104	-605.466	-125.451	7.578.875
Other goods	5.663.530	815.544		-23.358	-350.515	-50.951	6.054.250
Tangible assets under construction							
Total	**18.375.439**	**2.555.899**		**-377.103**	**-1.031.248**	**-187.182**	**19.335.805**

Net value	**Balance 31/12/12**	**Increments**	**Other operations**	**(Depreciations and devaluations)**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/13**
Lands	2.422.780	1.155.553				-7.364	3.570.969
Buildings	12.293.613	46.834		-448.688		-15.870	11.875.889
Plants and machinery	1.701.669	174.327	-32.666	-379.424	-20.467	-6.899	1.436.540
Industrial and commercial equipment	2.019.741	1.061.194	-20.496	-912.243	-97.249	-49.536	2.001.411
Other goods	2.976.930	752.959	-6.926	-815.544	-59.326	-165.127	2.682.966
Tangible assets under construction		285.578					285.578
Total	**21.414.733**	**3.476.445**	**-60.088**	**-2.555.899**	**-177.042**	**-244.796**	**21.853.353**

According to the accounting standards being used, the value of the land is separated from the value of the buildings that are located on it and the land is not amortized because it is considered an element with an unlimited useful life. The value of the land on December 31st 2013 was 3.571 thousand Euros. The increase shown with respect to last year is due to the purchase of land by the subsidiary Penta Laser Equipment (Wenzhou).

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

The increase in the category of “Plants and machinery” are related in particular to the investments made by the Parent Company El.En. SpA, by Quanta System Spa, by Asclepion GmbH, by ASA Srl and by Cutlite do Brasil Ltda.

The heading of “Industrial and Commercial Equipment” refers to December 31st 2013 in particular to El.En. and to the subsidiaries With Us, Asclepion GmbH, Quanta System, Deka Japan, Pharmonia, Lasit and Deka Mela; for this latter, it should be recalled that, as in the past, we have capitalized the costs of some of the machinery sold with operative leasing; these sales, in fact, have been considered as revenue from multi-year leasing in compliance with the IAS/IFRS standards.

The increase in the category of “Other Goods” refers mainly to the purchase of new motor vehicle and electronic equipment.

The increases entered in the category of “Tangible assets under construction” refer mainly to the initial costs sustained by the Parent Company El.En. SpA for the purchase of a new building.

The amounts entered under the heading of “Other movements” for all of the categories refer mainly to the departure of Arex Srl from the scope of consolidation after the equity was sold to a third party.

Equity investments (note 3)

The chart below provides information on the equity investments:

	31/12/13	31/12/12	Variation	Var. %
Equity investments in:				
associated companies	916.988	32.476.985	-31.559.997	-97,18%
other companies	40.651.133	73.431	40.577.702	55259,63%
Total	41.568.121	32.550.416	9.017.705	27,70%

Equities in associated companies

For a detailed analysis of the equities held by Group in associated companies, refer to the paragraph relative to the scope of consolidation**.**

It should be recalled that the associated companies Immobiliare Del.Co. Srl, Smartbleach International SA (SBI SA), Elesta Srl, Quanta System Asia Pacific Co.LTD and Chutian (Tianjin) Lasertechnology Co. Ltd are consolidated using the shareholders’ equity method.

The significant variation in the equities in associated and other companies is due to the reclassification of Cynosure Inc. which, from a company evaluated with the criteria of the equity method (IAS 28) is now evaluated with the criteria of fair value for the assets “available for sale” (IAS 39) as explained in detail above.
El.En. holds an equity in Cynosure Inc., amounting to 2.098.628 shares, equal to about 9,65% of the capital. On the basis of the quotation of the shares on December 31st 2013 on Nasdaq, the *fair value* of the equity amounts to 40.539 thousand Euros. This amount has been entered into the comprehensive statement of income for an amount of 5.023 thousand Euros in compliance with the IFRS.

The amounts of the equities in associated companies registered in the statement are, respectively:

Immobiliare Del.Co. S.r.l.:	253 thousand Euros
Actis S.r.l.:	1 thousand Euros
SBI S.A.:	223 thousand Euros
Elesta S.r.l.:	310 thousand Euros
Quanta System Asia Pacific Co.LTD	25 thousand Euros
Chutian (Tianjin) Lasertechnology Co. Ltd	105 thousand Euros

The chart below shows a summary of the data related to the associated companies:

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	175.324	77.756	-9.353	41.141	50.494
Elesta Srl (ex IALT Scrl)	2.474.481	1.854.872	381.619	3.077.360	2.695.741
Immobiliare Del.Co. Srl	991.488	941.964	-9.744	149.501	159.245
S.B.I. SA	511.072	64.885	-59.270	272.412	331.682
Quanta System Asia Pacific Co.LTD	260.589	210.178	-52.031	257.237	309.269
Chutian (Tianjin) Lasertechnology Co. Ltd	354.111	257.398	-26.031	121.887	147.919

(*)Data on December 31st 2012

Other equities

For the other operations conducted during this period, please refer to the paragraph titled "Scope of Consolidation" in this report.

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

Other non current assets	**31/12/2013**	**31/12/2012 (a)**	**Variation**	**Var. %**
Financial receivables vs associated	30.000		30.000	
Deferred tax assets	6.122.854	5.812.270	310.584	5,34%
Other non current assets	4.459	4.302	157	3,65%
Total	6.157.313	5.816.572	340.741	5,86%

(a) The amounts reflect the application of the revised IAS 19.

For an analysis of the heading "Deferred tax assets", refer to note (16) below concerning the analysis of deferred tax assets and liabilities.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	**31/12/13**	**31/12/12**	**Variation**	**Var. %**
Raw materials and consumables	24.200.242	21.562.512	2.637.730	12,23%
Work in progress and semi finished products	13.139.288	12.121.018	1.018.270	8,40%
Finished products and goods for sale	11.032.537	11.781.839	-749.302	-6,36%
Total	48.372.067	45.465.369	2.906.698	6,39%

The chart shows the increase in the amount of final inventory which are related to raw materials and work in progress being manufactured; this reflects the increase in the sales volume for the last quarter and the preparation of the materials needed for some orders now in progress.

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

Inventory:	**31/12/2013**	**31/12/2012**	**Variation**	**Var. %**
Gross amount	55.556.302	52.046.275	3.510.027	6,74%
minus: devaluation provision	-7.184.235	-6.580.906	-603.329	9,17%
Total	48.372.067	45.465.369	2.906.698	6,39%

The incidence of the obsolescence provision on the gross value of the inventory rose from 12,6% on December 31st 2012 to 12,9% on December 31st 2013.

Trade receivables (note 6)

Receivables are composed as follows:

Debtors:	**31/12/13**	**31/12/12**	**Variation**	**Var. %**
Trade debtors	41.854.685	35.902.198	5.952.487	16,58%
Associated debtors	690.463	3.015.331	-2.324.868	-77,10%
Total	42.545.148	38.917.529	3.627.619	9,32%

Trade debtors:	**31/12/2013**	**31/12/2012**	**Variation**	**Var. %**
Italy	20.395.027	16.626.864	3.768.163	22,66%
European Community	6.438.802	6.236.278	202.524	3,25%
Outside of European Community	22.875.338	19.166.530	3.708.808	19,35%
minus: devaluation provision for debtors	-7.854.482	-6.127.474	-1.727.008	28,18%
Total	41.854.685	35.902.198	5.952.487	16,58%

As the chart shows clearly, the receivables on the Italian market have increased on account of the increase in the sales volume and the continuing necessity of granting the clientele better payment conditions considering the credit restrictions that have influenced the entire Italian economy. The increase in clients outside of the European Union is due to the reclassification of receivables from Cynosure Inc.

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

Provision for bad debts	**2013**	**2012**
At the beginning of the period	**6.127.474**	**7.067.991**
Amounts accrued	1.587.897	1.514.758
Amounts utilized	-768.842	-936.219
Unused amounts reversed	-65.670	-64.340
Other operations	983.418	-1.462.814
Translation adjustment	-9.795	8.098
At the end of the period	**7.854.482**	**6.127.474**

Breakdown of trade receivables from third parties is shown below:

Account receivables vs. third parties:	**31/12/2013**	**31/12/2012**
To expire	24.465.580	21.840.223
Expired:		
30 days	8.819.393	6.018.626
60 days	3.006.149	1.614.567
90 days	1.264.429	943.327
180 days	1.484.929	1.842.118
over 180 days	2.814.205	3.643.337
Total	41.854.685	35.902.198

The chart below shows the trade receivables from third parties listed by type of currency:

Account receivables in:	**31/12/2013**	**31/12/2012**
Euro	30.818.255	24.183.241
USD	4.005.547	2.839.213
Other currencies	7.030.883	8.879.744
Total	41.854.685	35.902.198

The value in Euros shown in the chart for the receivables originally expressed in US dollars or other currency represents the amount in currency converted at the exchange rate in force on December 31st 2013 and December 31st 2012.

For a detailed analysis of the trade and financial receivables from associated companies, please refer to the paragraph in the chapter titled “Related parties”.

Tax receivables/Other receivables (note 7)

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

	31/12/2013	31/12/2012	Variation	Variation %
Tax debtors				
VAT credits	3.526.524	2.727.382	799.142	29,30%
Income tax credits	727.543	794.657	-67.114	-8,45%
Total tax debtors	4.254.067	3.522.039	732.028	20,78%

Financial receivables				
Financial receivables from third parts	1.382.649	20.000	1.362.649	6813,25%
Financial receivables from associated companies	63.565	63.565	-	0,00%
Total	1.446.214	83.565	1.362.649	1630,65%
Other receivables				
Security deposits	248.903	367.191	-118.288	-32,21%
Down payments	1.778.687	1.805.032	-26.345	-1,46%
Other credits	2.850.146	2.506.743	343.403	13,70%
Total	4.877.736	4.678.966	198.770	4,25%
Total financial and other receivables	6.323.950	4.762.531	1.561.419	32,79%

The financial year closed with a VAT credit of over 3,5 million Euros which was mostly a result of the intense export activity of the Group.

Among the income tax receivables we have entered credits derived from the difference between the pre-existing tax credit or down payment and the tax debt which had matured by the date to which the financial statement refers. It also includes the credit due to the Parent Company and to some of the Italian subsidiaries from the tax authorities, for the amount of the reimbursement of the excess IRES taxes paid due to the failure to deduct the relative IRAP from the expenses for personnel and similar, in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

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

Other current financial assets (note 8)

Investments which are not permanent:	31/12/2013	31/12/2012	Variation	Var. %
Other investments	299.995	1.013	298.982	29514,51%
Total	299.995	1.013	298.982	29514,51%

The amount entered under the heading of “Other investments” consists of mutual funds held by the French subsidiary Deka Sarl.

Cash and cash equivalents (note 9)

Cash at bank and on hand is composed as follows:

Cash and cash Equivalents:	31/12/2013	31/12/2012	Variation	Var. %
bank and postal current accounts	42.833.788	40.417.223	2.416.565	5,98%
cash in hand	34.296	58.099	-23.803	-40,97%
Total	42.868.084	40.475.322	2.392.762	5,91%

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statements.

Net financial position as of December 31st 2013

The net financial position of the Group as of December 31st 2013 expressed in thousands of Euros, was as follows:

Net financial position		
	31/12/2013	**31/12/2012**
Cash and bank	42.868	40.475
Financial instruments	300	1
Cash and cash equivalents	**43.168**	**40.476**
Short term financial receivables	**1.383**	**20**
Bank short term loan	(13.612)	(9.321)
Part of financial long term liabilities due within 12 months	(2.151)	(3.100)
Financial short term liabilities	**(15.763)**	**(12.421)**
Net current financial position	**28.788**	**28.075**
Bank long term loan	(4.670)	(7.187)
Other long term financial liabilities	(2.299)	(3.093)
Financial long term liabilities	**(6.968)**	**(10.281)**
Net financial position	**21.820**	**17.794**

The net financial position of the Group has improved with respect to December 31st 2012 and amounts to about 22 million Euros thanks to the cash produced by the current activity.
It should also be noted that payments were made by minority shareholders for about 1 million Euros to increase the capital for use in the operations being conducted to re-enforce the operating structures in the industrial sector in China and about 0,6 million Euros for Brazil. In China, they received a grant of about 1,7 million Euros issued to facilitate the construction of the factory in Wenzhou.
Among the various financial transactions that are not directly connected to the current operations, there was the purchase this year of the land for the construction of the new factory in Wenzhou for the amount of about 1 million Euros.

This money was also used by the Parent Company El.En. S.p.A. to pay dividends to third parties for the amount of about 2.402 thousand Euros and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A., ASA S.r.l. and Penta Chutian for the amount of 1.482 thousand Euros.

The financial receivables amounting to about 64 thousand Euros owed by associated companies are excluded from the net financial position because they are connected to the company policy of financial support given to the companies of the Group (for details, see the information on related parties). In continuation of past policy it was decided not to include this financing in the net financial position of the company shown above.

For further details and information, please refer to the cash flow statement.

Information on the Consolidated Statements of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (note 10)

As of December 31st 2013, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorized	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	***0,52***

Categories	**31/12/2012**	**Increase.**	**(Decrease.)**	**31/12/2013**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases in capital for use in the stock option plan
The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated stockholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were working in a subordinate position. The stock option plan was divided into two equal portions which can be implemented in conformity with the following terms:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report for 2011 by the Board of Directors.

Subsequently, the rights on the options could be exercised as follows:

- if the shareholders' meeting, during the approval of the report for 2011, had voted to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits were not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting had voted in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013;
- otherwise, if it was decided to not distribute the profits for the year 2012, the period in which the rights could be exercised would terminate on the date, if earlier than May 15th 2013, of the approval of the proposed annual report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors could take place exclusively during the time intervals mentioned above for the exercising of the rights.
b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the proposed annual report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options could be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approved the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it was decided not to distribute the profits for the year 2012, the period for exercising the rights would terminate on the date, if before May 15th 2013, of the approval of proposed annual report for 2012, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros could take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

On May 15th 2013 the term for underwriting the increase in capital voted by the Board of Directors on July 15th 2008 for the stock option plan expired without any of the options having been picked up. Consequently, since it had been specifically voted that the capital stock should be increased on May 15th 2013 for the amount of the underwriting collected up to that time and in conformity with art. 2439, sub-section 2 , of the Civil Code, the capital of 2.508.671,36 Euros is understood to be the amount definitively approved and underwritten.

Additional paid in capital (note 11)

On December 31st 2013 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2012.

Other reserves (note 12)

Other reserves	**31/12/2013**	**31/12/2012 (a)**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	42.447.942	35.044.641	7.403.301	21,13%
Reserve for translation adjustments	276.618	-56.816	333.434	-586,87%
Stock options reserve fund	1.811.278	1.807.714	3.564	0,20%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	4.993.630	-95.452	5.089.082	-5331,56%
Total	50.493.427	37.664.046	12.829.381	34,06%

(a) The amounts reflect the application of the revised IAS 19.

As of December 31^{st} 2013 the “extraordinary reserve” was 42.448 thousand Euros. The increase which took place with respect to December 31^{st} 2012 is related to the allocation of part of the net income from 2013 by the Parent Company El.En., in accordance with the decision voted by the shareholders’ meeting on May 15^{th} 2013.

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

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. The effects for the year 2013 are shown in the column “ Comprehensive (loss) income ” in the shareholders’ equity chart.

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

The increase in the other reserve is mainly due to the adaptation of the residual value of the equity in Cynosure to the market value on December 31^{st} 2013.

Treasury Stock (note 13)

As described in detail in the paragraph related to the scope of consolidation, at the date of closing of this document, December 31^{st} 2013, the treasury stock held by the Parent Company El.En. S.p.A. amounted to a total of 21.148 shares at the average price of 24,97 Euros per share for a total amount of 528.063 Euros.

Profits/losses brought forward (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the shareholders’ equity of the Group. The variations that occurred this year, among other things, refer to the increase in the shareholders’ equity registered by Cynosure after closing the operations for the acquisition of Palomar Medical Technologies, Inc..

Non-current liabilities

Retirement funds and employee benefits (note 15)

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

Balance 31/12/2012 (a)	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 31/12/2013
3.340.030	1.133.900	-282.003	-1.076.828	3.115.099

(a) The amounts reflect the application of the revised IAS 19.

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit " type which entails entering a liability similar to that entered for defined benefit pension plans.

As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS 19 purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

It should be recalled that the "corridor method" (on the basis of which the total net worth of the actuarial gain or loss was not entered until its total value exceeded 10% of the present value of the liability)has been abolished, since IAS 19 *revised*, for the evaluation of the present value of the liabilities related to the defined benefit plans, since January 1st 2013 requires the use of the "Projected Unit of Credit Method" in which the actuarial gain and losses must be immediately entered into accounts in the statement of comprehensive income and the related amounts among the reserves in the shareholders' equity. This change comported a restatement of some of the financial data for January 1st 2012 and December 31st 2012, in order to display in the reserves of the shareholders' equity the net total amount of the actuarial profits and losses deferred in the past and consequently to recalculate the liability related to the severance indemnity and the relative fiscal effects.

For further details, consult the paragraph titled : "Effects related to the application of the modification of IAS 19".

The value of the liabilities on December 31st 2013 was 3.067 thousand Euros.

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

Financial hypotheses	Year 2012	Year 2013
Annual implementation rate	2,69%	3,17%
Annual inflation rate	2,00%	2,00%
Annual increase rate of salaries (including inflation)	Executives 1,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx 10+ AA for the amount of 3,17% in conformity with the criteria used last year.

The amount entered in the column "Payment to complementary pension forms, to INPS fund and other movements" of the chart showing the activity in the severance indemnity fund mostly represents the severance indemnity quotas deducted from the fund because they were intended for other additional non-company funds or to the treasury Fund managed by INPS (with particular reference to the Parent Company El.En and the subsidiary Quanta System.), in accordance with the choices made by the employees.

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.

The breakdown is as follows:

	Balance 31/12/2012 (a)	**Accrual**	**(Utilization)**	**Other**	**Translation Adjustments**	**Balance 31/12/2013**
Deferred tax assets on inventory devaluations	1.418.030	133.831	-79.490		-5.137	1.467.234
Deferred tax assets on warranty reserve	203.080	99.204			-12.251	290.033
Deferred tax assets on bad debt reserve	1.583.601	162.641	-72.752		-361	1.673.129
Deferred tax assets on loss brought forward from the previous years	372.146	113.075	-170.529		-37.293	277.399
Deferred tax assets on intercompany profits	1.403.289	58.087	-152.552			1.308.824
Deferred tax assets on severance indemnity provision discount	87.510	1.981	-6.008	-67.985		15.498
Other deferred tax assets	744.614	548.231	-143.349	51	-58.810	1.090.737
Total	5.812.270	1.117.050	-624.680	-67.934	-113.852	6.122.854
Deferred tax liabilities on advanced depreciations	160.002		-5.171	-1		154.830
Deferred tax liabilities for contributions on capital account	527.947		-97.525			430.422
Other deferred tax liabilities	627.150	137.900	-61.038	70.920	-56.819	718.113
Total	1.315.099	137.900	-163.734	70.919	-56.819	1.303.365
Net amount	4.497.171	979.150	-460.946	-138.853	-57.033	4.819.489

(a) The amounts reflect the application of the revised IAS 19.

Deferred tax assets amounted to about 6.123 thousand Euros. The increase this year is due mainly to the fund for stock obsolescence and to the devaluation made on some receivables. The increase in the category of Other deferred tax assets is mostly due to the deferred tax assets on grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co Ltd.

Deferred tax liabilities amounted to 1.303 thousand Euros. The variations in the "other deferred tax liabilities" are related, among other things to an evaluation for tax purposes of some LIFO evaluated inventories and to the difference in some exchange rates which were not realized. A further decrease was due to the taxation on some grants in capital account received in the previous years and which, for tax purposes, were deferred in compliance with the laws now in force.

Other accruals (note 17)

The chart below shows the operations made with other accruals:

	Balance 31/12/2012	Accrual	(Utilisation)	Other	Translation Adjustments	Balance 31/12/2013
Reserve for pension costs and similar	605.690	79.334	-19.912	-19.500		645.612
Others:						
Warranty reserve on the products	1.152.359	330.338	-110.344		-63.861	1.308.492
Reserve for risks and charges	2.591.551	50.035	-110.506		-137	2.530.943
Other minor reserves	35.219		-35.219			
Total other reserves	3.779.129	380.373	-256.069	-	-63.998	3.839.435
Total	4.384.819	459.707	-275.981	-19.500	-63.998	4.485.047

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on December 31st 2013, amounted to 583 thousand Euros as opposed to 549 thousand Euros on December 31st 2012.
According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	**Year 2012**	**Year 2013**
Annual rate of implementation	4,60%	4,17%
Annual rate of inflation	2,00%	2,00%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

Amounts owed and financial liabilities (note 18)

Financial m/l term debts	31/12/2013	31/12/2012	Variation	Var. %
Amounts owed to banks	4.669.525	7.187.456	-2.517.931	-35,03%
Amounts owed for leasing	369.259	383.534	-14.275	-3,72%
Amounts owed to other financiers	1.929.547	2.709.924	-780.377	-28,80%
Total	6.968.331	10.280.914	-3.312.583	-32,22%

The mid- to long-term debts owed to banks as of December 31st 2013 mostly represent the amounts due after one year for:

a) bank financing which was granted to Asclepion GmbH for the construction of the building (with a mortgage on it) where the company is now operating;
b) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for 3,4 million Euros to be paid back in set amounts every six months starting on December 15th 2011 and terminating on June 15th 2016. Of this amount, on 1,7 million Euros the interest rate applied for the first installment was 2,40%; for the remaining 1,7 million the rate applied was 5,70%; for the following periods, the interests will be the same as the Euribor rate at six months, as registered on the second target working day before the expiration date of the preceding interest period, increased by a spread. The spread is 3,90 points on the first 1,7 million Euros reduced to 0,60 on the remaining 1,7 million Euros;
c) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,8 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;

d) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,2 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;
e) financing with SACE warranty granted to El.En. S.p.A. by Banco Popolare s.c.r.l. for a total of 2 million Euros to be repaid in 12 deferred quarterly installments starting on June 30th 2012 and ending on March 31st 2015. The interest rate applied is equal to Euribor at three months registered on the second working day before the end of each solar quarter, increased by 2,50 points.
f) bank financing granted to With Us divided as shown below:

- 26.666 thousand Yen falling due on March 31st 2016 with an annual interest rate of 0,6%;
- 16.500 thousand Yen falling due on September 30th 2016 with an annual interest rate of 0,65%;
- 45.750 thousand Yen falling due on May 31st 2018 with an annual interest rate of 1,6%.

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

a) Facilitated financing for applied research, issued by MIUR, to Quanta System SpA, granted in several installments, for an amount of 673.500 Euros at the annual interest rate of 0,50%, payable in 14 semi-annual deferred installments, starting on January 1st 2009, last installment July 1st 2015.
b) Facilitated financing from Finlombarda/Regione Lombardia for applied research, issued to the subsidiary Quanta System SpA for a total of 900.000 Euros, at the rate of 0,50% on half of the capital and 4,01% annually on the other half, to be paid back in 14 half-yearly installments with the last installment on June 30th 2016.
c) Facilitated financing for applied research (FEMTO project) issued by MIUR to the subsidiary Quanta System S.p.A. for a total of 806.300 Euros at the annual interest rate of 0,50% to be paid back in 17 half-yearly installments with the last installment on July 1st 2020;
d) Financing issued by BMW Group Financial Service, to the subsidiary Lasit for a total of 89.200 Euros to be repaid in monthly installments starting on May 22nd 2012 with the last installment on April 22nd 2016.

Among the other amounts owed to other financers, there is a mid- to long-term debt of El.En. S.p.A. to Laserfin S.r.l. company as a result of the acquisition of 10% of the equity in Deka Mela S.r.l. and of 40% of the equity in Quanta System S.p.A. which took place last year.

Current liabilities

Financial debts (note 19)

Below, a breakdown of the financial debts is given:

Financial short term debts	31/12/2013	31/12/2012	Variation	Var. %
Bonds		377.373	-377.373	-100,00%
Amounts owed to banks	13.611.846	9.321.477	4.290.369	46,03%
Amount owed for leasing	112.634	114.927	-2.293	-2,00%
Liabilities (derivatives on interest and exchange rates)	6.832	23.492	-16.660	-70,92%
Amounts owed to other financiers	2.031.503	2.583.735	-552.232	-21,37%
Total	15.762.815	12.421.004	3.341.811	26,90%

The heading of "Amounts owed to banks" is mainly composed of:

- debts for advance payments on invoices of the subsidiary Esthelogue Srl;
-debts for advances on bills of exchange of the subsidiary Quanta System S.p.A
- short-term quota on the loan granted to El.En. (see note 18);
- short term financing granted by the Cassa di Risparmio Firenze to El.En. S.p.A
- short-term quota on the financing granted to Asclepion (see note 18);
- short term financing to pay off the mortgages contracted by With Us (see note 18)
- bank financing granted to With Us;

- bank financing granted to Penta Chutian Laser (Wuhan) Co., Ltd for an amount of about 5,3 million Euros, of which 4,2 million Euros (equal to about 35 million Yuan) at the annual interest rate of 6,9%, about 600 thousand Euros (equal to 5 million Yuan) at the annual interest rate of 6,328% and about 500 thousand Euros (equal to about 4,2 million Yuan) at the interest rate of 3M LIBOR +430BP.

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

- the Parent Company El.En. S.p.A. stipulated an IRS derivative contract for covering the interest rate on the SACE financing issued by the Banco Popolare s.c.r.l. (see note 18). The contract expires on March 31st 2015, at the nominal value of 833.333 Euros on December 31st 2013, the fair value on December 31st 2013 was -6.262 Euros;

- the subsidiary Quanta System stipulated an IRS derivative contract for covering the interest rate on the financing issued by the BNL bank (see note 18). The contract expires on April 15th 2014, nominal value of 52.632 Euros on December 31st 2013 and fair value on December 31st 2013 was – 465 Euros.

- The subsidiary With Us Co Ltd stipulated a currency rate swap derivative contract to hedge the risk in the Euro/Yen exchange rate. The contract expires in August 2018, nominal value on December 31st 2013 was 2.750.000 Euros, fair value on December 31st 2013 was –105 euro.

Among the entries under the heading of "amounts owed to other financiers" there is almost all of the quota for a short term financing issued by the Banca Nazionale del Lavoro to the subsidiary Quanta System S.p.A., for a total amount of 500 thousand Euros at the Euribor rate at three months increased by 1,30 points, for a duration of five years from the date of issue, including a period of pre-amortization of 6 months, to be paid back in deferred quarterly installments including capital and interest starting on October 9th 2009, with the last installment on April 9th 2014; the short term quotas of the financings described in the preceding note; the short-term debts of El.En. S.p.A. to Laserfin S.r.l. which was a consequence of the purchase of 10% of the equity in Deka Mela S.r.l. and of 40% of the equity in the subsidiary Quanta System S.p.A., which occurred last year; the debt of the subsidiary Cutlite do Brasil owed to a minority shareholder who sold his equity which amounted to 10% of the capital, also in 2012.

Trade Payables (note 20)

Trade debts:	31/12/2013	31/12/2012	Variation	Var. %
Trade accounts payable	31.224.517	22.923.219	8.301.298	36,21%
Trade accounts payable with associated companies	2.728	68.563	-65.835	-96,02%
Total	31.227.245	22.991.782	8.235.463	35,82%

No significant amounts owed on overdue debts for supplies were recorded at the end of the year.

The chart below shows the trade debts toward third parties for 2013 divided according to the currency.

Account payables in:	**31/12/2013**	**31/12/2012**
Euro	25.025.257	18.077.215
USD	655.969	1.379.808
Other currencies	5.543.291	3.466.196
Total	31.224.517	22.923.219

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2013 and December 31st 2012.

Income tax debts /Other short term debts (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2013 amounted to 1.726 thousand Euros and are entered net of the down payments and deductions.

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

	31/12/2013	**31/12/2012**	**Variation**	**Variation %**
Social security debts				
Debts owed to INPS	1.720.086	1.646.675	73.411	4,46%
Debts owed to INAIL	145.574	134.014	11.560	8,63%
Debts owed to other Social Security Institutions	267.091	235.383	31.708	13,47%
Total	2.132.751	2.016.072	116.679	5,79%
Other debts				
Debts owed to tax administration for VAT	277.251	608.909	- 331.658	-54,47%
Debts owed to tax administration for deductions	1.285.129	1.209.925	75.204	6,22%
Other tax debts	167.852	266.203	- 98.351	-36,95%
Owed to staff for wages and salaries	4.773.029	4.313.700	459.329	10,65%
Down payments	3.683.073	3.577.207	105.866	2,96%
Amounts towards associated companies		1.381	-	-100%
Other debts	6.426.289	4.343.331	2.082.958	47,96%
Total	16.612.623	14.320.656	2.291.967	16,00%
Total Social security debts and other debts	18.745.374	16.336.728	2.408.646	14,74%

The amounts "Owed to staff" include, among other things, the debts for deferred salaries of personnel employed as of December 31st 2013.

The entry of "Down payments" is made up of down payments received from clients.

The entry of "Other debts" includes, among other things, the deferred income calculated on the grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co. Ltd, to sustain the new production center.

Analysis of debts according to due date

	31/12/2013			31/12/2012		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bonds				377.373		
Amounts owed to banks	13.611.846	3.656.561	1.012.964	9.321.477	6.060.396	1.127.060
Amounts owed to leasing company	112.634	369.259		114.927	383.534	
Liabilities (forward exchange contracts)	6.832			23.492		
Amounts owed to other financiers	2.031.503	1.929.547		2.583.735	2.709.924	
Amounts owed to suppliers	31.224.517			22.923.219		
Amounts owed to associated companies	2.728			69.944		
Income taxes debts	1.725.985			1.100.845		
Amounts owed to social security institutions	2.132.751			2.016.072		
Other liabilities	16.612.623			14.319.275		
Total	67.461.419	5.955.367	1.012.964	52.850.359	9.153.854	1.127.060

Non-current liabilities held for sale (note 22)

As of December 31st 2013 no non-current liabilities were being held for sale.

Segment information -IFRS8

The segments identified by the Group that are shown below in compliance with IFRS 8, belong to the Medical and Industrial sectors. These sub-divisions correspond to the structure of the reporting that is periodically analyzed by the Management and by the Board of Directors for the management of the business and is the subject of periodic administrative reporting and planning.

31/12/13	Total	Medical	Industrial	Other
Revenues	158.485	109.284	48.339	862
Intersectorial revenues	(1.105)	0	(243)	(862)
Net Revenues	157.380	109.284	48.096	0
Other revenues and income	1.989	742	699	548
Gross Margin	74.563	55.949	18.066	548
Inc.%	*47%*	*51%*	*37%*	*100%*
Margin	17.373	15.923	902	548
Inc.%	*11%*	*14%*	*2%*	*100%*
Not assigned charges	7.791			
EBIT	9.582			
Net financial income (charges)	(1.180)			
Share of profit of associated companies	(474)	(458)	(13)	(3)
Other Income (expense) net	2.767			
Income (loss) before taxes	10.694			
Income taxes	4.275			
Income (loss) from continuing operations	6.419			
Income (loss) from discontinued operations	0			
Income (loss) before minority interest	6.419			
Minority interest	339			
Net income (loss)	6.080			

31/12/12	Totale	Medicale	Industriale	Altro
Ricavi	152.255	110.122	41.281	852
Ricavi intersettoriali	(1.020)	0	(169)	(852)
Net Revenues	151.234	110.122	41.113	0
Other revenues and income	2.739	959	258	1.523
Gross Margin	72.050	55.083	15.445	1.523
Inc.%	*47%*	*50%*	*37%*	*100%*
Margin	15.006	13.582	(99)	1.523
Inc.%	*10%*	*12%*	*-0%*	*100%*
Not assigned charges	7.532			
EBIT	7.474			
Net financial income (charges)	(1.362)			
Share of profit of associated companies	48	51		(3)
Other Income (expense) net	(68)			
Income (loss) before taxes	6.092			
Income taxes	2.953			

Income (loss) from continuing operations	3.140	
Income (loss) from discontinued operations	26.672	26.672
Income (loss) before minority interest)	29.812	
Minority interest	6.613	
Net income (loss)	23.199	

31/12/2013	**Total**	**Medical**	**Industrial**	**Other**
Assets assigned	145.068	84.626	60.441	
Equity investments	41.315	41.102	212	
Assets not assigned	31.257			
Total assets	217.639	125.729	60.654	0
Liabilities assigned	47.523	23.489	24.034	
Liabilities not assigned	35.810			
Total liabilities	83.333	23.489	24.034	0

31/12/2012	**Total**	**Medical**	**Industrial**	**Other**
Assets assigned	131.811	82.270	49.540	
Equity investments	32.289	32.220	69	
Assets not assigned	32.254			
Total assets	196.353	114.490	49.609	0
Liabilities assigned	40.079	23.852	16.226	
Liabilities not assigned	32.320			
Total liabilities	72.399	23.852	16.226	0

31/12/2013	**Total**	**Medical**	**Industrial**	**Other**
Changes in fixed assets:				
- assigned	196	(569)	764	
- not assigned	212			
Total	408	(569)	764	

31/12/2012	**Total**	**Medical**	**Industrial**	**Other**
Changes in fixed assets:				
- assigned	(26.693)	(26.456)	(238)	
- not assigned	(230)			
Total	(26.923)	(26.456)	(238)	

Information according to the geographic area

31/12/2013	Total	Italy	Europe	Row
Assets assigned	176.071	124.020	15.645	36.406
Equity investments	41.568	41.463		105
Total assets	217.639	165.484	15.645	36.511
Liabilities assigned	83.333	53.085	9.376	20.872
Total liabilities	83.333	53.085	9.376	20.872

31/12/2012	Total	Italy	Europe	Row
Assets assigned	163.803	114.587	15.696	33.520
Equity investments	32.550	32.550		
Total assets	196.353	147.138	15.696	33.520
Liabilities assigned	72.399	46.979	9.608	15.812
Total liabilities	72.399	46.979	9.608	15.812

31/12/2013	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	408	9	(329)	728
Total	408	9	(329)	728

31/12/2012	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	(26.923)	(2.799)	(393)	(23.731)
Total	(26.923)	(2.799)	(393)	(23.731)

Information on the consolidated Income Statement

Revenue (note 23)

The overall revenue, which amounted to 157,4 million Euros, showed an increase of 4% with respect to the 151,2 million Euros for last year. In the composition of the revenue the medical sector maintained its position while the industrial sector showed the greatest growth; there was a slight drop in the sales volume for service and sales of spare parts.

	31/12/2013	31/12/2012	Variation	Var. %
Sales of industrial laser systems	42.337.002	35.589.837	6.747.165	18,96%
Sales of medical laser systems	89.407.161	87.888.752	1.518.409	1,73%
Service and sales of spare parts	25.636.039	27.755.730	-2.119.691	-7,64%
Total	157.380.202	151.234.319	6.145.883	4,06%

Other income (note 24)

The analysis of the other income is as follows:

	31/12/2013	31/12/2012	Variation	Var. %
Recovery for accidents and insurance reimbursements	8.683	8.001	682	8,52%
Expense recovery	628.556	572.534	56.022	9,78%
Capital gains on disposal of fixed assets	209.482	265.653	-56.171	-21,14%
Other income	1.139.172	1.870.084	-730.912	-39,08%
Contribution on fiscal year account and on capital account	3.000	23.069	-20.069	-87,00%
Total	1.988.893	2.739.341	-750.448	-27,40%

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

The entry “Other income” consists for the most part of grants for research projects which have been entered into accounts by the Parent Company, El.En. SpA for the amount of approx. 284 thousand Euros and by the subsidiary Quanta System for 548 thousand Euros.

Costs for the purchase of goods (note 25)

The analysis is shown on the following table:

	31/12/2013	31/12/2012	Variation	Var. %
Purchase of raw materials and finished products	73.102.842	65.809.046	7.293.796	11,08%
Purchase of packaging	859.274	721.235	138.039	19,14%
Shipment charges on purchases	878.153	850.058	28.095	3,31%
Other purchase expenses	1.054.957	691.329	363.628	52,60%
Other purchases	783.494	748.482	35.012	4,68%
Total	76.678.720	68.820.150	7.858.570	11,42%

As of December 31st 2013 the costs for the purchase of goods was 76.679 thousand Euros as opposed to 68.820 thousand Euros for last year, showing an increase of 11,42%.

Other direct services/ operating services and charges (note 26)

Breakdown of this category is shown on the chart below:

	31/12/2013	31/12/2012	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	4.797.998	3.645.930	1.152.068	31,60%
Technical services	802.821	658.246	144.575	21,96%
Shipment charges on sales	1.781.810	1.550.602	231.208	14,91%
Commissions	3.666.779	3.851.536	-184.757	-4,80%
Royalties	27.676	33.826	-6.150	-18,18%
Travel expenses	891.552	815.437	76.115	9,33%
Other direct services	541.950	338.823	203.127	59,95%
Total	*12.510.586*	*10.894.400*	*1.616.186*	*14,84%*
Operating services and charges				
Maintenance and technical assistance on equipments	307.711	294.233	13.478	4,58%
Services and commercial consulting	991.804	1.121.808	-130.004	-11,59%
Legal and administrative services	1.501.749	1.569.649	-67.900	-4,33%
Auditing fees and charges	250.109	189.620	60.489	31,90%
Insurances	645.334	634.972	10.362	1,63%
Travel and overnight expenses	2.642.309	2.770.897	-128.588	-4,64%
Promotional and advertising expenses	5.139.659	5.539.267	-399.608	-7,21%
Building charges	1.841.017	1.800.919	40.098	2,23%
Other taxes	283.536	227.478	56.058	24,64%
Expenses for vehicles	1.124.900	1.149.210	-24.310	-2,12%
Office supplies	335.286	438.315	-103.029	-23,51%
Hardware and Software assistance	382.797	304.146	78.651	25,86%
Bank charges	346.466	355.634	-9.168	-2,58%
Rent	1.340.398	1.621.761	-281.363	-17,35%
Other operating services and charges	8.527.645	7.828.129	699.516	8,94%
Total	*25.660.720*	*25.846.038*	*-185.318*	*-0,72%*

The single most important change in “Direct services” are represented by the costs of outsourcing to third parties.
The single most important amounts of “Other operating services and charges” are represented by the costs for remuneration of the BoD and of the Board of Auditors for an amount of 2.159 thousand Euros and by the costs of technical and scientific consulting and study and research for an amount of about 1.733 thousand Euros; for the activities and the costs of Research and Development, please consult the Management Report.

Future commitments for use of goods belonging to others

The chart below shows a summary of the obligations that the Group will have for the use of goods belonging to others.

Operating lease commitments:	**31/12/2013**	**31/12/2012**
Within one year	1.192.916	1.340.458
After 1 year but not more than 5 years	2.248.253	2.275.902
More than five years	184.948	420.607
Total	**3.626.117**	**4.036.967**

Employee costs (note 27)

The chart below shows the costs for staff:

For staff costs	31/12/2013	31/12/2012	Variation	Var. %
Wages and salaries	26.993.089	25.890.976	1.102.113	4,26%
Social security costs	6.995.662	6.606.320	389.342	5,89%
Accruals for severance indemnity	1.046.653	944.116	102.537	10,86%
Stock options	3.564	134.984	-131.420	-97,36%
Other costs	122.482	108.972	13.510	12,40%
Total	35.161.450	33.685.368	1.476.082	4,38%

The cost for personnel was 35.161 thousand Euros, registering an increase of 4,38% with respect the 33.685 thousand Euros for the period last year. The figurative costs entered into accounts in relation to the stock options assigned to employees are part of the personnel costs. On December 31st 2012 these costs were 135 thousand Euros, while on December 31st 2013 they fell to 4 thousand Euros due to the fact that the five-year plan 2008-2013 of the Parent Company El.En S.p.A. was terminated.

Depreciation, amortization and other accruals (note 28)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2013	31/12/2012	Variation	Var. %
Amortization of intangible assets	205.561	267.756	-62.195	-23,23%
Depreciation of tangible assets	2.555.899	2.715.393	-159.494	-5,87%
Devaluations of fixed assets		90.900	-90.900	-100,00%
Accrual for risk on receivables	1.082.858	1.580.456	-497.598	-31,48%
Other accruals for risks and charges	314.621	390.158	-75.537	-19,36%
Total	4.158.939	5.044.663	-885.724	-17,56%

The category “Accrual for risk on receivables” includes some devaluations effected for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general.

The accrual for risks and charges also includes the product guarantee fund.

Financial income and charges (note 29)

The breakdown of the category is as follows

	31/12/2013	31/12/2012	Variation	Var.%
Financial incomes:				
Interests from banks	637.336	352.128	285.208	81,00%
Dividends	7.574	6.668	906	13,59%
Interests from associated company	240	2.086	-1.846	-88,49%
Interests on investments	4.297	3.051	1.246	40,84%
Income from negotiations		129	-129	-100,00%
Foreign exchange gain	465.234	715.808	-250.574	-35,01%
Other financial incomes	-8.382	154.978	-163.360	-105,41%
Total	1.106.299	1.234.848	-128.549	-10,41%
Financial charges:				
Interest on bank debts for account overdraft	-439.887	-455.052	15.165	-3,33%
Interest on bank debts for medium and long - term loans	-247.984	-308.898	60.914	-19,72%

Foreign exchange loss	-1.441.163	-1.532.817	91.654	-5,98%
other financial charges	-157.581	-300.468	142.887	-47,55%
Total	-2.286.615	-2.597.235	310.620	-11,96%

The interests due on overdrafts refers mainly to overdrafts granted by credit institutions to the parent company and some of the subsidiaries.
The interest owed and debts towards banks for medium and long term loans refer mostly to the medium- and long-term loans granted to the Parent Company El.En. S.p.A.
The entry of "Other financial charges" includes about 87 thousand Euros for the interests owed due to the application of accounting standard IAS 19 to the retirement fund.

Other net income and charges (note 30)

	31/12/2013	31/12/2012	Variation	Var. %
Other charges				
Loss on equity investments		-18.000	18.000	-100,00%
Devaluation of equity investments		-49.620	49.620	-100,00%
Total		**-67.620**	**67.620**	**-100,00%**
Other income				
Capital gains on equity investments	243.174		243.174	
Revaluation of equity investments	2.523.353		2.523.353	
Total	**2.766.527**		**2.766.527**	

The entry under the heading of "Capital gains on equity investments" is related to the sale of Grupo Laser Idoseme and of Arex Srl by Quanta System S.p.A..
The entry under the heading of "Revaluation of equity investments" for an amount of 2,5 million Euros is related to the revaluation of the Cynosure shares in the company portfolio which was made in compliance with IAS-IFRS, on September 30th 2013 when it was recognized that El.En. no longer had influence in the running of Cynosure; this fact also comported the switch from the criteria of the equity method (IAS 28) to that of fair value for assets available for sale (IAS 39).

Income taxes (note 31)

Description:	31/12/2013	31/12/2012	Variation	Var. %
IRES and other foreign income taxes	3.608.176	2.776.233	831.943	29,97%
IRAP	1.064.631	886.440	178.191	20,10%
IRES and other foreign income taxes - Deferred (Advanced)	-520.326	-471.453	-48.873	10,37%
IRAP - Deferred (Advanced)	2.122	212	1.910	900,94%
Receivable for income tax	-	-14.577	14.577	-100,00%
Other taxes	118.663	-	118.663	0,00%
Taxes related to the previous years	1.834	-224.237	226.071	-100,82%
Total income taxes	4.275.100	2.952.618	1.322.482	44,79%

The costs for current and deferred taxes for this year is 4.275 thousand Euros.

The entry for other income taxes for the amount of 119 thousand Euros includes the amount kept to the subsidiary Cutlite Penta Srl as a withholding tax which cannot be subtracted from the tax debt, on dividends received from its subsidiary Penta Chutian Laser (Wuhan) Co Ltd.

The heading of "Taxes related to the previous year" as of December 31st 2012 included, among other things, the entry made by the Parent Company and by some of the Italian subsidiaries, of credits from the internal revenue service for the reimbursement of the excess IRES taxes paid for not deducting the IRAP relative to the expenses for employees and similar in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES) and similar

	2013	**2012**
Profit/loss before taxes	10.694.108	6.092.320
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	2.940.880	1.675.388
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	1.043.585	761.321
One time income tax charges	1.834	(250.161)
Crediti d'imposta		(14.577)
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	(906.073)	249.262
Higher (lower) fiscal incidence due to the effects of consolidation	9.458	(340.689)
Actual IRES	3.089.684	2.080.544
Actual IRES aliquot	28,89%	34,15%

Dividends distributed (note 32)

The shareholders' meeting of El.En. SpA held on May 15th 2012 voted to not distribute any dividends and to allocate all of the profits for the year for an amount of 1.264.103 in the extraordinary reserve.

The shareholders' meeting of El.En. S.p.A. that was held on May 15th 2013 voted to distribute a dividend of 0,50 Euros for every share in circulation upon maturity of the coupon. The amount of the dividend paid was 2.401.610 Euros.

Earnings per share (note 33)

The average weighted number of shares in circulation during the year remained constant and amounted to 4.803.220. The profit per share as of December 31st 2013 was 1,27 euro.

Discontinued operations (nota 34)

Discontinued Operations 2012

The chart below shows the results from discontinued operations in 2012.

	Discontinued Operations	Continuing Operation Elisions	2012 Balance
Revenues	106.904.971	(4.783.338)	102.121.633
Change in inventory of finished goods and WIP	5.051.365		5.051.365
Other revenues and income	423.764	(1.848)	421.916
Value of production	**112.380.100**	**(4.785.186)**	**107.594.914**
Purchase of raw materials	42.293.323	(4.745.652)	37.547.671
Change in inventory of raw material	(1.199.992)		(1.199.992)
Other direct services	10.918.768		10.918.768
Gross margin	**60.368.001**	**(39.534)**	**60.328.467**
Other operating services and charges	21.274.184		21.274.184
Added value	**39.093.817**	**(39.534)**	**39.054.283**
For staff costs	24.169.698		24.169.698
EBITDA	**14.924.119**	**(39.534)**	**14.884.585**
Depreciation, amortization and other accruals	5.113.543		5.113.543
EBIT	**9.810.576**	**(39.534)**	**9.771.042**
Net financial income (charges)	(200.989)	39.534	(161.455)
Capital gain on stocks sold	5.415.602		5.415.602
Revaluations	13.530.159		13.530.159
Other net income (expense)			0
Income (loss) before taxes	**28.555.348**	**0**	**28.555.348**
Income taxes	1.559.281		1.559.281
Income taxes on capital gain and revaluation	324.068		324.068
Income (loss) for the financial period from discontinued operations	**26.671.999**	**0**	**26.671.999**
Minority interest from discontinued operations	5.602.792		5.602.792
Net income (loss)	**21.069.207**	**0**	**21.069.207**

As mentioned above and as explained in the special section of the Consolidated Notes for 2012, after the loss of control of Cynosure, starting at the end of November 2012 this company is no longer wholly consolidated and the statement for 2012 was drawn up in conformity with IFRS 5. Since the contribution of Cynosure, up until the time of the sale, was considered *major line of business* the disposal operation is represented as a *Discontinued Operation*.

The net income from "*Discontinued Operations*" for 2012, is 26,7 million Euros, and includes among other things, the contribution of Cynosure for the eleven months that the company was still in the Group, the capital gains derived from the sale of 840.000 shares of the American company at the unit price of Euros 15,33 (net of the underwriting commission) for an amount of 5,4 million Euros, besides the re-evaluation at fair value (represented by the closing price of the public offering sale) of the residual quota of the equity in Cynosure for a total amount of 13,5 million Euros. The net income from "*Discontinued Operations*" for 2012 includes the reclassification of the comprehensive result of the conversion reserve relative to Cynosure Inc. for the amount of 438 thousand Euros after the loss of control of the American company.

Non-recurring significant, atypical and unusual events and operations (note 35)

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293,for the year 2013, the method for the accounting of the equity in Cynosure Inc. switched from the criteria of the equity method (IAS28) to that of the fair value of assets available for sale (IAS 39), is to be considered a non-recurring significant event.
This change is due to the fact that at the end of the third quarter of 2013 the management of El.En. became aware of a gradual slackening in the relations relative to the governance of the associated company Cynosure Inc., both after the acquisition by Cynosure of Palomar but, above all, after the El.En representative left the Board of Directors. In recognition of this situation the Board of Directors of El.En. determined that the connection between the two companies no longer existed.
Consequently, up until the third quarter of 2013 the economic transactions with Cynosure are shown among the revenue, profits, costs and charges from/to associated companies, whereas, for the last quarter of 2013, among the revenue, profits costs and charges from/to third parties.
The change in the accounting method has comported the entry of a revaluation of the Cynosure shares in the company portfolio for an amount of about 2,5 million Euros.

The main effects of this operation are shown on the chart below:

	Shareholders' equity		**Income (loss) for the period**		**Net financial position**		**Cash flows (*)**	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**134.305.956**		**6.080.170**		**21.819.582**		**2.392.762**	
Profits /assets derived from the evaluation at fair value of the equity in Cynosure, Inc. according to IAS 39 (Available for sale).	(2.488.657)	2%	(2.488.657)	41%	0	0%	0	0%
Total operations (B)	**(2.488.657)**	2%	**(2.488.657)**	41%	**0**	0%	**0**	0%
Gross figurative value (A + B))	**131.817.299**		**3.591.513**		**21.819.582**		**2.392.762**	
(*) Cash flows refer to the increase (or decrease) in the period of the cash and cash equivalents								

It should be recalled that for the same period last year the partial sale of the equity held in Cynosure was considered a non-recurring, significant operation as shown in the Notes to the 2012 financial statement, the effects of which are summarized in the chart below.

	Shareholders' equity (a)		**Income (loss) for the period**		**Net financial position**		**Cash flows (*)**	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**112.303.730**		**23.198.584**		**17.794.417**		**-7.889.220**	
Income/assets arising from the sale of equity in Cynosure Inc.	-18.183.579	16%	-18.183.579	78%	-12.876.305	72%	12.134.669	154%
Total operations (B)	**-18.183.579**	16%	**-18.183.579**	78%	**-12.876.305**	72%	**12.134.669**	154%
Gross figurative value (A + B))	**94.120.151**		**5.015.005**		**4.918.112**		**4.245.449**	
(*) Cash flows refer to the increase (or decrease) in the period of the cash and cash equivalents								

(a)The amounts reflect the application of the revised IAS 19.

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293, we declare that during 2013 the Group did not conduct any atypical or unusual operations as defined by the above mentioned communication.

Information about related parties ***(note 36)***

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:
- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.
All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

<u>The Members of the Board of Directors and the Board of Statutory Auditors and other strategic executives</u>

The Members of the Board of Directors and the Board of Statutory Auditors of El.En. S.p.A. receive the salaries shown in the chart below:

Name	Position	Term duration	Fees in:	Fees	Remuneration for participation on committees	Bonus and other incentives	Non monetary benefits	Other rewards	Total	Indemnity for termination of mandate or employment
Gabriele Clementi	Chairman of the Board of Directors	Approval of the financials for 31.12.2014	El.En. SpA	117.927		102.674	4.286		224.887	6.500
			Subsidiaries/associates	11.568					11.568	
Barbara Bazzocchi	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	117.927		38.402	4.286		160.615	6.500
			Subsidiaries/associates	12.000					12.000	
Andrea Cangioli	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	118.357		51.337	3.856		173.550	6.500
			Subsidiaries/associates	11.568					11.568	
Michele Legnaioli	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Paolo Blasi	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Alberto Pecci	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Stefano Modi	Director	Approval of the financials for 31.12.2014	El.En. SpA	100.929		37.817	12.371	26.969	178.086	
			Subsidiaries/associates						-	
Vincenzo Pilla (*)	President of the Board of Statutory Auditors	Approval of the financials for 31.12.2015	El.En. SpA	31.200					31.200	
			Subsidiaries/associates	25.689					25.689	
Gino Manfriani (*)	Statutory Auditor	Up to June 25 2013	El.En. SpA	10.400					10.400	
			Subsidiaries/associates	16.311					16.311	
Rita Pelagotti (*)	Statutory Auditor	From June 25 2013 to approval of the financials for 31.12.2013	El.En. SpA	10.400					10.400	
			Subsidiaries/associates	-					-	
Paolo Caselli (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800				8.320	29.120	-
			Subsidiaries/associates	26.311					26.311	
Manfredi Bufalini (*)	Supplementary Auditor	Approval of the financials for 31.12.2015	El.En. SpA	-					-	-
			Subsidiaries/associates	6.240					6.240	

Note: the salaries shown on the chart are determined on the accrual basis.
(*): amounts including CAP

Fixed salaries:
- The amounts paid to the directors of the Parent Company for their roles in other companies included in the area of consolidation are as follows: Barbara Bazzocchi, as chairman of the Board of Directors of Cutlite Penta Srl received a salary of 12.000 Euros; Gabriele Clementi as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company; Andrea Cangioli as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company.
- With reference to the board member Stefano Modi the heading of "fixed fees" also includes a salary of 88.929,00 Euros as payment for his work as an employee.
- The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors of Lasit SpA and Deka Mela Srl (until May 9th 2013), of Quanta System (until May 30th 2013) and acting Auditor of Cutlite Penta Srl (until May 9th 2013) received from these companies a total salary of 25.689 Euros; Gino Manfriani, (acting auditor of El.En. Spa until June 25th 2013), Auditor of Deka Mela Srl (until May 9th 2013) and Cutlite Penta Srl received a total salary of 16.311 Euros; Paolo Caselli as President of the Board of Statutory Auditors of Cutlite Penta Srl (until May 9th 2013) and Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of 26.311 Euros; Manfredi Bufalini in his role as auditor of Quanta System SpA received from the company the amount of 6.240 Euros.

Bonuses and other incentives:
In this column the chart shows the amounts received by some of the members of the Board of Directors as an incentive bonus for achieving certain goals which were set by the Board in accordance with the vote of the Shareholders' meeting held on May 15th 2012, and subsequently confirmed by the shareholders' meeting of May 15th 2013, which, when determining the amount of remuneration of the Board of Directors, had established at the maximum amount 1 million Euros the variable part of the overall bonuses to be assigned and to assign to the managing directors, including the president with powers of attorney, and the board members with special positions as described in art. 21 of the by-laws and art. 2389, sub-section 3 Civil Code. These bonuses will be paid in 2014.

Non-monetary benefits:
- The heading "Non-monetary benefits" refers to a fringe benefits paid to the President of the Board of Directors and the executive directors in accordance with the vote of the shareholders' meeting held on May 15th 2012 and on May 15th 2013.
- For the Board Member Stefano Modi it refers to the fringe benefit he receives as an employee as well as other managers.

Other rewards:
- With reference to the Board Member Stefano Modi la voce "Other bonuses" refers to transfers and one-off payments.
- The acting auditor Dott. Paolo Caselli received a bonus of 8.320 Euros as a member of the Controlling body of El.En. S.p.A., in compliance with ex D.Lgs. 231/01.

Indemnity for termination of mandate or employment:
-An annual indemnity of 6.500 Euros each, in compliance with art. 17 of T.U.I.R., is attributed to the president of the Board of Directors Gabriele Clementi and to the executive members Barbara Bazzocchi and Andrea Cangioli.

Prof. Leonardo Masotti, President of the Scientific Committee, received a fixed remuneration of 6.800 Euros, besides an incentive bonus of 37.336 Euros. Moreover, as President of the Board of Directors of Deka M.E.L.A. Srl he received a salary of 15.000 Euros and as a member of the Board of Directors of With Us he received 1.500 thousand Yen from that company.

The Parent Company does not have a general director.

Physical persons possessing an equity in El.En. SpA
Besides the members of the Board of Directors, the Board of Statutory Auditors and the President of the Technical-Scientific Committee, partner Carlo Raffini whom the Parent Company El.En. for a specific professional task for the entire year, received a salary of 32.000 Euros; moreover, for a similar task carried out for the subsidiaries Deka M.E.L.A. Srl and Cutlite Penta Srl he received 20.000 Euros.

Subsidiary companies
Normally the operations and the reciprocal amounts due among the companies of the Group that are included in the area of consolidation are eliminated when drawing up the consolidated financial statements, and consequently they are not described here.

Associated companies
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during 2013 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.

The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			45.800	
Actis Srl		30.000	3.031	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			601.700	
Quanta System Asia Pacific Co.LTD	50.000		11.785	
Chutian (Tianjin) Laser Technology Co. Ltd			28.147	
Total	63.565	30.000	690.463	-

Imprese collegate:	Debiti finanziari < 1 anno	Debiti finanziari > 1 anno	Altri debiti < 1 anno	Altri debiti > 1 anno	Debiti commerciali < 1 anno	Debiti commerciali > 1 anno
Elesta Srl					68	
SBI SA					2.660	
Totale	-	-	-	-	2.728	-

Associated companies:	Sales	Service	Total
Cynosure Inc.	2.661.579		2.661.579
SBI S.A.	23.800		23.800
Elesta Srl	1.548.012	5.826	1.553.838
Quanta System Asia Pacific Co.LTD	126.712		126.712
Chutian (Tianjin) Laser Technology Co. Ltd	246.007		246.007
Total	4.606.110	5.826	4.611.936

Associated companies:	Other revenues
Cynosure Inc.	7.711
Elesta Srl	1.348
Actis Srl	2.400
Total	11.459

Associated companies:	Purchase of raw materials	Services	Other	Total
Cynosure Inc.	20.063			20.063
Actis Srl		33.000		33.000
SBI S.A.	6.200			6.200
Elesta Srl	8.408			8.408
Immobiliare Delco Srl		149.426		149.426
Total	34.671	182.426	-	217.097

The amounts shown in the above chart refer to operations that are inherent to the characteristic operations of the company.

The table below shows the incidence which transactions with related parties have had on the economic and financial situation of the Group.

Impact of related party transactions	Total	related parties	%
a) Impact of related party transactions on the statement of financial position			
Equity investments	41.568.121	916.988	2,21%
Other non current assets	30.000	30.000	100,00%
Accounts receivables	42.545.148	690.463	1,62%
Other receivables	6.323.950	63.565	1,01%
Non current financial liabilities	6.968.331		0,00%
Current financial liabilities	15.762.815		0,00%
Accounts payables	31.227.245	2.728	0,01%
Other payables	18.745.374		0,00%
b) Impact of related party transactions on the income statement			
Revenues	157.380.202	4.611.936	2,93%
Other revenues and income	1.988.893	11.459	0,58%
Purchases of raw materials	76.678.720	34.671	0,05%
Other direct services	12.510.586		0,00%
Other operating services and charges	25.660.720	182.426	0,71%
Financial charges	2.286.615		0,00%
Financial income	1.106.299	240	0,02%
Income taxes	4.275.100		0,00%

Risk factors and Procedures for the management of financial risks (note 37))

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Group, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the companies of the Group.

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, financial instruments and hedging derivatives contracts.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Group is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
The Group is exposed to the risk of fluctuations in the exchange rates of the currencies used for some of their financial and sales transactions. These risks are monitored by the management which takes all the necessary measures to limit the risks. Since the parent company draws up its financial reports in Euros, the fluctuations in the exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency can negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity expressed in Euros in the consolidated statements of the Group.

This year With Us Co. Ltd stipulated a "currency rate swap" agreement in order to cover in part the exchange rate risks for purchases in Euro.

Operation	*Notional value*	*Fair value*	
		Positive	*Negative*
Currency swap	€ 2.750.000		-105
Total	€ 2.750.000		-105

Credit risks

As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation fund which is accrued at the end of the year represent about 16% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the relative note of the consolidated financial statement.

In relation to guarantees granted to others, it should be noted that the Parent Company El.En., along with a minority partner, in 2009 underwrote a bank guarantee for a maximum of 1 million Euros to guarantee the debt of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing of 900 thousand Euros, the installments for which expire up to 84 months after the date of issuance, which took place in the second half of 2009. Moreover, after the acquisition of the entire equity from the minority shareholder on October 8th 2012, El..En. was committed to relieve this partner of any type of economic demand made by the Banca Popolare di Milano.

During 2011 the Company also underwrote the following guarantees:

- a bank guarantee jointly with the companies which are participating in the ATS constituted for this purpose, for a maximum of 3.074 thousand Euros as a guarantee for the pay back of the amount guarantee as down payment on the research project "MILORD", which has been included in the grant issued by *Bando Regionale* 2010 approved by the Region of Tuscany with Directive Decree n. 670 of February 25th 2011, which expires in September 2014.

And this year:

- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duty in compliance with ex art. 34 of the T.U.L.D., owed for temporary imports, which expire in June of 2014 and can be extended annually.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum of 1.178 thousand Euros as a guarantee for the payment of the sum required as a reimbursement for the tax on the value added related to the fiscal period 2010, which expires in March 2015.

Cash and interest rate risks

As far as exposure of the Group to cash and interest rate risks is concerned, it should be recalled that the amount of cash held by the Group remained substantial during this year and was sufficient to pay off all debts and with a very positive net financial position at the end of the year. For this reason we believe that this type of risks is adequately covered. In any case, during the year the Parent Company El.En. and Quanta System underwrote IRS contracts with major credit institutions for the coverage of the interest rates on current financing.

The coverage was made with the neutralization of the potential losses on the instrument (the financing) with the profits registered on another element (the derivative).

IAS 39 covers some types of *Hedge Accounting*, one of which, the *Cash Flow Hedge* corresponds to this type of hedge. The *Cash Flow Hedge* has as its objective that of covering exposure to variations in future cash flow which can be attributed risks associated with certain items in the financial statement. In this case, the variations in *fair value* of the derivative are referred to the shareholders' equity for the effective amount of the coverage and they are reported in the income statement only when, with reference to the item covered, the variation in cash flow to be compensated appears. If the coverage turns out not to be effective the variation in fair value of the coverage contract must be entered in the income statement.

Operation	*Notional value*	*Fair value*	
		Positive	*Negative*
IRS	€ 833.333		(6.262)
IRS	€ 52.632		(465)
Total	€ 885.965		(6.727)

In order to evaluate the potential impact derived from the variation in the interest rates being used, it should be pointed out that, since the financing involved is not for exceptionally large amounts, any variations in the rate would not have a significant impact on the shareholders' equity.

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

Financial Instruments (note 38)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value	**Book value**	**Fair value**	**Fair value**
	31/12/2013	**31/12/2012**	**31/12/2013**	**31/12/2012**
Equity investment available for sale				
Equity investment in Cynsoure Inc.	40.539.083		40.539.083	
Financial assets				
Financial mid and long term receivables	30.000		30.000	
Financial receivables within 12 months	1.446.214	83.565	1.446.214	83.565
Short term Financial instruments	299.995	1.013	299.995	1.013
Cash and cash equivalents	42.868.084	40.475.322	42.868.084	40.475.322
Financial liabilities				
Financial mid and long term debts	6.968.331	10.280.914	6.968.331	10.280.914
Financial liabilities due within 12 months	15.762.815	12.421.004	15.762.815	12.421.004

Fair value hierarchy

The Group uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

In the consolidated financial statement these concepts are applicable only to the evaluation of the equity in Cynosure, whose fair value can be classified as Level 1, since it refers to an official quotation of the US Nasdaq market and other quoted securities for about 300 thousand Euros held by the subsidiary Deka Sarl.

As of December 31st 2013 the Group possesses the following securities evaluated at fair value.

	Level 1	Level 2	Level 3	Total
Equity securities	299.995		-	299.995
Equity investment in Cynsoure Inc. AFS	40.539.083			40.539.083
Total	**40.839.078**		**0**	**40.839.078**

Other information (note 39)

Information supplied in compliance with art. 149-duodecies of the *Regolamento Emittenti Consob*

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2013 related to auditing services and for those other than the ones conducted by Deloitte & Touche S.p.A for the Parent Company and for some of the Italian and foreign subsidiaries.

	Company providing the service	Receiver	note	2013 fees (Euros)
Audit	Deloitte & Touche SpA	Parent Company		50.063
	Deloitte & Touche SpA	Italian subsidiaries		47.564
	Deloitte & Touche SpA	Foreign subsidiaries		18.000
	Deloitte network	Foreign subsidiaries		53.744
Other services	Deloitte network	Foreign subsidiaries	(1)	16.442
	Deloitte network	Parent Company	(2)	20.000
				205.813

(1) Services of agreed upon procedures

(2) Activities supporting the control and up-dating of the system of evaluation and control of risks related to financial information reports

The honorariums shown in the chart related to Italian companies, include the annual adaptation on the basis of the ISTAT index; they are, moreover, net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees

	Average 2013	31/12/2013	Average 2012	31/12/2012	Variation	Var. %
Total	835,5	859	802,50	812	47	5,79%

For the Board of Directors
Managing director– Ing. Andrea Cangioli

Declaration of the consolidated financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. SpA, in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during 2013.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the consolidated financial statement dated December 31st 2013:

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

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

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

3.2 The Management Report contains a reliable analysis of the trends and results of the activities as well as the situation of the quoted company and the group of companies included in the scope of consolidation, together with a description of the principal risks and uncertainties which they are exposed.

Calenzano, March 13th 2014

Managing Director	Executive officer responsible for the preparation of the financial statements
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

El. En. S.p.A.
Headquarters Via Baldanzese 17 Calenzano (FI)
Registry of companies, Florence n. 03137680488

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the consolidated financial statement as of December 31st 2013

To the shareholders of the Parent Company El.En. S.p.A.

In compliance with Legislative Decree 58/1998 and D.Lgs. n. 39/2010, the legal auditing of the consolidated financial statement has been assigned to the auditing company charged with the legal auditing of the financial statement of the Parent Company El.En. S.p.A.

The Board of Statutory Auditors in any case conducted its supervising activity on the financial statement as of December 31st 2013 and on the Management Report for 2013 (related also to the consolidated financials)in compliance with the standards issued by the *Consiglio Nazionale dei Dottori Commercialisti* (National Commission of Certified accountants) and by the *Consiglio Nazionale dei Ragionieri* (now called the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*).

The consolidated statement was submitted for auditing to Deloitte & Touche S.p.A., which expressed an opinion without criticism and declared that it was in conformity with the regulations which govern the criteria for drawing up financial statements, that it was clearly expressed and represented in a true and correct manner the financial and economic situation, the earnings and the cash flow of the El.En. Group.

We examined the financial reports of the companies included in the area of consolidation that had been examined by the respective controlling bodies and by the Independent auditor when the control procedures were implemented during the auditing phase of the consolidated statement.

The Board of Statutory Auditors verified the correspondence of the criteria utilized for determining the area of consolidation and the principles of consolidation now used; these principles are described in the report which supplies full and complete information concerning their application.

The Board of Statutory Auditors considers that the internal procedure adopted by the Parent Company in order to comply with the provisions of art. 36 of the Stock Market Regulations, is adequate.

The consolidated financial statement of the Group was drawn up in conformity with the IFRS international accounting principles. After European regulation n. 1606 of

July 2002 came into effect, starting on January 1st 2005 the El.En. Group, in fact, adopted the International Accounting Principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

The Management Report is consistent with the data and results of the consolidated statement and supplies ample information on the economic and financial position of the Group.

In this report the directors supply ample information concerning the significant events that involved the El.En. Group during 2013.

The Board of Statutory Auditors, within the limits of its area of competency and, on the basis of the results of the verifications conducted by the Independent auditors, believes that the consolidated statement of the Company is drawn up in conformity with the regulations that govern it.

Florence, March 28th 2014.

The Board of Statutory Auditors

Dr. Vincenzo Pilla, president of the Board of Statutory Auditors.

Dr. Paolo Caselli, auditor.

Dott.ssa Rita Pelagotti, auditor

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

1. We have audited the consolidated financial statements of El.En. S.p.A. and subsidiaries (the "El.En. Group"), which comprise the statement of financial position as of December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements and as required by the new IFRS provisions detailed in the paragraph "Accounting principles, amendments and IFRS interpretations applied since January 2013", the Directors have adjusted certain comparative data related to the prior year's with respect to the data previously reported and audited by us, on which we issued auditors' report dated March 27, 2013.

   These modifications to comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of El.En. Group as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of El.En. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of El.En. Group as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence, Italy
March 28, 2014

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

EL.EN. SpA SEPARATE FINANCIAL STATEMENT
AS OF DECEMBER 31st 2013

ACCOUNTING CHARTS AND NOTES

Statement of financial position

	Note		31/12/2013		31/12/2012(a)
Statement of financial position					
Intangible assets	1		55.300		40.437
Tangible assets	2		12.589.712		12.807.466
Equity investments:	3				
- in subsidiaries		16.526.559		13.992.057	
- in associates		611.499		7.731.257	
- other investments		40.610.546		53.463	
Total equity investments			57.748.604		21.776.777
Deferred tax assets	4		3.041.799		2.352.516
Other non current assets	4		33.108		3.108
Total non current assets			**73.468.523**		**36.980.304**
Inventories	5		20.686.507		17.350.233
Accounts receivables:	6				
- from third parties		4.524.720		2.940.546	
- from subsidiaries		22.497.945		25.902.356	
- from associates		358.358		2.559.869	
Total accounts receivables:			27.381.023		31.402.771
Tax receivables	7		1.079.339		1.181.304
Other receivables:	7				
- from third parties		777.165		809.816	
- from subsidiaries		3.333.240		3.513.807	
- from associates		13.565		13.565	
Total other receivables			4.123.970		4.337.188
Financial instruments	8				
Cash and cash equivalents	9		21.808.559		22.928.956
Total current assets			**75.079.398**		**77.200.452**
TOTAL ASSETS			**148.547.921**		**114.180.756**
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves*	12		78.182.701		37.720.865
Treasury stock	13		-528.063		-528.063
Retained earnings / (deficit)	14		-918.092		-918.092
Net income / (loss)			1.998.784		9.804.911
Total equity			**119.837.619**		**87.181.910**
Severance indemnity	15		968.055		1.056.409
Deferred tax liabilities	16		1.127.696		768.807
Other accruals	17		490.444		3.028.470
Financial liabilities:	18				
- to third parties		4.036.667		7.358.333	
Total financial liabilities			4.036.667		7.358.333
Non current liabilities			**6.622.862**		**12.212.019**
Financial liabilities:	19				
- to third parties		6.206.696		3.649.253	
- to subsidiaries				399.615	
Total financial liabilities			6.206.696		4.048.868
Accounts payables:	20				
- to third parties		11.173.200		5.903.192	
- to subsidiaries		1.110.969		1.290.229	
- to associates		2.728		24.745	
Total accounts payables			12.286.897		7.218.166
Income tax payables	21		146.191		33.218
Other payables:	21				
- to third parties		3.390.161		3.103.475	
- to subsidiaries		57.495		381.719	
- to associates				1.381	
Total other payables			3.447.656		3.486.575
Current liabilities			**22.087.440**		**14.786.827**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**148.547.921**		**114.180.756**

(a) It should be noted that, as described in detail in the following paragraph “Accounting standards and evaluation criteria” the retroactive application of the amendments to IAS 19 (“Benefits for employees”) as of December 31st 2012 comported a restatement of the entries “Deferred tax assets”, “Severance indemnity” and “Shareholders’ equity”.

* In compliance with *Delibera Consob* 15519 of July 27th 2006 the significant non-recurring operations for 2013, for an amount of 27.966 thousand Euros entered in the “Other reserves” are described in Note (32).

Income Statement

Income statement	**Note**		**31/12/2013**		**31/12/2012**
Revenues:	22				
- from third parties		9.538.044		8.834.006	
- from subsidiaries		33.801.621		32.748.746	
- from associates		2.957.703		586.288	
Total revenues			46.297.368		42.169.040
Other revenues and income:	23				
- from third parties		452.975		1.459.952	
- from subsidiaries		381.085		371.891	
- from associates		11.459		3.743	
Total other revenues and income			845.519		1.835.586
Total revenues and income			**47.142.887**		**44.004.626**
Purchase of raw materials:	24				
- to third parties		23.016.258		15.436.643	
- to subsidiaries		2.492.200		3.218.491	
- to associates		4.247		2.660	
Total purchase of raw materials			25.512.705		18.657.794
Change in inventory of finished goods and WIP			(1.412.031)		494.086
Change in inventory of raw material			(2.159.883)		1.107.785
Other direct services:	25				
- to third parties		3.737.267		2.905.429	
- to subsidiaries		136.772		186.368	
Total other direct services			3.874.039		3.091.797
Other operating services and charges:	25				
- to third parties		5.264.266		4.707.696	
- to subsidiaries		122.849		108.476	
- to associates		33.000		16.000	
Total other operating services and charges			5.420.115		4.832.172
For staff costs	26		10.540.369		9.949.930
Depreciation, amortization and other accruals	27		3.907.487		3.196.635
EBIT			**1.460.086**		**2.674.427**
Financial charges:	28				
- to third parties		(475.075)		(1.161.525)	
Total financial charges			(475.075)		(1.161.525)
Financial income	28				
- from third parties		964.396		714.937	
- from subsidiaries		67.747		71.290	
- from associates		240			
Total financial income			1.032.383		786.227

Other net expenses	29	(960.597)	(1.727.038)
Other net income*	29	1.676.210	10.038.401
Income (loss) before taxes		**2.733.007**	**10.610.492**
Income taxes	30	734.223	805.581
Net income (loss)		**1.998.784**	**9.804.911**

* In compliance with *Delibera Consob* 15519 of July 27th 2006 the significant non-recurring operations for 2012, for an amount of 10.038 thousand Euros entered in the "Other net income" are described in Note (32).

Statement of comprehensive income

	31/12/2013	31/12/2012(a)
Reported net (loss) income (A)	1.998.784	9.804.911
Other income/(loss) that will not be entered in income statement net of fiscal effects:		
Measurement of defined-benefit plans	52.024	(154.543)
Capital gain on treasury stocks		2.452
Other income/(loss) that will be entered in income statement net of fiscal effects:		
Unrealized gain (loss) on investment AFS	32.989.036	
Unrealized gain (loss) on derivatives and other changes	13.918	(20.180)
Total other income/(loss), net of fiscal effectes (B)	33.054.978	(172.271)
Total comprehensive (loss) income (A)+(B)	35.053.762	9.632.640

(a) It should be noted that, as described in detail in the paragraph titled "Accounting principles and evaluation criteria" in this separate financial statement, on December 31st 2012 the retroactive application of the amendments to IAS 19 (Employee benefits) comported a restatement of the entries titled "Deferred tax assets", "Severance indemnity" and "Shareholders Equity.

Cash flow statement

Cash flow statement	Note	31/12/2013	related parties	31/12/2012 (a)	related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		1.998.784		9.804.911	
Amortizations and depreciations	27	973.622		1.016.552	
Devaluations of equity investments	29	959.867	959.867	796.618	758.452
Stock Options	26	3.318		134.988	
Change of employee severance indemnity	15	-88.354		221.026	
Change of provisions for risks and charges	17	-2.538.026	-2.561.128	788.414	785.821
Change of provisions for deferred income tax assets	4	-1.149.206		-661.503	
Change of provisions for deferred income tax liabilities	16	358.889		157.976	
Stocks	5	-3.336.274		1.880.214	
Receivables	6	4.021.748	3.863.183	191.991	29.328
Tax receivables	7	101.965		543.731	
Other receivables	7	146.479	31.550	-180.163	-36.000
Payables	20	5.068.731	-198.552	-603.300	-146.198
Income Tax payables	21	112.973		33.218	
Other payables	21	-38.919	-324.224	171.153	577
		4.596.813		4.490.915	
Cash flow generated by operating activity		6.595.597		14.295.826	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-735.523		-429.604	
(Increase) decrease in intangible assets	1	-35.208		-31.727	
(Increase) decrease in equity investments and non current assets	3-4	-3.512.735	-3.494.735	-3.859.767	-3.859.267
Increase (decrease) in financial receivables	7	66.739	149.017	180.250	180.250
Cash flow generated by investment activity		-4.216.727		-4.140.848	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	18	-3.321.666		4.978.333	
Increase (decrease) in current financial liabilities	19	2.157.828	-843.533	-202.895	399.615
Change in Treasury Stock	13			2.047.548	
Dividends distributed	31	-2.401.610			
Cash flow from financing activity		-3.565.448		6.822.986	
Change in cumulative conversion adjustment reserve and other no monetary changes		66.181		-172.271	
Increase (decrease) in cash and cash equivalents		-1.120.397		16.805.693	
Cash and cash equivalents at the beginning of the financial period		22.928.956		6.123.263	
Cash and cash equivalents at the end of the financial period		21.808.559		22.928.956	

(a) It should be noted that, as described in detail in the paragraph titled “Accounting principles and evaluation criteria” in this separate financial statement, on December 31st 2012 the retroactive application of the amendments to IAS 19 (Employee benefits) comported a restatement of the entries titled “Deferred tax assets”, “Severance indemnity” and “Shareholders Equity.

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.
Interest earned during this financial period amounts to 474 thousand Euros, of which 68 thousand Euros from subsidiary companies.
Income taxes for this financial year were 1.548 thousand Euros.

Changes in the Shareholders' equity

SHAREHOLDERS' EQUITY:	**Balance 31/12/2011**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2012 (a)**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-2.575.611			2.047.548		-528.063
Others reserves:						
Extraordinary reserves	33.780.537	1.264.103		1		35.044.641
Reserve for contribution on capital account	426.657					426.657
Other reserves	1.752.001			134.987	-174.723	1.712.265
Retained earnings	-920.544				2.452	-918.092
Profits (loss) of the year	1.264.103	-1.264.103			9.804.911	9.804.911
Total Shareholders' equity	75.366.734	0	0	2.182.536	9.632.640	87.181.910

SHAREHOLDERS' EQUITY:	**Balance 31/12/2012 (a)**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2013**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-528.063					-528.063
Others reserves:						
Extraordinary reserves	35.044.641	7.403.301				42.447.942
Reserve for contribution on capital account	426.657					426.657
Other reserves	1.712.265			3.557	33.054.978	34.770.800
Retained earnings	-918.092	2.401.610	-2.401.610			-918.092
Profits (loss) of the year	9.804.911	-9.804.911			1.998.784	1.998.784
Total Shareholders' equity	87.181.910	0	-2.401.610	3.557	35.053.762	119.837.619

(a) The amounts reflect the application of the revised IAS 19.

NOTES TO THE FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The El.En. Financial Statement was examined and approved by the Board of Directors on March 13th 2014.

The amounts shown in this statement are in Euros unless otherwise indicated.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT

The statement for the financial year 2013 which represents the separate statement of El.En. S.p.A. is drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments for which the evaluation has been made on the basis of the principle of *fair value*.

This separate Financial Statement consists of:

- the Statement of financial position,
- the Income statement,
- the statement of comprehensive income
- the Cash flow statements
- the Statement of changes in the Shareholders' equity,
- the Explanatory Notes which follow.

The economic information given refers to the financial years 2012 and 2013. The financial information on the other hand refer to the situations on December 31st 2012 and December 31st 2013.

For information concerning the type of activities in which the company is involved and the significant events which occurred after the closing of the financial year, please refer to the Management Report.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The statement as of December 31st 2013 has been formulated using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, including all of the international standards which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC) besides the revised standards which came into effect this year.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The accounting principles used for drawing up this financial report are in compliance with the accounting standards used for drawing up the financial report on December 31st 2012 with the exception of the new principles and those revised by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations
Committee as described in the consolidated financial statement for the El.En. Group in the specific chapter titled "Accounting standards and evaluation criteria" which should be consulted for further details.

USE OF ESTIMATES

In applying the IFRS, the drawing up of the Separate Financial Statement requires estimates and assumptions to be made which affect the assets and liability figures of the financial statement and relative information and potential assets and liabilities at the date of reference. The definitive results could differ from such estimates. The estimates are used to enter the provisions for risks on receivables, for obsolescence of stocks, amortization and depreciation, devaluation of assets, stock options, employee benefits, taxes and other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income statement.

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.

The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the company to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income statement in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.

Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and depreciated according to the residual possibility of use of the said item**.**

The company uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is depreciated.

The aliquots used for depreciation are shown on the chart below:

Description	*Depreciation percentage*
Buildings	
- buildings	3.00%
Plants and machinery	
- generic plants and machinery	10.00%
- specific plants and machinery	10.00%
- other plants and machinery	15.50%
Industrial and commercial equipment	
- miscellaneous and minute equipment	25.00%
- kitchen equipment	25.00%
Other goods	
- motor vehicles	25.00%
- forklift	20.00%
- lightweight constructions	10.00%
- electronic office equipment	20.00%
- furniture	12.00%

C) FINANCIAL CHARGES

Financial charges are registered in the Income statement at the time in which they are sustained.

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.

The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Income statement wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

According to IAS 27, the equities in subsidiary companies, in entities jointly controlled and in associated companies not classified as for sale (IFRS 5) must be entered into accounts at cost or in conformity with IAS 39. In the separate annual report of El.En. SpA the cost criteria has been used.

Since the necessary conditions exist, a consolidated statement has been drawn up.

F) FINANCIAL INSTRUMENTS

Equities in other companies

The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) are classified at the time of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the Income statement" with the current or non-current assets. Changes in the value of equities that are classified as available for sale are entered into a reserve of the shareholders' equity which will be entered into the Income statement at the time of sale. Changes in the value of the equities classified as assets evaluated at fair value through the Income statement are entered directly into the Income statement. These equities are evaluated at cost according to IAS 39.

Commercial receivables

The receivables are entered at cost (identified using the nominal value) net of any value losses, corresponding to their presumed cashing-in value.

Other financial assets

Financial assets are added and removed from the financial statement according to the date of negotiation and are initially evaluated at cost, inclusive of the charges directly connected with the acquisition. At the subsequent dates of the financial statement, the financial assets to be held until expiry date are shown at cost amortized according to the effective interest rate method, net of any devaluation applied to reflect value losses.

Financial assets other than those held until expiration are classified as held for negotiation or available for sale and are estimated at fair value each financial year with attribution respectively in the Income statement under the heading "Financial Revenue (Charges)" or in a special reserve of the Shareholders' equity, in the latter case until such time as they are cashed-in or until they have suffered a loss in value.

Cash and cash equivalents

This heading includes cash reserves and bank accounts and other short-term financial investments with a high level of availability which can be easily converted into cash at a negligible risk of varying in value.

Treasury stock

Treasury stock is entered against shareholders' equity. No profit/loss is shown in the Income statement for the purchase, sale, issue or cancellation of treasury stock.

Commercial payables

Commercial payables, the due date of which falls within the normal commercial terms, are not actualized and are entered at cost (identified as their nominal value).

Financial liabilities

Financial liabilities are initially entered at fair value net of the transaction costs directly attributable to them. Subsequently, financial liabilities are estimated with the criteria of amortized cost, using the effective original interest rate method.

Derivatives and measurement of hedging operations

Fair value hedge: if a derivative financial instrument is designated as a hedge against fluctuations in the fair value of an asset or a liability that is entered in the statements, attributed to a particular risk which can affect the income statement, the profit or loss derived from the later evaluations of the current value of the hedging instrument are shown in the income statement. The profit or loss on the amount that is hedged that can be attributed to the risk that is hedged, modify the book value of that amount and are shown in the income statement.

Cash flow hedge: if an instrument is designated as a cash flow hedge against the variations in the cash flow of an asset or a liability entered into accounts or a planned operation that is highly likely to take place and which could have an effect on the income statement, the effective portion of the profits or losses is shown in the shareholders' equity. The profit or loss accumulated are subtracted from the shareholders' equity and entered into the income statement at the same time that the operation being hedged is recorded. The profit and loss associated with a hedge or with that part of the hedge that has become ineffective are immediately entered into the income statement. If a hedging instrument or a hedging relation are closed but the operation that is being hedged has not yet been concluded, the profits and losses accumulated and up to that time entered in the shareholders' equity, are registered in the income statement as soon as the operation is concluded. If the operation being hedged is no longer considered likely to take place, the profits and losses which have not yet been realized and are suspended in the shareholders' equity, are entered immediately in the income statement.

G) INVENTORY

Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labor and the indirect costs of production (variable and fixed). Devaluation provisions are also set aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.
Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) RETIREMENT FUNDS AND EMPLOYEE BENEFITS

SEVERANCE INDEMNITY

Up until December 31st 2006 the severance indemnity fund was considered a defined benefit plan. The regulating of this fund was changed by law no. 296 of December 27th 2006 ("Legge Finanziaria 2007) and later decrees and regulations issued during the first months of 2007. On the basis of these modifications, and with particular reference to companies with at least 50 employees, this institution is now considered a defined benefit plan exclusively for the amounts which matured before January 1st 2007 (and not yet liquidated in the financial statement) whereas for the quotas which mature after that date, it is considered a defined contribution plan.
For defined benefit plans, the amount already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently recalculated, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.

By means of the actuarial estimate, the *current service cost* which defines the amount of rights matured during the financial year by employees is entered under the "staff costs" heading of the Income Statement and the interest cost, which constitutes the figurative charge which the company would have to pay if it took out a loan equal to the severance indemnity on the market, is entered among the "Financial income (charges)".

The actuarial gain and losses accumulated up until last year which reflect the effects of changes in the actuarial hypotheses used, were entered pro-quota in the Income Statement for the rest of the average working life of the employees when their net value not entered at the end of the preceding year exceeded the value of the liability by 10% (so-called corridor method).

In compliance with the transition rules stipulated by IAS 19 in paragraph 173, the Group applied the amendment to IAS 19 starting on January 1st 2013 retroactively, re-determining the amounts of the financial position shown on January 1st 2012 and December 31st 2012, as though the amendment had always been applied, as described in the paragraph "Effects related to the application of the modifications of IAS 19".

For defined contribution plans the company pays its contribution to a public or private pension fund on an obligatory, contractual or voluntary basis. Once the contributions have been paid, the company has no further obligations. The contributions they have paid are entered into the Income Statement when owed.

STOCK OPTION PLANS

The costs of staff labor remunerated by means of a *stock option plan* are determined on the basis of the fair value of the options granted to the employees at the date of assignment.

The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.

The cost is shown in the Income Statement during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.

In compliance with the IFRS 1, the said standard has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

The Company has shown the provisions for future contingencies wherever, in the face of a legal or implicit obligation to third parties, it is probable that the Company will have to use its resources to honor such an obligation and when a reliable estimate of the amount of the obligation itself can be made. Variations in such estimates are reflected in the Income statement for the financial year in which the variation takes place.

L) REVENUE RECOGNITION

The revenue from the sale of goods is recorded when the significant risks and benefits of the ownership of the goods are transferred to the purchaser, which is normally the time when they are delivered or shipped.

Financial revenue and charges are entered on the basis of interest matured on the net value of the relative financial asset or liability using the actual interest rate.

M) ENTRIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency, with the exception of real estate, are entered at the exchange rate in effect on the day that the financial period was closed and the relative profits and losses are entered into the Income statement.

N) GRANTS

Contributions, from both public and third party private bodies are entered when there is reasonable certainty of receiving them and of satisfying the conditions for obtaining them. Contributions received for specific expenses are shown among the other liabilities and credited to the Income statement at the moment in which the conditions for entering them are satisfied. Contributions received for specific assets, the value of which is entered among the tangible or intangible assets, are shown either as direct reduction of the assets themselves or among the other liabilities and are credited to the Income statement in relation to the period of depreciation of the assets they refer to.

Grants in operating account are shown entirely in the Income statement at the moment in which the conditions for entering them are satisfied.

O) TAXES

Current income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period. The fiscal debts for these taxes are entered among the tax debts net of any down payments.

Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference. Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words, when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating the deferred tax assets is re-examined at the closing of each financial year

Effects related to the application of the modifications of IAS 19

Incompliance with the transition rules indicated i n IAS 19 paragraph 173, the company applied the amendment to IAS 19 staring on January 1st 2013 retroactively, re-determining the amounts of the financial position on January 1st 2012 and December 31st 2012 as though the amendment had always been applied.

The introduction of the different methods for booking the profits and losses of the company which previously had used the corridor method comported the entry of a larger liability on December 31st 2012 for the amount of 122 thousand Euros and a negative impact on the shareholders' equity of the company for that date, net of fiscal effects, for the amount of 89 thousand Euros. The comparative data in the Statement of Financial Position shown on December 31st 2012 have consequently been rectified.

The following charts show a summary of the variations with respect to the amounts originally published in the Separate Financial Statement on December 31st 2012 and the variations on the financial situation on January 1st 2012 after the new version of IAS 19:

	31/12/12 published	Effects of the application of the IAS 19 revised	31/12/12 revised
Deferred tax assets	2.318.885	33.631	2.352.516
Retirement funds	934.114	122.295	1.056.409
Share Capital and Reserves	87.270.574	(88.664)	87.181.910
Comprehensive (loss) income	9.787.183	(154.544)	9.632.639

	01/01/2012	Effects of the application of the IAS 19 revised	01/01/12 revised
Deferred tax assets	1.716.002	(24.989)	1.691.013
Retirement funds	926.251	(90.868)	835.383
Share Capital and Reserves	75.300.855	65.879	75.366.734
Comprehensive (loss) income	1.264.103	65.879	1.329.982

STOCK OPTION PLANS

The chart below shows information related to the stock options voted during the year 2008 by the Parent Company El.En. S.p.A. for the employees of the company and the Group.

	Max. expiration date	Outstanding options 01.01.2013	Options issued 01.01.13-31.12.2013	Options cancelled 01.01.13-31.12.2013	Options exercised 01.01.13-31.12.2013	Expired option not exercised 01.01.13-31.12.2013	Outstanding options 31.12.2013	Exercisable options 31.12.2013	Exercise price
Plan 2008/2013	May, 15 2013	152.000	0	0	0	152.000	0	0	€ 24,75

This plan expired definitively on May 15th 2013 without any of the options being picked up.

With regard to the characteristics of the individual stock option plans as well as the increases of capital decided on to implement it, please refer to the description contained in note (10) of this report.

During 2013 the average price of the El. En. stock was about 15,9 Euros.

Information on the Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

Breakdown of changes occurring in intangible fixed assets during the period is shown on the chart below:

Categories	Balance 31/12/12	Variation	(Devaluation)	Other Operations	(Amortizations)	Balance 31/12/13
Concessions, licences, trade marks and similar rights	12.336	35.209			-17.795	29.750
Other	3.101			-1	-2.550	550
Intangible assets in progress and payments on account	25.000					25.000
Total	**40.437**	**35.209**		**-1**	**-20.345**	**55.300**

Under the category of "concessions, licenses, trade marks and similar rights" we have entered the costs sustained for the acquisition of software licenses.

Tangible fixed assets (note 2)

Breakdown of changes occurring in the tangible fixed assets during the period is shown on the chart below:

Cost	Balance 31/12/12	Increments	Devaluations	Other operations	(Disposals)	Balance 31/12/13
Lands	1.881.777					1.881.777
Buildings	10.609.658	46.834				10.656.492
Plants and machinery	2.089.370	68.957				2.158.327
Industrial and commercial equipment	4.222.069	316.915			-97.211	4.441.773
Other goods	1.766.582	99.036			-94.790	1.770.828
Tangible assets under construction		215.170				215.170
Total	**20.569.456**	**746.912**			**-192.001**	**21.124.367**

Depreciation provisions	Balance 31/12/12	Depreciation	Devaluations	Other operations	(Disposals)	Balance 31/12/13
Lands						
Buildings	1.836.038	318.993				2.155.031
Plants and machinery	1.039.409	185.989				1.225.398
Industrial and commercial equipment	3.599.429	290.044			-85.823	3.803.650
Other goods	1.287.114	158.251			-94.789	1.350.576
Tangible assets under construction						
Total	**7.761.990**	**953.277**			**-180.612**	**8.534.655**

Net value	Balance 31/12/12	Increments	Other operations	(Depreciations and devaluations)	(Disposals)	Balance 31/12/13
Lands	1.881.777					1.881.777
Buildings	8.773.620	46.834		-318.993		8.501.461
Plants and machinery	1.049.961	68.957		-185.989		932.929
Industrial and commercial equipment	622.640	316.915		-290.044	-11.388	638.123
Other goods	479.468	99.036		-158.251	-1	420.252
Tangible assets under construction		215.170				215.170
Total	**12.807.466**	**746.912**		**-953.277**	**-11.389**	**12.589.712**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands on December 31st 2013 was 1.882 thousand Euros.

The heading of "Buildings" includes the building complex in Via Baldanzese in Calenzano (Florence), where the company operates along with the subsidiaries Deka M.E.L.A., Cutlite Penta, Esthelogue and Pharmonia, the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008, the building in the city of Torre Annunziata purchased in 2006 for the research, development and production activities of the subsidiary Lasit SpA.

The increase under the heading of "industrial and commercial equipment" is due mainly to the capitalization of lasers made by the company, while the increases under the heading of "Other goods" is related in particular to the purchase of new motor vehicles.

The amounts shown in the column "disposals" of the category of "industrial and commercial equipment" and "Other goods" refers to sales of assets or disposal of goods that were considered obsolete.

The increases shown in the category "Tangible assets under construction" refers to the initial costs sustained for the purchase of a new building.

Equity investments (note 3)

Equities in subsidiary companies

Company name:	Headquarters	% owned	Value of charge	Equity 31/12/2013	Result 31/12/2013	Share of equity	Difference
Deka M.E.L.A. Srl	Calenzano (FI) - Italy	85,00%	1.431.587	9.672.881	1.165.857	8.221.949	6.790.362
Cutlite Penta Srl	Calenzano (FI) - Italy	96,65%	2.478.706	2.864.771	1.233.810	2.768.801	290.095
Esthelogue Srl	Calenzano (FI) - Italy	50,00%	175.000	121.283	-337.413	60.642	-114.359
Quanta System Spa	Solbiate Olona (VA) - Italy	100,00%	7.909.021	5.011.319	2.020.828	5.011.319	-2.897.702
Lasit SpA	Vico Equense (NA) - Italy	70,00%	1.043.614	2.037.652	390.156	1.426.356	382.742
Deka Sarl	Lyons - France	100,00%	131.280	131.280	-642.037	131.280	-
Deka Lasertechnologie GmbH	Munich - Germany	100,00%		-2.015.799	-339.037	-2.015.799	-2.015.799
Asclepion Laser Technologies GmbH	Jena - Germany	50,00%	1.025.879	5.722.156	280.594	2.861.078	1.835.199
BRCT Inc	New York - USA	100,00%		579.307	-602.542	579.307	579.307
Deka Laser Technologies Inc	Carlsbad - USA	12,74%		-1.586.591	-76.721	-202.132	-202.132
Cutlite do Brasil Ltda	Blumenau - Brazil	68,56%	2.288.886	2.119.167	-212.345	1.452.901	-835.985
Deka Japan Co. Ltd	Tokyo - Japan	55,00%	42.586	782.558	161.171	430.407	387.821
Total			16.526.559	25.439.984	3.042.321	20.726.109	4.199.550

In May of 2013 they completed operations for the increase in the capital stock of Cutlite do Brasil which involved the issuing of 730.960 new shares of which 249.288 were underwritten by new partners and 481.672 by El.En. S.p.A. Consequently the percentage of ownership of El.En. S.p.A. in Cutlite do Brasil decreased from 88% to 68,56%.
Because of the underwriting of the new shares mentioned above, the equity in the above mentioned company increased in value for an amount of 2.549 thousand Euros which was then reduced by the reversing of the "Reserve for losses by associated companies" of 159 thousand Euros and devaluated as a consequence of the losses incurred in 2013 for 101 thousand Euros.
From the analysis of the expected profits from Cutlite do Brasil, which was made using the DCF method, no indications of further losses in value emerged and therefore we did not proceed with the alignment of the amount entered in the statement with the corresponding fraction of the shareholders' equity. The use value was determined by the Discounted Cash Flow (DCF) method, actualizing the cash flow contained in the economic-financial plan for the years 2014-2016. In order to determine the use value of the CGU we considered the financial flow actualized for the three years of explicit forecast added to a terminal value which was equal to the present value of the perpetual revenue of the flow generated during the last year of explicit forecast.

The main assumption of the economic-financial plan used to run the impairment test is relative to the growth rate of the sales volume for the timer range covered by the plan. The rates used to make the forecasts that were used as part of the impairment test are consistent with the final data during 2013.
The actualization rate applied to the future cash flow (WACC) is 15,37%; for the cash flow related to the years following the explicit forecast, we use the hypothesis of a long range growth rate “g” of 1,5%.

Also in the month of May 2013, El.En. S.p.A. increased its quota of the equity in Cutlite Penta Srl by acquiring 2,90% from a minority partner for the amount of about 121 thousand Euros, so that it now owns 96,65%.

For the subsidiary Quanta System SpA the difference between the amount entered in the financial statement and the corresponding fraction of the shareholders’ equity is mainly due to the goodwill paid at the time of the acquisition. The amount of this goodwill is, among other things, justified by an analysis of the expected profitability of the company made using the DCF method and also by the capital gains implicit in the equity held in the subsidiary Asclepion.

With reference to the subsidiary Esthelogue S.r.l., in the month of December 2013, El.En. S.p.A. ,like the other partner, informed the company of its intention to change the reason for the amount owed by the company, limited to the amount of 175 thousand Euros each, to a payment in capital account to be entered in the shareholders’ equity under the heading of “other reserves”. As of December 31st 2013,the value of the equity which was increased by this operation was devaluated for the amount of 187 thousand Euros, thus reducing to zero the previous investment. From the analysis of the expected profitability of Esthelogue S.r.l., which was made using the DCF method, no indications of further losses emerged and consequently, it was not deemed necessary to proceed with the alignment of the amount entered in the financial statement with the corresponding fraction of the shareholders’ equity. The use value was determined using the Discounted Cash Flow (DCF) method, by actualizing the cash flows contained in the economic-financial plan approved by the BoD of Esthelogue S.r.l., over the time span of 2014-2016. For the purpose of determining the use value of the CGU we considered the financial flows actualized for three years of explicit forecast added to a terminal value, assumed equal to the present value of the perpetual revenue of the flows generated last year that were the subject of explicit forecasts.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2013 and with the outlook for the particular market in which they operate.

The actualization rate applied to the expected cash flows (WACC) is 10,33%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.

For further information on the impairment tests that were run, please refer to the Notes in the Consolidated Financial Statement.

On December 31st 2013 for Deka Laser Technologies Inc we accrued in the special reserve the losses of the company for this year.

On December 30th 2013 the subsidiary Deka Sarl, which is owned 100% by El.En. S.p.A. increased their capital stock by 1,5 milion Euros in order to cover their losses; El.En. S.p.A. underwrote the increase by converting part of the trade receivables it was owed by Deka Sarl. At that time the equity was devaluated by 726 thousand with the reversal of the “Reserve for losses by subsidiary companies” which had been created in the preceding years, and by 642 thousand Euros as a result of the losses incurred during 2013.

Equities in associated companies

Company Name:	Headquarters	% owned	Value of charge	Equity 31/12/2010	Result 31/12/2010	Share of equity	Difference
Actis Active Sensor Srl (*)	Calenzano (I)	12,00%	1.240	97.568	-9.353	11.708	10.468
Elesta Srl (ex IALT Scrl)	Calenzano (I)	50,00%	112.965	619.609	381.619	309.805	196.840
Immobiliare Del.Co. Srl	Solbiate Olona (I)	30,00%	274.200	49.524	-9.744	14.857	-259.343
S.B.I. SA	Herzele (B)	50,00%	223.094	446.187	-59.270	223.094	-
Total			611.499	1.212.888	303.252	559.463	-52.035

(*)Data as of December 31st 2012

The data related to the associated company "Immobiliare Del.Co. S.r.l.", which owns a building rented to Quanta System S.p.A., show a difference between the purchase price and the corresponding quota of the shareholders' equity due to the greater value of the lands and buildings they own as emerged during the voluntary revaluation of the real state that was made by the company in conformity with D.L. 185/08.

The equity of the associated company SBI on December 31st 2013 was directly devaluated for the amount of about 30 thousand Euros, for the purpose of adapting the value of the equity to the corresponding fraction of the shareholders' equity.

The chart below shows a summary of the data related to the associated companies:

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors S.r.l. (*)	175.324	77.756	-9.353	41.141	50.494
Elesta S.r.l. (ex IALT Scrl)	2.474.481	1.854.872	381.619	3.077.360	2.695.741
Immobiliare Del.Co. S.r.l.	991.488	941.964	-9.744	149.501	159.245
S.B.I. SA	511.072	64.885	-59.270	272.412	331.682

(*)Data as of December 31st 2012

Equities in other companies

In the month of May 2013 El.En. S.p.A. underwrote for the founding of the company a quota of 17% of Imaginalis srl for an amount of 17 thousand Euros; an additional quota of 14% was underwritten by Actis srl, a company that is owned 12% by the Parent Company.
At the end of the third quarter of 2013 the management of El.En. began to perceive a slackening in the relations with the governance of the American associated company Cynosure Inc., both after the acquisition by this latter of Palomar Inc. And, above all, after the El.En. representative left the Board of Directors. In consideration of this situation, the Board of Directors of El.En. S.p.A. decided that the connection between the two companies no longer existed.

Composition of equity investments

Company name:	31/12/12 Cost	31/12/12 Reval. (Deval.)	31/12/12 Balance 31/12/12	Changes	Revaluations (devaluations)	Other movements	31/12/13 Balance 31/12/13	31/12/13 Reval. (Deval.)	31/12/13 Cost
Subsidiary companies:::									
Deka M.E.L.A. Srl	1.431.564		1.431.564			23	1.431.587		1.431.587
Cutlite Penta Srl	2.667.163	-309.746	2.357.417	121.230		59	2.478.706	-309.746	2.788.452
Esthelogue Srl	1.574.583	-1.387.603	186.980	175.000	-186.980		175.000	-1.574.583	1.749.583
Deka Sarl	1.341.681	-1.341.681		1.500.000	-642.039	-726.681	131.280	-2.710.401	2.841.681
Deka Lasertechnologie GmbH	1.038.456	-1.038.456						-1.038.456	1.038.456
Lasit SpA	1.043.614		1.043.614				1.043.614		1.043.614
Quanta System SpA	7.904.017		7.904.017	4.840		164	7.909.021		7.909.021
Deka Laser technologies INC	27.485	-27.485						-27.485	27.485
BRCT	652.591	-652.591						-652.591	652.591
Asclepion Laser T. GmbH	1.025.879		1.025.879				1.025.879		1.025.879
Cutlite do Brasil Ltda	835.852	-835.852		2.549.067	-101.214	-158.967	2.288.886	-1.096.033	3.384.919
Deka Japan Ltd	42.586		42.586				42.586		42.586
Total	19.585.471	-5.593.414	13.992.057	4.350.137	-930.233	-885.402	16.526.559	-7.409.295	23.935.854
Associated companies:									
Cynosure	7.090.124		7.090.124			-7.090.124			
Actis Srl	1.240		1.240				1.240		1.240
Elesta Srl (ex IALT scrl)	741.712	-628.747	112.965				112.965	-628.747	741.712
Immobiliare Del.Co.	274.200		274.200				274.200		274.200
Sbi International	600.000	-347.272	252.728		-29.634		223.094	-376.906	600.000
Total	8.707.276	-976.019	7.731.257		-29.634	-7.090.124	611.499	-1.005.653	1.617.152
Other companies									
Cynosure					33.448.959	7.090.124	40.539.083	33.448.959	7.090.124
Concept Laser Solutions GmbH	19.000		19.000				19.000		19.000
Alfa Laser Srl	18.950	-18.950							
Consorzio Energie Firenze				1.000			1.000		1.000
CALEF	3.402		3.402				3.402		3.402
R&S	516		516				516		516
RTM	364.686	-335.641	29.045				29.045	-335.641	364.686
Kymera Srl	1.500		1.500				1.500		1.500
Imaginalis Srl				17.000			17.000		17.000
Total	408.054	-354.591	53.463	18.000	33.448.959	7.090.124	40.610.546	33.113.318	7.497.228
Total	28.700.801	-6.924.024	21.776.777	4.368.137	32.489.092	-885.402	57.748.604	24.698.370	33.050.234

Financial charges during this year on amounts entered among the assets

No financial charges were entered for the items listed among the assets.

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

Other non current assets	**31/12/2013**	**31/12/2012 (a)**	**Variation**	**Var. %**
Financial receivables vs associated	30.000		30.000	
Deferred tax assets	3.041.799	2.352.516	689.283	29,30%
Other non current assets	3.108	3.108	0	0,00%
Total	3.074.907	2.355.624	719.283	30,53%

(a) The amounts reflect the application of the revised IAS 19.

The financial receivables from associated companies amounting to 30 thousand Euros are related to financing granted to Actis Srl.

For an analysis of the entry "Deferred tax assets", refer to the chapter on "deferred tax assets and liabilities" .

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	**31/12/13**	**31/12/12**	**Variation**	**Var. %**
Raw materials and consumables	10.780.942	8.621.059	2.159.883	25,05%
Work in progress and semi finished products	6.076.375	5.238.212	838.163	16,00%
Finished products and goods for sale	3.829.190	3.490.962	338.228	9,69%
Total	20.686.507	17.350.233	3.336.274	19,23%

The comparison of the inventory with that of last year shows an increase of about 19%, which was due to the increase in the sales volume in particular at the end of the year. This increase involved, above all, raw materials that were acquired because of the higher production level.

It should be noted that the amounts shown above are net of the devaluation fund, as shown in the chart below.

Inventory:	**31/12/2013**	**31/12/2012**	**Variation**	**Var. %**
Gross amount	24.328.060	21.182.252	3.145.808	14,85%
minus: devaluation provision	-3.641.553	-3.832.019	190.466	-4,97%
Total	20.686.507	17.350.233	3.336.274	19,23%

The incidence of the obsolescence fund on the gross value of the inventory on December 31st 2013 was about 15% and showed a decrease with respect to the incidence of 18,1% registered on December 31st 2012. The fund is calculated in order to align the Inventory value with that with which the inventory could presumably be sold by recognizing obsolescence or slow turnover.

Trade receivables (note 6)

Receivables are composed as follow:

Debtors:	**31/12/13**	**31/12/12**	**Variation**	**Var. %**
Trade debtors	4.524.720	2.940.546	1.584.174	53,87%
Subsidiary debtors	22.497.945	25.902.356	-3.404.411	-13,14%
Associated debtors	358.358	2.559.869	-2.201.511	-86,00%
Total	27.381.023	31.402.771	-4.021.748	-12,81%

Trade debtors:	**31/12/2013**	**31/12/2012**	**Variazione**	**Variazione %**
Italy	2.415.324	2.765.583	-350.259	-12,66%
European Community	1.837.151	1.208.187	628.964	52,06%
Outside of European Community	2.087.208	780.686	1.306.522	167,36%
minus: devaluation provision for debtors	-1.814.963	-1.813.910	-1.053	0,06%
Total	4.524.720	2.940.546	1.584.174	53,87%

The trade receivables from subsidiary and associated companies are inherent to the characteristic operations.

The decrease in the amount of receivables from subsidiary companies is derived, among other things, from the accrual of about 2 million Euros made on amounts owed by Deka GmbH.

The chart below shows the changes in the provisions for bad debts which occurred during this year.

Provision for bad debts	**2013**	**2012**
At the beginning of the period	**1.813.910**	**1.748.744**
Amounts accrued	237.901	180.083
Amounts utilized	-236.848	-114.917
At the end of the period	**1.814.963**	**1.813.910**

The chart below shows the trade receivables from third parties for 2013 divided according to the type of currency.

Account receivables in:	**31/12/2013**	**31/12/2012**
Euro	2.782.870	2.619.890
USD	1.741.850	320.656
Total	4.524.720	2.940.546

The amount in Euros shown in the chart of the receivables originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2013 and December 31st 2012.

The chart below shows the analysis of the trade receivables from third parties and from subsidiary companies for 2013 and 2012:

Account receivables vs. third parties:	**31/12/2013**	**31/12/2012**
To expire	1.862.969	1.375.515
Expired:		
30 days	904.040	355.690
60 days	572.490	221.301
90 days	274.955	54.028
180 days	141.518	242.689
over 180 days	768.748	691.323
Total	4.524.720	2.940.546

Account receivables from subsidiaries:	**31/12/2013**	**31/12/2012**
To expire	6.938.145	5.354.628
Expired:		
30 days	1.298.305	1.236.402
60 days	334.671	281.891
90 days	669.615	378.335
180 days	2.521.986	1.516.911
over 180 days	10.735.223	17.134.189
Total	22.497.945	25.902.356

For a detailed analysis of the trade receivables from subsidiary and associate companies, refer to the chapter in the information sheet on related parties.

Tax receivables/Other receivables (note 7)

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

	31/12/2013	31/12/2012	Variation	Variation %
Tax debtors				
VAT credits	759.784	822.265	-62.481	-7,60%
Income tax credits	319.555	359.039	-39.484	-11,00%
Total tax debtors	1.079.339	1.181.304	-101.965	-8,63%

Financial receivables				
Financial receivables from third parts	102.278	20.000	82.278	411,39%
Financial receivables from subsidiary companies	3.313.790	3.462.807	-149.017	-4,30%
Financial receivables from associated companies	13.565	13.565	-	0,00%
Total	3.429.633	3.496.372	-66.739	-1,91%
Other receivables				
Security deposits	9.276	26.721	-17.445	-65,29%
Down payments	183.549	155.227	28.322	18,25%
Other credits	482.062	607.868	-125.806	-20,70%
Other credits from subsidiary companies	19.450	51.000	-31.550	-61,86%
Total	694.337	840.816	-146.479	-17,42%
Total financial and other receivables	4.123.970	4.337.188	-213.218	-4,92%

The amount entered among the “tax credits” related to Value Added Tax (VAT) is the natural effect of the large amount of exports which characterize the sales volume of the company.

The “income tax credits” mostly refer to the entry of tax credits for the amount of the reimbursement of the excess IRES taxes paid due to the failure to deduct the IRAP related to the expenses for employees and similar in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

The financial receivables are related to short-term financing issued to subsidiary and associated companies in order to provide for normal operational activities. The main financial receivables issued to subsidiary companies are the following:

Companies in the Group	**amount(/1000)**	**currency**	**Annual rate**
Asclepion Laser Technologies GmbH	985	Euro	BCE + 1%
Cutlite Penta S.r.l.	500	Euro	BCE + 1%
Esthelogue S.r.l.	695	Euro	BCE + 1%
Deka Laser Technologies INC.	314	USD	2,50%
BRCT Inc.	260	USD	2,50%
Lasit S.p.A.	119	Euro	BCE + 1%
Deka Medical Inc.	200	USD	2,50%
Pharmonia S.r.l.	405	Euro	BCE + 1%

For further details on the financial receivables from subsidiaries and associated companies, please see the next chapter, regarding “related parties”.

Securities (note 8)

The company does not hold any securities.

Cash and cash equivalents (note 9)

Cash and cash equivalents is composed as follows:

Cash and cash Equivalents:	31/12/2013	31/12/2012	Variation	Var. %
bank and postal current accounts	21.796.253	22.923.517	-1.127.264	-4,92%
cash in hand	12.306	5.439	6.867	126,25%
Total	21.808.559	22.928.956	-1.120.397	-4,89%

For an analysis of the variations in cash and cash equivalents, please refer to the cash flow statements.

Net financial position as of December 31st 2013

The net financial position as of December 31st 2013 is composed as follows (in thousands of Euros).

Net financial position		
	31/12/2013	**31/12/2012**
Cash and bank	21.809	22.929
Cash and cash equivalents	**21.809**	**22.929**
Short term financial receivables	**102**	**20**
Bank short term loan	(5.350)	(2.349)
Part of financial long term liabilities due within 12 months	(856)	(1.300)
Other short term financial liabilities	0	(400)
Financial short term liabilities	**(6.207)**	**(4.049)**
Net current financial position	**15.704**	**18.900**
Bank long term loan	(3.187)	(5.533)
Other long term financial liabilities	(850)	(1.825)
Financial long term liabilities	**(4.037)**	**(7.358)**
Net financial position	**11.667**	**11.542**

The net financial position amounted to about 11,6 million Euros. During this year 2,4 million Euros in dividends were paid.

In order to obtain the cash necessary for its operations, the company last year and this year obtained the following types of financing:

a) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for 3,4 million Euros to be paid back in set amounts every six months starting on December 15th 2011 and terminating on June 15th 2016. Of this amount, on 1,7 million Euros the interest rate applied for the first installment was 2,40%; for the remaining 1,7 million the rate applied was 5,70%; for the following periods, the interests will be the same as the Euribor rate at six months, as registered on the second target working day before the expiration date of the preceding interest period, increased by a spread. The spread is 3,90 points on the first 1,7 million Euros reduced to 0,60 on the remaining 1,7 million Euros;

b) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,8 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;

c) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,2 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;

d) financing with SACE warranty granted to El.En. S.p.A. by Banco Popolare s.c.r.l. for a total of 2 million Euros to be repaid in 12 deferred quarterly installments starting on June 30th 2012 and ending on March 31st 2015. The interest rate applied is equal to Euribor at three months registered on the second working day before the end of each solar quarter, increased by 2,50 points;

e) short term financing granted by the Cassa di Risparmio di Firenze for a total of 3 million Euros until January 13th 2014. The interest rate applied on December 31st was 1,15%. The financing was later renewed up to March 14th 2013 at the interest rate of 1,08%.

For these financings the mid- to long-term quotas are shown among the non-current bank debts while the short-term quotas are shown among the current bank debts.

Financial receivables from subsidiaries and associated companies for an amount of 3.327 thousand Euros, have been excluded from the net financial position since they are connected to the policy of financial support of the companies of the Group (for further information, consult the information of related parties). In continuation of past policy, it was deemed opportune to exclude this financing from the net financial position shown above.

Information on the Statement of financial position - Liabilities

Share Capital and Reserves

The main components of the shareholders' equity are shown on the chart below:

Share Capital (note 10)

As of December 31st 2013, the capital stock of El.En. was as follows

Authorized	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

Nominal value of each share	***0,52***

Categories	**31/12/2012**	**Increase.**	**(Decrease.)**	**31/12/2013**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

Shares are nominal and indivisible and each of them gives the holder the right to one vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights granted in accordance with the law and the Statute. At least 5% of the net operating profits of the financial year must be set aside for the legal reserve in accordance with art. 2430 of the civil code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The Statute does not allow advance payments on the dividends. Dividends not cashed within five years from the date of emission are returned to the Company. No special statutory clauses exist with regard to the participation of shareholders in the remaining assets in the event of liquidation. No statutory clauses exist granting special privileges.

Increases in capital for use in the stock option plan

The special assembly of El.En. SpA held on May 15th 2008 voted to authorize the Board of Directors, in accordance with and by effect of art. 2443 of the Civil Code, for a period of up to five years from the date of the deliberation, to increase the share capital of the Company once or several times upon payment, by a nominal maximum amount of 83.200,00 Euros through the issue of a maximum of 160,000 ordinary shares with a nominal value of euro 0,52 each, with entitlement equal to those of the ordinary company shares at the date of subscription, to be liberated by payment of a price to be determined by the Board of Directors in the respect of the dictates of art. 2441, sub-paragraph VI, civil code. – that is considering the stockholders' equity, also bearing in mind the official prices registered by the shares on the stock market over the last six months – and as a unitary value inclusive of the premium, not less than the greatest of the following: a) the value of each share determined on the basis of the consolidated stockholders' equity of the El.En. Group as of December 31st of the year previous to the issue of the options; b) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 6 months prior to the assigning of the options; c) the arithmetical average of the recorded official prices of the company's ordinary shares on the New Market, organized and managed by the Borsa Italiana SpA in the 30 days prior to the assigning of the options.

The Board of Directors of El.En. SpA, with the vote taken on July 15th 2008, implemented the authority of the shareholders assembly of May 15th 2008, to increase the capital stock by 83.200,00 for use in the stock option plan for 2008-2013 and approved the relative regulations. The option rights were assigned, by a vote taken on the same day, exclusively to employees of El.En. S.p.A. and the other companies of the Group which, at the time of assignment, were working in a subordinate position. The stock option plan was divided into two equal portions which can be implemented in conformity with the following terms:

a) up to a maximum amount of 41.600,00 Euros starting on July 15th 2011 until the date of approval of the proposed annual report for 2011 by the Board of Directors.

Subsequently, the rights on the options could be exercised as follows:

- if the shareholders' meeting, during the approval of the report for 2011, had voted to distribute the profits, from the day that the relative dividends for 2011 become payable up until the date of approval of the company report for 2012 by the Board of Directors;
- otherwise, if the profits were not distributed for the year 2011, from the 15th of May 2012 up until the date of the approval of the proposed annual report for 2012 by the Board of Directors;
- if, during the approval of the report for 2012, the shareholders' meeting had voted in favor of the distribution of the profits, from the date, if earlier than the 15th of May 2013, of the maturity of the payments of the dividends for 2012 up until May 15th 2013;
- otherwise, if it was decided to not distribute the profits for the year 2012, the period in which the rights could be exercised would terminate on the date, if earlier than May 15th 2013, of the approval of the proposed annual report for the year 2012 by the Board of Directors, and otherwise on the 15th of May 2013.

Therefore – exclusively for the above mentioned nominal sum of 41.600,00 Euros – the underwriting of the increase in capital approved by the Board of Directors could take place exclusively during the time intervals mentioned above for the exercising of the rights.
b) concerning the residual amount of the increase, equal to the nominal amount of 41.600,00 Euros, starting on July 15th 2012 up until the date of approval of the proposed annual report for the year 2012 by the Board of Directors.

Subsequently, the rights to the options could be exercised as follows:
- if the shareholders' meeting, during the approval of the report for 2012, approved the distribution of profits for the year 2012, from the date in which payment of dividends matures for the dividends for the year 2012 up until the 15th of May 2013;
- otherwise, if it was decided not to distribute the profits for the year 2012, the period for exercising the rights would terminate on the date, if before May 15th 2013, of the approval of proposed annual report for 2012, and otherwise, on May 15th 2013.
Therefore, the underwriting of the increase in capital approved by the Board of Directors for the residual amount of 41.600,00 nominal Euros could take place only during the time intervals indicated above for the exercising of the rights to pick up the options.

On May 15th 2013 the term for underwriting the increase in capital voted by the Board of Directors on July 15th 2008 for the stock option plan expired without any of the options having been picked up. Consequently, since it had been specifically voted that the capital stock should be increased on May 15th 2013 for the amount of the underwriting collected up to that time and in conformity with art. 2439, sub-section 2 , of the Civil Code, the capital of 2.508.671,36 Euros is understood to be the amount definitively approved and underwritten.

Additional paid in capital (note 11)

On December 31st 2013 the share premium reserve amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2012.

Other reserves (note 12)

Other reserves	31/12/2013	31/12/2012 (a)	Variation	Var. %
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	42.447.942	35.044.641	7.403.301	21,13%
Stock options reserve fund	1.811.278	1.807.714	3.564	0,20%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	32.959.522	-95.449	33.054.971	-34631,03%
Total	78.182.701	37.720.865	40.461.836	107,27%

(a) The amounts reflect the application of the revised IAS 19.

As of December 31st 2013 the "extraordinary reserve" was 42.448 thousand Euros. The increase which took place with respect to December 31st 2012 is related to the allocation of the net income from 2012 by the Parent Company El.En., in accordance with the decision voted by the shareholders' meeting on May 15th 2013.

The reserve “for stock options” includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA.
The change of 4 thousand Euros which took place this year is shown in the shareholders’ equity under the heading of “Other operations”.

The reserve for contributions on capital account should be considered a reserve of profits.

The entry of “Other reserves” includes among other things the effects of the different accounting method used for the equity in Cynosure after it was switched from the criteria of the equity method (IAS 28) to that of fair value of assets available for sale (IAS 39).

Treasury stock (note 13)

On March 3rd 2008, the shareholders’ meeting of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire, in compliance and within the limits established by articles 2357 and following of the Civil Code, within 18 months of that date, treasury stock representing not more than 10% of the capital stock in accordance with the law, at a price which was not less than 20% more nor more than 10% more than the official price for negotiations registered on the day preceding the purchase. With the same vote they authorized the method for disposing of the shares which can be put back into circulation within 3 years of the purchase at a price which is not less than 95% of the average of the official prices for negotiations registered during the five days preceding the sale , all of which must take place respecting the laws in force in this regard.
Consequently, between March and April 2008 the Board of Directors of El. En. SpA proceeded with the purchase of 103.148 shares of the company at an average price of 24,97 Euros for a total of 2.575.610,74 Euros.

Upon request of the Board of Directors, the Shareholders’ Meeting of the Parent Company which met on October 28th 2010 renewed the authorization of the Board to purchase in one or more tranches, on the regular stock market, and therefore according to the conditions described in art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob*, and following the operative procedures established by the organization and management regulations of the market issued by the Borsa Italiana S.p.A., within 18 months of that date, treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed one-fifth of the capital stock, respecting the laws and regulations, at a price that is not more than 20% less or over 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders’ also authorized the Board of Directors to put the shares back into circulation within ten years of the date of purchase, including those already held in the portfolio on December 28th 2010, at a price that is not less than 95% of the average official price for negotiations registered during the five days preceding the sale, all of which must take place respecting the regulations in force.

On October 8th 2012 the Company sold 82.000 ordinary shares of treasury stock to Laserfin S.r.l. as part of the payment due for the acquisition of 10% of the shares of Deka Mela S.r.l. and of 40% of the shares of Quanta System S.p.A., for the amount of 25 Euros per shares.

Moreover, upon request of the Board of Directors the shareholders’ meeting which was held on November 14th 2012 authorized the Board to acquire, in one or more blocks, on the regular stock market, and consequently in compliance with art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob* and according to the operative methods established by the regulations for the organization and management of the market issued by Borsa Italiana S.p.A., within eighteen months of that date, a quantity of shares of treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in their portfolio, does not exceed the fifth part of the capital stock, in compliance with the laws and regulations, at a price that is not more than 20% less nor greater than 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders, moreover, extended the authorization to the Board of Directors to put the shares back into circulation within ten years of the date of purchase at a price that is not less than 95% of the average of the official sale prices registered for the five days preceding the sale, all in full compliance with the regulations in force at the time.

On account of the sale described above , since there no acquisitions were made in relation to the vote of November 14th 2012, the shares of treasury stock held in the company portfolio as of December 31st 2013 amounts to 21.148 for a total value of 528.062,54 Euros.

Profits/losses brought forward (note 14)

The entry includes the rectifications of the shareholders' equity made necessary by the adoption of the International Accounting Standards; it also includes the entry of capital gains earned by the sale of treasury stock in February 2005 and, to a very small degree, also the sale of the treasury stock which occurred in October 2012 as described above.

Availability and possibility of utilization of the reserves

NET CAPITAL AND RESERVES:	**Balance 31/12/2013**	**Possibility of utilization**	**Portion available**	**Utilized in the previous two periods for covering losses**	**Utilized in the previous two periods for other purposes**
Subscribed capital	2.508.671				
Additional paid in capital	38.593.618	ABC	38.593.618		
Legal reserve	537.302	B			
Reserve for own shares					
Other reserves:					
Extraordinary reserves	42.447.942	ABC	41.919.879		
Reserve for contribution on capital account	426.657	ABC	426.657		
Profits (loss) brought forward	-918.092	ABC	-918.092		
Reserve for IRS	-6.262				
Other reserves	34.777.066	AB	13.392		
			80.035.431	**0**	**0**
Portion not distributable					
Portion distributable			**80.035.431**		

Key: A) capital increase; B) to cover losses; C) for distribution to shareholders

It should be noted that the amount of the extraordinary reserve that is available is net of the treasury stock acquired by the company for an amount of 528 thousand Euros.

Non-current liabilities

Retirement funds and employee benefits (note 15)

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

Balance 31/12/2012 (a)	**Accrual**	**Utilization**	**Payment to complementary pension forms, to INPS fund and other movements**	**Balance 31/12/2013**
1.056.409	487.850	-38.985	-537.219	968.055

(a) The amounts reflect the application of the revised IAS 19.

The severance indemnity represents an indemnity which is matured by the employees during their period of employment and which is paid upon termination of employment.

For IAS purposes the payment of a severance indemnity represents a “long term benefit subsequent to the termination of employment”; this is an obligation of the “defined benefit” type which entails entering a liability similar to that entered for defined benefit pension plans. After the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance fund left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity fund in the company, the indemnity has matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This fund, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

It should be recalled that the “corridor method” (on the basis of which the total net worth of the actuarial gain or loss was not entered until its total value exceeded 10% of the present value of the liability)has been abolished, since IAS 19 *revised*, for the evaluation of the present value of the liabilities related to the defined benefit plans, since January 1st 2013 requires the use of the “Projected Unit of Credit Method” in which the actuarial gain and losses must be immediately entered into accounts in the statement of comprehensive income and the related amounts among the reserves in the shareholders’ equity. This change comported a restatement of some of the financial data for January 1st 2012 and December 31st 2012, in order to display in the reserves of the shareholders’ equity the net total amount of the actuarial profits and losses deferred in the past and consequently to recalculate the liability related to the severance indemnity and the relative fiscal effects.

For further details, consult the paragraph titled : “Effects related to the application of the modification of IAS 19”.

The value of the liabilities on December 31st 2013 was 932 thousand Euros.

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

Financial hypotheses	**Year 2012**	**Year 2013**
Annual implementation rate	2,69%	3,17%
Annual inflation rate	2,00%	2,00%
Annual increase rate of salaries (including inflation)	Executives 1,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx 10+ AA for the amount of 3,17% in conformity with the criteria used last year.

Analysis of deferred tax assets and liabilities (note 4) (note 16)

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.
The analysis is shown on the chart below.

	Balance 31/12/2012 (a)	**Accrual**	**(Utilization)**	**Other**	**Translation Adjustments**	**Balance 31/12/2013**
Deferred tax assets on inventory devaluations	1.063.598		-60.242			1.003.356
Deferred tax assets on warranty reserve	78.500	6.280				84.780
Deferred tax assets on bad debt reserve	1.131.417	753.487				1.884.904
Deferred tax assets on severance indemnity provision discount	10.511		-4.777	-19.734		-14.000
Other deferred tax assets	68.490	14.533	-265	1		82.759
Total	2.352.516	774.300	-65.284	-19.733	0	3.041.799
Deferred tax liabilities on advanced depreciations	158.740		-4.031			154.709
Deferred tax liabilities for contributions on capital account	455.944		-75.930			380.014
Other deferred tax liabilities	154.123	32.139	-53.212	459.923		592.973
Total	768.807	32.139	-133.173	459.923	0	1.127.696
Net amount	1.583.709	742.161	67.889	-479.656	0	1.914.103

(a) The amounts shown reflect the application of the revised IAS19.

Deferred tax assets amounted to about 3 million Euros. The main variations this year are due to the increase in deferred tax assets calculated on the devaluation of some receivables.

Deferred tax liabilities were 1.128 thousand Euros. The main decrease was caused by the taxing of some of the contributions in capital account received in the previous years which, for tax purposes, deferred according to the regulations now in force.

In the other movements, we registered the deferred tax liabilities related to the adaptation of the value of the equity in Cynosure evaluated in conformity with IAS19 (available for sale).

Other accruals (note 17)

The chart below shows the operations made with other accruals.

	Balance 31/12/2012	**Accrual**	**(Utilisation)**	**Other**	**Balance 31/12/2013**
Reserve for pension costs and similar	30.440	22.602	-	-19.500	33.542
Others:					
Warranty reserve on the products	250.001	20.000			270.001
Other minor reserves	2.748.029	730	-2.561.858		186.901
Total other reserves	2.998.030	20.730	-2.561.858	-	456.902
Total	3.028.470	43.332	-2.561.858	-19.500	490.444

In the entry "reserve for pension costs and similar" the TFM (severance indemnity fund for the directors) and the indemnity fund for clients' agents are included.

According to IAS 37, the amount owed to the agents must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost to be sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2012	Year 2013
Annual implementation rate	4,60%	4,17%
Annual inflation rate	2,00%	2,00%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

For the "Other minor reserves" the amount accrued is related to the fund for losses by subsidiary companies which was described in Note (3). The amount shown in the column headed "Utilization" is related to the reversal of the "Fund for losses by subsidiaries" made in connection to the subsidiary companies Cutlite Do Brasil for 159 thousand Euros, Deka Sarl for 727 thousand Euros and Deka GmbH for 1.676 thousand Euros. For this latter, since the conditions for continuation of operations necessary for recapitalization no longer existed, the fund was released.

Amounts owed and financial liabilities (note 18)

The chart below shows the breakdown of the amounts owed:

Financial m/l term debts	31/12/2013	31/12/2012	Variation	Var. %
Amounts owed to banks	3.186.667	5.533.333	-2.346.666	-42,41%
Amounts owed to other financiers	850.000	1.825.000	-975.000	-53,42%
Total	4.036.667	7.358.333	-3.321.666	-45,14%

The category of "Amounts owed to banks" for about 3,2 million Euros includes the mid- and long-term quotas for the loans obtained by the Company in past and in the current financial year , details of which are given in the comments on the net financial position.

The "amounts owed to other financiers" on the other hand, represent the mid- to long-term debt owed to Laserfin for the purchase of 10% of the shares of Deka Mela S.r.l. and 40% of the shares of Quanta System S.p.A. which occurred last year.

Current liabilities

Financial debts (note 19)

Financial short term debts	31/12/2013	31/12/2012	Variation	Var. %
Amounts owed to banks	5.350.434	2.349.073	3.001.361	127,77%
Amounts owed to group companies		399.615	-399.615	-100,00%
Liabilities (derivatives on interest and exchange rates)	6.262	20.180	-13.918	-68,97%
Amounts owed to other financiers	850.000	1.280.000	-430.000	-33,59%
Total	6.206.696	4.048.868	2.157.828	53,29%

The entry "amounts owed to banks" refers to the short-term loans granted by Mediocredito Italiano and by the Banco Popolare and a short-term financing granted by the Cassa di Risparmio Firenze described in the comments on the net financial position as of December 31st 2013 of this document.

The "liabilities for derivatives" are related to the derivative IRS contract which El.En. activated as a hedge on the interest rate of the SACE financing issued by the Banco Popolare s.c.r.l. The contract expires on March 31st 2015. The nominal value on December 31st 2013 was 833.333 Euros, and the fair value on December 31st 2013 was – 6.262 Euros.

The entry in the category of "Amounts owed to other financiers" represents the short-term debt owed to Laserfin, as described in the preceding paragraph.

The chart below represents a summary which also shows the due dates for payment of the capital amounts of the debt.

	Expiration	Rate	Balance	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Mediocredito loan	(*)	(**)	4.703.768	1.683.768	3.020.000	
CRF short-term loan			3.000.000	3.000.000		
Banco Popolare loan	31/03/2015	Euribor 3 mesi +2,50%	833.333	666.666	166.667	
Liabilities (forward contracts)			6.262	6.262		
Liabilities for equity investments purchase			1.700.000	850.000	850.000	
Total			10.243.363	6.206.696	4.036.667	0

(*)For the Mediocredito loan for 1.703.768 the expiration date is June 16th, 2016; for the Mediocredito loan of 4.000.000 the expiration date is December 31st 2016

(**) For the quota of the Mediocredito loan of 1.703.768 the interest rate is Euribor 6 months + 2,25% , while for the quota of the Mediocredito loan of 3.000.000the interest rate is Euribor 6 months + 2,90%

Mid- and Long term financial operations

During this financial year the following mid/long-term financial movements occurred. The balances include the short term capital amounts and the quota for interests which have matured but not yet been paid.

	Balance 31/12/2012	Increase	Reimbursement	Other	Balance 31/12/2013
Mediocredito Loan	6.382.406		-1.680.000	1.362	4.703.768
Banco Popolare loan	1.500.000		-666.667		833.333
Liabilities for equity investments purchase	3.504.615	4.839	-1.809.454		1.700.000
Total	11.387.021	4.839	-4.156.121	1.362	7.237.101

Trade Payable (note 20)

For a detailed analysis of the trade payables to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

Trade debts:	31/12/2013	31/12/2012	Variation	Var. %
Trade accounts payable	11.173.200	5.903.192	5.270.008	89,27%
Trade accounts payable with subsidiary companies	1.110.969	1.290.229	-179.260	-13,89%
Trade accounts payable with associated companies	2.728	24.745	-22.017	-88,98%
Total	12.286.897	7.218.166	5.068.731	70,22%

The increase in trade debts is a consequence of the increase in the sales volume, in particular at the end of the year. This increase also is reflected in the increase in final inventory of goods which were purchase on account of the higher production rate.

The chart below shows a detailed breakdown of the trade debts to third parties divided according to the type of currency.

Account payables in:	31/12/2013	31/12/2012
Euro	10.664.583	5.580.629
USD	480.185	276.160
Other currencies	28.432	46.403
Total	11.173.200	5.903.192

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2013 and on December 31st 2012.

Income tax debts /Other short term debts (note 21)

The breakdown of the other short term debts is the following:

	31/12/2013	31/12/2012	Variation	Variation %
Social security debts				
Debts owed to INPS	707.011	686.081	20.930	3,05%
Debts owed to INAIL	62.154	58.343	3.811	6,53%
Debts owed to other Social Security Institutions	101.380	91.608	9.772	10,67%
Total	870.545	836.032	34.513	4,13%
Other debts				
Debts owed to tax administration for VAT	620	809	- 189	-23,36%
Debts owed to tax administration for deductions	609.337	518.861	90.476	17,44%
Owed to staff for wages and salaries	1.111.803	962.024	149.779	15,57%
Down payments	230.034	326.268	- 96.234	-29,50%
Amounts towards subsidiary companies	57.495	381.719	- 324.224	-84,94%
Amounts towards associated companies	-	1.381	- 1.381	-100,00%
Other debts	567.822	459.481	108.341	23,58%
Total	2.577.111	2.650.543	- 73.432	-2,77%
Total Social security debts and other debts	3.447.656	3.486.575	- 38.919	-1,12%

The “Debts owed to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2013.

The entry of “Down payments” refers to down payments received from clients and from ARTEA on behalf of the Region of Tuscany for co-financed research projects. For further details on these projects, see the note below (23).

The entry “other amounts owed to subsidiaries” is related to the charges derived from the recognition in favor of the subsidiary companies adhering with El.En to the national fiscal consolidated (procedure in compliance with art. 117 and following of the TU 917786 and D.M. in force since June 9th 2004), of the compensation sum calculated according to the tax aliquots of the companies (IRES) in force at the time to which the use refers, in accordance with the agreements stipulated by the parties. The option, valid from 2011 through 2013, was made with the subsidiaries Ot-Las Srl (later incorporated into Cutlite Penta Srl) and Esthelogue Srl., while during this year the option was selected also for the subsidiary Cutlite Penta S. r.l., with validity from 2012 to 2014.

Analysis of debts according to due date

	31/12/2013			31/12/2012		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Amounts owed to banks	5.350.434	3.186.667		2.349.073	5.533.333	
Liabilities (forward exchange contracts)	6.262			20.180		
Amounts owed to other financiers	850.000	850.000		1.280.000	1.825.000	
Amounts owed to suppliers	11.173.200			5.903.192		
Amounts owed to subsidiary companies	1.110.969			2.071.563		
Amounts owed to associated companies	2.728			26.126		
Income taxes debts	146.191			33.218		
Amounts owed to social security institutions	870.545			836.032		
Other liabilities	2.577.111			2.267.443		
Total	22.087.440	4.036.667	0	14.786.827	7.358.333	0

Information on the Income Statement

Revenue (note 22)

	31/12/2013	31/12/2012	Variation	Var. %
Sales of industrial laser systems	7.465.673	5.919.200	1.546.473	26,13%
Sales of medical laser systems	31.427.351	29.158.123	2.269.228	7,78%
Service and sales of spare parts	7.404.344	7.091.717	312.627	4,41%
Total	46.297.368	42.169.040	4.128.328	9,79%

As of December 31st 2013 the revenue was 46,3 million Euros, showing an increase of about 9,8% with respect to the 42,1 million Euros registered for last year.
The sector of industrial lasers showed an increase in sales volume of 26,1% thanks to the recovery of this market, while the medical sector showed a smaller growth of 7,8% and the sales volume for post-sales service increased by 4,4%.

Subdivision of revenue by geographical area

	31/12/13	31/12/12	Variation	Var. %
Sales in Italy	31.615.328	26.404.618	5.210.710	19,73%
Sales other EC countries	4.747.629	4.864.168	-116.539	-2,40%
Sales outside EC	9.934.411	10.900.254	-965.843	-8,86%
Total	46.297.368	42.169.040	4.128.328	9,79%

The Italian market registered growth over 2012 and was made up mainly of the Italian companies in the Group. This market remains prevalent although it should be noted that a large portion of the sales to the companies of the Group is destined for export. The exports to the European Union and outside of the European Union, however, decreased.

Other revenue and income (note 23)

Analysis of the other income is as follows:

	31/12/2013	31/12/2012	Variation	Var. %
Recovery for accidents and insurance reimbursements	4.655	1.398	3.257	232,98%
Expense recovery	59.477	50.357	9.120	18,11%
Capital gains on disposal of fixed assets	42.674	16.404	26.270	160,14%
Other income	738.713	1.767.427	-1.028.714	-58,20%
Total	845.519	1.835.586	-990.067	-53,94%

In the category of “Other income” we have entered income for an amount of about 284 thousand Euros for a grant received for financing, in particular, on the following co-financed research projects:

-TEMART project – Advanced techniques for material studies and the conservation of historic works of art – admitted by the Region of Tuscany for financing as a grant with Decree 4181 of August 27th 2009, on the basis of the “Bando Regionale 2008 supporting research projects conducted jointly by groups of companies and research institutions related to social, economic and human sciences” as per decree n. 5673 of November 21st 2008 approved by the Region of Tuscany – Office of formative policies, and cultural patrimony and activities, for which we received the remainder of the grant in October 2013.
-MILoRDS project – promotion of industrial research, of the transfer of technology, of pre-competitive development, exploitation of research and innovation; admitted to the financing plan of the Region of Tuscany for a grant for the amount of 70% (while for the remaining 30% they are admitted to the facilitated financing) as per Decree come n. 3064 of June 16th 2010 subsequently modified by Decree n. 3375 of July 6th 2010, for strategic research and development projects related to ICT and advanced mechanics.

Costs for the purchase of goods (note 24)

The analysis of these purchase is shown on the chart below.

	31/12/2013	31/12/2012	Variation	Var. %
Purchase of raw materials and finished products	24.876.528	18.097.574	6.778.954	37,46%
Purchase of packaging	236.986	231.481	5.505	2,38%
Shipment charges on purchases	199.700	150.436	49.264	32,75%
Other purchase expenses	189.851	169.108	20.743	12,27%
Other purchases	9.640	9.195	445	4,84%
Total	25.512.705	18.657.794	6.854.911	36,74%

Other direct services/ operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2013	31/12/2012	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	3.080.254	2.306.918	773.336	33,52%
Technical services	117.736	78.649	39.087	49,70%
Shipment charges on sales	215.386	213.092	2.294	1,08%
Commissions	185.526	247.162	-61.636	-24,94%
Travel expenses	167.517	137.857	29.660	21,52%
Other direct services	107.620	108.119	-499	-0,46%
Total	*3.874.039*	*3.091.797*	*782.242*	*25,30%*
Operating services and charges				
Maintenance and technical assistance on equipments	121.034	116.266	4.768	4,10%
Services and commercial consulting	154.391	178.246	-23.855	-13,38%
Legal and administrative services	292.059	294.216	-2.157	-0,73%
Auditing fees and charges	85.058	67.674	17.384	25,69%
Insurances	153.854	165.550	-11.696	-7,06%
Travel and overnight expenses	455.756	419.253	36.503	8,71%
Promotional and advertising expenses	347.771	390.448	-42.677	-10,93%
Building charges	670.006	616.790	53.216	8,63%
Other taxes	71.393	49.771	21.622	43,44%
Expenses for vehicles	252.515	245.048	7.467	3,05%
Office supplies	45.336	45.986	-650	-1,41%
Hardware and Software assistance	131.646	128.012	3.634	2,84%
Bank charges	51.714	34.035	17.679	51,94%
Rent	38.859	61.149	-22.290	-36,45%
Other operating services and charges	2.548.723	2.019.728	528.995	26,19%
Total	*5.420.115*	*4.832.172*	*587.943*	*12,17%*

The most significant change in the category of “Direct services” which shows an increase of 782 thousand Euros with respect to last year, reflects an increase in the amount of outsourcing of some of the manufacturing stages.

The single most important entries in the category of “other operating services and charges” are represented by the salaries paid to members of Board of Directors and the statutory Board of Auditors for an amount of about 705 thousand Euros; costs of technical and scientific consulting and studies and research amounted to about 509 thousand Euros and costs for trade shows for an amount of 234 thousand Euros. For the costs and activities of research and development, please refer to the description given in the consolidated Management Report.

Future commitments for use of goods belonging to others

The chart below shows a summary of the obligations that the Company will have for the use of goods belonging to others.

Operating lease commitments:	**31/12/2013**	**31/12/2012**
Within one year	140.642	168.028
After 1 year but not more than 5 years	240.288	133.843
More than five years		5.326
Total	**380.930**	**307.197**

These costs are mostly related to leasing contracts for company vehicles.

Employee costs (note 26)

The chart below shows the costs for staff:

For staff costs	**31/12/2013**	**31/12/2012**	**Variation**	**Var. %**
Wages and salaries	7.653.342	7.130.045	523.297	7,34%
Social security costs	2.391.019	2.236.175	154.844	6,92%
Accruals for severance indemnity	460.539	426.614	33.925	7,95%
Stock options	3.318	125.660	-122.342	-97,36%
Other costs	32.151	31.436	715	2,27%
Total	10.540.369	9.949.930	590.439	5,93%

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	**31/12/2013**	**31/12/2012**	**Variation**	**Var. %**
Amortization of intangible assets	20.345	13.941	6.404	45,94%
Depreciation of tangible assets	953.277	1.002.611	-49.334	-4,92%
Accrual for risk on receivables	2.913.865	2.180.083	733.782	33,66%
Other accruals for risks and charges	20.000		20.000	
Total	3.907.487	3.196.635	710.852	22,24%

The main increases in this category refer to the accrual for credit risks which is related, among other things, to overdue receivables from subsidiary companies.

Financial income and charges (note 28)

The breakdown of the category is as follows:

	31/12/2013	31/12/2012	Variation	Var.%
Financial incomes:				
Interests from banks	405.544	159.864	245.680	153,68%
Dividends	704.574	246.668	457.906	185,64%
Interests from subsidiary company	67.747	71.290	-3.543	-4,97%
Interests from associated company	240		240	
Foreign exchange gain	-73.889	235.521	-309.410	-131,37%
Other financial incomes	-71.833	72.884	-144.717	-198,56%
Total	1.032.383	786.227	246.156	31,31%
Financial charges:				
Interest on bank debts for account overdraft	-16.763	-53.512	36.749	-68,67%
Interest on bank debts for medium and long - term loans	-228.367	-278.205	49.838	-17,91%
Foreign exchange loss	-198.368	-687.663	489.295	-71,15%
other financial charges	-31.577	-142.145	110.568	-77,79%
Total	-475.075	-1.161.525	686.450	-59,10%

During this year dividends from subsidiaries were entered into accounts for an amount of 705 thousand Euros distributed by the subsidiary company Deka M.E.L.A. Srl. for the amount of 357 thousand Euros, by the subsidiary Lasit S.p.A. for 140 thousand Euros, by Quanta System S.p.A. for 200 thousand Euros and by Concept Laser Solutions for about 8 thousand Euros.

The interests owed on bank debts for overdrafts refer mainly to overdrafts granted by credit institutions to the Parent Company while the interest on bank debts for mid- and long-term loans refer mainly to the mid- and long-term financing.

The entry “other financial charges” includes the entering into accounts of interest charges derived from the application of accounting principal IAS 19 to the severance indemnity for an amount of about 27 thousand Euros and the warranty commissions on financing for about 4 thousand Euros.

Other net income and charges (note 29)

	31/12/2013	31/12/2012	Variation	Var. %
Other charges				
Accrual for losses in group companies	-730	-930.420	929.690	-99,92%
Devaluation of equity investments	-959.867	-796.618	-163.249	20,49%
Total	**-960.597**	**-1.727.038**	**766.441**	**-44,38%**
Other income				
Use of fund on loss account from subsidiary companies	1.676.210		1.676.210	
Capital gains on equity investments		10.038.401	-10.038.401	-100,00%
Total	**1.676.210**	**10.038.401**	**-8.362.191**	**-83,30%**

The entry of “Accruals for losses in Group companies” includes the relative cost of an direct devaluation of the equities held in Cutlite do Brasil for 101 thousand Euros, in SBI for 30 thousand Euros, in Deka Sarl for 642 thousand Euros and in Esthelogue Srl for 187 thousand Euros.
The “Use of fund on loss account from subsidiary companies” for an amount of 1.676 thousand Euros id related to the release of funds for losses by subsidiary companies of the subsidiary Deka GmbH as described above.

Income taxes (note 30)

Description:	31/12/2013	31/12/2012	Variation	Var. %
IRES	1.058.841	838.532	220.309	26,27%
IRAP	437.307	425.303	12.004	2,82%
IRES Deferred (Advanced)	-816.335	-446.814	-369.521	82,70%
IRAP Deferred (Advanced)	6.285	1.907	4.378	229,58%
Cost/(Revenue)for IRES consolidated taxation	51.413	301.136	-249.723	-82,93%
Taxes related to the previous years	-3.288	-314.483	311.195	-98,95%
Total income taxes	734.223	805.581	-71.358	-8,86%

The income taxes for this year were 734 thousand Euros as opposed to 805 thousand Euros for last year. Because the controlling company adhered to the procedure in compliance with art. 117 and following of the TU of the income taxes and of the Ministerial Decree implemented on June 9th 2004 (National fiscal consolidated), the cost for the year includes, for the amount of about 51 thousand Euros, the charges derived from the recognition in favor of the subsidiaries that adhered, of the compensation sum equal to the transformation of the losses used in the procedure on the basis of the tax aliquot for companies (IRES) in force for the period for which the use refers, as per the agreements stipulated between the parties. The option is valid for the three year period 2011-2013 for the subsidiary Esthelogue S.r.l .and for the three year period 2012-2014 for the subsidiary Cutlite Penta S.r.l..

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2013	2012
Profit/loss before taxes	2.733.007	10.610.492
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	751.577	2.917.885
One time income tax charges	(3.288)	(314.483)
Charges (income) for IRES from fiscal consolidation	51.413	
Higher (lower) fiscal incidence with respect to the theoretical aliquot	(509.071)	(2.225.031)
Actual IRES	290.631	378.371
Actual IRES aliquot	10,63%	3,57%

The fiscal cost for this year is, among other things, particularly influenced by the PEX exemption which benefits most of the capital gains earned by the sale of the Cynosure shares, as previously mentioned.

The break-down of the deferred tax assets and liabilities is shown in the chart for the preceding note (16). The amount of Income taxes includes the balance related to this financial year.

Dividends distributed (note 31)

The shareholders' meeting of El.En. Spa which met on May 15th 2012 voted to not distribute any dividends but to allocate the net income for the year, 1.264.103,00 to an extraordinary reserve.
The shareholders' meeting held on May 15th 2013 voted to distribute a dividend of 0,50 Euros for every share in circulation on the maturity date of the coupon. The amount of the dividend paid was 2.401.610 Euros.

Non-recurring significant, atypical and unusual events and operations (note 32)

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293,for the year 2013, the method for the accounting of the equity in Cynosure Inc. switched from the criteria of the equity method (IAS28) to that of the fair value of assets available for sale (IAS 39), is to be considered a non-recurring significant event.
This change is due to the fact that at the end of the third quarter of 2013 the management of El.En. became aware of a gradual slackening in the relations relative to the governance of the associated company Cynosure Inc., both after the acquisition by Cynosure of Palomar but, above all, after the El.En representative left the Board of Directors. In recognition of this situation the Board of Directors of El.En. determined that the connection between the two companies no longer existed.
Consequently, up until the third quarter of 2013 the economic transactions with Cynosure are shown among the revenue, profits, costs and charges from/to associated companies, whereas, for the last quarter of 2013, among the revenue, profits costs and charges from/to third parties.
The change in the accounting method has comported the entry of a revaluation of the Cynosure shares in the company portfolio, worth about 28 million Euros, the amount of which is is entered in the shareholders' equity (*other comprehensive income*).

The main effects of this operation are shown on the chart below:

	Shareholders' equity		**Incombe (loss) for the period**		**Net financial position**		**Cash flows (*)**	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**119.837.619**		**1.998.784**		**11.667.474**		**(1.120.397)**	
Profits/assets derived from the first evaluation at fair value of the equity in Cynosure, Inc. in compliance with IAS 39 (Available for Sale).	(27.965.896)	23%	0	0%	0	0%	0	0%
Total operations (B)	**(27.965.896)**	23%	**0**	0%	**0**	0%	**0**	0%
Gross figurative value (A + B)))	**91.871.723**		**1.998.784**		**11.667.474**		**(1.120.397)**	

(*) Cash flows refer to the increase (or decrease) in the period of the cash and cash equivalents

It should be recalled that last year the only non-recurring significant event was considered the partial sale of the equity held in Cynosure Inc. as described in the Notes in the statement for 2012, the effects of which are summarized in the chart below.

	Shareholders' equity (a)		**Incombe (loss) for the period**		**Net financial position**		**Cash flows (*)**	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**87.181.910**		**9.804.911**		**11.541.755**		**16.805.693**	
Income/assets arising from the sale of equity in Cynosure Inc.	(10.038.401)	12%	(10.038.401)	102%	(12.876.305)	112%	(12.876.305)	77%
Total operations (B)	**(10.038.401)**	12%	**(10.038.401)**	102%	**(12.876.305)**	112%	**(12.876.305)**	77%
Gross figurative value (A + B)))	**77.143.509**		**(233.490)**		**(1.334.550)**		**3.929.388**	

(*) Cash flows refer to the increase (or decrease) in the period of the cash and cash equivalents

(a) The amounts reflect the application of the revised IAS19.

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293, we declare that during 2013 the Group did not conduct any atypical or unusual operations as defined by the above mentioned communication.

Information about related parties (note 33)

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:
- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.
All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

Subsidiary and associated companies

El. En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.
The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Cutlite Penta Srl, and Lasit SpA. Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Deka M.E.L.A. Srl, to Esthelogue Srl, to Deka Sarl, to ASA Srl and to Asclepion Laser Technologies GmbH, which organize their distribution.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.
It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

The tables below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales and commercial and financial payables and receivables.

	Financial receivables		**Other receivables**		**Commercial receivables**	
Subsidiary companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Asclepion Laser Technologies GmbH	984.966				1.144.263	
Deka MELA Srl					4.833.068	
Cutlite Penta Srl	500.000		19.450		8.600.679	
Esthelogue Srl	695.000				1.867.145	
Deka Sarl					998.619	
Deka Lasertechnologie GmbH					2.026.713	
Deka Laser Technologies INC	227.498	0			1.246.410	
BRCT Inc.	188.529				24.218	
Lasit Spa	119.040				88.893	
Quanta System SpA					87.945	
AQL Srl					1.920	
ASA Srl					152.021	
Lasercut Technologies Inc.	48.735				327.446	
Cutlite do Brasil Ltda					338.224	
Penta-Chutian Laser (Wuhan) Co. Ltd					3.815.464	
Deka Medical Inc	145.022				2.529.767	
Pharmonia Srl	405.000				65.102	
- Bad debt reserve					-5.649.952	
Total	**3.313.790**	**0**	**19.450**	**0**	**22.497.945**	**0**

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			33.000	
Actis Srl		30.000	3.031	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			322.327	
Total	13.565	30.000	358.358	-

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Asclepion Laser Technologies GmbH					30.794	
Deka MELA Srl					51.422	
Cutlite Penta Srl			4.942		4.615	
Esthelogue Srl			52.553		5.795	
Deka Sarl					50.587	
Deka Laser Technologies Inc.					32.630	
Lasit Spa					150.959	
Quanta System SpA					559.549	
ASA Srl					12.200	
Cutlite do Brasil Ltda					14.508	
Lasercut Technologies Inc.					47.869	
Deka Medical Inc					139.881	
With Us Co Ltd					2.360	
Penta-Chutian Laser (Wuhan) Co. Ltd					7.800	
Total	-	-	57.495	-	1.110.969	-

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Elesta Srl					68	
SBI SA					2.660	
Total	-	-	-	-	2.728	-

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Deka MELA Srl	88.590	14.287		102.877
Cutlite Penta Srl	20.335	9.630		29.965
Esthelogue Srl	174.841	5.795		180.636
Deka Sarl	57.600	27.052		84.652
Deka Lasertechnologie GmbH	117.821			117.821
Lasit Spa	351.561			351.561
Deka Laser Technologies INC	32.630			32.630
Quanta System SpA	1.183.237	112.950		1.296.187
Asclepion Laser Technolohies GmbH	379.742	2.781		382.523
ASA Srl		10.000		10.000
Deka Medical Inc.	18.699	74.768		93.467
With Us Co Ltd		2.358		2.358
Cutlite do Brasil Ltda	3.200			3.200
Penta-Chutian Laser (Wuhan) Co. Ltd	7.800			7.800
Lasercut Technologies Inc.	56.144			56.144
Total	2.492.200	259.621	-	2.751.821

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
Cynosure Inc.	4.191			4.191
Actis Srl		33.000		33.000
Elesta Srl	56			56
Total	4.247	33.000	-	37.247

Subsidiary companies:	**Sales**	**Services**	**Total**
Deka MELA Srl	22.702.315	626.613	23.328.928
Cutlite Penta Srl	3.104.362	624.604	3.728.966
Esthelogue Srl	54.983	132.881	187.864
Deka Sarl	1.081.972	34.508	1.116.480
Deka Lasertechnologie GmbH	16.061	737	16.798
Lasit Spa	97.174	4.364	101.538
Deka Laser Technologies INC	108.283		108.283
Asclepion Laser Technologies GmbH	867.547	171.477	1.039.024
Quanta System SpA	397.829	351	398.180
ASA Srl	664.684	3.028	667.712
Penta-Chutian Laser (Wuhan) Co. Ltd	2.369.782	6.872	2.376.654
Cutlite do Brasil Ltda	545.449	2.732	548.181
With Us Co Ltd	10.000		10.000
Deka Medical Inc.	93.136	1.532	94.668
Pharmonia Srl		10.800	10.800
Lasercut Technologies Inc.	62.086	5.459	67.545
Totale	32.175.663	1.625.958	33.801.621

Associated companies:	**Sales**	**Service**	**Total**
Cynosure Inc.	2.381.098		2.381.098
SBI S.A.	11.000		11.000
Elesta Srl	559.779	5.826	565.605
Totale	2.951.877	5.826	2.957.703

Subsidiary companies:	**Other revenues**
Deka MELA Srl	114.405
Cutlite Penta Srl	135.228
Esthelogue Srl	572
Deka Sarl	3.415
Lasit Spa	105.929
Deka Laser Technologies Inc	1.543
Quanta System SpA	165
Asclepion Laser Technologies GmbH	16.418
ASA Srl	565
Raylife srl	913
Deka Medical Inc.	1.894
Lasercut Technologies Inc.	38
Total	381.085

Associated companies:	Other revenues
Cynosure Inc.	7.711
Elesta Srl	1.348
Actis Srl	2.400
Total	11.459

The amounts shown on the charts above refer to operations which are inherent to the characteristic activity of the company.

The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl and to Cutlite Penta Srl for the portions of the buildings in Calenzano which they occupy and to Lasit Spa for the factory at Torre Annunziata.

Moreover, we have entered into accounts approx. 68 thousand Euros in interest earned on the financing granted to subsidiary companies.

Among the "Income taxes" we have entered charges from fiscal consolidation for an amount of 51 thousand Euros for Esthelogue Srl.

The Members of the Board of Directors and the Board of Statutory Auditors and other strategic executives

The Members of the Board of Directors and the Board of Statutory Auditors of El.En. S.p.A. receive the salaries shown in the chart below:

Name	Position	Term duration	Fees in:	Fees	Remuneration for participation on committees	Bonus and other incentives	Non monetary benefits	Other rewards	Total	Indemnity for termination of mandate or employment
Gabriele Clementi	Chairman of the Board of Directors	Approval of the financials for 31.12.2014	El.En. SpA	117.927		102.674	4.286		224.887	6.500
			Subsidiaries/associates	11.568					11.568	
Barbara Bazzocchi	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	117.927		38.402	4.286		160.615	6.500
			Subsidiaries/associates	12.000					12.000	
Andrea Cangioli	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	118.357		51.337	3.856		173.550	6.500
			Subsidiaries/associates	11.568					11.568	
Michele Legnaioli	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Paolo Blasi	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Alberto Pecci	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates						-	
Stefano Modi	Director	Approval of the financials for 31.12.2014	El.En. SpA	100.929		37.817	12.371	26.969	178.086	
			Subsidiaries/associates						-	
Vincenzo Pilla (*)	President of the Board of Statutory Auditors	Approval of the financials for 31.12.2015	El.En. SpA	31.200					31.200	
			Subsidiaries/associates	25.689					25.689	
Gino Manfriani (*)	Statutory Auditor	Up to June 25 2013	El.En. SpA	10.400					10.400	
			Subsidiaries/associates	16.311					16.311	
Rita Pelagotti (*)	Statutory Auditor	From June 25 2013 to approval of the financials for 31.12.2013	El.En. SpA	10.400					10.400	
			Subsidiaries/associates	-					-	
Paolo Caselli (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800				8.320	29.120	-
			Subsidiaries/associates	26.311					26.311	
Manfredi Bufalini (*)	Supplementary Auditor	Approval of the financials for 31.12.2015	El.En. SpA	-					-	-
			Subsidiaries/associates	6.240					6.240	

Note: the salaries shown on the chart are determined on the accrual basis.
(*): amounts including CAP

Fixed salaries:
- The amounts paid to the directors of the Company for their roles in other companies included in the area of consolidation are as follows: Barbara Bazzocchi, as chairman of the Board of Directors of Cutlite Penta Srl received a salary of 12.000 Euros; Gabriele Clementi as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company; Andrea Cangioli as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company.
- With reference to the board member Stefano Modi the heading of "fixed fees" also includes a salary of 88.929,00 Euros as payment for his work as an employee.
- The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors of Lasit SpA and Deka Mela Srl (until May 9th 2013), of Quanta System (until May 30th 2013) and acting Auditor of Cutlite Penta Srl (until May 9th 2013) received from these companies a total salary of 25.689 Euros; Gino Manfriani, (acting auditor of El.En. Spa until June 25th 2013), Auditor of Deka Mela Srl (until May 9th 2013) and Cutlite Penta Srl received a total salary of 16.311 Euros; Paolo Caselli as President of the Board of Statutory Auditors of Cutlite Penta Srl (until May 9th 2013) and Auditor of Deka Mela Srl and Lasit SpA received from these companies a total salary of

26.311 Euros; Manfredi Bufalini in his role as auditor of Quanta System SpA received from the company the amount of 6.240 Euros.

Bonuses and other incentives:
In this column the chart shows the amounts received by some of the members of the Board of Directors as an incentive bonus for achieving certain goals which were set by the Board in accordance with the vote of the Shareholders' meeting held on May 15th 2012, and subsequently confirmed by the shareholders' meeting of May 15th 2013, which, when determining the amount of remuneration of the Board of Directors, had established at the maximum amount 1 million Euros the variable part of the overall bonuses to be assigned and to assign to the managing directors, including the president with powers of attorney, and the board members with special positions as described in art. 21 of the by-laws and art. 2389, sub-section 3 Civil Code. These bonuses will be paid in 2014.

Non-monetary benefits:
- The heading "Non-monetary benefits" refers to a fringe benefits paid to the President of the Board of Directors and the executive directors in accordance with the vote of the shareholders' meeting held on May 15th 2012 and on May 15th 2013.
- For the Board Member Stefano Modi it refers to the fringe benefit he receives as an employee as well as other managers.

Other rewards:
- With reference to the Board Member Stefano Modi la voce "Other bonuses" refers to transfers and one-off payments.
- The acting auditor Dott. Paolo Caselli received a bonus of 8.320 Euros as a member of the Controlling body of El.En. S.p.A., in compliance with ex D.Lgs. 231/01.

Indemnity for termination of mandate or employment:
-An annual indemnity of 6.500 Euros each, in compliance with art. 17 of T.U.I.R., is attributed to the president of the Board of Directors Gabriele Clementi and to the executive members Barbara Bazzocchi and Andrea Cangioli.

Prof. Leonardo Masotti, President of the Scientific Committee, received a fixed remuneration of 6.800 Euros, besides an incentive bonus of 37.336 Euros. Moreover, as President of the Board of Directors of Deka M.E.L.A. Srl he received a salary of 15.000 Euros and as a member of the Board of Directors of With Us he received 1.500 thousand Yen from that company.

The Company does not have a general director.

Physical persons possessing an equity in El.En. SpA
Besides the members of the Board of Directors, the Board of Statutory Auditors and the President of the Technical-Scientific Committee, partner Carlo Raffini whom the Company El.En. for a specific professional task for the entire year, received a salary of 32.000 Euros; moreover, for a similar task carried out for the subsidiaries Deka M.E.L.A. Srl and Cutlite Penta Srl he received 20.000 Euros.

The chart below shows the incidence of transactions with related parties on the economic and financial situation of the company.

Impact of related party transactions	**Total**	**related parties**	**%**
a) Impact of related party transactions on the statement of financial position			
Equity investments	57.748.604	17.138.058	29,68%
Other non current assets	30.000	30.000	100,00%
Accounts receivables	27.381.023	22.856.303	83,47%
Other receivables	4.123.970	3.346.805	81,15%
Non current financial liabilities	4.036.667		0,00%
Current financial liabilities	6.206.696		0,00%
Accounts payables	12.286.897	1.113.697	9,06%
Other payables	3.447.656	57.495	1,67%
b) Impact of related party transactions on the income statement			
Revenues	46.297.368	36.759.324	79,40%

Other revenues and income	845.519	392.544	46,43%
Purchases of raw materials	25.512.705	2.496.447	9,79%
Other direct services	3.874.039	136.772	3,53%
Other operating services and charges	5.420.115	155.849	2,88%
Financial charges	475.075		0,00%
Financial income	1.032.383	67.987	6,59%
Income taxes	734.223	51.413	7,00%

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

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Company, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality, which is also certified, of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the Company.
The main financial instruments of the Company include checking accounts and short-term deposits, short and long-term financial liabilities.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Company is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risks
The company is exposed to the risks of oscillations in the exchange rate of the currencies in which some of the commercial and financial transactions are expressed. These risks are monitored by the management which takes all the necessary measures to reduce this type of risks. During this year the company implemented operations in derivatives which were intended to reduce the currency risks which were concluded in early 2013.

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. The devaluation fund which is accrued at the end of the year represent about 29% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the relative note (6) of the financial statement.

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies.

In relation to guarantees granted to others, it should be noted that El.En., along with a minority partner, in 2009 underwrote a bank guarantee for a maximum of 1 million Euros to guarantee the debt of the subsidiary Quanta System to the Banca Popolare di Milano for facilitated financing of 900 thousand Euros, the installments for which expire up to 84 months after the date of issuance, which took place in the second half of 2009. Moreover, after the acquisition of the entire equity from the minority shareholder on October 8th 2012, El..En. was committed to relieve this partner of any type of economic demand made by the Banca Popolare di Milano.

Moreover, in 2011 the Company also underwrote:
- a bank guarantee jointly with the companies which are participating in the ATS constituted for this purpose, for a maximum of 3.074 thousand Euros as a guarantee for the pay back of the amount guarantee as down payment on the research project "MILORD", which has been included in the grant issued by *Bando Regionale* 2010 approved by the Region of Tuscany with Directive Decree n. 670 of February 25th 2011, which expires in September 2014;

And this year underwrote:
- a bank guarantee for a maximum of 50 thousand Euros as a guarantee on customs duty, ex art. 34 of T.U.L.D., which effects temporary imports, with expiration date in June 2014 which can be extended annually.

Cash and interest rate risks
The cash risk represents the risk that the financial resources available might be inadequate to cover the debts coming due. At this time the Company believes that the cash on hand is enough to cover the existing debts with a very positive net financial position of about 11,6 million Euros.

The exposure to the risk of variations in the interest rates of the market is connected to the mid- to long-term financing operations with a variable interest rate. The company concludes operations for collecting funds at a variable rate and then evaluates whether they should cover the risk of the interest rate by converting the variable rate to a fixed rate.
The Company El.En. underwrote IRS contracts with major credit institutions in order to cover the interest rate on financing that had already been granted. The hedge was made by neutralizing the potential losses of the instrument

(financing) with the profits registered from another element (the derivative). IAS 39 refers to several types of *Hedge Accounting* one of which, the *Cash Flow Hedge* is the type that was used in this case.

The purpose of the *Cash Flow Hedge* is to cover the exposure to variations in the future attributed to particular risks associated with the entries in the financial statements.
In this case, the variations in fair value of the derivative are reported in the shareholders' equity for the effective amount of coverage, and in the income statement only when, with reference to the amount covered, the variation in the amount of cash flow to be compensated appears. If the hedge is not effective the variation in the fair value of the hedge contract must be registered in the income statement.

Operation		*Fair value*	
	Notional value	*Positive*	*Negative*
IRS	€ 833.333		(6.262)

In evaluating the potential impact derived from changes in the interest rates, it should be noted that, since the financing is for an insignificant amount, any changes in the interest rate would not have an impact on the capital and reserves.

Management of the capital

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

Financial Instruments (note 35)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Company.

	Book value 31/12/2013	**Book value 31/12/2012**	**Fair value 31/12/2013**	**Fair value 31/12/2012**
Equity investment avalaible for sale				
Equity investment in Cynsoure Inc.	40.539.083		40.539.083	
Financial assets				
Financial mid and long term receivables	30.000		30.000	
Financial receivables within 12 months	3.429.633	3.496.372	3.429.633	3.496.372
Cash and cash equivalents	21.808.559	22.928.956	21.808.559	22.928.956
Financial liabilities				
Financial mid and long term debts	4.036.667	7.358.333	4.036.667	7.358.333
Financial liabilities due within 12 months	6.206.696	4.048.868	6.206.696	4.048.868

Fair value hierarchy

The Company uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

For the financial statements of the Company, these concepts are applicable only for the evaluation of the equity in Cynosure, whose fair value can be qualified as Level 1, since it is related to the official quotation of the US market Nasdaq.

As of December 31st 2013 the Company possesses the following securities evaluated at fair value.

	Level 1	Level 2	Level 3	Total
Equity investment in Cynsoure Inc. AFS	40.539.083			40.539.083
Total	**40.539.083**	**0**	**0**	**40.539.083**

Other information (note 36)

Remuneration of directors and statutory auditors

	31/12/2013	31/12/2012	Variation	Var.%
Remuneration of directors	632.441	491.885	140.556	28,57%
Remuneration of statutory auditors	72.800	72.800	-	0,00%
Total	705.241	564.685	140.556	24,89%

Information supplied in compliance with art. 149-duodecies of the *Regolamento Emittenti Consob*

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2013 related to auditing services and for those other than the ones conducted by Deloitte & Touche

Tipo di servizio	Company providing the service	Receiver	note	2013 fees (Euros)
Audit	Deloitte & Touche SpA	El.En. SpA		50.063
Other services	Deloitte network	El.En. SpA	(1)	20.000
				70.063

(1) Activities supporting the control and up-dating of the system of evaluation and control of risks related to financial information reports

The honorariums shown are net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees divided by category

	Average 2013	31/12/2013	Average 2012	31/12/2012	Variation	Var. %
Executives	11,0	11	11,0	11	0	0,00%
Management	14,0	16	11,0	12	4	33,33%
White collar	94,5	96	92,5	93	3	3,23%
Blue collar	68,0	70	66,5	66	4	6,06%
Total	187,5	193	181,0	182	11	6,04%

For the Board of Directors

The Managing Director – Ing. Andrea Cangioli

Declaration of the separate financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. S.p.A., in conformity with art. 154-bis, sub-section 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2013.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the separate statement dated December 31st 2013:

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

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

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the company;

3.2 the Management Report contains a reliable analysis of the trends and results of the activity as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties to which they are exposed:

Calenzano, March 13th 2014

Managing Director	Executive officer responsible for the preparation of the financial statements
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

El. En. S.p.A.
Legal Headquarters: Via Baldanzese 17 Calenzano (Florence, Italy)
Registry of companies, Florence n. 03137680488

Report of the Board of Statutory Auditors to the Stockholders' Meeting on the financial statement as of December 31st 2013 in conformity with art. 2429 c.c. and art. 153 of D. Lgs. n. 58 /1998

To our shareholders,
the Board of Directors of El.En. S.p.A. herewith presents to the Assembly of the company the proposed company report as of December 31st 2013 which was consigned to the Board of Statutory Auditors on March 13th 2014.

During the financial year 2013 the Board of Statutory Auditors conducted its activity in compliance with the regulations of the "*Testo Unico delle disposizioni in materia di intermediazione finanziaria*" (rules for financial intermediaries) D. Lgs. February 24th 1998 n. 58, D.Lgs. January 27th 2010 n. 39 and in conformity with the operating principles of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Business Administrators and Accountants) for the companies quoted on the stock market and with Consob Communication of April 6th 2001, modified and integrated with communication DEM/ 3021582 of April 4th 2003 and subsequently with communication DEM/6031329 of April 7th 2006.

In compliance with D.Lgs. n.58 of February 24th 1998 and D. Lgs. Of January 27th 2010 no. 39, it should be noted that the activity of auditing of the accounts and the financials is the responsibility of the Independent auditor Deloitte & Touche S.p.A . which was confirmed for the auditing of the financials for 2012 – 2020, by the stockholders' assembly which met on May15th 2012, subject to the approval of the Board of Statutory Auditors.

It should be recalled that on June 25th 2013, after the resignation of Dott. Gino Manfriani, in order to allow the company to adapt the composition of the members of the Board of Auditors to comply with art. 148, sub-section 1-bis, T.U.F. in relation to the gender quotas, the Board of Auditors of the Parent Company El.En. S.p.A. is now composed as follows: Dott. Vincenzo Pilla, President; Dott. Paolo Caselli, auditor; Dott.ssa Rita Pelagotti, auditor; Dott. Manfredi Bufalini, alternate auditor. The shareholders' meeting held to approve the financial statement as of December 31st 2013 was also asked to vote on the necessary additions to the Board of Auditors.

For the financials as of December 31st 2013, the Independent auditor found no faults and declared that the statement was in conformity with the rules that govern the criteria for drawing up financial statements, that it is was written clearly and that it represented in a true and correct manner the economic and financial situation, the earnings and the cash flow of El.En. S.p.A.. The Independent auditor also found that the information contained in the Management Report and the report on corporate governance was consistent with the statement.

The financial statement as of December 31st 2013 was drawn up in conformity with the International Accounting Principles (IFRS).

In conformity with the recommendations given by Consob, with their communication of April 6th 2001, we declare that the Board of Statutory Auditors:

- Supervised the respect of the law and the certificate of incorporation.
- Obtained from the directors, at least once every quarter, information on the activity conducted and on the operations of major economic and financial significance made by the

Company (and by its subsidiaries) and can reasonably affirm that the activities voted and carried out are in conformity with the law and with the company Statute and are not manifestly imprudent, risky or in potential conflict of interest or in contrast with the decisions made by the Assembly or of a nature to compromise the shareholders' equity. In this regard in the Annual Financial Report as of December 31st 2013, the following significant events occurred in 2013 are described.

- They have been informed about and have supervised, within the limits of their competency, the adequacy of the organizational structure of the Company, of the respect of the principles of correct administration, and the adequacy of the instructions given by the company to the subsidiaries in conformity with art. 114, sub-section 2 of D.Lgs. 58/98, through the gathering of information from the persons responsible for the organizational functions. As far as the inter-group operations are concerned, the directors, in the explanatory notes, illustrate and describe the relations between the Company and the companies of the Group, stating that the operations took place under normal market conditions. These operations are consistent with and respond to the interests of the company.

- They have initiated an exchange of information with the Independent auditors, by meeting with their staff in conformity with art. 150, sub-section 2, D.Lgs. 58/98, and from these meetings no information emerged that needed to be mentioned in this report. From this exchange of information it emerged that the Independent auditor found no irregularities or errors in reference to the regular bookkeeping and the correct reporting of facts related to the management in the entries in the accounts which required notification to the competent authorities.

- They have initiated an exchange of information with the corresponding bodies of the Italian subsidiary companies concerning the administration and control and the general trend of the activities.

- They have evaluated and supervised the adequacy of the internal controls system and the administrative and accounting system as well as its reliability in correctly representing management events by (i) obtaining information from the managers of the respective functions, (ii) inspecting the company documents and the analysis of the results of the work conducted by the Independent auditor, (iii) supervising the activity of the provosts for internal controls and (iv) participating in the activity conducted by the Internal Control Committees of the Board of Directors instituted by the Company in compliance with the *Codice di Autodisciplina* for companies quoted on the stock market. In relation to this no particular observations were reported. The Board of Statutory Auditors, moreover has taken note of the contents of the communication from the manager in charge of preparing the company's financial statements regarding the fulfilling of his duties and the declarations made by him and by the managing director in conformity with the law.

- From the Supervising Body, instituted in conformity with D.Lgs 231/2001, of which the statutory auditor Paolo Caselli is an acting member, they have received information concerning the activities conducted by this body. From this information no anomalies or reprehensible facts emerged.

- They reported that from the information received from the directors and from the conversations had with representatives of the Independent auditing company, the existence of atypical or unusual operations conducted with companies of the Group, related or third parties during 2013 or after the closure of the financial year, did not emerge.

- On the basis of the findings communicated by the Independent auditing company concerning their separate report, they did not report any critical points or errors in information.

- The Board of Statutory Auditors has not received any reports of violations of ex art. 2408 of the Civil Code nor other protests from third parties.

- They have taken note of the fact that the Company has substantially adhered to the *Codice di Autodisciplina* set up by the Commission for corporate governance of companies quoted on the stock market. The Board of Directors has appointed two independent directors and has instituted the following commissions: Nominations Committee, Remuneration Committee, and Control and Risk Commission. Concerning the activities conducted and the state of implementation of the regulations contained in the above mentioned code, the Board of Directors has provided ample information in the annual report on corporate governance (*Relazione Annuale sul sistema di corporate governance)*.

- They have taken note of the approval of the Board of Directors of the ethics code for operations made on financial instruments by the El.En. Group (*Codice di "Comportamento per operazioni compiute su strumenti finanziari del Gruppo El.En. da persone rilevanti")* in effect starting on January 1st 2003, in compliance with the stock market regulations ("*Regolamento dei mercati organizzati e gestiti da Borsa Italiana S.p.A.")* approved on July 9th 2002.

- In compliance with art. 4 sub-section 6 of the Consob regulation (*Regolamento Consob*) containing provisions related to operations with related parties (adopted after vote 17221 of March 12th 2010 and subsequently modified by vote 17389 of June 23rd 2010), they supervised the compliance of the procedures adopted by the company through the approval of the specific regulation, to the principles indicated in the *Regolamento Consob* mentioned above as well as to the application of these same principles.

- In conformity with art.19 first sub-section letter d) of D.Lgs. 39/2010, they supervised the independence of the legal auditors, in particular in relation to the performance of non-auditing services and in compliance with art.17 sub-section 9 D.Lgs 39/2010, the Independent Auditors gave written confirmation of their independence and also communicated that the non-auditing services performed for the company are described in the Notes and consist of:

    - Methodological support for the internal task force created by the company for starting the process of control and up-dating of the existing system now operating and evaluation of the risks connected to the financial information report in conformity with law 262/2005 for a remuneration of 20 thousand Euros.

- In compliance with art. 17 of D.Lgs n. 39/2010, they discussed with the Independent auditors the risks related to the independence of the company as well as the measures that had been taken to limit these risks.

- In compliance with art. 19 of D.Lgs n. 39/2010, in their role as Commission for Internal Controls and auditors, they supervised the process of financial information, on the effectiveness of the internal controls system, of internal auditing and risk management.

- In compliance with art. 19 of D.Lgs n. 39/2010, they supervised the auditing of the annual accounts and the consolidated accounts by obtaining from the legal auditors a report on the fundamental questions which emerged during the legal auditing from which no significant faults emerged regarding to the internal controls system in relation to the process of financial information.

- The Board of Statutory Auditors did not find any critical aspects in relation to the independence of the Independent Auditors.

- During the supervising activity conducted and, on the basis of information obtained from the Independent auditing company, no omissions or reprehensible facts emerged of a nature that would require them to be reported to the controlling bodies or mentioned in this report.

Upon the appointment by the Board of Directors of the manager in charge of preparing the Company's financial statements, the Board of Statutory Auditors expressed their favorable opinion in conformity with art. 154-bis D. Lgs. 58/98.

The Board of Statutory Auditors issued opinions related to the salaries as per ex art. 2389 n. 3 c.c..

The Board verified the adequacy, as far as the evaluation method was concerned, of the impairment tests being used in order to evaluate the existence of losses in value of the assets entered in the accounts.

On March 13rd 2014 the Board of Directors approved the report on remuneration in compliance with art. 123 ter TUF.

The Board of Statutory Auditors believes that the internal procedure adopted by the Company in order to comply with art. 36 of the stock market regulations (*Regolamento Mercati*) approved by Consob with vote 16191/2007 concerning information and suitability of the systems of transmission of data by the subsidiary companies governed by countries not belonging to the European Union, is adequate.

The supervising activity described above was conducted in seven meetings of the Board of Statutory Auditors, attending four meetings of the Board of Directors and one shareholders' meeting in 2013 and participating in the activities of the Committee for controls and risks.

The Board of Statutory Auditors has verified the correct application by the Board of Directors of the criteria and of the procedures adopted to evaluate the independence of the independent directors in conformity with art. 3.C.5 of the *Codice di Autodisciplina*. The Board of Statutory Auditors has also verified the compliance with the criteria for independence of its own members both in the phase of appointment and afterwards, in conformity with art. 10.C.2 of the *Codice di Autodisciplina.*

The Board of Statutory Auditors, in consideration of the results of the verifications conducted and the positive opinion of the Independent auditing company, expresses their favorable opinion for the approval of the financial report as it has been presented by the Board of Directors, and of the proposal by the same body in relation to the destination of the net income for the financial year.

Florence March 28th 2014.

The Board of Auditors

Dott. Vincenzo Pilla, president of the Board of Auditors.

Dott. Paolo Caselli, auditor.

Dott.ssa Rita Pelagotti, auditor.

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AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

1. We have audited the financial statements of El.En. S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the notes to the financial statements and as required by the new IFRS provisions detailed in the paragraph "Accounting Principles, amendments and IFRS interpretations applied since January 2013", the Directors have adjusted certain comparative data related to the prior year's with respect to the data previously reported and audited by us, on which we issued auditors' report dated March 27, 2013.

   These modifications to comparative data and related disclosures included in the notes to the financial statements have been audited by us for the purpose of expressing our opinion on the financial statements as of December 31, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of El.En. S.p.A. as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of El.En. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of El.En. S.p.A. as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence, Italy
March 28, 2014

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