Half Yearly Financial Report as of 30th June 2014

El.En. Group

EL.EN. S.p.A.

Headquarters in Calenzano (Florence), Via Baldanzese, 17

Capital stock: Underwritten and paid : € 2.508.671,36

Registry of Companies in Florence – C.F. 03137680488

CORPORATE BOARDS OF THE PARENT COMPANY

(as of the date of approval of the financials on June 30^{th} 2014)

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.

EL.EN. GROUP

HALF YEARLY MANAGEMENT REPORT

EXPLANATORY NOTES

1.1. Adoption of international accounting principles

This half-yearly financial statement for the half ending on June 30th 2014, approved by the Board of Directors on August 28th 2014, drawn up in consolidated form in compliance with to Art. 154-ter of February 24th 1998, Legislative Decree 58 (TUF) and later modifications and additions, has been drawn up in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified by the European Union.

By IFRS we mean also the International Accounting Standards (IAS) which are still in force, as well as all of the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC).

In this report which is drawn up in conformity with IAS 34, Intermediate Reports, we have used the same accounting principles used for the consolidated financial statement of December 31st 2013 with the exception of the accounting standards that went into force starting on January 1st 2014 described in the Explanatory Notes – paragraph pertaining to the “Accounting Principles and Evaluation Criteria”.

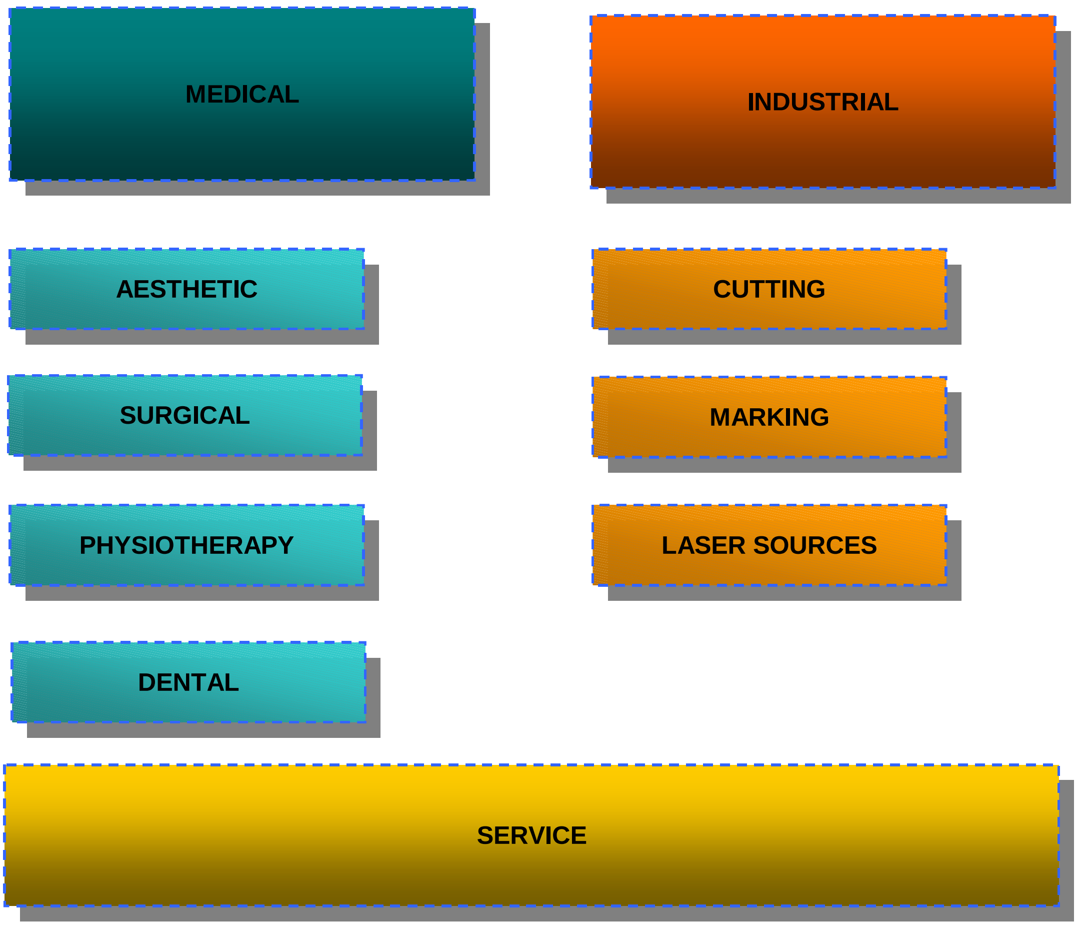
All amounts are expressed in thousands of Euros unless otherwise indicated.

1.2. Description of the activities of the Group

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

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

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



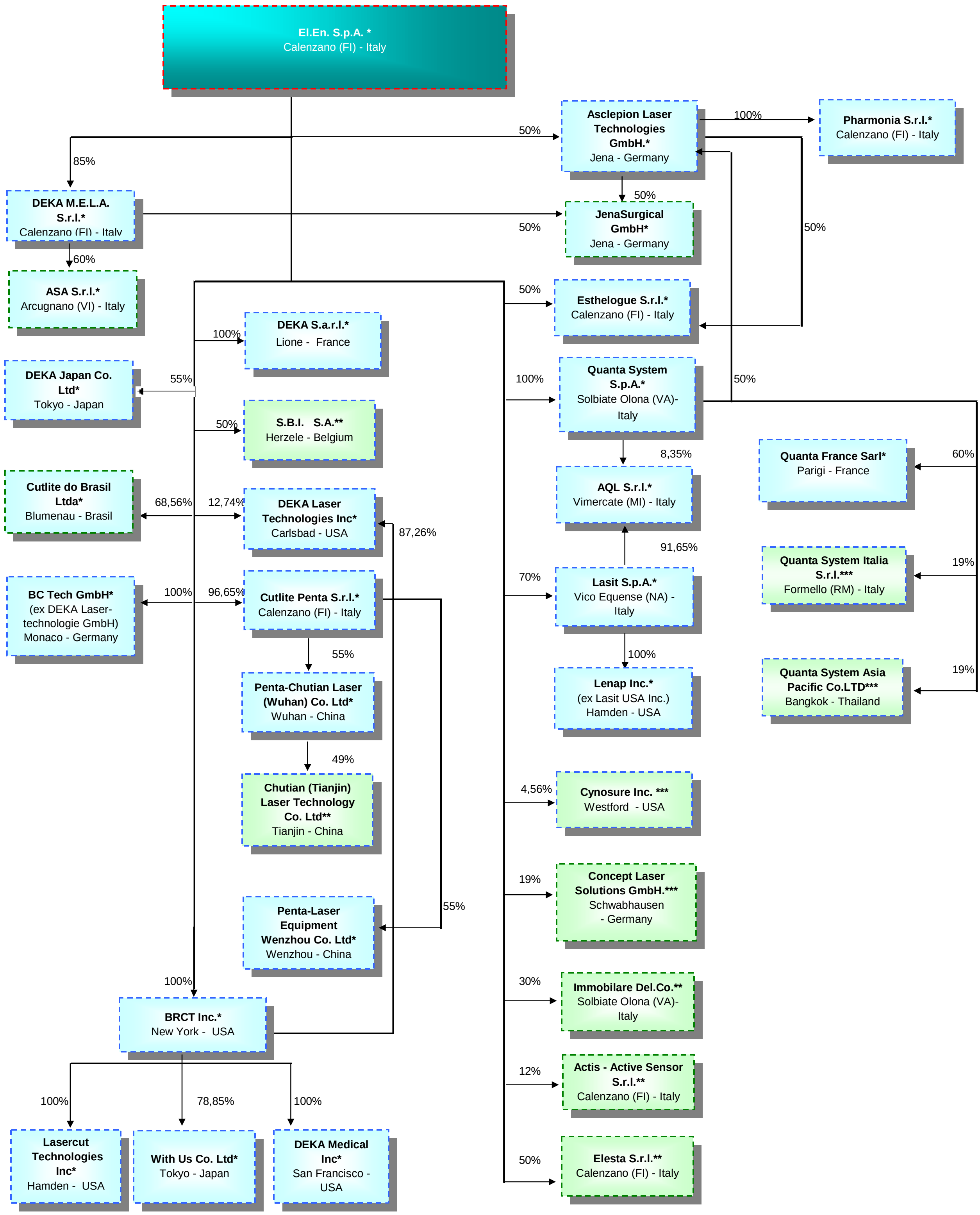
Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

We believe that the trend in the two main markets we operate in will continue to be positive in the next few years thanks, on one hand, to the growing demand for aesthetic and medical treatments by a population which on the average is growing older and increasingly desires to reduce the effects of aging and, on the other, the need for manufacturers to equip themselves with flexible and innovative technologies like laser technologies for manufacturing, which are tools that are highly functional for innovation and optimization of processes and of industrial 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.

1.3. Group structure

As of June 30th 2014 the structure of the Group was as follows:



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

1.4. Performance indicators

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

	30/06/14	30/06/13
Profitability ratios (*):		
ROE (Net income / Share Capital and Reserves)	14,2%	2,1%
ROS (EBIT/ Revenues)	8,1%	5,1%
Structure ratios:		
Financial flexibility (Current assets / Total assets)	0,77	0,69
Leverage ((Shareholders' Equity + Financial liabilities) / Shareholders' Equity)	1,14	1,18
Current Ratio (Current assets / Current liabilities)	2,45	2,27
Acid ratio ((Current receivables + Cash and cash equivalents+securities)/ Current liabilities)	1,67	1,47
Quick ratio ((Cash and cash equivalents + Investments) / Current liabilities)	0,87	0,66

(*)For the interim reports the amounts of the revenue, purchases and the profit results have been annualized.

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:

- Share Capital and Reserves = Shareholders’ equity of the Group – Net income (loss)

1.5. Alternative NON-GAAP measures

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

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 Net Income (Loss) for the period: the income tax, the other net income and charges, the quota of the results 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 **added value** is determined by adding to the EBITDA the" staff cost";
- the **gross margin** represents the indicator of the sales margin determined by adding to the Added Value the "Costs for operating services and charges".
- the **incidence** that the various entries in the income statement have on the sales volume.

As alternative performance indicators, to evaluate its ability to fulfill their financial obligations the Group uses :

- the **net financial position** which is: cash available + Securities entered as current assets + current financial receivables – debts and non-current financial liabilities - current financial debts.

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

1.6. Group financial highlights

The first half of 2014 showed excellent results both in growth of the operating revenue and net income for the period. The sales volume for this half in fact is over 80 million Euros and registers a growth of almost 9%; the EBIT of 6,5 million Euros amounts to 8,1% of the sales volume and the net income of the Group is 8,5 million Euros which represents a significant improvement over the results achieved during the first half of 2013.

These exceptionally satisfying results are due to three main factors:

The ordinary operating activity was in line with the forecasts and showed a growth in sales volume of 8,9% and an EBIT which, net of the non-repeatable amounts, reached 5 million Euros with an incidence on the sales volume of 6,2% and an increase of 34% over the results shown for the first half of 2013.

The out of court settlement signed in the month of March with Palomar Inc., which has now merged with Cynosure Inc. finally ended a lengthy dispute with a company of the Group, Asclepion Laser Technologies GmbH. This fact had a positive impact on the EBIT thanks to the release of part of the reserve which had been set up for this purpose, which consisted of 1,5 million Euros more than the 0,6 million Euros which was agreed on for the transaction. This sum represents a one-off entry in the EBIT for the year 2014, but in evaluating the additional revenue that this constitutes for 2014 it should be recalled that the costs which are now being released were accrued during the preceding years reducing the ordinary revenue.

Moreover, the operation that had the most significant impact, the sale of the block of Cynosure shares for an amount of 23 million Euros and a gross consolidated capital gains of 4,5 million Euros which contribute to the extraordinary result for the period and to further re-enforce the net financial position of the Group which was over 40 million at the end of this half. El.En. Spa still holds about one million shares of Cynosure which are entered with the other equities and, above all, they continue to have a profitable business relationship with Cynosure which is driven by new versions of the Cynosure brand products made possible by the research, development and the production of El.En. Spa.

The general economic conditions during this half have manifested a gradual deterioration of the growth indicators which have been transformed into indicators of a recession in all of Europe and in Italy. Better economic conditions persist in the United States and some countries in the Far East. The foreign exchange rate has moved in a favorable direction for our products and both the US Dollar and the Yen have been strengthened with respect to the minimum position registered at the beginning of the year.

The strategy of the Group has always been to create a competitive advantage through technological innovation based on a systematic activity of research and development of innovative products and technical innovations and new uses for pre-existing products. In the presence of technical and applicative innovations, in fact, the general economic difficulties are overcome by the fact that the product offered is unique, while in a more advanced phase of the life cycle of products even a high-tech activity like ours is subject to more ordinary dynamics and pressures of the market.

The chart below shows the breakdown of the sales volume in the various sectors of activity of the Group for the first half of 2014 compared with a similar breakdown for last year.

	30/06/2014	**Inc%**	**30/06/2013**	**Inc%**	**Var%**
Medical sector	55.258	68,73%	52.189	70,68%	5,88%
Industrial sector	25.139	31,27%	21.648	29,32%	16,13%
Total	**80.398**	**100,00%**	**73.837**	**100,00%**	**8,88%**

The increase in consolidated sales volume was close to 9%, with a growth of about 16% circa in the industrial sector thanks in particular to the sales in China and an increase of about 6% in the main sector, the medical one.

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

	30/06/2014	**Inc%**	**30/06/2013**	**Inc%**	**Var%**
Italy	16.095	20,02%	14.770	20,00%	8,96%
Europe	16.341	20,33%	16.280	22,05%	0,38%
Rest of the world	47.962	59,66%	42.787	57,95%	12,10%
Total	**80.398**	**100,00%**	**73.837**	**100,00%**	**8,88%**

The greatest growth rate was shown by the non-European countries and their importance in the sales volume continues to increase, in particular the Chinese market for industrial systems. The European markets were much less receptive mainly due to the overall stagnation of the economic situation. The positive results obtained in Italy where the economic situation and the tendency to invest are just as critical as the other European countries, is due to the specific measures taken in the aesthetic and medical sector and a mix of sales more directed towards Italy in the industrial sector.

The chart below shows the sales volume in the medical/aesthetic sector which represents about 69% of the sales of the Group, broken down according to segment:

	30/06/2014	Inc%	30/06/2013	Inc%	Var%
Aesthetic	33.222	60,12%	33.041	63,31%	0,55%
Surgical	7.534	13,63%	5.388	10,32%	39,84%
Physiotherapy	3.822	6,92%	3.368	6,45%	13,49%
Dental	425	0,77%	558	1,07%	-23,92%
Other medical lasers			51	0,10%	-100,00%
Total	**45.003**	**81,44%**	**42.405**	**81,25%**	**6,13%**
Medical service	10.255	18,56%	9.784	18,75%	4,82%
Total medical sector	**55.258**	**100,00%**	**52.189**	**100,00%**	**5,88%**

An overall increase of about 6% was registered. The main segment, aesthetics, showed a slight growth which consolidated the Group's market position in the main segments of application: hair removal, photo-rejuvenation, resurfacing, tattoo removal and body shaping. It should be recalled that the Group offers a wide and very complete range in this segment through its distribution networks. For hair removal, the Alessandrite/Yag Re:play and Light systems produced respectively by Deka and Quanta System, and Asclepion's Mediostar Next System distributed in Italy by Esthelogue in the professional aesthetics sector; Deka, moreover, has a range of IPL systems that have been very successful especially in the versions for professional aesthetics. In the laser lipolysis sector Deka offers Smartlipo, the first system to make this application possible, and the Group continues to develop a consistent volume of business with Cynosure, to which they supply the technology for the Triplex and Cellulaze systems. For resurfacing, the CO_2 laser systems made by Deka, Smartxide and Smartxide^2 with their relative accessories represent a point of reference for this market; Quanta System and Asclepion are also present with their systems, respectively, You laser MT and Multipulse; in the niche sector of ablation systems with erbium technology Asclepion has always been a leader with their MCL series which is now offered in the new version MCL31. For removal of tattoos and pigmented lesions, Quanta has a high quality range with its Q+ systems wih two and three wave lengths, while Asclepion offers the solid Tattoo Star and Deka has recently launched their new QS4 model. For vascular treatments Deka offers an up-dated version of one of the classic technologies of laser dermatology, the Dye technology with VASQ, while Asclepion's Quadro Star Pro Yellow which, for the same application, uses a different technology and energy delivery method, has been highly successful.

Results in the surgical sector have been brilliant tank to the significant growth of the systems for treating vaginal atrophy, the "Monna Lisa Touch" application launched by Deka and the equally vigorous growth of the holmium and tullium lasers for treating benign hypertrophy of the prostate (BHP) with the Quanta's Cyber system and Asclepion's Multipulse 100Ho as well as the holmium lasers for lithotripsy (Litho systems and Quanta's vast OEM production).

The positive trend in the physical therapy sector has continued under the excellent management of ASA, while the dental sector which has not represented a significant investment by the Group during this period, decreased.

The after-sales service activity and the sale of consumables showed a normal increase.

	30/06/2014	Inc%	30/06/2013	Inc%	Var%
Laser sources	240	0,95%	350	1,62%	-31,57%
Cutting	16.113	64,09%	12.949	59,82%	24,43%
Marking	5.169	20,56%	5.158	23,83%	0,22%
Welding, other industrial systems	135	0,54%	252	1,16%	-46,51%
Total	**21.656**	**86,15%**	**18.709**	**86,42%**	**15,75%**
Industrial service	3.483	13,85%	2.939	13,58%	18,50%
Total industrial sector	**25.139**	**100,00%**	**21.648**	**100,00%**	**16,13%**

The overall results for this quarter were also very positive in the sales volume of the industrial sector; the increase in the main sector of cutting systems makes the trend in the other segments, including laser sources and restoration, negligible.

There was also a significant increase in the sales volume for service, mostly on the Chinese market, as well as the growth in the sales of systems.

1.7. Consolidated income statement as of June 30th 2014

The chart below shows the consolidated income statement reclassified for the period ending on June 30th 2014 compared with that for the same period last year.

Income Statement	30/06/14	Inc.%	30/06/13	Inc.%	Var.%
Revenues	80.398	100,0%	73.837	100,0%	8,9%
Change in inventory of finished goods and WIP	3.823	4,8%	1.426	1,9%	168,2%
Other revenues and income	1.276	1,6%	1.067	1,4%	19,6%
Value of production	**85.497**	**106,3%**	**76.330**	**103,4%**	**12,0%**
Purchase of raw materials	41.779	52,0%	37.021	50,1%	12,9%
Change in inventory of raw material	(1.018)	-1,3%	(2.874)	-3,9%	-64,6%
Other direct services	6.678	8,3%	5.840	7,9%	14,4%
Gross margin	**38.058**	**47,3%**	**36.343**	**49,2%**	**4,7%**
Other operating services and charges	12.519	15,6%	12.759	17,3%	-1,9%
Added value	**25.540**	**31,8%**	**23.584**	**31,9%**	**8,3%**
For staff costs	18.495	23,0%	17.644	23,9%	4,8%
EBITDA	**7.044**	**8,8%**	**5.940**	**8,0%**	**18,6%**
Depreciation, amortization and other accruals	561	0,7%	2.206	3,0%	-74,6%
EBIT	**6.484**	**8,1%**	**3.733**	**5,1%**	**73,7%**
Net financial income (charges)	425	0,5%	70	0,1%	504,7%
Share of profit of associated companies	(1)	-0,0%	(645)	-0,9%	-99,9%
Other net income (expense)	4.451	5,5%	229	0,3%	1846,5%
Income (loss) before taxes	**11.359**	**14,1%**	**3.387**	**4,6%**	**235,4%**
Income taxes	2.339	2,9%	2.058	2,8%	13,7%
Income (loss) for the financial period	**9.019**	**11,2%**	**1.329**	**1,8%**	**578,6%**
Minority interest	527	0,7%	72	0,1%	634,5%
Net income (loss)	**8.492**	**10,6%**	**1.257**	**1,7%**	**575,4%**

The gross margin was 38.058 thousand Euros, an increase of 4,7% with respect to the 36.343 thousand Euros for the same period last year, thanks to the increase in the sales volume; the gross margin was reduced by two percentage points as an effect of a less favourable mix of sales with an increase in sales in the industrial sector in China and a decrease in sales in the Far East of products made in Europe.

It should be noted that, again in 2014, although the Group cashed in the sale price during this year, some of the sales financed by the clientele by means of operative leasing have been considered, in conformity with IAS/IFRS principles, as revenue from multi-year rentals; in any case the phenomenon had a limited effect on the income statement for the period.

Costs for operating services and charges were 12.519 thousand Euros, a decrease of 1,9% compared with June 30th 2013, and the incidence on the sales volume also improved, falling from 17,3% on June 30th 2013 to 15,6% during this half.

The cost for staff was 18.495 thousand Euros, an increase of 4,8% compared with the 17.644 thousand Euros for the same period last year, but it shows a decrease in the incidence on the sales volume which fell from 23,9% on June 30th 2013 to 23,0% on June 30th 2014. As of June 30th 2014 there were 931 employees in the Group as opposed to the 859 employees registered on December 31st 2013 and the 822 on June 30th 2013. The Chinse companies were the ones that showed the greatest increase (+77 employees more than on June 30th 2013) which was mainly due to the rapid rise in the volume of business.

A large portion of the personnel expenses is directed towards research and development, for which the Group receives grants and reimbursements in relation to specific contracts underwritten by the institutions created for this purpose. The grants registered into accounts on June 30th 2014 were 250 thousand Euros, much less than the 548 thousand Euros received for the same period in 2013.

Due to the situation described above, the EBITDA is 7.044 thousand Euros, an increase with respect to the 5.940 thousand Euros registered on June 30th 2013.

The costs for amortization, depreciations and accruals were 561 thousand Euros, a decrease of 74,6% compared with the 2.206 thousand Euros registered on June 30th 2013. This decrease is due to the release of 1.478 thousand Euros from the fund for risks and charges because of the transaction concluded in the month of March by the German subsidiary Asclepion also on behalf of other companies in the Group, with Palomar Inc. and therefore represents an additional component of the revenue. Starting in 2004, in order to neutralize the risk of losing the law suit, the company began to accrue funds for a total of 2,1 million Euros while the suit was settled for 630 thousand Euros: the difference of about 1,5 million Euros was therefore released during this half.

The EBIT therefore was 6.484 thousand Euros, an increase over the 3.733 thousand Euros registered on June 30th 2013; the incidence on the sales volume is 8,1%, an increase over the 5,1% shown on June 30th 2013. Net of the one-off amount from the Palomar/Cynosure patent suit, the EBIT would have shown, in any case, an increase of 34% and reached 5.006 thousand Euros during this half.

Net financial income amounted to 425 thousand Euros as opposed to the 70 thousand Euros for the same period last year and, in particular, benefitted from a favourable trend in the foreign currency exchange rate and the relative differences registered under this heading for the accounts opened in foreign currency.

The other net income and charges as of June 30th 2014 were positive and amounted to 4.451 thousand Euros, as opposed to the 229 thousand Euros on June 30th del 2013. This amount is entirely due to the capital gains of 4,5 million Euros earned on account of the sale by El.En. S.p.A of a block of 1.100.000 shares of Cynosure Inc. stock which occurred in the month of March and brought in an amount of 32 million dollars. The befits of this operation are even more significant if one considers the reduced capital gains tax to which it is subject because of the so-called PEX tax exemption with a reduction of the overall tax rate.

Pre-tax profit therefore amounted to 11.359 thousand Euros, which was an increase compared to the 3.387 thousand Euros on June 30th 2013.

The fiscal costs for this year amounted to a total of 2,3 million Euros. The taxes for this half were calculated on the basis of the best estimate of the fiscal aliquot expected for the year 2014.
The tax rate for this period was about 21% , a decrease with respect to the past, and it benefits in the first place from the above mentioned partial PEX exemption on the capital gains registered among the other income and the reduced tax charges of some of the subsidiary companies which was derived from the use of the losses incurred in the preceding years.

The first half ends with a net income of 8.492 thousand Euros.

1.8. Consolidated statement of financial position and net financial position as of June 30th 2014

The reclassified statement of financial position shown on the chart below makes it possible to compare the financial position for this half with that of December 31st 2013.

	30/06/2014	31/12/2013	Var.
Statement of financial position			
Intangible assets	3.510	3.397	113
Tangible assets	22.118	21.853	264
Equity investments	16.515	41.568	-25.053
Deferred tax assets	6.291	6.123	168
Other non current assets	3	34	-32
Total non current assets	**48.436**	**72.976**	**-24.540**
Inventories	52.686	48.372	4.314
Accounts receivables	39.157	42.545	-3.388
Tax receivables	6.558	4.254	2.304
Other receivables	8.733	6.324	2.409
Financial instruments	50	300	-250
Cash and cash equivalents	58.618	42.868	15.750
Total current assets	**165.802**	**144.663**	**21.139**
TOTAL ASSETS	**214.238**	**217.639**	**-3.401**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	43.829	50.493	-6.665
Treasury stock	-528	-528	
Retained earnings / (deficit)	35.205	31.121	4.083
Net income / (loss)	8.492	6.080	2.412
Share Capital and Reserves attributable to the Shareholders' of the Parent Company	**128.099**	**128.269**	**-170**
Share Capital and Reserves attributable to non-controlling interests	6.226	6.037	189
Total equity	**134.325**	**134.306**	**19**
Severance indemnity	3.247	3.115	132
Deferred tax liabilities	1.060	1.303	-243
Other accruals	2.500	4.485	-1.985
Financial liabilities	5.386	6.968	-1.582
Non current liabilities	**12.193**	**15.872**	**-3.678**
Financial liabilities	13.818	15.763	-1.945
Accounts payables	27.356	31.227	-3.871
Income tax payables	1.909	1.726	183
Other payables	24.636	18.745	5.891
Current liabilities	**67.719**	**67.461**	**258**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**214.238**	**217.639**	**-3.401**

Net financial position		
	30/06/2014	**31/12/2013**
Cash and bank	58.618	42.868
Financial instruments	50	300
Cash and cash equivalents	**58.668**	**43.168**
Short term financial receivables	**623**	**1.383**
Bank short term loan	(11.812)	(13.612)
Part of financial long term liabilities due within 12 months	(2.006)	(2.151)
Financial short term liabilities	**(13.818)**	**(15.763)**
Net current financial position	**45.473**	**28.788**
Bank long term loan	(3.741)	(4.670)
Other long term financial liabilities	(1.645)	(2.299)
Financial long term liabilities	**(5.386)**	**(6.968)**
Net financial position	**40.087**	**21.820**

The net financial position of the Group increase from 18,3 million Euros on December 31st 2013 and now amounts to about 40 million Euros.
The increase is mainly due to the collection of 32 million US dollars (about 23 million Euros), consequently to the sale of Cynosures shares, formerly described.
Cash was used by the Parent Company El.En. S.p.A. to pay dividends to third parties for an amount of about 2.402 thousand Euros and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A. and ASA S.r.l. for the overall amount of 548 thousand Euros.

1.9. 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 parent company El.En. and its subsidiaries. Following the chart there is a series of brief explanatory notes describing the activities of each company and commenting on the results for the first half of 2014.

	Revenues 30-jun-14	**Revenues 30-jun-13**	**Var. %**	**EBIT 30-jun-14**	**EBIT 30-jun-13**	**Net income 30-jun-14**	**Net income 30-jun-13**
El.En. SpA	22.120	22.613	-2,18%	816	1.280	20.195	1.258
Subsidiary companies:							
Deka Mela Srl	12.722	14.509	-12,31%	201	620	392	652
Cutlite Penta Srl	6.237	5.980	4,29%	-318	-203	-237	953
Esthelogue Srl	3.282	2.627	24,94%	40	-260	3	-194
Deka Sarl	1.403	1.388	1,09%	-139	-188	-138	-187
BC Tech GmbH (ex Deka Lasertechnologie GmbH)	0	144	-100,00%	2.017	-23	2.017	-23
Deka Laser Technologies Inc.	55	389	-85,90%	54	-149	50	-162
Deka Medical Inc.	143	743	-80,77%	-46	-253	-65	-259
Quanta System SpA	15.206	13.692	11,06%	1.876	1.807	1.213	1.084
Asclepion Laser Technologies GmbH	10.067	10.014	0,53%	2.310	689	1.560	434
Asa Srl	3.793	3.392	11,83%	784	573	512	354
Arex Srl(*)	0	288	-100,00%	0	-12	0	-20
AQL Srl	40	60	-33,33%	-8	2	-10	0
Lasit Spa	4.030	3.660	10,13%	542	268	313	221
Lasercut Technologies Inc.	35	148	-76,45%	12	-34	10	-36
BRCT Inc.	0	0		192	-8	188	-5
With Us Co LTD	9.762	8.845	10,37%	755	-166	429	-124
Deka Japan Co LTD	863	1.907	-54,74%	-37	292	-24	157
Penta Chutian Laser (Wuhan) Co Ltd	11.575	8.652	33,78%	454	-507	144	-497
Penta Laser Equipment (Wenzhou) Co Ltd	10.487	2.460	326,31%	205	-103	131	-150
Lenap Inc. (ex Lasit Usa Inc.)	0	88	-100,00%	-3	82	-3	81
Cutlite do Brasil Ltda	1.251	1.840	-32,02%	-491	-226	-448	-175
Pharmonia Srl	1.214	1.663	-26,97%	27	41	14	25
Quanta France Sarl	341	498	-31,55%	2	-12	2	-13
JenaSurgical GmbH	0	0		-12	0	-12	0

(*) data up to 09/30/2013

El.En. S.p.A.

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

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

The importance of this coordinating activity continues to be very evident, since most of the sales volume of the company is absorbed by the subsidiaries and involves the use of important managerial resources; from a financial point of view on the other hand, a significant part of the resources of the company are utilized to sustain the activities of the Group.

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

In the first half of 2014 the sales volume showed a slight decrease due to the drop in purchases by the Group companies in the medical sector. The consequent decrease in the margin of contribution along with an increase in the overhead determined a decrease in the EBIT. Also, El.En. registered costs for about 250 thousand Euros because of the patent transaction between Asclepion and Palomar described elsewhere in this document which was the portion that they had to pay; moreover, in comparison with last year, they had to sustain some personnel costs in advance.
The net income for the period, however, was exceptional due to the sale of a block of Cynosure shares and the consequent capital gains of 19,3 million Euros. Considering that the capital gains tax is reduced thanks to the application of the so-called PEX, the net income for this half amounts to over twenty million Euros.

Deka M.E.L.A. S.r.l.
The DEKA company and their brand name are the main vehicle for the distribution of the range of medical laser system developed in the El.En. factory in Calenzano and are its first and main market. Deka in fact was among the first company to become part of the Group and has distinguished itself for the progressive growth which has consolidated its market position first in Italy and then abroad. Deka operates in the sectors of dermatology, aesthetics, and surgery, using a network of agents for direct distribution in Italy and a highly qualified network of distributors for export. Since 2003 DEKA has used the subsidiary ASA for the management of the physical therapy sector with excellent results both in terms of sales volume and revenue.
During the first half of 2014 the sales volume showed a decrease as a consequence mainly of the drop in purchases by the Japanese associated companies. The overhead has stayed the same but there was a slight increase on account of the commercial expenses for the promotion and launching of some new products during this half and for this reason the EBIT was lower.
The DEKA organization, both in Italy and in the international network, has a presence that is recognized for the innovation of the products, the professional quality of the offer, and the excellent performance of the laser systems that they sell. This has been a goal of the company in the last few years but is also a condition on which, notwithstanding the decrease during the first half of this year, the Group counts on creating further growth thanks to their capacity to move new products through a consolidated and effective distribution network.

Cutlite Penta S.r.l.
This company which has its Headquarters in Calenzano, produces laser systems for the industrial cutting applications and on X-Y movements controller by CNC installs laser power sources manufactured by El.En. S.p.A. In 2013, after the merger with Ot-las S.r.l., they added the new business of laser marking for large surfaces with galvanometric movement of the beam. The reorganization of operations thanks to the joint management of both the technical and commercial activities immediately brought about an improvement in their market position and allowed Cutlite Penta to improve their competitive position and increase their sales volume with a return to an EBIT as of December 31st 2013.
The start of 2014 turned out to be more difficult and registered a decrease in the margin of contribution which was due to a less favourable mix of sales which was reflected in the operating loss for the period that was greater than the preceding period.
The unfavourable beginning however does not preclude the possibility of a recovery in the second half of the year, during which the goal is to recover the losses incurred during the first half.

The relationship with the Parent Company, El.En. S.p.A., remains fundamental both for the acquisition of laser sources as well as the collaboration on projects for new systems and new accessories, in particular for those involving “beam delivery”, and for the financial support supplied by the Parent Company for mid-term initiatives like the expansion on the Chinese market through the subsidiary **Penta Chutian Laser (Wuhan).**
This latter company was founded seven years ago for the purpose of giving the Group a local factory serving the most important manufacturing market in the world; this was a necessary condition in order to be able to play a leading role in the local competition which is extremely aggressive in terms of price, and the international competition which is better known than we are.
The year 2014 saw a return to growth which was significant tank to a better mix of products. This is an important signal considering the phase of rapid evolution of the organizational structure which, after the founding of **Penta Chutian Laser (Wenzhou)** controlled by Cutlite Penta with the same percentage as Wuhan, is proceeding with the construction of a new factory in Wenzhou in order to increase their production capacity. As mentioned earlier, the growth in the consolidated sales volume of the two Chinese companies was obtained thanks to an improved composition of the products offered for sale which was adjusted to suit the changes in the technological pattern in the metal cutting segment that have characterized this application in the last few years.

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. bought out the minority shareholder and acquired 100% of the shares of the company. This investment has been repaid with a constant growth in sales volume and profits, with a new managerial structure that is able to capitalize on their superior knowledge of some of the laser technologies and has increasingly acquired portions of the market in some applicative sectors for aesthetic and surgical lasers. The growth in the surgical sector is particularly significant, in particular for the mid-powered Holmium systems for lithotripsy, for which Quanta holds a large quota of the international market, and Tullium lasers for the treatment of benign hypertrophy of the prostate.
At this time the line of products offered by Quanta System seem to be well suited to the requirements of the market and has made it possible for the company t obtain brilliant results again in the first half of 2014: the growth of the sales volume is over 10% and a further improvement in the EBIT notwithstanding the absorption of the quota charged to Quanta System for the charges related to the transaction which definitively closed the law suit over the patents for hair removal devices held by Palomar Inc. The position of Quanta which is particularly brilliant on the North American market will now be re-enforced thanks to the acquisition of the Group of an equity in the important American distributor Quanta USA LLC.
Quanta System will closed the year on a positive note.

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 with advanced technology (including laser cutting systems) 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 which they have gradually consolidated in the years that followed. In the first half of 2014 Lasit continued their operations successfully and showed an increase of 10% in sales volume and an even more significant improvement in their EBIT and net inome.

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.
Thanks to the continued success of the Mediostar Next laser system for hair removal and to the excellent results obtained by the new Quadro Star PRO Yellow for vascular applications, the ordinary results for the first half of 2014 were positive with sales which reached a record level; the increase in research and development costs in particular for the equipment being developed in the surgical sector, comported a fall in EBIT. However, to this one must add the net effect of the settlement of the patent suit with Palomar which, after the release of the reserve accrued in the past few years for a total amount of 2,1 million Euros, and the expenses charges to Quanta System and El.En. Spa for their part in the transaction which involved them in the beneficial effects and comported a one-off payment resulting in an EBIT higher of about 1,9 million Euros. The current market position is promising and we foresee a profitable continuation of the year during the months that are traditionally the most favorable.

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 sales volume for this half showed a further increase of 10%, mostly derived from the sales of products purchased locally. As a consequence there was a decrease in the incidence in the purchases from the European companies of the Group which limited the negative effects of the exchange rate (at 138 Yen/Euro the Exchange rate is still very expensive) on the selling price and brought the margins of contribution of the sales to a level that allowed a return to a good profitability.
The situation in the Exchange rate at this time limits the potential of making a profit based only on the distribution of European products on the Japanese market and the company, with its position and its dimensions, besides continuing to be a fundamental outlet for the products of the Group, has shown that it is able to generate revenue by supplying locally acquired products and services for their numerous installations.

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. During the first half of 2014 the company continued this positive trend with an increase in sales volume of 12% and in EBIT of 37%. During this half ASA distributed dividends for 605 thousand Euros.

Other companies, medical sector

Deka Sarl distributes the range of Deka laser systems in France. An improvement in profitability of sales in the presence of a constant volume of business limited the amount of losses this half with respect to last year. The situation, in any case, is unsatisfactory because the volume of business is not enough to sustain the operating structure of the company which, under the circumstances, will have to be restructured.

Deka Lasertechnologie GmbH, changed its name to BC Tech GmbH and ceased operations.

Deka Japan, distributes Deka brand medical systems on the Japanese market and has gradually acquired an increasingly significant position on the market. They have consolidated their competitive position also by obtaining from MOH, the Ministry of Health, the authorization to sell the Smartxide system, which now can be sold and advertised in Japan and increase their sales. The first half of 2014 showed a drop in sales volume and a small loss.

The two companies, **Deka Laser Technologies Inc**. for the dental sector and **Deka Medical Inc**. for the medical/aesthetic and surgical sector ceased operations as distributors in the USA and the distribution activity has been assigned to an outside distributor. Deka Medical will maintain a direct presence in the USA and with its own staff will conduct a marketing activity to support the distributors.

Since 2009 **Esthelogue S.r.l.** has been active in the distribution of the Group's systems to the professional aesthetics market in Italy. After being re-organized in 2011 the company began to grow and to consolidate its position in a market that had been made problematic by the difficulty to obtain financing for clients in this sector which, unlike the medical sector, excludes leasing as the main source of financing for the clientele. Esthelogue has acquired standing above all in the segment of laser hair removal and has demonstrated the technological superiority of the performance and the reliability of the systems they distribute, in particular the Mediostar Next laser system which has established itself as a leader in the field and a point of reference for the market. The growth in sales volume that was registered during the first half confirms this positive phase and, besides generating revenue for the companies of the Group of which Esthelogue is an important client, allows the company to achieve an EBIT.

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 and a distribution activity of some specific products of the Group in some foreign countries.

Quanta France is the French distributor for Quanta System which controls it by 60%. This little company played its role and developed a volume of business that was slightly below expectations but, in any case, broke even.

Other companies, industrial sector

With the sale by **BRCT Inc.** of the little factory in Branford, Connecticut, where **Lasercut Technologies Inc.** conducted its residual activity of after-sales service for some industrial systems in the USA, its activity has effectively ceased. BRCT Inc. continues in its role as a financial sub-holding which, in fact, has intensified after the acquisition on August 1st of the quotas of Quanta USA LLC.

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. The change in the minority shareholders and the recapitalization of the company voted in 2013 according to the scheduled that was set up and is now in progress, has not yet produced the results expected in terms of sales volume and a return to profitability.
The first half of 2014 was influenced by both the traditionally negative season of the first quarter as well as the disturbance of the World Cup football matches and registered negative results which were below forecasts but which can be recovered, at least in part, by the numerous business transactions which were postponed until the following half.

1.10. Research and Development activities

During 2014 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 know-how 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 and 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 laser treatment. For surgical uses we are now developing applications in otorhinolaryngoiatry, proctology and neurosurgery, in particular application of patches using semi-conductor lasers.

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 particular, we have recently developed a system for obtaining 3D images of X rays with CONEBEAM technology . The performance in terms of speed of acquisition and spatial resolution place it among the top devices of this type in the world. We are developing dedicated software and improved hardware components in order to improve it as much as possible.
We are in the preliminary study stage for a new instrument that would reduce the layer of body fat based on the use of a new form of energy.
We have conducted clinical experiments with the first prototype equipment on cadavers with encouraging results at Cadaverlab in Italy.
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 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 and is now in the phase of clinical experimentation.
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, proctology and neurology. We are now conducting experiments with laser devices for surgical operations in the fields of orthopedics and the spinal column.

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.

At Quanta System they are conducting intense research on instruments for use in aesthetic medicine and medical therapies.

This research is split up into numerous micro-activities including: feasibility studies on a system for treating onicomicosis; incremental innovations of Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes and automatic recognition; feasibility of UVB applicators for psoriasis development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP); development of incremental innovations on Holmium systems for lithotripsy, improving the performance of the cavity , of the launch of the fiber and of the fibers themselves.
Another important project has been the regulatory activity with the tests aimed at obtaining the 510(k) equipment and elements for the transmission of energy.
They have also continued work on the Qscale project and they have selected a preliminary tam for the Horizon 2020 project on Pleurodesis Laser.

At Asclepion Laser Technologies they conducted research to evaluate new concepts of optic fibers and ferrules; they also conducted studies for the use of applications in the medical field and image recognition and cataloguing technologies.
In collaboration with ACTIS, an associated company of El.En. we concluded activities related to the evaluation of a European project on the therapy of tumours using nanoparticle activation through laser light and ultrasound, the LUS BUBBLE (Light and Ultrasound Activated microbubbles for cancer treatment).

Laser systems and applications for industry
At El.En., in collaboration with the subsidiary Cutlite Penta they are conducting research for the development of innovative pre-cutting processes and machine micro-perforation of labels and systems for applications in the field of cutting and welding plastic materials and for the beverage sector in order to prolong the shelf-life of food products.
We have continued work on the development of software and algorithms for high-speed advanced coding in the transactional paper-digital converting.
For the development of laser sources we are about to end the project on the 850W source and are beginning the experimentation of a sealed 300W source, and designed and tested a new delivery system on the Bright 30 source of the Milord project. We have developed a focusing head for lasers in fiber and dedicated process sensors. We have also studied and added new sensors on metal cutting machines.
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 continued 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 developed a stand-alone system for the marker which makes it possible to create the self-taught program for every size of insole.
We are now experimenting with marking applications on large sizes using a head with a small aperture (35mm) instead of the high definition head (aperture 70mm). In this optical configuration the depth of field is such that the dynamic z becomes useless. In the sheet metal cutting sector, we concluded the studies necessary for fast piercing and developed the software for the fly cut of thin sheets.
In the die cutting sector we have developed a method for securing rotating dies to the machine. This method is much simpler than the preceding one and also offers higher precision and reduces the regulations during the testing phase so that the time required for set up is much shorter.
In the field of plexiglass cutting, we have applied and tested the combination of a marker on a cutting machine, basically following what we did last year with the dies. We continued with the experiments necessary for the development of the latest innovations.
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 fruit and vegetable packaging is concerned.
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.
We continued research on the nature and limitations of this technology which manages cutting through a remote process without the assistance of proximity devices for focusing and delivering the process gas.
At El.En.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 developed new compact cutting systems with better performance and lower costs.
They are studying ways to eliminate most of the optical routes of the CO_2 laser beam with solutions that include the assembly directly on the mobile portal of the machine of the new sources with radio-frequency pumping.

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

thousands of euros	**30/06/2014**	**30/06/2013**
Costs for staff and general expenses	3.185	3.153
Equipment	12	23
Costs for testing and prototypes	618	500
Consultancy fees	377	237
Other services	41	44
Total	**4.233**	**3.956**

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 5,3% of the consolidated sales volume of the Group. The expenses are sustained mostly by El.En. and correspond to 10% of its sales volume.

1.11. RISK FACTORS AND PROCEDURES FOR THE MANAGEMENT OF FINANCIAL RISKS

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

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, 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 risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the Exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated statements of the Group.

During the last year and during the current one, With Us Co. Ltd stipulated two derivatives of the "currency rate swap" type to partially cover the risks of exchange rates for acquisitions in Euros.

Operation	*Notional value*	*Fair value*
Currency swap	€ 2.450.000	€ 39.582
Currency swap	€ 2.800.000	-€ 73.852
Total	**€ 5.250.000**	**-€ 34.270**

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

In relation to guarantees granted to third parties, it should be recalled that the Parent Company El.En. in 2009 underwrote, along with a minority partner, a bank guarantee for a maximum of one million Euros as a guarantee for the loan of the subsidiary Quanta System owed to the Banca Popolare di Milano for facilitated financing for a total amount of 900 thousand Euros, for which the reimbursement installments expire up to 84 months from the date of issuance, which occurred in the second half of 2009. After the acquisition of the entire equity from the minority shareholder which took place on October 8th 2012, El.En. promised to free this partner from all financial obligations towards the Banca Popolare di Milano.

In 2011 the Parent Company, El.En. SpA underwrote the following:
- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, which expires in September 2014.
And during 2013:
- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2014 with possibility of extension annually.

And this year:
- A bank guarantee for a maximum of 253 thousand Euros as a guarantee for the return of the amount requested as a down payment on the research project “BI-TRE”, which was granted by the *Bando Regionale 2012* approved by the Region of Tuscany with Management Decree n. 5160 on November 5th 2012, with expiration date in February 2018.

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 necessary for the reimbursement of the value added tax related to the fiscal year 2010, with expiration date March 2015.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this half in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are fully covered. In any case it should be recalled that the Parent Company El.En. have underwritten IRS contracts with one of the main credit institutes in order to cover interest rates on financing in progress. The coverage was made by neutralizing the potential losses on the financial instrument with the profits made on another element (the derivative).

IAS 39 allows several types of *Hedge Accounting* including that of *Cash Flow Hedge* which was the type used in this case. The purpose of the *Cash Flow Hedge* is to cover the risk created by fluctuations in the future cash flow that are caused by particular risks associated with amounts entered in the financial statements.

In this case the variations in the *fair value* of the derivative are shown in the shareholders’ equity for the amount needed to hedge and shown in the income statement only when, with reference to the amount being hedged, there is a variation in the cash flow to be compensated. If the hedge turns out to be ineffective the variations in *fair value* of the hedging contract must be shown in the income statement.

Operation		*Fair value*	
	Notional value	*Positive*	*Negative*
IRS	€ 500.000		(2.776)
Total	€ 500.000		(2.776)

In order to evaluate the impact that may be derived from the changes in the interest rates applied, it should be noted that since the financing shown below are not for great amounts, any variation in the rate would not have a significant impact on the shareholders' equity.

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

1.12. Governance

In compliance with Art. 19 of the company bylaws, the company is administered by a Board of Directors with a number of members which may vary from a minimum of three to a maximum of fifteen. The Assembly which convened on May 15th 2012 to vote on the renewal of the Board of Directors, which will remain in office until the approval of the financial statement closing on December 31st 2014, voted that there should be eight members making up the administrative organ of the company; this number was later reduced to seven by the shareholders' meeting held on November 14th 2012 which was convened in order to express an opinion after the resignation for strictly personal reasons of the board member, Angelo Ercole Ferrario, on August 27th 2012.

As of June 30th 2014 the Board of Directors was composed as follows:

Name	Position	Place and date of birth
Gabriele Clementi	President and executive director	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Executive director	Forlì, 17 June 1940
Andrea Cangioli	Executive director	Firenze, 30 December 1965
Stefano Modi	Board Member	Borgo San Lorenzo (FI), 16 January 1961
Paolo Blasi (*)	Board Member	Firenze, 11 February 1940
Michele Legnaioli (*)	Board Member	Firenze, 19 December 1964
Alberto Pecci	Board Member	Pistoia, 18 September 1943

(*) Independent administrators in conformity with article 3 of the "Codice di Autodisciplina delle Società Quotate"

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

On May 15th 2012, the Board of Directors assigned to the President of the Board, Gabriele Clementi and to the Executive directors, Andrea Cangioli and Barbara Bazzocchi, separately from each other and with free signature, all of the powers of ordinary and extraordinary administration for conducting the activities related to the company business, and excluding only, those powers which cannot be delegated in compliance with the law and with company bylaws.

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

a) On August 31st 2000 the Board of Directors presented two independent administrators among its members, in compliance with Art. 3 of the Self-disciplining code mentioned above. These independent administrators are now Prof. Paolo Blasi and Michele Legnaioli;
b) a On September 5th 2000 the Board created the following committees composed mainly by non-executive administrators:

1. the "Nomination committee", to which are assigned the tasks in conformity with art. 5 of the self-disciplining Code for companies quoted on the stock market;
2. the "Compensation committee" to which are assigned the tasks in conformity with art. 6 of the self-disciplining Code for companies quoted on the stock market;
3. the "Committee for controls and risks" formerly named "Internal controls committee" to which are assigned the tasks in conformity with art. 7 of the self-disciplining Code for companies quoted on the stock market in relation

to internal controls as well as those derived from the CONSOB Regulations for Related parties concerning operations with related parties.

c) Up until 2000 the Board of Directors had appointed one or more subjects to verify that the system of internal controls was always adequate, completely operative and functioning.

The Board of Directors meets at least every quarter in order to guarantee adequate information for the Board of Statutory Auditors concerning the activities and the most important operations conducted by the Company and its subsidiaries.
Internal auditing of the company is conducted by the parent company of the Group in collaboration with the personnel of the subsidiary companies. From an organizational point of view, the administrators of the parent company of the Group attend the board meetings of the subsidiary companies as board members or have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organization of the activities of the Group.
As far as the accounting information is concerned, before the end of the month following the quarter being considered, the subsidiaries are required to supply to the parent company of the Group all the information necessary for drawing up the consolidated financial and economic reports.

1.13. Inter-group relations and with 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 specific paragraph in the Explanatory Notes.

1.14. Atypical and unusual operations

In compliance with Consob Communication DEM/6064293 of July 28th 2006, we wish to state that during the first half of 2014 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

1.15. Regime *opt-out*

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.

1.16. Significant events during the first half of 2014

On March 21st 2014 the Parent Company El.En. S.p.A. sold a block of 1.100.000 Cynosure shares, quoted on the Nasdaq market at a net price of 29,15 US dollars a share for a total amount of 32 million US dollars. The consolidated capital gains registered for the operation was 4,5 million US dollars.
This sale allowed El.En. once again to cash in on its investment in a very profitable way. It should be recalled that this investment consisted of an initial payment of about 17 million Euros and the various sales of stock over the years amount to a total of about 69 million Euros while El. En. still has another million shares in their portfolio which represent about 5% of the American company. Moreover, besides the extraordinary profitability of the financial investment in the strictest sense, the company has benefitted from a profitable business relationship based on the fact that Cynosure, in the United States and throughout the world, distributes highly successful products like Smartlipo for laser lipolisi, Triactive for body shaping, and Smartskin for skin rejuvenation, and this relationship has continued even

after El.En. was no longer the majority partner. Moreover, the years of complete consolidation and the presence as protagonists in the USA allowed the Group to acquire valuable experience which will e useful for new initiatives and development in the United States.

Also in the month of March, the Group adhered to an agreement with Palomar Inc., which is now part of the Cynosure Group, finally ending a long law suit concerning some patents for hair removal lasers. The transaction was closed with the payment of 630 thousand Euros plus legal expenses to be paid to Palomar in order to definitively close the suit.

On April 9th 2014 the shareholders' meeting of the subsidiary AQL Srl voted to liquidate the company.

The shareholders' meeting of the Parent Company El.En. S.p.A., met on May 15th and approved the financial statement for the year 2013 and also voted:
- to allocate all of the net income of the year for a total of 1.998.784 to be distributed to the shareholders;
- to distribute to the shares in circulation on the date that coupon 12 came due, May 19th 2014, in compliance with art. 2357-ter, second sub-section of the Civil Code, a dividend of 0,50 gross per every share in circulation for a total amount on the date of approval, of 2.401.610 Euros using all of the net income for the year amounting to 1.998.784 Euros and using the residual amount of 402.826 Euros of undistributed profits from the preceding years and accrued in the voluntary reserve called "extraordinary reserve";
- to allocate in a special reserve of retained earnings the residual dividend destined for the additional treasury stock held by the company on the date the coupon came due.

The assembly approved the first section of the remuneration report in compliance with art. 123-ter, sub-section 6, D. Lgs. 24th February 1998, n. 58.
Moreover, in order to complete the board of auditors elected by the shareholders' assembly on May 15th 2013, the assembly appointed as acting auditor Rita Pelagotti and as alternate auditor Daniela Moroni and extended their terms until the approval of the financials on December 31st 2015.

On February 26th 2014 the subsidiaries Deka MELA and Asclepion Laser Technologies founded the company Jena Surgical GmbH and underwrote the capital of 200 thousand Euros. The new company will work to promote the products of Deka and Asclepion in the surgical sector by combining the resources of the two companies dedicated to this sector.

1.17. Subsequent events

On August 1st 2014 the Parent Company El.En. SpA announced that the Group had acquired 19,5% of the shares of Quanta Aesthetic Lasers Usa LLC (Quanta USA), making an investment of 2,4 million dollars including 21.148 El.En. shares which were part of the selling price and $500,000 as an increase in the capital. As part of the agreement, El.En. also obtained for March 2017 the right to reach 51% of their equity in Quanta Usa, with a mechanism for determining the price which is based on the economic and financial results of the company. The operation was concluded through the subsidiary BRCT which is 100% controlled.
Quanta Usa is an independent company that the Group has allowed to use the name of Quanta System as their exclusive distributor in North America for their medical and aesthetic range. Now in their third year of collaboration with the Group, in 2013 the company had a sales volume of 6,8 million dollars and an EBIT of about 450 thousand dollars. The sales volume and revenue are rapidly increasing and for the first six months of 2014 showed a sales volume of 4,9 million dollars.
The partnership of Quanta System, a subsidiary controlled 100% by El.En. Spa, with Quanta Usa represents one of the fastest growing companies on the American market in the field of laser systems for aesthetic medicine. This strategic investment demonstrates the commitment of El.En. to obtain a position of leadership on the most important world markets, the North American one as well as that in Europe, China and Japan.

1.18. Current outlook

The operating activity of the Group during the first half of 2014 met with the expectations outlined in the forecasts: the sales volume, in fact, showed a growth of about 9%, which was well above the 5% forecast on an annual basis, and the EBIT was greater than that for 2013. Consequently, the growth and profit objectives for the period were confirmed. Besides the results from the ordinary operations, the patent suit that was closed during this half added 1,5 million Euros to the EBIT and the sale of the Cynosure shares a net capital gains of about 4,5 million Euros: these two operations therefore made it possible to register a significant improvement in the EBIT and net income of the Group.
As far as the cash held by the Group is concerned, the net financial position as of June 30th 2014 was over 40 million Euros, and there are no M&A operations planned that would require a significant use of these funds. The Group therefore intends to use this cash for investments required for the development of existing activities, including the acquisition of complementary activities as was the case with Quanta USA.

For the Board of Directors
Managing Director
Ing. Andrea Cangioli

EL.EN. GROUP

HALF YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENT AS OF JUNE 30th 2014

Consolidated statement of financial position

	Note		30/06/2014		31/12/2013
Statement of financial position					
Intangible assets	1		3.510.171		3.397.119
Tangible assets	2		22.117.536		21.853.353
Equity investments:	3				
- in associates		891.489		916.988	
- other investments		15.623.401		40.651.133	
Total equity investments			16.514.890		41.568.121
Deferred tax assets	4		6.290.833		6.122.854
Other non current assets	4		2.568		34.459
Total non current assets			**48.435.998**		**72.975.906**
Inventories	5		52.685.905		48.372.067
Accounts receivables:	6				
- from third parties		38.707.103		41.854.685	
- from associates		449.805		690.463	
Total accounts receivables:			39.156.908		42.545.148
Tax receivables	7		6.557.766		4.254.067
Other receivables:	7				
- from third parties		8.684.844		6.260.385	
- from associates		48.565		63.565	
Total other receivables			8.733.409		6.323.950
Financial instruments	8		49.999		299.995
Cash and cash equivalents	9		58.618.147		42.868.084
Total current assets			**165.802.134**		**144.663.311**
TOTAL ASSETS			**214.238.132**		**217.639.217**
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		43.828.672		50.493.427
Treasury stock	13		(528.063)		(528.063)
Retained earnings / (deficit)	14		35.204.761		31.121.466
Net income / (loss)			8.491.732		6.080.170
Share Capital and Reserves attributable to the Shareholders' of the Parent Company			**128.099.391**		**128.269.289**
Share Capital and Reserves attributable to non-controlling interests			6.225.944		6.036.667
Total equity			**134.325.335**		**134.305.956**
Severance indemnity	15		3.247.450		3.115.099
Deferred tax liabilities			1.060.031		1.303.365
Other accruals	16		2.499.730		4.485.047
Financial liabilities:	17				
- to third parties		5.386.180		6.968.331	
Total financial liabilities			5.386.180		6.968.331
Non current liabilities			**12.193.391**		**15.871.842**
Financial liabilities:	18				
- to third parties		13.818.063		15.762.815	
Total financial liabilities			13.818.063		15.762.815
Accounts payables:	19				
- to third parties		27.355.736		31.224.517	
- to associates		68		2.728	
Total accounts payables			27.355.804		31.227.245
Income tax payables	20		1.909.349		1.725.985

Other payables:	20		
- to third parties		24.636.190	18.745.374
Total other payables		24.636.190	18.745.374
Current liabilities		**67.719.406**	**67.461.419**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**214.238.132**	**217.639.217**

Consolidated Income Statement

Income statement	Note		30/6/2014		30/6/2013
Revenues:	21				
- from third parties		79.909.803		70.845.041	
- from associates		487.757		2.992.217	
Total revenues			80.397.560		73.837.258
Other revenues and income:	22				
- from third parties		1.271.891		1.064.184	
- from associates		4.552		2.879	
Total other revenues and income			1.276.443		1.067.063
Total revenues and income			**81.674.003**		**74.904.321**
Purchase of raw materials:	23				
- to third parties		41.767.058		36.994.517	
- to associates		12.130		26.879	
Total purchase of raw materials			41.779.188		37.021.396
Change in inventory of finished goods and WIP			(3.823.455)		(1.425.788)
Change in inventory of raw material			(1.018.310)		(2.874.461)
Other direct services:	24				
- to third parties		6.678.118		5.840.047	
Total other direct services			6.678.118		5.840.047
Other operating services and charges:	24				
- to third parties		12.444.107		12.651.491	
- to associates		74.617		107.786	
Total other operating services and charges			12.518.724		12.759.277
For staff costs	25		18.495.358		17.644.127
Depreciation, amortization and other accruals*	26		560.693		2.206.379
EBIT			**6.483.687**		**3.733.344**
Financial charges:	27				
- to third parties		(667.220)		(1.067.441)	
Total financial charges			(667.220)		(1.067.441)
Financial income	27				
- from third parties		1.092.368		1.137.752	
- from associates		184		23	
Total financial income			1.092.552		1.137.775
Share of profit of associated companies			(948)		(645.290)
Other net expenses	28		(34.045)		
Other net income	28		4.484.562		228.644
Income (loss) before taxes			**11.358.588**		**3.387.032**
Income taxes	29		2.339.498		2.057.887
Income (loss) for the financial period			**9.019.090**		**1.329.145**
Net income (loss) before minority interest			527.358		71.800
Net income (loss)			**8.491.732**		**1.257.345**
Basic net (loss) income per share			1,77		0,26
Diluted net (loss) income per share			1,77		0,26
N. medio ponderato di azioni in circolazione	30		4.803.220		4.803.220

* In accordance with Consob regulation 15519 of July 27th 2006, the amounts related to significant non recurring operations for the first half of 2014, for an amount of 1.478 thousand Euros entered under the heading of "Depreciation, amortization and other accruals" are described in Note (33).

Consolidated statement of comprehensive income

	Note	30/06/2014	30/06/2013
Reported net (loss) income (A)		9.019.090	1.329.145
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans		(84.087)	74.404
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments		167.493	(88.578)
Unrealized gain (loss) on investment AFS	32	(6.334.425)	0
Unrealized gain (loss) on derivatives and other changes		3.486	10.888
Total other income/(loss), net of fiscal effects (B)		(6.247.533)	(3.286)
Total comprehensive (loss) income (A)+(B)		2.771.557	1.325.859
Referable to:			
Parent Shareholders		2.199.634	1.296.422
Minority Shareholders		571.923	29.437

Consolidated cash flow statement

Cash Flow Statement	Note	30/06/2014	Related parties	30/06/2013	Related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		9.019.090		1.329.145	
Amortizations and depreciations	26	1.240.074		1.346.195	
Gain on investment AFS	28	-4.467.235			
Devaluations of equity investments	28	34.045			
Share of profit of associated companies		948	948	645.290	645.290
Stock Options	25			3.564	
Change of employee severance indemnity	15	132.351		-49.852	
Change of provisions for risks and charges	16	-1.985.317		-15.801	
Change of provisions for deferred income tax assets	4	-167.979		-60.796	
Change of provisions for deferred income tax liabilities		-243.334		-78.286	
Stocks	5	-4.313.838		-3.930.915	
Receivables	6	3.388.240	228.873	403.305	421.267
Tax receivables	7	-2.303.699		-521.553	
Other receivables	7	-3.183.871		-1.495.977	
Payables	19	-3.871.441	-2.660	5.247.566	-42.431
Income Tax payables	20	183.364		700.105	
Other payables	20	5.890.816		1.517.121	
		-9.666.876		3.709.966	
Cash flow generated by operating activity		-647.786		5.039.111	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-1.444.984		-692.301	
(Increase) decrease in intangible assets	1	-172.325		-147.141	
(Increase) decrease in equity investments and non current assets	3-4	23.182.939	-29.849	-1.890.648	-1.874.011
Increase (decrease) in financial receivables	7	774.412	15.000	-1.265.640	
(Increase) decrease investments which are not permanent	8	249.996		-198.983	
Cash flow generated by investment activity		22.590.038		-4.194.713	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	17	-1.582.151		-1.504.285	
Increase (decrease) in current financial liabilities	18	-1.944.752		1.495.681	
Change in Capital and Reserves and consolidation scope				3.388.117	
Dividends distributed	31	-2.949.593		-3.883.659	
Cash flow from financing activity		-6.476.496		-504.146	
Change in cumulative conversion adjustment reserve and other no monetary changes		284.307		-92.137	
Increase (decrease) in cash and cash equivalents		15.750.063		248.115	
Cash and cash equivalents at the beginning of the financial period		42.868.084		40.475.322	
Cash and cash equivalents at the end of the financial period		58.618.147		40.723.437	

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 half on bank deposits amounts to 322 thousand Euros (364 thousand Euros on June 30th 2013).
Income taxes for this half amounted to 2.339 thousand Euros (2.058 thousand Euros on June 30th 2013).

Changes in consolidated shareholders' equity

SHAREHOLDERS' EQUITY:	**Balance 31/12/2012**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2013**
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				-37.773	-94.589
Other reserves	1.712.262			3.564	40.746	1.756.572
Retained earnings	10.866.874	15.795.283	-2.401.610	7.049.854	36.104	31.346.505
Profits (loss) of the year	23.198.584	-23.198.584			1.257.345	1.257.345
Parent company's shareholders' equity	112.303.730	0	-2.401.610	7.053.418	1.296.422	118.251.960
Capital and reserves of third parties	5.037.580	6.613.117	-1.482.049	-3.750.588	-42.363	6.375.697
Profit (loss) of third parties	6.613.117	-6.613.117			71.800	71.800
Share Capital and Reserves attributable to non-controlling interests	11.650.697	0	-1.482.049	-3.750.588	29.437	6.447.497
Total Shareholders' equity	123.954.427	0	-3.883.659	3.302.830	1.325.859	124.699.457

SHAREHOLDERS' EQUITY:	**Balance 31/12/2013**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 30/06/2014**
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	42.447.942		-402.825			42.045.117
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	276.618				114.116	390.734
Other reserves	6.804.908				-6.376.046	428.862
Retained earnings	31.121.466	6.080.170	-1.998.784	32.077	-30.168	35.204.761
Profits (loss) of the year	6.080.170	-6.080.170			8.491.732	8.491.732
Parent company's shareholders' equity	128.269.289	0	-2.401.609	32.077	2.199.634	128.099.391
Capital and reserves of third parties	5.697.829	338.838	-547.984	165.338	44.565	5.698.586
Profit (loss) of third parties	338.838	-338.838			527.358	527.358
Share Capital and Reserves attributable to non-controlling interests	6.036.667	0	-547.984	165.338	571.923	6.225.944
Total Shareholders' equity	134.305.956	0	-2.949.593	197.415	2.771.557	134.325.335

The amounts related to the conversion reserve entered in the column "Comprehensive (loss) income" refer to the variations which involve assets in currency held by the Group.
The amount entered in the comprehensive income for the amount of 6,4 million Euros refers mainly to the adaptation of the reserve for assets *available for sale*.

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 Condensed Consolidated Half-yearly Financial Statement for the El.En. Group as of June 30th 2014 was examined and approved by the Board of Directors on August 28th 2014.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

The condensed consolidated financial 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 condensed half-yearly consolidated financial statement is drawn up in Euros which is the working currency of the Parent Company and of many of its subsidiaries.

This Half-yearly Report consists of:
- the Consolidated Statement of Financial Position,
- the Consolidated Income Statement
- the Consolidated Statement of Comprehensive Income
- the Consolidated Cash Flow Statement
- the Statement of Changes in the Shareholders' Equity
- the following Notes

The economic information which is provided here is related to the first half of 2014 and of 2013. The financial information, however, is supplied with reference to June 30th 2014 and December 31st 2013.

The charts used by the El.En. Group for the intermediate period ending on June 30th 2014 have not been changed with respect to those used on December 31st 2013.

At 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). Consequently for comparison purposes it should be recalled that starting on June 30th 2013 the economic transactions with Cynosure were still shown among the revenue, income, costs and charges from/to associated companies and, only starting with the last quarter of 2013 these transactions were shown with the revenue, income, costs and charges from/to third parties.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

This consolidated financial statement for the half ending on June 30th 2014 has been drawn up in consolidated form according to article 154-ter of D.Lgs February 24th 1998 n. 58 (TUF) and later modifications and additions, is 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).

This half-yearly consolidated financial report is drawn up in summary form in conformity with the IAS 34 regulations for interim reports. The document therefore does not include all of the information required for the annual financial report and must be read along with the consolidated report drawn up for the period which ended on December 31st 2013.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

Accounting principles, amendments and IFRS interpretations applied since January 2014

Except for the application of new standards and interpretations shown below, the accounting standards used for drawing up this consolidated financial statement are in compliance with the accounting standards used for drawing up the consolidated financial statement for December 31st 2013 which should be consulted for further details:

In addition to the standards mentioned above, below is a list of the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union which have been adopted since January 1st 2014:

- On May 12th 2011 IASB issued standard **IFRS 10 – Consolidated Financial Statement,** which will replace IAS 27- Consolidated and separate statement for the parts relate to the consolidation of the statement and *SIC-12 Consolidation – Companies with specific destination (vehicle companies)*. The preceding IAS 27 was renamed Separate Statement and governs the accounting treatment of the equities in the separate statement. The main variations determined by the new standard are the following:
    - According to IFRS 10 there is a sole basic principle for consolidating all types of entities and this principle is based on control. This variation removes the inconsistency perceived in the preceding IAS 27 (based on control) and SIC 12 (based on the passage of risks and benefits).
    - A more precise definition of control with respect to the past has been introduced and is based on three elements: (a) power on the company acquired; (b) exposure or rights to variable performance derived from involvement with the latter; (c) capacity to use the power for the purpose of influencing the amount of the performance;
    - IFRS 10 requires that an investor, in order to determine if he has the control of the company he has acquired, focus on the assets that significantly influence the performance of the company.
    - IFRS 10 requires that, for the evaluation of the existence of control only the substantial rights be considered, that is, those that can be implemented in practice when important decisions must be made involving the company that was acquired;
    - IFRS 10 includes practical guidelines to assist in determining the existence of control in complex situations like *de facto* control, the potential right to vote, situations in which it is necessary to determine if the person with the decisional power is acting as agent or principal.

In general terms, the application of IFRS 10 requires a significant degree of judgement on a certain number of applicable aspects. The standard is retroactively applicable starting on January 1st 2014. The adoption of this accounting principle did not have any significant effects on the condensed half-yearly consolidated statement of the El.En Group.

- On May 12th 2011 the IASB issued standard **IFRS 11 – Joint Venture Agreements** which will replace IAS 31 – Equities in Joint Ventures and SIC-13 – Companies under joint control – Contribution in kind by the participants in joint control. Although the criteria for identifying the presence of joint control remain the same the new standard supplies the criteria for the accounting treatment of the joint venture agreements based on rights and obligations derived from these agreements rather than their legal form and distinguishes between a joint venture and a joint operation. According to IFRS 11, the existence of a separate vehicle is not a condition sufficient to classify a sharing agreement as a joint venture. For joint ventures, where the parties have rights only on the net assets of the agreement, the standard establishes as the sole accounting method in the consolidated statement, the shareholders' equity method. For joint operations, where the parties have rights to the assets and obligations on the liabilities in the agreement, the standard requires direct entry into the consolidated statement (and the separate statement) of the pro-quota of the assets and liabilities, costs and revenue derived from the joint operation.

  The new standard is retroactively applicable starting January 1st 2014.

In general terms, the application of IFRS 11 requires a significant degree of judgement in certain company sectors in relation to the distinction between joint venture and joint operation. After the new standard IFRS 11 was issued, IAS 28 – Equities in associate companies – was amended to include within its area of application, starting on the date that the standard came into effect, also the equities in companies with joint control. The adoption of this accounting principle did not have any significant effects on the condensed half-yearly consolidated statement of the El.En. Group.

- On May 12th 2011 the IASB issued standard **IFRS 12 – Additional information on equities in other companies** which is a new and complete standard regarding information to be supplied in the consolidated statement for each type of equity, including those in subsidiary companies, sharing agreements, associated companies, specific destination companies, and other vehicle companies that are not consolidated. The standard is retroactively applicable starting on January 1st 2014. The adoption of this accounting principle did not have any significant effects on the condensed half-yearly consolidated statement of the El.En. Group.

- On December 16th 2011 the IASB issued some amendments to **IAS 32 – Financial instruments: display in the statement,** in order to clarify the application of some of the criteria for the compensation of the financial assets and liabilities present in IAS 32. The amendments are retroactively applicable starting on January 1st 2014. The adoption of these amendments did not have any significant effects on the condensed half-yearly consolidated statement of the El.En. Group.

- On June 28th 2012 the IASB published a document titled **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**. This document clarifies the rules of transition of IFRS 10 Consolidated statement, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These modifications must be applied along with the standards to which they refer, starting on January 1st 2014. The adoption of these amendments did not have any effects on the condensed half-yearly consolidated statement of the El.En. Group.

- On October 31st 2012 they issued amendments to **IFRS 10, IFRS 12 and IAS 27 "Investment entities**", which introduces an exception to the consolidation of subsidiary companies for investment companies, with the exception of those cases in which their subsidiaries supply services which refer to the investment activities of these companies. When applying these amendments, investment companies must evaluate their investments in subsidiaries at fair value. The following criteria have been introduced for the qualification as an investment company and therefore they have access to the following exception:

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

    - Commit themselves to pursue the objective of investing funds exclusively to obtain returns from the re-evaluation of the capital, or from the earnings from the investment or from both;

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

The adoption of these amendments did not have any effects on the condensed half-yearly consolidated statement of the El.En. Group.

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 supposed to clarify that the additional information to be supplied concerning the recoverable value of the assets (including goodwill) or cash generating units, in the case in which their recoverable value is based on fair value net of the costs of disposal, involve only the assets or cash generating units for which an impairment loss has been recognized or reversed during the financial year. The modifications must be applied retroactively starting on January 1st 2014. The adoption of these amendments did not have any effects on the condensed half-yearly consolidated statement of the El.En Group.

- On June 27th 2013 the IASB published the following amendments to **IAS 39 "Financial instruments: Recording and evaluation – Innovation of derivatives and hedge accounting".** The modifications regard the introduction of some exemptions to the requirements for hedge accounting defined by IAS 39 in the case that an existing derivative must be replaced by a new derivative in a specific circumstance in which this substitution is made for a Central Counterparty (CCP) after the introduction of a new law or regulation. The modifications must be applied retroactively starting on January 1st 2014. The adoption of these amendments did not have any effects on the condensed half-yearly consolidated statement of the El.En Group.

- On May 20th 2013 they published the interpretation of **IFRIC 21 – Levies**, which supplies clarifications about time for recording a liability related to levies (other than income tax) imposed by a government agency for a company that must pay this type of levy. The standard deals both with the liabilities for levies that are within the field of application of IAS 37 – Accruals, potential liabilities and assets, as well as the levies that have established timing and amounts. The adoption of these amendments did not have any effects on the condensed half-yearly consolidated statement of the El.En Group.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

As of the date of this condensed half-yearly financial statement the designated commissions of the European Union had not yet approved adoption of the amendments and standards listed below:

- On November 12th 2009 the IASB published standard **IFRS 9 – Financial instruments**: this same standard was amended on October 28th 2010. This standard, which will be retroactively applicable starting on January 1st 2018, represents the first stage of a gradual procedure which has the objective of entirely replacing IAS 39 and introduces new criteria for the classification and evaluation of the financial assets and liabilities. In particular, for the financial assets the new standard makes use of a single approach based on the management methods of the financial instruments and on the characteristics of the contractual cash flow of these financial assets for the purpose of determining the evaluation criteria, and replaces the series of different rules stated in IAS 39. For the financial liabilities, however, the main change which occurred was related to the accounting treatment of the variations of fair value of a financial liability designated as a financial liability evacuate a t fair value by means of the income statement , in the case where these latter are caused by the variations in the credit worthiness of the liability itself. According to the new standard these variations must be recorded in the chart showing the "Other overall profits and losses" and will no longer be shown in the income statement. The adoption of this accounting standard should not have any significant effects on the consolidated statement of the El.En. Group.

- On November 19th 2013 the IASB published the document **"IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39"** which dealt with the new model of hedge accounting (date for first application January 1st 2018). The objective of the document was to respond to some of the criticisms of the requirements listed in IAS 39 for hedge accounting, which were often considered to rigorous and not suitable to reflect the policy of risk management of the companies. The main innovations of the document dealt with:

    - Modifications for the eligible types of transactions for hedge accounting, in particular the risks of non-financial assets/liabilities that were eligible for management in hedge accounting were extended;
    - Change in the methods for accounting forward contracts and the options when they are included in a hedge accounting relation for the purpose of reducing the volatility of the income statement;
    - modifications in the effectiveness test through the substitution of the current methods based on the parameter of 80-125% with the principle of the "economic relationship" between the item being hedged and the hedging instrument; moreover, an evaluation of the retroactive effectiveness of the hedging relationship will no longer be required.
    - Greater flexibility in the new accounting regulations is offset by the request for additional information on the risk management activities of the company.

The adoption of this document should not have significant effects on the consolidated statement of the El.En. Group.

- On December 12th 2013 the IASB published the document **"Annual Improvements to IFRSs: 2010-2012 Cycle"** which includes the modifications to the standards as part of the annual cycle for their improvement. The main modifications concern:

    - IFRS 2 Share Based Payments – Definition of vesting condition. Modifications have been made to t the definition of "vesting condition" and "market condition" and additional definitions have been given for "performance condition" and "service condition" (previously 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 recalculated at fair value at the closure of each financial period and the variations in fair value are registered in the income statement or among the elements of the comprehensive 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 concerning the evaluations made by the management for the application of the aggregation criteria of the various operating segments, including a description of the operating segments that are aggregated and the economic indicators that are 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 of the assets of the operating segments and the total of the assets of the entity must be presented only if the total of the assets of the operating segments is regularly revised by the highest level management.
- IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this standard have been modified for the purpose of clarifying that with the issuing of IFRS 13, and the consequent modifications of IAS 39 and IFRS 9, it is still possible to account the trade receivables and payables without registering the effects of an actualization, should these effects turn out to be intangible.
- IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The modifications have clarified the inconsistencies in recording the amortization funds when a tangible or intangible asset is the subject of re-evaluation. The new requirements clarify that the gross value must be adjusted to a level that is consistent with the re-evaluation of the value of the asset and that the amortization fund be the same as the difference between the gross value and the net value of the losses in value entered into accounts.
- IAS 24 Related Parties Disclosures – Key management personnel. This document clarifies that in the case in which the services of managers with strategic responsibilities are supplied by an entity (and not by a physical person) that entity must be considered a related party.

The adoption of this document should not have significant effects on the consolidated statement of the El.En. Group.

The modifications must be applied starting with the financial periods that begin on July 1st 2014 or later. Earlier application is permitted.

- On January 30th 2014 the IASB published the standard "**IFRS 14 Regulatory Deferral Accounts"** which allows only those who adopt the IFRS for the first time to continue to record the assets subject to " Rate Regulation Activities") using the preceding accounting standards. For the purpose of improving the comparability of the entities that already apply the IFRS and who do not show these amounts, the standard requires that the effect of the rate regulation must be shown separately from the other entries. The standard will be applied starting on January 1st 2016 but application in advance is permitted. The adoption of this standard should not have any significant effects on the consolidated statement of El.En. Group.

- On May 6th 2014 the IASB issued some amendments to **IAS 16 Property, Plant and Equipment and to IAS 38 Intangible Assets**. The modifications to IAS 16 Property, Plant and Equipment establish that the amortization criteria determined on the basis of the revenue are not appropriate. The amendment clarifies that the revenue generated by an activity that includes the use of an asset generally reflects factors that are different from the consumption of the economic benefits of the asset. The modifications to IAS 38 Intangible Assets introduce an related assumption that an amortization criteria based on revenue for the same reasons established by the modifications introduced in IAS 16 Property, Plant and Equipment. In the case of intangible assets this assumption can be overcome only in limited circumstances.
  The modifications must be applied starting on January 1st 2016 but application in advance is permitted. The adoption of this standard should not have any significant effects on the consolidated statement of El.En. Group.

- On May 12th 2014 the IASB issued some amendments to standard **IFRS 11 Joint Arrangements** related the accounting of the acquisition of interest in a joint operation whose activities constitute a business according to the definition given by IFRS 3 and related to the effects of a business combination. Modifications must be applied starting on January 1st 2016 but application in advance is permitted. The adoption of this standard will not have any significant effects on the consolidated statement of El.En. Group.

- On May 28th 2014 the IASB published standard **"IFRS 15 Revenue from Contracts with Customers"** which will replace standards IAS 18 Revenue and IAS 11 Construction Contracts, as well as the interpretations in IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenues-Barter Transactions Involving Advertising Services.

The new model for recognition of revenue must be applied to all of the contracts stipulated with clients with the exception of those that are classified for the application of other IAS/IFRS standards like leasing, insurance contracts and financial instruments. The main steps for the accounting of revenue according to the new model are the following:

- Identification of the contract with the client;
- Identification of the performance obligations of the contract;
- Determination of the price;
- Al location of the price to the performance obligations of the contract;
- Recognition of the revenue when the entity satisfies performance obligation.

The standard must be applied starting on January 1st 2016 but application in advance is permitted. The adoption of this standard should not have any significant effects on the consolidated statement of El.En. Group.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

The condensed half-yearly 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:

Company name:	Notes	Headquarters	Currency	Subscr. capital	Percentage held: Direct	Indirect	Total	Consolidated 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%
BC Tech GmbH (ex 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%
Lenap Inc. (ex Lasit Usa Inc.)	9	Hamden (USA)	USD			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	Hamden (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	51.500		60,00%	60,00%	60,00%
Jenasurgical GmbH	14	Jena (GER)	EURO	200.000		100,00%	100,00%	92,50%

(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%)
(14) owned by Deka Mela Srl (50%) and by Asclepion (50%)

Operations conducted during this financial period
For the operations conducted during the first half of the year, see the paragraph “Significant events which occurred during the first half of 2014” of 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%
Chutian (Tianjin) Lasertechnology Co. LTD	1	Tianjin (China)	YUAN	2.000.000		49,00%	49,00%	26,05%

(1) owned by Penta Chutian Laser (Wuhan) Co. Ltd (49%)

Operations conducted during this financial period
For the operations conducted during the first half of the year, see the paragraph “Significant events which occurred during the first half of 2014” of the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted during the first half of the year, see the paragraph “Significant events which occurred during the first half of 2014” of the Management Report.

On March 21st 2014 the parent company El.En S.p.A. sold a block of 1.100.000 shares in Cynosure Inc. (Nasdaq CYNO), at the net price of 29,15 US dollars per share for a total of 32 million US dollars (about 23 million Euros). This sale comported a registration in the income statement of a capital gains of 4.467 thousand Euros, calculated on the difference between the cost of the equity and the amount received, and a rectification of reclassification in the income statement for a total amount of 2.669 thousand Euros gross of fiscal effects which was equal to the difference between the cost and the fair value of the Cynosure shares on December 31st 2013. Consequently, the sale of these shares had a positive gross impact on the income statement for the amount of 1.797 thousand Euros.

As a result of this transaction the Group now owns 998.628 Cynosure shares, equal to about 4,565% of the capital. These shares were evaluate at fair value on June 30th 2014, on the basis of the quotation for the shares on June 30th 2014 on the Nasdaq market, with a negative net impact on the comprehensive income statement, before taxes for an amount of 3.753 thousand Euros.

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 took 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 took 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 June 30th 2014 is 21.148 shares for a total amount of 528.062,54 Euros.

It should also be recalled that during the third quarter of 2014 the treasury stock held were sold as part of the payment for the acquisition of 19,5% of the shares of Quanta Aesthetic Laser USA LLC (Quanta USA). For further details, see the paragraph, "Significant events which occurred during the first half of 2014" of the Management Report.

STANDARDS OF CONSOLIDATION

The half-yearly accounting statements used for the consolidation are the half-yearly reports of the individual companies as of June 30th 2014. 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.

In drawing up the consolidated financial report 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) 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	**31/12/2013**	**30/06/2014**	**30/06/2014**
USD	1,3791	1,3703	1,3658
Yen	144,72	140,40	138,44
Baht	45,18	44,62	44,32
Yuan	8,35	8,45	8,47
Real	3,26	3,15	3,00

USE OF ESTIMATES

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

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

Non-current assets

Intangible fixed assets (note 1)

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

Categories	**Balance 31/12/13**	**Variation**	**(Devaluation)**	**Other Operations**	**(Amortizations)**	**Conversion Adjustments**	**Balance 30/06/14**
Goodwill	3.038.065						3.038.065
Patents and rights to use patents of others	6.464	51.494			-7.072		50.886
Concessions, licences, trade marks and similar rights	171.596	71.306			-44.703	1.495	199.694
Other	27.600				-7.498		20.102
Intangible assets in progress and payments on account	153.394	48.030					201.424
Total	**3.397.119**	**170.830**			**-59.273**	**1.495**	**3.510.171**

Goodwill

Goodwill, which represents the most significant entry among the intangible fixed assets, represents the difference in excess between the cost of purchase with respect to the fair value of the assets acquired net of the present and potential liabilities. Goodwill is not subject to amortization and is subject to an impairment test at least once a year to determine any loss in value.
For purposes of the testing conducted to determine loss in value, the single goodwill entries have been registered in their respective "*cash generating units*" (CGU). The identification of the CGU coincides with each juridical subject and corresponds to the vision that the Administrators have of their own activity.

The chart below shows the book value of the goodwill for each "Cash generating unit".

CASH GENERATING UNIT (CGU)	**Goodwill 30/06/2014**	**Goodwill 31/12/2013**
Quanta System S.p.A.	2.079.260	2.079.260
ASA S.r.l.	439.082	439.082
Cutlite Penta S.r.l.	415.465	415.465
Asclepion Laser Technologies GmbH	72.758	72.758
Deka MELA S.r.l.	31.500	31.500
Total	3.038.065	3.038.065

It should also be recalled that at the end of last year, the recoverable value of the CGU shown in note (1) of the Notes for the consolidated statement closed on December 31st 2013 was subjected to *impairment* tests for the purpose of verifying the existence of losses in value, by comparing the accounting value of the unit and the utilizable value, i.e. the present value of the expected future financial flow which is assumed will be derived from the continued use and the discarding of the unit at the end of its useful life. For the results of the test, please refer to note (1) as mentioned above.

On the basis of the results shown by the CGU for the first half of 2014, which are aligned with the prospective plans arranged for purposes of the impairment test on December 31st 2013, or for which an improvement is expected in the second half of the year, no indications of impairment were identified which, on the date of the present intermediate financial report, have made it necessary to conduct further tests in order to verify the existence of long lasting losses in value.

Other intangible assets

The “industrial patents and rights to use patents of others” are related to the capitalization of costs sustained for the acquisition of patents by El.En. and Quanta System.
Under the heading of “Concessions, licences, trademarks and similar rights” we have entered, among other things, the costs sustained in particular by the subsidiaries With Us, Quanta System and Wuhan Penta Chutian for the acquisition of new software.
The residual heading of “Others” is composed mainly by the costs sustained by the subsidiaries Quanta System S.p.A and Deka Mela for the creation of software.
The “intangible assets in progress” are related to the costs of research and development sustained by the subsidiary ASA for a prototype now being developed.

Tangible fixed assets (note 2)

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

Cost	**Balance 31/12/13**	**Increments**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/14**
Lands	3.570.969	236.736		64.551	-164.322	-15.203	3.692.731
Buildings	14.793.300	305.963		150.619	-458.024	4.418	14.796.276
Plants and machinery	4.221.809	547.805		-280	-34.870	5.587	4.740.051
Industrial and commercial equipment	9.580.286	481.393		-42.133	-146.413	29.544	9.902.677
Other goods	8.737.216	277.533		-125.520	-31.763	29.870	8.887.336
Tangible assets under construction	285.578	117.263		-215.170		-1.022	186.649
Total	**41.189.158**	**1.966.693**		**-167.933**	**-835.392**	**53.194**	**42.205.720**

Depreciation provisions	**Balance 31/12/13**	**Depreciation**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/14**
Lands							
Buildings	2.917.411	223.196		-1	-111.550	1.038	3.030.094
Plants and machinery	2.785.269	168.350		-8.865	-31.511	2.402	2.915.645
Industrial and commercial equipment	7.578.875	414.967		-29.723	-121.989	17.132	7.859.262
Other goods	6.054.250	374.288		-125.522	-26.725	6.892	6.283.183
Tangible assets under construction							
Total	**19.335.805**	**1.180.801**		**-164.111**	**-291.775**	**27.464**	**20.088.184**

Net value	**Balance 31/12/13**	**Increments**	**Other operations**	**(Depreciations and devaluations)**	**(Disposals)**	**Conversion Adjustments**	**Balance 30/06/14**
Lands	3.570.969	236.736	64.551		-164.322	-15.203	3.692.731
Buildings	11.875.889	305.963	150.620	-223.196	-346.474	3.380	11.766.182
Plants and machinery	1.436.540	547.805	8.585	-168.350	-3.359	3.185	1.824.406
Industrial and commercial equipment	2.001.411	481.393	-12.410	-414.967	-24.424	12.412	2.043.415
Other goods	2.682.966	277.533	2	-374.288	-5.038	22.978	2.604.153
Tangible assets under construction	285.578	117.263	-215.170			-1.022	186.649
Total	**21.853.353**	**1.966.693**	**-3.822**	**-1.180.801**	**-543.617**	**25.730**	**22.117.536**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands as of June 30th 2014 was 3.693 thousand Euros. The increases are related to investments made by the subsidiaries Cutlite Penta and Asclepion GmbH and by the Parent Company El.En. S.p.A.; under the heading of “Other operations” we have entered the clearance account for the down payments made last year by El.En. which were related to the same land.

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., Cutlite Penta, Esthelogue Srl and Pharmonia Srl and the buildings located in Via Dante Alighieri in Calenzano, the first acquired in 2008 and the second one acquired in this period; the building located in the city of Torre Annunziata purchased in 2006 and intended for use as a research,

development and production facility for the subsidiary Lasit SpA and the building in Jena where, since May of 2008, the subsidiary Asclepion GmbH operates.
In the month of June we sold the building in Branford, Connecticut, owned by the subsidiary BRCT. In the column headed “increments” we have registered the costs sustained by El.En. SpA for the acquisition of a building in Calenzano while in the “other operations” there is the clearance account for the amount deposited by the Parent Company as a deposit for this building.

The increases in the category of “Plants and machinery” are related chiefly to the investments made by the Parent Company Capogruppo El.En. S.p.A., Asclepion GmbH, Penta Laser Equipment (Wenzhou) Co Ltd and ASA S.r.l.

The heading of “Industrial and Commercial Equipment” refers in particular to El.En. and to the subsidiaries With Us, Asclepion GmbH, Quanta System, Lasit S.p.A., Deka Japan, Wuhan Penta Chutian and Deka Mela; for this latter it should be recalled that, as in past years, we have accounted the costs of some machinery sold to clients with operative leasing: these sales, in fact, must be considered revenue from multi-year rentals in conformity with the IAS/IFRS standards.

The increase shown in the category of “Other goods” is due mainly to the purchase of new vehicles and electronic equipment.

In the category of “Tangible assets under construction” we have entered the costs sustained by the Chinese subsidiary Penta Laser Equipment (Wenzhou) Co Ltd for the new factory.

Equity investments (note 3)

The chart below provides information on the equity investments:

	30/06/14	31/12/13	Variation	Var. %
Equity investments in:				
associated companies	891.489	916.988	-25.499	-2,78%
other companies	15.623.401	40.651.133	-25.027.732	-61,57%
Total	16.514.890	41.568.121	-25.053.231	-60,27%

Equity investments in associated companies

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

It should be recalled that the following associated companies are consolidated using the shareholders’ equity method: Immobiliare Del.Co. S.r.l., Smartbleach International SA (SBI SA), Elesta S.r.l. and Chutian (Tianjin) Lasertechnology Co. Ltd .

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

Immobiliare Del.Co. S.r.l.:	253	thousand Euros
Actis S.r.l.:	1	thousand Euros
SBI S.A.:	212	thousand Euros
Elesta S.r.l.:	326	thousand Euros
Chutian (Tianjin) Lasertechnology Co. Ltd	99	thousand Euros

Equity investments in other companies

The decrease in the entries under “other companies” for an amount of 25.028 thousand Euros is due in particular to:

1) 21.248 thousand Euros for the sale, on March 21st 2014, of a block of 1.100.000 shares of Cynosure Inc. (quoted on the Nasdaq segment) by the Parent Company El.En. Spa, at a net price of 29,15 US dollars per share for a total amount of 32 million US dollars.

2) 3.753 thousand Euros (3.701 thousand Euros net of the fiscal effects OCI) at the evaluation of fair value of the remaining 998.628 Cynosure shares, equal to 4,565% of the capital as opposed to the 9,65% held on December 31st 2013. On the basis of the quotation for the shares on June 30th 2014 on the Nasdaq market, the fair value of the above mentioned equity was 15.537 thousand Euros.

The sale of the Cynosure shares generated a reduction in the reserve of fair value for 2.632 thousand Euros net of the fiscal effects and a gross capital gains in the income statement for the amount of 4.467 thousand Euros.

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

Other non current assets	**30/06/2014**	**31/12/2013**	**Variation**	**Var. %**
Financial receivables vs associated		30.000	-30.000	-100,00%
Deferred tax assets	6.290.833	6.122.854	167.979	2,74%
Other non current assets	2.568	4.459	-1.891	-42,41%
Total	6.293.401	6.157.313	136.088	2,21%

The deferred tax assets amount to 6.291 thousand Euros and refer mainly to the inventory obsolescence reserve, to the variations in the inter-group profit for the inventory at the end of the half, the reserve for devaluation of receivables and fiscal losses carried forward.
On December 31st 2013 the entry “Financial receivables from associated companies” was related to the financing granted to Actis Srl which, on June 30th 2014, was reclassified with the other short-term receivables under the heading of “Financial receivables from associated companies”.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	30/06/14	31/12/13	Variation	Var. %
Raw materials and consumables	25.222.010	24.200.242	1.021.768	4,22%
Work in progress and semi finished products	15.404.117	13.139.288	2.264.829	17,24%
Finished products and goods for sale	12.059.778	11.032.537	1.027.241	9,31%
Total	52.685.905	48.372.067	4.313.838	8,92%

The increase in final inventory which is the same as the consolidated sales volume in terms of percentage, is concentrated mostly in the category of the semi-finished products, whereas the increase in the amount of finished products also reflects a quantity that was above average of systems in consignment to the clients at the end of this half.

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

Inventory:	30/06/2014	31/12/2013	Variation	Var. %
Gross amount	59.876.297	55.556.302	4.319.995	7,78%
minus: devaluation provision	-7.190.392	-7.184.235	-6.157	0,09%
Total	52.685.905	48.372.067	4.313.838	8,92%

The incidence of the obsolescence provision on the gross value of the inventory decreased from 12,9% on December 31st 2013 to 12,0% on June 30th 2014.

Trade receivables (note 6)

Receivables are composed as follows:

Debtors:	30/06/14	31/12/13	Variation	Var. %
Trade debtors	38.707.103	41.854.685	-3.147.582	-7,52%
Associated debtors	449.805	690.463	-240.658	-34,85%
Total	39.156.908	42.545.148	-3.388.240	-7,96%

Trade debtors:	30/06/2014	31/12/2013	Variation	Var. %
Italy	18.265.747	20.395.027	-2.129.280	-10,44%
European Community	5.789.498	6.438.802	-649.304	-10,08%
Outside of European Community	21.843.947	22.875.338	-1.031.391	-4,51%
minus: devaluation provision for debtors	-7.192.089	-7.854.482	662.393	-8,43%
Total	38.707.103	41.854.685	-3.147.582	-7,52%

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

Provision for bad debts	**2014**	**2013**
At the beginning of the period	**7.854.482**	**6.127.474**
Amounts accrued	800.527	1.587.897
Amounts utilized	-1.453.958	-768.842
Unused amounts reversed		-65.670
Other operations	-8.078	983.418
Conversion adjustment	-884	-9.795
At the end of the period	**7.192.089**	**7.854.482**

The amounts utilized during this half-year refer mainly to a client of the subsidiary Quanta System S.p.A. which began insolvency proceedings during the first six months of 2014.

Tax receivables/Other receivables (note 7)

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

	30/06/2014	**31/12/2013**	**Variation**	**Variation %**
Tax debtors				
VAT credits	5.717.134	3.526.524	2.190.610	62,12%
Income tax credits	840.632	727.543	113.089	15,54%
Total tax debtors	6.557.766	4.254.067	2.303.699	54,15%

Financial receivables				
Financial receivables from third parts	623.237	1.382.649	-759.412	-54,92%
Financial receivables from associated companies	48.565	63.565	-15.000	-23,60%
Total	671.802	1.446.214	-774.412	-53,55%
Other receivables				
Security deposits	271.358	248.903	22.455	9,02%
Down payments	2.800.046	1.778.687	1.021.359	57,42%
Other credits	4.990.203	2.850.146	2.140.057	75,09%
Total	8.061.607	4.877.736	3.183.871	65,27%
Total financial and other receivables	8.733.409	6.323.950	2.409.459	38,10%

This half closed with a VAT credit of about 5,7 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; this heading also includes receivables from the Treasury due to the Parent Company and to some of its Italian subsidiaries for the amount of the reimbursement for the excess IRES taxes paid on account of the failure to subtract the IRAP related to the expenses for employees and assimilated, in compliance with art. 2, sub-section 1-quater, D.L. 201/2011.

The changes in the other receivables are due mainly to the increase in down payments to suppliers as well as the receivable owed to BRCT for the sale of the building in Branford, Connecticut.

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

Financial instruments (note 8)

Investments which are not permanent:	30/06/2014	31/12/2013	Variation	Var. %
Other investments	49.999	299.995	-249.996	-83,33%
Total	49.999	299.995	-249.996	-83,33%

The amount entered under the heading of “Other investments” consists of mutual funds held by the French subsidiary Deka Sarl. The decrease is due to the sales that were made during this half.

Cash and cash equivalents (note 9)

Cash at bank and on hand is composed as follows:

Cash and cash Equivalents:	30/06/2014	31/12/2013	Variation	Var. %
bank and postal current accounts	58.593.338	42.833.788	15.759.550	36,79%
cash on hand	24.809	34.296	-9.487	-27,66%
Total	58.618.147	42.868.084	15.750.063	36,74%

For an analysis of the variations in cash at bank and on hand, please refer to the cash flow statement.

Net financial position as of June 30th 2014

The net financial position of the Group as of June 30th 2014 expressed in thousands of Euros, was as follows:

Net financial position		
	30/06/2014	**31/12/2013**
Cash and bank	58.618	42.868
Financial instruments	50	300
Cash and cash equivalents	**58.668**	**43.168**
Short term financial receivables	**623**	**1.383**
Bank short term loan	(11.812)	(13.612)
Part of financial long term liabilities due within 12 months	(2.006)	(2.151)
Financial short term liabilities	**(13.818)**	**(15.763)**
Net current financial position	**45.473**	**28.788**
Bank long term loan	(3.741)	(4.670)
Other long term financial liabilities	(1.645)	(2.299)
Financial long term liabilities	**(5.386)**	**(6.968)**
Net financial position	**40.087**	**21.820**

The net financial position of the Group increase from 18,3 million Euros on December 31st 2013 and now amounts to about 40 million Euros.

The increase is mainly due to the collection of 32 million US dollars (about 23 million Euros), consequently to the sale of Cynosures shares, described formerly in this report.
Cash was used by the Parent Company El.En. S.p.A. to pay dividends to third parties for an amount of about 2.402 thousand Euros and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A. and ASA S.r.l. for the overall amount of 548 thousand Euros.
From the net financial position we have excluded financial receivables from associated companies for an amount of 48 thousand Euros, since these are related to the policy of financial support of the companies in the Group (for a break-down, see the chapter on information on related parties). In continuation of past policy, it was decided not to include this type of financing in the net financial position shown above.
For further details and information, see the consolidated 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 June 30th 2014, 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	**31/12/2013**	**Increase**	**(Decrease)**	**30/06/2014**
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.

Additional paid in capital (note 11)

On June 30th 2014 the share premium reserve, coinciding with that of the Parent Company, amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2013.

Other reserves (note 12)

Other reserves	**30/06/2014**	**31/12/2013**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	42.045.117	42.447.942	-402.825	-0,95%
Reserve for conversion adjustments	390.734	276.618	114.116	41,25%
Stock options reserve fund	1.811.278	1.811.278		0,00%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	-1.382.416	4.993.630	-6.376.046	-127,68%
Total	43.828.672	50.493.427	-6.664.755	-13,20%

On June 30th 2014 the extraordinary reserve was 42.045 thousand Euros; the decrease since December 31st 2013 is due to the distribution of dividends by the Parent Company El.En. Spa, in accordance with the decision made by the Shareholders' meeting held on May 15th 2014.

The reserve "for stock options" includes the amount of the costs determined in compliance with IFRS 2 for the stock option plans assigned by El.En. SpA.

The conversion reserve summarizes the effect of the variation in Exchange rates of the investments in foreign currency. The effects for the first half of 2014 are shown in the column headed "Comprehensive (loss) income" in the shareholders' equity chart.

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

The decrease in the other reserves is mainly due to the sale of the Cynosure shares which comported the entry into the income statement of a capital gains realized with respect to the purchase cost and the consequent reduction of the fair value reserve entered in the comprehensive income statement. This reserve in turn was involved in the adjustment of the value of the residual shares at fair value on June 30th 2014.

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, June 30th 2014, the treasury stock held by the Parent Company, El.En. SpA amounted to 21.148 shares at an average price of 24,97 Euros for a total worth of 528.063 Euros.

Moreover, it should be recalled that during the third quarter of 2014 the treasury stock held by the Parent Company were sold as part of the price for the acquisition of 19,5% of the shares of Quanta Aesthetic Laser USA LLC (Quanta USA). For further details, please consult the paragraph "Subsequent Events" events in the Management Report**.**

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.

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 31/12/2013	**Accrual**	**Utilization**	**Payment to complementary pension forms, to INPS fund and other movements**	**Balance 30/06/2014**
3.115.099	581.950	-180.771	-268.828	3.247.450

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

For IAS purposes the payment of a severance indemnity represents a “long term benefit subsequent to the termination of employment”; this is an obligation of the “defined benefit ” type which entails entering a liability similar to that entered for defined benefit pension plans. As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also, for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

It should be recalled that the “corridor method” (on the basis of which the total net worth of the actuarial 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 profits 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.

The current value of the liability as of June 30th 2014 was 3.200 thousand Euros.

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

Financial hypotheses	**Year 2013**	**Year 2014**
Annual implementation rate	3,17%	2,29%
Annual inflation rate	2,00%	1,50%
Annual increase rate of salaries	Executives 2,00%	Executives 2,00%
(including inflation)	White collar workers 0,50%	White collar workers 0,50%
	Blue collar workers 0,50%	Blue collar workers 0,50%

The interest rate used to determine the present value of the liability was based on the iBoxx Corporate AA 10+ tax of 2,29% 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.

Other accruals (note 16)

The chart below shows the operations made with other accruals:

	Balance 31/12/2013	Accrual	(Utilisation)	Other	Conversion Adjustments	Balance 30/06/2014
Reserve for pension costs and similar	645.612	108.160	-3.775	-11.718		738.279
Others:						
Warranty reserve on the products	1.308.492	65.173	-46.108		7.488	1.335.045
Reserve for risks and charges	2.530.943	20.000	-640.000	-1.484.537		426.406
Total other reserves	3.839.435	85.173	-686.108	-1.484.537	7.488	1.761.451
Total	4.485.047	193.333	-689.883	-1.496.255	7.488	2.499.730

The amount entered in the column of "Other" under the heading of "Reserve for risks and charges" is an effect of the release of the fund created by Asclepion as a consequence of their involvement in a transaction with Palomar Inc. (now part of the Cynosure Group). This fund was created with over 2,1 million Euros starting in 2004 for the purpose of neutralizing the risk of the company losing a legal battle involving some patents on laser systems for hair removal that had been going on for several years. With the definitive resolution of the suit, the transaction comported a payment of 630 thousand Euros plus legal fees, so the difference between that amount and the amount in the fund was released during this half and resulted in a contribution to the net income for the period of about one million Euros.

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on June 30th 2014, amounted to 673 thousand Euros as opposed to 583 thousand Euros on December 31st 2013.

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 2013	Year 2014
Annual rate of implementation	4,17%	2,84%
Annual rate of inflation	2,00%	1,50%

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 17)

Financial m/l term debts	30/06/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	3.741.235	4.669.525	-928.290	-19,88%
Amounts owed for leasing	354.731	369.259	-14.528	-3,93%
Amounts owed to other financiers	1.290.214	1.929.547	-639.333	-33,13%
Total	5.386.180	6.968.331	-1.582.151	-22,70%

The mid- to long-term debts owed to banks as of June 30th 2014 represent mostly the amounts due after this year for:

a) bank financing granted to Asclepion GmbH for the construction of the building where the company now runs its business;

b) a loan granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for an overall amount of 3,4 million Euros to be reimbursed at a constant installment every six months starting on December 15th 2011 and ending on June 15th 2016. For 1,7 million Euros the interest rate for the first installment was 2,40%; for the remaining 1,7 million the interest rate was 5,70%; for all of the next installments the interest rate will be that of the Euribor rate for six months, as

registered on the second target working day before the due date of the preceding period of interest, increased by a spread. The spread is 3,90 points on the first 1,7 million and is reduced to 0.60 on the other 1,7 million.
c) a loan granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for an overall amount of 2,8 million Euros to be reimbursed at a constant installment every six months starting in June 2012 and ending on December 31st 2016. The interest rate applied up until June 29th 2012 was 3,95% (equal to the Euribor at six months registered the second target working day before the date the contract was stipulated, increased by 2,90 points); for every six-month period that follows, the interest rate will be the same as the Euribor at six months as registered on the second target working day before the due date of the preceding six-month period increased by in 2,90 points;
d)) a loan granted to El.En. S.p.A .by Mediocredito Italiano S.p.A. for an overall amount of 2,2 million Euros to be reimbursed at a constant installment every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied was, up until June 29th 2012, 3,95% (the same as Euribor at six months registered on the second target working day before the date of stipulation of the contract, increased by 2,90 points); for every six-months period that follows the interest rate will be the same as the Euribor at six months registered on the second target working day before the due date for the preceding six months period, increased by 2,90 points;
e) bank financing granted to With Us as follows:

- 19.999 thousand Yen expiring on 31/03/2016 at the annual rate of 0,59%;
- 13.500 thousand Yen expiring on 30/09/2016 at the annual rate of 0,64%;
- 39.800 thousand Yen expiring on 31/05/2018 at the annual rate of 1,60%;
- 56.668 thousand Yen expiring on 07/04/2017 at the annual rate of 1,77%.

“Amounts owed to other financiers” consist, among other things, in the quotas which are payable after this year for:

a) Facilitated financing for applied research, issued by MIUR, to Quanta System SpA, granted in several installments, for an amount of 673.500 Euros at the annual interest rate of 0,50%, payable in 14 semi-annual deferred installments, starting on January 1st 2009, last installment due on July 1st 2015;

b) 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 reimbursed in monthly installments starting on May 22nd 2012, last installment on April 22nd 2016.

Among the debts owed to other financers, there is also the quota of the mid/long term debt of El.En. S.p.A. owed to Laserfin S.r.l. after 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 occurred in 2012.

Current liabilities

Financial debts (note 18)

Below, a breakdown of the financial debts is given:

Financial short term debts	30/06/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	11.811.958	13.611.846	-1.799.888	-13,22%
Amount owed for leasing	170.452	112.634	57.818	51,33%
Liabilities (derivatives on interest and forex rates)	37.044	6.832	30.212	442,21%
Amounts owed to other financiers	1.798.609	2.031.503	-232.894	-11,46%
Total	13.818.063	15.762.815	-1.944.752	-12,34%

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 for loans contracted by El.En. S.p.A;
- short term financing granted by the Cassa Risparmio Firenze to El.En. S.p.A.;
- loan with SACE guarantee granted to El.En. S.p.A. by the Banco Popolare s.c.r.l. for a total of 2 million Euros to be paid back in 12 quarterly delayed instalments starting on June 30th 2012 and ending on March 31st 2015. The interest rate is that of Euribor at three months registered on the second working day before the end of each solar quarter, increased by 2,50 points.
- Short term financing contracted by Asclepion GmbH (see note 17);
- Short term financing contracted by With Us (see note 17);
- Short term bank financing granted to With Us Co;
- Bank financing granted to Penta Chutian Laser (Wuhan) Co. Ltd for about 2,5 million Euros, of which 1.770 thousand Euros (corresponding to 15 million Yuan) at the annual rate of 6,90%, 118 thousand Euros (corresponding to one million Yuan) at the annual rate of 7,20%, 208 thousand Euros (corresponding to 1,7 million Yuan) at the annual rate of 4,46% and about 380 thousand Euros (corresponding to 3,2 million Yuan) at the rate of 4,36%.

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

- the Parent Company El.En. S.p.A. stipulated a derivative IRS contract in order to cover the interest on the SACE financing issued by the Banco Popolare s.c.r.l. (see note 17). The contract expires on March 31st 2015, nominal value on June 30th 2014 was 500.000,06 Euros, the fair value on June 30th 2014 was 2.775,94 Euros;
- the subsidiary With Us Co Ltd initiated two rate swap derivative currency contracts for hedging the Euro/Yen exchange rate. The first contract expires in August 2018, and on June 30th 2014 it had a nominal value of 2.450.000 Euro; the fair value on June 30th was 39.582 Euros; the second contract expires in March 2019; it has a nominal value as of June 30th 2014 of 2.800.000 Euros, and a fair value of –73.852 Euros.

The heading of "Amounts owed to other financiers" consists of the facilitated financing Centrobanca for applied research granted to the subsidiary Lasit for 231.060 Euros at the annual rate of 0,96%, with the last instalment on August 5th 2014; the short term quotas of the financing described in the preceding note; the short term quotas of the amount owed by El.En. S.p.A.to Laserfin S.r.l. described in the preceding note and the debt of the subsidiary Cutlite do Brasil towards a minority partner who sold his equity of 10% of the capital, which also occurred in 2012.

Trade payables (note 19)

Trade debts:	30/06/2014	31/12/2013	Variation	Var. %
Trade accounts payable	27.355.736	31.224.517	-3.868.781	-12,39%
Trade accounts payable with associated companies	68	2.728	-2.660	-97,51%
Total	27.355.804	31.227.245	-3.871.441	-12,40%

No significant amounts for trade accounts expired at the end of this half.

Income tax debts /Other short term debts (note 20)

The income tax debts matured for some of the companies belonging to the Group on June 30th 2014 amounted to 1.909 million Euros and are entered net of the down payments and deductions.

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

	30/06/2014	31/12/2013	Variation	Variation %
Social security debts				
Debts owed to INPS	1.578.052	1.720.086	-142.034	-8,26%
Debts owed to INAIL	95.001	145.574	-50.573	-34,74%
Debts owed to other Social Security Institutions	243.009	267.091	-24.082	-9,02%
Total	1.916.062	2.132.751	-216.689	-10,16%
Other debts				
Debts owed to tax administration for VAT	749.510	277.251	472.259	170,34%
Debts owed to tax administration for deductions	910.843	1.285.129	-374.286	-29,12%
Other tax debts	94.647	167.852	-73.205	-43,61%
Owed to staff for wages and salaries	5.782.374	4.773.029	1.009.345	21,15%
Down payments	8.869.701	3.683.073	5.186.628	140,82%
Other debts	6.313.053	6.426.289	-113.236	-1,76%
Total	22.720.128	16.612.623	6.107.505	36,76%
Total Social security debts and other debts	24.636.190	18.745.374	5.890.816	31,43%

The amounts “Owed to staff” include, among other things, the debts for deferred salaries of personnel employed as of June 30th 2014.
The entry of “Down payments” is made up of down payments received from clients for orders already received: the increase is due mainly to the Chinese and Japanese subsidiaries thanks to the increased sales volume.

Segment information

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

30/06/14		Total	Medical	Industrial	Other
Revenues		80.935	55.256	25.255	424
Intersectorial revenues		(537)	0	(113)	(424)
Net Revenues		80.398	55.256	25.142	0
Other revenues and income		1.276	460	566	250
Gross Margin		38.058	28.076	9.732	250
	Inc.%	*47%*	*50%*	*38%*	*100%*
Margin		10.716	9.920	547	250
	Inc.%	*13%*	*18%*	*2%*	*100%*
Not assigned charges		4.233			
EBIT		6.484			
Net financial income (charges)		425			
Share of profit of associated companies		(1)	3	(4)	0
Other Income (expense) net		4.451			
Income (loss) before taxes		11.359			
Income taxes		2.339			
Income (loss) for the period		9.019			
Minority interest		527			
Net income (loss)		8.492			

30/06/13		Totale	Medicale	Industriale	Altro
Revenues		74.379	52.189	21.757	434
Intersectorial revenues		(542)	0	(108)	(434)
Net Revenues		73.837	52.189	21.648	0
Other revenues and income		1.067	472	47	548
Gross Margin		36.343	27.502	8.293	548
	Inc.%	*49%*	*52%*	*38%*	*100%*
Margin		7.690	7.436	(294)	548
	Inc.%	*10%*	*14%*	*-1%*	*100%*
Not assigned charges		3.956			
EBIT		3.733			
Net financial income (charges)		70			
Share of profit of associated companies		(645)	(644)	0	(1)
Other Income (expense) net		229			
Income (loss) before taxes		3.387			
Income taxes		2.058			
Income (loss) for the period		1.329			
Minority interest		72			
Net income (loss)		1.257			

30/06/2014	Total	Medical	Industrial	Other
Assets assigned	149.724	88.877	60.847	
Equity investments	16.261	16.089	172	
Assets not assigned	48.253			
Total assets	214.238	104.966	61.020	0
Liabilities assigned	49.638	25.325	24.314	
Liabilities not assigned	30.274			
Total liabilities	79.913	25.325	24.314	0

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

30/06/2014	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	601	589	13	0
- not assigned	(224)			
Total	377	589	13	0

31/12/2013	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	196	(569)	764	0
- not assigned	212			
Total	408	(569)	764	0

Information on the Consolidated Income Statement

Revenue (note 21)

The overall growth of the revenue, which was 80 million Euros, amounted to 8,88% with respect to the 74 million Euros for the same period last year. All of the sectors which compose the revenue increased, however the industrial sector showed the greatest growth.
For detailed comments on the single types of revenue, please consult the Management Report.

	30/06/2014	**30/06/2013**	**Variation**	**Var. %**
Medical	55.258.270	52.188.808	3.069.462	5,88%
Industrial	25.139.290	21.648.450	3.490.840	16,13%
Total	80.397.560	73.837.258	6.560.302	8,88%

Other income (note 22)

The analysis of the other income is as follows:

	30/06/2014	**30/06/2013**	**Variation**	**Var. %**
Recovery for accidents and insurance reimbursements	16.629	7.573	9.056	119,58%
Expense recovery	347.249	349.852	-2.603	-0,74%
Capital gains on disposal of fixed assets	237.002	90.114	146.888	163,00%
Other income	675.563	619.524	56.039	9,05%
Total	1.276.443	1.067.063	209.380	19,62%

The heading of “Expense recovery” refers mainly to reimbursements for shipping costs.

The entry “Other income” consists for the most part of grants received for research projects of which 235 thousand Euros entered by the Parent Company El.En. S.p.A. and federal grants related both to the new factory and research projects for the amount of 375 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd.

Costs for the purchase of goods (note 23)

The analysis is shown on the following table:

	30/06/2014	**30/06/2013**	**Variation**	**Var. %**
Purchase of raw materials and finished products	39.908.554	35.369.411	4.539.143	12,83%
Purchase of packaging	462.947	405.715	57.232	14,11%
Shipment charges on purchases	436.060	433.827	2.233	0,51%
Other purchase expenses	521.102	426.661	94.441	22,13%
Other purchases	450.525	385.782	64.743	16,78%
Total	41.779.188	37.021.396	4.757.792	12,85%

The costs for the purchase of goods as of June 30th 2014 were 41.779 thousand Euros as opposed to the 37.021 thousand Euros for the preceding half, showing an increase of 12,85%.

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

Breakdown of this category is shown on the chart below:

	30/06/2014	30/06/2013	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	2.519.683	2.263.733	255.950	11,31%
Technical services	504.408	393.721	110.687	28,11%
Shipment charges on sales	931.949	851.367	80.582	9,47%
Commissions	2.039.013	1.768.051	270.962	15,33%
Royalties	11.667	12.745	-1.078	-8,46%
Travel expenses	440.484	410.245	30.239	7,37%
Other direct services	230.914	140.185	90.729	64,72%
Total	*6.678.118*	*5.840.047*	*838.071*	*14,35%*
Operating services and charges				
Maintenance and technical assistance on equipments	177.336	137.500	39.836	28,97%
Services and commercial consulting	529.711	478.253	51.458	10,76%
Legal and administrative services	607.364	801.519	-194.155	-24,22%
Auditing fees and charges	135.885	134.577	1.308	0,97%
Insurances	284.655	321.850	-37.195	-11,56%
Travel and overnight expenses	1.360.861	1.357.837	3.024	0,22%
Promotional and advertising expenses	2.868.904	2.569.454	299.450	11,65%
Building charges	868.480	933.969	-65.489	-7,01%
Other taxes	144.593	123.010	21.583	17,55%
Expenses for vehicles	555.754	575.100	-19.346	-3,36%
Office supplies	146.694	188.380	-41.686	-22,13%
Hardware and Software assistance	180.437	188.214	-7.777	-4,13%
Bank charges	181.455	172.823	8.632	4,99%
Rent	666.268	691.020	-24.752	-3,58%
Other operating services and charges	3.810.327	4.085.771	-275.444	-6,74%
Total	*12.518.724*	*12.759.277*	*-240.553*	*-1,89%*

The most significant changes in the category of “direct services” is related to the expenses for outsourcing and commissions which are in part due to the increase in sales.
The single most important entry under the heading of “Other operating services and charges” is represented by the cost for the salaries paid to the members of the BoD and the board of Auditors for an amount of 1.119 thousand Euros and the costs for technical and scientific consulting and research for an amount of about 722 thousand Euros; for the research and development activities and costs, please consult the Management Report.

Employee costs (note 25)

The chart below shows the costs for staff:

For staff costs	30/06/2014	30/06/2013	Variation	Var. %
Wages and salaries	14.181.093	13.550.504	630.589	4,65%
Social security costs	3.705.167	3.532.854	172.313	4,88%
Accruals for severance indemnity	533.342	501.456	31.886	6,36%
Stock options		3.564	-3.564	-100,00%
Other costs	75.756	55.749	20.007	35,89%
Total	18.495.358	17.644.127	851.231	4,82%

The staff costs amounted to 18.495 thousand Euros and showed an increase of 4,82% with respect to the 17.644 thousand Euros for the same period last year. The increase is due mainly to the rise in the number of employees, especially in the Chinese subsidiaries.

Depreciation, amortization and other accruals (note 26)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	30/06/2014	30/06/2013	Variation	Var. %
Amortization of intangible assets	59.273	105.628	-46.355	-43,89%
Depreciation of tangible assets	1.180.801	1.240.567	-59.766	-4,82%
Accrual for risk on receivables	721.570	780.525	-58.955	-7,55%
Other accruals for risks and charges	-1.400.951	79.659	-1.480.610	-1858,69%
Total	560.693	2.206.379	-1.645.686	-74,59%

The "Accrual for risk on receivables" includes some devaluations made for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general.

The category of "Other accruals for risks and charges" which represents an additional revenue component for an amount of 1,4 million Euros includes mostly the effects of the transaction concluded in the month of March by the German subsidiary Asclepion, also on behalf of other companies in the Group, with Palomar Inc., for an amount of 630 thousand Euros. In order to neutralize the risk of losing the suit, starting in 2004 the Group began accruing a fund of 2,1 million Euros; the difference of about 1,5 million Euros was therefore released during this half.

Financial income and charges (note 27)

The break down for the two categories is shown on the chart below:

	30/06/2014	30/06/2013	Variation	Var.%
Financial income:				
Interests from banks	298.779	329.878	-31.099	-9,43%
Interests from associated company	184	23	161	700,00%
Interests on investments	1.226	1.968	-742	-37,70%
Foreign exchange gain	770.376	845.569	-75.193	-8,89%
Other financial income	21.987	-39.663	61.650	-155,43%
Total	1.092.552	1.137.775	-45.223	-3,97%
Financial charges:				
Interest on bank debts for account overdraft	-229.270	-204.655	-24.615	12,03%
Interest on bank debts for medium and long - term loans	-94.968	-132.991	38.023	-28,59%
Foreign exchange loss	-251.025	-650.851	399.826	-61,43%
other financial charges	-91.957	-78.944	-13.013	16,48%
Total	-667.220	-1.067.441	400.221	-37,49%

The interests due for account overdrafts refer mainly to the overdrafts granted by banks to the Parent Company and some of the subsidiaries.
The interest on bank debts for medium and long term loans refer mainly to medium and long term financing granted to the Parent Company El.En. SpA.
The entry of "Other financial charges" includes about 49 thousand Euros for the entry of interest due derived from the application of accounting standard IAS 19 for retirement fund.

Other net income and charges (note 28)

	30/06/2014	30/06/2013	Variation	Var. %
Other charges				
Devaluation of equity investments	-34.045		-34.045	
Total	**-34.045**		**-34.045**	
Other income				
Capital gains on equity investments	4.484.562	228.644	4.255.918	1861,37%
Total	**4.484.562**	**228.644**	**4.255.918**	**1861,37%**

The amount shown under the heading of "Other income" was 4.485 thousand Euros generated by the sale which took place in the month of March of 1.100.000 shares of Cynosure Inc. by the Parent Company El.En. SpA for a total amount of 32 million US dollars.

Income taxes (note 29)

	30/06/2014	30/06/2013	Variation	Var. %
Total income taxes	2.339.498	2.057.887	281.611	13,68%

The fiscal charges for this half amounted to a total of 2,3 million Euros. The taxes for this half were calculated on the basis of the best estimation of the aliquots expected for the year 2014.

Earnings per share (nota 30)

The average weighted number of shares in circulation during this half remained constant at 4.803.220.
The earnings per share as of June 30th 2014 were 1,77 Euros.

Dividends distributed (nota 31)

The shareholders' meeting of El.En. SpA held on May 15th 2014 voted to distribute a dividend of 0,50 Euros per share on the date that the coupon comes due. The amount of the dividend that was paid was 2.401.610 Euros.

Other components of the comprehensive income statement (nota 32)

The category of "Unrealized loss on investments AFS" is composed of:

1. 3.701 thousand Euros for the evaluation at far value of the remaining 998.628 Cynosure shares, equal to 4,565% of the capital as opposed to the 9,65% held on December 31st 2013. On the basis of the quotation for the shares on June 30th 2014 on the Nasdaq market, the fair value of the above mentioned equity was 15.537 thousand Euros.
2. 2.633 thousand Euros related to the reclassification between the OCI (*Other Comprehensive income)* and the Income Statement for the sale of the Cynosure shares described above.

Non-recurring significant, atypical and unusual events and operations (note 33)

In compliance with Consob Communication of July 28th 2006 n. DEM/6064293, we wish to declare that during the first half of 2014, the only non-recurring operation was the release of the funds for risks and charges created by Asclepion as a consequence of their involvement in a transaction with Palomar Inc. (now part of the Cynosure Group). This fund started to be accumulated in 2004 for an overall amount of 2,1 million Euros and was created in order to neutralize the risk of losing a protracted law suit involving some patents for laser devices for hair removal. After the suit was concluded, it was necessary to pay 630 thousand Euros plus legal fees; consequently the difference with the amount in the fund was released during this half and resulted in an addition to the net income of the period of about one million Euros.

The main effects of this operation are summarized in the chart below:

	Shareholders' equity		Income (loss) for the period		Net financial position		Cash flows (*)	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**134.325.335**		**8.491.732**		**40.087.140**		**15.750.063**	
Release of the amount in the Reserve for Risks and Charges after the agreement with Palomar	(1.026.866)	1%	(1.026.866)	12%	0	0%	0	0%
Total operations (B)	**(1.026.866)**	1%	**(1.026.866)**	12%	**0**	0%	**0**	0%
Gross figurative value (A + B))	**133.298.469**		**7.464.866**		**40.087.140**		**15.750.063**	

(*) Cash flows refer to the increase (or decrease) in the period of the cash and cash equivalents

In compliance with Consob Comunication of July 28th 2006 n. DEM/6064293, we declare that during 2014 the Group did not initiate any atypical or unusual operations as defined in the aforementioned communication.

Information about related parties (note 34)

All of the operations conducted with related parties cannot be qualified as either atypical or unusual. These operations are regulated at ordinary market conditions.

In particular the following conditions apply:

Subsidiary companies
Operations and payments between the companies belonging to the Group included in the area of consolidation are eliminated when the intermediate consolidated statement is drawn up and therefore they are not described in this document.

Associated companies :
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during the first half of 2014 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.
The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial receivables		**Commercial receivables**	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
SBI SA			24.684	
Actis Srl	30.000		15.194	
Immobiliare Del.Co. Srl	13.565			
Elesta Srl			382.189	
Quanta System Asia Pacific Co.LTD	5.000			
Chutian (Tianjin) Laser Technology Co. Ltd			27.738	
Total	48.565	-	449.805	-

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	
Total	-	-	-	-	68	-

Associated companies:	Sales	Service	Total
Actis Srl	10.779		10.779
SBI S.A.	884		884
Elesta Srl	474.417	1.677	476.094
Total	486.080	1.677	487.757

Associated companies:	Other revenues
Elesta Srl	652
Actis Srl	1.200
Immobiliare Delco Srl	2.700
Total	4.552

Associated companies:	Purchase of raw materials	Services	Other	Total
Immobiliare Delco Srl		74.617		74.617
Quanta Syatem Asia Pacific Co.,Ltd.	12.130			12.130
Total	12.130	74.617	-	86.747

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

The chart below shows the impact that operations with related parties has 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	16.514.890	891.489	5,40%
Accounts receivables	39.156.908	449.805	1,15%
Other receivables	8.733.409	48.565	0,56%
Non current financial liabilities	5.386.180		0,00%
Current financial liabilities	13.818.063		0,00%
Accounts payables	27.355.804	68	0,00%
Other payables	24.636.190		0,00%
b) Impact of related party transactions on the income statement			
Revenues	80.397.560	487.757	0,61%
Other revenues and income	1.276.443	4.552	0,36%
Purchases of raw materials	41.779.188	12.130	0,03%
Other direct services	6.678.118		0,00%
Other operating services and charges	12.518.724	74.617	0,60%
Financial charges	667.220		0,00%
Financial income	1.092.552	184	0,02%
Income taxes	2.339.498		0,00%

Risk factors and Procedures for the management of financial risks (note 35)

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

The main financial instruments of the Group include checking accounts and short-term deposits, short and long-term financial liabilities, leasing, 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 risk
The Group is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
Since the Parent Company prepares its consolidated financial statements in Euros, the fluctuations in the Exchange rates used to convert the data in the statements of the subsidiaries originally expressed in foreign currency may negatively influence the results of the Group, the consolidated financial position and the consolidated shareholders' equity as expressed in Euros in the consolidated statements of the Group.

During the last year and during the current one, With Us Co. Ltd stipulated two derivatives of the "currency rate swap" type to partially cover the risks of exchange rates for acquisitions in Euros.

Operation	*Notional value*	*Fair value*
Currency swap	€ 2.450.000	€ 39.582
Currency swap	€ 2.800.000	-€ 73.852
Total	**€ 5.250.000**	**-€ 34.270**

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

In relation to guarantees granted to third parties, it should be recalled that the Parent Company El.En. in 2009 underwrote, along with a minority partner, a bank guarantee for a maximum of one million Euros as a guarantee for the loan of the subsidiary Quanta System owed to the Banca Popolare di Milano for facilitated financing for a total amount of 900 thousand Euros, for which the reimbursement installments expire up to 84 months from the date of issuance, which occurred in the second half of 2009. After the acquisition of the entire equity from the minority shareholder which took place on October 8th 2012, El.En. promised to free this partner from all financial obligations towards the Banca Popolare di Milano.

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

And during 2013:

- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2014 with possibility of extension annually.

And this year:
- A bank guarantee for a maximum of 253 thousand Euros as a guarantee for the return of the amount requested as a down payment on the research project "BI-TRE", which was granted by the *Bando Regionale 2012* approved by the Region of Tuscany with Management Decree n. 5160 on November 5th 2012, with expiration date in February 2018.

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 necessary for the reimbursement of the value added tax related to the fiscal year 2010, with expiration date March 2015.

Cash and interest rate risks
As far as the exposure of the Group to risks related to cash and interest rates is concerned, it should be pointed out that cash held by the Group has been maintained at a high level also during this half in such a way as to cover existing debts and obtain a net financial position which is extremely positive. For this reason we believe that these risks are fully covered. In any case it should be recalled that the Parent Company El.En. have underwritten IRS contracts with one of the main credit institutes in order to cover interest rates on financing in progress. The coverage was made by neutralizing the potential losses on the financial instrument with the profits made on another element (the derivative).

IAS 39 allows several types of *Hedge Accounting* including that of *Cash Flow Hedge* which was the type used in this case. The purpose of the *Cash Flow Hedge* is to cover the risk created by fluctuations in the future cash flow that are caused by particular risks associated with amounts entered in the financial statements.

In this case the variations in the *fair value* of the derivative are shown in the shareholders' equity for the amount needed to hedge and shown in the income statement only when, with reference to the amount being hedged, there is a variation in the cash flow to be compensated. If the hedge turns out to be ineffective the variations in *fair value* of the hedging contract must be shown in the income statement.

Operation		*Fair value*	
	Notional value	*Positive*	*Negative*
IRS	€ 500.000		(2.776)
Total	€ 500.000		(2.776)

In order to evaluate the impact that may be derived from the changes in the interest rates applied, it should be noted that since the financing shown below are not for great amounts, any variation in the rate would not have a significant impact on the shareholders' equity.

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

Financial Instruments (note 36)

Fair value

The table below shows a comparison by category between book value and fair value of all the financial instruments of the Group.

	Book value 30/06/2014	Book value 31/12/2013	Fair value 30/06/2014	Fair value 31/12/2013
Equity investment available for sale				
Equity investment in Cynsoure Inc.	15.537.300	40.539.083	15.537.300	40.539.083
Financial assets				
Financial mid and long term receivables		30.000		30.000
Financial receivables within 12 months	671.802	1.446.214	671.802	1.446.214
Short term Financial instruments	49.999	299.995	49.999	299.995
Cash and cash equivalents	58.618.147	42.868.084	58.618.147	42.868.084
Financial liabilities				
Financial mid and long term debts	5.386.180	6.968.331	5.386.180	6.968.331
Financial liabilities due within 12 months	13.818.063	15.762.815	13.818.063	15.762.815

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 of the Group these concepts are applicable only for evaluating the equity in Cynosure, the fair value of which can be classified as Level 1 because it is relative to an official quotation of the American market Nasdaq and to other securities quoted for about 50 thousand Euros held by the subsidiary Deka Sarl.

As of June 30th 2014, the Group holds the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Equity securities	49.999			49.999
Equity investment in Cynsoure Inc. AFS	15.537.300			15.537.300
Total	**15.587.299**	**0**	**0**	**15.587.299**

Other information (note 37)

Average number of employees divided by category

	Average 2014	30/06/2014	Average 2013	31/12/2013	Variation	Var. %
Total	895,0	931	835,5	859	72	8,38%

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

Declaration of the Half-yearly financial Statement as of June 30th 2014 in conformity with article 81-*ter* of the CONSOB Regulation n. 11971 of May 14th 1999 and subsequent modifications and additions

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, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, for the half ending on June 30th 2014.

2. No significant aspect emerged concerning the above

3. We also declare that:
3.1 this condensed financial statement:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;
b) corresponds to the figures in the ledgers and accounting books;
c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the scope of consolidation.

3.2 The Management Report contains a reliable analysis of the important events of the first six months of this year and their impact on the half-yearly financial statement, together with a description of the principal risks and uncertainties to which they are exposed for the remaining six months of the year. The Management Report also contains a reliable analysis of the significant operations with related parties.

Calenzano, August 28th 2014

Managing Director	Executive officer responsible for the preparation of the financial statements
Ing. Andrea Cangioli	Dott. Enrico Romagnoli

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

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

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

1. We have reviewed the half-yearly condensed consolidated financial statements of El.En. S.p.A. and subsidiaries (the "El.En. Group"), which comprise the balance sheet as of June 30, 2014, and the income statement, the statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the cash flow statement for the six-month period then ended, and the related explanatory notes. The Company's Directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

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

   With respect to the consolidated financial statements of the prior year and the half-yearly condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purpose, reference should be made to out reports issued on March 28, 2014 and on August 29, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of El.En. Group as of June 30, 2014 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence, Italy
August 28, 2014

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