EL.EN. S.p.A.

ANNUAL FINANCIAL REPORT
as of DECEMBER 31st 2013

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

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

CORPORATE BOARDS OF THE PARENT COMPANY

Board of Directors

CHAIRMAN

Gabriele Clementi

MANAGING DIRECTORS

Barbara Bazzocchi

Andrea Cangioli

BOARD MEMBERS

Paolo Blasi

Michele Legnaioli

Stefano Modi

Alberto Pecci

Board of statutory auditors

CHAIRMAN

Vincenzo Pilla

STATUTORY AUDITORS

Paolo Caselli

Rita Pelagotti

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

Enrico Romagnoli

Independent auditors

Deloitte & Touche S.p.A.

Management Report 2013

INTRODUCTION

To our shareholders:

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

REGULATORY FRAMEWORK

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

SIGNIFICANT EVENTS WHICH OCCURRED DURING THE FINANCIAL YEAR 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

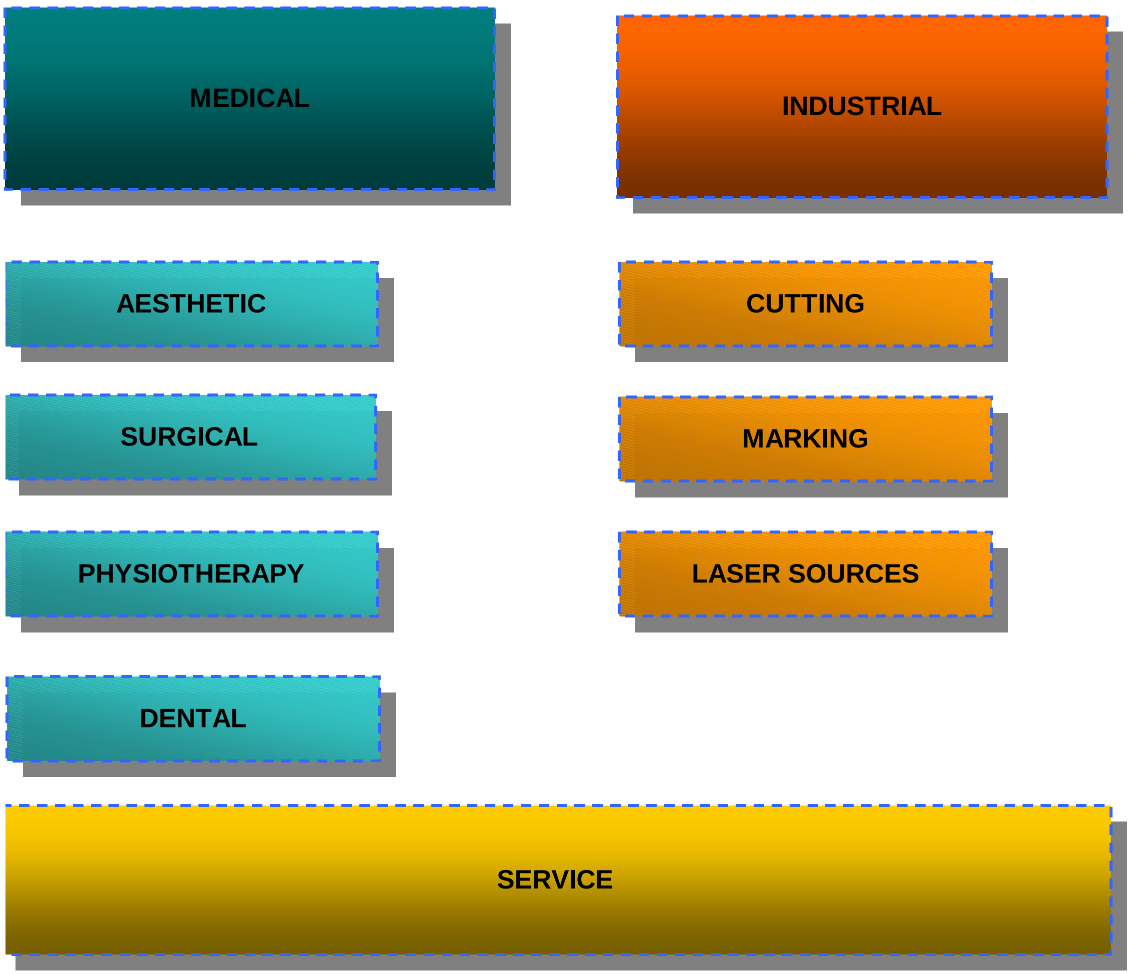
On December 30th 2013 the shareholders' meeting of Deka Sarl, which is owned 100% by the parent company El.En. S.p.A. voted to increase the capital stock of 76.250 Euros, by a total of 1.500.000 Euros and, at the same time, to reduce it by 1.420.582 Euros in order to cover the losses sustained in the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

DESCRIPTION OF THE ACTIVITIES OF THE GROUP

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

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

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



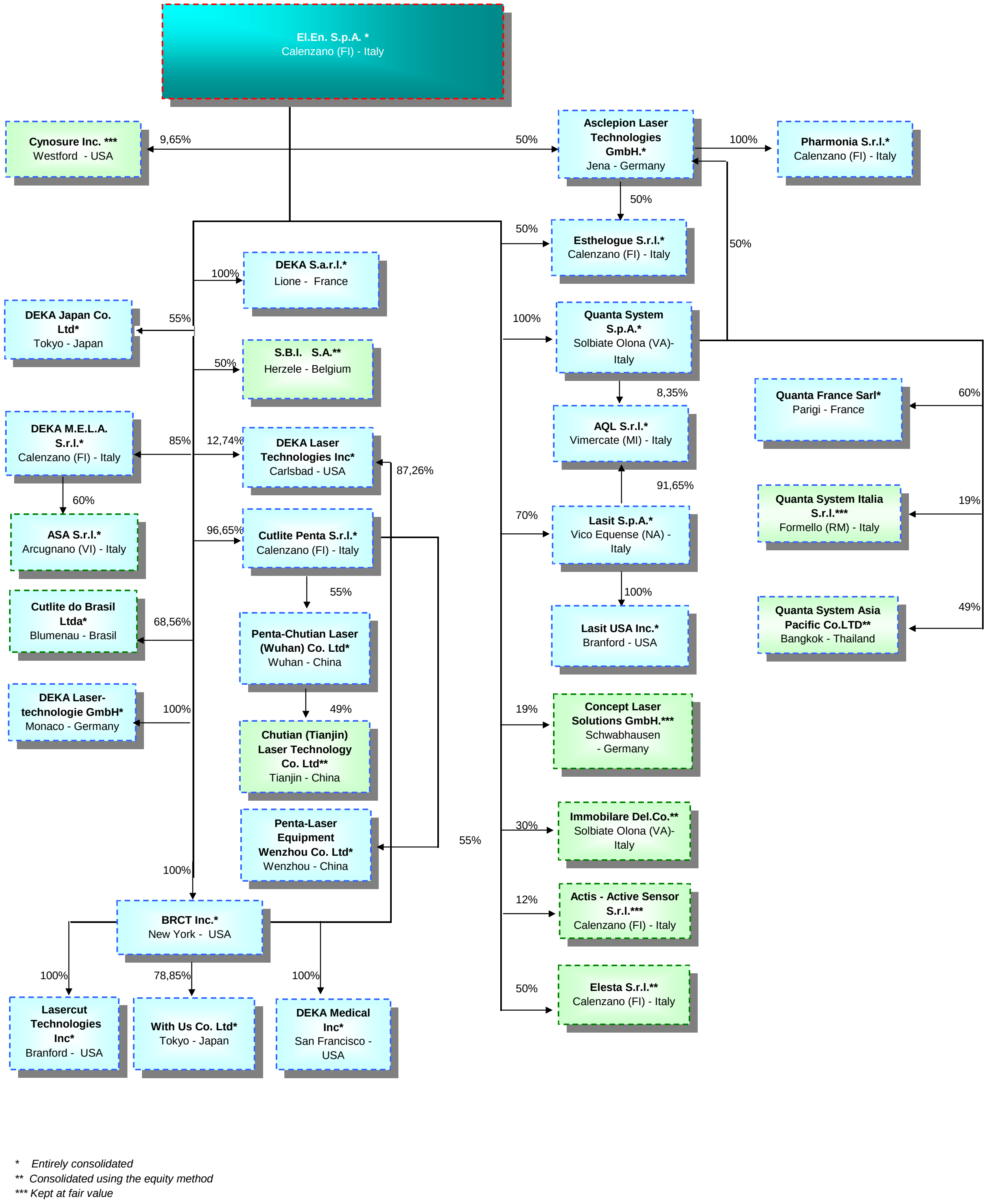
Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

We believe that the tendency of the two main macro-markets to develop will continue to be positive in the next few years thanks mainly to an increasing demand for medical and aesthetic treatments by an aging population that wants to appear younger, as well as the continuing need of manufacturers to have equipment with innovative and flexible technologies like laser instruments which are extremely receptive to innovation and optimization of industrial processes and products.

The division of the Group into multiple companies also reflects the strategy for the distribution of their products and the coordinating of the various research and development and marketing activities. In fact, particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure which left the Group at the end of 2012 and Asa) have always maintained their own special characteristics as far as the product typology and segment and their own distribution network which is independent from those of the other companies in the Group. At the same time, each one has been able to benefit from the cross-fertilization which the research teams have had on each other, thus creating centres of excellence for certain specific technologies which were made available also to the other companies of the Group. Although this strategy makes management more complex, it is chiefly responsible for the growth of the Group which has become one of the most important companies in the field.

GROUP STRUCTURE

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



PERFORMANCE INDICATORS

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

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

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

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

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

ALTERNATIVE NON-GAAP MEASURES

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

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

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

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

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

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

GROUP FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31st 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discontinued Operations 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial highlights

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

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

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

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

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

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

Income statement as of December 31st 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUBSIDIARY RESULTS

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

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

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

(*) data up to 09/30/2013

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

Deka represents the main marketing channel for the range of medical laser systems developed in the El.En. factory in Calenzano; it was one of the first companies to become part of the Group and has gradually consolidated its position on the market, first in Italy and then abroad. Deka operates in the field of dermatology, aesthetics, and surgery and makes use of a network of agents for direct distribution in Italy and highly qualified representatives for export.
To the subsidiary ASA, after the acquisition in 2003, DEKA has assigned the management of the physical therapy segment with excellent results in terms of both sales volume and earnings.
Again in 2013 the growth of the company of 18,6% was exceptional thanks to the good results on the Italian market especially in consideration of the extremely negative economic climate but, above all, to the export sales.
Also on the international markets the conditions are not all the same, but it is mainly the Far Eastern and Middle Eastern markets that are driving the growth and have overcome the difficulties that are still present on the European markets. The increase in sales volume in any case, was obtained with a stable margin which, with substantially no changes in overhead, comported a significant increase in the EBIT.
The organization of Deka, both in Italy and on the international network, is now a recognized presence and is known for innovative products, professional quality of its range and excellent performance of the laser systems it distributes; this is an achievement for the development of the company in the past few years and it is also a condition which will allow for further growth in the future thanks to the capacity of the company to move new products through a consolidated and highly organized distribution network.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other companies in the industrial sector

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

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

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

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

Systems and applications for lasers in medicine

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Laser systems and applications for industry

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

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

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

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

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

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

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

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

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

RISK FACTORS AND PROCEDURES FOR THE MANAGEMENT OF FINANCIAL RISKS

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

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

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

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

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

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

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

During 2011 the Company also underwrote the following guarantees:

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

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

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

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

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

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

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

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

Management of capital

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

STOCK OPTIONS OFFERED TO DIRECTORS AND EMPLOYEES

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

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

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

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

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

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

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

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

TREASURY STOCK

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

STAFF

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

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

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

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

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

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

INTERGROUP RELATIONS AND RELATED PARTIES

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

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

OPT-OUT REGIME

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

OTHER INFORMATION

Atypical and unusual operations

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

Managing and coordinating activities

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

Adoption of measures intended to guarantee the protection of privacy

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

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

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

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

Fiscal consolidation

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

SUBSEQUENT EVENTS

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

CURRENT OUTLOOK

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

DESTINATION OF THE NET INCOME

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

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

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