Annual Financial Report 2014

El.En. Group

EL.EN. S.p.A.

ANNUAL FINANCIAL REPORT
as of DECEMBER 31st 2014

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

INDEX

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 2014

INTRODUCTION

To our shareholders:

The financial year which ended on December 31st 2014 closed with a net income for the Group of 16.520 thousand Euros. This very substantial result is based on the excellent business performance and the capital gains earned after the sale of a block of Cynosure shares. The consolidated sales volume increased by almost 15% and exceeded the threshold of 180 million Euros. With an EBIT of over 15 million Euros the Group not only reached the goals for growth and profitability that had been set but exceeded them, also thanks to a positive non-recurring components which we will comment on later in this report.

This positive trend registered by the Group in 2014 on the one hand reflects the outstanding competitive position of the Group on its main selling markets and, on the other, the gradual improvement in the macro-economic conditions in which we operate and for which we expect continued growth and development for the Group in 2015.

The more favourable, or perhaps we should say less unfavourable general economic conditions in the last few years along with the vitality of the Group and their ability to offer new products and move in to new market segments caught the attention of stock market investors and, as a result, in the first days of March 2015, the stock of the Group reached its highest quotation ever, at over 35 Euros a share. These exceptional results, which will be commented on in the report that follows, area source of great satisfaction both for our shareholders and for the management.

REGULATORY FRAMEWORK

In compliance with the *European Regulation* n. 1606 of July 19th 2002, the El.En. Group has formulated the consolidated financial statement as of December 31st 2014 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 statement of the parent company, El.En. S.p.A. (separate financial 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 2014

On March 21st 2014, the Parent Company El.En. S.p.A. sold a block of 1.100.000 shares in Cynosure Inc., quoted on the Nasdaq market at the net price of 29,15 US dollars per share for a total amount of 32 million US dollars. The consolidated capital gains that was registered was 4,5 million Euros.
This sale once again allowed El.En. make an excellent profit on their investment. It should be recalled that the overall financial investment in Cynosure stock involved an initial output of about 17 million Euros and the various sales of stock over the years earned about 69 million Euros. In their portfolio El.En still detains one million shares which represent about 5% of the American company for a total value of about 30 million dollars at the current market price. The exceptional profitability earned from the financial investment in the strictest sense was always associated with a profitable sales relationship in which Cynosure distributed in the United States and in the rest of the world highly successful products like Smartlipo for laser lipolysis, Triactive for body shaping, Smartskin for rejuvenation; this relationship continued even after the gradual loss of the control of the company and was recently revived when Cynosure was assigned the distribution in the United States of the Mona Lisa Touch laser system, one of our leading products at the moment. Moreover, the years in which Cynosure was wholly consolidated and their presence as a protagonist in the United States, allowed the Group to acquire the kind of experience which will be important for new development and growth initiatives in the US.

Also in the month of March, the Group adhered to a settlement with Palomar Inc. (which is now part of the Cynosure Inc. Group) finally settling a long law suit concerning patents for laser devices for hair removal. The transaction was closed with the payment to Palomar of 630 thousand Euros plus legal expenses for the definitive settlement of the suit.

On April 9th 2014 the shareholders' meeting of the subsidiary AQL Srl voted to liquidate the company. This cancellation became effective on December 31st 2014 with the presentation of a final liquidation financial statement and the related distribution plan to the partners.

The shareholders' meeting of the Parent Company El.En. S.p.A., met on May 15th and approved the financial statement for the year 2013 and also voted:

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

The assembly approved the first section of the remuneration report in compliance with art. 123-ter, sub-section 6, D. Lgs. 24th February 1998, n. 58.

Moreover, in order to complete the Board of statutory auditors elected by the shareholders' meeting on May 15th 2013, the assembly appointed as acting auditor Rita Pelagotti and as alternate auditor Daniela Moroni and extended their terms until the approval of the financials on December 31st 2015.

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

On August 1st 2014 the Group acquired 19,5% of the quotas of Quanta Aesthetic Lasers Usa LLC (Quanta USA), with an investment of about 2,4 million dollars including the 21.148 El.En. S.p.A. shares transferred as part of the transaction and $500.000 as an increase in the capital. As part of the agreements starting in March of 2017 El.En. also obtained the right to increase to 51% their equity in Quanta Usa, with a criteria for setting the price that was based on the economic and financial results of the company. The deal was concluded through the 100% controlled subsidiary BRCT Inc..

Quanta Usa is an independent company that received permission from the Group to use the name of Quanta System as their exclusive distributor in North America for the medical-aesthetic line of products. During their third year of collaboration with the Group, in 2013 they achieved a sales volume of 6,8 million dollars with an EBIT of 450 thousand dollars and they are showing a very rapid growth of both sales volume and profits with a sales volume of 10,1 million dollars and an EBIT of 1,1 million dollars registered in 2014.

The partnership between Quanta System, which is 100% controlled by El.En. S.p.A., and Quanta Usa represents one of the most rapidly growing companies on the American market in the field of laser systems for aesthetic medicine. This strategic investments emphasizes El.En.'s commitment to pursue a leadership position on the most important world markets: the North American one as well as the European, Chinese and Japanese ones.

On October 29th 2014 BC Tech GmbH (ex DEKA Lasertechnologie GmbH) was permanently close and cancelled from the register of companies.

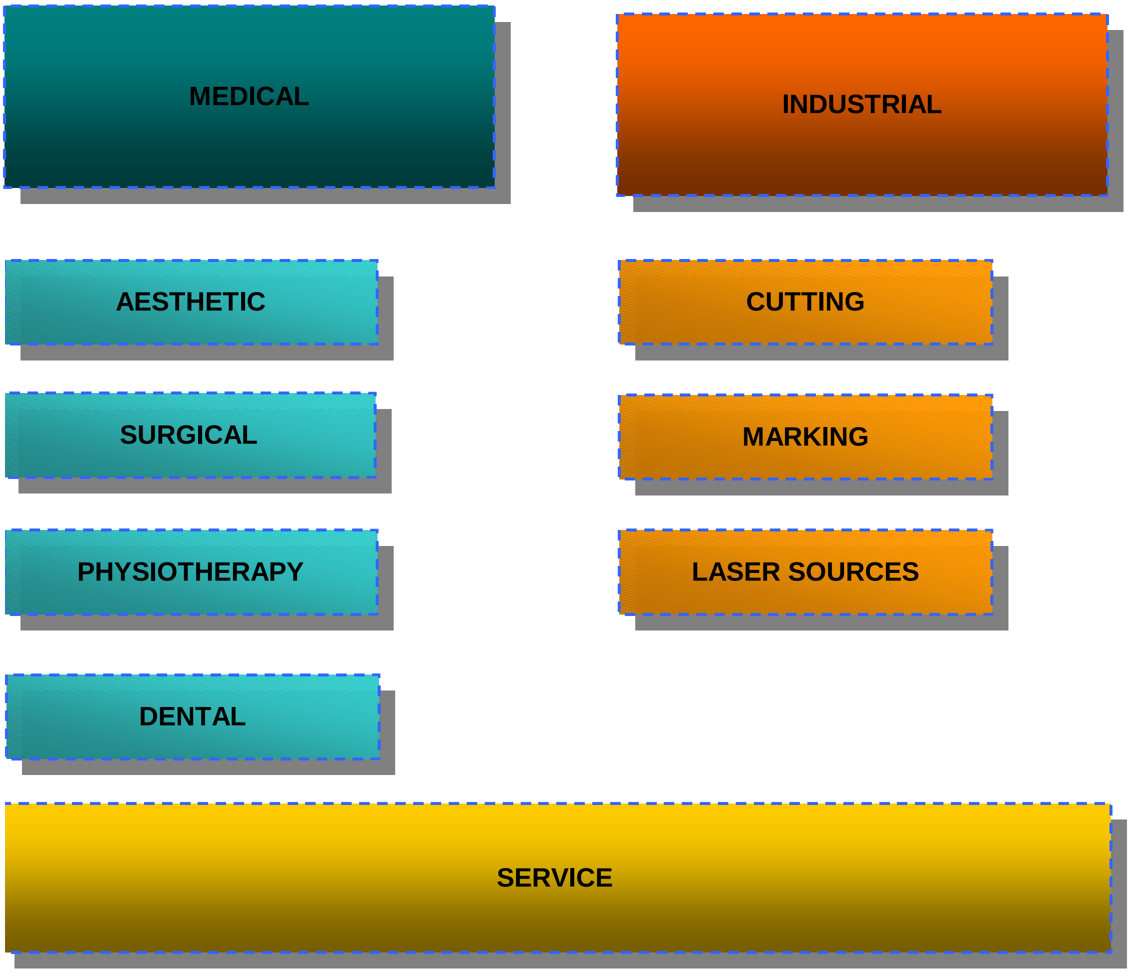
During the month of December 2014 Deka Laser Technologies Inc. changed its name to LT Tech of Carlsbad, Inc., ceased their business operations and is now in the process of definitively liquidating the company. Lenap Inc. (ex Lasit Usa) is also being cancelled.

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:



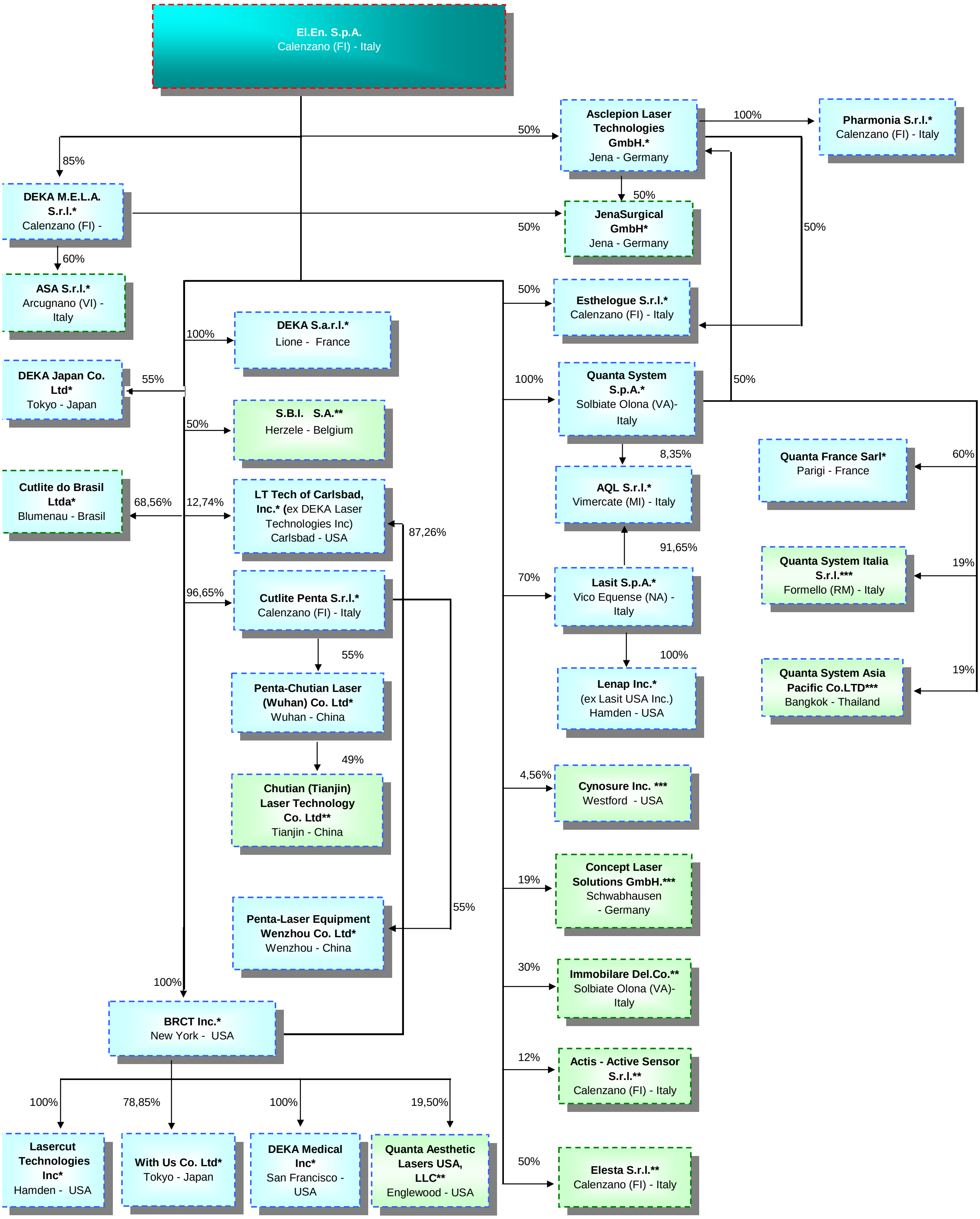
Besides the main company activity of selling laser systems, there is also a post-sales customer assistance service which is not only indispensable for the installation and maintenance of our laser systems but also a source of revenue from the sales of spare parts, consumables and technical assistance.

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 2014, the structure of the Group is as follows:



* *Subsidiary companies*
** *Associated companies*
*** *Other companies*

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:

	31/12/14	31/12/13
Profitability ratios:		
ROE (Net income / Share Capital and Reserves)	13,1%	5,0%
ROS (EBIT/ Revenues)	8,5%	6,1%
Structure ratios:		
Financial flexibility (Current assets / Total assets)	0,75	0,66
Leverage ((Shareholders' Equity + Financial liabilities) / Shareholders' Equity)	1,18	1,17
Current Ratio (Current assets / Current liabilities)	2,21	2,14
Acid ratio ((Current receivables + Cash and cash equivalents+securities)/ Current liabilities)	1,61	1,43
Quick ratio ((Cash and cash equivalents + Investments) / Current liabilities)	0,87	0,64

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 Management 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 Net income (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

The net income of the Group for 2014 was 16.520 thousand Euros an increase with respect to the 6.080 thousand Euros registered in 2013. In confirmation of the forecasts made at the end of the third quarter, the consolidated income before taxes are 24,4 million which is more than double the amount of 10,7 million registered for the preceding year.

Even in the fourth quarter which had to compete with the brilliant results shown for the same period in 2013, the sales volume and the EBIT showed growth and closed the financial year 2014 in the best possible way. The annual growth in sales volume was 14,4%, an excellent result even in comparison with the growth of our competitors which was, on the average, lower. The fourth quarter is traditionally the most favourable in the year and with revenue of 55,4 million Euros, it brought the annual sales volume to over 180 million and, thanks to business leverage, the EBIT increased and reached 8,5% of the sales volume. In short, in the fourth quarter the forecasts were again respected and even exceeded.

If we analyze the results in each of the main areas of business, we can observe with satisfaction that the Group has consolidated its position in almost all of them. The main growth was registered in the industrial sector on the Chinese market where our production was able to register a growth of over 50% and affirm its status as a dynamic factor on the most important market for manufacturing production. The new factory at Wenzhou is now under construction and will make it possible to increase the production capacity and give better service to the Chinese clientele. The sales of all the Group brands of medical systems also showed significant growth. Asa in the physical therapy sector, Deka, Asclepion and Quanta System in the medical and aesthetic sector, Esthelogue in the professional aesthetics sector all showed growth thanks to the reliability, innovation and variety of the range of products being offered and an increased capacity to dominate the markets.

It should also be noted that during this year two important transactions took place; first, the resolution of the patent dispute with Palomar Inc. (now part of the Cynosure Group) contributed to the EBIT thanks to the release of 1,5 million Euros held in the risk fund and, secondly, to the sale of a block of Cynosure shares which resulted in the cashing of 23 million Euros and a capital gains of 4,5 million. Together with the increased EBIT, these two operations helped make the income for this year exceptionally significant.

As mentioned earlier in the introduction to this report, in the past few months the macro-economic environment in which we operate has undergone transformations which have made the overall conditions more favourable.

In the first place, the exchange rates of the Euro with the US dollar which from 1,35 dollars per Euro rose to 1,05 dollars per Euro. In the past we had commented several times on the fact that the unnatural weakness of the US currency represented a severe disadvantage for El.En. which competes on the international markets with American competitors or with competitors that have their costs in dollars and consequently have a significant advantage. For this reason, besides determining a sizeable forex gain in 2014, the new, stronger dollar gives El.En a better margin of competition and therefore growing room for the sales volume and profits, both directly on the North American markets as well as the international markets in which our competitors will see their price advantage greatly reduced.
Moreover, the introduction of quantitative easing by the BCE will, hopefully, open a new phase to close the period of stagnation that has characterized the European markets, which have remained at the starting gate with respect to the American markets which, after the crisis of 2008 took advantage of the cash investment plans; a plan of this kind is starting just at the time in which, for the first time after a long series of negative signs, the growth indicators of the GNP finally seem to have turned around. Even though our Group is dedicated to internationalization and has a sales volume 80% of which is achieved outside of Italy, the Italian market is still one of our most important clients, particularly in the industrial sector.

The strategy of the Group has always been to create a competitive advantage through technological innovation achieved by means of a systematic program of research and development of new, innovative products or technical innovations and new applications on pre-existing products. With these new applications and technical innovations, in fact, the general difficulties of the market can be overcome by the unique characteristics of the product, while in a more advanced stage of the life cycle of products even a high-tech activity like ours is subject to the ordinary dynamics and pressures of the markets.

The chart below shows the sub-division of the sales volume among the various sectors of activity of the Group in 2014 compared with that for 2013.

	31/12/2014	Inc%	31/12/2013	Inc%	Var%
Medical	122.307	67,95%	109.363	69,49%	11,84%
Industrial	57.701	32,05%	48.017	30,51%	20,17%
Total	**180.009**	**100,00%**	**157.380**	**100,00%**	**14,38%**

There was two-digit growth in both sectors, but significantly greater growth in the industrial sector.

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

	31/12/2014	Inc%	31/12/2013	Inc%	Var%
Italy	32.398	18,00%	30.574	19,43%	5,97%
Europe	36.898	20,50%	33.037	20,99%	11,68%
Rest of the world	110.713	61,50%	93.769	59,58%	18,07%
Total	**180.009**	**100,00%**	**157.380**	**100,00%**	**14,38%**

From a geographical point of view growth was also significant on all markets. It was good in Italy, very good in Europe notwithstanding the adverse economic conditions, and exceptionally good in the rest of the world.

In the medical and aesthetic sector which represents 68% of the sales of the Group the results of the sales in the various segments are shown on the following chart.

	31/12/2014	Inc%	31/12/2013	Inc%	Var%
Aesthetic	74.299	60,75%	69.010	63,10%	7,66%
Surgical	17.548	14,35%	11.759	10,75%	49,23%
Physiotherapy	7.550	6,17%	6.841	6,26%	10,37%
Dental	513	0,42%	1.064	0,97%	-51,77%
Other medical lasers	35	0,03%	108	0,10%	-67,30%
Total medical systems	99.946	81,72%	88.782	81,18%	12,57%
Medical service	22.362	18,28%	20.581	18,82%	8,65%
Total medical revenue	122.307	100,00%	109.363	100,00%	11,84%

The growth in this sector was close to 12%.
The main segment, aesthetics, showed an increase of 7,7% thanks to the Group's ability in continuing the development of the principal market, in particular those of hair removal, photo-rejuvenation, resurfacing, tattoo removal and body shaping. The Group is able to offer a vast range of solutions for every type of application: for hair removal the Alessandrite/Yag Re:play and Light systems produced respectively by Deka and Quanta System, and the Mediostar Next system by Asclepion, which is distributed in Italy by Esthelogue in the professional aesthetics sector; Deka also maintains a range of IPL systems which are very successful on some markets, especially in the versions for professional aesthetics. In the sector of laser lipolysis Deka offers Smartlipo, the first system designed for this application and the Group continues to develop a significant volume of business with Cynosure, to whom they supply the technology for the Triplex and Cellulaze systems. For resurfacing, Deka's CO_2 laser systems, Smartxide and Smartxide^2 with their relative accessories represent a point of reference on the market and this position will almost certainly be consolidated by Smartxide Touch which was recently launched on the market in a new compact shape and with improved performance for the clientele.

Quanta System and Asclepion are also active in the sectors of photo-rejuvenation respectively with their You laser MT and Multipulse systems; in the niche category of ablation with erbium technology, Asclepion has always been a leader with its MCL series which is now offered in the MCL31 version. For the removal of tattoos and pigmented lesions Quanta has a high level range with their Q+ systems with two or three wave lengths while Asclepion offers the reliable Tattoo Star and Deka has recently launched a new model QS4. For vascular treatments Deka proposes an updated version of one of the classic technologies for laser dermatology, the Dye technology with the VASQ system, while Asclepion's Quadro Star Pro Yellow which uses a different technology and energy delivery method has been extremely well received. For numerous sets of products and applications there are also novelties with accessories available to complete the functions of some of the operative platforms, like the XL handpiece for the Mediostar Next hair remover and actual systems like the EVO platform launched by Quanta System.

Growth in the surgical sector was close to 50%, mainly due to the acceleration in the spread of laser systems for the cure of vaginal atrophy, the "Mona Lisa Touch" application launched by Deka and the equally vigorous growth of the holmium and tullium lasers for the treatment of Benign Hyperplasia of the Prostate (BHP) with Quanta's Cyber system and Asclepion's Multipulse 100Ho) as well as the holmium lasers for lithotripsy (Litho systems and a vast OEM production by Quanta). The success of the Mona Lisa Touch is of particular importance; at the closing date of this financial year the Group concluded an extremely important contract with Cynosure for distribution of the device in the United States.

The good results in the physical therapy sector have continued thanks to the capable management of ASA, while the dental sector, which decreased slightly was, in any case, not a subject of investments by the Group in this moment.

The after-sales service and sales of consumables shows a significant increase which should be considered the natural result of the increase number of installations.

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

	31/12/2014	Inc%	31/12/2013	Inc%	Var%
Cutting	38.549	66,81%	29.492	61,42%	30,71%
Marking	11.533	19,99%	11.066	23,05%	4,22%
Laser sources	398	0,69%	1.333	2,78%	-70,12%
Conservation	213	0,37%	446	0,93%	-52,20%
Total industrial systems	50.694	87,86%	42.337	88,17%	19,74%
Industrial serivce	7.007	12,14%	5.680	11,83%	23,37%
Total industrial revenue	57.701	100,00%	48.017	100,00%	20,17%

The cutting sector, which grew over 30%, drove the entire sector to an overall growth of 20%. The marking sector also grew thanks mainly to the excellent results of Lasit in the field of marking systems for small surfaces. The sales volume in the segments of laser sources and restoration are of little significance this year and showed a decrease.

Both the increase in the sales volume for service and the growth of the sales volume for systems were very significant and mostly achieved on the Chinese market.

CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31st 2014

The chart below shows the consolidated income statement for the year ending December 31st 2014 compared with that for 2013.

Income Statement	**31/12/14**	**Inc.%**	**31/12/13**	**Inc.%**	**Var.%**
Revenues	180.009	100,0%	157.380	100,0%	14,4%
Change in inventory of finished goods and WIP	3.114	1,7%	1.586	1,0%	96,3%
Other revenues and income	2.380	1,3%	1.989	1,3%	19,6%
Value of production	**185.502**	**103,1%**	**160.955**	**102,3%**	**15,3%**
Purchase of raw materials	89.136	49,5%	76.679	48,7%	16,2%
Change in inventory of raw material	366	0,2%	(2.797)	-1,8%	
Other direct services	14.151	7,9%	12.511	7,9%	13,1%
Gross margin	**81.849**	**45,5%**	**74.563**	**47,4%**	**9,8%**
Other operating services and charges	25.658	14,3%	25.661	16,3%	-0,0%
Added value	**56.191**	**31,2%**	**48.902**	**31,1%**	**14,9%**
For staff costs	38.228	21,2%	35.161	22,3%	8,7%
EBITDA	**17.963**	**10,0%**	**13.741**	**8,7%**	**30,7%**
Depreciation, amortization and other accruals	2.661	1,5%	4.159	2,6%	-36,0%
EBIT	**15.301**	**8,5%**	**9.582**	**6,1%**	**59,7%**
Net financial income (charges)	4.638	2,6%	(1.180)	-0,7%	
Share of profit of associated companies	40	0,0%	(474)	-0,3%	
Other net income (expense)	4.430	2,5%	2.767	1,8%	60,1%
Income (loss) before taxes	**24.409**	**13,6%**	**10.694**	**6,8%**	**128,2%**
Income taxes	6.409	3,6%	4.275	2,7%	49,9%
Income (loss) for the financial period	**18.000**	**10,0%**	**6.419**	**4,1%**	**180,4%**
Minority interest	1.480	0,8%	339	0,2%	336,7%
Net income (loss)	**16.520**	**9,2%**	**6.080**	**3,9%**	**171,7%**

The gross margin was 81.849 thousand Euros, an increase of 9,8% with respect to the 74.563 thousand Euros for the same period last year; however, on account of the increased volume of sales in China in the industrial sector which has a lower sales margin, and a less favourable mix of sales in the medical sector, there was a decrease in the incidence on the sales volume which fell from 47,4% to 45,5%.

Again in 2014, 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 25.658 thousand Euros with no changes in the overall value with respect to last year thanks mostly to the remodelling of some structures that was conducted in 2013, with a decrease in the incidence on the sales volume which fell to 14,3% from 16,3% for last year.

The staff cost was 38.228 thousand Euros, an increase of 8,7% over the 35.161 thousand Euros for the same period last year, but the increase in the sales volume determined an incidence on the sales volume which fell from 22,3% in 2013 to 21,2% in 2014.

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 31^{st} 2014 the grants received amounted to 465 thousand Euros, while the amount received for the same period in 2013 was 832 thousand Euros

On December 31^{st} 2014 the number of employees in the Group was 951, an increase with respect to the 859 registered on December 31^{st} 2013.The Chinese companies showed the greatest increase in the number of employees because of the rapid increase in their volume of business.

On account of the trends described above the EBITDA showed an improvement of 30,7% and amounted to 17.963 thousand Euros, as opposed to 13.741 thousand Euros for last year.

Costs for amortizations, depreciations and accruals were 2.661 thousand Euros, a decrease of 36% with respect to December 31^{st} 2013, and the incidence on the sales volume also dropped from 2,6% last year to 1,5% on December 31^{st} 2014. This decrease is mainly due to the release of 1.478 thousand Euros from the risks and charges fund as a results of the transaction concluded last March between the subsidiary Asclepion who was also acting for other companies in the Group, and Palomar Inc. and therefore represents an addition to the income. In fact, in order to offset the risk of losing the law suit against Palomar, in 2004 the Group stated to accrue a reserve of 2,1 million Euros while the transaction was conclude for 630 thousand Euros: the difference of about 1,5 million Euros was consequently released from the reserve this year.

The EBIT amounted to 15.301 thousand Euros, a significant increase with respect to the 9.582 thousand Euros registered on December 31^{st} 2013, and amounted to 8,5% of the sales volume which exceeded the forecasts made at the beginning of the year. Net of the one-off amount derived from the patent transaction with Palomar/Cynosure, the EBIT in any case would have shown an increase of 44% and reached 13.823 thousand Euros for this year.

Financial income amounted to 4.638 thousand Euros with respect to the charges of 1.180 thousand Euros on December 31^{st} 2013 and benefitted above all from the exchange rates trends and the strengthening of the dollar which caused gains to be registered for all the accounts held in dollars.

The other net income amounted to 4.430 thousand Euros, as opposed to 2.767 thousand Euros on December 31^{st} 2013. The result is entirely due to the capital gains of 4,5 million Euros obtained after the sale by El.En. S.p.A. of a block of 1.100.000 Cynosure Inc. shares in the month of March for which the company received 32 million dollars.
It should be remembered that the amount of 2.767 thousand Euros registered in 2013 was due for 2,5 million Euros to the capital gains not earned because of a different accounting system of the equity in Cynosure which, since it was no longer considered an associated company, had comported the change from the equity method criteria (IAS 28) to that of fair value for the assets available for sale (IAS 39).

The pre-tax income was 24.409 thousand Euros, a significant increase with respect to the 10.694 thousand Euros registered on December 31^{st} 2013.

The costs for current and deferred taxes this year was 6.409 thousand Euros, with a tax rate of 26%; for further details on this please consult the corresponding chart in the explanatory notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2014

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

	31/12/2014	31/12/2013	Var.
Statement of financial position			
Intangible assets	3.613	3.397	216
Tangible assets	26.927	21.853	5.074
Equity investments	25.549	41.568	-16.019
Deferred tax assets	5.682	6.123	-440
Other non current assets	3	34	-32
Total non current assets	**61.775**	**72.976**	**-11.201**
Inventories	50.481	48.372	2.109
Accounts receivables	47.947	42.545	5.402
Tax receivables	6.618	4.254	2.364
Other receivables	8.415	6.324	2.091
Financial instruments		300	-300
Cash and cash equivalents	73.804	42.868	30.935
Total current assets	**187.264**	**144.663**	**42.601**
TOTAL ASSETS	**249.039**	**217.639**	**31.400**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	50.291	50.493	-202
Treasury stock		-528	528
Retained earnings / (deficit)	35.043	31.121	3.921
Net income / (loss)	16.520	6.080	10.440
Share Capital and Reserves attributable to the Shareholders' of the Parent Company	**142.957**	**128.269**	**14.687**
Share Capital and Reserves attributable to non-controlling interests	7.579	6.037	1.542
Total equity	**150.536**	**134.306**	**16.230**
Severance indemnity	3.700	3.115	585
Deferred tax liabilities	1.461	1.303	157
Other accruals	2.695	4.485	-1.790
Financial liabilities	5.907	6.968	-1.061
Non current liabilities	**13.763**	**15.872**	**-2.109**
Financial liabilities	21.494	15.763	5.732
Accounts payables	35.267	31.227	4.040
Income tax payables	2.223	1.726	497
Other payables	25.756	18.745	7.010
Current liabilities	**84.740**	**67.461**	**17.279**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**249.039**	**217.639**	**31.400**

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 2014 is the following:

Net financial position		
	31/12/2014	**31/12/2013**
Cash and bank	73.804	42.868
Financial instruments	0	300
Cash and cash equivalents	**73.804**	**43.168**
Short term financial receivables	**714**	**1.383**
Bank short term loan	(17.634)	(13.612)
Part of financial long term liabilities due within 12 months	(3.861)	(2.151)
Financial short term liabilities	**(21.494)**	**(15.763)**
Net current financial position	**53.023**	**28.788**
Bank long term loan	(2.604)	(4.670)
Other long term financial liabilities	(3.303)	(2.299)
Financial long term liabilities	**(5.907)**	**(6.968)**
Net financial position	**47.116**	**21.820**

The net financial position of the Group increase by about 25,3 million with respect to December 31st 2013 and amounts to about 47,1 million Euros.
The increase is mainly due to the cashing of about 32 million dollars, equal to about 23 million Euros, received for the sale of the Cynosure shares described above.

This cash was used by the Parent Company El.En. S.p.A. to pay dividends in the second quarter for an amount of 2.402 thousand Euros,and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A., and ASA S.r.l. for a total of 548 thousand Euros.
It should be noted that in August of this year 1,8 million dollars were paid for the acquisition of the equity in Quanta Usa.

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

	31/12/14 Income statement	**31/12/14 Capital and reserves**	**31/12/13 Income statement**	**31/12/13 Capital and reserves**
Balance per parent company statement	**23.529.094**	**127.242.436**	**1.998.784**	**119.837.619**
Elimination of investments in subsidiary companies:				
- share of profit (loss) of subsidiary companies	8.931.609		1.615.358	
- share of profit (loss) of associated companies	39.566		(473.782)	
- elimination of rectification of value of equities	1.096.413		(355.745)	
- elimination of dividends	(1.289.221)		(2.150.098)	
- value adjustment of the Cynosure equity and rectification of the capital gains	(14.862.742)		2.488.657	
- other (charges) income	(1.083.550)		2.737.296	
Total contribution of subsidiary companies	(7.167.925)	18.401.433	3.861.686	11.277.751
Elimination of intercompany profits on inventory	269.888	(2.306.184)	333.283	(2.576.072)
Elimination of intercompany profits from sales of fixed assets	(110.947)	(380.956)	(113.583)	(270.009)
Balance as per consolidated statement – Group quota	**16.520.110**	**142.956.729**	**6.080.170**	**128.269.289**
Balance as per consolidated statement – Third party quota	**1.479.821**	**7.578.945**	**338.838**	**6.036.667**
Balance as per consolidated statement	**17.999.931**	**150.535.674**	**6.419.008**	**134.305.956**

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.

	31/12/2014	**Inc%**	**31/12/2013**	**Inc%**	**Var%**
Medical	37.214	79,16%	35.442	76,55%	5,00%
Industrial	9.799	20,84%	10.856	23,45%	-9,73%
Total	**47.013**	**100,00%**	**46.297**	**100,00%**	**1,55%**

The company showed a small amount of growth, entirely in the medical sector, while there was a drop in sales volume in the industrial sector in part due to the postponement of some important order.

Income statement as of December 31st 2014

Income Statement	31/12/14	Inc.%	31/12/13	Inc.%	Var.%
Revenues	47.013	100,0%	46.297	100,0%	1,5%
Change in inventory of finished goods and WIP	42	0,1%	1.412	3,0%	-97,0%
Other revenues and income	837	1,8%	846	1,8%	-1,1%
Value of production	**47.892**	**101,9%**	**48.555**	**104,9%**	**-1,4%**
Purchase of raw materials	22.284	47,4%	25.513	55,1%	-12,7%
Change in inventory of raw material	116	0,2%	(2.160)	-4,7%	
Other direct services	3.799	8,1%	3.874	8,4%	-1,9%
Gross margin	**21.692**	**46,1%**	**21.328**	**46,1%**	**1,7%**
Other operating services and charges	6.237	13,3%	5.420	11,7%	15,1%
Added value	**15.455**	**32,9%**	**15.908**	**34,4%**	**-2,8%**
For staff costs	11.634	24,7%	10.540	22,8%	10,4%
EBITDA	**3.821**	**8,1%**	**5.368**	**11,6%**	**-28,8%**
Depreciation, amortization and other accruals	1.726	3,7%	3.907	8,4%	-55,8%
EBIT	**2.096**	**4,5%**	**1.460**	**3,2%**	**43,5%**
Net financial income (charges)	5.355	11,4%	557	1,2%	860,8%
Other net income (expense)	18.199	38,7%	716	1,5%	2443,1%
Income (loss) before taxes	**25.650**	**54,6%**	**2.733**	**5,9%**	**838,5%**
Income taxes	2.120	4,5%	734	1,6%	188,8%
Net income (loss)	**23.529**	**50,0%**	**1.999**	**4,3%**	**1077,2%**

The gross margin was 21.692 thousand Euros, an increase of 1,7% with respect to the 21.328 thousand Euros for the same period last year with an incidence on the sales volume which remained unchanged.

Costs for operating services and charges were 6.237 thousand Euros, and showed an increase of 15,1% with respect to December 31st 2013, with an incidence on the sales volume which rose to 13,3% from 11,7% on December 31st 2013.

The staff cost was 11.634 thousand Euros and grew both in percentage terms (+10,4%) as well as the incidence on the sales volume which rose from 22,8% to 24,7%. On December 31st 2014 the number of employees in the company was 198 which was an increase of five people with respect to December 31st 2013.

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 2014 amounted to 314 thousand Euros while for the same period last year they amounted to 284 thousand Euros.

For the reasons explained above, the EBITDA was 3.821 thousand Euros, a decrease with respect to the 5.368 thousand Euros registered last year, with an incidence on the sales volume which fell from 11,6% last year to 8,1% in 2014.

Costs for amortizations, depreciations and accruals amounted to 1.726 thousand Euros, a significant decrease with respect to the 3.907 thousand Euros for last year which had an accrual for credit risks of an extraordinary entity.

The EBIT therefore rose from 1.460 thousand Euros in 2013 to 2.096 thousand Euros for this year showing an increase of 43,5% with an incidence of 4,5% on the sales volume.

Net financial income was 5.355 thousand Euros, thanks to the improvements in the exchange rates and the dividends cashed by the subsidiaries, Deka MELA S.r.l. for 527 thousand Euros, Quanta System S.p.A. for 300 thousand Euros and Lasit S.p.A. for 210 thousand Euros.

The other net income and charges registered a very positive result which was generated by the capital gains achieved with the sale of the Cynosure shares, as described above. A negative result was registered, on the other hand, by the devaluation of the value of the equities held in Cutlite do Brasil and SBI SA for a total amount of 1.064 thousand Euros.

The pre-tax profit consequently was 25.650 thousand Euros, with respect to the 2.733 thousand Euros registered last year.

The fiscal costs for this year were 2.120 thousand Euros as opposed to 734 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 168 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 2014-2016 for the subsidiary Esthelogue Srl as an extension of the preceding option for 2011-2013, and for the three-year period 2012-2014 for the subsidiary Cutlite Penta Srl.

The tax rate for this year decreased from 26,87% last year to 8,27% for this year because the significant amount of capital gains registered this year benefitted from the partial exemption called “PEX.

To summarize, the ordinary activity faced greater difficulties this year than in 2013, although there was an improvement in the EBIT thanks to the reduction in accruals for risks. The financial income also improved thanks to the difference in the exchange rate with the US dollar and the capital gains on the sales of the Cynosure shares which brought about the best net income result in the history of the company.

STATEMENT OF FINANCIAL POSITION AND NET FINANCIAL POSITION AS OF DECEMBER 31st 2014

	31/12/2014	31/12/2013	Var.
Statement of financial position			
Intangible assets	164	55	109
Tangible assets	12.701	12.590	111
Equity investments	39.797	57.749	-17.951
Deferred tax assets	2.735	3.042	-307
Other non current assets	3	33	-30
Total non current assets	**55.401**	**73.469**	**-18.068**
Inventories	20.199	20.687	-487
Accounts receivables	30.349	27.381	2.968
Tax receivables	3.253	1.079	2.174
Other receivables	5.398	4.124	1.274
Cash and cash equivalents	43.512	21.809	21.703
Total current assets	**102.711**	**75.079**	**27.631**
TOTAL ASSETS	**158.111**	**148.548**	**9.563**
Share capital	2.509	2.509	
Additional paid in capital	38.594	38.594	
Other reserves	63.595	78.183	-14.587
Treasury stock		-528	528
Retained earnings / (deficit)	-984	-918	-66
Net income / (loss)	23.529	1.999	21.530
Total equity	**127.242**	**119.838**	**7.405**
Severance indemnity	1.111	968	143
Deferred tax liabilities	1.094	1.128	-34
Other accruals	603	490	112
Financial liabilities	1.340	4.037	-2.697
Non current liabilities	**4.147**	**6.623**	**-2.476**
Financial liabilities	12.092	6.207	5.886
Accounts payables	9.778	12.287	-2.509
Income tax payables	2	146	-145
Other payables	4.849	3.448	1.402
Current liabilities	**26.722**	**22.087**	**4.634**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**158.111**	**148.548**	**9.563**

Net financial position		
	31/12/2014	**31/12/2013**
Cash and bank	43.512	21.809
Cash and cash equivalents	**43.512**	**21.809**
Short term financial receivables	**620**	**102**
Bank short term loan	(10.866)	(5.350)
Part of financial long term liabilities due within 12 months	(1.227)	(856)
Financial short term liabilities	**(12.092)**	**(6.207)**
Net current financial position	**32.039**	**15.704**
Bank long term loan	(1.340)	(3.187)
Other long term financial liabilities	0	(850)
Financial long term liabilities	**(1.340)**	**(4.037)**
Net financial position	**30.699**	**11.667**

For the 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 2014.

	Revenues 31-dic-14	Revenues 31-dic-13	Var. %	EBIT 31-dic-14	EBIT 31-dic-13	Net income 31-dic-14	Net income 31-dic-13
Deka Mela Srl	28.242	29.567	-4,48%	552	1.259	660	1.166
Cutlite Penta Srl	14.989	14.168	5,80%	280	272	140	1.234
Esthelogue Srl	6.259	5.192	20,55%	-169	-450	-167	-337
Deka Sarl	3.779	2.534	49,13%	159	-646	160	-642
BC Tech GmbH (ex Deka Lasertechnologie GmbH)	0	145	-100,00%	2.016	-339	2.016	-339
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.)	57	481	-88,09%	43	-60	36	-77
Deka Medical Inc.	320	1.430	-77,62%	-130	-663	-155	-687
Quanta System SpA	30.126	27.116	11,10%	3.188	3.026	2.069	2.021
Asclepion Laser Technologies GmbH	24.755	23.152	6,92%	3.299	1.433	2.227	281
Asa Srl	7.307	6.788	7,65%	1.481	1.170	1.041	731
Arex Srl(*)	0	412	-100,00%	0	-7	0	-18
AQL Srl	40	121	-67,00%	-11	9	-14	5
Lasit Spa	8.063	7.339	9,87%	787	399	495	390
Lasercut Technologies Inc.	36	251	-85,68%	4	-331	1	-336
BRCT Inc.	0	0		204	-585	240	-603
With Us Co LTD	23.155	19.486	18,83%	1.763	-377	1.041	-284
Deka Japan Co LTD	1.721	3.136	-45,12%	-109	328	-94	161
Penta Chutian Laser (Wuhan) Co Ltd	26.844	19.122	40,38%	613	-191	777	-566
Penta Laser Equipment (Wenzhou) Co Ltd	25.274	10.861	132,69%	1.130	-418	797	-335
Lenap Inc. (ex Lasit Usa Inc.)	0	89	-100,00%	-3	230	-3	230
Cutlite do Brasil Ltda	3.720	4.587	-18,89%	-705	-239	-824	-212
Pharmonia Srl	2.480	3.630	-31,69%	62	113	37	73
Quanta France Sarl	709	1.044	-32,03%	4	193	4	191
JenaSurgical GmbH	30	0		-33	0	-33	0

(*) data until September 30th 2013

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

The DEKA company and their brand name are the main vehicle for the distribution of the range of medical laser system developed in the El.En. factory in Calenzano and are its first and main market. Deka in fact was created by El. En in the 1990s and has gradually consolidated its position on the market, first in Italy and afterwards in other countries. Deka operates in the sectors of dermatology, aesthetics, and surgery, using a network of agents for direct distribution in Italy and a highly qualified network of distributors for export. Thanks to the launch of the new Mona Lisa Touch laser system for the treatment of vaginal atrophy, Deka is again active in the field of gynaecology in which it had operated with its CO_2 laser systems in the first years of its activity. Since 2003 DEKA has used the subsidiary ASA for the management of the physical therapy sector with excellent results both in terms of sales volume and profitability.

In 2014 the sales volume showed a decrease with respect to 2013 mainly due to the drop in orders from the Japanese clients. The margins have stayed the same in terms of incidence on the sale volume, while the overhead increased on account of the commercial expenses for the promotion and launching of some new products during this year and for this reason the EBIT was lower.

The DEKA organization, both in Italy and in the international network, has a presence that is recognized for the innovation of the products, the professional quality of the offer, and the excellent performance of the laser systems that they sell. This has been a goal of the company in the last few years but is also a condition on which, notwithstanding the decrease during this year, the Group counts on creating further growth thanks to their capacity to move new products through a consolidated and effective distribution network.

Cutlite Penta S.r.l.
This company which has its Headquarters in Calenzano, produces laser systems for the industrial cutting applications and on X-Y movements controller by CNC installs laser power sources manufactured by El.En. S.p.A. In 2013, after the merger with Ot-las S.r.l., they added the new business of laser marking for large surfaces with galvanometric movement of the beam. During 2014 the company continued the re-organization of its activities and the re-launching of its presence on the market so that there was a gradual growth during the year which made it possible to offset the initial losses and register a positive EBIT notwithstanding the obvious difficulties on its main selling markets, both Italian and European.

The relationship with the Parent Company, El.En. S.p.A., remains fundamental both for the acquisition of laser sources as well as the collaboration on projects for new systems and new accessories, in particular for those involving “beam delivery”, and for the financial support supplied by the Parent Company for mid-term initiatives like the expansion on the Chinese market through the subsidiary **Penta Chutian Laser (Wuhan).**
This latter company was founded seven years ago for the purpose of giving the Group a local factory serving the most important manufacturing market in the world; this was a necessary condition in order to be able to play a leading role in the local competition which is extremely aggressive in terms of price, and the international competition which is better known than we are.

The year 2014 saw a rapid return to growth which was significant thanks to a better mix of products. **Penta Chutian Laser (Wenzhou)** controlled by Cutlite Penta with the same percentage as Wuhan, is proceeding with the construction of a new factory in Wenzhou in order to increase their production capacity. As mentioned earlier, the growth in the consolidated sales volume of the two Chinese companies was obtained thanks to an improved composition of the products offered for sale which was adjusted to suit the changes in the technological pattern in the metal cutting segment that have characterized this application in the last few years. The growth on the Chinese market was over 50% which represents a brilliant results as well as a return to net income.

Quanta System S.p.A.
Quanta System 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, with outstanding performance also in the sector of art restoration and cultural heritage.
In 2012 the Parent Company El.En. bought out the minority shareholder and acquired 100% of the shares of the company. This investment has been repaid with a constant growth in sales volume and profits, with a new managerial structure that is able to capitalize on their superior knowledge of some of the laser technologies and has increasingly acquired portions of the market in some applicative sectors for aesthetic and surgical lasers. The growth in the surgical sector is particularly significant, in particular for the mid-powered Holmium systems for lithotripsy, for which Quanta holds a large quota of the international market, and Tullium lasers for the treatment of benign hypertrophy of the prostate.
At this time the products offered by Quanta System seem to be perfectly suited to the requirements of the market and made it possible for the company to achieve brilliant results in 2014: a growth in sales volume of 11% and an improvement in EBIT notwithstanding the decrease in the amount of research grants which, in relation to the Femto project had been very significant in 2013.
The position of Quanta, which is particularly brilliant on the American market which now represents about 25% of the sales of the company, was re-enforced in August 2014 thanks to the acquisition by the Group of an equity in the important American distributor Quanta Aesthetic Lasers USA LLC in Denver, Colorado.
The present market conditions would seem to indicate that the positive trend in the activities will continue especially considering the operating structures which will be expanded, thanks to the purchase concluded in the last months of 2014, of a new factory in Samarate (VA).

Lasit Spa is specialized in the manufacture of marking systems for small surfaces and besides having a valid research and development team in the headquarters in Torre Annunziata (Naples). Lasit is also equipped with a complete modern mechanical workshop with advanced technology (including laser cutting systems) where they carry out work for other companies of the Group and are able to offer their own clientele customized services which make the company unique on the market. During 2014 the company continued to consolidate the growth of their sales volume and profits which had already started in the preceding years. The effectiveness of their technical and commercial activity have gradually improved Lasit’s position and made it point of reference in the field of industrial marking.

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 success of the Mediostar Next laser system for hair removal was the driver in the sales volume of Asclepion, along with the new Quadro Star PRO Yellow for vascular applications and the erbium systems which make Asclepion a point of reference around the world. The acceleration of sales in the second half made it possible for Ascleion to obtain good EBITDA but along with this there was also the net effect of the closure of the patent dispute with Palomar which before the release of the funds in the reserve which had been accrued for an amount of 2,1 million Euros and the charges to Quanta System and to El.En. Spa for the amounts of their participation in the transaction which brought beneficial effects to all of them, resulted in a one-time net operating income of about 1,9 million.
The market position seems to be prosing for a profitable continuation of the activities also next 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. For With Us, El.En and Deka have produced some specific models that are made specifically for the Japanese market. Although some of these systems were directed to a single market they have often turned out to be best sellers for Deka. There are already several thousand units installed and they increase every year. The "all inclusive" customer assistance contracts which are supplied to the numerous clientele represent an important part of the sales volume of the company.

The sales volume for this year showed a further increase of 28%, in Japanese Yen and the improvement in the margins which is derived also from a lower incidence in the sales of systems and services which have costs in Euros that allowed the company, after a pause in 2013, to return to a good EBIT and net income. The situation with the exchange rates in this case limits the potential of earning profits from the sole activity of distribution of European products on the Japanese market and the company, with its position and its size, besides being a fundamental outlet for the products of the Group, has shown that it is able to generate income by means of sales and of products and services procured locally for its vast number of clients with systems installed.

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 2014 ASA registered a brilliant growth in sales volume and profits: sales volume in fact, was over 7 million Euros and the net income was over 1 million Euros. During 2014 ASA distributed dividends for 605 thousand Euros.

Other companies, medical sector
Deka Sarl distributes the range of Deka laser systems in France. Deka Sarl closed an excellent year with a return to operating profits and an increase in sales volume of almost 50%. A more complete range of products allowed them to achieve a better position on the French market and also in sales for export, in particular those in North Africa under French influence, gave a fundamental contribution to the growth and return to profits.
The outlook for 2015 is to maintain the market position that has been recovered and break even and contribute to the improvement of the consolidated results thanks to the volume of production of the Group hat is absorbed and distributed in their territory.

La **Deka Lasertechnologie GmbH,** changed its name to BC Tech GmbH and ceased all activity in 2014.

Deka Japan, distributes Deka brand medical systems on the Japanese market and has gradually acquired an increasingly significant position on the market. They have consolidated their competitive position also by obtaining from MOH, the Ministry of Health, the authorization to sell the Smartxide system, which now can be sold and advertised in Japan and increase their sales. In 2014 the company registered a drop in sales volume and a slight net loss. The range and the quality of the product offered are promising for 2015 and should grow and generate income with this activity.

Deka Laser Technologies Inc. changed its name to LT Tech of Carlsbad, Inc. and ceased its activity in the dental sector in the USA. **Deka Medical Inc**. also ceased their active distribution in the medical and aesthetic sector in the United States and this activity has been assigned to third parties. Deka Medical maintains a direct presence in the territory by conducting, with its own staff, a marketing activity to support the distributors.

Since 2009 **Esthelogue S.r.l.** has been active in the distribution of the Group's systems to the professional aesthetics market in Italy. After overcome a series of initial difficulties, Esthelogue has registered a constant growth in the last few years and has taken on an important role in the Italian market of technologies for cosmetic treatments, in particular for hair removal. In this segment, the laser system Mediostar Next, produced by Asclepion in Jena, represents a point of reference for the market and is synonymous with quality, reliability and superior performance. The growth in sales volume was over 20% with a significant improvement in the net result which was a loss only because of the accruals for credit risks and on account of the major marketing and promotional expenses which were sustained at the end of the year and the befits of which are expected in 2015.

The company **Pharmonia S.r.l.** has gradually reduced their activity distributing aesthetic systems specifically designed and manufactured for use in pharmacies and now conducts occasional activity in the distribution in Italy of systems for medical applications produced by their parent company Asclepion and principally the distribution in some foreign countries of some specific products made by the Group.

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

Other companies, industrial sector

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

Cutlite do Brasil Ltda has their factory in Blumenau in the state of Santa Catarina. The company has 30 employees and manufactures laser systems for industrial applications and distributes laser systems produced by the Italian companies belonging to the Group. The year of the World Cup was for our company and for Brazil a difficult moment of transition in which the expectations for stimulus and development were disappointed by a period of stalling to see the outcome of the presidential elections and by the significant devaluation of the Real. The results of the company were severely influenced and the situation was made worse by the write-downs of some of the company’s assets.

Research and Development activities

During 2014 the Group conducted an intense research and development activity for the purpose of discovering new laser applications both in the medical and the industrial sectors and to place innovative products on the market.
This activity was intensified by the economic crisis which required even more attractive items for the market through the presentation of new products and applications. Effective innovations, in fact, can convince both our medical and industrial clients to overcome their fears about investing, since they can look forward to attracting clients with the improvements and novelties that we offer.
In general, for highly technological products in particular, the global market requires that the competition be met by rapidly and continually placing on the market completely new products and innovative versions of old products with new applications or improved performance which use the most recent technologies and components. For this reason extensive and intense research and development programs must be conducted and organized according to brief and mid- to long-term schedules.
In our laboratories we conduct research on new or unsolved problems in medicine and industry and we try to find solutions on the basis of the experience and know-how that we have developed on the interaction between laser light and biological and inert materials. As far as laser lights are concerned, we develop the sources on one hand by making a selection of its spectral content, the methods for generating it and the optimal level of power and, on the other hand, we program its management over time in relation to the laws governing its disbursement and in space as far as the shape and movement of the light beam is concerned.
The research which is aimed at obtaining mid-long-term results is generally oriented towards subjects which represent major entrepreneurial risks, inspired by intuitions which have arisen within our companies or by prospects indicated by the scientific work conducted by advanced research centers throughout the world, some of which we collaborate with.
Research which is dedicated to achieving results according to a short-term schedule is concentrated on subjects for which all the preliminary feasibility studies have been completed. For these subjects a choice has already been made regarding the main functional characteristics and specifications. The elements for this activity are determined on the basis of information obtained from the work of specialists employed by the company and also as a result of activities of the public and private structures which acted as consultants in the phase of preliminary study and some in the phase of field verification.
The research which is conducted is mainly applied and is basic for some specific subjects generally related to long and mid-term activities. Both the applied research and the development of the pre-prototypes and prototypes are sustained by our own financial resources and, in part, by grants which derive from research contracts stipulated with the managing institutions set up for this purpose by the Ministry of University and Research (MUR) and the European Union, as well as directly with Regional structures in Tuscany or the Research Institutions in Italy and other countries.
The El.En. Group is currently the only 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 different wavw lengths and various power versions and in some cases, using various manufacturing technologies. Consequently, research and development activity has been directed to many different systems and subsystems and accessories. Without going into excessive detail, a description of the numerous sectors in which the research activities of the Parent Company and some of the subsidiary companies have been involved is given below.

The parent company, El.En. has been active in research and clinical for surgical applications of the devices and sub-systems for the SMARTXIDE^2 family of products (the product name is pronounced “Smartxide quadro” to highlight the Italian origin of the devices belonging to this family, considering the characteristics and performance that are particulalry appreciated by the clientele) which has recently been develped and placed on the market for different applications in aesthetic medicine and surgery. 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, urogynecology, 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; in particular, we have been able to obtain a high consistency between the focal distance in those cases where they are using different wave lengths of the laser beam at the same time, as occurs in surgical applications with the visible guide light being used with the laser light that the surgeon uses for cutting and vaporizing with micro-manipulators seen under the microscope. 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 in collaboration with medical specialists for the development of uses in other fields in which it is necessary to place the wave length at different settings in the various phases of the operation. 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 urogynecology 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; it afflicts a high percentage of women in menopause and younger women with tumors for whom hormonal therapies are not appropriate.

We have developed a new applicator for laser treatment. For surgical uses we are now developing applications in otorhinolaryngoiatry, proctology and neurosurgery, in particular application of patches using semi-conductor lasers.

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

In particular, in recent years and in 2014 we developed a system for obtaining 3D images of X rays with CONEBEAM technology. The performance in terms of speed of acquisition and spatial resolution place it among the top devices of this type in the world. We are developing dedicated software and improved hardware components in order to improve it as much as possible.
We have just completed the preliminary study and design stage for a new instrument that would reduce the layer of body fat based on the use of a new form of energy.
We have conducted clinical experiments with the first prototype equipment on cadavers with encouraging results at Cadaverlab in Italy.
We have created the base for an original optical guiding system for the operator intended to increase the safety of the treatments and the control of their uniformity. We are now preparing a prototype of the first experiments *in vivo* and a prototype series.
In the important and highly innovative field of the development of laser devices and procedures for regenerative medicine, we have continued to develop new laser equipment and to conduct clinical experimentation in the veterinary field in the United States and in Europe, in particular in relation to valuable horses involved in competitive sports, with innovative laser equipment for therapies that are part of regenerative medicine belonging to the HILT family (High Intensity Laser Therapy) and RLT (Regenerative Laser Treatment) which we introduced and which have recently been successfully used in physical therapy for the treatment of trauma and chronic infections.

We have completed 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 to augment the phase of further improvement in the precision of the identification of the margins of ablation.

We have conducted operations for the industrial development and certification of the therapeutic effectiveness of the laser equipment and devices for the treatment of cutaneous ulcers that were developed as part of the TROPHOS project.
This project was conducted with grants from the European Union issued through the Department of Economic Development of the Region of Tuscany and is now in the phase of clinical experimentation. This activity was officially underwritten by the Italian Ministry of Health in 2011 and a convention was signed with the Hospital of Carreggi in Florence. As usual, bureaucratic difficulties slowed down the activities and in the spring of 2015 we should be able to conclude the collection of data and the elaboration of the statistics in order to present the official results which, in any case, would appear to be very positive.
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 ran feasibility studies on new applications for dye lasers in dermatology, both alone and associated with carbon dioxide laser treatments. The dye laser system has recently undergone significant technological developments aimed at increasing the duration of the substances involved in the production mechanism of the laser light that are subject to deterioration.
In the PHOTOBIOLAB created at El.En. for research on the interaction between light and biological tissue, we have conducted experiments on new medical applications in the fields of ophthalmology, proctology and neurology. We are have continued conducting experiments with laser devices for surgical operations in the fields of orthopedics and specifically on the spinal column for the treatment of spinal hernias.

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 and uro-gynecological, otolaryngology and odontostomatology. This activity is conducted by involving highly specialized personnel, working for the company and the Group to which the company belongs, as well as for Italian and foreign academic and professional medical centers.

At Quanta System they are conducting intense research on instruments for use in aesthetic medicine and medical therapies in urology.
This research is split up into numerous micro-activities including: feasibility studies on a system for treating onicomicosis; incremental innovations of Q-switched systems with fractional hand-pieces, universal adaptors with different spot shapes and automatic recognition; feasibility of UVB applicators for psoriasis; development of special beam delivery accessories for laser applications for the treatment of benign hypertrophy of the prostate (BHP); development of incremental innovations on Holmium systems for lithotripsy, improving the performance of the cavity , of the launch of the fiber and of the fibers themselves.
They have concluded the development of a laser system with extremely brief impulses (hundredths of picoseconds) for applications in dermatology.
They conducted regulatory activity required in order to obtain the 510 (k) from the FDA for equipment and accessories.
They have also continued work on the Qscale project and they have selected a preliminary team for the Horizon 2020 project on Pleurodesis Laser.

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

At El.En., in collaboration with the subsidiary Cutlite Penta they are conducting research for the development of innovative pre-cutting processes and machine micro-perforation of labels and systems for applications in the field of cutting and welding plastic materials and for the beverage sector in order to prolong the shelf-life of food products.
We have continued work on the development of software and algorithms for high-speed advanced coding in the transactional paper-digital converting.
For the development of laser sources we are about to compete the project on the 850W source and are beginning the experimentation of a sealed 300W source, and designed and tested a new delivery system on the Bright 30 source of the Milord project. We have developed a focusing head for lasers in fiber and dedicated process sensors. We have also studied and added new sensors on metal cutting machines.

We also continued tests and experiments on scansion heads and focalizing for fiber lasers for remote control welding plants for metal materials in the automotive field and the mass production of furniture parts. As part of this research, we have begun to develop a new dynamic system for high-speed response focalizing.

We have conducted tests and experiments on algorithms and sensors for new high-speed marking methods with variable jobs in real time, according to the codes that are present on the material that needs to be processed in reels of paper and other materials.
We have developed a stand-alone system for the marker which makes it possible to create the self-taught program for every size of insole.
We continued experimenting with marking applications on large sizes using a head with a small aperture (35mm) instead of the high definition head (aperture 70mm). In this optical configuration the depth of field is such that the dynamic z becomes useless. In the sheet metal cutting sector, we concluded the studies necessary for fast piercing and developed the software for the fly cut of thin sheets.

In the die cutting sector we have developed a method for securing rotating dies to the machine. This method is much simpler than the preceding one and also offers higher precision and reduces the regulations during the testing phase so that the time required for set up is much shorter.

In the field of plexiglass cutting, we have developed and tested the combination of a marker on a cutting machine, basically following what we did last year with the dies. We continued with the experiments necessary for the development of the latest innovations.

Further development activities and tuning processes have been carried out for cutting MDF (Medium Density Fiberboard) rigid wooden modular packaging, an expanding sector as far as high quality fruit and vegetable packaging is concerned. The work of development was focused on the optimization of the process parameters whose efficiency needs to be brought to the highest level in order to achieve the economic competitiveness required in the transition between the laser excitation and high tension discharge to the new RF laser sources with the beam being carried by optics housed on Cartesian high dynamic handling systems.
We continued research on the nature and limitations of this technology which manages cutting through a remote process without the assistance of proximity devices for focusing and delivering the process gas.
At El.En.we have conducted research on remote control welding of sheet metal with superficial treatments and applications with optical retroaction systems.
We conducted feasibility studies for the manufacturing process of subsets for the oil drilling industry.
In the metal cutting sector, Cutlite Penta has been involved in the development of new systems and innovation of technical solutions for systems that are already being manufactured. They have developed new compact cutting systems with better performance and lower costs.

They are studying ways to eliminate most of the optical routes of the CO_2 laser beam with solutions that include the assembly directly on the mobile portal of the machine of the new sources with radio-frequency pumping.

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

thousands of euros	**31/12/2014**	**31/12/2013**
Costs for staff and general expenses	6.154	5.947
Equipment	102	35
Costs for testing and prototypes	1.421	1.001
Consultancy fees	732	468
Other services	73	340
Intangible assets	0	0
Total	**8.482**	**7.791**

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, with the exception of 66 thousand Euros.

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

The parent company El.En. SpA stipulated, in December 2014, a derivative contract of the "Currency rate swap" type to hedge the Exchange rate risk on a savings account deposited in dollars.

Operation	*Notional value*	*Fair value*
Forward exchange contract	€ 22.677.573	-€ 363.488
Total	**€ 22.677.573**	**-€ 363.488**

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

Operation	*Notional value*	*Fair value*
Currency swap	€ 2.150.000	€ 16.116
Currency swap	€ 2.500.000	-€ 13.739
Total	**€ 4.650.000**	**€ 2.377**

Credit risks
As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation provision which is accrued at the end of the year represents about 10% of the total trade receivables from third parties. For an analysis of the due dates on trade receivables from third parties, please consult the relative notes in the consolidated financial statement.

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

In 2011 the Parent Company, El.En. SpA underwrote the following:
- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, and extended until March 9th 2015.
in 2013:
- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2015 with possibility of extension annually.
And during this year:
- a bank guarantee for a maximum of 253 thousand Euros as a guarantee for the restitution of the amount requested as a down payment on the "BI-TRE" research project, which was accepted for a grant in the Bando Regionale 2012

approved by the Regione Toscana with *Decreto Dirigenziale* n. 5160 on November 5th 2012, with expiration date in February 2018.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum of 1.178 thousand Euros as a guarantee for the payment of the amount requested as a down payment on the value added related to the fiscal year 2010, with expiration date in March 2015.

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

IAS 39 allows several types of *Hedge Accounting* including that of *Cash Flow Hedge* which was the type used in this case. The purpose of the *Cash Flow Hedge* is to cover the risk created by fluctuations in the future cash flow that are caused by particular risks associated with amounts entered in the financial statements. In this case the variations in the *fair value* of the derivative are shown in the shareholders' equity for the amount needed to hedge and shown in the income statement only when, with reference to the amount being hedged, there is a variation in the cash flow to be compensated. If the hedge turns out to be ineffective the variations in *fair value* of the hedging contract must be shown in the income statement.

Operation	*Notional value*	*Fair value*
IRS	€ 166.667	-€ 500
Total	**€ 166.667**	**-€ 500**

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

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

TREASURY STOCK

For information on the treasury stock, please consult the relative section in the Notes to the consolidated financial statement.

STAFF

As mentioned above, the number of persons employed by the Group rose from 859 on December 31st 2013 to 951 on December 31st 2014. The division by company is shown on the following chart.

Company	2014 Average	31-dec-14	31-dec-13	Var.	Var. %
El.En. S.p.A.	195,50	198	193	5	2,59%
Cutlite Penta Srl	39,50	41	38	3	7,89%
Esthelogue Srl	9,50	10	9	1	11,11%
Deka M.E.L.A. Srl	16,00	16	16	0	0,00%
Quanta System SpA	92,00	96	88	8	9,09%
AQL Srl	0,50	0	1	-1	-100,00%
Lasit SpA	41,00	43	39	4	10,26%
Asa Srl	37,00	39	35	4	11,43%
Deka Sarl	7,00	6	8	-2	-25,00%
Deka Medical Inc	1,00	1	1	0	0,00%
Asclepion Laser T. GmbH	89,00	90	88	2	2,27%
Jena Surgical GmbH	0,50	1	0	1	
Lasercut Technologies Inc	0,50	0	1	-1	-100,00%
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc)	0,00	0	0	0	0,00%
With Us Co Ltd	38,50	40	37	3	8,11%
Wuhan Penta Chutian Laser Equipment Co Ltd	161,50	178	145	33	22,76%
Penta-Laser Equipment Wenzhou Co. Ltd	137,00	152	122	30	24,59%
Lenap Inc. (ex Lasit Usa Inc)	0,00	0	0	0	0,00%
BRCT Inc.	0,00	0	0	0	0,00%
Cutlite do Brasil Ltda	30,50	30	31	-1	-3,23%
Quanta France Sarl	2,50	3	2	1	50,00%
Deka Japan Ltd	6,00	7	5	2	40,00%
Total	**905,00**	**951**	**859**	**92**	**10,71%**

CORPORATE GOVERNANCE AND OWNERSHIP IN COMPLIANCE WITH GOVERNMENT LEGISLATIVE DECREE 231/2001

In compliance with the laws and regulations now in force, El.En. S.p.A. has drawn up a Report on corporate governance and ownership ("*Relazione sul governo societario e gli assetti proprietari*") which has been deposited with the authorities and published in a separate section of this document. This report on corporate governance can also be consulted on internet on the site of the Group: www.elengroup.com – in the section "Investor relations/governance/corporate documents".

Since March 31st 2008 El.En. S.p.A. has used a model for the organization, management and control of the company in compliance with Legislative Decree no. 231/2001.

INTER-GROUP RELATIONS AND WITH RELATED PARTIES

In compliance with Regolamento Consob dated March 12th 2010, n. 17221 and subsequent modifications, the Parent Company, El.En. SpA approved the rules disciplining relations with related parties ("*Regolamento per la disciplina delle operazioni con parti correlate")* which can be consulted on the internet site of the company www.elengroup.com *section. "Investor Relations/governance/corporate documents*".
These regulations represent an up-date of those approved in 2007 by the company as implementation of art. 2391-*bis* of the civil code, of the recommendations contained in art. 9 (and in particular the applicative criteria 9.C.1) of the Self Disciplining Code for Companies Listed on the Stock market (*Codice di Autodisciplina delle Società Quotate*), edition

of March 2006, in consideration of the above mentioned Regulations for Operations with Related Parties ("*Regolamento Operazioni con Parti Correlate*") n. 17221 and later modifications as well as the Consob Communication DEM/110078683 of September 24th 2010. The procedures contained in the "*Regolamento per la disciplina delle operazioni delle parti correlate*" went into force on January 1st 2011.

The operations conducted with related parties, including the inter-Group relations cannot be qualified as atypical or unusual; these operations are regulated by ordinary market conditions.
In regard to the relations with related parties, please refer to the specific paragraph in the Explanatory Notes of the Consolidated financial statement of the El.En. Group and in the separate financial statement of El.En. S.p.A..

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/6064293 of July 28th 2006, we wish to state that during 2014 the Group did not make any unusual or atypical operations, as defined in the aforementioned communication.

Management and coordinating activities

El.En. S.p.A. is the parent company and consequently is not subject to any management or coordinating activities in compliance with art. 2497 and following paragraphs of the Civil Code.

Adoption of measures for the protection and guarantee of privacy

Considering the criteria for the treatment of personal data applied by the company, they has decided to keep the protection document (*Documento Programmatico di Sicurezza*) updated in order to maintain an orderly management of privacy and a document that can be referred to so as to permit a reconstruction of the criteria used for the choice of the methods with which to apply the regulation. The contents of the document are basically a summary of the compliance imposed by the Guaranteeing Authority.

Compliance according to art. 36 and following paragraphs of the Consob Market Regulations.

In relation to the regulations governing the conditions for the quotation of companies controlling constituted or regulated companies according to the laws of countries that do not belong to the European Union and that are of significant importance for the purposes of the consolidated statement, we wish to state that:

- As of December 31st 2014 among the companies that are controlled by El.En. S.p.A. the following are subject to the regulations: With Us Co. Ltd, Penta Chutian Laser (Wuhan) Co. Ltd e Penta-Laser Equipment (Wenzhou) Co. Ltd.
- Procedures have been adopted to assure the complete compliance to the regulation.

Fiscal consolidation

It should be recalled that for the three year period 2011-2013 which was later extended for the three year period 2014-2016, 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. will adhere to the IRES regime of taxation of the national consolidated as per art.117 and following paragraphs of the TUIR and of the Ministerial Decree of June 9th D.M. 2004. The relations between the parties, as far as this law is concerned, are regulated by the special "Consolidation Agreement".

SUBSEQUENT EVENTS

No significant events occurred after the closing of the year.

CURRENT OUTLOOK

The good position of the Group on their selling markets thanks to the success of their range of products is at the base of the excellent results obtained in 2014; along with the improvement in the market conditions and the currency Exchange rates this fact allows us to set as our objective for 2015 the ambitious goal of 200 million in sales volume which we believe can be reached. We expect also to improve the consolidated EBIT both in terms of absolute value and in the incidence on the sales volume: the objective of 20 million represents an ambitious goal which can be obtained only if the favourable market conditions continue in particular with the US dollar stable below the threshold of 1,1 dollar per Euro.

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 2014, and propose to allocate the net income of 23.529.094,00 Euros as follows:
- 18.704.726,00 Euros as extraordinary reserve;
- to distribute to the shares in circulation as of May 25th 2015 when coupon 13 comes due,– in compliance with art. 2357-*ter*, second subsection of the Civil Code – a dividend of 1,00 Euro gross for each share in circulation for a total amount of 4.824.368,00 Euros;
- to allocate in the special reserve of retained earnings the residual dividends destined for additional treasury stock held by the company on the date the coupon came due.

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

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

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

Approved by the Board of Directors during the meeting held on March 13th 2015

Financial year 2014

Internet site: www.elengroup.com

GLOSSARY

Codice: the self-disciplining code of the companies quoted on the stock market which was approved in July 2014 by the Committee for Corporate Governance and promoted by the Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

"c.c.": the Civil Code;

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

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

"Financial year": the financial period closed on December 31st 2014 which is referred to in the report

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

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

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

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

"Statute/company statute" the company statute or by-laws of El.En S.p.A.

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

* * *

1.0 PROFILE OF THE EL.EN. COMPANY

Since December 11th 2000, with the admission of its ordinary stock to the MTA (formerly MTAX, and before that, *Nuovo Mercato*) organized and managed by Borsa Italiana SpA – it has always been the intention of El.En. ("the Company"), apart from any legal obligations and/or regulations, to follow, maintain and perfect, compatibly with its own organization and structure, the adaptation of its own system of corporate governance in conformity with the suggestions and recommendations of the Code - both in the original version of 1999, revised in 2002, in 2006, in 2011 and the latest version in 2014, and identified as the best practice, since it represents a unique opportunity to increase their reliability and reputation in relation to the market.
The company has been part of the Techstar segment since the founding of the segment in 2004 and has been quoted in the Star segment since 2005.
The corporate governance of El.En. consists of a Board of Directors, a controlling body and an assembly.
During the phase of adaptation to the regulations set forth by Legislative Decree n. 6 of January 17th 2003, and the later amendments and modifications, the shareholders of El.En. voted to keep the traditional system of administration and management.
Consequently, the company is currently administered by a Board of Directors which is regulated, in all of its aspects (composition, functions, salaries, powers, representation of the company), by Articles 19 to 23 of the company by-laws and is subject to the control and supervision of a Board of Statutory Auditors which is governed in every aspect by Art. 25 of the by-laws.
The auditing of accounts is conducted by a company that is enrolled in the special CONSOB professional register.
During the assembly held on October 28th 2010 El.En. adopted some modifications in the by-laws that were deemed necessary for compliance with D. Lgs. of January 27th 2010, n. 27 related to the exercising of the rights of shareholders owning stock in companies listed on the stock market, and issued on the basis of the relative European Union directive 2007/39/CE of July 11th 2007 (the so-called *"Shareholders' rights"*) and the D. Lgs. of January 27th 2010, n. 39 related to legal audits of the annual accounts and consolidated accounts issued in implementation of the relative EU 2006/43/CE.

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

a) *Nominations Committee for the appointment of the director*, (henceforth referred to as the Nominations Committee") which has the task of assuring the transparency of the procedures for the selection and election of the board members as well as the balanced and efficient composition of the board.
b) *Remuneration Committee*, which has the task of formulating proposals for the amount of remuneration to be paid to the executive Board Members and to those that have particular responsibilities, and, in response to the indications given by the delegated commissions, to determine the criteria for the remuneration of the top executive officials of the company. Following the modification of article 7 of the Code, the Board, on May 13th 2011, formally adapted the regulations of the Remuneration Committee to the new rules with reference to the performance of some of the tasks of the Committee regarding the general policy for the remuneration of the administrators and other strategic figures. Most recently, on May 15th 2012, the newly elected Board proceeded with the addition to the regulations of the modifications in the Code in relation to the reference to art. 6 rather than 7;
c) *Committee for controls and risks (*formerl*y the Internal Control Committee)*, which has consulting, executive and sustaining functions for the Board of Directors in the realization and the supervision of the internal controls systems and of the evaluations of the proposals of the independent auditors. With the vote held on November 12th 2010 the Board integrated the functions of the Internal Control Committee on the light of the role attributed to the independent administrators in accordance with article 4, subsection 3 of the *Regolamento Parti Correlate Consob* and the new company regulations related to operations with related parties approved on the same day. Subsequently, following the

changes in the controls pursuant to D. Lgs. 39/2010 and the functions attributed to the Board of Auditors in relation to the evaluation of the proposals made by the Independent auditors concerning the performance of these same, as well as the clarifications provided by Borsa Italiana (notice 18916 of December 21st 2010) concerning the coordinating of the changes in the rules with the contents of article 8 of the Code, with a vote cast on May 13th 2011 the Board adapted the regulations of the committee and conferred to the latter, as far as the legal reviewing of the accounts was concerned, a role that was merely that of a sustaining body. Most recently, on May 15th 2012, the newly appointed Board of Directors decided to change the name of the committee to Committee for controls and risks and to add the further modifications introduced by art. 7 of the Code to the regulations.

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

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

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

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

Moreover, the shareholders' meeting of May 15th 2013, from the text of Articles 19 and 25 – which regulate the method of election, respectively: the first, of the administrative body and the second of the controlling bodies, removed the prohibition from withdrawal of the certificates demonstrating the validation of right to present proposals for nominations before the actual meeting of the assembly. At the same time, we also corrected some typographical errors present in these articles referring to the date of deposit/communication of the certificates.
The shareholders' meeting which was convened in order to approve the financial statement for the year will also be required to appoint a new board. The quota required for the presentation of the lists of candidates is 4,5% of the capital stock, in compliance with CONSOB vote of January 29th 2015 no. 19109 according to art. 144-quater *Regolamento Emittenti Consob* (Regulations for Consob companies) and article 19 of the El.En. by-laws.
For a detailed description, please refer to the specific paragraphs contained in the part of this report related to information on the adhesion to the Code.
In relation to the required presence of the so-called independent board members which, since 2005 has been obligatory by law, the company by-laws specifically state this practice in relation to the rules regarding the appointment and composition of the Board; it should be noted that, in conformity with the Code, this practice has been regular policy since 2000, the year in which the company was first quoted on the stock market.

The Board of Statutory Auditors
The Board of Statutory Auditors is the body which, in conformity with the laws and company by-laws, is entrusted with the supervision of the conformity to the laws and to the company by-laws, the respect of the principles of correct administration, of the adequacy of the company organizational set-up related to the specific tasks, systems of internal controls and accounting administration system used by the company and its concrete functioning. The Board of

Statutory Auditors moreover supervises the implementation of art. 19 of D. Lgs. January 27th 2010 n. 39 as well as the means for the correct application of the rules for corporate governance contained in the self-disciplining code and on the conformity with the Consob regulations and the implementation of the company procedures related to dealing with related parties.
This Board is also entrusted with the supervision of the adequacy of the instructions given to the subsidiary companies so that they supply all the information necessary in order to be in compliance with the communication obligations required by law.
The present Board of Statutory Auditors, elected by the assembly on May 15 th 2013 will remain in office until the approval of the financials for 2015.
After the resignation of Dott. Gino Manfriani which was accepted in order to enable the company to reorganize the composition of the acting members of the Board of Auditors in compliance with. 148, sub-section 1-bis, T.U.F. in relation to the balance of genders, and the appointment of Dott.ssa Pelagotti to replace him in conformity with 2401 c.c., the shareholders' meeting in 2014 added two female members to the Board of Auditors, one to be acting auditor and the other as alternate auditor.
The term for the additional members who are appointed to the Board of Auditors will expire with that of the other members of the Board when the financials for December 31st 2015 are approved.

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

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

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

Internal dealing
Up until March 30th 2006, for the relevant definable subjects in accordance with and in conformity with articles 2.6.3 and 2.6.4. of the "*Regolamento dei Mercati organizzati e gestiti da Borsa Italiana SpA*" starting on January 1st 2003 there had been in force an "Ethics Code" which, with reference to operations made by those subjects, regulated the obligations of information and the types of behaviour to be observed with an aim to guaranteeing the maximum transparency and homogeneity of information in relation to the market.
On account of the modifications determined by the TUF of the EU law 2004 (L. April 18th 2005, n. 62), in consideration of the EU directives concerning market abuse, and of the later regulating activity in conformity issued by CONSOB, since April 1st 2006 the company has been required to conform to the regulations on the subject of internal dealing in particular to articles 114, sub-section 7, *Testo Unico sulla Finanza* and from 152-sexies to 152-octies of the *Regolamento Emittenti*.
Since April 1st 2006, therefore, it has become obligatory to communicate to the public all the operations made on the financial instruments of the company by relevant persons or persons closely connected to them and, consequently, the laws regarding internal dealing contained in the Market Regulations (*Regolamento dei Mercati*) organized and managed by Borsa Italiana SpA, have been abrogated.
As a consequence of this, the Ethics Code adopted in 2003 by the Company was replaced by another document, adopted on March 31st 2006 and later modified on November 13th 2006, which, besides describing in detail the legal obligations, also specifies the time limits or prohibitions for the operations made by the above mentioned subjects.

2.0 INFORMATION ON OWNERSHIP (ex art. 123-bis, sub-section 1, TUF) on December 31st 2014

a) Structure of capital stock (ex art. 123-bis, sub-section 1, letter a), TUF)
The capital stock which is approved, underwritten and paid out is 2.508.671,36 Euros divided into 4.824.368 ordinary shares for a nominal value of 0,52 Euros each.

b) Restrictions in the transfer of stock (ex art. 123-bis, sub-section 1, letter b), TUF)
There are no particular restrictions on the transfer of stock.

c) Significant ownerships in shareholders' capital (ex art. 123-bis, sub-section 1, letter c), TUF)
From the information and data available on December 31st 2014 the shareholders listed on the attached Table 1 have significant ownership of the capital stock of El.En.

d) ***Shares which confer special rights (ex art. 123-bis, sub-section 1, letter d), TUF)***
None.

e) Shares held by employees: mechanism of the voting rights (ex art. 123-bis, sub-section 1, letter e), TUF)
None.

f) Restrictions in the right to vote (ex art. 123-bis, sub-section 1, letter f), TUF)
None.

g) Agreements among shareholders (ex art. 123-bis, sub-section 1, letter g), TUF)
None.

h) Clauses related to change of control (ex art. 123-bis, sub-section 1, letter h), TUF) and by-laws relating to OPA (ex artt. 104, sub section 1-ter and 104 bis, sub section 1)
None.

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

i) Proxies authorizing the increase of capital stock and purchase of treasury stock (ex art. 123-bis, sub-section 1, letter m), TUF)
At this time, the Board does not have any authorizing proxies.
After the sale this year of the 21.148 shares of treasury stock held on December 31st 2013, as of December 31st 2014 the company no longer possesses treasury stock.

For further information on the methods and use of the treasury stock held on December 31st 2013, please consult the explanatory Consolidated Notes, paragraph "Area of Consolidation".

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

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

* * *

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

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

* * *

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

Until the ordinary stock of El.En. was quoted on the stock market organized and managed by the Borsa Italiana s.p.a. on December 11th 2000, apart from any legal obligations and/or regulations, compatibly with its size and structure, the Company acted in accordance with the suggestions and recommendations of the Code, both in the original version of 1999, the revised version of 2002, of March 2006, of 2011 and July 2014.

The present version of the Code is accessible to the public at the web site Commission for Corporate Governance at http://www.borsaitaliana.it/comitato-corporate- governance/codice/2014clean.pdf.

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

* * *

4.0 BOARD OF DIRECTORS

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

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

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

"Art. 19 – Administrative organ *– (… omissis …) For the appointment of the members of the Board of Directors the procedure described below must be followed: At least 25 (twenty-five) days before the date set for the first convocation of the ordinary assembly the partners who intend to propose candidates for the appointment as members of the board must deposit the following documents at the company headquarters:*
a) a list containing the names of the candidates for the position of board member numbered progressively and an indication of which ones have the requisites for independence in compliance with art. 147-ter, sub-section 4, D. Lgs. February 24th 1998, n. 58 and the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a.;*
b) together with this list the partners must deposit: a complete and detailed description of the professional curriculum of the candidates being presented, with adequate reasons for the proposal of their candidacy; a complete curriculum vitae of each candidate from which it will be possible to see the positions held in administrative boards or controlling commissions in other companies; a declaration in which each candidate accepts their candidacy and declares under their own responsibility that no causes exist for ineligibility or incompatibility, and that all the prerequisites established by the applicable regulations and by the company by-laws for their respective positions exist.
The creation of the lists containing not fewer than three candidates must take place observing the regulations related to the respect of the balance among types.
The lists must show the identifying list of the partners, or the name of the partner, who is presenting the list with complete indications of personal data and the percentage of capital held singularly and overall.
Each partner may present and participate in the presentation of a single list and each candidate can be presented in only one list, otherwise he/she will be considered ineligible. The partners who belong to the same union pact may present only one list.
The partners who have the right to present lists either by themselves or together with other partners are those who possess the percentage of equity in the capital stock specified by art. 147-ter D. Lgs. February 24th 1998, n. 58, or the greater amount established by Consob regulations considering the capitalization, floating funds and ownership of the companies quoted.
The ownership of the minimum number of shares necessary for the presentation of the lists is determined by the amount of shares registered in the possession of the partners on the day in which the lists are deposited with the company. The relative certification must, in any case, be produced at least twenty-one days before the day set for the first convocation of the ordinary shareholders' meeting.
The board members are appointed by the ordinary assembly on the basis of the lists presented by the partners in which the candidates are listed in numerical order.
Each partner having the right to vote may vote for only one list.
The board members are drawn from the list or lists which have received the most votes and, in any case, a percentage of votes which is at least half of that necessary for the presentation of the list itself.
At least one member of the board must always be drawn from the minority list which received the largest number of votes. In the case that there are lists which receive the same number of votes, the entire ordinary assembly must vote again and the list which obtains a simple majority of votes will be elected.
If, within the established term, no list has been presented, the assembly will vote according to the relative majority of shareholders present at the assembly.
In the case of a sole list being presented, all of the board members will be elected as part of that list in the order in which they appear on the list.
In the case that no minority list receives votes, the board will be completed by the vote by the relative majority of the shareholders present at the assembly.

Among the candidates the assembly must elect an appropriate number of board members who possess the requisites for independence established for the controllers by art. 148, sub-section 3, D. Lgs. February 24th 1998, n. 58 and by the Codice di Autodisciplina *prepared by the Committee for Corporate Governance of the companies quoted on the stock market promoted by Borsa Italiana s.p.a". A Board Member who, after his/her appointment loses the prerequisites for independence must immediately communicate the circumstances to the Board of Directors and, in any case, the appointment is nullified.*
The composition of the body that is elected must, in any case, guarantee the balance between genders in compliance with art. 147-ter, sub-section 1-ter, D. Lgs. of February 24th 1998, n. 58.
The mandate for the members of the Board lasts for 3 (three) years, that is, for the shortest period that is established each time by the Assembly in conformity with art. 2383, sub-section 2 c.c. and they may be re-elected; if, during the year one or more members are missing the other members may have them replaced in conformity with art. 2386 c.c.. In every case in which one or more board member ceases, the appointment of the new board members must take place in compliance with the current regulations concerning the balance between genders represented (… omissis…)"

For the purpose of guaranteeing the greatest transparency, the Company has adopted and has expressly mentioned in the notice convening the assembly, the recommendations of the CONSOB in their communication n. DEM/9017893 of February 26th 2009, related to the necessity for all of those who intend to present a list of candidates, to be elected to the position of so-called minority board members, to deposit together with the list, a declaration which demonstrates the absence of connections, even indirect ones, as per art. 147-*ter*, sub-section 3 TUF and art. 144-*quinquies* of the *Reg. Emittenti* 11971, with shareholders who detain, even jointly, a controlling equity or relative majority which can be identified on the basis of the "communication of significant equities" as per art. 120 TUF or of the publication of company pacts as per art. 122 of the same TUF.
Moreover, already before the introduction of art.147-ter, sub-section1-bis. TUF, in order to satisfy the interest of most shareholders to know in advance the personal and professional characteristics of the candidates so as to cast a more informed vote, it was decided to anticipate the statutory term for depositing the lists (in compliance with Code 2006 6.C.1.).
Besides the regulations stated in Art. 19 of the above mentioned statute, El.En. Spa is not subject to any other special regulations related to the composition of the Board of directors, in particular those related to the representation of minority shareholders and/or the number and characteristics of the independent directors.

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

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

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

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

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

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

The personal data of the board members is listed below:

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

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

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

STEFANO MODI – He is considered an executive member of the Board in compliance with applicative criteria 2.C.1 because he is director of the Research and Development department of the Company, and was born in Borgo San Lorenzo (Florence), on January 16th 1961.. In 1989, he received his degree in Electronic Engineering from the University of Florence and up until 1990 collaborated with the Institute of Quantistic Electronics on projects related to the technical and functional specifications as well as for the design and engineering of diode lasers. Since 1990 he has been an employee of the Company and has worked on projects related to the technical and functional specifications engineering and development of various types of laser systems intended for use primarily in medical and aesthetic applications. Since 1999 he has been an officer of the company with management responsibilities in the medical research and development department. He has been a board member since 2006.

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

PAOLO BLASI – independent board member, born in Florence on February 11th 1940. He received his degree in Physics from the University of Florence in 1963, in 1971 received a teachers certificate for teaching General Physics. From 1979 o 1982 he was director of the National Laboratories of Legnaro of the I.N.F.N. (*Istituto Nazionale di Fisica Nucleare*); from 1985 to 1989 he was a member of the Directing Committee of the I.N.F.N. and from 1989 to 1991 at the executive joint commission of the same institute; from 1987 to 1996 he was Vice President of the I.N.O. (*Istituto Nazionale di Ottica*). Since 1980 he has been Professor of the "Physics Laboratory" for the university course in physics. From November 1st 1991 until October 31st 2000 he was president (Magnifico Rettore) of the University of Florence. From 1994 to 1998 he was president of the *Conferenza dei Rettori delle Università Italiane* (C.R.U.I.), for two consecutive terms. He is a member of the *International Association of Universities* (I.A.U.) and during the "*10th I.A.U. General Conference in New Delhi*", in February 1995, he was elected member of the Administrative Board for the five year term from 1995-2000, and in 2000 re-appointed until 2004. In August of 1998 he was elected board member of CRE (Association of European Universities) and later was appointed vice president of the same association, up until March 2001. By decree of the Ministry of the University and Scientific Research on February 25th 1999 he was

appointed member of the Board of Directors of the C.N.R. (*Consiglio Nazionale delle Ricerche*), and served on the board until 2003. He was elected executive board member of the Banca d'Italia representing the headquarters of Florence and Leghorn, during the Assembly of July 15th 1999 and reappointed in 2003. He has been a member of the Board of Directors of the *Ente Cassa di Risparmio* of Florence since and was re-elected in November of 2000 and in November of 2003. With a decree of the Ministry of Health on October 31st 2001 he was appointed member of the ministerial commission on University Hospitals and served in this position until 2002. From 2000 to 2004 he was a member of EURAB (*European Research Advisory Board*). Since 2003 he has been a member of the *Comité national d'Evaluation des établissements publics à caractère scientifique culturel et professionnel* upon appointment by the President of France.
Since 1970 he has collaborated in the elaboration and discussion of the Proposals for Laws on the University and on Research.
From 1974 to 1977 he was a member of the Board of Directors of the University of Florence.
Since 1981 he has been a member of the *Fondazione Internazionale Nova Spes* (for the Global Development of People and Society) and director of the *Istituto per una Scienza Aperta* of the same Foundation.
From 1983 to 1988 he was director of the Physics Department of the University of Florence and promoted and directed the creation of the *Laboratorio Europeo di Spettroscopie non Lineari* (L.E.N.S.) and of the *Centro Eccellenza Optronica* (C.E.O.).
He was a member of the Board of Directors of the consortium promoting study and research (*Consorzio per l'Incremento degli Studi e delle Ricerche*) of the Physics Institute of the University of Trieste from 1985 to1991.
From 1988 to 2002 he was president of the technical and scientific committee for the evaluation of requests for financing of applied research projects for the development of Southern Italy in collaboration with the *Ministero per gli Interventi Straordinari nel Mezzogiorno* and presently with the ministry for Economic Planning (*Ministero del Tesoro, del Bilancio e della Programmazione Economica*).
In 1993-'94 he was a member of the Committee of Experts of MURST for the formulation of an agreement on Scientific and Technological parks in Southern Italy.
From 1994 to 2000 he was president of the consortium "Ortelius", that created the Data Base for all the institutes of advanced education in the European Union.
From 1994 to 1996 he was a member of the Technical and Scientific Commission of the Ministry of the University and Scientific and Technological Research aimed at identifying the types of intervention required in the economically depressed areas in Italy.
He is a member of the *National Geographic Society*, of the *Forum per i Problemi della Pace e della Guerra*, of the *Centre for the Study of Decorative Arts*, and the *Director's Advisory Committee* of the *Italian Academy for Advanced Studies in America* at Columbia University.
He is now or has been a member of the Board of Directors of various institutions including: Officine Galileo, from 1985 to 1988; Società Galileo Vacuum Tec, from 1988 to 1990; Istituto Nazionale di Ottica (INO), from 1987 to 1996; Fondazione Scienza e Tecnica, from 1987 to 2000; Fondazione "Progettare Firenze", since 1995; Conservatorio di Santa Maria degli Angeli, since 1985; British Institute of Florence, since 1995; Scuola di Musica di Fiesole, since 1996.
He has received several awards like the title of *Commendatore della Repubblica Italiana* (N° 8073 *dell'elenco Nazionale sez. V*), on December 27th 1992; the honorary degree of *Doctor of Humanae Litterae* confered on May of 1997 by the University of New York; in May of 2000 he received the Sir Harold Acton Award from New York University; the title of *Chevalier de l'Ordre National de la Légion d'Honneur was awarded to him in June of* 2000 by the President of France; the honorary degree of *Doctor of Humanae Litterae* was awarded to him in December 2003 by the University of Arizona. He has been an independent board member of the Company since 2000.

MICHELE LEGNAIOLI – independent board member, born in Florence on December 19th 1964. He has had a vast professional experience, including, among other offices, president of Fiorentinagas s.p.a. and Fiorentinagas Clienti s.p.a., of the *Gruppo Giovani Industriali di Firenze* (Young Industrialist of Florence), national vice president of the young entrepreneurs of Confindustria, from May 2003 member of the joint commission of Confindustria, and from April 28th 2004 until 2010, president of the Aeroporto di Firenze s.p.a. He has been an independent board member of the Company since 2000.

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

Art. 19 of the company by-laws states that the Board of Members must be composed of a minimum of three and a maximum of fifteen members appointed, even among non-partners, by the assembly which will, on each occasion, determine the number of members
The members of the administrative board will serve for three years, or else for the a shorter period determined on each separate occasion by the assembly, in compliance with art. 2383, sub-section 2, c.c. and can be re-elected; if during the year, one or more of the board members dies or resigns, the other board members will have them replaced in conformity with art. 2386 c.c.
In compliance with art. 2 of the Code (principle 2.P.1.), the present Board of Directors of El.En., is composed of executive directors (including the president) in compliance with application criteria 2.C.1. and non-executive members:

of the seven persons that are now board members, three directors including the president are formally executive members (Clementi, Cangioli and Bazzocchi) since they have authorized signature and four (Blasi, Legnaioli, Pecci, Modi) are formally non-executive.
In relation to the board member Modi, please refer to the preceding paragraph.
During a self-evaluation conducted by the Board after the election, they were considered to have the required expertise and professionalism. The self-evaluation was repeated with a positive outcome on November 14th 2012 after the change in the numerical composition of the Board as a result of the resignation of Ferrario. It will be repeated once every year.
(2.P.2 and 2.P.3) As far as the non-executive members are concerned, although they are outstanding and experienced personalities, to their activity as Board Members they dedicate adequate time and personal commitment so as to constantly have an active and knowledgeable role in the assemblies and board meetings and on the committees of which they are members. In fact the two independent administrators and the non-executive Board Member, Pecci, through their assiduous participation in the work of the committees of which they are members and at the board meetings are directly involved with the issues of remuneration and systems of internal control and risk management and of the composition and the adequacy of the administrative team.

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

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

* until November 2014

** starting in October 2014 he has been non executive director

Maximum number of positions which can be held in other companies (1.C.3)

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

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

As far as the Company is concerned, as of December 31st 2014 none of the current board members or auditors has exceeded the maximum number of positions.

Induction Program

As already mentioned, the current executive members of the Board of Directors conduct their activity every day at the Company, and two of them, the President and the Board Member Bazzocchi, who were the partners who founded the Company in 1981 and since then have been directly involved in the operating management of the Company and the Group, each in his/her own area of expertise. Since 1992 Andrea Cangioli has been a Board Member and since 1996 managing director of El.En. and numerous other companies of the Group. Board member Modi is head of Research and Development. The independent Board Members, Prof. Blasi and Mr. Legnaioli, besides their technical competence which for the former is mainly of a scientific nature and for the latter, company and corporate, have by now accrued over a decade of experience within the Company through their constant presence on the committees that were created in September of 2000. Alberto Pecci has also been a Board Member of the Company since 2002.
As far as the members of the Board of Statutory Auditors are concerned, all of them have an exceptional technical and legal background and experience, and they also, like the President were present at the founding of the Company and since then have sustained it, or as in the case of the two acting auditors, they have been involved for over a decade in the internal controls of the Company where they have worked with dedication and commitment.
For these reasons, in consideration of the current composition of the Board of Directors, and the Board of Auditors, there is no need for particular initiatives in relation to an induction program. It is evident that the President will take into consideration such a necessity should their occur a change in the compositions of these Boards.

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

In compliance with art. 21 of the statutes, the Board of Directors is the body to which the most ample powers of ordinary and extraordinary administration are conferred and which is responsible for the management of the company.
In conformity with principles 1.P.1. and 1.P.2, and with art. 20B of the company by-laws, the Board of Directors, meets normally at least once every quarter in order to receive information from the delegated bodies and, also, to inform the Board of Statutory Auditors on the activity conducted in relation to the operations of major economic and financial importance made by the company and by the subsidiaries, as well as the transactions involving potential conflict of interest, those with related parties, and those which are atypical or unusual with respect to the normal operations of the company.
The fixed schedule for the meetings is planned so as to assure that the Board of Directors is able to carry out their functions in an informed and responsible manner. It also has the purpose of guaranteeing the conduction on the part of the Board of Directors of all the necessary and essential activities of a strategic nature and the verification in relation to the exercising of the powers delegated to them also in reference to the main subsidiaries, and, of these, those which are subject to activities of management and coordination which usually include among the components of their respective controlling bodies one of the executive board members if not the president of El.En. or, in some cases, the president of the scientific-technical commission.
The scheduled meetings, moreover, have the purpose of allowing the non-executive board members to acquire all the elements necessary for the evaluation of the organizational, administrative and accounting arrangements both of El.En. and the main subsidiaries, with their actual operations set up by the executive board members (1.C.1. lett. c).
On the other hand, the provision that the incumbent head of the executive board members report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, on the activities conducted during the year (1.C.1. lett. d), on the general trend of the operations and on their foreseeable evolution, as well as on all the main operations of major economic and financial significance performed by the Company or by its main subsidiaries (1.C.1-letter f), usually in advance but, in any case, before the next meeting of the Board, not only is required by law in compliance with 150 TUF in relation to the Board of Auditors, but is part of the policy of creating all the conditions necessary so that the Board can evaluate the overall results of the management and periodically compare the results actually obtained with those programmed (1.C.1 lett. e) as well as evaluating the reaction of the management towards situations in potential conflict of interest. In particular, in view of the future approval by the Board and, as a preventive measure, the executive board members, in compliance with art. 20 E mentioned above, must promptly report the operations in potential conflict of interest, those with related parties, as well as those which are atypical or unusual with respect to the normal operations of the company. Moreover, in compliance with Art. 6 of the *Internal Regulations for operations with related parties* of the Company, the board member who, directly or indirectly, has an interest is required to absent himself/herself from a board meeting during which discussions on this subject are taking place.

During the financial year 2014 the Board of Directors met four (4) times on the following dates:
1. March 13th
2. May 15th
3. August 28th
4. November 14th

During the financial year 2014 all of the board members were present at all of the meetings (1.C.1.letter i).
In 2014 the board meetings lasted, on the average, 2.70 hours (1.C.1.letter i).

During the financial year 2015, the Board of Directors has met on the following dates:
1. March 13th

and, on November 14th 2014 established the following calendar of meetings in compliance with the company regulations (1.C.1.letter i):

2. May 15th Quarterly report as of March 31st 2015;
3. August 27th – Half-yearly report
4. November 13th – Quarterly report as of September 30th 2015.

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

In relation to the documentation and information supplied to the Board so that they can express informed and knowledgeable opinions on the subjects to be discussed, art. 20 A of the company by-laws states that the president must take measures to make sure that all of the members of the Board are supplied, at a reasonable time well in advance of the date of the meeting (except in urgent cases) all of the documentation and information necessary related to the subjects to be discussed and submitted for their approval. In practice, in order to assure that the pre-meeting information sheet is delivered rapidly and completely, we send the documentation needed for the discussion of the subjects as part of the order of the day of the meeting, either dispatched *brevi manu* or by e-mail to all of the board members and members of the Board of Statutory Auditors (1.C.5).

The meetings are organized in such a way that, for every subject that is included in the order of the day, enough time, in the opinion of the entire board, can be dedicated in order to give a full explanation of the proposals and to conduct an adequate debate to which all of the board members can contribute.
Considering the fundamental importance that research has in the activity of El.En., the president of the technical-scientific commission of El.En., usually invited by the president, participates in the meetings of the Board. In order to illustrate changes in regulations, the legal consultant of the Company is also usually present at the board meetings and, when deemed necessary in order to describe and to illustrate subjects to be discussed that day of a purely technical nature, an executive or professional of the type considered most suitable.
In order to formally acknowledge the recommendations of the Code, during the meeting held on May 15th 2012, even though this occurs normally, the Company voted to recognize in a by-law (art. 20) the faculty that the President of the Board of Directors has to request that managers of the company, the subsidiaries or the associated companies, who are responsible for particular sectors that needs to be dealt with, attend the board meetings in order to supply the opportune information on the subjects on the agenda (art. 1, applicative criteria 1.C.6).

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

interest for himself or for a third party or that are atypical or unusual.
- the verification of the adequacy of the type and size of the organizational, administrative and general accounting structures set up by the delegated bodies (1.C.1 lett. c);
- the appointment of the general managers and the determination of their duties and powers;
- the appointment of agents for single acts or categories of acts.
- the appointment or the revocation, in accordance with the opinion expressed by the Board of Statutory Auditors of the executive responsible for drawing up the company financial documents (art. 154-*bis* T.U.F.)

In implementation of the functions attributed to them by the above mentioned regulation, the Board, evaluate through the activity initiated and coordinated by the controls and risks commission as well as the half-yearly reports presented by the provosts for internal controls/internal auditors and by the executive officer responsible for the preparation of the financial statement of the company, during the meetings held respectively on March 13th 2014 (related to the activities of the second half of 2013; verification of the functioning and suitability of the internal controls and risk management system with reference to the area of formation of the financials; mapping and analysis of the internal controls activities conducted over the years and of the verification activities made as well as the results which will be of use for scheduling the future activities; activity related to Law 262/05); on August 28th 2014 (related to the first half of 2014), updating of the matrix of the area of control; analysis of the procedures in the area of personnel with particular reference to the management of their presence and the activities conducted in the area of safety and health in the work place; verification of the functioning and adequacy of the internal controls and risk management systems in relation to the formation of the financials; activities related to Law 262/05); the adequacy of the organizational, administrative and general accounting structures of El.En. set up by the executive board members, with particular reference to the system of internal controls and the management of risks (Applicative criteria 1.C.1., lett. c).

In relation to the organizational, administrative and general accounting structure of the subsidiary companies with strategic importance set up by the managing directors, with particular reference to the internal control system and the management of risks (Applicative criteria 1.C.1., lett. c), El.En. as part of the activities *ex* L. 262/2005, again in 2014 El.En conducted re-examination of the perimeter of scoping. At that time, the Chinese company Penta Laser Wenzhou Co. Ltd. was included among the significant companies. This latter company was included in the scope because the Chinese company in Wuhan had actually limited its production of laser cutting systems and delegated the selling activity to the company in Wenzhou to which it also transferred its sales staff following a process that was exactly the same as that earlier used by the company in Wuhan.

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

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

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

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

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

The Board evaluates the size, composition and functioning of the Board itself and of its committees, in terms of determining the number of board members, when the proposal is brought to the assembly and subsequently for the division and delegating of functions and the election of the committees (Applicative criteria 1.C.1., letter g) an, later on, repeats the procedure annually. This examination is preceded by an analysis of the composition of the Bord conducted by the Nominations Committee in a special meeting. During this meeting the Commission evaluates the competency of the members of the Board and the conformity of the composition in relation to the regulations and the company by-laws.
This year the evaluation was conducted on March 13th. Before the self-evaluation the Board received the favourable opinion of the Nominations Committee.
Once a year, after the approval of the financial statement, the Board also proceeds with the evaluation of the presence of the requirements of independence for the independent Board Members considered sufficient also in quantitative terms in relation to the Code and to the law.

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

4.4. MANAGING BODIES

Managing directors

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

(2.P.4) The circumstance in which quite ample powers are conferred is related mainly, according to an inveterate usage, to the exercising, in practice, of the powers delegated according to a model that requires, on the one hand, daily involvement on the part of the three executive board members in pursuing the company objective, with each one acting individually and autonomously carrying out only those tasks related to everyday management, each one in the sector to which he has been designated and, on the other hand, confronting and cooperating with each other in every operation which has even the most minor significance or importance.
In effect, therefore, there is never a concentration of company powers in a single individual as described in principle 2.P.4, although each one could potentially achieve this. In practice, although they have held a mandate as executive director for many years, none of the three executive board members, including the president, has ever become, nor acted as, the sole and principal person responsible for the management of the company.

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

In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the management of the company. Although no single individual can be considered as chiefly responsible for the direction of the Company, situations of interlocking directorate do not exist for any of the three board members (2.C.5).

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

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

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

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

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

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

Information given to the Board of Directors

The delegated bodies refer to the Board concerning the activities conducted while exercising the powers conferred to them:

- normally, on a quarterly basis;
- when a significant transaction takes place with related parties or in conflict of interests, by calling a special board meeting.
-

During this year the delegated bodies reported to the Board quarterly during the regular scheduled meetings.

4.5. OTHER EXECUTIVE DIRECTORS

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

4.6. INDEPENDENT DIRECTORS

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

During the election of the current Board, in relation to the two candidates presented as independent, the shareholders' meeting evaluated the existence of the requisites for independence in conformity with art. 148 sub-section 3 TUF and the criteria 3.C.1 and 3.C.2. of the Code. In fact, as was immediately communicated in the press release sent out during the election, the assembly decided that the circumstance in which the two above mentioned candidates had held the position of independent directors of the company for twelve years did not in itself constitute a relation of a nature that would exclude their fitness to be qualified as independent directors, notwithstanding the absence of any other kind of relationship among those listed in art. 148 sub-section 3 TUF and in criteria 3.C.1 of the Code and considering the recognized ethical character and professional capacity of the persons involved as well as the continuation of their independence of judgment and evaluation.
In compliance with art.144-novies Consob Regulations for companies, the Company, at the time of the appointment, rendered public the outcome of the evaluations of the existence of the prerequisites in relation to each independent board member.

On May 15th 2012, at the first meeting after the election, while forming the internal commissions, the Board decided that the requisites for independence existed in relation to the two non- executive board members elected as such (3.C.4.).
The independence of the directors is subsequently evaluated annually during the meeting for the approval of the financial statement on the basis of information obtained from the directors themselves (3.C.4): according to policy, in

fact, the company sends a questionnaire to the two directors qualified as independent which contains the declaration concerning the controlling, economic or personal relations with the company, the subsidiaries or executives of the company.
In this regard it should be noted that during the approval of the financials for 2014 and of this Report, the Board, during the meeting of March 13th 2015, after gaining the approval of the Board of Statutory Auditors, on the basis of the information supplied by the independent directors did not find any variation in the conditions and the requisites for independence in conformity with the law, with the company by laws and with the Code.

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

As far as Applicative criteria 3.C.6. is concerned, the independent board members who, as mentioned above, participate in all three of the commissions created within the Board, during 2014 did not believe it necessary to convene formal meetings in the absence of the other directors because during the meetings of the commissions, and above all that for internal controls, they have the opportunity to consult and discuss many topics with each other and to have direct access to the management of the company.

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

In the declaration which they renew every year, for the evaluation of the continued existence of the prerequisites for independence the two board members who have this qualification are obliged to immediately inform the Board of Directors of any changes that might have taken place with respect to what they had declared previously. When the new Board is about to be appointed each member must sign a written agreement accepting the assignment and promising to maintain his/her qualification of independence, or else resign. (art. 5 Code).

4.7. LEAD INDEPENDENT DIRECTOR

El.En. Spa believes that, at this time, a concentration of company positions in a sole person has not occurred, in conformity with principle 2.P.4, and that none of the three executive board members, including the president, has ever effectively become the sole and principal person responsible for the management of the company. None of them, even though they are all significant shareholders in compliance with art. 120 TUF, is a controlling shareholder of El.En.
For this reason the Board of Directors has decided at this time to not proceed with the appointment of a *lead independent director* as per Applicative criteria 2.C.3. and to adopt other delegating criteria.
In fact, to acquire greater manoeuvring space in order to be able to align the company in practice with the recommendations contained in Applicative Criteria 2.C.3., if necessary, during the definition of the areas of competence pertaining to the Board as per Art. 20 E, the company added explicit reference to the company statutes, the possibility/duty to proceed, upon the attribution of powers to the board members, to the adoption of measures aimed at avoiding in effect the concentration of excessive power and responsibility in the conduction of the company.

5.0 TREATMENT OF COMPANY INFORMATION

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

In the case of extraordinary operations, moreover, the Board of Directors may impose extra temporal limits *ad personam* for the negotiation of company shares, or, in exceptional and motivated cases they may grant exceptions to the blackout period.
The exercising of stock options or of rights for options related to financial instruments and, solely for the shares derived from the stock option plans the consequent selling operations (as long as they are made when exercising the stock option right) are not subject to the limits and prohibitions described in the above mentioned ethics code.

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

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

* * *

7.0 NOMINATION COMMITTEE – ART. 5 CODE

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

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

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

The present committee was appointed by vote on May 15th 2012, after the renewal of the Board of Directors which confirmed its composition which is now composed of the members Pecci (non executive) designated as president, Blasi (non executive, independent) and Legnaioli (non executive, independent).

The tasks to be carried out and the functioning of the above mentioned Committee were formally established at the time of its constitution on September 5th 2000 in the regulations approved *ad hoc* by the Board of Directors which met on the same day, which accepted the contents of the Code then in effect (1999). Later, the tasks assigned to the committee were revised in compliance with the various modifications to the Code which had taken place, the last of which was in 2012.

During 2014 the committee met once. All of the members were present and the meeting lasted 30 minutes. The work conducted during the meeting was coordinated by the president. All the members of the Board of Auditors participated.

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

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

Functions of the nomination committee

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

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

b) to the Board of Directors they propose candidates for the position of administrator in cases where it is necessary to replace an independent administrator (Applicative criteria 5.C.1 letter b).

c) they can give opinions to the Board of Directors concerning the size and composition of the Board and give recommendations concerning the type of professional figures that it would be opportune to have on the Board for a correct and effective functioning, as well as on the subjects mentioned in art. 1.C.3. (maximum number of positions that can be held by an administrator or an auditor) and 1.C.4. (problematic cases in terms of competition) (Applicative criteria 5.C.1 letter a.);

d) they can conduct the investigation and formulate proposals related to the evaluation of the use of succession plans for the executive administrators and, when necessary, contribute to the creation of the plan.

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

Since no new events in relation to the Board composition had occurred, during 2014, the Committee conducted support activities and gave advice to the Board related to self-evaluation.

Except for extemporaneous meetings requested during the regular board meetings and which are recorded in the board minutes, in conformity with regulations, the meetings of the nominations Committee are recorded separately in the minutes book. (Applicative criteria 4.C.1., lett. d).

In carrying out its functions, the Committee has had access to all of the information and the company functions that it has deemed necessary for fulfilling its tasks.

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

8.0 REMUNERATION COMMITTEE – ART. 6 CODE

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

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

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

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

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

The president of the Committee, Paolo Blasi, on the basis of art. 3 of the relative regulations, has the task of coordinating and planning the activities of the committee and conducting the meetings. During this year the committee met autonomously once.
The duration of the committee meeting held this year was 50 minutes.
All of the committee members were present and the entire Board of Auditors was present.
Number of meetings already held by the committee in 2015: 1 (one) held on March 13th.
Another meeting was scheduled after the election of the new Board.
During this year the committee was composed of non-executive members, most of whom were independent. (Principle 6.P.3.).
During this year the remuneration committee was composed of at least three members (Applicative criteria 4.C.1., lett. a).

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

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

The secretary and the provost for internal controls participated in the meetings of the remuneration committee upon invitation from the committee and in relation to the specific subjects being dealt with. (Applicative criteria 4.C.1., lett. f) as well as the entire Board of Auditors (comment to article 6 of the Code).

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

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

In making their recommendations, the remuneration Committee may stipulate that:

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

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

During this year the remuneration committee was involved chiefly in evaluating what had occurred with the incentive salary plan for 2013 and in the definition of a proposal for the remuneration policy of incentive salaries and the incentive salary plan for 2014. They also formulated a proposal for a remuneration policy that was the subject of the report submitted for approval to the shareholders.
The entire Board of Auditors participated in the meeting of the Committee (Commento to art.6 of the Code).

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

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

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

9.0 REMUNERATION OF THE DIRECTORS

The contents of the report on remuneration published in compliance with art. 123 *ter*-TUF and art. 84-quarter of the Consob regulations should be added on to the information which follows. This information is available on the El.En. site: www.elengroup.com in the section: *Investor relations/governance/shareholders'meeting documents/2015*.

* * *

The Board has defined the guide lines for the incentive policy for the executive directors and the directors with strategic responsibilities (standard 6.P.4.) which they have submitted in the first part of the Report on Remuneration 2014 for the approval of the shareholders' meeting during the meeting for the approval of the financials for 2013. According to applicative criteria 6.C.1 the main characteristics are the following:

a) The set component and the variable component attributed to the executive board members and to those holding special positions, in consideration of the structure of El.En. and of the sector in which it operates is adequately balanced in relation to the strategic objectives and the risk management policy of El.En.
b) Maximum limits have been set for the variable components.
c) The set component is held to be enough to remunerate the performance of the executive administrators or those who hold special positions even when the variable component has not been issued due to the fact that the performance objectives set by the Board have not been reached.
d) These performance objectives are set in the first quarter of the year and are measurable and deemed by the Board to be related to the creation of value for the shareholders within a mid-term period.
e) All of the variable component that is due is paid out during the following year.
f) Despite the fact that the term of the Board ended with the approval of the financials for 2014, at the close of the year, there were still no contractual agreements that allowed the Company to request the restitution of all or part of the variable remuneration component that had been deposited on the basis of data that later turned out to be completely wrong. The Company will formalize this agreement during 2015 after the election of the new Board.
g) No indemnity is paid for the premature cessation of employment or for its failure to be renewed but only a severance pay amounting to 6.500,00 Euros each and paid at the end of the mandate to the president and both of the two managing directors.

Remuneration plans based on stocks
There are none.

Remuneration of the executive directors
A significant portion of the salaries of the executive directors depends on the earnings of the Company and/or reaching certain goals specified in advance by the Board proposed by the remuneration committee consistently with the incentive policy, for which the maximum amount which can be paid out, were approved by the share holders' meeting on May 15th 2012 (standard 6.P.2), and the guide lines that were approved by the shareholders' meeting on May 15th 2014.
The incentive remuneration plan proposed by the Board on March 13th was later definitively confirmed by the Board on May 15th, after the approval of the shareholders' of the first part of the Report on Remuneration.

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

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

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

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

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

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

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

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

10.0 COMMITTEE FOR CONTROLS AND RISKS

In 2000 the Board of Directors created an internal controls committee which, in 2012, was renamed "Committee for controls and risks" (Principle 7.P.3 letter a, n.ii and 7.P.4)
On May 15th 2012 the Board confirmed as members of the commission three non-executive members, two of which were independent.

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

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

During this year the commission met twice, on March 13th and on August 28th.
The meetings lasted for an average of 90 minutes and all of the members were present.
For the current year a meeting has been held on March 13th and another is scheduled for August 27th.

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

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

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

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

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

During this year, in the light of D. Lgs. 39/2010 which redefined some aspects of internal controls, El.En., on the basis of the contents of Stock Market Notice n. 18916 of December 21st 2010 –regarding the requirements which must be possessed by companies belonging to the STAR segment, had already proceeded with the vote taken on May 13th 2011, to attribute to the committee a role that was merely supportive with reference to the activities assigned by D. Lgs. 39/2010 to the board of auditors concerning the legal auditing of accounts.

On December 31st 2014 the committee was assigned those tasks described in the *Regolamento Consob* 17221/2010 related to operations with related parties and those mentioned in art. 7 of the Code.
Therefore, the committee, as part of the operations conducted with related parties:
(a) examines, analyzes and expresses an opinion in advance on the procedures and on the relative modifications adopted by the Board of Directors in relation to operations conducted with related parties;
(b) carries out the tasks which have been assigned to it in those procedures in relation to the instruction and examination of the operations with related parties governed by these same procedures
Moreover, in relation to art. 7 of the Code, in offering advice and proposals, it must analyze the problems and implement the practices for the control of the company activities and in particular, as far as is compatible with the functions attributed by the law to the Board of Statutory Auditors of companies listed on the stock market, it must:
a) assist the Board of Directors in defining the directives for internal control, in the periodic evaluation of the adequacy of the system, of the efficiency and effectiveness of the system, with respect to the characteristics of the company and the risk profile that has been assumed and its effectiveness as well as the verification activity aimed at the identification and management of the main risks involving the company and its subsidiaries, and the determining of compatibility criteria for the risks which have been identified involving the company or its subsidiaries, through a sound and correct management of the company.
(b) evaluate, together with the executive officer responsible for the preparation of the financial statements and the

independent auditors and the Board of Statutory auditors, the adequacy of the accounting principles being used and their consistency in relation to the drawing up of the consolidated statement of the Group;
(c) express their opinions on specific aspects related to the identification of the main risks to which the company is exposed
(d) examine the periodic reports which have as their subject, the evaluation of the system for internal controls and management of risks and, in particular, those concerning internal audit.
(e) monitor the autonomy, the adequacy, the effectiveness and the efficiency of the internal auditing system.
(f) using their own discretion and specifically communicating with the president of the Board of Auditors, to ask for the function of an internal audit to conduct verifications on specific operating areas.
(g) assist the Board of Auditors when specifically requested, in the evaluation of proposals advanced by the auditing company in order to obtain the position of auditors and evaluate the work plan drawn up for the auditing and the results shown in the report and in the letter of suggestions.
(h) assist the Board of Auditors when specifically requested, in their supervision of the effectiveness of the auditing process.
(i) report to the Board, at least twice a year, on the occasion of the approval of the financial and the half-yearly report, on the activity conducted and on the adequacy of the system of internal controls and management of risks;
(l) form an opinion concerning the appointment, revocation and remuneration of the manager of the internal auditing system and they qualities that this person has that are necessary for carrying out his functions and responsibilities;
m) carry out the other tasks which from time to time may be assigned to it by the Board of Directors.

During this year the commission evaluated, in particular, the activities conducted by the manager in relation to Law 262/2005, by the internal auditors respectively in relation to the results of the verification of the limits of the areas of risk and the follow up of the control activities conducted up until December 31st 2013 and the state of the controlling activities of the functioning and the adequacy of the system of internal controls and risk management with reference to the area of formation of the financials and, moreover, to some of the sectors referred to the area of personnel (management of staff presence) and of the health and safety on the workplace.
All the members of the Board of Auditors participate in the work of the committee for controls and risks (Applicative criteria 7.C.3.).
The meetings of the commission for internal controls are duly recorded in the book of minutes (Applicative criteria 4.C.1., lett. d).
When carrying out its functions, the commission for controls and risks may have access to the company information and operations which are necessary for it to conduct its activities, and it may also, when opportune, consult with outside experts, in accordance with the terms established by the Board. (Applicative criteria 4.C.1., lett. e).
At this time the committee has not found it necessary to make use of outside consultants or to use the special financial resources provided for carrying out its duties.

11.0 INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

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

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

The essential elements of the system of internal controls and risk management (Applicative criteria 7.C.1, lett. d) of El.En. are represented, on one hand by the rules and procedures, and on the other, by the bodies for corporate governance and control.
The rules consist mainly of a series of fundamental principles which El.En has always adopted for its operations and which, in 2008 where codified in the Ethics Code; secondly, they consist of a series of second level procedures (those in *ex* Legislative Decree 231/01, L.262/05, L.81/09, internal regulations on the treatment of confidential information, operations with related parties, internal dealing, etc.) which make it possible to apply them to the specific situation of the company and to implement the above mentioned general principles.
On the other hand, the commission for controls and risks, the internal auditors, the provosts for internal controls, the executive responsible for the company financial documents, the supervising bodies 231, the Board of Statutory Auditors, the Independent auditors are all charged with the supervision of the compliance, with the rules and procedures on the basis of the competence and functions defined and attributed by the Board, of the rules and different bodies at their respective levels.
The details of the current system for the management of risks and for internal controls now in existence in relation to the policy on financial information, even consolidated (ex art. 123-bis, sub-section 2, letter b), TUF), are described in Appendix 1. The following is a summary of the policy followed by El.En. after law 262/2005 came into effect.
On May 5th 2007, in implementation of art. 154-bis TUF, for the purpose of formalizing a set of rules and tests to add to those already in existence which were related to the financial information process (including the consolidated) the Board appointed Enrico Romagnoli, an employee who has worked for the company since its admission to the stock market organized and managed by the Borsa Italiana Spa, as the executive officer responsible for the preparation of the financial statements.
Initially, El.En. instituted a task force with the objective of analysing the system of internal controls with reference to the tasks assigned by law to the executive responsible for the accounting and company documents collaborating with Price Waterhouse Coopers company (a company which is different from that which audits the books of El.En.).
The analysis was conducted using as a model the CoSo Report – Internal Control Integrated Framework and upon conclusion of the project a report was written which summarized the results which had emerged; on the basis of these results they identified the specific instruments to apply in order to guarantee the coordination and functioning of all the elements of the SCI which were related to information and data on the economic and financial situation of the company, in compliance with the law and/or diffused on the market.
Since that time, the provost has carried out this activity with an aim to continuous improvement and constant verification of the instruments being used and, as part of this activity, during 2012-2013 manager assigned, in collaboration also with Deloitte ERS, conducted activities focused on the revision of the procedures for the companies in scope according to a risk-based method in order to make a better analysis of the risks connected to the financial reports. This model has been applied also to the new companies that were later included in the scope.
Through the activities implemented and coordinated by the internal controls committee, as well as the reports presented periodically by the internal controls provost and the superintending institution 231, during the meetings held on March 13th, May 15th, August 28th , and November 14th , the Board evaluated as adequate the efficiency, effectiveness and correct functioning of the internal controls system (Applicative criteria 7.C.1., lett. b and d).

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

The Board has identified an administrator for the institution and maintenance of an effective system for internal controls and risk management (standard 7.P.3, letter a) n.i)). Andrea Cangioli, maaging director was appointed to this position.
In the name of the Board of Directors, he is in charge of the supervision of the functioning of the system of internal controls and risk management and carries out the tasks and the functions as per the Code and in particular: the identification of the main risks for the company (strategic, operative, financial, compliance), bearing in mind the characteristics of the activity conducted by El.En. and by its subsidiaries, and submits them for periodic examination by the Board when the financial data and the managerial performance of the Company and the Group are bring presented (Applicative criteria 7.C.4, lett. a); implementing the directives defined by the Board of Directors, including the planning, activation and management of the internal controls system and constant verification of its adequacy,

effectiveness and efficiency (Applicative criteria 7.C.4., lett. b); adaptation of the system to the dynamics of the operating conditions and the legislative and regulating situation (Applicative criteria 7.C.4., lett. c); request to the person responsible for the internal audit to conduct the verifications in specific operating sectors and on the respect of the regulations and procedures in carrying out company operations, while keeping the commissions for controls and risks and the Borard of Statutory auditors informed (Applicative criteria 7.C.4., lett. d).

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

11.2. PROVOST FOR INTERNAL AUDITING

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

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

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

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

During this year the activities of the internal auditor continued to be focused on the verification of the functioning and adequacy of the internal controls system and risk management with reference to the area of drawing up of the financials; the mapping and analysis of the internal control activities conducted over the years, the verification activities carried out and their results for the purpose of scheduling future activities; the updating of the matrix of the areas of control; the analysis of the procedures in the area of personnel, with particular reference to the presence of the staff and the activities conducted in the area of health and safety in the workplace: the activities conducted in compliance with L.262/05.

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The function of internal auditing with reference to the area of drawing up the financial statement which is an activity of the ex-262/05 area of monitoring has been assigned to Dott. Lorenzo Paci, CPA, an external subject involved in the activities for the implementation of model 231 and considered to possess the necessary pre-requisites of professional competence, independence and organization. The externalizing of the functions of internal control with reference to the area of the financials originated with the intent to optimize resources conducted by the Board in February of 2005 when it was decided to appoint a provost for internal controls who was a member of the financial staff and involved in the preparation of the financial statements of the companies belonging to the Group.
A correct division between operating and control activities persuaded the Board to continue with this policy.

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

El.En. has a model for organization, management and control in compliance with Legislative Decree n. 231/2001.
As far as the subsidiaries of strategic importance are concerned, it has now been adopted by Quanta System s.p.a, ASA s.r.l. and is in the process of being adopted by the subsidiary Deka M.E.L.A. s.r.l.

The present model of El.En. is the result of a revision and continual updating of the one originally approved, on the basis of the evolution of the types of possible misdemeanors that are contemplated individually by the legislators. With the intent of preventing any misdemeanors which could in some way be related to the activity of El.En. in consideration of its structure and the area in which it operates, the Board has decided to include in its own model 231 the part regarding health and safety on the workplace which is valid also for compliance with art. 30 L. 81/09.
The superintending body is a commission composed of three members, one of which is an acting auditor, Dott. Paolo Caselli.
At this time, although the Company, in accordance with the by-laws, has the faculty of attributing to this function to the Board of Auditors, they have deemed it more effective to maintain the current organization of the supervising body: an acting auditor, a director of internal auditing and a criminal lawyer.

11.4. INDEPENDENT AUDITORS

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

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

The executive officer responsible for the preparation for the financial statements is Enrico Romagnoli who is the manager of the financial department of El.En. and also has the position of Investor Relations Manager.
The executive officer responsible for the preparation for the financial statements is appointed according to the statutes by the Board of Directors and in compliance with art. 20 G must possess all of the requisites of honesty in accordance with the law for statutory auditors and directors and the professional characteristics and requisites in terms of experience in the work place which are adequate for the tasks assigned to him.

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

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

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

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

12.0 INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

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

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

13.0 APPOINTMENT OF STATUTORY AUDITORS

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

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

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

In the case that there is more than one list, for the election of the members of the Board of Statutory Auditors the procedure described below must be followed:
a) the votes obtained by each list must be divided by one, two, three, etc. according to the progressive number assigned to each candidate;
b) the quotients that are thus obtained must be assigned progressively to the candidates of each list in the order in which they appear on the list and they will placed in a single classification in descending order.
c) the candidates that receive the highest quotients will be elected.
At least one acting Auditor must be taken from the minority list which obtained the greatest number of votes. Consequently, in the case that the three highest quotients were obtained by candidates belonging to the majority lists, the last acting auditor to be elected must, in any case, be taken from the minority list which obtained the most votes, even though he obtained a quotient that was lower than that of the majority candidate with the third highest quotient.
In the case in which the candidates have obtained the same quotient, the candidate on the list which has not yet elected any Auditor will be elected, or in the case that all the lists have elected the same number of Auditors, the candidate on the list which obtained the greatest number of votes will be elected. In the case of the same number of votes for the list and the same quotients, a new election will be held by the entire ordinary Assembly, and the candidate who receives the simple majority of votes will be elected.
The presidency of the Board of Statutory Auditors is assigned to the acting Auditor elected first on the minority list who has obtained the greatest number of votes, or, if there is no minority list, to the acting auditor elected first from the list which received the greatest number of votes. In the case of the substitution of the acting Auditor, he will be replaced by

the substitute Auditor belonging to the same list as the one who is being replaced.
In the case that no list has been presented before the expiration date, the Assembly will vote with the relative majority of partners present at the Assembly.
In the case that only one list has been presented the acting and supplementary auditors will be elected from that list in the order in which they appear on the list.
In the case that no minority list receives votes the integration of the Board of Statutory Auditors will take place by means of a vote with the relative majority of the partners present at the Assembly.
The composition of the body that is elected, in any case, must be of such a nature as to assure the balance between genders represented inconformity with art. 148, sub-section 1-bis, D. Lgs. 24 February 1998, n. 58.
The appointment of the auditors for the completion of the Board of Auditors in conformity with article 2401 c.c. is made by the Assembly with a relative majority.
In any case, the cessation of the appointment of one or more components of the controlling body, the designation and appointment of new members must be in compliance with the current regulations regarding the balance between genders represented.

The present Board of Auditors was elected by the ordinary assembly on May 15th 2013 for the financial years 2013-2015 and expire upon the approval of the financials on December 31st 2015.

As of December 31st 2014, the Board of Auditors of El.En. s.p.a. is now composed as follows: Dott. Vincenzo Pilla, President; Dott. Paolo Caselli, auditor; Dott.ssa Rita Pelagotti, auditor; Dott.ssa Daniela Moroni and Dott. Manfredi Bufalini, alternate auditors.

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

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

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

They must act with autonomy and independence also in relation to the shareholders who have elected them (standard 8.P.2.).
The current Board comes from a single list presented by Andrea Cangioli, and Immobiliare del Ciliegio s.r.l since no other lists were presented at the time of the elections held on May 15th 2013.
The election took place with a vote in favour by all of the shares represented at the meeting, i.e. exactly 2.666.404, which is equal to 55.269% of the capital stock.
The mandate of the present Board lasts for three years and will terminate with the approval of the financials for 2015.
For the professional curriculum and the personal characteristics of the members, please consult the curriculums published on the web site of the Company; for the president Vincenzo Pilla, the acting auditors Paolo Caselli and Rita Pelagotti and the supplementary auditors Manfredi Buflini, refer to the following section: www.elengroup.com/investor relations/documenti assembleari/2013/Lista candidati alla carica di componente del collegio sindacale - triennio 2013-2015; for the supplementary auditor Daniela Moroni, see the section titled www.elengroup.com/investor relations/documenti assembleari /2013/Lista di candidati per la integrazione del collegio sindacale diEl.En. in carica per il triennio 2013/2015.

The company constantly places at their disposal their staff and the resources which the Board deems useful in order to conduct their functions in conformity with the current version of art. 25 of the statutes.
As already mentioned, for the purposes of implementing Applicative Criteria 8.C.5, one of the auditors, Dott. Paolo Caselli has always participated actively in the meetings and activities of the Committee for controls and risks with the director of internal auditing. Moreover, in accordance with the vote made by the Board on March 31st 2008 and confirmed on May 15th 2012, he is also a member of the supervising body as per *ex* D.Lgs. 231/2001.
Since D.Lgs. 39/2010 came into force, the acting auditors have participated in the committee for control and risk management.
The activities in relation to the internal auditor and the director take place at the committee for internal control in the broadest sense, including the committee for control and management of risks and for internal control ex D.Lgs. 39 cit.

The Board of Statutory Auditors, is the body which legally is supposed to supervise the compliance with the law and with the company statutes, the respect of the principles for correct administration, the adequacy of the organization of the company in relation to the aspects in which they are competent, the internal controls system and the administrative and accounting systems used by the company and their actual functioning. The Board of Statutory auditors, moreover, supervises the application of the dispositions contained in art. 19 of D. Lgs. No. 39 of January 27th 2010, as well as the methods used for the correct implementation of the rules for corporate governance contained in the self-disciplining code and the compliance with the Consob rules and the effective implementation of company procedures regarding dealings with related parties.
This body is also entrusted with the supervision of the adequacy of the instructions given to the subsidiaries so that they can supply all of the information necessary in order to comply with the requirements for communication according to the law.
When requested by the Board of Directors, this body also acts as a supervising body in conformity with art. 6, D. Lgs. 8th June 2001, n. 231.
As of December 31st 2014 the Board is composed of three acting auditors and one supplementary auditor:

Name	Position	Residence	Place and date of birth
Vincenzo Pilla	President	Firenze, Via Crispi, 6	S. Croce di Magliano (CB), May 19th 1961
Paolo Caselli	Acting auditor	Pistoia, Via Venturi, 1/B	Firenze, April 14th 1966
Rita Pelagotti	Acting auditor	Firenze, Piazza Santo Spirito 7	Firenze, December 6th 1956
Daniela Moroni	Supplementary auditor	Firenze, Borgo Pinti 60	Monteverdi Marittimo (Pisa) 16 September 16th 1952
Manfredi Bufalini	Supplementary auditor	Firenze, Piazza S. Firenze, 2	Firenze, August 24th 1966

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

As of December 31st 2014 the following components of the Board of Statutory Auditors of the company were also members of the controlling bodies of the following subsidiary companies:

First and last name	Positions
Vincenzo Pilla	- President of the Board of Statutory Auditors of Lasit s.p.a. - President of the Board of Auditors of Quanta System s.p.a.
Paolo Caselli	- Sole Auditor of Deka M.E.L.A. s.r.l. - Acting auditor of Lasit s.p.a. - Alternate auditor of Quanta System s.p.a.

The average duration of the meetings of the Board of Statutory Auditors is 2 hours.
During this year the Board of Statutory Auditors met seven (7) times.
Six meetings of the Board of Statutory Auditors have been scheduled for this year, one of which has already been held, on January 16th 2015.
The active participation of the members of the Board can be summarized as follows: all of the members were present at all of the meetings.

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The Board of Statutory Auditors:

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

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

All of the verifications had a positive outcome.

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

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

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

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

15.0 RELATIONS WITH SHAREHOLDERS

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

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

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

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

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

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

The assembly is governed by Title III of the Company Statutes (articles 11-18) which, in conformity with the law and the specific rulings, regulates its areas of competence, functioning, means of convening, constitutional quorums, intervention etc. as described below in the version that was updated on December 31st 2014:

"***Article 11***

Assembly

The legally constituted Assembly represents the entirety of the shareholders, and its decisions, made in conformity with the law and with the Statutes, are binding for all of the shareholders including those that dissent or were not present.
The Assembly may be ordinary or extraordinary and may be convened even in second or third convocation.
The ordinary Assembly must be convened at least once a year for the approval of the financial report within the terms established by the law. It can be convened within one-hundred and eighty days after the closing of the financial year for the years for which the company is obliged to draw up the consolidated statement and when particular reasons related to the structure and the subject of the company require it.
The Shareholders' Meeting is convened whenever the administrative body deems it opportune, or when a special request has been presented by the persons who may do so according to law, or else upon the initiative of the Board of Statutory Auditors or a part of it, in conformity with art. 25 of the current Statutes.

Article 12

Place of asssembly

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

Article 13

Convocation of the Assembly

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

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

Article 14

Attendance at the Assembly

Attendance at the Assembly is governed by the related laws and regulations now in effect.
The shareholders who have the right to vote may attend the assembly on the condition that, and for the number of shares in relation to which, they have deposited certification in conformity with the law.
A partner who has the right to attend the Assembly in conformity with D. Lgs February 24th 1998, n. 58 and the other applicable regulations, may be represented by conferring a written power of attorney. The power of attorney which is written and signed digitally must be sent to the company by certified e-mail.
The company does not make use of the institution of "designated representative of the company with listed stock" as described in article 135-undecies D.Lgs. February 24th 1998, n. 58.

Article 15

Presidency of the Assembly

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

Article 16
Minutes

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

Article 17
Ordinary Assembly

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

Article 18
Extraordinary Assembly

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

Since 2000, the El.En. by-laws include the possibility for its shareholders to use write-in votes (absentee ballots).
The notifications of convocation of assembly and the relative courtesy communications concerning the actual date of the meeting are published both on the Internet site of the company and, where required and if allowed also in a summary, in a national daily newspaper (at this time ITALIA OGGI).
The majority shareholders are members of the Board and up to now none of them has presented a proposal on subjects for which a specific proposal had not previously been presented by the Directors (Comment to art.9).
The president of the Board of Directors, who generally presides over the assembly, must proceed with a detailed description of the proposals and the subjects in the Order of the Day of the shareholders' meeting in such a way as to guarantee that the assembly is conducted in an efficient and orderly fashion. For this purpose, the shareholders meeting held on May 15th 2007 approved the assembly regulations drawn up by the board (Criteria 9.C.3), which were later modified on May 13th 2011 in the part related to attendance at the assembly. In fact, it was also necessary to revise the assembly regulations in the light of the modification to article 14 of the company by-laws which was approved by the shareholders' meeting on October 28th 2010 after the innovations introduced by lawmakers with D. Lgs. No. 27 of January 27th 2010 in relation to article 2370 C.C. regarding the right to attend the assembly and exercising of the right to vote, and the introduction of art. 83-sexies TUF, a rule which established the so-called *record date*.
The assembly regulations of El.En. S.P.A. that are listed below are also available on the web site www.elengroup.com in the section called "Investor Relations/Governance/Statuto".

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

Art. 1 – Subject and area of application

This set of regulations governs the orderly and efficient conduction of the shareholders' meeting of El.En. s.p.a. ("the Company") both for the ordinary and extraordinary assemblies.
The regulations can be consulted at company headquarters or on the Internet site of the Company (www.elen.it investor relations section) as well as whenever an assembly meets.

Art. 2 – Place and presidency of the assembly meetings

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

Art. 3 – Attendance at the assembly

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

charge of auditing the accounts may attend the assembly meetings when their presence is considered useful or opportune in relation to the subjects to be discussed or the work to be conducted.
3.3. Experts, financial analyst, and journalists, with the consent of the president, may also attend the meetings of the assembly unless there are objections on the part of the shareholders present. For this purpose, those who wish to attend must send the president a written request by the second weekday before the date set for the assembly.
3.4. Before starting the description and discussion of the various items in the Order of the Day, the president must inform the assembly of the presence and participation in the meeting of those persons indicated in sub-sections 3.2.and 3.3. above.

Art. 4 –Verification of the right to attend the assembly and access to the meetings.
4.1. Only the approved and authorized persons, as per article 3 above, after showing personal identification and verification of their legitimate right, may have access to the assembly rooms.
4.2. The personal identification and verification of the legitimate right to attend the assembly must be conducted by auxiliary personnel hired specifically for this purpose, at the entrance to the rooms where the meeting will be held and normally take place during the thirty minutes prior to the time set for the beginning of the meeting, unless otherwise stated in the notice of convocation.
4.3. at the entrance to the meeting rooms those persons who have the right to attend the assembly must display personal identification and the certification described in the notice of convocation to the auxiliary personnel. Once the identification and the verification has taken place as per sub-section 4.2. above, the auxiliary personal will give the attendees a special voucher which they must keep for the duration of the assembly meeting and return to the auxiliary personnel should they leave the meeting, even temporarily.
4.4. In order to facilitate the verification of the powers of representation to which they have the right, the persons who attend the assembly as legal or voluntary representatives of shareholders or of other persons who possess the right to vote, may send the documents proving their powers to the Company within the two days preceding the date set for the meeting.
4.5. Except for the audio-visual equipment which may be authorized by the president to assist the creation of the written report (minutes) and documentation of the meeting of the assembly, no type of recording equipment (including cell phones), photographic equipment or similar.
Art. 5 – Constitution of the assembly and opening of discussions
5.1. The president of the assembly is assisted in drawing up the minutes by a secretary appointed, even from among the non-shareholders, by the assembly on the basis of a proposal made by the president himself or by a notary and, when necessary in conformity with the law, by two scrutinizers designated in the same way among the non-shareholders. The secretary or the notary can be assisted by persons of their choice and, as an exception to art. 4.5, upon authorization by the president, they may use audio-visual recording equipment
5.2. Among his duties, the president also has that of ascertaining and guaranteeing the legitimacy of the individual delegations and, in general, the legitimacy of the attendees present at the assembly and, consequently, also to verify and declare the legitimate constitution of the assembly. The president may create a presidential office which has the task of assisting him in the verification of the legitimacy of the participation and of the voting, as well as the specific assembly procedures.
The president may solve any conflicts which may arise related to the legitimacy of the attendees.
5.3. The President of the assembly may make use of the security services provided by the auxiliary services which have been specifically hired for the occasion.
5.4. In the case that the number of shareholders present does not reach the amount of capital stock necessary for the legitimate constitution of the assembly in conformity with articles 17 and 18 of the company statutes, the president of the assembly, after an appropriate amount of time, in any case not less than an hour after the time set for the beginning of the meeting, will communicate this information to the attendees and postpone the discussion of the Order of the Day until the next convocation.
5.5. Once the legitimate constitution of the assembly has been ascertained, the president of the assembly declares that the discussions may begin.
Art. 6 – Discussion of the subjects and proposals in the Order of the Day
6.1.The president of the assembly must describe to the attendees the subjects and the proposals on the agenda, by using, whenever he deems opportune, the opinions of directors, auditors and employees of the Company. The subjects and the proposals can be dealt with in a different order that is approved on the basis of a proposal by the president with a vote by the majority of the capital represented, and, in the same way, a proposal by the president to deal partially or completely may be approved.
6.2. The president of the legitimate assembly also has the duty of directing and moderating the discussions and the right to intervene by establishing the methods and maximum duration of each intervention.
The president of the assembly has faculty to: call a conclusion to the discussions which are lasting longer than the set time limit or that are not pertinent to the subject or proposal on the agenda; to silence those who intervene without having the right to do so or those who have been reprimanded and persist; to prevent words and attitudes that are inappropriate, pretentious, aggressive, offensive or slanderous as well as evident excesses, revoking the right to speak whenever he deems necessary and, in the most serious cases, ordering the expulsion of the person from the meeting

area for the entire duration of the discussions.
6.3. The request to be present at the discussions of the individual subjects on the agenda must be directed to the president, who in granting the right to speak, normally follows the progressive order of the requests to speak. The faculty of a brief reply is granted to whoever has requested the right to speak.
6.4. The president of the assembly or, upon his invitation, the directors, auditors, company employees or consultants normally reply after all of the discussions on each subject on the agenda. The components of the administrative body and of the Board of Statutory Auditors may request to intervene in the discussions.
6.5. In order to prepare adequate replies to the various interventions, bearing in mind the purpose and relevance of the subjects and proposals being dealt with, the president of the assembly may, on the basis of his indisputable judgement, suspend the work of the assembly for an interval of not more than two hours.
6.6. After all of the interventions and replies, the president declares the discussions concluded and puts the proposals to a vote.
Art. 7 – Voting and conclusion of the meeting
7.1. Voting on the various items usually takes place right after the conclusion of the discussions on each item listed in the Order of the Day and the discussions are held in the order in which they appear in the agenda unless the president of the assembly decides otherwise and determines that the voting take place in a different order or after the conclusion of the discussions of all or some of the items.
7.2. Before the voting can begin, the president of the assembly must readmit the shareholders who wish to return to the meeting and had left or been expelled during the discussion time.
7.3. Except in the case of incontrovertible laws to the contrary, the voting must take place with open scrutiny.
7.4. The president of the assembly establishes the means for expressing the votes, which is normally by a show of hands, the recording and counting of the votes, and can also express a time limit within which the vote must be cast.
Upon conclusion of the voting, the scrutiny of the votes takes place; when this is terminated, the president, assisted by the secretary or the notary and scrutinizers if there are any, proclaims the results of the voting.
7.5. The votes that are expressed in a manner that is different from that established by the president of the assembly are null and void.
7.6. The shareholders who express negative votes or who abstain, must declare at the time of the declaration of their vote, their name and the number of shares which they hold on their own or for which they have power of attorney. After the agenda has been concluded, the president of the assembly declares the meeting terminated and proceeds with the formalities for the completion of the minutes.
Art. 8 – Final provisions
8.1. In compliance with art. 15 of the company statutes now in effect, this set of Regulations was approve, by the ordinary assembly of the Company which was held on May 15th 2007, and it can be modified or abrogated only by the vote of the same body.
8.2. Besides the various measures described in this set of regulations, the president may adopt any measures that he deems opportune in order to guarantee the orderly and correct conduction of the work of the assembly and the exercising of the rights of those present."

The Board of Directors, with six of the seven members present during the meeting held on May 15th 2014, reported to the assembly in relation to the activities conducted and endeavored to make sure that adequate information concerning the necessary elements were supplied to the shareholders so that they can make informed decisions on those matters that were of competence of the assembly (Applicative criteria 9.C.2) in particular by making the documentation and the proposals to be voted on available to the shareholders in due time.
Concerning the guaranteed right of each partner to express their opinion on the subjects under discussion, the president of the Assembly, in conformity with the assembly regulations listed below, concretely as shown in the minutes of the Assembly, proceeds, after the discussion of each subject in the Order of the Day, to invite the shareholders present to intervene in the discussion (Applicative Criteria 9.C.2).
The remuneration committee which was present and at the disposal of the assembly, stated that they believed to have reported to the shareholders in their remuneration report (*Relazione sulla Remunerazione*) and the present report.

During this year no significant variations occurred in the Market capitalization of the El.En. stock or in the structure of the company.

Consequently, no evaluation by the Board was necessary concerning whether or not it was opportune to propose modifications of the by-laws in relation to the percentage set for the exercising of the shares and the prerogatives advanced for the protection of the minorities (Criteria 9.C.4.).

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

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

18.0 CHANGES SINCE THE CLOSING OF THE FINANCIAL YEAR

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

For the Board of Directors
The President – Gabriele Clementi

TABLE 1 – INFORMATION ON OWNERSHIP

On the basis of information supplied by El.En.

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

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

SIGNIFICANT OWNERSHIPS IN SHAREHOLDERS' CAPITAL as of December 31st 2014			
Person declaring	Direct shareholder	Quota % of the ordinary capital	Quota % of the voting capital
ANDREA CANGIOLI	ANDREA CANGIOLI	13,425	13,425
GABRIELE CLEMENTI	GABRIELE CLEMENTI	11,083	11,083
BARBARA BAZZOCCHI	BARBARA BAZZOCCHI	10,464	10,464
ALBERTO PECCI	ALBERTO PECCI	0,345	0,345
ALBERTO PECCI	S.M.I.L. di Alberto Pecci & C. s.a.s.	8,218	8,218
ELENA PECCI	ELENA PECCI	0,079	0,079
ELENA PECCI	IMMOBILIARE IL CILIEGIO s.r.l.	7,512	7,512
CARLO ALBERTO MARSILETTI	REX CAPITAL s.p.a.	5,273	5,273

The chart below lists the equities of over 2% of the capital stock which are shown in order to complete the information since, during this year, the limit was raised to 5% with reference to the Company qualified as PMI in compliance with art. 1 lett. W-quarter 1 TUF after the modification of article 120, subsection 2, TUF by art. 20 D.Lgs of May 24th 2014, no. 91 conv. with L. no. 116 of August 11th 2014.

INVESCO LTD	INVESCO ADVISERS INC.	2,487	2,487
ALBEMARBLE ASSET MANAGEMENT LTD		2,118	2,118
LASERFIN s.r.l.	LASERFIN s.r.l.	2,01	2,01

Moreover, from the information gathered during the distribution of the dividend this year, the following company is shown as having an equity of over 2%.

HERMES LINDER FUND SICAV PLC	HERMES LINDER FUND SICAV PLC	2,135	2,135

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

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

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Member	since	until	List (M/m)	Indipendence from Code	Percentage of attendance at the board meetings	Number of other positions in companies quoted on the Italian stock market
President	**Vincenzo Pilla**	May 15th 2013	Approval annual report 2015	**M**	**X**	**100%**	0
Acting auditor	**Paolo Caselli**	May 15th 2013	Approval annual report 2015	**M**	**X**	**100%**	0
Acting auditor	**Rita Pelagotti**	June 25th 2013	Approval annual report 2015	**M**	**X**	**100%***	0
Supplementary auditor	**Daniela Moroni**	May 15th 2014	Approval annual report 2015	**M**	**X**	**----**	0
Alternate auditor	**Manfredi Bufalini**	May 15th 2013	Approval annual report 2015	**M**	**X**	**-**	0
Number of meetings held in 2014: 7							
Upon the occasion of the last appointment, the CONSOB, with vote 18452 of January 30th 2013 set the amount required for the presentation of the lists at 4,5% of the capital stock.							

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

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

***

Premise

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

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

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

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

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

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

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

i. *Administrative and accounting procedures*: the set of company procedures that are significant in relation to the drawing up and diffusion of accounting information (like related administrative and accounting procedures, in particular, statements and periodic financial reports and matrices of the administrative and accounting controls;
ii. *Company procedures that are significant for the purpose of preventing and monitoring operative risks like:* quality management system ISO 9001:2008.

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

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1) Description of the main characteristics of the System for managing risks and internal controls existing in relation to the process of financial information.

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

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

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

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

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

<u>a.2) Identification of the controls for the risks which have been identified</u>
After the identification of the risks we proceeded with the identification of the specific controls needed to reduce to an acceptable level the risk related to the failure to reach certain objectives of the system both in relation to the company and to the process. For this purpose El.En. has defined, within the system of administrative and accounting procedures, the so-called "administrative and accounting control matrices" which are documents which describe the control activities existing in every significant administrative and accounting process. The controls described in the matrices should be considered an integral part of the administrative and accounting procedures of El.En.

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

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

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

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

b) Roles and functions involved
In particular, the main responsibilities which are intended to guarantee the correct functioning of the System are as follows:
• the ***Board of Directors*** is responsible for the appointment of the Executive responsible for drawing up the company and accounting documents, for ascertaining that the Executive has all the necessary prerequisites (in terms of authority, professional competence and independence), powers and means for carrying out the tasks which have been assigned to him; for the institution of a regular flow of information through which the Executive may report the results of the activities conducted and any critical issues which may emerge, also with an aim to taking the necessary steps to overcome the significant critical issues. In carrying out their functions, the Board makes use of the assistance of the

Internal Controls and Risks Committee, which has the duty to advise and to recommend also in reference to the administrative and accounting internal controls system;
• the ***Executive Director in charge of the internal controls and risk assessment system*** is responsible for the implementation and monitoring of the Internal Controls System, with particular reference to the Administrative and Accounting procedures; for the evaluation, together with the Executive in charge of Internal Controls, of the results of the periodic risk assessments; for the evaluation, bearing in mind the preliminary activity of the Executive, of the effectiveness of the procedures being used; for the revision of the "other information of a financial nature" released to the market.

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

EL.EN. GROUP
CONSOLIDATED FINANCIAL STATEMENT
AS OF DECEMBER 31st 2014

FINANCIAL CHARTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial position

	Note		31/12/2014		31/12/2013
Statement of financial position					
Intangible assets	1		3.613.011		3.397.119
Tangible assets	2		26.926.972		21.853.353
Equity investments:	3				
- in associates		2.930.730		916.988	
- other investments		22.618.578		40.651.133	
Total equity investments			25.549.308		41.568.121
Deferred tax assets	4		5.682.388		6.122.854
Other non current assets	4		2.823		34.459
Total non current assets			**61.774.502**		**72.975.906**
Inventories	5		50.480.679		48.372.067
Accounts receivables:	6				
- from third parties		47.277.221		41.854.685	
- from associates		670.219		690.463	
Total accounts receivables:			47.947.440		42.545.148
Tax receivables	7		6.617.939		4.254.067
Other receivables:	7				
- from third parties		8.353.211		6.260.385	
- from associates		61.565		63.565	
Total other receivables			8.414.776		6.323.950
Financial instruments	8				299.995
Cash and cash equivalents	9		73.803.583		42.868.084
Total current assets			**187.264.417**		**144.663.311**
TOTAL ASSETS			**249.038.919**		**217.639.217**
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves	12		50.291.386		50.493.427
Treasury stock	13				-528.063
Retained earnings / (deficit)	14		35.042.944		31.121.466
Net income / (loss)			16.520.110		6.080.170
Share Capital and Reserves attributable to the Shareholders' of the Parent Company			**142.956.729**		**128.269.289**
Share Capital and Reserves attributable to non-controlling interests			7.578.945		6.036.667
Total equity			**150.535.674**		**134.305.956**
Severance indemnity	15		3.700.224		3.115.099
Deferred tax liabilities	16		1.460.805		1.303.365
Other accruals	17		2.694.861		4.485.047
Financial liabilities:	18				
- to third parties		5.907.331		6.968.331	
Total financial liabilities			5.907.331		6.968.331
Non current liabilities			**13.763.221**		**15.871.842**
Financial liabilities:	19				
- to third parties		21.494.475		15.762.815	
Total financial liabilities			21.494.475		15.762.815
Accounts payables:	20				
- to third parties		35.265.868		31.224.517	
- to associates		1.148		2.728	
Total accounts payables			35.267.016		31.227.245
Income tax payables	21		2.222.890		1.725.985
Other payables:	21				
- to third parties		25.755.643		18.745.374	
Total other payables			25.755.643		18.745.374
Current liabilities			**84.740.024**		**67.461.419**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**249.038.919**		**217.639.217**

Consolidated Income Statement

Income statement	Note		31/12/2014		31/12/2013
Revenues:	22				
- from third parties		178.360.793		152.768.266	
- from associates		1.647.836		4.611.936	
Total revenues			180.008.629		157.380.202
Other revenues and income:	23				
- from third parties		2.314.189		1.977.434	
- from associates		65.435		11.459	
Total other revenues and income			2.379.624		1.988.893
Total revenues and income			**182.388.253**		**159.369.095**
Purchase of raw materials:	24				
- to third parties		89.123.243		76.644.049	
- to associates		13.210		34.671	
Total purchase of raw materials			89.136.453		76.678.720
Change in inventory of finished goods and WIP			(3.114.208)		(1.586.229)
Change in inventory of raw material			366.337		(2.796.770)
Other direct services:	25				
- to third parties		14.148.438		12.510.586	
- to associates		2.689			
Total other direct services			14.151.127		12.510.586
Other operating services and charges:	25				
- to third parties		25.508.253		25.478.294	
- to associates		149.533		182.426	
Total other operating services and charges			25.657.786		25.660.720
For staff costs	26		38.228.009		35.161.450
Depreciation, amortization and other accruals (*)	27		2.661.340		4.158.939
EBIT			**15.301.409**		**9.581.679**
Financial charges:	28				
- to third parties		(1.638.001)		(2.286.615)	
Total financial charges			(1.638.001)		(2.286.615)
Financial income	28				
- from third parties		6.275.651		1.106.059	
- from associates		349		240	
Total financial income			6.276.000		1.106.299
Share of profit of associated companies			39.566		(473.782)
Other net expenses	29		(54.982)		
Other net income	29		4.484.562		2.766.527
Income (loss) before taxes			**24.408.554**		**10.694.108**
Income taxes	30		6.408.623		4.275.100
Income (loss) for the financial period			**17.999.931**		**6.419.008**
Minority interest			1.479.821		338.838
Net income (loss)			**16.520.110**		**6.080.170**

Basic net (loss) income per share	31	3,42	1,27
Diluted net (loss) income per share		3,42	1,27

* In compliance with Consob regulation 15519 of July 27th 2006 the amounts related to significant non-recurrring operations for 2014 for an amouunt of 1.478 thousand Euros entered under the headaing of "Amortizations, depreciations and other accruals" are entered in note (34).

Consolidated statement of comprehensive income

	Note	31/12/2014	31/12/2013
Reported net (loss) income (A)		17.999.931	6.419.008
Other income/(loss) that will not be entered in income statement net of fiscal effects:			
Measurement of defined-benefit plans		(286.231)	174.172
Capital gains (loss) on sale of treasury stock		(66.190)	0
Other income/(loss) that will be entered in income statement net of fiscal effects:			
Cumulative conversion adjustments		10.334	138.390
Unrealized gain (loss) on investment AFS	33	585.444	5.023.140
Unrealized gain (loss) on derivatives and other changes		5.762	16.765
Total other income/(loss), net of fiscal effects (B)		249.119	5.352.467
Total comprehensive (loss) income (A)+(B)		18.249.050	11.771.475
Referable to:			
Parent Shareholders		16.519.303	11.599.320
Minority Shareholders		1.729.747	172.155

Consolidated cash flow statement

Cash Flow Statement	Note	31/12/2014	Related parties	31/12/2013	Related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		17.999.931		6.419.008	
Amortizations and depreciations	27	2.710.144		2.761.460	
Gain on investment AFS	29	-4.484.562			
Re-Devaluations of equity investments	29	54.982		-2.523.353	
Share of profit of associated companies		-39.566	-39.566	473.782	473.782
Stock Options	26			3.564	
Change of employee severance indemnity	15	585.125		-224.931	
Change of provisions for risks and charges	17	-1.790.186		100.228	
Change of provisions for deferred income tax assets	4	440.466		-310.584	
Change of provisions for deferred income tax liabilities	16	157.440		-11.734	
Stocks	5	-2.108.612		-2.906.698	
Receivables	6	-5.402.292	8.459	-3.627.619	485.424
Tax receivables	7	-2.363.872		-732.028	
Other receivables	7	-2.761.367		-198.770	
Payables	20	4.039.771	-1.580	8.235.463	-61.516
Income Tax payables	21	496.905		625.140	
Other payables	21	7.010.269		2.408.646	
		-3.455.355		4.072.566	
Cash flow generated by operating activity		14.544.576		10.491.574	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-7.610.331		-2.994.519	
(Increase) decrease in intangible assets	1	-389.324		-174.912	
(Increase) decrease in equity investments and non current assets	3-4	21.105.039	1.968.878	-183.173	-144.554
Increase (decrease) in financial receivables	7	670.541	2.000	-1.362.649	
(Increase) decrease investments which are not permanent	8	299.995		-298.982	
Cash flow generated by investment activity		14.075.920		-5.014.235	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	18	-1.061.000		-3.540.227	
Increase (decrease) in current financial liabilities	19	5.731.660		3.341.811	
Change in Capital and Reserves and consolidation scope				668.171	
Variations in the net capital of third parties		357.263			
Acquisition (sale) of treasury stock	13	461.873			
Dividends distributed	32	-2.949.594		-3.883.659	
Cash flow from financing activity		2.540.202		-3.413.904	
Change in cumulative conversion adjustment reserve and other no monetary changes		-225.199		329.327	
Increase (decrease) in cash and cash equivalents		30.935.499		2.392.762	
Cash and cash equivalents at the beginning of the financial period		42.868.084		40.475.322	
Cash and cash equivalents at the end of the financial period		73.803.583		42.868.084	

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

Interest earned during this financial period amounts to about 680 thousand Euros.

Income taxes for this financial year amounted to 5,7 million Euros.

Changes in the consolidated shareholders' equity

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

SHAREHOLDERS' EQUITY:	**Balance 31/12/2013**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2014**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-528.063			528.063		
Others reserves:						
Extraordinary reserves	42.447.942		-402.825			42.045.117
Reserve for contribution on capital account	426.657					426.657
Cumulative conversion adjustments reserve	276.618				-273.044	3.574
Other reserves	6.804.908				473.828	7.278.736
Retained earnings	31.121.466	6.080.170	-1.998.785	41.684	-201.591	35.042.944
Profits (loss) of the year	6.080.170	-6.080.170			16.520.110	16.520.110
Parent company's shareholders' equity	128.269.289	0	-2.401.610	569.747	16.519.303	142.956.729
Capital and reserves of third parties	5.697.829	338.838	-547.984	360.515	249.926	6.099.124
Profit (loss) of third parties	338.838	-338.838			1.479.821	1.479.821
Share Capital and Reserves attributable to non-controlling interests	6.036.667	0	-547.984	360.515	1.729.747	7.578.945
Total Shareholders' equity	134.305.956	0	-2.949.594	930.262	18.249.050	150.535.674

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

The amounts referred to in the column "Comprehensive (loss) income" refer to:
- The conversion reserve for the change that involved the assets in currency held by the Group;
- the other reserves: there was a decrease in the reserve for the evaluation of the equity in Cynosure AFS after the sale at the beginning of the year of part of the shares owned; moreover, there was an increase in the same reserve which was the result of the adaptation to fair value of the residual equity on December 31st 2014;
- The retained earnings, mainly for the re-measurement of the severance fund for the subsidiary companies at the end of the year.

For further details please consult the specific chart of the statement of comprehensive income

The other movements in the net shareholders' equity of the Group refer to:

- the sale of treasury stock by El.En. S.p.A. as part of the operations for the acquisition of a quota of 19,5% in Quanta Usa through the subsidiary BRCT Inc.;
- the payment by some of the minority partners of Cutlite do Brasil of their respective equity quotas related to the increase in capital approved last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

The parent company El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The Consolidated Financial Statement for the El.En. Group was examined and approved by the Board of Directors on March 13th 2015.
The amounts shown in this statement are in Euros, which is the working currency of the Parent Company and many of its subsidiaries.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE STATEMENT

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

This consolidated Annual Report consists of:
- the Consolidated Statement of financial position,
- the Consolidated Income Statement,
- the Consolidated statement of comprehensive income
- the Consolidated Cash flow statements
- the Statement of changes in the Consolidated Shareholders' equity,
- the following Notes

The economic information which is provided here is related to the financial years 2013 and 2014. The financial information, however, is supplied with reference to December 31st 2013 and December 31st 2014.

The parent company El.En. S.p.A. appointed the Independent auditors Deloitte & Touche S.p.A.. for the consolidated financial statement dated December 31st 2014.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

This consolidated statement for the financial year ending December 31st 2014 has been drawn up in compliance with the International Accounting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) and approved by the European Union. With IFRS we mean also the International Accounting Standards (IAS) still in effect, as well as the interpretive documents issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

Accounting principles, amendments and IFRS interpretations applied since January 1st 2014

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time starting on January 1st 2014:
- IFRS 10 – Consolidated financial statement that replaces IAS 27 – Consolidated and separate financial statement for the part related to the consolidated statement, and SIC-12 Consolidation – Companies for a specific use (Vehicle companies). The preceding IAS 27 has been renamed Separate financial Statement and regulates only the accounting treatment of the equities in the separate financial statement. The main variations established by the new standard for the consolidated financial statement are the following:

- IFRS 10 establishes a single basic standard for the consolidation of all types of entities, and this standard is based on control. The variation removes the inconsistency perceived between the preceding IAS 27 (based on control) and SIC 12 (based on the passage of risks and benefits);
- a more rigid definition of control with respect to the past has been introduced and is based on the contemporary presence of the following three elements: (a) power on the company being purchased; (b) exposition to or rights to variable earnings derived from the involvement with the aforementioned; (c) capacity to use the power to influence the amount of the aforementioned variable earnings;
- IFRS 10 requires that in order for an investor to determine if he has the control of the company acquired, he must focus on the activities that have significant influence on the earnings of the company (relevant activities concept);
- IFRS 10 requires that in order to determine the existence of control, one must consider only the substantial rights, that is, the rights that can be exercised in practice when decisions must be made related to the company that was purchased;
- IFRS 10 offers a practical guide to assist in the evaluation of the existence of control in complex situations like de facto control, potential voting rights, structured entities, situations in which it is necessary to determine if the person who has the power of decision is acting as agent or principal, etc.

In general terms, the application of IFRS 10 will require a significant degree of judgement on quite a number of application aspects.

The standard is applicable retroactively starting January 1st 2014.

The adoption of this new standard does not have any effect on the area of consolidation of the Group.

- IFRS 11 – Equity agreements which replace IAS 31 – Equities in Joint Ventures and SIC-13 – companies under joint control– contribution in kind by members participating in joint control. The new standard, which has the same criteria for the identification of joint control, supplies criteria for the accounting of joint arrangements based on the rights and obligations derived from these agreements rather than their legal form and distinguishes these arrangements in joint ventures and joint operations. According to IFRS 11, unlike the earlier IAS 31, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. For joint ventures, where the partners only have rights on the net equity of the agreement, the standard establishes the shareholders' equity method as the sole method for determining entry in the consolidated statement. For joint ventures, where the partners have rights on the assets and bonds for the liabilities of the agreement, the standard establishes the direct entry in the consolidated statement (and in the separate statement) of the pro-quota of the assets, the liabilities, the costs and the earnings derived from the joint operation.

In general terms, the application of IFRS 11 requires a significant degree of judgement in certain company sectors in order to distinguish between a joint operation and a joint venture.

The standard is applicable retroactively starting January 1st 2014.

After the new standard IFRS 11 was issued, the standard IAS 28 –Equities in associated companies- was amended so as to include in its area of application, starting on the date on which the standard was actually applied, also the equities in companies under joint control.

The adoption of this new standard did not have any effects on the area of consolidation of the Group

- IFRS 12 – Additional information on the equities in other companies – which is a new and complete standard on the additional information which must be supplied in the consolidated statement for every kind of equity including those in subsidiary companies, the joint arrangements, associated companies, companies for a specific purpose and other vehicle companies that are not consolidated. The standard is applicable retroactively starting on January 1st 2014.

The adoption of this new standard did not have any effects on the information supplied in the "Consolidated Notes" accompanying the consolidated financial statement of the Group.

- Amendment to IAS 32 "Offset of financial assets and financial liabilities", which is intended to clarify the application of the criteria necessary to offset the financial assets and financial liabilities (i.e. the entity currently has the legal right to compensate the amounts registered in accounts and intends to extinguish for the net remaining or realize the assets and, at the same time, extinguish the liabilities). The amendments must be applied retroactively starting on January 1st 2014.

The adoption of these amendments did not have any effects on the consolidated statement of the Group.

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities", which, for investment companies, introduce an exception to the consolidation of subsidiary companies, except for those cases in which the subsidiaries supply services that are accessory to the investment activities conducted by the investment companies. In applying these amendments, the investment companies must evaluate their investments in subsidiaries at fair value. The following criteria have been introduced for determining the status of investment company and, consequently, gaining access to the above mentioned exceptions:
    - The company must obtain funds from one or more investors for the purpose of supplying management services for the investment;
    - The company must be committed to its investors to pursue the objective of investing the funds for the sole purpose of obtaining earnings from the increase in capital, from the revenue derived from the investment or from both of the above; and
    - The company must measure and evaluate the performance of substantially all the investments at fair value.

These amendments must be applied, together with the relative standards, starting on January 1st 2014.

The adoption of these amendments did not have any effect on the consolidated statement of the Group..

- Amendment to IAS 36 "Reduction in the value of assets" – Additional information on the recoverable value of the non-financial assets". The modifications intend to clarify that the additional information to be supplied concerning the recoverable value of the assets (including goodwill) or cash generating units subject to impairment tests, in the case in which their recoverable value based on fair value net of the costs of disposal are related only to the assets and cash generating units for which a loss due to reduction in value has been registered or re-entered during the financial period. In this case, it is necessary to supply adequate information on the hierarchy of the level of fair value of the recoverable value and on the evaluation methods and the assumptions used (if levels 2 or 3 are involved). The modifications must be applied retroactively starting on January 1st 2014.

The adoption of these amendments did not have any effect on the consolidated statement of the Group.

- Amendment to IAS 39 "Financial instruments: Recording and evaluation – Novation of derivatives and continuation of hedge accounting". The modifications concern the introduction of some exemptions to the requirements for hedge accounting defined by IAS 39 in the case in which an existing derivative must be replaced by a new derivative in a specific case in which this substitution is in relation to a Central Counterparty after the introduction of a new law or regulation. The modifications must be applied retroactively starting on January 1st 2014.

The adoption of these amendments did not have any effect on the consolidated statement of the Group.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet obligatory or not yet applied in advance by the Group as of December 31st 2014

- On May 20th 2013 IFRIC 21-Levies was published –which supplies clarifications concerning the moment when a tax related liability imposed by a government entity (other than income tax) is registered. The standard deals both with the liabilities for taxes that are part of the application of IAS 37 – Accruals, liabilities and potential assets, as well as those for taxes whose timing and amount are certain. The interpretation must be applied retroactively for financial periods starting, at the latest, on June 17th 2014 or later.

The directors expect that the application of this new interpretation will not have any effect on the consolidated financial statement of the Group.

- On December 12th 2013 the IASB published the document titled "Annual Improvements to IFRSs: 2010-2012 Cycle" which contains the modifications to some of the standards as part of the annual process dedicated to the improvement of the latter. The main modifications concern:

    - IFRS 2 Share Based Payments – Definition of vesting condition. Some modifications were made in the definition of "vesting condition" and "market condition" and additional definitions were made for "performance condition" and "service condition" (which used to be included in the definition of "vesting condition");

- IFRS 3 Business Combination – Accounting for contingent consideration. The modification clarifies that a contingent consideration as part of a business combination classified as a financial asset or liability must be remeasured at fair value at the closure of each financial period and the variations at fair value must be recorded in the income statement or along with the elements of the comprehensive income statement on the basis of the requirements of IAS 39 (or IFRS 9);
- IFRS 8 Operating segments – Aggregation of operating segments. The modifications require an entity to give information concerning the evaluations made by the management in the application of the aggregation of operating segments including a description of the aggregated operating segments and the economic indicators considered in determining if the operating segments have similar economic characteristics;
- IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The modifications clarify that the reconciliation between the total of the assets of the operating segments and the total overall assets of the entity must be presented only if the total of the assets of the operating segments are regularly revised at the highest decisional level of the entity;
- IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this standard have been modified for the purpose of clarifying that with the issuing of IFRS 13 and the subsequent modifications to IAS 39 and to IFRS 9, it will still be possible to enter into accounts the trade payables and receivables without recording the effects of an actualization in the case that such effects turn out to be non material;
- IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The modifications have eliminated the inconsistencies in recording amortization funds when a material or immaterial asset is the subject of re-evaluation. The requirements imposed by the modifications clarify that the gross load value must be adapted to an extent that is consistent with the re-evaluation of the load value of the assets and that the amortization fund be equal to the difference between the gross load value and the load value net of the losses of value entered into accounts;
- IAS 24 Related Parties Disclosures – Key management personnel. This modification clarifies that in the case in which the services of an executive with strategic responsibilities are supplied by an entity (and not a physical person) this entity must be considered, in any case, a related party.

The modifications must be applied at the latest starting with financial periods beginning on February 1st 2015 or later.

At this time the directors are evaluating the possible effects that the introduction of these modifications will have on the consolidated statement of the Group.

- On December 12th 2013 the IASB published a document titled "Annual Improvements to IFRSs: 2011-2013 Cycle" which included the modifications to some of the standards which is part of the annual process aimed at the improvement of the standards. The main modifications concern:
  - IFRS 3 Business Combinations – Scope exception for joint ventures. The modification clarifies that paragraph 2(a) of IFRS 3 excludes from the area of application of IFRS 3 the formation of all types of joint arrangements, as defined by IFRS 11;
  - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52). The modification clarifies that the portfolio exception included in paragraph 52 of the IFRS 13 is applicable to all the contracts included in the area of application of IAS 39 (or IFRS 9) independently of the fact that they satisfy the definition of financial assets and liabilities supplied by IAS 32;
  - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The modification clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, for purposes of determining if the acquisition of real estate property is part of the application of IFRS 3 or of IAS 40, it is necessary to refer to the specifications supplied by IFRS 3 or by IAS 40 respectively.

The modifications must be applied starting with the financial periods that begin on January 1st 2015 or later.

At this time the directors are evaluating the possible effects that the introduction of these modifications will have on the consolidated financial statement of the Group.

- On November 21st 2013 IASB published an amendment to IAS 19 "Defined Benefit Plans: Employee Contributions", which proposes to present the payments (relative only to services rendered during the financial period) by the employee or by third parties to the defined benefit plans reducing the service cost of the financial period in which the payment was made). The need for this proposal arose with the introduction of the new IAS 19 (2011), which stated that these payments must be interpreted as part of a post-employment benefit instead of a benefit of brief duration and, therefore, the payment must be spread over the years of service of the employee. The modifications must be applied at the latest to financial periods starting on February 1st 2015 or later.

At this time the directors are evaluating the possible effects that the introduction of these modifications will have on the consolidated financial statement of the Group.

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

As of the date of publication of this document the relative committees of the European Union had not yet given the approval necessary for the adoption of the amendments and standards described below.

- On January 30th 2014 the IASB published standard IFRS 14 – Regulatory Deferral Accounts which allows only those who are adopting the IFRS for the first time to continue to record the amounts related to the assets subject to Rate Regulation Activities according to the accounting standards they had used earlier.

Since the Company/Group is not a first-time adopter, this standard is not applicable.

- On May 6th 2014 the IASB issued some amendments to the standard IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations" related to the accounting of the acquisition of interest in a joint operation whose activity constitutes a business according to the definition given by IFRS 3. The modifications state that in these cases one must apply the standards described in IFRS 3 related to the recording of the effects of a business combination.

The modifications must be applied starting on January 1st 2016 but application in advance is allowed.

At this time the directors are evaluating the possible effects that the introduction of these modifications will have on the consolidated financial statement of the Group.

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- On May 12th 2014 the IASB issued some amendments to IAS 16 Property, plant and Equipment and to IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation". The modifications to IAS 16 establish that the criteria for amortization determined on the basis of income are not appropriate since, according to the amendment, the income generated by an asset which includes the use of the asset that is the subject of the amortization generally reflects factors that are different from just the consumption of the economic benefits of the asset itself. The modifications to IAS 38 introduce an assumption according to which an amortization criteria based on income is normally considered inappropriate for the same reasons established by the modifications made to IAS 16. In the case of intangible assets, this assumption can be overcome but only in limited and specific circumstances.

The modifications must be applied starting on January 1st 2016 but application in advance is allowed.

At this time the directors are evaluating the possible effects that the introduction of these modifications will have on the consolidated financial statement of the Group.

- On May 28th 2014 the IASB published standard IFRS 15 – Revenue from Contracts with Customers, which is supposed to replace standard IAS 18 – Revenue and standard IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for the recognition of revenue which will be applied to all contracts stipulated with clients except those that are within the area of application of the other IAS/IFRS standards like leasing, insurance contracts and financial instruments. The fundamental paragraphs for the accounting of the income according to the new model are as follows:
    - Identification of the contract with the client;
    - Identification of the performance obligations in the contract;
    - Setting the price;
    - Allocation of the price to the performance obligations in the contract;
    - Criteria for recording the income when the entity has satisfied the performance obligations.

The standard must be applied starting January 1st 2017 but advance application is allowed.

The management expects that the effects of the application of IFRS 15 on the amounts entered as income and on the relative information included in the consolidated financial statement of the Group will be insignificant. In any case, it is not possible to offer a reasonable estimate of the effects until the Group has completed a detailed analysis of the contracts with its clients.

- On July 24th 2014 the IASB published the final version of IFRS 9 – Financial instruments. The document contains the results of the phases related to the classification and evaluation, Impairment and Hedge accounting of the IASB project aimed at replacing IAS 39. The new standard, which replaces the previous versions of IFRS 9, must be applied to the financial statements starting on January 1st 2018 or later. After the financial crisis of 2008, upon request of the principal financial and political institutions, the IASB initiated a project aimed at replacing IFRS 9 and proceeded by stages. In 2009 the IASB published a preliminary version of IFRS 9 which dealt exclusively with the classification and evaluation of financial assets; later, in 2010, they published the criteria for the classification and evaluation of financial liabilities and derecognition (this latter subject was transferred unchanged to IAS 39). In 2013 IFRS 9 was modified to include the general model of hedge accounting. After the present publication which again includes impairment, IFRS 9 can be considered complete with the sole exception of the criteria related to macro hedging for which IASB has undertaken a separate project. The standard introduces new criteria for the classification and evaluation of financial assets and liabilities. In particular, for the financial assets the new standard uses a single approach based on the management methods of the financial instruments and on the characteristics of the contractual cash flows of these financial assets for the purpose of determining the evaluation criteria and replaces the different rules established by IAS 39. For the financial liabilities, on the other hand, the main change that has taken place is related to the accounting treatment of the variations in fair value of a financial liability designated as a financial liability evaluated at fair value by means of the income statement, in the case that these variations are due to the credit worthiness of the company issuing the liability. According to the new standard, these variations must be recorded in the chart showing "Other comprehensive income" instead of the income statement. With reference to the impairment model, the new standard requires that the estimate of the losses on receivables be based on the model of expected losses (instead of the model of incurred losses) by using factual information, available free of charge or unreasonable effort, which include historical, current and expected data. The standard states that this impairment model must be applied to all financial instruments, that is, to all financial assets evacuate at amortized cost, to those evacuate at fair value through other comprehensive income, to the receivables derived from rental contracts and trade receivables. Moreover, the standard introduces a new model of hedge accounting for the purpose of adapting the requirements contained in the current IAS 39 which in the past have sometimes been considered too rigorous and not suited to reflect the risk management policies of the companies. The main changes in the document concern:
    - Increase in the kinds of transactions eligible for hedge accounting, including also the risks for non financial assets/liabilities that are eligible for management in hedge accounting;
    - Change in the accounting methods for forward contracts and in the options when they include a hedge accounting report for the purpose of reducing the volatility of the income statement;
    - Modifications in the effectiveness test by means of substitution of the current methods based on a parameter of 80-125% with the principle of economic relation with the entry of hedge and hedging instrument; moreover, an evaluation of the retroactive effectiveness of the hedging report will no longer be required.

The greater flexibility of the new accounting rules is offset by the request for additional information on the risk management activities of the company.

The management expects that the application of IFRS 9 will have an insignificant impact on the amounts and the data contained in the consolidated financial statement of the Group. In any case, it is not possible to give a reasonable estimate until the Group has completed a detailed analysis.

- On August 12th 2014 the IASB published the amendment to IAS 27 - Equity Method in Separate Financial Statements. This document introduces the option of using in the separate statement of an entity the shareholders' equity method for the evaluation of the equities in subsidiary companies with joint control and associated companies. Consequently, after the introduction of the amendment, an entity can record these equities in its separate statement or else:
    - At cost; or
    - According to IFRS 9 (or to IAS 39); or
    - By using the shareholders' equity method.

The modifications are applicable starting on January 1st 2016 but advance application is allowed.

At this time the directors are evaluating the possible effects of these modifications on the separate/annual financial statements of the Company.

- On September 11th 2014 the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published for the purpose of resolving the conflict that exists between IAS 28 and IFRS 10. According to IAS 28, the gain or loss that is the result of the sale or transfer of a non-monetary asset to a joint venture or associated company in exchange for a percentage of the capital of this latter is limited to the percentage held in the joint venture or associated company by the other investors who are not involved in the transaction. On the contrary, the IFRS 10 standard states that the recording of the entire profit or loss in case of loss of control of a subsidiary company even if the entity continues to hold a non-controlling quota in the company, including in this case also the sale or transfer of a subsidiary company to a joint venture or associated company. The modifications introduced state that the sale/transfer of an asset or a subsidiary company, the amount of profit or loss that must be recorded in the statement of the seller /transferee depends on the whether the assets or the subsidiary company that is sold/transferred constitute a business, according to the definition of the term given by standard IFRS 3. In the case in which the assets or the subsidiary company that is sold/transferred represent a business, the entity must record the profit or loss on the entire quota held previously; on the other hand, in the opposite case, the quota of profit or loss relative to the quota that is still held by the entity must be eliminated.

The modifications must be applied starting on January 1st 2016 but advance application is allowed.

At this time the directors are evaluating the possible effects that these new modifications may have on the consolidated financial statement of the Group.

- On September 25th 2014 the IASB published a document titled "Annual Improvements to IFRSs: 2012-2014 Cycle". The modifications introduced by the document must be applied starting in the financial years that begin on January 1st 2016 or later. The document introduces modifications to the following standards.
    - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The modification introduces specific guide lines to the standard in the case that an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category or vice versa, or when an asset cannot meet the requirements for classification as held-for-distribution. The modifications state that (i) these reclassifications must not be considered as a variation to a sales plan or to a distribution plan and the same classification and evaluation criteria remain valid; (ii) the assets that no longer respect the classification criteria for held-for-distribution must be treated in the same way as an asset that is no longer classified as held-for-sale;
    - IFRS 7 – Financial Instruments: Disclosure. The modifications that regulate the introduction of new guide lines to clarify whether a servicing contract constitutes a residual involvement in a transferred asset for the purposes of the information required in relation to the transferred assets. Moreover the modification clarifies that the information on the compensation of financial assets and liabilities is usually not explicitly requested for interim statements. In any case, this information may become necessary in order to satisfy the requirements of IAS 34, in the case that it is a significant piece of information;
    - IAS 19 – Employee Benefits. The document introduces modifications to standard IAS 19 for the purpose of clarifying that high quality corporate bonds used to determine the discount rate of the post-employment benefits must be in the same currency used for the payment of the benefits. The modifications state that the magnitude of the market of high quality corporate bonds to be considered must be at the level of the currency;
    - IAS 34 – Interim Financial Reporting. The document introduces some modifications for the purpose of clarifying the requirements that must be met in the case that the information requested is presented in the interim financial report, but outside of the interim financial statements. The modification states that this information must be included, by means of a cross-reference from the interim financial statements to other parts of the interim financial report, and that this document must be available to the readers of the statement in the same way and at the same time as the interim financial statements.

At this time the directors are evaluating the possible effects that these new modifications may have on the consolidated financial statement of the Group.

- On December 18th 2014 the IASB published an amendment to IAS 1 - Disclosure Initiative. The purpose of the modifications was to offer clarifications concerning pieces of information which might be perceived as obstacles to a clear and simple formulation of the statements. The modifications made were the following:
    - Materiality and aggregation: the modification clarifies that a company cannot hide information by combining it or separating it from other information and that he considerations related to materiality must be applied to the way in which the statements are drawn up, to the explanatory notes and the specific information requirements of the IFRS. The disclosures specifically required by the IFRS must be supplied only if the information is material;

- The charts showing the statement of financial position and the statement of comprehensive income: the modification clarifies that the list of entries specified by IAS 1 for these charts can be combined or separated as needed. Moreover, it offers guide lines for the use of sub-totals within the charts;
- Presentation of the elements of Other Comprehensive Income ("OCI"): the modification clarifies that the quota of OCI of associated companies and joint ventures consolidated using the shareholders' equity method must be presented combined together as a single entry which is then subdivided between components subject to future reclassification in the income statement;
- Explanatory notes: the modification clarifies that the entities may have some flexibility in defining the structure of the explanatory notes and supplies guide lines on how to arrange the notes systematically, for example:
  - They may emphasize the notes that are the most important for the comprehension of the financial position (for example, by grouping together information on particular assets);
  - They may group together elements that are measured using the same criteria (for example, assets measured at fair value);
  - They may follow the order of the elements presented in the charts.

The modifications introduced by the document must be applied starting with the financial period that begins on January 1st 2016 or later.

At this time the directors are evaluating the possible effects that these new modifications may have on the consolidated financial statement of the Group.

- On December 18th 2014 the IASB published a document titled "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)", containing modifications related to problems that had emerged after the application of the consolidation exception granted to investment entities.

The modification introduced by this document must be applied starting with the financial periods that begin on or after January 1st 2016, but application in advance is allowed.

At this time the directors are evaluating the possible effects that these new modifications may have on the consolidated financial statement of the Group.

SCOPE OF CONSOLIDATION

SUBSIDIARY COMPANIES

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

					Percentage held:			Consolidated
Company name:	**Notes**	**Headquarters**	**Currency**	**Subscr. capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:								
El.En. SpA		Calenzano (ITA)	EURO	2.508.671				
Subsidiary companies:								
Deka M.E.L.A. Srl		Calenzano (ITA)	EURO	40.560	85,00%		85,00%	85,00%
Cutlite Penta Srl		Calenzano (ITA)	EURO	154.621	96,65%		96,65%	96,65%
Esthelogue Srl	1	Calenzano (ITA)	EURO	100.000	50,00%	50,00%	100,00%	100,00%
Deka Sarl		Lyons (FRA)	EURO	155.668	100,00%		100,00%	100,00%
BC Tech GmbH (ex Deka Lasertechnologie GmbH)		Munchen (GER)	EURO		100,00%		100,00%	100,00%
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.)	2	Carlsbad (USA)	USD	25	12,74%	87,26%	100,00%	100,00%
Lasit SpA		Vico Equense (ITA)	EURO	1.154.000	70,00%		70,00%	70,00%
BRCT Inc.		New York (USA)	USD	no par value	100,00%		100,00%	100,00%
Quanta System SpA		Solbiate Olona (ITA)	EURO	1.500.000	100,00%		100,00%	100,00%
Asclepion Laser Technologies GmbH	3	Jena (GER)	EURO	2.025.000	50,00%	50,00%	100,00%	100,00%
AQL Srl	4	Vimercate (ITA)	EURO			100,00%	100,00%	72,50%
ASA Srl	5	Arcugnano (ITA)	EURO	46.800		60,00%	60,00%	51,00%
With Us Co Ltd	6	Tokyo (JAP)	YEN	100.000.000		78,85%	78,85%	78,85%
Deka Japan Co. Ltd		Tokyo (JAP)	YEN	10.000.000	55,00%		55,00%	55,00%
Penta Chutian Laser (Wuhan) Co Ltd	7	Wuhan (CHINA)	YUAN	20.467.304		55,00%	55,00%	53,16%
Penta Laser Equipment (Wenzhou) Co Ltd	8	Wenzhou (CHINA)	YUAN	16.747.725		55,00%	55,00%	53,16%
Lenap Inc. (ex Lasit Usa Inc.)	9	Hamden (USA)	USD			100,00%	100,00%	70,00%
Cutlite do Brasil Ltda		Blumenau (BRASIL)	REAL	11.666.678	68,56%		68,56%	68,56%
Lasercut Technologies Inc.	10	Hamden (USA)	USD	50.000		100,00%	100,00%	100,00%
Pharmonia Srl	11	Calenzano (ITA)	EURO	50.000		100,00%	100,00%	100,00%
Deka Medical Inc	12	San Francisco (USA)	USD	10		100,00%	100,00%	100,00%
Quanta France Sarl	13	Paris (FRA)	EURO	51.500		60,00%	60,00%	60,00%
JenaSurgical GmbH	14	Jena (GER)	EURO	200.000		100,00%	100,00%	92,50%

(1) owned by Elen SpA (50%) and Asclepion (50%)
(2) owned by BRCT Inc. (87,26%) and by ElEn Spa (12,74%)
(3) owned by Elen SpA (50%) and by Quanta System SpA (50%)
(4) owned by Quanta System SpA (8,35%) and by Lasit SpA (91,65%)
(5) owned by Deka Mela Srl (60%)
(6) owned by BRCT (78,85%)
(7) owned by Cutlite Penta Srl (55%)
(8) owned by Cutlite Penta Srl (55%)
(9) owned by Lasit SpA (100%)
(10) owned by BRCT (100%)
(11) owned by Asclepion (100%)
(12) owned by BRCT (100%)
(13) owned by Quanta System SpA (60%)
(14) owned by Deka Mela Srl (50%) and by Asclepion (50%)

Operations conducted during this year
For the operations conducted during this year, please refer to the description given in the paragraph "Significant events which occurred during 2014" in the Management Report**.**

ASSOCIATED COMPANIES

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

Company name:	Notes	Headquarters	Currency	Subscr.capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Immobiliare Del.Co. Srl		Solbiate Olona (ITA)	EURO	24.000	30,00%		30,00%	30,00%
Actis Srl		Calenzano (ITA)	EURO	10.200	12,00%		12,00%	12,00%
SBI S.A.		Herzele (B)	EURO	1.200.000	50,00%		50,00%	50,00%
Elesta Srl		Calenzano (ITA)	EURO	110.000	50,00%		50,00%	50,00%
Chutian (Tianjin) Lasertechnology Co. LTD	1	Tianjin (China)	YUAN	2.000.000		49,00%	49,00%	26,05%
Quanta USA LLC	2	Englewood (USA)	USD			19,50%	19,50%	19,50%

(1) owned by Penta Chutian Laser (Wuhan) Co. Ltd (49%)
(2) owned by BRCT (19,50%)

Quanta USA LLC is considered an associated company because, although the El.En. Group does not hold more than 20% of the stock, it still has significant influence thanks to the right to appoint one of the directors.

Operations conducted during this period
For the operations conducted during this year, please refer to the description given in the paragraph "Significant events which occurred during 2014" in the Management Report.

EQUITIES IN OTHER COMPANIES

For the operations conducted during this year, please refer to the description given in the paragraph "Significant events which occurred during 2014" in the Management Report.

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

After this operation the Group has 998.628 Cynosure shares, equal to 4,565% of the capital. These shares have been evaluated at fair value on the basis of the Nasdaq market quotation on December 31st 2014, with a positive net impact on the statement of comprehensive income before taxes of 3.263 thousand Euros.

TREASURY STOCK

On March 3rd 2008, the shareholders' meeting of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire, in compliance and within the limits established by articles 2357 and following of the Civil Code, within 18 months of that date, treasury stock representing not more than 10% of the capital stock in accordance with the law, at a price which was not less than 20% more nor more than 10% more than the official price for negotiations registered on the day preceding the purchase. With the same vote they authorized the method for disposing of the shares which can be put back into circulation within 3 years of the purchase at a price which is not less than 95% of the

average of the official prices for negotiations registered during the five days preceding the sale, all of which must take place respecting the laws in force in this regard.
Consequently, between March and April 2008 the Board of Directors of El. En. SpA proceeded with the purchase of 103.148 shares of the company at an average price of 24,97 Euros for a total of 2.575.611 Euros.

Upon request of the Board of Directors, the Shareholders' Meeting of the Parent Company which met on October 28th 2010 renewed the authorization of the Board to purchase in one or more tranches, on the regular stock market, and therefore according to the conditions described in art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob*, and following the operative procedures established by the organization and management regulations of the market issued by the Borsa Italiana S.p.A., within 18 months of that date, treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed one-fifth of the capital stock, respecting the laws and regulations, at a price that is not more than 20% less or over 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders' also authorized the Board of Directors to put the shares back into circulation within ten years of the date of purchase, including those already held in the portfolio on December 28th 2010, at a price that is not less than 95% of the average official price for negotiations registered during the five days preceding the sale, all of which must take place respecting the regulations in force.
On October 8th 2012 the Company sold 82.000 ordinary shares of treasury stock at 25 Euros each, for a total amount of 2.050.000 Euros to Laserfin S.r.l. as part of the amount owed for the purchase of 10% of the shares of Deka Mela S.r.l. and 40% of the shares of Quanta System S.p.A.

Upon request of the Board of Directors, the shareholders' meeting that met on November 14th 2012 authorized the Board to buy, in one or more blocks, on the regular stock market, and consequently in conformity with art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob* and according to the operating methods established by the management and organization rules issued by Borsa Italiana S.p.A., within eighteen months of that date, treasury stock, representing a number of ordinary shares which, in any case, considering the number of shares already held in the portfolio, does not exceed the fifth part of the capital stock, in respect of the laws and rules, at a price that is not more than 20% less nor more than 10% more than the official selling price registered on the day preceding the purchase.
The shareholders also voted to authorize the Board of Directors to return the shares to circulation within ten years of the date of acquisition at a price that is not less than 95% of the average of the official selling price registered in the five days preceding the sale, in conformity with all of the regulations in force at the time.
Due to the selling operation described above, and in consideration of the fact that no purchases were connected to the vote of November 14th 2012, the treasury stock held in the portfolio of the Company was 21.148 shares for a total amount of 528.062,54 Euros.

In the month of August 2014 the treasury stock held by the company was transferred as part of the payment for the acquisition of 19,5% of the quota of Quanta Aesthetic Laser USA LLC (Quanta USA). For further information, please consult the paragraph titled "Significant events which occurred in 2014" in the Management Report.

STANDARDS OF CONSOLIDATION

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

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

TRANSACTIONS IN FOREIGN CURRENCY

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

CONSOLIDATION OF FOREIGN CURRENCY

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

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

	Exchange Rate	**Average exchange rate**	**Exchange Rate**
Currencies	**31/12/2013**	**31/12/2014**	**31/12/2014**
USD	1,3791	1,3285	1,2141
Yen	144,72	140,31	145,23
Baht	45,18	43,15	39,91
Yuan	8,35	8,19	7,54
Real	3,26	3,12	3,22

USE OF ESTIMATES

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

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The Group has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.

The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the Group to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income Statement in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.

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

Business combinations and goodwill

Business combinations since January 2010

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

When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in compliance with the terms of the contract acquired, the economic conditions and the other pertinent conditions in force on the date of the purchase. This includes the verification conducted in order to establish if an incorporated derivative must be separated from the primary contract.

If the business combination takes place in more than one phase, the purchaser must recalculate the fair value of the equity held previously and evaluated with the shareholders' equity method and report in the Income Statement any profits or losses which have been registered.

Every potential amount must be reported by the purchaser at fair value on the date of acquisition. The variation in the fair value of the potential amount classified as asset or liability will be reported in compliance with IAS 39, in the Income Statement and in the chart showing the other components of the overall Income Statement. If the potential amount is classified in the shareholder's equity, its value must not be recalculated until its extinction is entered into accounts against the capital and reserves.

Goodwill is initially evaluated at the costs which emerges from the excess between the sum of the amounts paid and the amount recognized for the minority quotas with respect to the identified net assets acquired and the liabilities assumed by the Group. If the amount is less than the fair value of the net assets of the subsidiary acquired, the difference is reported in the Income Statement.

Business combinations prior to January 1st 2010

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

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income Statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and amortized according to the residual possibility of use of the said item**.**

The Group uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is amortized.

The aliquots used for depreciation are the following:

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

C) FINANCIAL CHARGES

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

D) LOSSES IN VALUE OF ASSETS

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

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

E) FINANCIAL ASSETS: EQUITIES

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

The joint-venture companies are evaluated in the consolidated statement using the shareholders' equity method, starting with the date on which the joint-venture was initiated until it ceased to exist.

F) FINANCIAL INSTRUMENTS

Equities in other companies

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

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

Financial instruments and financial assets at fair value with variations entered in the Income Statement.

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

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

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

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

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

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

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

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

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

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

Held for trading: (instruments for negotiations) these are derivative financial instruments that are used for speculation or negotiation purposes. They are evaluated at fair value and variations are entered in the income statement.

G) INVENTORY
Stocks of raw materials and finished products are evaluated at the cost or market value; the cost is determined using the method of average weighted cost. The evaluation of inventories is based on the basis of the direct costs of the raw materials and the labor and the indirect costs of production (variable and fixed). Devaluation provisions are also set

aside for materials, finished products, spare parts and other supplies considered obsolete or with a slow turnover bearing in mind the possibilities of reuse and sale.
Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) RETIREMENT FUNDS AND EMPLOYEE BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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

Information on the Consolidated Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

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

Categories	Balance 31/12/13	Variation	(Devaluation)	Other Operations	(Amortizations)	Conversion Adjustments	Balance 31/12/14
Goodwill	3.038.065						3.038.065
Costs of research, development		65.864			-21.952		43.912
Patents and rights to use patents of others	6.464	56.144			-15.777		46.831
Concessions, licences, trade marks and similar rights	171.596	151.743			-117.819	4.756	210.276
Other	27.600	8.401			-17.884		18.117
Intangible assets in progress and payments on account	153.394	102.416					255.810
Total	**3.397.119**	**384.568**			**-173.432**	**4.756**	**3.613.011**

Goodwill

Goodwill, which constitutes the most significant component of the intangible fixed assets, represents the excess of the purchase cost with respect to the fair value of the assets acquired net of the current and potential liabilities assumed. Goodwill is not subject to amortization and is subject to an impairment test at least once a year.

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

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

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

As of December 31st 2014 the recoverable value of the CGUs shown on the chart was subjected to an impairment test in order to verify the existence of any losses in value by comparing the accounting value of the unit and the recoverable amount, i.e., the current value of the expected future financial flows which one supposes will be derived from the continued use and from the eventual disuse at the end of the useful life of the unit. Results of these tests are shown below.

Quanta System S.p.A.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Quanta System SpA, which covered a time span from 2015-2017. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.

The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2014 and with the outlook for the particular market in which they operate.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 9,44%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,44%.

Cutlite Penta S.r.l.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of Cutlite Penta S.r.l., which covered a time span from 2015-2017. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2014.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 9,44%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,44%.

ASA S.r.l.: the recoverable amount was determined using the Discounted Cash Flow (DCF) method by actualizing the cash flows contained in the economic-financial plan approved by the Board of Directors of ASA S.r.l., which covered a time span from 2015-2017. This company in Vicenza, a subsidiary of Deka MELA S.r.l, which operates in the sector of Physical therapy, despite the difficult economic conditions typical of the past few years, showed a growth in sales volume and constant profitability. These results made it possible to distribute significant dividends. In order to determine the recoverable amount of the CGU they considered the actualized financial flows for the 3 years of explicit forecasts added to the terminal value, assumed at the same value of the perpetual revenue of the flow generated during the last year for which there was explicit forecast.
The main assumption of the economic-financial plan used to make the impairment test is related to the growth rate of the sales volume over the time span covered by the plan. The rates used in order to formulate the forecasts used in the impairment tests are consistent with the final data registered during 2014 and with the outlook for the particular market in which they operate.
The Board of Directors considered the assumptions and the corresponding financials to be suitable for purposes of conducting the impairment test and approved the results obtained.
The actualization rate applied to the expected cash flows (WACC) is 9,44%; for the cash flows related to the years following the period of explicit forecasts, we hypothesize a long term growth rate “g” of 1,5%.
By determining the recoverable amount on the basis of these parameters it was possible to avoid making any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 10,44%.

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

Other intangible fixed assets

The costs sustained by El.En. S.p.A for the development of three new prototypes were entered under the heading of "Research and Development costs".
The "Patent and rights to use the patents of others" were related to the capitalization of the costs sustained for the purchase of patents by El.En. and by Quanta System.
Under the heading "concessions, licenses, trademarks and similar rights" we have entered among other things, the costs sustained in particular by the Parent Company El.En. and by the subsidiaries, Quanta System, With US, Penta Chutian Wuhan and Penta Laser Equipment Wenzhou for new software.
The residual heading of "Others" consists mainly of the costs sustained by the subsidiaries Quanta System S.p.A and Deka Mela for the creation of software.
The "Intangible fixed assets in progress" refer mainly to the costs of research and development sustained by the subsidiary ASA for the development of a prototype now in progress.

Tangible fixed assets (note 2)

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

Cost	**Balance 31/12/13**	**Increments**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/14**
Lands	3.570.969	1.358.476		66.011	-184.854	146.834	4.957.436
Buildings	14.793.300	2.924.106		154.026	-515.253	61.647	17.417.826
Plants and machinery	4.221.809	1.247.485		-1.289	-37.425	7.857	5.438.437
Industrial and commercial equipment	9.580.286	1.556.478		-75.920	-238.013	67.195	10.890.026
Other goods	8.737.216	704.696		-197.588	-278.104	94.056	9.060.276
Tangible assets under construction	285.578	301.250		-220.037		7.600	374.391
Total	**41.189.158**	**8.092.491**		**-274.797**	**-1.253.649**	**385.189**	**48.138.392**

Depreciation provisions	**Balance 31/12/13**	**Depreciation**	**Devaluations**	**Other operations**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/14**
Lands							
Buildings	2.917.411	499.520			-125.488	14.792	3.306.235
Plants and machinery	2.785.269	360.843		-9.875	-34.064	6.305	3.108.478
Industrial and commercial equipment	7.578.875	905.622		-50.226	-192.284	52.915	8.294.902
Other goods	6.054.250	770.727		-197.074	-175.431	49.333	6.501.805
Tangible assets under construction							
Total	**19.335.805**	**2.536.712**		**-257.175**	**-527.267**	**123.345**	**21.211.420**

Net value	**Balance 31/12/13**	**Increments**	**Other operations**	**(Depreciations and devaluations)**	**(Disposals)**	**Conversion Adjustments**	**Balance 31/12/14**
Lands	3.570.969	1.358.476	66.011		-184.854	146.834	4.957.436
Buildings	11.875.889	2.924.106	154.026	-499.520	-389.765	46.855	14.111.591
Plants and machinery	1.436.540	1.247.485	8.586	-360.843	-3.361	1.552	2.329.959
Industrial and commercial equipment	2.001.411	1.556.478	-25.694	-905.622	-45.729	14.280	2.595.124
Other goods	2.682.966	704.696	-514	-770.727	-102.673	44.723	2.558.471
Tangible assets under construction	285.578	301.250	-220.037			7.600	374.391
Total	**21.853.353**	**8.092.491**	**-17.622**	**-2.536.712**	**-726.382**	**261.844**	**26.926.972**

According to the accounting standards being used, the value of the land is separated from the value of the buildings that are located on it and the land is not amortized because it is considered an element with an unlimited useful life. The value of the land on December 31st 2014 was 4.957 thousand Euros. The increase shown with respect to last year is due to the investments made by the Parent Company El.En. S.p.A., and by the subsidiaries Cutlite Penta, Asclepion GmbH and Quanta System SpA which were part of the financial leasing operations described below; the other movements include the clearance account for the deposits paid last year by El.En. and are related to the same piece of land.

The heading of “Buildings” includes the building complex in Via Baldanzese a Calenzano (Florence), where the Parent Company operates along with the four subsidiaries Deka M.E.L.A. Srl, Cutlite Penta Srl, Esthelogue Srl and Pharmonia Srl, the new building complex in Via Dante Alighieri also in Calenzano, purchased in 2008, and the new one purchased in 2014, the building in the city of Torre Annunziata purchased in 2006 for the research, development and production activities of the subsidiary Lasit SpA, and the building in Jena, Germany which since May of 2008 houses the activities of the subsidiary Asclepion GmbH and the building purchased in Samarate (VA) at the end of the year by the subsidiary Quanta System SpA as a financial leasing and therefore entered into accounts according to IAS 17. In June the Group sold the building in Branford, Connecticut, which was held by the subsidiary BRCT. In the column of “Increments” therefore we have entered the remainder of the costs sustained by El.En. SpA for the purchase of a building in Calenzano and the value of the Quanta building, while, in the other movements we have entered the clearance account for the amount paid by the Parent Company as a deposit for the purchase of the same building.

The increase in the category of “Plants and machinery” are related in particular to the investments made by the Parent Company El.En. SpA, by Asclepion GmbH, by Penta Laser Equipment (Wenzhou) Co Ltd and by ASA Srl.

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

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

The increases entered in the category of “Tangible assets under construction” refer mainly to the initial costs sustained by Penta Laser Equipment (Wenzhou) Co Ltd for a new factory.

Equity investments (note 3)

The chart below provides information on the equity investments:

	31/12/14	31/12/13	Variation	Var. %
Equity investments in:				
associated companies	2.930.730	916.988	2.013.742	219,60%
other companies	22.618.578	40.651.133	-18.032.555	-44,36%
Total	25.549.308	41.568.121	-16.018.813	-38,54%

Equities in associated companies

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

It should be recalled that the associated companies Immobiliare Del.Co. Srl, Smartbleach International SA (SBI SA), Elesta Srl, Chutian (Tianjin) Lasertechnology Co. Ltd e Quanta Aesthetic Lasers Usa, LLC are consolidated using the shareholders’ equity method.

The increase with respect to December 31st 2013 refers mainly to the acquisition of the equity in Quanta Usa as described above.

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

Immobiliare Del.Co. S.r.l.:	256	thousand Euros
Actis S.r.l.:	1	thousand Euros
SBI S.A.:	163	thousand Euros
Elesta S.r.l.:	343	thousand Euros
Quanta Aesthetic Lasers USA, LLC:	2.047	thousand Euros
Chutian (Tianjin) Lasertechnology Co. Ltd:	121	thousand Euros

Quanta Usa LLC.: the value of the equity includes goodwill for 1,9 million Euros. The use value was determined with the Discounted Cash Flow (DCF) method actualizing the cash flow in the economic-financial plan having a time span from 2015-2017. For the purpose of determining the use value of the CGU we considered the financial flow actualizing three years of explicit forecast added to a terminal value assumed at the same current value of the perpetual yield of the flow generated last year that was the subject of the explicit forecast.
The main assumption of the economic-financial plan used to run the impairment test is related to the growth rate of the sales volume considering the time span covered by the plan. The rates used to formulate the forecast used as part of the impairment test are consistent with the data recorded during 2014.
The written assumptions and the corresponding financials were considered suitable for conducting the impairment test by the Board of Directors who approved the results.
The actualization rate applied to the expected cash flows (WACC) is 6,28%; for the cash flows related to the financial periods following the period of explicit forecast, we expect a long term growth rate “g” of 1,5%.
Determining the use value on the basis of these parameters made it possible to avoid any reductions in the value of the goodwill.
An analysis of the sensitivity of the results was also conducted: the recoverable amount remains higher than the book value assuming the following hypothesis: a growth rate “g” of 0,5% and a WACC +1% equal to 7,28%.

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

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	223.207	111.410	14.229	92.844	78.615
Elesta Srl (ex IALT Scrl)	2.479.030	1.792.654	66.766	1.688.409	1.621.643
Immobiliare Del.Co. Srl	1.058.489	999.735	9.230	152.024	142.794
S.B.I. SA	372.347	46.501	-120.341	106.880	227.221
Quanta Aesthetic Lasers USA, LLC	2.358.361	1.877.852	725.215	7.594.740	6.869.525
Chutian (Tianjin) Lasertechnology Co. Ltd	382.976	137.347	7.763	307.147	299.384

(*)Data on December 31st 2013

Equities in other companies

The decrease in the entry of “Other companies” amounting to 18.033 thousand Euros is mainly due to:

1) -21.248 thousand Euros for the sale on March 21st 2014 by the Parent Company El.En. S.p.A. of a block of 1.100.000 shares of Cynosure Inc., a company quoted on the Nasdaq market, at the net price of 29,15 US dollars per share for a total of 32 million US dollars.
2) 3.263 thousand Euros (3.218 thousand Euros net of the fiscal effects in OCI) evaluate at fair value for the remaining. 998.628 shares of Cynosure, equal to 4,565% of the capital as opposed to the 9,65% held on December 31st 2013. On the basis of the quotation of the shares on December 31st 2014 on the Nasdaq market, the fair value of the above mentioned equity is 22.554 thousand Euros.

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

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

Other non current assets	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Financial receivables vs associated		30.000	-30.000	-100,00%
Deferred tax assets	5.682.388	6.122.854	-440.466	-7,19%
Other non current assets	2.823	4.459	-1.636	-36,69%
Total	5.685.211	6.157.313	-472.102	-7,67%

As of December 31st 2013 the entry “Financial receivables vs associated companies” was related to the financing granted to Actis Srl which, during 2014, was reclassified among the short term receivables under the heading of “Financial receivables vs associated companies”.
For an analysis of the heading “Deferred tax assets”, refer to note (16) below concerning the analysis of deferred tax assets and liabilities.

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	31/12/14	31/12/13	Variation	Var. %
Raw materials and consumables	24.283.384	24.200.242	83.142	0,34%
Work in progress and semi finished products	15.201.689	13.139.288	2.062.401	15,70%
Finished products and goods for sale	10.995.606	11.032.537	-36.931	-0,33%
Total	50.480.679	48.372.067	2.108.612	4,36%

The chart shows the increase in the amount of final inventory which is concentrated mainly in the category of work in progress. The overall increase is less than the growth in the sales volume generated during this year.

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

Inventory:	31/12/2014	31/12/2013	Variation	Var. %
Gross amount	58.212.373	55.556.302	2.656.071	4,78%
minus: devaluation provision	-7.731.694	-7.184.235	-547.459	7,62%
Total	50.480.679	48.372.067	2.108.612	4,36%

The incidence of the obsolescence fund on the gross value of the inventory rose from 12,9% on December 31st 2013 to 13,3% on December 31st 2014. The fund is calculated so as to align the stock value with the presumed selling price and recognizing, where necessary the obsolescence and slow rotation.

Trade receivables (note 6)

Receivables are composed as follows:

Debtors:	31/12/14	31/12/13	Variation	Var. %
Trade debtors	47.277.221	41.854.685	5.422.536	12,96%
Associated debtors	670.219	690.463	-20.244	-2,93%
Total	47.947.440	42.545.148	5.402.292	12,70%

Trade debtors:	31/12/2014	31/12/2013	Variation	Var. %
Italy	17.396.722	20.395.027	-2.998.305	-14,70%
European Community	6.721.882	6.438.802	283.080	4,40%
Outside of European Community	28.504.399	22.875.338	5.629.061	24,61%
minus: devaluation provision for debtors	-5.345.782	-7.854.482	2.508.700	-31,94%
Total	47.277.221	41.854.685	5.422.536	12,96%

As the chart shows, the main increase is in the receivables from the other European and non-European countries due to the greater growth in the sales volume in these areas.

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

Provision for bad debts	**2014**	**2013**
At the beginning of the period	**7.854.482**	**6.127.474**
Amounts accrued	1.146.904	1.587.897
Amounts utilized	-4.222.079	-768.842
Unused amounts reversed	-16.784	-65.670
Other operations	547.467	983.418
Conversion adjustment	35.792	-9.795
At the end of the period	**5.345.782**	**7.854.482**

Breakdown of trade receivables from third parties is shown below:

Account receivables vs. third parties:	**31/12/2014**	**31/12/2013**
To expire	32.764.368	24.465.580
Expired:		
30 days	7.473.524	8.819.393
60 days	1.754.246	3.006.149
90 days	1.494.790	1.264.429
180 days	1.259.285	1.484.929
over 180 days	2.531.008	2.814.205
Total	47.277.221	41.854.685

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

Account receivables in:	**31/12/2014**	**31/12/2013**
Euros	29.331.389	30.818.255
USD	5.241.658	4.005.547
Other currencies	12.704.174	7.030.883
Total	47.277.221	41.854.685

The value in Euros shown on the chart for receivables originally expressed in US dollars or other currencies represents the Exchange rates in use on December 31st 2014 e del December 31st 2013.

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

Tax receivables/Other receivables (note 7)

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

	31/12/2014	31/12/2013	Variation	Variation %
Tax debtors				
VAT credits	5.475.183	3.526.524	1.948.659	55,26%
Income tax credits	1.142.756	727.543	415.213	57,07%
Total tax debtors	6.617.939	4.254.067	2.363.872	55,57%

Financial receivables				
Financial receivables from third parts	714.108	1.382.649	-668.541	-48,35%
Financial receivables from associated companies	61.565	63.565	-2.000	-3,15%
Total	775.673	1.446.214	-670.541	-46,37%
Other receivables				
Security deposits	265.640	248.903	16.737	6,72%
Down payments	3.104.680	1.778.687	1.325.993	74,55%
Other credits	4.268.783	2.850.146	1.418.637	49,77%
Total	7.639.103	4.877.736	2.761.367	56,61%
Total financial and other receivables	8.414.776	6.323.950	2.090.826	33,06%

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

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

The changes in the other receivables are due mainly to the increase in the down payments to suppliers.

The heading “other receivables” includes, among other things, the evaluation at fair value according to IAS 39 of the derivative contracts signed by the subsidiary With Us Co Ltd. In particular:

- The subsidiary entered into two derivative contracts “*currency rate swap*” for hedging the risk of the Euro/Yen Exchange rate. The first contract expires in August 2018 and on December 31st 2014 had a nominal value of 2.150.000 Euros, the fair value on December 31st was 16.116 Euros; the second contract expires in March 2019, has a nominal value on December 31st 2014 of 2.500.000 Euros, and the fair value is -13.739 Euros.

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

Other current financial assets (note 8)

Investments which are not permanent:	31/12/2014	31/12/2013	Variation	Var. %
Other investments		299.995	-299.995	-100,00%
Total		299.995	-299.995	-100,00%

The amount entered under the heading of “Other investments” as of December 31st 2013 consisted of mutual funds held by the French subsidiary Deka Sarl which were sold during the year.

Cash and cash equivalents (note 9)

Cash at bank and on hand is composed as follows:

Cash and cash Equivalents:	31/12/2014	31/12/2013	Variation	Var. %
bank and postal current accounts	73.763.068	42.833.788	30.929.280	72,21%
cash in hand	40.515	34.296	6.219	18,13%
Total	73.803.583	42.868.084	30.935.499	72,16%

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

Net financial position as of December 31st 2014

The net financial position of the Group as of December 31st 2014 expressed in thousands of Euros, was as follows:

Net financial position		
	31/12/2014	**31/12/2013**
Cash and bank	73.804	42.868
Financial instruments	0	300
Cash and cash equivalents	**73.804**	**43.168**
Short term financial receivables	**714**	**1.383**
Bank short term loan	(17.634)	(13.612)
Part of financial long term liabilities due within 12 months	(3.861)	(2.151)
Financial short term liabilities	**(21.494)**	**(15.763)**
Net current financial position	**53.023**	**28.788**
Bank long term loan	(2.604)	(4.670)
Other long term financial liabilities	(3.303)	(2.299)
Financial long term liabilities	**(5.907)**	**(6.968)**
Net financial position	**47.116**	**21.820**

The net financial position of the Group has improved by about 25,3 million Euros with respect to December 31st 2013 and amounts to about 47,1 million Euros.

The increase is mainly due to the cash received for the amount of 32 million dollars, equal to about 23 million Euros, for the sale of the Cynosure shares described above.

This money was also used by the Parent Company El.En. S.p.A. to pay dividends to third parties for the amount of about 2.402 thousand Euros and by the subsidiaries Deka Mela S.r.l., Lasit S.p.A., and ASA S.r.l. for the amount of 548 thousand Euros.
Cash was also used to pay for the acquisition in the month of August of the equity in Quanta Usa for 1,8 million dollars.

The financial receivables amounting to about 62 thousand Euros owed by associated companies are excluded from the net financial position because they are connected to the company policy of financial support given to the companies of the Group (for details, see the information on related parties). In continuation of past policy it was decided not to include this financing in the net financial position of the company shown above.

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

Information on the Consolidated Statement of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (note 10)

As of December 31st 2014, the capital stock of the El.En Group, which coincides with that of the Parent Company, was as follows:

Authorized	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

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

Categories	**31/12/2013**	**Increase.**	**(Decrease.)**	**31/12/2014**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

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

Additional paid in capital (note 11)

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

Other reserves (note 12)

Other reserves	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	42.045.117	42.447.942	-402.825	-0,95%
Reserve for translation adjustments	3.574	276.618	-273.044	-98,71%
Stock options reserve fund	1.811.278	1.811.278		0,00%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	5.467.458	4.993.630	473.828	9,49%
Total	50.291.386	50.493.427	-202.041	-0,40%

As of December 31st 2014 the "extraordinary reserve" amounted to 42.045 thousand Euros; the decrease with respect to December 31st 2013 is related to the distribution of dividends by the parent company El.En. S.p.A., as approved by the Shareholders' meeting on May 15th 2014.

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

The conversion reserve summarizes the effects of the variations in the exchange rate on the investments in foreign currency. The effects for the year 2014 are shown in the column " Comprehensive (loss) income " in the shareholders' equity chart.

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

The variation in the other reserves is mainly due to the sale of the Cynosure stock already described above and the evaluation at fair value of the residual shares on December 31st 2014.

Treasury Stock (note 13)

As described in detail in the paragraph related to the scope of consolidation, it should be recalled that in the third quarter of 2014 the treasury stock held by the Parent Company amounting to 528.063 Euros was sold as part of the payment for the acquisition of a quota of 19,5% of Quanta Aesthetic Laser USA LLC (Quanta USA).

Profits/losses brought forward (note 14)

This category includes a synthesis of the contribution of all the consolidated companies to the shareholders' equity of the Group.

Non-current liabilities

Retirement funds and employee benefits (note 15)

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

Balance 31/12/2013	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 31/12/2014
3.115.099	1.250.632	-207.321	-458.186	3.700.224

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

For IAS purposes the payment of a severance indemnity represents a "long term benefit subsequent to the termination of employment"; this is an obligation of the "defined benefit" type which entails entering a liability similar to that entered for defined benefit pension plans.
As far as the companies located in Italy are concerned, after the modifications to the severance indemnity in conformity with the Law of December 27th 2006 (and later modifications), for IAS 19 purposes, only the liability relative to the matured severance provision left in the company has been evaluated because the quota maturing has been paid to a separate entity (complementary pension type). Also for employees who have explicitly decided to keep the indemnity provision in the company, the indemnity matured since January 1st 2007 has been paid into the treasury Fund managed by INPS. This provision, according to the financial law 2007, guarantees the employees working in the private sector the payment of the severance indemnity for the amount corresponding to the payments deposited to the latter.

It should be recalled that the "corridor method" (on the basis of which the total net worth of the actuarial gain or loss was not entered until its total value exceeded 10% of the present value of the liability) has been abolished, since IAS 19 *revised*, for the evaluation of the present value of the liabilities related to the defined benefit plans, since January 1st 2013 requires the use of the "Projected Unit of Credit Method" in which the actuarial gain and losses must be immediately entered into accounts in the statement of comprehensive income and the related amounts among the reserves in the shareholders' equity.

The value of the liabilities on December 31st 2014 was 3.646 thousand Euros.

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

Financial hypotheses	**Year 2013**	**Year 2014**
Annual implementation rate	3,17%	1,49%
Annual inflation rate	2,00%	1,50%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx AA 10+ for the amount of 1,49% in conformity with the criteria used last year.

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

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

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

The breakdown is as follows:

	Balance 31/12/2013	**Accrual**	**(Utilization)**	**Other**	**Translation Adjustments**	**Balance 31/12/2014**
Deferred tax assets on inventory devaluations	1.467.234	107.957	-78.379	-4.950	3.373	1.495.235
Deferred tax assets on warranty reserve	290.033	82.586	-34.323		8.823	347.119
Deferred tax assets on bad debt reserve	1.673.129	165.803	-811.451		3.857	1.031.338
Deferred tax assets on loss brought forward from the previous years	277.399		-244.571		8.631	41.459
Deferred tax assets on intercompany profits	1.308.824	44.686	-123.536			1.229.974
Deferred tax assets on severance indemnity provision discount	15.498	20.546	420	108.803		145.267
Other deferred tax assets	1.090.737	285.269	-81.707	41.498	56.199	1.391.996
Total	6.122.854	706.847	-1.373.547	145.351	80.883	5.682.388
Deferred tax liabilities on advanced depreciations	154.830		-41	39		154.828
Deferred tax liabilities for contributions on capital account	430.422		-72.841	1		357.582
Other deferred tax liabilities	718.113	307.603	-118.629	44.732	-3.424	948.395
Total	1.303.365	307.603	-191.511	44.772	-3.424	1.460.805
Net amount	4.819.489	399.244	-1.182.036	100.579	84.307	4.221.583

Deferred tax assets amounted to about 5.682 thousand Euros circa. The deferred tax assets calculated on inventory devaluations of the various companies increase while there was a decrease in the deferred tax assets related to the bad debt reserve because of the maturity of the conditions for deducting the accruals from the current taxes. The credits for losses brought forward also decreased because the fiscal losses were used to reduce the taxes for this financial year. The increase under the heading of “Other deferred tax assets” is related, among other things, to the deferred tax assets on grants received from the subsidiary Penta Laser Equipment (Wenzhou) Co Ltd.

Deferred tax liabilities amounted to 1.461 thousand Euros. The variations in the “other deferred tax liabilities” are related, among other things to an evaluation for tax purposes of some LIFO evaluated inventories and to the difference in some exchange rates which were not realized. A further decrease was due to the taxation on some grants in capital account received in the previous years and which, for tax purposes, were deferred in compliance with the laws now in force.

Other accruals (note 17)

The chart below shows the operations made with other accruals:

	Balance 31/12/2013	Accrual	(Utilisation)	Other	Conversion Adjustments	Balance 31/12/2014
Reserve for pension costs and similar	645.612	163.668	-66.404	-26.196		716.680
Others:						
Warranty reserve on the products	1.308.492	290.977	-171.295		57.699	1.485.873
Reserve for risks and charges	2.530.943	86.113	-647.608	-1.497.140		472.308
Other minor reserves		20.000				20.000
Total other reserves	3.839.435	397.090	-818.903	-1.497.140	57.699	1.978.181
Total	4.485.047	560.758	-885.307	-1.523.336	57.699	2.694.861

The amount entered in the "Others" column under the heading of Reserve for risks and charges" is due mainly to the release of the fund by Asclepion as a result of their participation in a transaction with Palomar Inc. (now part of the Cynosure Group). This fund started being accrued in 2004 for the amount of 2,1 million Euros in order to confront the risk of losing a law suit involving patents for hair removal lasers that had gone on for years. The transaction, that took place in order to put a definitive end to the suit, involved the payment of 630 thousand Euros plus legal expenses, therefore the difference between this amount and the amount of the fund was released and contributed to the net result for the year in the amount of about one million Euros.

The clients' agents' indemnity fund included in the entry "Reserve for pension costs and similar" on December 31st 2014, amounted to 687 thousand Euros as opposed to 583 thousand Euros on December 31st 2013.
According to IAS 37, the amount owed must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2013	Year 2014
Annual implementation rate	4,17%	1,49%
Annual inflation rate	2,00%	1,50%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

Amounts owed and financial liabilities (note 18)

Financial m/l term debts	31/12/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	2.604.155	4.669.525	-2.065.370	-44,23%
Amounts owed for leasing	2.484.289	369.259	2.115.030	572,78%
Amounts owed to other financiers	818.887	1.929.547	-1.110.660	-57,56%
Total	5.907.331	6.968.331	-1.061.000	-15,23%

The mid- to long-term debts owed to banks as of December 31st 2014 mostly represent the amounts due after one year for:

a) bank financing which was granted to Asclepion GmbH for the construction of the building where the company is now operating;

b) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for 3,4 million Euros to be paid back in set amounts every six months starting on December 15th 2011 and terminating on June 15th 2016. Of this amount, on 1,7 million Euros the interest rate applied for the first installment was 2,40%; for the remaining 1,7 million the rate applied was 5,70%; for the following periods, the interests will be the same as the Euribor rate at six months, as

registered on the second target working day before the expiration date of the preceding interest period, increased by a spread. The spread is 3,90 points on the first 1,7 million Euros reduced to 0,60 on the remaining 1,7 million Euros;
c) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,8 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;
d) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,2 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;
e) bank financing granted to With Us divided as shown below:

- 15.237 thousand Yen falling due on March 31st 2016 with an annual interest rate of 0,58%;
- 10.500 thousand Yen falling due on September 30th 2016 with an annual interest rate of 0,63%;
- 35.550 thousand Yen falling due on May 31st 2018 with an annual interest rate of 1,60%.
- 48.338 thousand Yen falling due on April 7th 2017 with an annual rate of 1,77%.

The increase in the entry “Debts toward leasing companies” refers to a financial leasing contract underwritten by the subsidiary Quanta System SpA for the building described in note (2).

“Amounts owed to other financers” consist, among other things, in the quotas which are payable after one year for:
a) Facilitated financing from Finlombarda/Regione Lombardia for applied research, issued to the subsidiary Quanta System SpA for a total of 900.000 Euros, at the rate of 0,50% on half of the capital and 4,01% annually on the other half, to be paid back in 14 half-yearly installments with the last installment on June 30th 2016.
b) Facilitated financing for applied research (FEMTO project) issued by MIUR to the subsidiary Quanta System S.p.A. for a total of 806.300 Euros at the annual interest rate of 0,50% to be paid back in 17 half-yearly installments with the last installment on July 1st 2020;
c) Financing issued by Mediocredito to the subsidiary Lasit for a research project for the amount of 174.527 at the annual rate of 0,33% to be paid back in annual installments starting in March 2018, last installment March 8th 2025;
d) Financing issued by BMW Group Financial Service, to the subsidiary Lasit for a total of 89.200 Euros to be repaid in monthly installments starting on May 22nd 2012 with the last installment on April 22nd 2016.

Current liabilities

Financial debts (note 19)

Below, a breakdown of the financial debts is given:

Financial short term debts	31/12/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	17.633.559	13.611.846	4.021.713	29,55%
Amount owed for leasing	451.599	112.634	338.965	300,94%
Liabilities (derivatives on interest and exchange rates)	363.988	6.832	357.156	5227,69%
Amounts owed to other financiers	3.045.329	2.031.503	1.013.826	49,91%
Total	21.494.475	15.762.815	5.731.660	36,36%

The heading of "Amounts owed to banks" is mainly composed of:
- debts for advance payments on invoices of the subsidiary Esthelogue Srl;
- short-term quota on the loan granted to El.En. S.p.A;
- short term financing granted by the Cassa di Risparmio Firenze to El.En. S.p.A. which, on the date of this statement amounted to 9 million Euros, 4 million Euros of which until March 18th 2015 at the interest rate applied on December 31st 2014 equal to 0,70% and 5 million Euros until March 16th 2015 at the interest rate applied on December 31st 2014 equal to 0,697857%.
- Loan with SACE guarantee granted to El.En. S.p.A. by Banco Popolare s.c.r.l. for a total of 2 million Euros to paid back in 12 quarterly instalments postponed starting on June 30th 2012 and ending on March 31st 2015. The interest rate applied is equal to the Euribor at three months registered the second working day before the end of each solar increased by 2,50 points.
- short-term quota on the financing granted to Asclepion (see note 18);
- short term quota on the financing contracted by With Us (see note 18);
- bank financing granted to With Us;
- bank financing granted to Penta Chutian Laser (Wuhan) Co. Ltd for about 4,5 million Euros, of which 4.377 thousand Euros (equal to about 33 million Yuan) at the annual rate of 6,90% and 133 thousand Euros (equal to about one million Yuan) at the annual rate of 7,20%.

The heading of "Liabilities (derivatives on interest and Exchange rates) includes the evaluation at fair value according to IAS 39 of the derivatives initiated by the Parent Company El.En. S.p.A. In particular:
- the Parent Company El.En. S.p.A. stipulated an IRS derivative contract for covering the interest rate on the SACE financing issued by the Banco Popolare s.c.r.l.. The contract expires on March 31st 2015, at the nominal value of 166.667 Euros on December 31st 2014, the fair value on December 31st 2014 was – 500 Euros;
- a currency rate swap derivative contract to hedge the risk on the exchange rate on a savings account in dollars. The contract expires on April 17th 2015, nominal value on December 31st 2014 was 22.677.573 Euros, and the fair value on December 31st 2014 was –363.488 booked in the income statement.

Among the entries under the heading of "amounts owed to other financiers" there are the brief term quotas of the financings described in the preceding note, the residual quota of the facilitated financing for applied research issued by MIUR to the subsidiary Quanta System S.p.A., to be paid in several installments for a total amount of 673.500 at the annual interest rate of 0,5% , to be repaid in 14 postponed half-yearly installments starting on January 1st 2009, with the last installment on July 1st 2015; and the brief term quota for the debt of El.En. S.p.A. toward Laserfin S.r.l. as a consequence of the purchase of 10% of the equity in Deka Mela S.r.l. and of 40% of the equity in Quanta System S.p.A. which occurred during 2012.

Trade payables (nota 20)

Trade debts:	31/12/2014	31/12/2013	Variation	Var. %
Trade accounts payable	35.265.868	31.224.517	4.041.351	12,94%
Trade accounts payable with associated companies	1.148	2.728	-1.580	-57,92%
Total	35.267.016	31.227.245	4.039.771	12,94%

No significant amounts owed on overdue debts for supplies were recorded at the end of the year.

The chart below shows the trade debts toward third parties for 2014 divided according to the currency.

Account payables in:	31/12/2014	31/12/2013
Euros	25.092.510	25.025.257
USD	1.667.729	655.969
Other currencies	8.505.629	5.543.291
Total	35.265.868	31.224.517

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2014 and December 31st 2013.

Income tax debts /Other short term debts (note 21)

The income tax debts matured for some of the companies belonging to the Group on December 31st 2014 amounted to 2.223 thousand Euros and are entered net of the down payments and deductions.

The subdivision of the other debts is as follows:

	31/12/2014	31/12/2013	Variation	Variation %
Social security debts				
Debts owed to INPS	2.001.101	1.720.086	281.015	16,34%
Debts owed to INAIL	131.398	145.574	-14.176	-9,74%
Debts owed to other Social Security Institutions	299.216	267.091	32.125	12,03%
Total	2.431.715	2.132.751	298.964	14,02%
Other debts				
Debts owed to tax administration for VAT	668.258	277.251	391.007	141,03%
Debts owed to tax administration for deductions	1.479.597	1.285.129	194.468	15,13%
Other tax debts	58.872	167.852	-108.980	-64,93%
Owed to staff for wages and salaries	6.036.798	4.773.029	1.263.769	26,48%
Down payments	6.763.088	3.683.073	3.080.015	83,63%
Other debts	8.317.315	6.426.289	1.891.026	29,43%
Total	23.323.928	16.612.623	6.711.305	40,40%
Total Social security debts and other debts	25.755.643	18.745.374	7.010.269	37,40%

The amounts "Owed to staff" include, among other things, the debts for deferred salaries of personnel employed as of December 31st 2014.

The entry of "Down payments" consists of down payments received from clients for orders received; the increase is due in particular to the increased sales volume of the Chinese and Japanese subsidiaries.

The entry of "Other debts" includes, among other things, the deferred income calculated on the grants received by the subsidiary Penta Laser Equipment (Wenzhou) Co. Ltd, to sustain the new production center.

Analysis of debts by due date

	31/12/2014			31/12/2013		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Amounts owed to banks	17.633.559	1.898.578	705.577	13.611.846	3.656.561	1.012.964
Amounts owed to leasing company	451.599	1.715.848	768.441	112.634	369.259	
Liabilities (forward exchange contracts)	363.988			6.832		
Amounts owed to other financiers	3.045.329	687.559	131.328	2.031.503	1.929.547	
Amounts owed to suppliers	35.265.868			31.224.517		
Amounts owed to associated companies	1.148			2.728		
Income taxes debts	2.222.890			1.725.985		
Amounts owed to social security institutions	2.431.715			2.132.751		
Other liabilities	23.323.928			16.612.623		
Total	84.740.024	4.301.985	1.605.346	67.461.419	5.955.367	1.012.964

Segment information -IFRS8

The segments identified by the Group that are shown below in compliance with IFRS 8, belong to the Medical and Industrial sectors. These sub-divisions correspond to the structure of the reporting that is periodically analyzed by the Management and by the Board of Directors for the management of the business and is the subject of periodic administrative reporting and planning.

31/12/14	Total	Medical	Industrial	Other
Revenues	181.068	122.391	57.826	851
Intersectorial revenues	(1.060)	0	(208)	(851)
Net Revenues	180.009	122.391	57.618	0
Other revenues and income	2.380	914	1.000	465
Gross Margin	81.849	60.228	21.156	465
Inc.%	*45%*	*49%*	*36%*	*100%*
Margin	23.784	21.048	2.271	465
Inc.%	*13%*	*17%*	*4%*	*100%*
Not assigned charges	8.482			
EBIT	15.301			
Net financial income (charges)	4.638			
Share of profit of associated companies	40	33	4	3
Other Income (expense) net	4.430			
Income (loss) before taxes	24.409			
Income taxes	6.409			
Income (loss) before minority interest	18.000			
Minority interest	1.480			
Net income (loss)	16.520			

31/12/13	Totale	Medicale	Industriale	Altro
Revenues	158.485	109.284	48.339	862
Intersectorial revenues	(1.105)	0	(243)	(862)
Net Revenues	157.380	109.284	48.096	0
Other revenues and income	1.989	742	699	548
Gross Margin	74.563	55.949	18.066	548
Inc.%	*47%*	*51%*	*37%*	*100%*
Margin	17.373	15.923	902	548
Inc.%	*11%*	*14%*	*2%*	*100%*
Not assigned charges	7.791			
EBIT	9.582			
Net financial income (charges)	(1.180)			
Share of profit of associated companies	(474)	(458)	(13)	(3)
Other Income (expense) net	2.767			
Income (loss) before taxes	10.694			
Income taxes	4.275			
Income (loss) before minority interest	6.419			
Minority interest	339			
Net income (loss)	6.080			

31/12/2014	Total	Medical	Industrial	Other
Assets assigned	167.437	99.891	67.546	
Equity investments	25.292	25.138	154	
Assets not assigned	56.310			
Total assets	249.039	125.030	67.699	0
Liabilities assigned	58.008	28.722	29.286	
Liabilities not assigned	40.496			
Total liabilities	98.503	28.722	29.286	0

31/12/2013	Total	Medical	Industrial	Other
Assets assigned	145.068	84.626	60.441	
Equity investments	41.315	41.102	212	
Assets not assigned	31.257			
Total assets	217.639	125.729	60.654	0
Liabilities assigned	47.523	23.489	24.034	
Liabilities not assigned	35.810			
Total liabilities	83.333	23.489	24.034	0

31/12/2014	Total	Medical	Industrial	Other
Changes in fixed assets:				
- assigned	6.308	5.396	912	0
- not assigned	(1.018)			
Total	5.290	5.396	912	0

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

Information according to the geographic area

31/12/2014	Total	Italy	Europe	Row
Revenues	180.009	32.398	36.898	110.713

31/12/2013	Total	Italy	Europe	Row
Revenues	157.380	30.574	33.037	93.769

31/12/2014	Total	Italy	Europe	Row
Assets assigned	223.490	157.962	18.423	47.105
Equity investments	25.549	23.382		2.167
Total assets	249.039	181.344	18.423	49.272
Liabilities assigned	98.503	60.175	9.778	28.550
Total liabilities	98.503	60.175	9.778	28.550

31/12/2013	Total	Italy	Europe	Row
Assets assigned	176.071	124.020	15.645	36.406
Equity investments	41.568	41.463		105
Total assets	217.639	165.484	15.645	36.511
Liabilities assigned	83.333	53.085	9.376	20.872
Total liabilities	83.333	53.085	9.376	20.872

31/12/2014	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	5.290	4.432	(30)	887
Total	5.290	4.432	(30)	887

31/12/2013	Total	Italy	Europe	Row
Changes in fixed assets:				
- assigned	408	9	(329)	728
Total	408	9	(329)	728

Information on the consolidated Income Statement

Revenue (note 22)

The overall revenue, which amounted to 180 million Euros, showed an increase of 14% with respect to the 157,4 million Euros for last year. The growth is a two digit figure in both sectors, with the most significant increase in the industrial sector.

	31/12/2014	31/12/2013	Variation	Var. %
Industrial revenue	57.701.336	48.016.938	9.684.398	20,17%
Medical revenue	122.307.293	109.363.264	12.944.029	11,84%
Total	180.008.629	157.380.202	22.628.427	14,38%

Other income (note 23)

The analysis of the other income is as follows

	31/12/2014	31/12/2013	Variation	Var. %
Recovery for accidents and insurance reimbursements	16.548	8.683	7.865	90,58%
Expense recovery	620.998	628.556	-7.558	-1,20%
Capital gains on disposal of fixed assets	275.991	209.482	66.509	31,75%
Other income	1.454.588	1.139.172	315.416	27,69%
Contribution on fiscal year account and on capital account	11.499	3.000	8.499	283,30%
Total	2.379.624	1.988.893	390.731	19,65%

The heading of “Expense recovery” refers mainly to reimbursements for shipping costs.
The entry “Other income” consists for the most part of grants for research projects of which 314 thousand Euros entered by the Parent Company El.En. S.p.A. and federal grants related both to the new production center and to the research projects for an amount of about 830 thousand Euros entered by the Chinese subsidiary Penta Laser Equipment Wenzhou Co. Ltd.

Costs for the purchase of goods (note 24)

The analysis is shown on the following chart:

	31/12/2014	31/12/2013	Variation	Var. %
Purchase of raw materials and finished products	85.141.625	73.102.842	12.038.783	16,47%
Purchase of packaging	995.306	859.274	136.032	15,83%
Shipment charges on purchases	921.850	878.153	43.697	4,98%
Other purchase expenses	1.086.233	1.054.957	31.276	2,96%
Other purchases	991.439	783.494	207.945	26,54%
Total	89.136.453	76.678.720	12.457.733	16,25%

The costs for purchase of goods as of December 31st 2014 were 89.136 thousand Euros as opposed to the 76.679 thousand Euros for last year, showing an increase of 16,25%.

Other direct services/ operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2014	31/12/2013	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	4.788.572	4.797.998	-9.426	-0,20%
Technical services	972.025	802.821	169.204	21,08%
Shipment charges on sales	2.036.794	1.781.810	254.984	14,31%
Commissions	4.954.662	3.666.779	1.287.883	35,12%
Royalties	3.477	27.676	-24.199	-87,44%
Travel expenses	899.797	891.552	8.245	0,92%
Other direct services	495.800	541.950	-46.150	-8,52%
Total	*14.151.127*	*12.510.586*	*1.640.541*	*13,11%*
Operating services and charges				
Maintenance and technical assistance on equipments	360.665	307.711	52.954	17,21%
Services and commercial consulting	1.150.044	991.804	158.240	15,95%
Legal and administrative services	1.140.880	1.501.749	-360.869	-24,03%
Auditing fees and charges	250.003	250.109	-106	-0,04%
Insurances	596.577	645.334	-48.757	-7,56%
Travel and overnight expenses	2.838.158	2.642.309	195.849	7,41%
Promotional and advertising expenses	5.489.879	5.139.659	350.220	6,81%
Building charges	1.757.708	1.841.017	-83.309	-4,53%
Other taxes	335.419	283.536	51.883	18,30%
Expenses for vehicles	1.127.398	1.124.900	2.498	0,22%
Office supplies	325.873	335.286	-9.413	-2,81%
Hardware and Software assistance	395.793	382.797	12.996	3,40%
Bank charges	344.160	346.466	-2.306	-0,67%
Rent	1.416.950	1.340.398	76.552	5,71%
Other operating services and charges	8.128.279	8.527.645	-399.366	-4,68%
Total	*25.657.786*	*25.660.720*	*-2.934*	*-0,01%*

The most significant change in the category of other direct services is related to commissions paid in part due to the increase in sales.
The single most important amounts under the heading of “Other operating services and charges” is represented by the costs for salaries paid to the members of the Board of Directors and to the Board of Auditors for the amount of about 2.385 thousand Euros and the costs of scientific and technical consulting studies and research for an amount of about 1.506 thousand Euros; for the research and development activities and costs, please consult the relative paragraphs in the Management Report.

Future commitments for use of goods belonging to others

The chart below shows a summary of the obligations that the Group will have for the use of goods belonging to others.

Operating lease commitments:	**31/12/2014**	**31/12/2013**
Within one year	1.390.605	1.192.916
After 1 year but not more than 5 years	2.317.798	2.248.253
More than five years	220.150	184.948
Total	**3.928.553**	**3.626.117**

Employee costs (note 26)

The chart below shows the costs for staff:

For staff costs	31/12/2014	31/12/2013	Variation	Var. %
Wages and salaries	29.447.186	26.993.089	2.454.097	9,09%
Social security costs	7.472.354	6.995.662	476.692	6,81%
Accruals for severance indemnity	1.153.418	1.046.653	106.765	10,20%
Stock options		3.564	-3.564	-100,00%
Other costs	155.051	122.482	32.569	26,59%
Total	38.228.009	35.161.450	3.066.559	8,72%

The costs for personnel was 38.228 thousand Euros, showing an increase of 8,7% over the 35.161 thousand Euros for last year. The increase is mainly due to the rise in the number of employees particularly in the Chinese subsidiaries.

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	31/12/2014	31/12/2013	Variation	Var. %
Amortization of intangible assets	173.432	205.561	-32.129	-15,63%
Depreciation of tangible assets	2.536.712	2.555.899	-19.187	-0,75%
Accrual for risk on receivables	1.048.292	1.082.858	-34.566	-3,19%
Other accruals for risks and charges	-1.097.096	314.621	-1.411.717	-448,70%
Total	2.661.340	4.158.939	-1.497.599	-36,01%

The category “Accrual for risk on receivables” includes some devaluations effected for cautionary purposes on some receivables which have been collected very slowly due to the credit crisis which has limited the amount of cash available to firms in general.
The heading of “Other accruals for risks and charges” which represents an additional income component for the amount of one million Euros is mainly composed of the effects of the transaction concluded in the month of March by the German subsidiary Asclepion (which was also representing other companies in the Group) with Palomar Inc., for an amount of 630 thousand Euros. Starting in 2004, in order to face the risk of losing their law suit against Palomar the Group had accrued a fund of 2,1 million Euros: the difference of about 1,5 million Euros was therefore released this year.

Financial income and charges (note 28)

The breakdown of the category is as follows:

	31/12/2014	31/12/2013	Variation	Var.%
Financial incomes:				
Interests from banks	641.441	637.336	4.105	0,64%
Dividends	3.462	7.574	-4.112	-54,29%
Interests from associated company	349	240	109	45,42%
Interests on investments	1.306	4.297	-2.991	-69,61%
Foreign exchange gain	5.589.901	465.234	5.124.667	1101,52%
Other financial incomes	39.541	-8.382	47.923	-571,74%
Total	6.276.000	1.106.299	5.169.701	467,30%
Financial charges:				
Interest on bank debts for account overdraft	-467.597	-439.887	-27.710	6,30%
Interest on bank debts for medium and long - term loans	-170.962	-247.984	77.022	-31,06%
Foreign exchange loss	-467.359	-1.441.163	973.804	-67,57%
other financial charges	-532.083	-157.581	-374.502	237,66%
Total	-1.638.001	-2.286.615	648.614	-28,37%

The interests due on overdrafts refers mainly to overdrafts granted by credit institutions to the parent company and some of the subsidiaries.
The interest owed and debts towards banks for medium and long term loans refer mostly to the medium- and long-term loans granted to the Parent Company El.En. S.p.A.
The entry of "Other financial charges" includes about 97 thousand Euros for the interests owed due to the application of accounting standard IAS 19 to the retirement fund.

Other net income and charges (note 29)

	31/12/2014	31/12/2013	Variation	Var. %
Other charges				
Devaluation of equity investments	-54.982		-54.982	
Total	**-54.982**		**-54.982**	
Other income				
Capital gains on equity investments	4.484.562	243.174	4.241.388	1744,18%
Revaluation of equity investments		2.523.353	-2.523.353	-100,00%
Total	**4.484.562**	**2.766.527**	**1.718.035**	**62,10%**

The amount entered under the heading "Other net income" for 4.485 thousand Euros represents the capital gain from the sale, which took place at the end of March, of 1.100.000 shares of Cynosure Inc. by the Parent Company El.En. S.p.A. for a total amount of 32 million US dollars.

The entry under the heading of "Revaluation of equity investments" for an amount of 2,5 million Euros as of December 31st 2013 was related to the revaluation of the Cynosure shares in the company portfolio which was made in compliance with IAS-IFRS, on September 30th 2013 when it was recognized that El.En. no longer had influence in the running of Cynosure; this fact also comported the switch from the criteria of the equity method (IAS 28) to that of fair value for assets available for sale (IAS 39).

Income taxes (note 30)

Description:	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
IRES and other foreign income taxes	4.657.926	3.608.176	1.049.750	29,09%
IRAP	1.049.592	1.064.631	-15.039	-1,41%
IRES and other foreign income taxes - Deferred (Advanced)	778.005	-520.326	1.298.331	-249,52%
IRAP - Deferred (Advanced)	4.787	2.122	2.665	125,59%
Receivable for income tax	-8.595	-	-8.595	0,00%
Other taxes	-	118.663	-118.663	-100,00%
Taxes related to the previous years	-73.092	1.834	-74.926	-4085,39%
Total income taxes	6.408.623	4.275.100	2.133.523	49,91%

The costs for current and deferred taxes for this year is 6.408.623 Euros.

The heading "Other taxes" for the amount of 119 thousand Euros as of December 31st 2013 included the amount retained by the subsidiary Cutlite Penta Srl as a withholding tax which cannot be subtracted from the tax debt, on the dividends received from its subsidiary Penta Chutian Laser (Wuhan) Co Ltd.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES) and similar

	2014	**2013**
Profit/loss before taxes	24.408.554	10.694.108
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	6.712.352	2.940.880
Higher (lower) fiscal incidence of the foreign companies with respect to the theoretical aliquot	(65.081)	1.043.585
One time income tax charges	(73.092)	1.834
Tax receivables	(8.595)	
Pex Benefit	(1.167.065)	
Higher (lower) fiscal incidence of Italian companies with respect to the theoretical aliquot	(301.022)	(906.073)
Higher (lower) fiscal incidence due to the effects of consolidation	323.246	9.458
Actual IRES	5.420.744	3.089.684
Actual IRES aliquot	22,21%	28,89%

Earnings per share (note 31)

The average weighted number of shares in circulation during the year remained constant and amounted to 4.824.368 The profit per share as of December 31st 2014 was 3,42 Euros.

Dividends distributed (note 32)

The shareholders' meeting of El.En. SpA held on May 15th 2013 voted to distribute a dividend of 0,50 Euros per share in circulation on the date that the coupon came due. The dividend that was paid amounted to 2.401.610 Euros.

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

Other components of the statement of comprehensive income (note 33)

The heading of "Gain on Investment AFS" is composed of:

1. + 3.218 thousand Euros for the evaluation at fair value of the remaining 998.628 Cynosure shares, equal to, 4,565% of the capital as opposed to the 9,65% held on December 31st 2013. On the basis of the quotation of the shares on December 31st 2014 on the Nasdaq market, the fair value of the above mentioned equity is 22.554 thousand Euros.
2. - 2.633 thousand Euros for the reclassification between OCI (O*ther Comprehensive income)* and income statement for the sale of the Cynosure shares described above.

Non-recurring significant, atypical and unusual events and operations (note 34)

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293, for the year 2014, we consider a non-recurring operation the release of the funds in the Reserve for Risks and Charges effected by Asclepion as a consequence of the transaction with Palomar Inc. (now part of the Cynosure Group). These funds were placed starting in 2004 for a total amount of 2,1 million Euros in order to face the risk of losing the on-going law suit related to patent rights on a laser for hair removal. The transaction involved the definitive conclusion of the suit after the payment of 630 thousand Euros plus legal expenses. Therefore, the difference between the amount in the Reserve and the amount paid to Palomar was released this year and consequently contributed to the net result of the period for about one million Euros.

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

	Shareholders' equity		**Income (loss) for the period**		**Net financial position**		**Cash flows (*)**	
	Euros	**%**	**Euros**	**%**	**Euros**	**%**	**Euros**	**%**
Book value (A)	**142.956.729**		**16.520.110**		**47.115.885**		**30.935.499**	
Release of the amount in the Reserve for Risks and Charges after the agreement with Palomar	(1.026.866)	1%	(1.026.866)	6%	0	0%	0	0%
Total operations (B)	**(1.026.866)**	1%	**(1.026.866)**	6%	**0**	0%	**0**	0%
Gross figurative value (A + B))	**141.929.863**		**15.493.244**		**47.115.885**		**30.935.499**	

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

It should also be recalled that last year, the method for the accounting of the equity in Cynosure Inc. switched from the criteria of the equity method (IAS 28) to that of the fair value of assets available for sale (IAS 39) and is to be considered a non-recurring significant event, as explained in the 2013 notes.

In compliance with *Comunicazione Consob* of July 28th 2006 n. DEM/6064293, we declare that during 2014 the Group did not conduct any atypical or unusual operations as defined by the above mentioned communication.

Information about related parties (*note 35*)

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:

- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.

All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

<u>The Members of the Board of Directors and the Board of Statutory Auditors and other strategic executives</u>

The Members of the Board of Directors and the Board of Statutory Auditors of El.En. S.p.A. receive the salaries shown in the chart below:

Name	Position	Term duration	Fees in:	Fees	Remuneration for partecipation on committees	Bonus and other incentives	Non monetary benefits	Other rewards	Total	Indemnity for termination of mandate or employment
Clementi Gabriele	Chairman of the BoD	Approval of the financials for 31.12.2014	El.En. SpA	134.493		196.550	3.507		334.550	6.500
			Subsidiaries/associates	10.691					10.691	
Barbara Bazzocchi	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	134.275		26.400	3.725		164.400	6.500
			Subsidiaries/associates	12.000					12.000	
Andrea Cangioli	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	134.232		98.275	3.768		236.275	6.500
			Subsidiaries/associates	10.691					10.691	
Michele Legnaioli	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Paolo Blasi	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Alberto Pecci	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Stefano Modi	Director	Approval of the financials for 31.12.2014	El.En. SpA	100.929		22.000	12.559	27.264	162.752	
			Subsidiaries/associates							
Vincenzo Pilla (*)	President of the Board of Sta	Approval of the financials for 31.12.2015	El.En. SpA	31.200					31.200	
			Subsidiaries/associates	21.526					21.526	
Paolo Caselli (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800				8.320	29.120	
			Subsidiaries/associates	24.367					24.367	
Rita Pelagotti (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800					20.800	
			Subsidiaries/associates							

Note: the salaries shown on the chart are determined on the accrual basis.
(*): amounts including CAP

Fixed salaries:

- The amounts paid to the directors of the Parent Company for their roles in other companies included in the area of consolidation are as follows: Barbara Bazzocchi, as chairman of the Board of Directors of Cutlite Penta Srl received a salary of 12.000 Euros; Gabriele Clementi as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company; Andrea Cangioli as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company.
- With reference to the board member Stefano Modi the heading of “Fees” also includes a salary of 88.929,00 Euros as payment for his work as an employee.
- The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors

of Lasit S.p.A. and Quanta System S.p.A. received a total salary of 21.526 Euros; Paolo Caselli as sole auditor of Deka Mela S.r.l. and acting auditor of Lasit S.p.A. received from these companies a total amount of 24.367 Euros.

Bonuses and other incentives:
In this column the chart shows the amounts received by some of the members of the Board of Directors as an incentive bonus for achieving certain goals which were set by the Board in accordance with the vote of the Shareholders' meeting held on May 15th 2012, and subsequently confirmed by the shareholders' meeting of May 15th 2013, which, when determining the amount of remuneration of the Board of Directors, had established at the maximum amount 1 million Euros the variable part of the overall bonuses to be assigned and to assign to the managing directors, including the president with powers of attorney, and the board members with special positions as described in art. 21 of the by-laws and art. 2389, sub-section 3 Civil Code. These bonuses will be paid in 2015.

Non-monetary benefits:
- The heading "Non-monetary benefits" refers to a fringe benefits paid to the President of the Board of Directors and the executive directors in accordance with the vote of the shareholders' meeting held on May 15th 2012 and on May 15th 2013.
- For the Board Member Stefano Modi it refers to the fringe benefit he receives as an employee like other managers.

Other rewards:
- With reference to the Board Member Stefano Modi the entry under "Other bonuses" refers to transfers and one-off payments.
- The acting auditor Dott. Paolo Caselli received a bonus of 8.320 Euros as a member of the Controlling body of El.En. S.p.A., in compliance with ex D.Lgs. 231/01.

Indemnity for termination of mandate or employment:
-An annual indemnity of 6.500 Euros each, in compliance with art. 17 of T.U.I.R., is attributed to the president of the Board of Directors Gabriele Clementi and to the executive members Barbara Bazzocchi and Andrea Cangioli.

Prof. Leonardo Masotti, President of the Scientific Committee, received a fixed remuneration of 7.600 Euros, besides an incentive bonus of 89.200 Euros. Moreover, as President of the Board of Directors of Deka M.E.L.A. Srl he received a salary of 15.000 Euros and as a member of the Board of Directors of With Us he received 1.500 thousand Yen from that company.

The Parent Company does not have a general director.

<u>Physical persons possessing an equity in El.En. SpA</u>
Besides the members of the Board of Directors, the Board of Statutory Auditors and the President of the Technical-Scientific Committee, partner Carlo Raffini to whom the Parent Company El.En. assigned a specific professional task for the entire year, received a salary of 32.000 Euros; moreover, for a similar task carried out for the subsidiaries Deka M.E.L.A. Srl and Cutlite Penta Srl he received 20.000 Euros.

<u>Subsidiary companies</u>
Normally the operations and the reciprocal amounts due among the companies of the Group that are included in the area of consolidation are eliminated when drawing up the consolidated financial statements, and consequently they are not described here.

<u>Associated companies</u>
All of the transactions involving payables and receivables, costs and revenue, and all financing and guarantees granted to the associated companies during 2014 are clearly shown in detail.
The prices for the transfer of goods are determined in accordance with what normally occurs on the market. The above mentioned inter-Group transactions therefore reflect the trends in market prices although they may differ slightly from them depending on the commercial policy of the Group.

The tables below show an analysis of the transactions which occurred between associated companies both as regards commercial exchanges as well as payables and receivables.

	Financial receivables		Commercial receivables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
SBI SA			35.336	
Actis Srl	30.000		18.742	
Immobiliare Del.Co. Srl	31.565			
Elesta Srl			506.582	
Chutian (Tianjin) Laser Technology Co. Ltd			31.185	
Quanta Aesthetic Lasers USA, LLC			78.374	
Total	61.565	-	670.219	-

	Financial payables		Other payables		Commercial payables	
Associated companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Elesta Srl					68	
SBI SA					1.080	
Total	-	-	-	-	1.148	-

Associated companies:	**Sales**	**Service**	**Total**
Actis Srl	35.389		35.389
SBI S.A.	22.536		22.536
Elesta Srl	698.912	17.567	716.479
Quanta Aesthetic Lasers USA, LLC	872.964	468	873.432
Total	1.629.801	18.035	1.647.836

Associated companies:	**Other revenues**
Elesta Srl	2.287
Actis Srl	2.400
Immobiliare Delco Srl	3.449
Quanta Aesthetic Lasers USA, LLC	57.299
Total	65.435

Associated companies:	**Purchase of raw materials**	**Services**	**Other**	**Total**
SBI S.A.	1.080			1.080
Immobiliare Delco Srl		149.533		149.533
Quanta Syatem Asia Pacific Co.,Ltd.	12.130			12.130
Quanta Aesthetic Lasers USA, LLC		2.689		2.689
Total	13.210	152.222	-	165.432

The amounts shown in the above chart refer to operations that are inherent to the characteristic operations of the company.

The table below shows the incidence which transactions with related parties have had on the economic and financial situation of the Group.

Impact of related party transactions	Total	related parties	%
a) Impact of related party transactions on the statement of financial position			
Equity investments	25.549.308	2.930.730	11,47%
Accounts receivables	47.947.440	670.219	1,40%
Other receivables	8.414.776	61.565	0,73%
Non current financial liabilities	5.907.331		0,00%
Current financial liabilities	21.494.475		0,00%
Accounts payables	35.267.016	1.148	0,00%
Other payables	25.755.643		0,00%
b) Impact of related party transactions on the income statement			
Revenues	180.008.629	1.647.836	0,92%
Other revenues and income	2.379.624	65.435	2,75%
Purchases of raw materials	89.136.453	13.210	0,01%
Other direct services	14.151.127	2.689	0,02%
Other operating services and charges	25.657.786	149.533	0,58%
Financial charges	1.638.001		0,00%
Financial income	6.276.000	349	0,01%
Income taxes	6.408.623		0,00%

Risk factors and Procedures for the management of financial risks (note 36))

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

The parent company El.En. SpA stipulated, in December 2014, a derivative contract of the “Currency rate swap” type to hedge the Exchange rate risk on a savings account deposited in dollars.

Operation	*Notional value*	*Fair value*
Forward exchange contract	€ 22.677.573	-€ 363.488
Total	**€ 22.677.573**	**-€ 363.488**

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

Operation	*Notional value*	*Fair value*
Currency swap	€ 2.150.000	€ 16.116
Currency swap	€ 2.500.000	-€ 13.739
Total	**€ 4.650.000**	**€ 2.377**

Credit risks

As far as the commercial transactions are concerned, the Group operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. There are no significant concentrations of credit risks within the Group. The devaluation provision which is accrued at the end of the year represents about 10% of the total trade receivables from third parties. For an analysis of the due dates on trade receivables from third parties, please consult the relative notes in the consolidated financial statement.

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

In 2011 the Parent Company, El.En. SpA underwrote the following:
- a bank guarantee jointly with the companies which participate in the ATS constituted for this purpose, for a maximum amount of 3.074 thousand Euros as a guarantee for the payment of the sum required as a deposit on the MILORD research project, which has been included in the grant issued by the Bando Regionale 2010 approved by the Region of Tuscany with Directive Decree n. 670 on February 25th 2011, and extended until March 9th 2015.

in 2013:
- a bank guarantee for a maximum of 50 thousand Euros as a guarantee for customs duties as per ex art. 34 of the T.U.L.D., payable for temporary imports, with expiration date in June 2015 with possibility of extension annually.

And during this year:
- a bank guarantee for a maximum of 253 thousand Euros as a guarantee for the restitution of the amount requested as a down payment on the “BI-TRE” research project, which was accepted for a grant in the Bando Regionale 2012 approved by the Regione Toscana with *Decreto Dirigenziale* n. 5160 on November 5th 2012, with expiration date in February 2018.

The subsidiary Deka MELA underwrote a bank guarantee for a maximum of 1.178 thousand Euros as a guarantee for the payment of the amount requested as a down payment on the value added related to the fiscal year 2010, with expiration date in March 2015.

Cash and interest rate risks

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

IAS 39 allows several types of *Hedge Accounting* including that of *Cash Flow Hedge* which was the type used in this case. The purpose of the *Cash Flow Hedge* is to cover the risk created by fluctuations in the future cash flow that are caused by particular risks associated with amounts entered in the financial statements. In this case the variations in the *fair value* of the derivative are shown in the shareholders’ equity for the amount needed to hedge and shown in the income statement only when, with reference to the amount being hedged, there is a variation in the cash flow to be compensated. If the hedge turns out to be ineffective the variations in *fair value* of the hedging contract must be shown in the income statement.

Operation	*Notional value*	*Fair value*
IRS	€ 166.667	-€ 500
Total	**€ 166.667**	**-€ 500**

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

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

Financial Instruments (note 37)

Fair value

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

	Book value	**Book value**	**Fair value**	**Fair value**
	31/12/2014	**31/12/2013**	**31/12/2014**	**31/12/2013**
Equity investment available for sale				
Equity investment in Cynsoure Inc.	22.553.644	40.539.083	22.553.644	40.539.083
Financial assets				
Financial mid and long term receivables		30.000		30.000
Financial receivables within 12 months	775.673	1.446.214	775.673	1.446.214
Short term Financial instruments		299.995		299.995
Cash and cash equivalents	73.803.583	42.868.084	73.803.583	42.868.084
Financial liabilities				
Financial mid and long term debts	5.907.331	6.968.331	5.907.331	6.968.331
Financial liabilities due within 12 months	21.494.475	15.762.815	21.494.475	15.762.815

Fair value hierarchy

The Group uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

In the consolidated financial statement these concepts are applicable only to the evaluation of the equity in Cynosure, whose fair value can be classified as Level 1, since it refers to an official quotation of the US Nasdaq market.

As of December 31st 2014 the Group possesses the following securities evaluated at fair value.

	Level 1	Level 2	Level 3	Total
Equity investment in Cynsoure Inc. AFS	22.553.644			22.553.644
IRS		-500		-500
Forward exchange contract		-363.488		
Currency swap		2.377		2.377
Total	**22.553.644**	**-361.611**	**0**	**22.555.521**

Other information (note 38)

Information supplied in compliance with art. 149-duodecies of the *Regolamento Emittenti Consob*

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob*, the chart below shows the amounts for the year 2013 related to auditing services and for those other than the ones conducted by Deloitte & Touche S.p.A for the Parent Company and for some of the Italian and foreign subsidiaries.

	Company providing the service	Receiver	note	2014 fees (Euros)
Audit	Deloitte & Touche SpA	Parent Company		50.159
	Deloitte & Touche SpA	Italian subsidiaries		47.707
	Deloitte & Touche SpA	Foreign subsidiaries		18.054
	Deloitte network	Foreign subsidiaries		59.727
Other services	Deloitte network	Foreign subsidiaries	(1)	17.342
				192.990

(1) Services of agreed upon procedures

The honorariums shown in the chart related to Italian companies, include the annual adaptation on the basis of the ISTAT index; they are, moreover, net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees

	Average 2014	31/12/2014	Average 2013	31/12/2013	Variation	Var. %
Total	905,0	951	835,5	859	92	10,71%

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

Declaration of the consolidated financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. SpA, in conformity with art. 154-bis, comma 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the consolidated financial statement, during 2014.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the consolidated financial statement dated December 31st 2014:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the issuer and of the other companies included in the scope of consolidation.

3.2 The Management Report contains a reliable analysis of the trends and results of the activities as well as the situation of the quoted company and the group of companies included in the scope of consolidation, together with a description of the principal risks and uncertainties which they are exposed.

Calenzano, March 13th 2015

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

El. En. S.p.A.
Headquarters Via Baldanzese 17 Calenzano (Florence, Italy)
Registry of companies, Florence n. 03137680488

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the consolidated financial statement as of December 31st 2014

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To the shareholders of the Parent Company El.En. S.p.A.

In compliance with Legislative Decree 58/1998 and D.Lgs. n. 39/2010, the legal auditing of the consolidated financial statement has been assigned to the auditing company charged with the legal auditing of the financial statement of the Parent Company El.En. S.p.A.

The Board of Statutory Auditors in any case conducted its supervising activity on the financial statement as of December 31st 2014 and on the Management Report for 2014 (related also to the consolidated financials) in compliance with the standards issued by the *Consiglio Nazionale dei Dottori Commercialisti* (National Commission of Certified accountants) and by the *Consiglio Nazionale dei Ragionieri* (now called the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*).

The consolidated financial statement of the Group includes a certificate written by the managing director and the executive responsible for the preparation of the financial statements in compliance with 154-bis del D.Lgs n.58/1998.

The consolidated statement was submitted for auditing to Deloitte & Touche S.p.A., which expressed an opinion without criticism and declared that it was in conformity with the regulations which govern the criteria for drawing up financial statements, that it was clearly expressed and represented in a true and correct manner the financial situation, the result of the financial period and the cash flow of the El.En. Group.

We examined the financial reports of the companies included in the area of consolidation that had been examined by the respective controlling bodies and by the Independent auditors when the control procedures were implemented during the auditing phase of the consolidated financial statement.

The Board of Statutory Auditors verified the correspondence of the criteria utilized for determining the area of consolidation and the principles of consolidation now used; these principles are described in the Notes to the financial statement which supplies full and complete information concerning their application.
The Board of Statutory Auditors considers that the internal procedure adopted by the Parent Company in order to comply with the provisions of art. 36 of the Stock Market Regulations, is adequate.

The consolidated financial statement of the Group was drawn up in conformity with the IFRS international accounting principles. After European regulation n. 1606 of July 2002 came into effect, starting on January 1st 2005 the El.En. Group, in fact, adopted the International Accounting Principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

The Management Report is consistent with the data and results of the consolidated financial statement and supplies ample information on the economic and financial position of the Group.

In the Management Report the directors supply ample information concerning the significant events that involved the El.En. Group during 2014.

The Board of Statutory Auditors, within the limits of its area of competency and, on the basis of the results of the verifications conducted by the Independent auditors, believes that the consolidated financial statement of the Company is drawn up in conformity with the regulations that govern it.

Florence, March 30th 2015.

The Board of Statutory Auditors

Dr. Vincenzo Pilla, president of the Board of Statutory Auditors.

Dr. Paolo Caselli, auditor.

Dott.ssa Rita Pelagotti, auditor

Deloitte.

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

1. We have audited the consolidated financial statements of El.En. S.p.A. and subsidiaries (the "El.En. Group"), which comprise the statement of financial position as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of El.En. Group as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of El.En. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of El.En. Group as of December 31, 2014.

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

Florence, Italy
March 30, 2015

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

EL.EN. SpA SEPARATE FINANCIAL STATEMENT AS OF DECEMBER 31st 2014

ACCOUNTING CHARTS AND NOTES

Statement of financial position

	Notes		31/12/2014		31/12/2013
Statement of financial position					
Intangible assets	1		164.446		55.300
Tangible assets	2		12.701.158		12.589.712
Equity investments:	3				
- in subsidiaries		16.651.218		16.526.559	
- in associates		551.328		611.499	
- other investments		22.594.562		40.610.546	
Total equity investments			39.797.108		57.748.604
Deferred tax assets	4		2.734.763		3.041.799
Other non current assets	4		3.108		33.108
Total non current assets			**55.400.583**		**73.468.523**
Inventories	5		20.199.281		20.686.507
Accounts receivables:	6				
- from third parties		6.357.638		4.524.720	
- from subsidiaries		23.457.495		22.497.945	
- from associates		533.919		358.358	
Total accounts receivables:			30.349.052		27.381.023
Tax receivables	7		3.253.032		1.079.339
Other receivables:	7				
- from third parties		1.233.509		777.165	
- from subsidiaries		4.102.689		3.333.240	
- from associates		61.565		13.565	
Total other receivables			5.397.763		4.123.970
Financial instruments	8				
Cash and cash equivalents	9		43.511.706		21.808.559
Total current assets			**102.710.834**		**75.079.398**
TOTAL ASSETS			**158.111.417**		**148.547.921**
Share capital	10		2.508.671		2.508.671
Additional paid in capital	11		38.593.618		38.593.618
Other reserves(*)	12		63.595.335		78.182.701
Treasury stock	13				-528.063
Retained earnings / (deficit)	14		-984.282		-918.092
Net income / (loss)			23.529.094		1.998.784
Total equity			**127.242.436**		**119.837.619**
Severance indemnity	15		1.110.639		968.055
Deferred tax liabilities	16		1.093.934		1.127.696
Other accruals	17		602.652		490.444
Financial liabilities:	18				
- to third parties		1.340.000		4.036.667	
Total financial liabilities			1.340.000		4.036.667
Non current liabilities			**4.147.225**		**6.622.862**
Financial liabilities:	19				
- to third parties		12.092.473		6.206.696	
Total financial liabilities			12.092.473		6.206.696
Accounts payables:	20				
- to third parties		8.530.845		11.173.200	
- to subsidiaries		1.246.296		1.110.969	
- to associates		1.148		2.728	
Total accounts payables			9.778.289		12.286.897
Income tax payables	21		1.671		146.191
Other payables:	21				
- to third parties		4.663.363		3.390.161	
- to subsidiaries		185.960		57.495	
Total other payables			4.849.323		3.447.656
Current liabilities			**26.721.756**		**22.087.440**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**158.111.417**		**148.547.921**

In compliance with Consob vote 15519 of July 27th 2006 the amounts related to significant non-recurring operations for 2013, for an amount of 27.966 thousand Euros entered under “Other reserves”, are described in Note (32).

Income Statement

Income statement	Note		31/12/2014		31/12/2013
Revenues:	22				
- from third parties		14.622.782		9.538.044	
- from subsidiaries		31.821.396		33.801.621	
- from associates		568.572		2.957.703	
Total revenues			47.012.750		46.297.368
Other revenues and income:	23				
- from third parties		423.520		452.975	
- from subsidiaries		408.382		381.085	
- from associates		4.687		11.459	
Total other revenues and income			836.589		845.519
Total revenues and income			**47.849.339**		**47.142.887**
Purchase of raw materials:	24				
- to third parties		20.528.033		23.016.258	
- to subsidiaries		1.754.875		2.492.200	
- to associates		1.080		4.247	
Total purchase of raw materials			22.283.988		25.512.705
Change in inventory of finished goods and WIP			(42.484)		(1.412.031)
Change in inventory of raw material			116.452		(2.159.883)
Other direct services:	25				
- to third parties		3.625.343		3.737.267	
- to subsidiaries		173.723		136.772	
Total other direct services			3.799.066		3.874.039
Other operating services and charges:	25				
- to third parties		5.867.673		5.264.266	
- to subsidiaries		369.284		122.849	
- to associates				33.000	
Total other operating services and charges			6.236.957		5.420.115
For staff costs	26		11.633.906		10.540.369
Depreciation, amortization and other accruals	27		1.725.562		3.907.487
EBIT			**2.095.892**		**1.460.086**
Financial charges:	28				
- to third parties		(695.989)		(475.075)	
Total financial charges			(695.989)		(475.075)
Financial income	28				
- from third parties		5.998.027		964.396	
- from subsidiaries		52.375		67.747	
- from associates		349		240	
Total financial income			6.050.751		1.032.383
Other net expenses	29		(1.131.109)		(960.597)
Other net income	29		19.329.977		1.676.210
Income (loss) before taxes			**25.649.522**		**2.733.007**

Income taxes	30	2.120.428	734.223
Net income (loss)		**23.529.094**	**1.998.784**

Statement of comprehensive income

	31/12/2014	31/12/2013
Reported net (loss) income (A)	23.529.094	1.998.784
Other income/(loss) that will not be entered in income statement net of fiscal effects:		
Measurement of defined-benefit plans	(117.378)	52.024
Capital gain (loss) on treasury stocks	(66.190)	0
Other income/(loss) that will be entered in income statement net of fiscal effects:		
Unrealized gain (loss) on investment AFS	(14.072.936)	32.989.036
Unrealized gain (loss) on derivatives and other changes	5.762	13.918
Total other income/(loss), net of fiscal effectes (B)	(14.250.741)	33.054.978
Total comprehensive (loss) income (A)+(B)	9.278.353	35.053.762

Cash flow statement

Cash flows statement	Notes	31/12/2014	related parties	31/12/2013	related parties
Cash flow generated by operating activity:					
Profit (loss) for the financial period		23.529.094		1.998.784	
Amortizations and depreciations	27	1.043.882		973.622	
Capital gain on sale of equity investments	29	-19.329.977			
(Re)-Devaluations of equity investments	29	1.093.378	1.093.378	959.867	959.867
Stock Options	26			3.318	
Change of employee severance indemnity	15	-19.316		-88.354	
Change of provisions for risks and charges	17	112.208	37.731	-2.538.026	-2.561.128
Change of provisions for deferred income tax assets	4	547.759		-1.149.206	
Change of provisions for deferred income tax liabilities	16	-33.762		358.889	
Inventory	5	487.226		-3.336.274	
Account Receivables	6	-2.968.029	-1.135.111	4.021.748	3.863.183
Tax receivables	7	-2.173.693		101.965	
Other receivables	7	80.629	19.085	146.479	31.550
Account Payables	20	-2.508.608	133.747	5.068.731	-198.552
Income Tax payables	21	-144.520		112.973	
Other payables	21	1.401.667	128.465	-38.919	-324.224
		-22.411.156		4.596.813	
Cash flow generated by operating activity		1.117.938		6.595.597	
Cash flow generated by investment activity:					
(Increase) decrease in tangible assets	2	-1.089.494		-735.523	
(Increase) decrease in intangible assets	1	-174.980		-35.208	
(Increase) decrease in equity investments and non current assets	3-4	21.948.959	-1.098.446	-3.512.735	-3.494.735
Increase (decrease) in financial receivables	7	-1.354.422	-836.534	66.739	149.017
Cash flow generated by investment activity		19.330.063		-4.216.727	
Cash flow from financing activity:					
Increase (decrease) in non current financial liabilities	18	-2.696.667		-3.321.666	
Increase (decrease) in current financial liabilities	19	5.891.550		2.157.828	-843.533
Change in Treasury Stock	13	461.873			
Dividends distributed	31	-2.401.610		-2.401.610	
Cash flow from financing activity		1.255.146		-3.565.448	
Change in cumulative conversion adjustment reserve and other no monetary changes				66.181	
Increase (decrease) in cash and cash equivalents		21.703.147		-1.120.397	
Cash and cash equivalents at the beginning of the financial period		21.808.559		22.928.956	
Cash and cash equivalents at the end of the financial period		43.511.706		21.808.559	

All of the cash and cash equivalents consist of cash on hand and balance in the checking accounts of the banks.
Interest earned during this financial period amounts to 504 thousand Euros, of which 52 thousand Euros from subsidiary companies.
Income taxes for this financial year were 1.672 thousand Euros.

Changes in the Shareholders' equity

SHAREHOLDERS' EQUITY:	**Balance 31/12/2012(a)**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2013**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-528.063					-528.063
Others reserves:						
Extraordinary reserves	35.044.641	7.403.301				42.447.942
Reserve for contribution on capital account	426.657					426.657
Other reserves	1.712.265			3.557	33.054.978	34.770.800
Retained earnings	-918.092	2.401.610	-2.401.610			-918.092
Net income (loss) for the financial period	9.804.911	-9.804.911			1.998.784	1.998.784
Total Shareholders' equity	87.181.910	0	-2.401.610	3.557	35.053.762	119.837.619

SHAREHOLDERS' EQUITY:	**Balance 31/12/2013**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Comprehensive (loss) income**	**Balance 31/12/2014**
Share Capital	2.508.671					2.508.671
Additional paid-in capital	38.593.618					38.593.618
Legal reserve	537.302					537.302
Treasury shares	-528.063			528.063		0
Others reserves:						
Extraordinary reserves	42.447.942		-402.825			42.045.117
Reserve for contribution on capital account	426.657					426.657
Other reserves	34.770.800			10	-14.184.551	20.586.259
Retained earnings	-918.092	1.998.784	-1.998.785	1	-66.190	-984.282
Net income (loss) for the financial period	1.998.784	-1.998.784			23.529.094	23.529.094
Total Shareholders' equity	119.837.619	0	-2.401.610	528.074	9.278.353	127.242.436

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

NOTES TO THE FINANCIAL STATEMENT

INFORMATION ON THE COMPANY

El.En. SpA is a corporation which was founded and is registered in Italy. Headquarters of the company are in Calenzano (Florence), Via Baldanzese 17.
Ordinary stock of the company is quoted on the MTA which is managed by Borsa Italiana SpA.
The El.En. Financial Statement was examined and approved by the Board of Directors on March 13th 2015.
The amounts shown in this statement are in Euros unless otherwise indicated.

PRINCIPLES USED FOR DRAWING UP THE STATEMENT AND ACCOUNTING STANDARDS

PRINCIPLES USED FOR DRAWING UP THE FINANCIAL STATEMENT

The statement for the financial year 2014 which represents the separate statement of El.En. S.p.A. is drawn up on the basis of the principle of historical cost with the exception of a few categories of financial instruments for which the evaluation has been made on the basis of the principle of *fair value*.

This separate Financial Statement consists of:

- the Statement of financial position,
- the Income statement,
- the statement of comprehensive income
- the Cash flow statements
- the Statement of changes in the Shareholders' equity,
- the Explanatory Notes which follow.

The economic information given refers to the financial years 2014 and 2013. The financial information on the other hand refer to the situations on December 31st 2014 and December 31st 2013.

For information concerning the type of activities in which the company is involved and the significant events which occurred after the closing of the financial year, please refer to the Management Report.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The statement as of December 31st 2014 has been formulated using the International Accounting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, including all of the international standards which are subject to interpretation (International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC) besides the revised standards which came into effect this year.

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The accounting principles used for drawing up this financial report are in compliance with the accounting standards used for drawing up the financial report on December 31st 2013 with the exception of the new principles and those revised by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee as described in the consolidated financial statement for the El.En. Group in the specific chapter titled "Accounting standards and evaluation criteria" which should be consulted for further details.

USE OF ESTIMATES

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

ACCOUNTING POLICIES

A) INTANGIBLE FIXED ASSETS WITH A FINITE AND INDEFINITE LIFE

Intangible assets are those assets lacking an identifiable physical consistency able to produce future economic benefits. They are entered at the historical purchase cost, shown net of the amortization applied in the course of the financial years and directly ascribed to the single headings. The company has chosen to maintain historical cost, rather than fair value, as the measurement criteria for intangible fixed assets. In the case in which, independently of the amortization already entered, there should be a loss of value, the fixed asset is correspondingly devalued; if, in subsequent financial years the reasons for the devaluation should cease to exist, the value is restored to a maximum limit of its original value, adjusted only by the amortization.

The costs incurred internally for the development of new products and services constitute, depending on the individual case, tangible or intangible assets generated internally and are entered in the assets only where all the following conditions are satisfied: 1) where the technical possibility or intention to complete the asset so as to make it available for use or sale exists; 2) where there is a capacity for the company to use or sell the asset; 3) the existence of a market for the products and services deriving from the asset, or of utility for internal purposes; 4) the ability of the asset to generate future economic benefits; 5) the availability of sufficient technical and financial resources to complete the development and sale or internal use of the products and services deriving from it; 6) reliable assessment of the costs attributable to the asset during its development. The capitalization of development costs includes only the expenses incurred which may be directly attributed to the development process. Research costs are entered in the Income statement in the financial year in which they are incurred. The Other Intangible Fixed Assets with a finite useful life are assessed at purchase or production cost and amortized at a constant rate during their estimated useful life.

Goodwill and other activities which have an indefinite life are not subject to systematic amortization but to an annual impairment test.

B) TANGIBLE FIXED ASSETS

The assets have been entered at the purchase cost or production cost, inclusive of accessory charges, net of depreciation. Ordinary maintenance expenses have been entirely entered in the Income statement. Maintenance costs of an incremental nature have been attributed to the asset item they refer to and depreciated according to the residual possibility of use of the said item**.**

The company uses the method of original cost as opposed to fair value as the assessment criteria for tangible fixed assets. Specifically, in accordance with such standards, the value of land and of the buildings constructed on it is separated and only the building is depreciated.

The aliquots used for depreciation are shown on the chart below:

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

C) FINANCIAL CHARGES

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

D) LOSSES IN VALUE OF ASSETS

At each date referred to in the financial year shown, the tangible and intangible assets with a finite life have been assessed for the purposes of identifying any indicators of loss in value. The recoverable value of the goodwill and

intangible assets with an indefinite life, where present, have been estimated at each date of reference. If there is any indication of a reduction in value the presumed cashing-in value is estimated.
The presumed cashing-in value is the higher of the two variables, net sales price and utility value. In determining the utility value, expected future flows of funds are discounted using a pre-tax discount rate which reflects the current market value of the money rate referred to the investment period and specific risks of the business. For a business not generating highly independent flows of funds, the cashing-in value is determined in relation to the cash-generating unit which the said business belongs to. A loss of value is entered in the Income statement wherever the value entered for the asset or the relative cash generating unit which it is allocated to, is higher than the presumed cashing-in value. With the exception of goodwill, value losses are readjusted wherever the causes which have generated them cease to exist.

E) FINANCIAL ASSETS: EQUITIES

According to IAS 27, the equities in subsidiary companies, in entities jointly controlled and in associated companies not classified as for sale (IFRS 5) must be entered into accounts at cost or in conformity with IAS 39. In the separate annual report of El.En. SpA the cost criteria has been used.
Since the necessary conditions exist, a consolidated statement has been drawn up.

F) FINANCIAL INSTRUMENTS

Equities in other companies

The equities in other companies which are not subsidiaries or associated (usually with an ownership of less than 20%) are classified at the time of purchase, among the financial assets "available for sale" or among the assets "evaluated at fair value through the Income statement" with the current or non-current assets. Changes in the value of equities that are classified as available for sale are entered into a reserve of the shareholders' equity which will be entered into the Income statement at the time of sale. Changes in the value of the equities classified as assets evaluated at fair value through the Income statement are entered directly into the Income statement. These equities are evaluated at cost according to IAS 39.

Trade receivables

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

Other financial assets

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

Cash and cash equivalents

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

Treasury stock

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

Trade payables

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

Financial liabilities

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

Derivatives and measurement of hedging operations

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

Cash flow hedge: if an instrument is designated as a cash flow hedge against the variations in the cash flow of an asset or a liability entered into accounts or a planned operation that is highly likely to take place and which could have an effect on the income statement, the effective portion of the profits or losses is shown in the shareholders' equity. The profit or loss accumulated are subtracted from the shareholders' equity and entered into the income statement at the same time that the operation being hedged is recorded. The profit and loss associated with a hedge or with that part of the hedge that has become ineffective are immediately entered into the income statement. If a hedging instrument or a hedging relation are closed but the operation that is being hedged has not yet been concluded, the profits and losses accumulated and up to that time entered in the shareholders' equity, are registered in the income statement as soon as the operation is concluded. If the operation being hedged is no longer considered likely to take place, the profits and losses which have not yet been realized and are suspended in the shareholders' equity, are entered immediately in the income statement.

Held for trading: (instruments for negotiation) these are derivative financial instruments for the purpose of speculation or negotiation. They are evaluated at fair value and the variations must be entered in the income statement.

G) INVENTORY

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

Inventory stocks of works in progress are evaluated on the basis of production costs, with reference to the average weighted cost.

H) RETIREMENT FUNDS AND EMPLOYEE BENEFITS

SEVERANCE INDEMNITY

Up until December 31st 2006 the severance indemnity fund was considered a defined benefit plan. The regulating of this fund was changed by law no. 296 of December 27th 2006 ("Legge Finanziaria 2007) and later decrees and regulations issued during the first months of 2007. On the basis of these modifications, and with particular reference to companies with at least 50 employees, this institution is now considered a defined benefit plan exclusively for the amounts which matured before January 1st 2007 (and not yet liquidated in the financial statement) whereas for the quotas which mature after that date, it is considered a defined contribution plan.

For defined benefit plans, the amount already matured is projected to estimate the amount to be paid at the moment of termination of the employment contract and subsequently recalculated, using the "Projected unit credit method". This kind of accounting methodology is based on theories of a demographic and financial nature so as to make a reasonable estimate of the amount of benefits which each employee has already matured on the basis of the work done.

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

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

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

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

STOCK OPTION PLANS

The costs of staff labor remunerated by means of a *stock option plan* are determined on the basis of the fair value of the options granted to the employees at the date of assignment.

The calculation method for the determination of *fair value* bears in mind all the characteristics of the options (duration of the option, price and conditions for exercising the options etc), as well as the value of the stock at the date of

assignment, of the volatility of the stock and of the interest rate curve again at the date of assignment consistently with the duration of the plan. The Black & Scholes pricing model is used.
The cost is shown in the Income Statement during the period in which the rights granted mature, considering the best possible estimate of the number of options becoming exercisable.
In compliance with the IFRS 1, the said standard has been applied to all the assignments subsequent to November 7th 2002 which had still not matured by January 1st 2005.

I) PROVISIONS FOR LIABILITIES AND CONTINGENCIES

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

L) REVENUE RECOGNITION

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

M) ENTRIES IN FOREIGN CURRENCY

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

N) GRANTS

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

O) TAXES

Current income taxes for the financial year have been entered according to the aliquots and regulations currently in force on the basis of a realistic estimate of taxable income for the period. The fiscal debts for these taxes are entered among the tax debts net of any down payments.
Deferred income tax assets and liabilities have been calculated on the basis of differences of a temporary nature between assets and liabilities recognized for tax purposes and the corresponding figures on the financial statements applying the current tax rate in force or essentially in force at the date of reference. Deferred tax assets have been entered as assets when it is probable that they will be recovered, in other words, when it appears likely that the entity of the taxable amount in the future will be sufficient to recover the assets. The possibility of recuperating the deferred tax assets is re-examined at the closing of each financial year.

Information on the Statement of financial position - Assets

Non-current assets

Intangible assets (note 1)

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

Categories	Balance 31/12/13	Variation	(Devaluation)	Other Operations	(Amortizations)	Balance 31/12/14
Costs of research, development		65.864			-21.952	43.912
Patents and rights to use patents of others		50.787			-10.157	40.630
Concessions, licences, trade marks and similar rights	29.750	49.928			-30.375	49.303
Other	550	8.401			-3.350	5.601
Intangible assets in progress and payments on account	25.000					25.000
Total	**55.300**	**174.980**			**-65.834**	**164.446**

Under the heading of “Costs of research and development” we have entered the costs sustained for the development of three new prototypes; under the heading of “Patents and rights to use the patents of others” we have entered the costs sustained for the acquisition of a patent.
Under the heading of “Concessions, licenses, trade mark and similar rights we have entered the costs sustained for the purchase of software licenses; the residual heading of “Others” “ consist mainly of the costs for the creation of new software.

Tangible fixed assets (note 2)

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

Cost	Balance 31/12/13	Increments	Devaluations	Other operations	(Disposals)	Balance 31/12/14
Lands	1.881.777	129.667		66.011		2.077.455
Buildings	10.656.492	303.306		154.026		11.113.824
Plants and machinery	2.158.327	127.895		-280		2.285.942
Industrial and commercial equipment	4.441.773	431.754		-12.203	-50.542	4.810.782
Other goods	1.770.828	116.373		-17.347	-31.577	1.838.277
Tangible assets under construction	215.170	8.689		-220.037		3.822
Total	**21.124.367**	**1.117.684**		**-29.830**	**-82.119**	**22.130.102**

Depreciation provisions	Balance 31/12/13	Depreciation	Devaluations	Other operations	(Disposals)	Balance 31/12/14
Lands						
Buildings	2.155.031	319.706				2.474.737
Plants and machinery	1.225.398	191.334		-280		1.416.452
Industrial and commercial equipment	3.803.650	318.858		-8.380	-30.122	4.084.006
Other goods	1.350.576	148.150		-17.347	-27.630	1.453.749
Tangible assets under construction						
Total	**8.534.655**	**978.048**		**-26.007**	**-57.752**	**9.428.944**

Net value	Balance 31/12/13	Increments	Other operations	(Depreciations and devaluations)	(Disposals)	Balance 31/12/14
Lands	1.881.777	129.667	66.011			2.077.455
Buildings	8.501.461	303.306	154.026	-319.706		8.639.087
Plants and machinery	932.929	127.895		-191.334		869.490
Industrial and commercial equipment	638.123	431.754	-3.823	-318.858	-20.420	726.776
Other goods	420.252	116.373		-148.150	-3.947	384.528
Tangible assets under construction	215.170	8.689	-220.037			3.822
Total	**12.589.712**	**1.117.684**	**-3.823**	**-978.048**	**-24.367**	**12.701.158**

In accordance with the current accounting standards, the value of the land has been separated from the value of the buildings located upon it and the lands have not been amortized since they constitute an element having an unlimited useful life. The value of the lands on December 31st 2014 was 2.077 thousand Euros. The increases are related to a purchase made by the company this year. Among the other operations there is also the clearance account for the down payments made before the closure of the purchase and related to the same plot of land.
The heading of “Buildings” includes the building complex in Via Baldanzese in Calenzano (Florence), where the company operates along with the subsidiaries Deka M.E.L.A., Cutlite Penta, Esthelogue and Pharmonia, the building complex in Via Dante Alighieri also in Calenzano, purchased in 2008 and the second one acquired this year and the building in the city of Torre Annunziata purchased in 2006 for the research, development and production activities of the subsidiary Lasit SpA.

The increase under the heading of “industrial and commercial equipment” is due mainly to the capitalization of lasers made by the company, while the increases under the heading of “Other goods” is related in particular to the purchase of new motor vehicles, furniture and electronic equipment.

The amounts shown in the column “disposals” of the category of “industrial and commercial equipment” and “Other goods” refers to sales of assets.

The amounts shown under the heading of “Other operations” in the category of “Tangible assets under construction” refers to the clearance account for the initial costs sustained by the company for the acquisition of the building mentioned above which was concluded in the month of June 2014.

Equity investments (note 3)

Equities in subsidiary companies

Company name:	Headquarters	% owned	Value of charge	Equity 31/12/2014	Result 31/12/2014	Share of equity	Difference
Deka M.E.L.A. Srl	Calenzano (FI) - Italy	85,00%	1.431.587	9.686.821	659.536	8.233.798	6.802.211
Cutlite Penta Srl	Calenzano (FI) - Italy	96,65%	2.478.706	2.981.198	140.116	2.881.328	402.622
Esthelogue Srl	Calenzano (FI) - Italy	50,00%	175.000	-53.292	-167.191	-26.646	-201.646
Quanta System Spa	Solbiate Olona (VA) - Italy	100,00%	7.909.021	6.751.698	2.069.076	6.751.698	-1.157.323
Lasit SpA	Vico Equense (NA) - Italy	70,00%	1.043.614	2.177.889	495.006	1.524.522	480.908
Deka Sarl	Lyons - France	100,00%	131.280	291.399	160.114	291.399	160.119
BC Tech GmbH (ex Deka GmbH)	Munchen - Germany	100,00%			2.015.799	-	-
Asclepion Laser Technologies GmbH	Jena - Germany	50,00%	1.025.879	7.945.844	2.226.922	3.972.922	2.947.043
BRCT Inc	New York - USA	100,00%	1.128.446	1.445.912	240.163	1.445.912	317.466
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc)	Carlsbad - USA	12,74%		-1.763.196	35.655	-224.631	-224.631
Cutlite do Brasil Ltda	Blumenau - Brazil	68,56%	1.285.099	1.702.147	-824.047	1.166.992	-118.107
Deka Japan Co. Ltd	Tokyo - Japan	55,00%	42.586	688.666	-94.366	378.766	336.180
Total			16.651.218	31.855.086	6.956.783	26.396.060	9.744.842

From the analysis of the expected profits from Esthelogue S.r.l., which was made using the DCF method, no indications of further losses in value emerged and therefore we did not proceed with the alignment of the book value with the corresponding fraction of the shareholders' equity. The use value was determined by the Discounted Cash Flow (DCF) method, actualizing the cash flow contained in the economic-financial plan approved by the Board of Directors for the years 2015-2017. In order to determine the use value of the CGU we considered the financial flow actualized for the three years of explicit forecast added to a terminal value which was equal to the present value of the perpetual revenue of the flow generated during the last year of explicit forecast.
The main assumption of the economic-financial plan used to run the impairment test is relative to the growth rate of the sales volume for the timer range covered by the plan. The rates used to make the forecasts that were used as part of the impairment test are consistent with the final data during 2014 and the outlook for their specific market.
The actualization rate applied to the future cash flow (WACC) is 9,44%; for the cash flow related to the years following the explicit forecast, we use the hypothesis of a long range growth rate "g" of 1,5%.

For the subsidiary Quanta System SpA the difference between the amount entered in the financial statement and the corresponding fraction of the shareholders' equity is mainly due to the goodwill paid at the time of the acquisition. The amount of this goodwill is, among other things, justified by an analysis of the expected profitability of the company made using the DCF method and also by the capital gains implicit in the equity held in the subsidiary Asclepion Laser Technologies GmbH as described previously in the Consolidated Notes.

The equity in Cutlite do Brasil was subjected to direct devaluation after the losses registered in 2014 for an amount of 1.004 thousand Euros. The amount of the equity is aligned with the corresponding quota of the net shareholders' equity excluding amounts due to minority shareholders for payments still owed for the increase in capital approved last year and for which a deferred payment has been accepted.

For further information on the impairment test that have been conducted, please consult the explanatory notes in the Consolidated financial statement.

On August 1st 2014 we concluded transaction for the increase of capital in BRCT Inc. by underwriting the newly issued stock for an amount of 637,5 thousand dollars. As a result, the equity in BRCT Inc .increased in value by 476 thousand Euros. The additional increase in the amount of the equity (about 653 thousand Euros) is due to the re-allocation of a gradual devaluation from the equity devaluation fund to the reserve for devaluation of inter-Group receivables.
On October 29th 2014 BC Tech GmbH (ex DEKA Lasertechnologie GmbH) was definitively closed and cancelled from the register of companies.

On December 31st 2014 for LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.) the losses for the year were accrued in a special fund. In any case, the company ceased all activity in the month of December and is now being liquidated.

Equities in associated companiese

Company Name:	Headquarters	% owned	Value of charge	Equity 31/12/2014	Result 31/12/2014	Share of equity	Difference
Actis Srl (*)	Calenzano (I)	12,00%	1.240	111.797	14.229	13.416	12.176
Elesta Srl (ex IALT Scrl)	Calenzano (I)	50,00%	112.965	686.376	66.766	343.188	230.223
Immobiliare Del.Co. Srl	Solbiate Olona (I)	30,00%	274.200	58.754	9.230	17.626	-256.574
S.B.I. SA	Herzele (B)	50,00%	162.923	325.845	-120.341	162.923	- 1
Total			551.328	1.182.772	-30.116	537.152	-14.176

(*)Data as of December 31st 2013

The data related to the associated company "Immobiliare Del.Co. S.r.l.", which owns a building rented to Quanta System S.p.A., show a difference between the purchase cost and the corresponding quota of the shareholders' equity due to the greater value of the lands and buildings they own as emerged during the voluntary revaluation of the real state that was made by the company in conformity with D.L. 185/08.
The equity in the associated company SBI on December 31st 2014 was directly devaluated for the amount of about 60 thousand Euros, for the purpose of adapting the value of the equity to the corresponding fraction of the shareholders' equity.

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

	Total Assets	Total liabilities	Net income (Loss)	Revenues and other income	Charges and expenses
Actis Active Sensors Srl (*)	223.207	111.410	14.229	92.844	78.615
Elesta Srl (ex IALT Scrl)	2.479.030	1.792.654	66.766	1.688.409	1.621.643
Immobiliare Del.Co. Srl	1.058.489	999.735	9.230	152.024	142.794
S.B.I. SA	372.347	46.501	-120.341	106.880	227.221

(*)Data as of December 31st 2013

Equities in other companies

On March 21st 2014 we sold a block of 1.100.000 shares of Cynosure Inc., quoted on the Nasdaq market at the net price of 29,15 US dollars per share, for a total of 32 million US dollars. The capital gains registered for the transaction was 19 million Euros.
On December 31st the remaining quota in El.En's portfolio (about 1.000.000 shares) was adapted at *fair value*.

Composition of equity investments

	31/12/13						31/12/14		
Company name:	**Cost**	**Reval. (Deval.)**	**Balance 31/12/13**	**Changes**	**Revaluations (devaluations)**	**Other movements**	**Balance 31/12/14**	**Reval. (Deval.)**	**Cost**
Subsidiary companies:									
Deka M.E.L.A. Srl	1.431.587		1.431.587				1.431.587		1.431.587
Cutlite Penta Srl	2.788.452	-309.746	2.478.706				2.478.706	-309.746	2.788.452
Esthelogue Srl	1.749.583	-1.574.583	175.000				175.000	-1.574.583	1.749.583
Deka Sarl	2.841.681	-2.710.401	131.280				131.280	-2.710.401	2.841.681
BC Tech GmbH (ex Deka GmbH)	1.038.456	-1.038.456						-1.038.456	1.038.456
Lasit SpA	1.043.614		1.043.614				1.043.614		1.043.614
Quanta System SpA	7.909.021		7.909.021				7.909.021		7.909.021
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc)	27.485	-27.485						-27.485	27.485
BRCT	652.591	-652.591		475.855		652.591	1.128.446		1.128.446
Asclepion Laser T. GmbH	1.025.879		1.025.879				1.025.879		1.025.879
Cutlite do Brasil Ltda	3.384.919	-1.096.033	2.288.886		-1.003.787		1.285.099	-2.099.820	3.384.919
Deka Japan Ltd	42.586		42.586				42.586		42.586
Total	23.935.854	-7.409.295	16.526.559	475.855	-1.003.787	652.591	16.651.218	-7.760.491	24.411.709
Associated companies:									
Actis Srl	1.240	0	1.240				1.240		1.240
Elesta Srl (ex IALT scrl)	741.712	-628.747	112.965				112.965	-628.747	741.712
Immobiliare Del.Co.	274.200	0	274.200				274.200		274.200
Sbi International	600.000	-376.906	223.094		-60.171		162.923	-437.077	600.000
Total	1.617.152	-1.005.653	611.499	0	-60.171	0	551.328	-1.065.824	1.617.152
Other companies:									
Cynosure	7.090.124	33.448.959	40.539.083	-21.248.640	3.263.201		22.553.644	19.179.822	3.373.822
Concept Laser Solutions GmbH	19.000		19.000				19.000		19.000
Consorzio Energie Firenze	1.000		1.000				1.000		1.000
CALEF	3.402		3.402				3.402		3.402
R&S	516		516				516		516
RTM	364.686	-335.641	29.045		-29.045		0	-364.686	364.686
Kymera Srl	1.500		1.500			-1.500	0	-1.500	1.500
Imaginalis Srl	17.000		17.000				17.000		17.000
Total	7.497.228	33.113.318	40.610.546	-21.248.640	3.234.156	-1.500	22.594.562	18.813.636	3.780.926
Total	33.050.234	24.698.370	57.748.604	-20.772.785	2.170.198	651.091	39.797.108	9.987.321	29.809.787

The changes shown under the heading of “Other companies” are mainly due to:

1) 21.248 thousand Euros for the sale on March 21st 2014 of a block of 1.100.000 shares of Cynosure Inc., quoted on the Nasdaq market, at the net price of 29,15 US dollars per share for a total of 32 million US dollars.
2) 3.263 thousand Euros (3.218 thousand Euros net of the fiscal effect in OCI) at the evaluation at fair value of the remaining. 998.628 shares in Cynosure, equal to 4,565% of the capital as opposed to the 9,65% held on December 31st 2013. On the basis of the quotation of the shares on December 31st 2014 on the Nasdaq market the fair value of the above mentioned equity is 22.554 thousand Euros.

The sale of the Cynosure shares generated a reduction in the reserve for fair value of 17.291 thousand Euros net of the fiscal effects and a gross capital gains in the income statement of 19.330 thousand Euros.

Financial charges during this year on amounts entered among the assets

No financial charges were entered for the items listed among the assets.

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

Other non current assets	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Financial receivables vs associated		30.000	-30.000	-100,00%
Deferred tax assets	2.734.763	3.041.799	-307.036	-10,09%
Other non current assets	3.108	3.108	0	0,00%
Total	2.737.871	3.074.907	-337.036	-10,96%

The financing granted to Actis Srl which, at the end of last year was classified under the heading of “Financial receivables from associated companies” on December 31st 2014 was reclassified among the short term financial receivables.

For an analysis of the entry “Deferred tax assets”, refer to the chapter on “deferred tax assets and liabilities” .

Current Assets

Inventory (note 5)

The chart below shows a breakdown of the inventory:

Inventories:	**31/12/14**	**31/12/13**	**Variation**	**Var. %**
Raw materials and consumables	10.664.490	10.780.942	-116.452	-1,08%
Work in progress and semi finished products	5.967.165	6.076.375	-109.210	-1,80%
Finished products and goods for sale	3.567.626	3.829.190	-261.564	-6,83%
Total	20.199.281	20.686.507	-487.226	-2,36%

The final inventory shows a slight decrease of about 2% with respect to last year; it should be recalled that the amounts shown in the chart are net of the devaluation fund as shown in the chart below.

Inventory:	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Gross amount	23.813.002	24.328.060	-515.058	-2,12%
minus: devaluation provision	-3.613.721	-3.641.553	27.832	-0,76%
Total	20.199.281	20.686.507	-487.226	-2,36%

The incidence of the obsolescence fund on the gross value of the inventory on December 31st 2014 was about 15% and unchanged from December 31st 2013. The fund is calculated in order to align the Inventory value with that with which the inventory could presumably be sold by recognizing obsolescence or slow turnover.

Trade receivables (note 6)

Receivables are composed as follow:

Debtors:	**31/12/14**	**31/12/13**	**Variation**	**Var. %**
Trade debtors	6.357.638	4.524.720	1.832.918	40,51%
Subsidiary debtors	23.457.495	22.497.945	959.550	4,27%
Associated debtors	533.919	358.358	175.561	48,99%
Total	30.349.052	27.381.023	2.968.029	10,84%

Trade debtors:	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Italy	1.382.115	2.415.324	-1.033.209	-42,78%
European Community	1.528.478	1.837.151	-308.673	-16,80%
Outside of European Community	3.990.695	2.087.208	1.903.487	91,20%
minus: devaluation provision for debtors	-543.650	-1.814.963	1.271.313	-70,05%
Total	6.357.638	4.524.720	1.832.918	40,51%

The trade receivables from subsidiary and associated companies are inherent to the characteristic operations.

The chart below shows the changes in the provisions for bad debts which occurred during this year.

Provision for bad debts	2014	2013
At the beginning of the period	**1.814.963**	**1.813.910**
Amounts accrued	-5.586	237.901
Amounts utilized	-1.813.194	-236.848
Other operations	547.467	
At the end of the period	**543.650**	**1.814.963**

The chart below shows the trade receivables from third parties for 2014 divided according to the type of currency.

Account receivables in:	**31/12/2014**	**31/12/2013**
Euro	2.998.489	2.782.870
USD	3.359.149	1.741.850
Total	6.357.638	4.524.720

The amount in Euros shown in the chart of the receivables originally expressed in US dollars or other currencies represents the amount in currency converted at the exchange rate in force on December 31st 2014 and December 31st 2013.

The chart below shows the analysis of the trade receivables from third parties and from subsidiary companies for 2014 and for 2013:

Account receivables vs. third parties:	**31/12/2014**	**31/12/2013**
To expire	4.073.778	1.862.969
Expired:		
30 days	864.739	904.040
60 days	133.964	572.490
90 days	115.587	274.955
180 days	249.664	141.518
over 180 days	919.906	768.748
Total	6.357.638	4.524.720

Account receivables from subsidiaries:	**31/12/2014**	**31/12/2013**
To expire	6.685.329	6.938.145
Expired:		
30 days	1.028.277	1.298.305
60 days	335.875	334.671
90 days	950.222	669.615
180 days	1.996.692	2.521.986
over 180 days	12.461.100	10.735.223
Total	23.457.495	22.497.945

For a detailed analysis of the trade receivables from subsidiary and associate companies, refer to the chapter in the information sheet on related parties.

Tax receivables/Other receivables (note 7)

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

	31/12/2014	31/12/2013	Variation	Variation %
Tax debtors				
VAT credits	2.859.844	759.784	2.100.060	276,40%
Income tax credits	393.188	319.555	73.633	23,04%
Total tax debtors	3.253.032	1.079.339	2.173.693	201,39%

Financial receivables				
Financial receivables from third parts	620.166	102.278	517.888	506,35%
Financial receivables from subsidiary companies	4.102.324	3.313.790	788.534	23,80%
Financial receivables from associated companies	61.565	13.565	48.000	353,85%
Total	4.784.055	3.429.633	1.354.422	39,49%
Other receivables				
Security deposits	10.776	9.276	1.500	16,17%
Down payments	274.423	183.549	90.874	49,51%
Other credits	328.144	482.062	-153.918	-31,93%
Other credits from subsidiary companies	365	19.450	-19.085	-98,12%
Total	613.708	694.337	-80.629	-11,61%
Total financial and other receivables	5.397.763	4.123.970	1.273.793	30,89%

The amount entered among the “tax credits” related to Value Added Tax (VAT) is the natural effect of the large amount of exports which characterize the sales volume of the company.

The “income tax credits” mostly refer to the entry of tax credits derived from the difference between the pre-existing tax credits/down payments and the tax debt which came due on the date of the financial statement; it also includes the amount of the reimbursement from the tax authorities for the excess IRES taxes paid due to the failure to deduct the IRAP related to the expenses for employees and similar in conformity with art. 2, sub-section 1-quater, D.L. 201/2011.

The financial receivables are related to short-term financing issued to subsidiary and associated companies in order to provide for normal operational activities. The main financial receivables issued to subsidiary companies are the following:

Companies in the Group	amount(/1000)	currency	Annual rate
Asclepion Laser Technologies GmbH	985	Euro	BCE + 1%
Cutlite Penta S.r.l.	500	Euro	BCE + 1%
Esthelogue S.r.l.	695	Euro	BCE + 1%
LT Tech of Carlsbad inc. (ex Deka Laser Techn.Inc.)	314	USD	2,50%
BRCT Inc.	1.141	USD	2,50%
Deka Medical Inc.	320	USD	2,50%
Pharmonia S.r.l.	405	Euro	BCE + 1%

For further details on the financial receivables from subsidiaries and associated companies, please see the next chapter, regarding “related parties”.

Securities (note 8)

The company does not hold any securities.

Cash and cash equivalents (note 9)

Cash and cash equivalents is composed as follows:

Cash and cash Equivalents:	31/12/2014	31/12/2013	Variation	Var. %
bank and postal current accounts	43.505.591	21.796.253	21.709.338	99,60%
cash in hand	6.115	12.306	-6.191	-50,31%
Total	43.511.706	21.808.559	21.703.147	99,52%

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

Net financial position as of December 31st 2014

The net financial position as of December 31st 2014 is composed as follows (in thousands of Euros).

Net financial position		
	31/12/2014	**31/12/2013**
Cash and bank	43.512	21.809
Cash and cash equivalents	**43.512**	**21.809**
Short term financial receivables	**620**	**102**
Bank short term loan	(10.866)	(5.350)
Part of financial long term liabilities due within 12 months	(1.227)	(856)
Financial short term liabilities	**(12.092)**	**(6.207)**
Net current financial position	**32.039**	**15.704**
Bank long term loan	(1.340)	(3.187)
Other long term financial liabilities	0	(850)
Financial long term liabilities	**(1.340)**	**(4.037)**
Net financial position	**30.699**	**11.667**

The net financial position showed an increase of 19 million Euros with respect to December 31st 2013 and amounts to about 31 million Euros.
The increase is mainly due to the cashing in of about 32 million dollars, equal to about 23 million Euros, as a result of the sale of the Cynosure shares described above. The company this year paid dividends for an amount of about 2,4 million Euros.

In order to obtain the cash necessary for its operations, the company last year and this year obtained the following types of financing:

a) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for 3,4 million Euros to be paid back in set amounts every six months starting on December 15th 2011 and terminating on June 15th 2016. Of this amount, on 1,7 million Euros the interest rate applied for the first installment was 2,40%; for the remaining 1,7 million the rate applied was 5,70%; for the following periods, the interests will be the same as the Euribor rate at six months, as registered on the second target working day before the expiration date of the preceding interest period, increased by a spread. The spread is 3,90 points on the first 1,7 million Euros reduced to 0,60 on the remaining 1,7 million Euros;

b) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,8 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;

c) financing granted to El.En. S.p.A. by Mediocredito Italiano S.p.A. for a total of 2,2 million Euros, to be repaid in equal installments every six months starting on June 30th 2012 and ending on December 31st 2016. The interest rate applied until June 29th 2012 was 3,95% (the same as Euribor at six months registered the second target working day before the stipulation of the contract increased by 2,90 points); for every six months period that follows the interest rate will be the same as Euribor at six months registered on the second target working day before the expiration date of the preceding six months, increased by 2,90 points;

d) financing with SACE warranty granted to El.En. S.p.A. by Banco Popolare s.c.r.l. for a total of 2 million Euros to be repaid in 12 deferred quarterly installments starting on June 30th 2012 and ending on March 31st 2015. The interest rate applied is equal to Euribor at three months registered on the second working day before the end of each solar quarter, increased by 2,50 points;

e) short term financing granted by the Cassa di Risparmio di Firenze which on the date that this financial statement was issued amounted to 9 million Euros of which 4 million Euros until March 18th 2015 at the interest rate of 0,70% applied on December 31st 2014 and 5 million until March 16th 2015 at the interest rate of 0,697857% applied on December 31st 2014.

For these financings the mid- to long-term quotas are shown among the non-current bank debts while the short-term quotas are shown among the current bank debts.

Financial receivables from subsidiaries and associated companies for an amount of 4.164 thousand Euros, have been excluded from the net financial position since they are connected to the policy of financial support of the companies of the Group (for further information, consult the information of related parties). In continuation of past policy, it was deemed opportune to exclude this financing from the net financial position shown above.

Information on the Statement of financial position - Liabilities

Share Capital and Reserves

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

Share Capital (note 10)

As of December 31st 2014, the capital stock of El.En. was as follows

Authorized	Euros	2.508.671
Underwritten and deposited	Euros	2.508.671

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

Categories	**31/12/2013**	**Increase.**	**(Decrease.)**	**31/12/2014**
No. of Ordinary Shares	4.824.368			4.824.368
Total	**4.824.368**			**4.824.368**

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

Additional paid in capital (note 11)

On December 31st 2014 the share premium reserve amounted to 38.594 thousand Euros, unchanged with respect to December 31st 2013.

Other reserves (note 12)

Other reserves	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Legal reserve	537.302	537.302		0,00%
Extraordinary reserve	42.045.117	42.447.942	-402.825	-0,95%
Stock options reserve fund	1.811.278	1.811.278		0,00%
Reserve for contributions on capital account	426.657	426.657		0,00%
Other reserves	18.774.981	32.959.522	-14.184.541	-43,04%
Total	63.595.335	78.182.701	-14.587.366	-18,66%

As of December 31st 2014 the "extraordinary reserve" was 42.045 thousand Euros. The increase which took place with this year is the result of the distribution of the dividend for 2013 as approved by the shareholders' meeting on May 15th 2014.

The reserve "for stock options" includes the equivalent of the costs determined in accordance with IFRS 2 of the Stock Option Plans assigned by El.En. SpA. and is unchanged with respect to December 31st 2013.

The reserve for contributions on capital account should be considered a reserve of profits.

The entry of “Other reserves” includes among other things the effects of the different accounting method used for the equity in Cynosure after it was switched from the criteria of the equity method (IAS 28) to that of fair value of assets available for sale (IAS 39). As described above, the decrease is mainly related to the sale of Cynosure stock which comported a capital gains of about 19 million Euros on the income statement. This reserve was also increased in consideration of the fair value of the residual shares on December 31st 2014.

Treasury stock (note 13)

On March 3rd 2008, the shareholders’ meeting of the Parent Company El.En. SpA, voted to authorize the Board of Directors to acquire, in compliance and within the limits established by articles 2357 and following of the Civil Code, within 18 months of that date, treasury stock representing not more than 10% of the capital stock in accordance with the law, at a price which was not less than 20% more nor more than 10% more than the official price for negotiations registered on the day preceding the purchase. With the same vote they authorized the method for disposing of the shares which can be put back into circulation within 3 years of the purchase at a price which is not less than 95% of the average of the official prices for negotiations registered during the five days preceding the sale , all of which must take place respecting the laws in force in this regard.
Consequently, between March and April 2008 the Board of Directors of El. En. SpA proceeded with the purchase of 103.148 shares of the company at an average price of 24,97 Euros for a total of 2.575.610,74 Euros.

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

On October 8th 2012 the Company sold 82.000 ordinary shares of treasury stock to Laserfin S.r.l. as part of the payment due for the acquisition of 10% of the shares of Deka Mela S.r.l. and of 40% of the shares of Quanta System S.p.A., for the amount of 25 Euros per share.

Moreover, upon request of the Board of Directors the shareholders’ meeting which was held on November 14th 2012 authorized the Board to acquire, in one or more blocks, on the regular stock market, and consequently in compliance with art. 144 *bis*, sub-section 1, letter b) of the *Regolamento Emittenti Consob* and according to the operative methods established by the regulations for the organization and management of the market issued by Borsa Italiana S.p.A., within eighteen months of that date, a quantity of shares of treasury stock representing a number of ordinary shares which, in any case, considering the number of shares already held in their portfolio, does not exceed the fifth part of the capital stock, in compliance with the laws and regulations, at a price that is not more than 20% less nor greater than 10% more than the official price for negotiations registered on the day preceding the purchase. The vote of the shareholders, moreover, extended the authorization to the Board of Directors to put the shares back into circulation within ten years of the date of purchase at a price that is not less than 95% of the average of the official sale prices registered for the five days preceding the sale, all in full compliance with the regulations in force at the time.

On account of the sale described above , since there no acquisitions were made in relation to the vote of November 14th 2012, the shares of treasury stock held in the company portfolio as of December 31st 2013 amounted to 21.148 for a total value of 528.062,54 Euros.

During the third quarter of this year all of the treasury stock was sold as part of the payment for the purchase of 19,5% of the quotas of Quanta Aesthetic Laser USA LLC (Quanta USA); the operation was conducted through the subsidiary BRCT Inc.

Profits/losses brought forward (note 14)

The entry includes the rectifications of the shareholders' equity made necessary by the adoption of the International Accounting Standards; it also includes the entry of capital gains earned by the sale of treasury stock in February 2005 and, to a very small degree, also the sale of the treasury stock which occurred in October 2012. This reserve decreased during the year due to the effects of the capital loss of 66 thousand Euros caused by the disposal of treasury stock as described above.

Availability and possibility of utilization of the reserves

NET CAPITAL AND RESERVES:	**Balance 31/12/2014**	**Possibility of utilization**	**Portion available**	**Utilized in the previous two periods for covering losses**	**Utilized in the previous two periods for other purposes**
Subscribed capital	2.508.671				
Additional paid in capital	38.593.618	ABC	38.593.618		
Legal reserve	537.302	B	537.302		
Other reserves:					
Extraordinary reserves	42.045.117	ABC	42.045.117		
Reserve for contribution on capital account	426.657	ABC	426.657		
Profits (loss) brought forward	-984.282	ABC	-984.282		
Reserve for IRS	-500				
Other reserves	20.586.753	AB	13.392		
			80.631.804	**0**	**0**
Portion not distributable					
Portion distributable			**80.631.804**		

Key: A) capital increase; B) to cover losses; C) for distribution to shareholders

Non-current liabilities

Retirement funds and employee benefits (note 15)

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

Balance 31/12/2013	Accrual	Utilization	Payment to complementary pension forms, to INPS fund and other movements	Balance 31/12/2014
968.055	515.659	-54.791	-318.284	1.110.639

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

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

It should be recalled that the "corridor method" (on the basis of which the total net worth of the actuarial gain or loss was not entered until its total value exceeded 10% of the present value of the liability) has been abolished, since IAS 19 *revised*, for the evaluation of the present value of the liabilities related to the defined benefit plans, since January 1st 2013 requires the use of the "Projected Unit of Credit Method" in which the actuarial gain and losses must be immediately entered into accounts in the statement of comprehensive income and the related amounts among the reserves in the shareholders' equity.

The value of the liabilities on December 31st 2014 was 1.068 thousand Euros.

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

Financial hypotheses	Year 2013	Year 2014
Annual implementation rate	3,17%	1,49%
Annual inflation rate	2,00%	1,50%
Annual increase rate of salaries (including inflation)	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%	Executives 2,00% White collar workers 0,50% Blue collar workers 0,50%

The interest rate used to determine the current value of the liability was based on the rate of iBoxx AA 10+ for the amount of 1,49% in conformity with the criteria used last year.

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

Deferred tax assets and liabilities are accrued on the temporary differences between assets and liabilities recognized for fiscal purposes and those entered into accounts.
The analysis is shown on the chart below.

	Balance 31/12/2013	**Accrual**	**(Utilization)**	**Other**	**Balance 31/12/2014**
Deferred tax assets on inventory devaluations	1.003.356		-13.212		990.144
Deferred tax assets on warranty reserve	84.780	10.048			94.828
Deferred tax assets on bad debt reserve	1.884.904		-445.458		1.439.446
Deferred tax assets on severance indemnity provision discount	-14.000	4.569		44.523	35.092
Other deferred tax assets	82.759	92.494			175.253
Total	3.041.799	107.111	-458.670	44.523	2.734.763
Deferred tax liabilities on advanced depreciations	154.709				154.709
Deferred tax liabilities for contributions on capital account	380.014		-51.246	1	328.769
Other deferred tax liabilities	592.973	213.684		-196.201	610.456
Total	1.127.696	213.684	-51.246	-196.200	1.093.934
Net amount	1.914.103	-106.573	-407.424	240.723	1.640.829

Deferred tax assets amounted to about 2,7 million Euros. The main variations this year are due to the increase in deferred tax assets calculated on the devaluation of some receivables.

Deferred tax liabilities were 1.094 thousand Euros. The increase under the heading of “Other deferred tax liabilities is related in particular to the differences in the exchange rates that were not realized. Among the other changes we have entered the deferred taxes for the adaptation of the residual equity in Cynosure which was evaluated in conformity with IAS 19 (available for sale), besides the discharging of the deferred taxes related to the sale of the shares described above.

Other accruals (note 17)

The chart below shows the operations made with other accruals.

	Balance 31/12/2013	**Accrual**	**(Utilisation)**	**Other**	**Balance 31/12/2014**
Reserve for pension costs and similar	33.542	22.476		1	56.019
Others:					
Warranty reserve on the products	270.001	32.000			302.001
Other minor reserves	186.901	57.731			244.632
Total other reserves	456.902	89.731	-	-	546.633
Total	490.444	112.207	-	1	602.652

In the entry “reserve for pension costs and similar” the TFM (severance indemnity fund for the directors) and the indemnity fund for clients’ agents are included.

According to IAS 37, the amount owed to the agents must be calculated using the actualization techniques to estimate as precisely as possible, the overall cost to be sustained for the payment of benefits to the agents after the termination of employment.

The technical evaluations were made on the basis of the hypotheses described below.

Financial hypotheses	Year 2013	Year 2014
Annual implementation rate	4,17%	1,49%
Annual inflation rate	2,00%	1,50%

The reserve for product guarantees is calculated on the basis of the costs for spare parts and servicing under warranty incurred in the previous financial year, adjusted to the volume of sales of the current financial year.

For the "Other minor reserves" the amount accrued is related to the fund for losses by subsidiary companies which was described in Note (3).

Amounts owed and financial liabilities (note 18)

The chart below shows the breakdown of the amounts owed:

Financial m/l term debts	31/12/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	1.340.000	3.186.667	-1.846.667	-57,95%
Amounts owed to other financiers		850.000	-850.000	-100,00%
Total	1.340.000	4.036.667	-2.696.667	-66,80%

The category of "Amounts owed to banks" for about 1,3 million Euros includes the mid- and long-term quotas for the loans obtained by the Company in past, details of which are given in the comments on the net financial position.

Current liabilities

Financial debts (note 19)

Financial short term debts	31/12/2014	31/12/2013	Variation	Var. %
Amounts owed to banks	10.865.889	5.350.434	5.515.455	103,08%
Liabilities (derivatives on interest and exchange rates)	363.988	6.262	357.726	5712,65%
Amounts owed to other financiers	862.596	850.000	12.596	1,48%
Total	12.092.473	6.206.696	5.885.777	94,83%

The entry "amounts owed to banks" refers to the short-term loans granted by Mediocredito Italiano and by the Banco Popolare and a short-term financing granted by the Cassa di Risparmio Firenze described in the comments on the net financial position as of December 31st 2014 of this document.

The "liabilities for derivatives" are related to:
- the derivative IRS contract which El.En. activated as a hedge on the interest rate of the SACE financing issued by the Banco Popolare s.c.r.l. The contract expires on March 31st 2015. The nominal value on December 31st 2014 was 166.667 Euros, and the fair value on December 31st 2014 was – 500 Euros;
- the derivative contract of the type called "currency rate swap" to hedge the risks of changes in the Exchange rate for an account in dollars. The contract expires April 17th 2015, had a nominal value on December 31st 2014 of 22.677.573 Euros, and the fair value on December 31st 2014 was –363.488.

The entry in the category of "Amounts owed to other financiers" represents the short-term debt owed to Laserfin for the purchase of 10% of the shares of Deka MelaS.r.l. and 40% of the shares of Quanta System S.p.A. which took place in 2012. It also includes the residual debt for the financing granted for the purchase of some software licenses.

The chart below represents a summary which also shows the due dates for payment of the capital amounts of the debt.

	Expiration	Rate	Balance	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Mediocredito loan	(*)	(**)	3.039.222	1.699.222	1.340.000	
CRF short-term loan			9.000.000	9.000.000		
Banco Popolare loan	31/03/2015	Euribor 3 months +2,50%	166.667	166.667		
Liabilities (forward contracts)			363.988	363.988		
Other loans			12.596	12.596		
Liabilities for equity investments purchase			850.000	850.000		
Total			13.432.473	12.092.473	1.340.000	0

(*)For the Mediocredito loan for 1.020.000 the expiration date is June 16th 2016; for the Mediocredito loan of 2.000.000 the expiration date is December 1st 2016

(**) For the quota of the Mediocredito loan of 1.020.000 the interest rate is Euribor 6 months + 2,25% , while for the quota of the Mediocredito loan of 2.000.000the interest rate is Euribor 6 months + 2,90%

Mid- and Long term financial operations

During this financial year the following mid/long-term financial movements occurred.

	Balance 31/12/2013	Increase	Reimbursement	Other	Balance 31/12/2014
Mediocredito Loan	4.703.768		-1.683.768		3.020.000
Banco Popolare loan	833.333		-666.666		166.667
Liabilities for equity investments purchase	1.700.000		-850.000		850.000
Total	7.237.101	-	-3.200.434	-	4.036.667

Trade Payables (note 20)

For a detailed analysis of the trade payables to the subsidiary and associated companies, refer to the chapter with the information sheet relative to related parties.

Trade debts:	31/12/2014	31/12/2013	Variation	Var. %
Trade accounts payable	8.530.845	11.173.200	-2.642.355	-23,65%
Trade accounts payable with subsidiary companies	1.246.296	1.110.969	135.327	12,18%
Trade accounts payable with associated companies	1.148	2.728	-1.580	-57,92%
Total	9.778.289	12.286.897	-2.508.608	-20,42%

The chart below shows a detailed breakdown of the trade debts to third parties divided according to the type of currency:

Account payables in:	31/12/2014	31/12/2013
Euro	8.048.723	10.664.583
USD	442.522	480.185
Other currencies	39.600	28.432
Total	8.530.845	11.173.200

On the chart, the value in Euros of the debts originally expressed in US dollars or other currencies represents the amount of currency converted at the exchange rate in force on December 31st 2014 and on December 31st 2013.

Income tax debts /Other short term debts (note 21)

The breakdown of the other short term debts is the following:

	31/12/2014	31/12/2013	Variation	Variation %
Social security debts				
Debts owed to INPS	837.783	707.011	130.772	18,50%
Debts owed to INAIL	49.109	62.154	-13.045	-20,99%
Debts owed to other Social Security Institutions	109.670	101.380	8.290	8,18%
Total	996.562	870.545	126.017	14,48%
Other debts				
Debts owed to tax administration for VAT	2.188	620	1.568	252,90%
Debts owed to tax administration for deductions	692.284	609.337	82.947	13,61%
Owed to staff for wages and salaries	1.340.465	1.111.803	228.662	20,57%
Down payments	371.364	230.034	141.330	61,44%
Amounts towards subsidiary companies	185.960	57.495	128.465	223,44%
Other debts	1.260.500	567.822	692.678	121,99%
Total	3.852.761	2.577.111	1.275.650	49,50%
Total Social security debts and other debts	4.849.323	3.447.656	1.401.667	40,66%

The “Debts owed to staff for wages and salaries” includes, among other things, the debts for deferred salaries matured by employees as of December 31st 2014.

The entry of “Down payments” refers to down payments received from clients and from *Sviluppo Toscana S.p.A* on behalf of the Region of Tuscany for co-financed research projects. For further details on these projects, see the note below (23).

The entry “other amounts owed to subsidiaries” is related to the charges derived from the recognition in favor of the subsidiary companies adhering with El.En to the national fiscal consolidated (procedure in compliance with art. 117 and following of the TU 917786 and D.M. in force since June 9th 2004), of the compensation sum calculated according to the tax aliquots of the companies (IRES) in force at the time to which the use refers, in accordance with the agreements stipulated by the parties . The option which is valid in 2011-2013 was picked up by the subsidiary Esthelogue S.r.l. and was renewed for another three years in 2014, while, during 2012 the option was picked up by the subsidiary Cutlite Penta S. r.l., with validity 2012-2014.

Analysis of debts according to due date

	31/12/2014			31/12/2013		
	Within 1 year	**From 1 to 5 years**	**More than 5 years**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Amounts owed to banks	10.865.889	1.340.000		5.350.434	3.186.667	
Liabilities (forward exchange contracts)	363.988			6.262		
Amounts owed to other financiers	862.596			850.000	850.000	
Amounts owed to suppliers	8.530.845			11.173.200		
Amounts owed to subsidiary companies	1.432.256			1.110.969		
Amounts owed to associated companies	1.148			2.728		
Income taxes debts	1.671			146.191		
Amounts owed to social security institutions	996.562			870.545		
Other liabilities	3.666.801			2.577.111		
Total	26.721.756	1.340.000	0	22.087.440	4.036.667	0

Information on the Income Statement

Revenue (note 22)

	31/12/2014	31/12/2013	Variation	Var. %
Industrial revenue	9.799.085	10.855.772	-1.056.687	-9,73%
Medical revenue	37.213.665	35.441.596	1.772.069	5,00%
Total	47.012.750	46.297.368	715.382	1,55%

As of December 31st 2014 the revenue was 47 million Euros, showing an increase of about 1,55% with respect to the 46,3 million Euros registered for last year.

Subdivision of revenue by geographical area

	31/12/14	31/12/13	Variation	Var. %
Sales in Italy	30.539.897	31.615.328	-1.075.431	-3,40%
Sales other EC countries	4.501.887	4.747.629	-245.742	-5,18%
Sales outside EC	11.970.966	9.934.411	2.036.555	20,50%
Total	47.012.750	46.297.368	715.382	1,55%

The Italian market showed a slight decrease with respect to 2013 and is made up mostly of the Italian companies belonging to the Group. This market remains prevalent even though it should be noted that a large part of the production that is invoiced by the company to the group companies is going to be sent abroad. The exports to European Union countries also showed a slight drop while the exports to countries outside of the EU rose 20%.

Other revenue and income (note 23)

Analysis of the other income is as follows:

	31/12/2014	31/12/2013	Variation	Var. %
Recovery for accidents and insurance reimbursements	208	4.655	-4.447	-95,53%
Expense recovery	72.664	59.477	13.187	22,17%
Capital gains on disposal of fixed assets	29.977	42.674	-12.697	-29,75%
Other income	733.740	738.713	-4.973	-0,67%
Total	836.589	845.519	-8.930	-1,06%

In the category of "Other income" we have entered income for an amount of about 314 thousand Euros for a grant received for financing, in particular, on the following co-financed research projects:

- MILoRDS project – promotion of industrial research, of the transfer of technology, of pre-competitive development, exploitation of research and innovation; admitted to the financing plan of the Region of Tuscany for a grant for the amount of 70% (while for the remaining 30% it is admitted to the facilitated financing) as per Decree come n. 3064 of June 16th 2010 subsequently modified by Decree n. 3375 of July 6th 2010, for strategic research and development projects related to ICT and advanced mechanics;
- BI-TRE project – Biophotonics Technologies for Tissue Repair – accepted for a grant by the *Bando Regionale 2012* approved by the Regione Toscana with *Decreto Dirigenziale* n. 5160 on November 5th 2012.

Costs for the purchase of goods (note 24)

The analysis of these purchase is shown on the chart below.

	31/12/2014	31/12/2013	Variation	Var. %
Purchase of raw materials and finished products	21.593.536	24.876.528	-3.282.992	-13,20%
Purchase of packaging	289.389	236.986	52.403	22,11%
Shipment charges on purchases	199.422	199.700	-278	-0,14%
Other purchase expenses	189.870	189.851	19	0,01%
Other purchases	11.771	9.640	2.131	22,11%
Total	22.283.988	25.512.705	-3.228.717	-12,66%

Other direct services/ operating services and charges (note 25)

Breakdown of this category is shown on the chart below:

	31/12/2014	31/12/2013	Variation	Var. %
Direct services				
Assemblies outsourcing to third parties	2.943.128	3.080.254	-137.126	-4,45%
Technical services	170.029	117.736	52.293	44,42%
Shipment charges on sales	226.571	215.386	11.185	5,19%
Commissions	192.427	185.526	6.901	3,72%
Travel expenses	155.869	167.517	-11.648	-6,95%
Other direct services	111.042	107.620	3.422	3,18%
Total	*3.799.066*	*3.874.039*	*-74.973*	*-1,94%*
Operating services and charges				
Maintenance and technical assistance on equipments	171.330	121.034	50.296	41,56%
Services and commercial consulting	152.922	154.391	-1.469	-0,95%
Legal and administrative services	242.738	292.059	-49.321	-16,89%
Auditing fees and charges	80.626	85.058	-4.432	-5,21%
Insurances	165.706	153.854	11.852	7,70%
Travel and overnight expenses	491.605	455.756	35.849	7,87%
Promotional and advertising expenses	442.578	347.771	94.807	27,26%
Building charges	606.884	670.006	-63.122	-9,42%
Other taxes	68.536	71.393	-2.857	-4,00%
Expenses for vehicles	270.909	252.515	18.394	7,28%
Office supplies	50.191	45.336	4.855	10,71%
Hardware and Software assistance	177.312	131.646	45.666	34,69%
Bank charges	61.297	51.714	9.583	18,53%
Rent	109.131	38.859	70.272	180,84%
Other operating services and charges	3.145.192	2.548.723	596.469	23,40%
Total	*6.236.957*	*5.420.115*	*816.842*	*15,07%*

The most significant amounts under the heading of “Other operating services and charges” refer to the remuneration paid to the members of the Board of Directors and he Board of Auditors for the amount of 865 thousand Euros, costs for technical and scientific consultants and costs for study and research for the amount of 484 thousand Euros and costs for trade shows for 227 thousand Euros. For the costs of research and development, please consult the relative paragraphs in the Management Report.

Future commitments for use of goods belonging to others

The chart below shows a summary of the obligations that the Company will have for the use of goods belonging to others.

Operating lease commitments:	**31/12/2014**	**31/12/2013**
Within one year	216.381	140.642
After 1 year but not more than 5 years	478.632	240.288
Total	**695.013**	**380.930**

These costs are mostly related to leasing contracts for company vehicles.

Employee costs (note 26)

The chart below shows the costs for staff:

For staff costs	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Wages and salaries	8.496.476	7.653.342	843.134	11,02%
Social security costs	2.612.683	2.391.019	221.664	9,27%
Accruals for severance indemnity	486.120	460.539	25.581	5,55%
Stock options		3.318	-3.318	-100,00%
Other costs	38.627	32.151	6.476	20,14%
Total	11.633.906	10.540.369	1.093.537	10,37%

Depreciation, amortization and other accruals (note 27)

The table below shows the breakdown for this category:

Depreciations, amortizations, and other accruals	**31/12/2014**	**31/12/2013**	**Variation**	**Var. %**
Amortization of intangible assets	65.834	20.345	45.489	223,59%
Depreciation of tangible assets	978.048	953.277	24.771	2,60%
Accrual for risk on receivables	629.680	2.913.865	-2.284.185	-78,39%
Other accruals for risks and charges	52.000	20.000	32.000	160,00%
Total	1.725.562	3.907.487	-2.181.925	-55,84%

It should be recalled that the accrual for credit risks entered on December 31st 2013 was related, in particular, to overdue receivables from subsidiary companies.

Financial income and charges (note 28)

The breakdown of the category is as follows:

	31/12/2014	31/12/2013	Variation	Var.%
Financial incomes:				
Interests from banks	450.944	405.544	45.400	11,19%
Dividends	1.040.462	704.574	335.888	47,67%
Interests from subsidiary company	52.375	67.747	-15.372	-22,69%
Interests from associated company	349	240	109	45,42%
Foreign exchange gain	4.506.388	-73.889	4.580.277	-6198,86%
Other financial incomes	233	-71.833	72.066	-100,32%
Total	6.050.751	1.032.383	5.018.368	486,10%
Financial charges:				
Interest on bank debts for account overdraft	-52.105	-16.763	-35.342	210,83%
Interest on bank debts for medium and long - term loans	-153.308	-228.367	75.059	-32,87%
Foreign exchange loss	-93.493	-198.368	104.875	-52,87%
other financial charges	-397.083	-31.577	-365.506	1157,51%
Total	-695.989	-475.075	-220.914	46,50%

During this year dividends from subsidiaries were entered into accounts for an amount of about 1.040 thousand Euros distributed by the subsidiary Deka M.E.L.A. S.r.l. for 527 thousand Euros, by the subsidiary Lasit S.p.A. for 210 thousand Euros, by Quanta System S.p.A. for 300 thousand Euros and by Concept Laser Solutions for about 3 thousand Euros.

The interests owed on bank debts for overdrafts refer mainly to overdrafts granted by credit institutions to the Parent Company while the interest on bank debts for mid- and long-term loans refer mainly to the mid- and long-term financing.
The entry “other financial charges” includes the entering into accounts of interest charges derived from the application of accounting principal IAS 19 to the severance indemnity for an amount of about 30 thousand Euros and the warranty commissions on financing for about 4 thousand Euros as well as the costs for the entering at fair value of the derivative contract “currency rate swap” to cover the exchange rate risks on a bank account in US dollars for the amount of about 363 thousand Euros.

Other net income and charges (note 29)

	31/12/2014	31/12/2013	Variation	Var. %
<u>*Other charges*</u>				
Accrual for losses in group companies	-37.731	-730	-37.001	5068,63%
Devaluation of equity investments	-1.093.378	-959.867	-133.511	13,91%
Total	**-1.131.109**	**-960.597**	**-170.512**	**17,75%**
<u>*Other income*</u>				
Use of fund on loss account from subsidiary companies		1.676.210	-1.676.210	-100,00%
Capital gains on equity investments	19.329.977		19.329.977	0,00%
Total	**19.329.977**	**1.676.210**	**17.653.767**	**1053,20%**

The heading of “Devaluation of equity investmets” is related to the devaluation made directly on the amount of the equity held in Cutlite do Brasil for 1.004 thousand Euros, in SBI for 60 thousand Euros, and in RTM for about 29 thousand Euros.

The heading of “Capital gains on equity investments” shows an amount of 19.330, earned with the sale of the Cynosure Inc. shares as described in Note (3) of this report.

Income taxes (note 30)

Description:	31/12/2014	31/12/2013	Variation	Var. %
IRES	1.058.714	1.058.841	-127	-0,01%
IRAP	445.539	437.307	8.232	1,88%
IRES Deferred (Advanced)	519.164	-816.335	1.335.499	-163,60%
IRAP Deferred (Advanced)	-5.167	6.285	-11.452	-182,21%
Receivable for income tax	-8.595		-8.595	0,00%
Cost/(Revenue)for IRES consolidated taxation	167.739	51.413	116.326	226,26%
Taxes related to the previous years	-56.966	-3.288	-53.678	1632,54%
Total income taxes	2.120.428	734.223	1.386.205	188,80%

The income taxes for this year were 2.120 thousand Euros as opposed to 734 thousand Euros for last year. Because the controlling company adhered to the procedure in compliance with art. 117 and following of the TU of the income taxes and of the Ministerial Decree implemented on June 9th 2004 (National fiscal consolidated), the cost for the year includes, for the amount of about 168 thousand Euros, the charges derived from the recognition in favor of the subsidiaries that adhered, of the compensation sum equal to the transformation of the losses used in the procedure on the basis of the tax aliquot for companies (IRES) in force for the period for which the use refers, as per the agreements stipulated between the parties. The option is valid for the three year period 2014-2016 for the subsidiary Esthelogue Srl, which extends the preceding option for 2011-2013, and for the three year period of 2012-2014 for the subsidiary Cutlite Penta Srl.

The chart below shows the reconciliation between the theoretical fiscal aliquots and the actual aliquot limited to the income tax of the companies (IRES).

	2014	2013
Profit/loss before taxes	25.649.522	2.733.007
Theoretical IRES Aliquot	27,50%	27,50%
Theoretical IRES	7.053.619	751.577
One time income tax charges	(56.966)	(3.288)
Tax receivables	(8.595)	0
Charges (income) for IRES from fiscal consolidation	167.739	51.413
Pex Benefit	(5.049.956)	
Higher (lower) fiscal incidence with respect to the theoretical aliquot	(425.784)	(509.071)
Actual IRES	1.680.056	290.631
Actual IRES aliquot	6,55%	10,63%

The fiscal cost for 2014 is, among other things, particularly influenced by the PEX exemption which benefits most of the capital gains earned by the sale of the Cynosure shares, as previously mentioned.

The break-down of the deferred tax assets and liabilities is shown in the chart for the preceding note (16). The amount of income taxes includes the balance related to this financial year.

Dividends distributed (note 31)

The shareholders' meeting of El.En. Spa which met on May 15th 2013 voted to distribute dividends for the amount of 0,50 Euros per share in circulation on the date the coupon came due. The total amount of the dividend that was paid was 2.401.610 Euros.

The shareholders' meeting of El.En. Spa which met on May 15th 2014 voted to distribute dividends for the amount of 0,50 Euros per share in circulation on the date the coupon came due. The total amount of the dividend that was paid was 2.401.610 Euros.

Non-recurring significant, atypical and unusual events and operations (note 32)

For the year 2014 the company did not conduct any non-recurring, significant operations as specified by the Consob Communcation of July 28th 2006 n. DEM/6064293.

It should be recalled that, during the same period last year, the different accounting method of the equity in Cynosure Inc., which switched from the criteria of the equity method (IAS 28) to the fair value method for the assets available for sale (IAS 39) was considered a significant non-recurring event, as already described in the explanatory notes to the 2013 financial statement.

In compliance with the Consob Communcation of July 28th 2006 n. DEM/6064293, we wish to state that during 2014 the company did not conduct any unusual or atypical operations as defined by the above mentioned communication.

Information about related parties (note 33)

Related parties are identified in compliance with the international accounting standard IAS 24. In particular, the following subjects are considered related parties:
- the subsidiary and associated companies;
- the members of the Board of Directors and Board of Statutory Auditors of the Parent company and the other executive directors with strategic responsibilities;
- the individuals holding shares in the Parent company El. En. S.p.A;
- the legal bodies of which a significant number of shares is owned by one of the main shareholders of the Parent company, by a member of the Board of Directors of the Parent company, by a member of the Board of Statutory Auditors, by any other of the executives with strategic responsibilities.

One of the Managing Directors, the majority shareholder of the Parent company, has an outright ownership of a 25% quota of Immobiliare del Ciliegio Srl, also a shareholder of the Parent Company.
All the transactions with related parties took place at normal market conditions.

In particular, the paragraphs below give important information about the related parties.

Subsidiary and associated companies
El. En. SpA controls a Group of companies which operate in the same macro-sector of lasers, to each of which is reserved a special field of application and a particular function on the market.

The integration of different products and services offered by the Group generates frequent commercial transactions between the various companies belonging to the Group. Most of the inter-Group commercial transactions involve the production by El. En. SpA of mid- and high-powered CO_2 laser sources which constitute a fundamental component in the products manufactured by Cutlite Penta Srl, and Lasit SpA. Medical laser equipment manufactured by El. En. SpA is also involved in inter-Group commercial transactions which are, in part, sold to Deka M.E.L.A. Srl, to Esthelogue Srl, to Deka Sarl, to ASA Srl and to Asclepion Laser Technologies GmbH, which organize their distribution.
The prices for the transfer of goods are established on the basis of what normally occurs on the market. The intercompany transactions therefore reflect market trends, from which they may different slightly in accordance with the commercial policies of the company.
It should be mentioned that in October of 2002 El. En. SpA acquired, free of charge, from Deka Mela Srl a license for the use of the same brand name for marketing the laser equipment produced by El. En. for the dental-medical and aesthetic sector in some European and non-European countries.

The tables below show an analysis of the transactions which have taken place with the subsidiary and associated companies both for sales and financial payables and receivables.

	Financial receivables		**Other receivables**		**Commercial receivables**	
Subsidiary companies:	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Asclepion Laser Technologies GmbH	984.966				943.772	
Deka MELA Srl					4.449.718	
Cutlite Penta Srl	500.000				10.050.367	
Esthelogue Srl	695.000		365		2.200.932	
Deka Sarl					1.291.222	
LT Tech of Carlsbad Inc. (ex Deka Laser Technologies Inc.)	258.416				1.383.569	
BRCT Inc.	940.014				41.049	
Lasit Spa					12.132	
Quanta System SpA					57.645	
ASA Srl					180.633	
Lasercut Technologies Inc.	55.358				331.157	
Cutlite do Brasil Ltda					391.509	
Penta-Chutian Laser (Wuhan) Co. Ltd					4.150.795	
Deka Medical Inc	263.570				2.808.130	
Pharmonia Srl	405.000				84.122	
- Bad debt reserve					-4.919.257	
Total	**4.102.324**	**0**	**365**	**0**	**23.457.495**	**0**

Associated companies:	Financial receivables < 1 year	Financial receivables > 1 year	Commercial receivables < 1 year	Commercial receivables > 1 year
SBI SA			11.000	
Actis Srl	30.000	-	18.042	
Immobiliare Del.Co. Srl	31.565			
Elesta Srl			504.877	
Total	61.565	-	533.919	-

Subsidiary companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Asclepion Laser Technologies GmbH					190.764	
Deka MELA Srl					10.090	
Cutlite Penta Srl			184.483		225.900	
Esthelogue Srl			1.477		22.298	
Deka Sarl					58.825	
Lasit Spa					110.860	
Quanta System SpA					527.740	
Cutlite do Brasil Ltda					14.508	
Deka Medical Inc					41.353	
Penta-Chutian Laser (Wuhan) Co. Ltd					43.958	
Total	-	-	185.960	-	1.246.296	-

Associated companies:	Financial payables < 1 year	Financial payables > 1 year	Other payables < 1 year	Other payables > 1 year	Commercial payables < 1 year	Commercial payables > 1 year
Elesta Srl					68	
SBI SA					1.080	
Total	-	-	-	-	1.148	-

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Deka MELA Srl	39.843	16.742		56.585
Cutlite Penta Srl	159.561	47.535		207.096
Esthelogue Srl	3.500	6.982	2.074	12.556
Deka Sarl		8.238		8.238
Lasit Spa	303.916	40.840		344.756
Quanta System SpA	889.892	76.284		966.176
Asclepion Laser Technolohies GmbH	298.273	243.678		541.951
Deka Medical Inc.	53.501	65.968		119.469
Penta-Chutian Laser (Wuhan) Co. Ltd	3.226	33.600		36.826
Lasercut Technologies Inc.	3.163	1.066		4.229
Total	1.754.875	540.933	2.074	2.297.882

Associated companies:	Purchase of raw materials	Services	Other	Total
SBI S.A.	1.080			1.080
Total	1.080	-	-	1.080

Subsidiary companies:	Sales	Services	Total
Deka MELA Srl	21.422.643	544.792	21.967.435
Cutlite Penta Srl	3.436.728	723.544	4.160.272
Esthelogue Srl	195.978	107.525	303.503
Deka Sarl	1.330.985	22.704	1.353.689
Lasit Spa	57.970	2.956	60.926
Asclepion Laser Technologies GmbH	631.527	171.050	802.577
Quanta System SpA	81.058	3.780	84.838
ASA Srl	497.944	1.704	499.648
Penta-Chutian Laser (Wuhan) Co. Ltd	1.940.996	18.855	1.959.851
Cutlite do Brasil Ltda	595.533		595.533
Deka Japan Ltd	10.900		10.900
Deka Medical Inc.	11.424		11.424
Pharmonia Srl		10.800	10.800
Total	30.213.686	1.607.710	31.821.396

Associated companies:	Sales	Service	Total
Actis Srl	34.339		34.339
SBI S.A.	11.000		11.000
Elesta Srl	505.666	17.567	523.233
Total	551.005	17.567	568.572

Subsidiary companies:	Other revenues
Deka MELA Srl	153.986
Cutlite Penta Srl	119.893
Esthelogue Srl	464
Deka Sarl	14.786
Lasit Spa	105.533
Quanta System SpA	110
Asclepion Laser Technologies GmbH	11.968
ASA Srl	22
Penta-Chutian Laser (Wuhan) Co. Ltd	459
Pharmonia Srl	929
Deka Medical Inc.	22
Brct Inc.	210
Total	408.382

Associated companies:	Other revenues
Elesta Srl	2.287
Actis Srl	2.400
Total	4.687

The amounts shown on the charts above refer to operations which are inherent to the characteristic activity of the company.

The other revenue refers, among other things to the rents charged to Deka M.E.L.A. Srl and to Cutlite Penta Srl for the portions of the buildings in Calenzano which they occupy and to Lasit Spa for the factory at Torre Annunziata.

Moreover, we have entered into accounts approx. 52 thousand Euros in interest earned on the financing granted to subsidiary companies.
Among the “Income taxes” we have entered charges from fiscal consolidation for an amount of 169 thousand Euros for Cutlite Penta S.r.l.

<u>The Members of the Board of Directors and the Board of Statutory Auditors and other strategic executives</u>

The Members of the Board of Directors and the Board of Statutory Auditors of El.En. S.p.A. receive the salaries shown in the chart below:

Name	Position	Term duration	Fees in:	Fees	Remuneration for partecipation on committees	Bonus and other incentives	Non monetary benefits	Other rewards	Total	Indemnity for termination of mandate or employment
Clementi Gabriele	Chairman of the BoD	Approval of the financials for 31.12.2014	El.En. SpA	134.493		196.550	3.507		334.550	6.500
			Subsidiaries/associates	10.691					10.691	
Barbara Bazzocchi	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	134.275		26.400	3.725		164.400	6.500
			Subsidiaries/associates	12.000					12.000	
Andrea Cangioli	Managing Director	Approval of the financials for 31.12.2014	El.En. SpA	134.232		98.275	3.768		236.275	6.500
			Subsidiaries/associates	10.691					10.691	
Michele Legnaioli	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Paolo Blasi	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Alberto Pecci	Director	Approval of the financials for 31.12.2014	El.En. SpA	12.000					12.000	
			Subsidiaries/associates							
Stefano Modi	Director	Approval of the financials for 31.12.2014	El.En. SpA	100.929		22.000	12.559	27.264	162.752	
			Subsidiaries/associates							
Vincenzo Pilla (*)	President of the Board of Sta	Approval of the financials for 31.12.2015	El.En. SpA	31.200					31.200	
			Subsidiaries/associates	21.526					21.526	
Paolo Caselli (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800				8.320	29.120	
			Subsidiaries/associates	24.367					24.367	
Rita Pelagotti (*)	Statutory Auditor	Approval of the financials for 31.12.2015	El.En. SpA	20.800					20.800	
			Subsidiaries/associates							

Note: the salaries shown on the chart are determined on the accrual basis.
(*): amounts including CAP

Fixed salaries:
- The amounts paid to the directors of the Company for their roles in other companies included in the area of consolidation are as follows: Barbara Bazzocchi, as chairman of the Board of Directors of Cutlite Penta Srl received a salary of 12.000 Euros; Gabriele Clementi as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company; Andrea Cangioli as member of the Board of Directors of With Us received a salary of 1.500 thousand yen from that company.
- With reference to the board member Stefano Modi the heading of “fixed fees” also includes a salary of 88.929,00 Euros as payment for his work as an employee.
- The salaries of members of the Board of Statutory Auditors for carrying out their functions in other companies included within the area of consolidation are as follows: Vincenzo Pilla as President of the Board of Statutory Auditors of Lasit SpA and Quanta System received from these companies a total salary of 21.526 Euros; Paolo Caselli as sole Auditor of Deka Mela Srl and Auditor of Lasit SpA received from these companies a total salary of 24.367 Euros.

Bonuses and other incentives:
In this column the chart shows the amounts received by some of the members of the Board of Directors as an incentive bonus for achieving certain goals which were set by the Board in accordance with the vote of the Shareholders’ meeting held on May 15th 2012, and subsequently confirmed by the shareholders’ meeting of May 15th 2013, which, when determining the amount of remuneration of the Board of Directors, had established at the maximum amount 1 million Euros the variable part of the overall bonuses to be assigned and to assign to the managing directors, including the president with powers of attorney, and the board members with special positions as described in art. 21 of the by-laws and art. 2389, sub-section 3 Civil Code. These bonuses will be paid in 2015.

Non-monetary benefits:
- The heading "Non-monetary benefits" refers to a fringe benefits paid to the President of the Board of Directors and the executive directors in accordance with the vote of the shareholders' meeting held on May 15th 2012 and on May 15th 2013.
- For the Board Member Stefano Modi it refers to the fringe benefit he receives as an employee as well as other managers.

Other rewards:
- With reference to the Board Member Stefano Modi la voce "Other bonuses" refers to transfers and one-off payments received as an employee.
- The acting auditor Dott. Paolo Caselli received a bonus of 8.320 Euros as a member of the Controlling body of El.En. S.p.A., in compliance with ex D.Lgs. 231/01.

Indemnity for termination of mandate or employment:
-An annual indemnity of 6.500 Euros each, in compliance with art. 17 of T.U.I.R., is attributed to the president of the Board of Directors Gabriele Clementi and to the executive members Barbara Bazzocchi and Andrea Cangioli.

Prof. Leonardo Masotti, President of the Scientific Committee, received a fixed remuneration of 7.600 Euros, besides an incentive bonus of 89.200 Euros. Moreover, as President of the Board of Directors of Deka M.E.L.A. Srl he received a salary of 15.000 Euros and as a member of the Board of Directors of With Us he received 1.500 thousand Yen from that company.

The Company does not have a general director.

<u>Physical persons possessing an equity in El.En. SpA</u>
Besides the members of the Board of Directors, the Board of Statutory Auditors and the President of the Technical-Scientific Committee, partner Carlo Raffini to whom the Company El.En. assigned a specific professional task for the entire year, received a salary of 32.000 Euros; moreover, for a similar task carried out for the subsidiaries Deka M.E.L.A. Srl and Cutlite Penta Srl he received 20.000 Euros.

The chart below shows the incidence of transactions with related parties on the economic and financial situation of the company.

Impact of related party transactions	**Total**	**related parties**	**%**
a) Impact of related party transactions on the statement of financial position			
Equity investments	39.797.108	17.202.546	43,23%
Accounts receivables	30.349.052	23.991.414	79,05%
Other receivables	5.397.763	4.164.254	77,15%
Non current financial liabilities	1.340.000		0,00%
Current financial liabilities	12.092.473		0,00%
Accounts payables	9.778.289	1.247.444	12,76%
Other payables	4.849.323	185.960	3,83%
b) Impact of related party transactions on the income statement			
Revenues	47.012.750	32.389.968	68,90%
Other revenues and income	836.589	413.069	49,38%
Purchases of raw materials	22.283.988	1.755.955	7,88%
Other direct services	3.799.066	173.723	4,57%
Other operating services and charges	6.236.957	369.284	5,92%
Financial charges	695.989		0,00%
Financial income	6.050.751	52.724	0,87%
Income taxes	2.120.428	167.739	7,91%

Risk factors and Procedures for the management of financial risks (note 34)

Operating risks
Since the company is fully aware of the potential risks derived from the particular type of product made by the Company, already in the earliest phases of planning and research, they operate so as to guarantee the safety and quality, which is also certified, of the product put on the market. There are marginal residual risks for leaks caused by improper use of the product by the end-user or by negative events which are not covered by the types of insurance policies held by the Company.
The main financial instruments of the Company include checking accounts and short-term deposits, short and long-term financial liabilities.
Besides these, the Group also has payables and receivables derived from its activity.
The main financial risks to which the Company is exposed are those related to currency exchange, credit, cash and interest rates.

Currency risk
The Company is exposed to the risk caused by fluctuations in the Exchange rates of the currencies used for some of the commercial and financial transactions. These risks are monitored by the management which takes all the necessary measures to reduce them.
During this year the Company has conducted transactions in derivative instruments in order to face the risk of fluctuations in the exchange rate. In particular, the Company has stipulated a “Currency rate swap” contract in order to hedge the risk on exchange rate changes for a bank account in dollars.

Operation	*Notional value*	*Fair value*
Forward exchange contract	€ 22.677.573	-€ 363.488
Total	**€ 22.677.573**	**-€ 363.488**

Credit risks
As far as the commercial transactions are concerned, the company operates with clients on which credit checks are conducted in advance. Moreover, the amount of receivables is monitored during the year so that the amount of exposure to losses is not significant. Credit losses which have been registered in the past are therefore limited in relation to the sales volume and consequently do not require special coverage and/or insurance. The devaluation fund which is accrued at the end of the year represent about 9% of the total trade receivables from third parties. For an analysis of receivables overdue from third parties, see the description in the relative note (6) of the financial statement.

As far as financial receivables are concerned, they refer mostly to financing granted to subsidiaries and associated companies.

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

Moreover, the Company also underwrote:
- in 2011, 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 expired in September 2014; and was renewed until March 9th 2015;
- in 2013, a bank guarantee for a maximum of 50 thousand Euros as a guarantee on customs duty, ex art. 34 of T.U.L.D., which effects temporary imports, with expiration date in June 2015 which can be extended annually.
- and this year, a bank guarantee for a maximum of 253 thousand Euros for the reimbursement of the amount requested as a down payment on the “BI-TRE” research project granted by the *Bando Regionale* 2012 approved by the Regione Toscana with *Decreto Dirigenziale* n. 5160 of November 5th 2012, with expiration date in February 2018.

Cash and interest rate risks
The cash risk represents the risk that the financial resources available might be inadequate to cover the debts coming due. At this time the Company believes that the cash on hand is enough to cover the existing debts with a very positive net financial position of about 31 million Euros.

The exposure to the risk of variations in the interest rates of the market is connected to the mid- to long-term financing operations with a variable interest rate. The company concludes operations for collecting funds at a variable rate and then evaluates whether they should cover the risk of the interest rate by converting the variable rate to a fixed rate.
During 2012 El.En. underwrote IRS contracts with major credit institutions in order to cover the interest rate on financing that had already been granted. The hedge was made by neutralizing the potential losses of the instrument (financing) with the profits registered from another element (the derivative). IAS 39 refers to several types of *Hedge Accounting* one of which, the *Cash Flow Hedge* is the type that was used in this case.

The purpose of the *Cash Flow Hedge* is to cover the exposure to variations in the future attributed to particular risks associated with the entries in the financial statements.
In this case, the variations in fair value of the derivative are reported in the shareholders' equity for the effective amount of coverage, and in the income statement only when, with reference to the amount covered, the variation in the amount of cash flow to be compensated appears. If the hedge is not effective the variation in the fair value of the hedge contract must be registered in the income statement.

Operation	*Notional value*	*Fair value*
IRS	€ 166.667	-€ 500
Total	**€ 166.667**	**-€ 500**

In evaluating the potential impact derived from changes in the interest rates, it should be noted that, since the financing is for an insignificant amount, any changes in the interest rate would not have an impact on the capital and reserves.

Management of the capital

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

Financial Instruments (note 35)

Fair value

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

	Book value	Book value	Fair value	Fair value
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Equity investment avalaible for sale				
Equity investment in Cynsoure Inc.	22.553.644	40.539.083	22.553.644	40.539.083
Financial assets				
Financial mid and long term receivables		30.000		30.000
Financial receivables within 12 months	4.784.055	3.429.633	4.784.055	3.429.633
Cash and cash equivalents	43.511.706	21.808.559	43.511.706	21.808.559
Financial liabilities				
Financial mid and long term debts	1.340.000	4.036.667	1.340.000	4.036.667
Financial liabilities due within 12 months	12.092.473	6.206.696	12.092.473	6.206.696

Fair value hierarchy

The Company uses the following hierarchy in order to determine and to document the fair value of the financial instruments based on evaluation techniques:

Level 1: quoted prices (not rectified) in a market which is active for identical assets and liabilities.
Level 2: other techniques for which all the input which have a significant effect on the registered fair value can be observed, either directly or indirectly.
Level 3: techniques which use input which have a significant effect on the registered fair value which are not based on observable market data.

For the financial statements of the Company, these concepts are applicable only for the evaluation of the equity in Cynosure, whose fair value can be qualified as Level 1, since it is related to the official quotation of the US market Nasdaq.

As of December 31st 2014 the Company possesses the following securities evaluated at fair value:

	Level 1	Level 2	Level 3	Total
Equity investment in Cynsoure Inc. AFS	22.553.644			22.553.644
IRS		-500		-500
Forward exchange contract		-363.488		-363.488
Total	**22.553.644**	**-363.988**	**0**	**22.189.656**

Other information (note 36)

Remuneration of directors and statutory auditors

	31/12/2014	31/12/2013	Variation	Var.%
Remuneration of directors	792.675	632.441	160.234	25,34%
Remuneration of statutory auditors	72.800	72.800	-	0,00%
Total	865.475	705.241	160.234	22,72%

Information supplied in compliance with art. 149-duodecies of the *Regolamento Emittenti Consob*

In compliance with article 149-*duodecies* of the *Regolamento Emittenti Consob,* the chart below shows the amounts for the year 2014 related to auditing services and for those other than the ones conducted by Deloitte & Touche.

	Company providing the service	Receiver	note	2014 fees (Euros)
Audit	Deloitte & Touche SpA	El.En. SpA		50.159
				50.159

The honorariums shown are net of reimbursements for the expenses sustained and the contributions for supervision of the Consob.

Average number of employees divided by category

	Average 2014	31/12/2014	Average 2013	31/12/2013	Variation	Var. %
Executives	12,5	14	11,0	11	3	27,27%
Management	15,5	15	14,0	16	-1	-6,25%
White collar	97,0	98	94,5	96	2	2,08%
Blue collar	70,5	71	68,0	70	1	1,43%
Total	195,5	198	187,5	193	5	2,59%

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

Declaration of the separate financial statement in conformity with art. 81-ter CONSOB regulation n. 11971 of May 14th 1999 and later modifications and additions

1. We the undersigned, Andrea Cangioli as managing director, and Enrico Romagnoli as executive officer responsible for the preparation of the financial statements of El.En. S.p.A., in conformity with art. 154-bis, sub-section 3 and 4, of Legislative Decree no. 58 of February 24th 1998, declare:

- the conformity in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures used in drawing up the separate financial statement, during 2014.

2. No significant aspect emerged concerning the above.

3. We also declare that:

3.1 the separate financial statement dated December 31st 2014:

a) is drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) n. 1606/2002 of the European Parliament and the Commission, in July 19th 2002;

b) corresponds to the figures in the ledgers and accounting books;

c) is suitable to supply a true and correct representation of the capital, economic and financial situation of the company;

3.2 the Management Report contains a reliable analysis of the trends and results of the activity as well as the situation of the issuing company and the group of companies included in the area of consolidation, together with a description of the principal risks and uncertainties to which they are exposed:

Calenzano, March 13th 2015

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

El. En. S.p.A.

Headquarters: Via Baldanzese 17 Calenzano (Florence, Italy)
Registry of companies, Florence n. 03137680488

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the separate financial statement as of December 31st 2014 in conformity with art. 2429 c.c. and art. 153 of D. Lgs. n. 58 /1998

To our shareholders,
the Board of Directors of El.En. S.p.A. herewith presents to the Assembly of the company the proposed company report as of December 31st 2014 which was consigned to the Board of Statutory Auditors on March 13th 2015.

During the financial year 2014 the Board of Statutory Auditors conducted its activity in compliance with the regulations of the "*Testo Unico delle disposizioni in materia di intermediazione finanziaria*" (rules for financial intermediaries) D. Lgs. February 24th 1998 n. 58, D.Lgs. January 27th 2010 n. 39 and in conformity with the operating principles of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Business Administrators and Accountants) for the companies quoted on the stock market and with Consob Communication of April 6th 2001, modified and integrated with communication DEM/ 3021582 of April 4th 2003 and subsequently with communication DEM/6031329 of April 7th 2006.

In compliance with D.Lgs. n.58 of February 24th 1998 and D. Lgs. Of January 27th 2010 no. 39, it should be noted that the activity of auditing of the accounts and the financials is the responsibility of the Independent auditor Deloitte & Touche S.p.A . which was confirmed for the auditing of the financials for 2012 – 2020, by the shareholders' meeting which met on May 15th 2012, subject to the approval of the Board of Statutory Auditors.

For the financials as of December 31st 2014, the Independent auditor found no faults and declared that the statement was in conformity with the rules that govern the criteria for drawing up financial statements, that it is was clearly expressed and that it represented in a true and correct manner the financial situation, the result of the financial period and the cash flow of El.En. S.p.A.. The Independent auditor also found that the information contained in the Management Report and the report on corporate governance was consistent with the financial statement.

The financial statement as of December 31st 2014 was drawn up in conformity with the International Accounting Principles (IFRS).

In conformity with the recommendations given by Consob, with their communication of April 6th 2001, we declare that the Board of Statutory Auditors:

- Supervised the respect of the law and the certificate of incorporation.

- Obtained from the directors, at least once every quarter, information on the activity conducted and on the operations of major economic and financial significance made by the Company (and by its subsidiaries) and can reasonably affirm that the activities voted and carried out are in conformity with the law and with the company Statute and are not manifestly imprudent, risky or in potential conflict of interest or in contrast with the decisions made by the Assembly or of a nature to compromise the shareholders' equity. In this regard in the Annual Financial Report as of December 31st 2014, the following significant events occurred in 2014 are described.

- They have been informed about and have supervised, within the limits of their competency, the adequacy of the organizational structure of the Company, of the respect of the principles of correct administration, and the adequacy of the instructions given by the company to the subsidiaries in conformity with art. 114, sub-section 2 of D.Lgs. 58/98, through the gathering of information from the persons responsible for the organizational functions. As far as the inter-group operations are concerned, the directors, in the explanatory notes, illustrate and describe the relations between the Company and the companies of the Group, stating that the operations took place under normal market conditions. These operations are consistent with and respond to the interests of the company.

- They have initiated an exchange of information with the Independent auditors, by meeting with their staff in conformity with art. 150, sub-section 2, D.Lgs. 58/98, and from these meetings no information emerged that needed to be mentioned in this report. From this exchange of information it emerged that the Independent auditor found no irregularities or errors in reference to the regular bookkeeping and the correct reporting of facts related to the management in the entries in the accounts which required notification to the competent authorities.

- They have initiated an exchange of information with the corresponding bodies of the Italian subsidiary companies concerning the administration and control and the general trend of the activities and no negative aspects emerged.

- They have evaluated and supervised the adequacy of the internal controls system and the administrative and accounting system as well as its reliability in correctly representing management events by (i) obtaining information from the managers of the respective functions, (ii) inspecting the company documents and the analysis of the results of the work conducted by the Independent auditor, (iii) supervising the activity of the provosts for internal controls and (iv) as part of the Internal controls Committee they participated in the activities conducted by the Controls and Risks Committee, instituted by the Company in compliance with the *Codice di Autodisciplina* for companies quoted on the stock market. In relation to this no particular observations were reported. The Board of Statutory Auditors, moreover has taken note of the contents of the communication from the manager in charge of preparing the company's financial statements regarding the fulfilling of his duties and the declarations made by him and by the managing director in conformity with the law.

- From the Supervising Body, instituted in conformity with D.Lgs 231/2001, of which the statutory auditor Paolo Caselli is an acting member, they have received information concerning the activities conducted by this body. From this information no anomalies or reprehensible facts emerged.

- They reported that from the information received from the directors and from the conversations had with representatives of the Independent auditing company, the existence of atypical or unusual operations conducted with companies of the Group, related or third parties during 2014 or after the closure of the financial year, did not emerge.

- On the basis of the findings communicated by the Independent auditors concerning their separate report, they did not report any critical points or errors in information.

- The Board of Statutory Auditors has not received any reports of violations of ex art. 2408 of the Civil Code nor other protests from third parties.

- They have taken note of the fact that the Company has substantially adhered to the *Codice di Autodisciplina* set up by the Commission for corporate governance of companies quoted on the stock market. The Board of Directors has appointed two independent directors and has instituted the following commissions: Nominations Committee, Remuneration Committee, and Control and Risk Commission. Concerning the activities conducted and the state of implementation of the regulations contained in the above mentioned code, the Board of Directors has provided ample information in the annual report on corporate governance (*Relazione Annuale sul sistema di corporate governance).*

- They have taken note of the approval of the Board of Directors of the ethics code for operations made on financial instruments by the El.En. Group (*Codice di "Comportamento per operazioni compiute su strumenti finanziari del Gruppo El.En. da persone rilevanti")* in effect starting on January 1st 2003, in compliance with the stock market regulations ("*Regolamento dei mercati organizzati e gestiti da Borsa Italiana S.p.A.")* approved on July 9th 2002.

- In compliance with art. 4 sub-section 6 of the Consob regulation (*Regolamento Consob*) containing provisions related to operations with related parties (adopted after vote 17221 of March 12th 2010 and subsequently modified by vote 17389 of June 23rd 2010), they supervised the compliance of the procedures adopted by the company through the approval of the specific regulation, to the principles indicated in the *Regolamento Consob* mentioned above as well as to the application of these same principles.

- In conformity with art.19 first sub-section letter d) of D.Lgs. 39/2010, they supervised the independence of the legal auditors, in particular in relation to the performance of non-auditing services and in compliance with art.17 sub-section 9 D.Lgs 39/2010, the Independent Auditors gave written confirmation of their independence and also communicated that they did not supply any non-auditing services in 2014. In the Explanatory notes of the statement the amounts paid to the Auditing company for their auditing services for 2014 are listed (50.159,00 Euros).

- In compliance with art. 17 of D.Lgs n. 39/2010, they discussed with the Independent auditors the risks related to the independence of the company as well as the measures that had been taken to limit these risks.

- In compliance with art. 19 of D.Lgs n. 39/2010, in their role as Commission for Internal Controls and auditors, they supervised the process of financial information, on the effectiveness of the internal controls system, of internal auditing and risk management.

- In compliance with art. 19 of D.Lgs n. 39/2010, they supervised the auditing of the annual accounts and the consolidated accounts by obtaining from the legal auditors a report on the fundamental questions which emerged during the legal auditing from which no significant faults emerged regarding to the internal controls system in relation to the process of financial information.

- The Board of Statutory Auditors did not find any critical aspects in relation to the independence of the Independent Auditors.

During the supervising activity conducted and, on the basis of information obtained from the Independent auditors, no omissions or reprehensible facts emerged of a nature that would require them to be reported to the controlling bodies or mentioned in this report.

After the appointment by the Board of Directors of the manager in charge of preparing the Company's financial statements, the Board of Statutory Auditors expressed their favorable opinion in conformity with art. 154-bis D. Lgs. 58/98.

The Board of Statutory Auditors issued opinions related to the salaries as per ex art. 2389 n. 3 c.c..

The Board verified the adequacy, as far as the evaluation method was concerned, of the impairment tests being used in order to evaluate the existence of losses in value of the assets entered in the accounts.

On March 13th 2015 the Board of Directors approved the report on remuneration in compliance with art. 123 ter TUF.

The Board of Statutory Auditors believes that the internal procedure adopted by the Company in order to comply with art. 36 of the stock market regulations (*Regolamento Mercati*) approved by Consob with vote 16191/2007 concerning information and suitability of the systems of transmission of data by the subsidiary companies governed by countries not belonging to the European Union, is adequate.

The supervising activity described above was conducted in seven meetings of the Board of Statutory Auditors, attending four meetings of the Board of Directors and one shareholders' meeting in 2014 and participating in the activities of the Committee for controls and risks.

The Board of Statutory Auditors has verified the correct application by the Board of Directors of the criteria and of the procedures adopted to evaluate the independence of the independent directors in conformity with art. 3.C.5 of the *Codice di Autodisciplina*. The Board of Statutory Auditors has also verified the compliance with the criteria for independence of its own members both in the phase of appointment and afterwards, in conformity with art. 10.C.2 of the *Codice di Autodisciplina.*

The Board of Statutory Auditors, in consideration of the results of the verifications conducted and the positive opinion of the Independent auditors, expresses their favorable opinion for the approval of the financial report as it has been presented by the Board of Directors, and of the proposal by the same body in relation to the destination of the net income for the financial year.

Florence March 30th 2015.

The Board of Auditors

Dott. Vincenzo Pilla, president of the Board of Auditors.

Dott. Paolo Caselli, auditor.

Dott.ssa Rita Pelagotti, auditor.

Deloitte.

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AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

1. We have audited the financial statements of El.En. S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2014.

3. In our opinion, the financial statements give a true and fair view of the financial position of El.En. S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of El.En. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of El.En. S.p.A. as of December 31, 2014.

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

Florence, Italy
March 30, 2015

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