

Report on the results for the financial year ending December 31st 2000

To our shareholders,

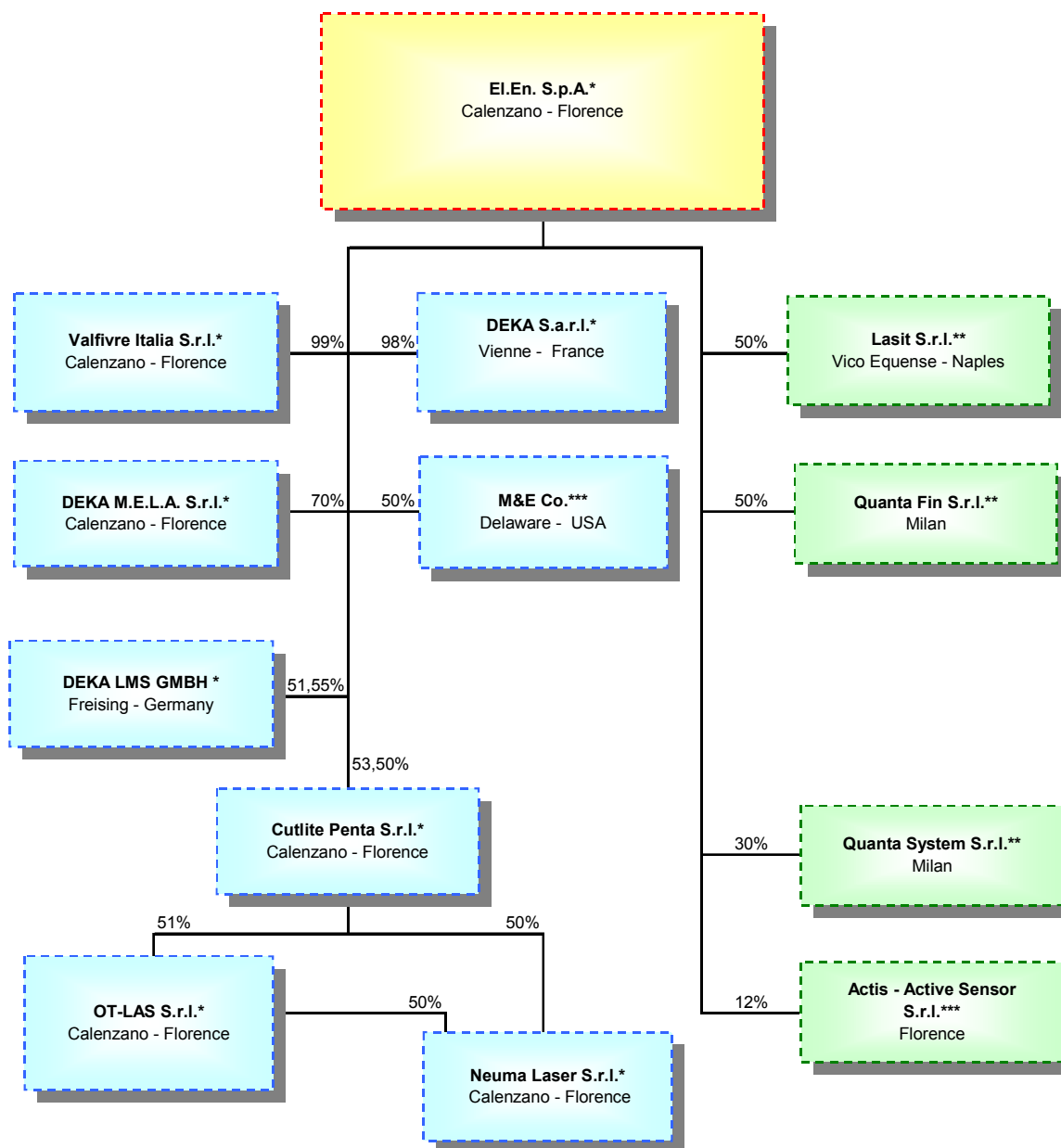
The financial year concluding Dec. 31st, 2001 ends with a net profit for the Group of 2.275 thousand euro, after operating costs for 1.209 thousand euro.

The volume of activity was up 7,28% over the preceding year, following the growth trend which had already been established during the previous financial periods. The rate of growth, however, was below that expected and comported a decrease in the profit margins.

Description of the Group

After the purchase of Deka Lms GmbH in January of 2001, El.En. S.p.A. controls a group of 7 companies which operate in the field of lasers, each of which supplies a different service or product and has a particular function on the market. The structure of the Group is divided into companies working in the engineering and design, manufacture and distribution sectors for laser sources and systems intended for a variety of uses. Each of these companies is assigned a specific role on the basis of the merchandise sector and geographical area in which it operates: Deka M.E.L.A. Srl , Deka Srl and Deka Lms GmbH distribute laser equipment for medical purposes, Cutlite Penta Srl operates in the area of systems for flat cutting, Ot-las Srl in the area of wide field markers, Neuma Laser Srl offers assistance abroad, and Valfivre Italia Srl does special projects, and develops and engineers laser systems for industrial cutting, marking and welding uses.

During the period to which this report refers no variations in the activities of the El.En Group companies have taken place.



* Entirely consolidated

** Consolidated in relation to net worth

*** Kept at cost

1) Main economic and financial data

As for the preceding financial year, the Group operated mainly in three fields of activity: laser equipment for medical and cosmetic use, laser power sources for industrial applications, and after-sales technical assistance and service. Besides the sales in these three sectors, a small amount of income was also received in the research and development field in the form of contributions for specific projects and reimbursement of research expenses.

The following table shows the invoiced amounts for these four sectors of activity as compared with the preceding financial year. The figures shown in the table and all those included in this report are expressed in thousands of euros unless otherwise indicated.

	31/12/2001	Inc%	31/12/2000	Inc%	Var%
Industrial systems and lasers	10.649	38,24%	8.333	32,10%	27,80%
Medical and cosmetic lasers	15.099	54,23%	15.599	60,10%	-3,20%
Research and Development	86	0,31%	135	0,52%	-36,21%
Service	2.010	7,22%	1.889	7,28%	6,44%
Total	27.844	100,00%	25.955	100,00%	7,28%

The medical/cosmetic field was again confirmed the most important sector in terms of gross income during the year 2001, even though income in this area was down slightly from the preceding financial period.

Profits registered for the year 2001 were up 7.28% with respect to the preceding financial period. This increase was lower than that expected and reflects the negative phase of the selling markets, in particular the international ones. It should be noted, moreover, that in the industrial sector, for which a positive conclusion of the financial period was expected as far as profit development was concerned, not only did the expected “Tremonti effect” not take place (which was supposed to see the clientele taking advantage of the fiscal concessions offered on investments), but in some cases the sales were postponed until the following financial period.

Earnings for medical and aesthetic equipment, which remains the most important sector of the Group, saw a drop of 3.2 %. When evaluating this decrease, the effects of which have repercussions on the financial results of the Group, it should be taken into account that this occurred during a negative year on the stock market. The growth rate that had been forecast by experts in the field turned out to be excessively optimistic, and entire market showed a decrease, as is demonstrated by the fall in total sales with respect to the preceding year shown by all the main companies operating in this sector. The medical-cosmetic sector in 2001 showed a drop of 9% in the volume of business on a world-wide level (source: Spectrum Consulting). The drop in sales in this field was held to a minimum by the considerable investments made both in marketing and distribution during the financial year. In particular, the investment in the DEKA-LMS company for distribution in Germany, though it generated a volume of business that was far below expectations, still made it possible to increase total sales in Germany in comparison to the preceding financial year.

The industrial laser sector showed an increase of 27.8%, a further improvement of the increase already shown for the first nine months; this represents a result which, though highly satisfactory, is still below expectations

As far as after-sales service is concerned, sales volume is on the rise due to the increasing number of installations that are being serviced. This sector is of fundamental importance in the sales strategy of the Group because a punctual, efficient and economical post-sales service directly influences the awareness of the client of the “extended product” that the company is offering, and determines its position on the market.

The research sector showed a further drop in profits, notwithstanding the intense activity carried out during the financial year. It should be noted, however, that for the payment of the considerable expenses sustained for this activity during the year, only a portion of the financing that the Group will receive relative to the research activities has been registered in the financial statement; this is due to the extreme slowness of the procedures that are required, which have caused delays in the formal approval and payment of the sums, which have taken much longer than originally expected.

The following table shows the geographic distribution of total sales for the financial period.

	31/12/2001	Inc%	31/12/2000	Inc%	Var%
Italy	14.479	52,00%	13.461	51,86%	7,56%
Europe	6.861	24,64%	5.452	21,01%	25,84%
Rest of the world	6.505	23,36%	7.041	27,13%	-7,62%
Total	27.844	100,00%	25.955	100,00%	7,28%

The increase in sales in Europe is due to the success in selling laser cutting systems for industrial applications, both in France and in Spain, as well as the positive trend of the two associated companies distributing products for the medical-cosmetic sector in Germany and France. The growth in Italy reflects the average growth rate of the Group, whereas the rest of the world has shown a decrease, which is due chiefly to the drop in sales in Japan, but also, to the general uncertainty of the market which has characterised the last few months.

Though a drop of 3.2% is shown, the medical-cosmetic sector is still the most important part of the Group for sales volume in 2001; the following chart shows sales in this sector listed by type of application.

	31/12/2001	Inc%	31/12/2000	Inc%	Var%
Surgical CO2	1.547	10,25%	1.651	10,59%	-6,32%
Physiotherapy	736	4,87%	769	4,93%	-4,29%
Cosmetic	9.763	64,66%	11.531	73,92%	-15,33%
Dental	1.504	9,96%	635	4,07%	136,89%
Other medical lasers	1.129	7,48%	617	3,96%	82,95%
Accessories	421	2,79%	396	2,54%	6,16%
Total	15.099	100,00%	15.599	100,00%	-3,20%

The field of aesthetic medicine (plastic surgery) remains the most important; in this area the Group offers products for depilation (hair removal), for treating vascular lesions and for skin resurfacing. During the financial period, in this sector the Group has added depilatory systems with intense pulsing light as well as laser systems for treating cellulitis and systems for treating vascular lesions with Nd:YAG long impulse technology which is more. The decrease in total sales in the main segment has negatively influenced the overall result, notwithstanding the optimistic expectations connected with the introduction on the market of new systems, which, while obtaining positive results, were still unable to reverse the negative trend which was already apparent in the first few months of the year. In the dental sector, on the other hand, total sales have doubled, thanks to the collaboration with Anthos Impianti, the consolidation of the market position gained in France, and the opening of new markets for this specific product in the Far East. The considerable increase shown for the entry "other medical lasers" is due mainly to the success of lasers with marker dyes for treating vascular lesions. In the physiotherapy and surgical CO2 sectors, sales are down, in conformity with the general market trend.

The chart below shows in detail the sales volume for the four types of industrial laser applications.

	31/12/2001	Inc%	31/12/2000	Inc%	Var%
Cutting	6.069	57,00%	5.202	62,43%	16,68%
Marking	3.461	32,51%	1.785	21,42%	93,95%
Laser sources	918	8,62%	1.097	13,16%	-16,28%
Welding	200	1,87%	249	2,99%	-19,87%
Total	10.649	100,00%	8.333	100,00%	27,80%

The results in terms of total sales are decidedly positive, thanks to the increase in sales of cutting systems by the Cutlite Penta Srl company and to the remarkable success of the high-powered marker systems for large surfaces which were developed by Ot-las Srl. The power source and the welding sectors show a decrease in sales, which, on the other hand, confirms the expectations for these products. A very significant increase in sales volume was shown for laser markers, thanks to the patented technology utilised for laser decoration of large surfaces by means of highly innovative galvanometric systems offered on the market by Ot-las Srl. The increase in sales in the cutting sector is interesting and has made it possible, under difficult economic circumstances, to acquire a slice of the market and consolidate positions abroad, creating the conditions necessary for a further improvement in during the next financial periods.

In order to facilitate the analysis and interpretation of the data shown in this report, the chart below contains the reclassified for the financial period ending December 31st 2001, compared with that which ended on December 31st 2000.

Profit and loss account	31/12/2001	Inc.%	31/12/2000	Inc.%	Var.%
Net turnover from sales and services	27.844	94,34%	25.955	94,35%	7,28%
Variation in stock of finished goods and WIP	1.460	4,95%	1.429	5,19%	2,18%
Other revenues and income	209	0,71%	126	0,46%	65,90%
Value of production	29.514	100,00%	27.511	100,00%	7,28%
Costs for raw materials	14.036	47,56%	11.217	40,78%	25,13%
Variation in stock of raw material	(1.095)	3,71%	(1.221)	4,44%	-10,33%
Other direct services	3.067	10,39%	3.229	11,74%	-4,99%
Gross margin	13.505	45,76%	14.285	51,93%	-5,46%
Other operating services and charges	5.260	17,82%	3.351	12,18%	56,96%
Added value	8.244	27,93%	10.934	39,74%	-24,60%
For staff costs	4.348	14,73%	3.302	12,00%	31,70%
Gross operating profit	3.896	13,20%	7.632	27,74%	-48,95%
Depreciation, amortisation and other accruals	1.303	4,42%	1.381	5,02%	-5,58%
Net operating profit	2.593	8,78%	6.251	22,72%	-58,53%
Net financial income (charges)	1.194	4,04%	151	0,55%	690,79%
Operating profit	3.786	12,83%	6.402	23,27%	-40,86%
Value adjustments (Devaluations)	30	0,10%	53	0,19%	-42,69%
Extraordinary income (Charges)	26	0,09%	19	0,07%	36,58%
Earning before taxes	3.843	13,02%	6.474	23,53%	-40,65%
Income taxes on the income of the period	1.209	4,10%	2.945	10,70%	-58,96%
Profit before interest of third parties	2.634	8,92%	3.530	12,83%	-25,37%
Minority interest in income	359	1,22%	525	1,91%	-31,72%
Net profit	2.275	7,71%	3.004	10,92%	-24,26%

The gross margin went from 14.285 thousand euros to 13.505 thousand euros, showing an decrease of -5,46% as well as a drop in the amount of Value of Production (45.76% in 2001 as opposed to 51.93% in 2000) with respect to the previous financial period. Income from sales in the medical-cosmetic sector was penalised by market condition which made it impossible to obtain the prices originally planned for new products and severely limited prices on other products in the same range. The world market for similar systems showed a decrease of 9%, which affected the Group controlled by El.En as far as sales volume was concerned, and affected El.En S.p.A. only in terms of income. However, an increase in sales volume was achieved in any case in this specific sector. Profits from sales, on the other hand, remain at an excellent level, especially in consideration of the fact that income from research is practically nil, and while it is used principally to reimburse expenses for personnel, has a major impact on the profit margin itself.

Operating charges rose from 3.351 thousand euros in 2000 a 5.260 thousand euros in 2001. This increase was due to a series of different factors, like the increase in research and development expenses, internal reorganisation which was made necessary in order to equip the Group with the structures necessary for the new expansion phase planned for the next financial periods, the rise in expenses for commercial items and marketing programs which were implemented with the purpose of strengthening the presence of the products and trade-marks of the Group on the domestic and international markets. Under this heading we have also included the costs of legal and financial consultation sustained by the company for the purpose of defining the objectives for M & A operations directed toward the expansion of the Group.

Expenses for employees rose by 31,70% for an amount of 4.348. The number of regular staff members of the Group increased from 105 people on December 31st 2000 to 129 people on December 31st 2001. New personnel were hired for a variety of roles which included all departments of the company, and in particular

The gross operating profit was 3.896 thousand euros, a drop of 48,95% with respect to the 7.632 thousand euros of the last financial period. The percentage amount of the Value of Production also fell due the reduction of the Gross Contribution Margin, and to the rise in expenses related to the organisational and structural expansion of the organisation which turned out to be excessive in relation to the volume of business registered for that period.

The item “Depreciation, amortisations and other accruals” shows a decrease, notwithstanding the considerable investments made in this period in tangible assets, because, in the preceding financial period, after the inspection by the fiscal authorities (Guardia di Finanza) begun on January 23rd 2001, provisions were made in view of the possibility that, on the basis of the inspection reports, payment for the sum of 413 thousands euros might be demanded by the authorities.

The operating profit dropped from 6.251 thousand euros in 2000 to 2.593 thousand euros in 2001 with a negative change of about 58.53 % , due to the causes explained in the preceding paragraphs.

Financial management benefited from the financial income on the cash available generated by the increase in paid-in capital made by the parent company, El.En. S.p.A. in 2000.

As described in the Appendix, the value adjustments in the financial statement are determined almost entirely by the consolidation of the net capital and reserves of the associated companies.

The profit before taxes is 3.843 thousands euros with a negative variation of 40.65% with respect to the preceding financial period. This result of this decrease on the financial management is attenuated by the drop in tax quotas which is due, first of all to the effect of the Dual Income Tax (DIT), which is also reduced during the financial year by the drop in the remuneration coefficient which is applied.

The chart below shows the reclassified statement of financial position as of December 31st 2001 compared with that of December 31st 2000.

	31/12/2001	31/12/2000
BALANCE SHEET		
Intangible assets	1.669	1.498
Tangible assets	3.693	3.704
Equity investments	808	1.090
Other investments	705	421
Total fixed assets (A)	6.874	6.713
Stocks	9.115	6.745
Trade debtors	8.358	7.156
Other debtors	2.837	1.490
Cash in banks and on hand	32.478	35.856
Total current assets (B)	52.788	51.246
Trade creditors	6.235	6.050
Other debtors	2.011	1.615
Financial liabilities due within 12 months	357	402
Total current liabilities (C)	8.603	8.067
Net working capital (D)= B+C	61.392	59.313
Employee severance indemnity	695	566
Other provisions	1.357	1.285
Net medium and long term financial debts	2.249	3.005
Mid and long terms creditors (E)	4.302	4.856
Net invested capital (A + D + E)	72.567	70.882
Shareholders' equity	45.049	43.724
Minority interest on equity	1.709	1.313
Shareholders' equity	46.757	45.037

The net financial position of the company as of December 31st 2001 is as follows:

Net financial position		
	31/12/2001	31/12/2000
Financial mid and long term debts	(2.249)	(3.005)
<i>Financial mid and long term debts</i>	<i>(2.249)</i>	<i>(3.005)</i>
Financial liabilities due within 12 months	(357)	(402)
Cash in banks and on hand	32.478	35.856
<i>Net financial short term position</i>	<i>32.121</i>	<i>35.454</i>
Total financial net position	29.872	32.449

The net financial position remains in the black for an amount of over 29 million euros. The preponderance of cash intended for use for the expansion of the activities of the Group, including special marketing and advertising programs abroad, lessens the significance of the mid and long term debts of the Group, which were contracted for research and development and for the purchase of the new factory in which the parent company and the subsidiaries Cutlite Penta Srl, Valfivre Italia Srl e Dekka M.E.L.A. Srl. operate. The conclusion of the negotiations for Dekka – Lms GmbH for approx. 510 thousand euros contributed to the utilisation of cash which is registered for the period. The effects of this position of cash available reflect positively on the financial management, and contribute to the net result of the financial period. The remaining cash has been invested mostly in temporary uses, so that it will be available for strategic investments that may appear opportune.

Accounts receivable from clients and final stock have increased on account of the rise in the volume of production and also in support of the efforts of the company to acquire new markets, by financing the commercial activity by means of a policy of extended payments granted to clients and a greater amount of equipment available for display. The increase in final stock, moreover, assures quicker delivery of products and spare parts.

2) Financial results of the subsidiary companies

El. En S.p.A. controls a group of 7 companies operating in the same industrial field of lasers. Each of these companies is assigned a specific role on the basis of the merchandise sector and geographical area in which it operates. The table below contains a brief summary of the financial results of the companies which are part of this group.

	Net Turnover 31/12/2001	Net Turnover 31/12/2000	Var. %	Net income 31/12/2001	Net income 31/12/2000
Deka Mela Srl	11.199	12.761	-12,25%	940	1.776
Cutlite Penta Srl	6.433	5.569	15,53%	-272	109
Valfivre Italia Srl	434	606	-28,37%	-29	45
Deka Sarl	1.453	1.128	28,74%	-114	-145
Deka Lms GmbH	1.201	0		62	0
Ot-Las Srl	3.066	1.464	109,47%	303	-49
Neuma Laser Srl	196	124	58,26%	-30	2

Deka M.E.L.A. Srl

The activity of this company is the distribution in Italy and abroad, of the laser equipment for medical purposes which is produced by El.En. S.p.A. The financial year 2000 saw considerable uncertainty on the international markets, and in particular, Japan, a country which has traditionally been crucial for the activity of Dekka M.E.L.A., as well as Europe. The recovery of a portion of the Italian market was not enough to compensate for the drop in sales abroad, with the resulting decrease in net turnover with respect to the preceding year. Particular circumstances and the phase of the life cycle of some of the products also caused a decrease in the profits from sales, with an obvious negative impact on the final financial result.

Cutlite Penta Srl

This company produces industrial laser systems for cutting and marking, and installs CNC controlled movement on laser power sources produced by El.En S.p.A. The company is now going through a phase of rapid development as is evident from the rise in sales volume and the increase in orders received. This period of expansion has been achieved thanks to the promotional activities and an increase in expenses for personnel and development of new systems. This caused a drop in profits which brought about the losses registered for the financial period. The fact that the company has succeeded in acquiring new markets in a year which in general showed a decrease in the activity of its normal sales markets, like the United States, for which an increase had been expected, constitutes an excellent base for developing the volume of business, which, under more favourable circumstances will also bring an increase in profits..

Valfivire Italia Srl

As in the preceding financial year, this company operated in the sector of production and technical assistance for special laser systems for industrial uses, besides providing service to the other companies of the group. For the financial year, the company showed a loss of 29 thousand euros, a decrease caused by the drop in sales volume in the sector of special systems for industrial applications.

Ot-las Srl

The company designs and manufactures special CO2 laser marking systems for decorations on large surfaces. The success obtained in 2001 is the result of years of work and investment in the development of complex marking systems for large surfaces, a field in which this company is now a leader. The company offers technologically advanced solutions for the manufacture of strategic components, thanks to the technical collaboration with the parent company, El.En. The success of the company is reflected in the increase in sales volume and the excellent profits

Neuma Laser Srl

This company operates in the after-sales assistance sector, as well as acting as a technical support for the commercial activities in the Far East and in South America for equipment and industrial laser systems sold by the other companies of the Group, and in a particular those sold by Cutlite Penta Srl and Ot-las Srl.

Deka Sarl

This company acts as a distributor in France for medical laser equipment produced by El.En. S.p.A. and supplies after-sales services for industrial, medical and cosmetic laser systems. The company had to face the crisis of the French market, and showed a sales volume below expectations, and inferior to the dimensions of the sales structure. The company also conducted promotional activities which, since they were not confined exclusively to the French area, benefited the other companies of the group, and in particular the parent company El. En. S.p.A. Encouraging signs of recovery have convinced the parent company to absorb the losses of the preceding financial periods and to continue to invest in this company in order to maintain its position in a market which is, in any case, extremely promising and with excellent potential for development.

Deka Lms GmbH

Deka Lms GmbH, company was acquired in January of 2001, and has the responsibility of distributing in Germany the medical laser equipment manufactured by El.En. S.p.A. The company has been operative since March, 2001, and in their first year of activity has shown a volume of business which is below that which was expected. This result is due chiefly to the difficult circumstances of the German market, especially in the last months of the year, during which the usual increase in sales volume, with respect to the other months of the year, did not take place. In any case, the financial year closed with a profit.

3) Relations with associated companies included among the financial assets, but not included in the area of consolidation or evaluated with the method of shareholders' equity.

The chart below contains a brief summary of the economic relations between the associated firms, as well as their assets and liabilities at the end of the year.

Associated companies:	Financial credits		Commercial credits	
	< 1 year	> 1 year	< 1 year	> 1 year
Lasit Srl			9	
Quanta System Srl	7		111	
M&E			13	
<i>Total</i>	7		132	

Associated companies:	Financial payables		Commercial payables	
	< 1 year	> 1 year	< 1 year	> 1 year
Quanta Fin Srl	191			
Quanta System Srl			2	
Actis Srl			2	
<i>Total</i>	191		3	

The financial debts towards Quanta Fin Srl refer to the seven-year financing issued to the parent company of the Group, El.En. S.p.A. which are to be reimbursed in a single payment on June 30th 2003 with an option for partial early reimbursement. As shown in the Appendix, this loan was partially reimbursed in August of 2001.

Associated companies:	Purchase of raw materials	Services	Other	Total
Lasit Srl	13.749	651		14.400
Quanta System Srl	61.659	746		62.405
Actis Srl	5.371			5.371
<i>Total</i>	80.779	1.397	-	82.176

Associated companies:	Sales	Service	Total
Lasit Srl	7		7
Quanta System Srl	104		104
Actis Srl	1		1
<i>Total</i>	112		113

Financial debts for an amount of 22 thousand euros for interests due in relation to the seven year financing issued by the associated company Quanta Fin Srl.

The amounts shown above refer to operations which are inherent to the standard management practices of the company.

4) Research and Development Activity

During the financial year 2001, as in preceding years, the Group carried out an intense program of research and development with an aim to creating innovative products and new uses both in the medical and industrial fields. Research and Development is of fundamental strategic importance for the Group, since the ability to offer innovative products on the market for a vast range of uses has always been characteristic of the strategic position of our activity.

Research activity is partially financed in accordance with contracts stipulated with research institutes and with MURST, as well as reimbursement for staff expenses allocated also in terms of tax credit. Among the specific research projects conducted during this period, the following should be mentioned: definition of the ray and optics of laser systems, application laser equipment for conservative restoration, development of new application technologies during the past year with the introduction on the market of new, innovative products in the field of cosmetic medicine, and also the continuation of clinical experimentation which is supposed to test and confirm the efficacy of certain laser treatments for innovative applications.

The chart below shows the costs sustained by the Group for research activities conducted during 2001.

	31/12/2001
Costs for personnel and general expenses	1.719
Costs for instruments and equipment	71
Costs for building of prototypes	167
Costs for technological consultants	111
Services provided	75
Intangible assets	5
Total	2.149

As has been our usual policy, the expenses listed in the chart have been entirely registered among the operating costs for the fiscal year.

The amount spent corresponds to about 7% of the consolidated sales volume. In order to sustain the above mentioned expenses the Group has obtained income and financing in the form of reimbursement of expenses or research commissions for a total amount of 180 thousand euros. This sum must be considered absolutely insubstantial and extraordinary for its insignificance; the reasons for this are to be found in the impossibility of calculating, when this balance sheet was drawn up, the reimbursements for expenses incurred for projects which were still in progress, the

income from which can be calculated only when the definitive approval and consequent payment has occurred on the part of the relative institutions. This approval now requires a longer time than it did in the past.

5) Structure of company management

As per article 19 of the Articles of Incorporation, the firm is administered by a Board of Directors, which is composed of a minimum of three to a maximum of fifteen members.

At this time the Board of Directors, made up of seven members appointed during the Assembly held on September 5th 2000, who will remain in office until September 5th 2003, is composed as follows:

Name	Position	Place and date of birth
Gabriele Clementi	President of the Board	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Board director	Forlì, 17 June 1940
Andrea Cangioli	Board director	Florence, 30 December 1965
Francesco Muzzi	Board member	Florence, 9 September 1955
Marco Canale**	Board member	Naples, 12 November 1959
Paolo Blasi*	Board member	Florence, 11 February 1940
Michele Legnaioli*	Board member	Florence, 19 December 1964

*Independent administrators, as per art. 3 of the Self-disciplining code for companies quoted on the stock market

** Appointed by the Banca Toscana in accordance with agreements which are no longer in existence.

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

On September 5th 2000, the Board of directors appointed as administrative directors Mr. Andrea Cangioli and Mrs. Barbara Bazzocchi, to whom all powers for ordinary and extraordinary administration were conferred, with the exception of those powers which cannot be delegated in accordance with art. 2381 of the Civil Code, with the power to sign all documents.

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

- On August 31st 2000 the company appointed Prof. Paolo Blasi and Dr. Michele Legnaioli as independent administrators;;
- On September 5th, 2000 the Board created the following committees: 1) the “Committee for appointments”, which has the task of making the procedure for the appointment of the board members more simple and flexible; 2) the “Committee for fees” which has the task of simplifying and giving information regarding the method of payment and the setting of amounts for the fees to be paid to the members of the board; 3) the “Auditors Committee” which has the task of guaranteeing the accuracy and the adequacy of the internal auditing system. ;
- On September 5th 2000 the Board of Directors appointed a lawyer, Maria Federica Masotti as supervisor of internal auditing.

The Board of Directors meets at least every trimester in order to guarantee adequate information for the Collegio Sindacale (Auditor’s office) concerning the activities and the most important operations conducted by the Company.

Internal auditing of the company is conducted by the head company of the Group in collaboration with the personnel of the subsidiary companies. From an organisational point of view, the administrators of the head company of the Group attend the board meetings of the subsidiary companies as board members and have the office of single administrator, or else, the administrative organ of the subsidiary supplies the fully detailed information required for establishing the organisation of the activities of the Group.

As far as the accounting information is concerned, before the end of the month following the trimester being considered, the subsidiaries are required to supply to the Group head all the information necessary for drawing up the consolidated financial and economic reports.

On October 27th 2000, the partners, Immobiliare del Ciliegio Srl, Andrea Cangiolì, Gabriele Clementi, Barbara Bazzocchi, Francesco Muzzi, Pio Burlamacchi, Carlo Raffini and Autilio Pini stipulated a company pact (the “Pact”) the subject of which was:

- d) A majority vote syndicate which conferred a total of 2.721.454 ordinary shares of El.En. S.p.A. equivalent to 59,16% of the Share Capital;
- e) A block syndicate, in which they conferred a total of 2.391.994 ordinary shares of El.En. S.p.A. equivalent to 52,00% of the Share Capital.

The Pact also contains several clauses which prevent the transfer of shares and others which regulate the right to vote in the assemblies of the Company.

As far as the first of these clauses is concerned, the members who adhere to the Pact are bound to not transfer or offer as warranty the shares (and relative rights) of the Company which have been conferred to them by the Pact for a period of at least three years.

As far as the second of these clauses, regarding the right to vote, is concerned, the Pact stipulates that the Board of Directors (to which all of the Pact members belong) must meet before each assembly of the Company in order to decide how to act during the assembly and in which way they are going to vote. The decisions of the Board of Directors are made on the basis of majority vote calculated on the basis of the number of shares possessed by each member and are binding for the partners who must vote in the company assembly in accordance with the majority vote decisions of the Board.

6) Correlated Parties

According to I.A.S. 24, the following subjects are considered correlated parts:

- the associate companies which are not included in the area of consolidation, or that are evaluated with the shareholder’s equity method;
- the members of the Board of Directors or the Auditor’s Office (Collegio Sindacale) of the parent company and the other executive officers with strategic responsibilities.
- the physical persons who have the right to participate in the vote of the Parent Company which confers them a dominating influence on the company, and their family members;
- the companies in which a major investment is held by one of the principal shareholders of the Parent Company, by one of the shareholders of the Parent Company who is part of the voting commission, by a member of the Board of Directors of the Parent Company, by a member of the Auditors Office (Collegio Sindacale), by another of the executive officers with strategic responsibilities.

One of the members of the Board of Directors, main shareholder of the Parent Company, part of the voting commission undersigned by the shareholders before the shares of the Parent Company were quoted on the Nuovo Mercato Regolamentato (New Stock Market), is also sole owner of a 25% portion of Immobiliare del Ciliegio Srl, which is also a partner of the Parent Company.

Another of the major partners of the Parent Company is a credit institution (Banca Toscana SpA), which is one of the banks used by the Company.

All the transactions with the correlated parties occurred under ordinary market conditions.

7) Investments offered to executives, auditors and general managers

Some of the members of the Board of Directors also have company positions in the subsidiary and controlled companies: Mr. Clementi is Sole Administrator of Valvivre Italia Srl, Mrs. Bazzocchi has the same position at Cutlite Penta Srl, Mr. Cangiolì the same position at Neuma Laser Srl; Mr. Muzzi is president of Deka M.E.L.A. Srl, Mr. Cangiolì is on the board of Quanta System Srl and Quanta Fin Srl. The president of the Auditor’s Office, Dr. Pilla is auditor of Deka M.E.L.A. Srl Cutlite Penta Srl, Lasit Srl, and Quanta System Srl, and the auditor, Dr. Paolo Caselli is auditor of Cutlite Penta Srl and Deka M.E.L.A. Srl.

In accordance with art. 79 of the Consob regulations, approved with vote no. 11971 on May 14th 1999, the chart below shows the investments held by the administrators and auditors of the Company and their family members.

<i>Name</i>	<i>Company</i>	<i>No. of shares on 31/12/2000</i>	<i>No. of shares acquired</i>	<i>No. of shares sent</i>	<i>No. of shares on 31/12/2001</i>
Andrea Cangioli	El.En. S.p.A.	621.722	1.238		622.960
Barbara Bazzocchi	El.En. S.p.A.	485.974	4.200		490.174
Gabriele Clementi	El.En. S.p.A.	485.974	4.600		490.574
Francesco Muzzi	El.En. S.p.A.	485.974			485.974
Immobiliare del Ciliegio Srl (*)	El.En. S.p.A.	308.571			308.571
Lucia Roselli	El.En. S.p.A.	350			350
Paolo Caselli	El.En. S.p.A.	300			300
Vincenzo Pilla	El.En. S.p.A.	300			300
Michele Legnaioli	El.En. S.p.A.	160			160
Michele Masi	El.En. S.p.A.	80			80

(*) Immobiliare del Ciliegio Srl is a company located in Prato with a Capital Stock of 2,553,776 euros. Andrea Cangioli is the owner of an investment in the property which is equal to 25% of the Capital stock.

The data concerning Dott. Michele Masi refers to the period between January 1st 2001 and the date of his resignation from the board of auditors on October 16th 2001.

The Chief Auditor Dott. Sergio Lisi, who, having seniority, took his place on the day of his resignation, has no investments in El. En, Spa and has not bought any shares in the period between his appointment and the date of closure of this financial statement.

8) Stock options offered to executives and employees

The special assembly called for July 7th, 2000 voted, in accordance with art. 2443 of the Civil Code, for a period of up to five years from the date of the vote, to allow an increase in share capital to be made in one or more payments, for a maximum amount of 124,800 euros, by issuing up to 240.000 ordinary shares with a nominal value of 0.52 euros each, to be acquired by payment of a price which will be determined by the Board of Directors, bearing in mind the regulations described in Clause 6 of art. 2441 of the Civil Code and considering the net assets and/or price to the public and/or the average of the official prices registered for the shares on the market for the period preceding the granting of the right for option which can be identified in the incentive plan.

The Board of Directors, on November 3rd, 2000, voted to partially implement the decision made during the assembly of shareholders held on July 7th, 2000 in favour of an increase in share capital to 2,412,846.28 towards the stock option plan for 2001/2003 and approved the relative regulations. The above mentioned plan is divided into three phases, one for each year; the option rights for underwriting new ordinary shares can be exercised by those authorised to do so starting September 1st until September 30th of each year during the period being considered and are not negotiable,. According to the plan, 13,363 options will be attributed each year. During the year 2001 no one exercised this right.

9) Debenture Loan

On November 7th 1996 in a special assembly the company approved the emission of a debenture loan for an amount of up to 619,748 euros by the issuance of 120,000 bonds with a nominal value of 5.16 euros each. The entire debenture loan was underwritten for a portion of 412,133 euros by: Autilio Pini, Andrea Cangioli, Francesco Muzzi, Barbara Bazzocchi, Carlo Raffini and Gabriele Clementi, for a portion of 123,950 euros by Mr. Gabriele Clementi and his wife, and for a portion of 10,329 euros by Mr. Carlo Raffini and his wife. The remaining part of the loan, for the sum of 73,336 euros was underwritten by a third party. The duration of the loan is for ten years, and it will be reimbursed by December 31st 2006. The annual rate of interest is 9.75%, payable in yearly instalments deferred until January 1st of each year. Upon expiration the bonds will be reimbursed at their nominal value.

10) Own shares

The Company does not possess shares of its own stock

11) Problems related to the year 2000 and to the introduction of the Euro

Concerning the problems related to the introduction of the euro as the accounting currency, the Parent Company and its subsidiaries made the conversion of their capital stock within the term that had been established by law, in accordance with the approval voted by the administration, since it was part of the parameters included by the simplified procedure. The software programs of the companies belonging to the Group, though they were already in condition to allow the switch from lira to euro, were replaced by a new software for management and accounting. This project began in September of 2001 and in order to implement it, the Parent Company estimated an investment of 105 thousand euros. The operations required for the conversion of the files from lira to euros were completed in the first half of December with a cost estimated at approx. 20,000 euros. Further expenses will be necessary in 2002 in order to complete the procedures required for the new system, apart from the conversion to euro.

12) Noteworthy events which took place during the financial year

During the first few months of the financial period no changes of particular note took place in the activities of the company as far as the volume of production and the margins registered for the preceding year were concerned. In any case, during the months of January and February an increase in business volume occurred which was substantially in conformity with the forecasts that had been made earlier by the management. The search for an investment opportunity which would permit the expansion of activity in the medical laser sector in the USA was concluded with an agreement with Cynosure Inc. of Chelmsford, Massachusetts, as partner for this activity. An agreement was reached for the closing of purchase operations for 60% of the stock of the company in the beginning of May.

Cynosure is one of the pioneers in the field of medical lasers and is one of the most important companies of this type in the USA and world-wide. During the year 2001, their business volume was slightly over 23 million dollars. With this operation, the foundations have been laid for further growth in this field which, besides the mere addition of two sales volumes achieved in complementary sections of the same market, represents, in the organic growth of the joint activity of the two companies, the business gamble which is the basis for the strategic development plan.

13) Predictable management trends

The plans made by the management for the present financial year include a further expansion of company activities, particularly in relation to markets for lasers for industrial uses, as this market is expected to show a faster growth rate than the others. In particular, the budgets formulated before the purchase of Cynosure foresee a consolidated growth rate of 20%, in which the industrial sector should be growing at a greater speed than the medical sector. As far as the profit levels are concerned, an increase is foreseen, and the objective is to reach an operating profit of 14%. This forecasts will be revised after consolidation of the business of Cynosure.

for the Board of Directors

President

Ing. Gabriele Clementi