

El.En. S.p.A.

Report on the results for the financial year ending 31/12/2001

To our shareholders,

The financial year ending 31/12/2001 closes with a net profit of 2.785 thousand euros amounting to 891 thousand euros, net after taxes.

The result is an improvement on that of last year, thanks in part to the reduction of income taxes and to the considerable financial income; due to the quotation of the Company on the New Stock Market, which occurred in December of 2000, the Company was able to make use of the large amount of cash obtained from IPO and fiscal benefits in terms of the Dual Income Tax (DIT), which is granted to companies newly quoted on the stock market. These benefits made it possible to improve the net financial result even though the operative profits decreased during the financial period, as will be described later in this report.

1) Main financial and economic data

The activities El.En. S.p.A., as for the preceding financial year, were conducted in the main offices in Calenzano (Florence) and the local branch in Castellammare di Stabia (Naples).

As in the preceding financial year, the company operated in three different areas, manufacturing: lasers for medical and aesthetic use, and power sources for industrial applications, and providing after-sales technical service and assistance. Besides the sales in this sector, research and development activity also brought in a small profit from payments made for applications to specific projects and reimbursement for research costs.

The diagram which follows shows the sales trends for the four sectors mentioned above, with sales for this financial year compared to the preceding financial year. The figures shown on this chart and on all of those which follow are expressed in thousands of euros, unless otherwise indicated:

	31/12/2001	Inc%	31/12/2000	Inc%	Var%
Industrial systems and lasers	3.905	23,77%	3.095	20,28%	26,15%
Medical and cosmetic lasers	10.194	62,05%	9.856	64,57%	3,43%
Research and Development	86	0,52%	135	0,88%	-36,21%
Service	2.243	13,66%	2.177	14,26%	3,04%
Total	16.428	100,00%	15.264	100,00%	7,63%

In sales, the medical-cosmetic laser sector proved again in 2001 to be the most important of the four, and profits increased over the preceding year.

The cosmetic medicine sector is still the most important part of company production. In this sector the company manufactures products for hair removal (depilation), for treating vascular lesions, and for lipolysis. During this financial period new products put on the market included systems for intense pulsating light hair removal systems, as well as laser systems for treating cellulitis. Excellent results were achieved also in the dental sector, where production volume was more than doubled.

The sector of power source lasers and beam delivery systems produced for industrial systems saw considerable growth, along with the increase in the business volume of the El.En Group in the sector of laser systems for industry. This result gives particular satisfaction to the company and is promising for further development in the next few months.

As far as activity is concerned in the field of after-sales technical assistance is concerned, this sector has grown along with the number of installations which are serviced. This activity is of fundamental strategic importance to the Company

because a post-sales service which is punctual, efficient and economical vastly influences the clients perception of the quality of the “extended product” which the firm offers and determines its position on the market.

The research sector showed a further decrease in profits, notwithstanding the intense activity which was conducted during this financial period. It should be noted, moreover, that in order to pay the considerable expenses incurred during the financial year, only a portion of the income related to financing of these activities which the company receives has been inserted in the financial statement because of the extreme slowness of the procedures, which has delayed the formal approval and consequent payment of the grants, far beyond the dates originally expected

The diagram below shows the reclassified profit and loss account of the company.

Profit and loss account	31/12/2001	Inc.%	31/12/2000	Inc.%	Var.%
Net turnover from sales and services	16.428	95,81%	15.264	90,70%	7,63%
Variation in stock of finished goods and WIP	519	3,03%	1.400	8,32%	-62,93%
Other revenues and income	199	1,16%	165	0,98%	20,98%
Value of production	17.147	100,00%	16.828	100,00%	1,89%
Costs for raw materials	9.001	52,49%	8.442	50,16%	6,63%
Variation in stock of raw material	(711)	4,14%	(1.157)	6,87%	-38,56%
Other direct services	1.209	7,05%	1.337	7,95%	-9,59%
Gross margin	7.647	44,60%	8.206	48,76%	-6,81%
Other operating services and charges	2.698	15,74%	2.019	12,00%	33,66%
Added value	4.949	28,86%	6.188	36,77%	-20,01%
For staff costs	2.676	15,60%	1.948	11,57%	37,37%
Gross operating profit	2.274	13,26%	4.240	25,19%	-46,38%
Depreciation, amortisation and other accruals	948	5,53%	1.182	7,03%	-19,83%
Net operating profit	1.326	7,73%	3.057	18,17%	-56,64%
Net financial income (charges)	2.487	14,51%	1.014	6,03%	145,24%
Operating profit	3.813	22,24%	4.072	24,20%	-6,35%
Value adjustments (Devaluations)	(148)	0,86%	(86)	0,51%	72,41%
Extraordinary income (Charges)	11	0,06%	3	0,02%	328,96%
Earning before taxes	3.676	21,44%	3.988	23,70%	-7,83%
Income taxes on the income of the period	891	5,20%	1.764	10,48%	-49,49%
Profit before interest of third parties	2.785	16,24%	2.225	13,22%	25,20%

The gross margin went from 8,206 thousand euros to 7,647 euros, showing an decrease of of -6.8% as well as a drop in the amount of Value of Production (44.6% in 2001 as opposed to 48.7% 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 2,019 thousand euros in 2000 to 2,698 thousand 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 company 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 company 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 37% for an amount of 2,676 euros. The number of regular staff members of the company increased from 64 people on December 31st 2000 to 88 people on December 31st 2001. New personnel were hired for a variety of roles which included all departments of the company, and in particular research and development.

The gross operating profit was 3,896 thousand euros, a drop of 46% with respect to the 4,240 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 413,165 euros might be demanded by the authorities...

The operating profit dropped from 3,057 thousand euros in 2000 to 1,326 thousand euros in 2001, with a negative change of about 57 % , due to the causes explained in the preceding paragraphs.

Financial management benefited from the dividends received from the subsidiary companies Deka M.E.L.A. Srl and Cutlite Penta Srl for 905 thousand euros (including the relative tax credits). On July 20th 2001, the ordinary assembly of the associated company Quanta Fin S.r.l. voted in favor of an extraordinary distribution of profits by using the reserves available from the shareholders' equity. This distribution was made on the basis of the number of shares owned,, and consequently the amount distributed to El.En. S.p.A. was a dividend of 413 with consequent recognition of tax credit as per art. 105, comma 1, let. b) of the D.P.R. of December 22, 1986, n.917 for 123 euros. From a financial point of view, the operation was settled by partially extinguishing the loan which will fall due on June 30th 2003, which was issued by the associated company, Quanta Fin S.r.l. to El.En. S.p.A. Moreover, the company earned other financial income on the cash which was generated by the increase in paid-in capital made in 2000.

As already described in the Appendix, the rectified amounts for the financial period are determined exclusively by the discounting of the French subsidiary, Deka Sarl. The amount of this investment was cancelled out by a direct devaluation of about 100 euros. For losses in excess of the amount invested, the Company set aside a new reserve of funds for losses by subsidiaries for approx. 42,6 thousand euro.

The financial result before taxes is approx. 3.676 thousand euros with a negative change of 7,8% with respect to the previous financial period. This decrease, in any case, does not influence the net operating result thanks to the decrease in taxes which is due mainly to the effect of the Dual Income Tax (DIT).

The reclassified balance sheet which follows makes it possible to compare this financial year with the preceding one.

	31/12/2001	31/12/2000
BALANCE SHEET		
Intangible assets	1.226	1.495
Tangible assets	3.096	3.124
Equity investments	1.212	576
Other investments	686	262
Total fixed assets (A)	6.220	5.456
Stocks	6.491	5.357
Trade debtors	8.256	7.001
Other debtors	1.188	595
Cash in banks and on hand	29.001	32.110
Total current assets (B)	44.937	45.062
Trade creditors	3.700	4.633
Other debtors	1.136	808
Financial liabilities due within 12 months	334	329
Total current liabilities (C)	5.170	5.770
Net working capital (D)= B+C	50.106	50.833
Employee severance indemnity	462	345
Other provisions	766	763
Net medium and long term financial debts	2.249	2.996
Mid and long terms creditors (E)	3.477	4.104
Net invested capital (A + D + E)	59.804	60.392
Shareholders' equity	42.509	40.644
Shareholders' equity	42.509	40.644

The financial position of the company as of December 31st 2001 was as follows: .

Net financial position		
	31/12/2001	31/12/2000
Financial mid and long term debts	(2.249)	(2.996)
<i>Financial mid and long term debts</i>	<i>(2.249)</i>	<i>(2.996)</i>
Financial liabilities due within 12 months	(334)	(329)
Cash in banks and on hand	29.001	32.110
<i>Net financial short term position</i>	<i>28.667</i>	<i>31.781</i>
Total financial net position	26.418	28.785

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, Valfive Italia Srl e Dekka M.E.L.A. Srl. operate. The conclusion of the negotiations for Dekka – Lms GmbH for approx. 511 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 general 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
Valfivire 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 Deka 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 and subsidiary companies

The exchange of different products and services offered by the Group frequently generates transactions between the different companies belonging to the Group itself. One of the main inter-group sources of commercial activity is represented by the production by El.En. S.p.A. of laser sources, which constitutes a fundamental element in the manufacturing operations of Cutlite Penta Srl, Valfivre Italia Srl, ed Ot-Las Srl. Other inter-group commercial activity is represented by the production of medical laser equipment by El.En. S.p.A., some of which are sold to Deka M.E.L.A. Srl, Deka Srl, and Deka Lms GmbH, which then distribute them.

The price for the transfer of this equipment is determined with reference to the normal market price. These inter-group transactions therefore, reflect the trends in market prices, though they may differ slightly depending on the marketing policy of the Group at the time.

The tables which follow analyse the transactions which have taken place during the financial year between the various companies belonging to the Group, related both to commercial exchanges and credits and liabilities at the end of the year

Subsidiary companies:	Financial credits		Commercial credits	
	< 1 year	> 1 year	< 1 year	> 1 year
Deka MELA Srl			1.746	
Cutlite Penta Srl			3.005	
Valfivre Italia Srl	14		30	
Deka Srl			598	
Deka Lms GmbH		256	155	
Ot-Las Srl			503	
Neuma Laser Srl		77	5	
<i>Total</i>	14	333	6.043	

Associated companies:	Financial credits		Commercial credits	
	< 1 year	> 1 year	< 1 year	> 1 year
Lasit Srl			9	
Quanta System Srl	7		110	
M&E			13	
<i>Total</i>	7		131	

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

The financial debts towards Quanta Fin Srl refer to the seven-year financing which must be reimbursed in a single payment on June 30th 2003, with an option for advance, or even partial, reimbursement.

Subsidiary companies:	Purchase raw materials	Services	Other	Total
Deka MELA Srl	122	24		146
Cutlite Penta Srl	8	4		12
Valfivire Italia Srl	4	177		180
Deka Sarl		45		45
Deka Lms GmbH		22		22
Ot-Las Srl	22	4		25
Neuma Laser Srl		9		9
<i>Total</i>	156	285		440

Associated companies:	Purchase of raw materials	Services	Other	Total
Quanta System Srl	1.782			1.782
<i>Total</i>	1.782	-	-	1.782

Subsidiary companies:	Sales	Services	Total
Deka MELA Srl	7.122	106	7.227
Cutlite Penta Srl	1.835	204	2.038
Valfivire Italia Srl	127	1	129
Deka Sarl	824	6	829
Deka Lms GmbH	562		562
Ot-Las Srl	927	74	1.001
Neuma Laser Srl	14	1	15
<i>Total</i>	11.411	391	11.802

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

Subsidiary companies:	Other revenues
Deka MELA Srl	20
Cutlite Penta Srl	67
Deka Sarl	1
<i>Total</i>	89

During this financial period the company has claimed dividends and cashed in credits for an amount of 1.441 thousand euros. The company has earned 542 thousand euros from Deka M.E.L.A. Srl., 28 thousand euros from Cutlite Penta Srl. and 413 thousand euros from the associated company Quanta Fin Srl , registering tax credits related to the total dividends cashed in for 458 thousand euros.

22 thousand euros have been entered on the balance sheet for interests due on the seven-year financing issued by Quanta Fin Srl..

The amounts shown in the above tables refer to operations which are inherent to the standard management policies 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 MIUR (ex 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	1.642
Costs for instruments and equipment	71
Costs for building of prototypes	167
Costs for technological consultants	111
Services provided	75
Intangible assets	5
Total	2.072

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 12% 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 149 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	DATE OF BIRTH
Gabriele Clementi	President	Incisa Valdarno (FI), 8 July 1951
Barbara Bazzocchi	Deputy member	Forlì, 17 June 1940
Andrea Cangioli	Deputy member	Florence, 30 December 1965
Francesco Muzzi	Member	Florence, 9 September 1955
Marco Canale**	Member	Naples, 12 November 1959
Paolo Blasi*	Member	Florence, 11 February 1940
Michele Legnaioli*	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:

- a) On August 31st 2000 the company appointed Prof. Paolo Blasi and Dr. Michele Legnaioli as independent administrators;
- b) 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.
- c) 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 and by the subsidiaries.

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 Cangoli, Gabriele Clementi, Barbara Bazzocchi, Francesco Muzzi, Pio Burlamacchi, Carlo Raffini and Autilio Pini stipulated a company pact (the “Pact”) the subject of which was:

- a) 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;
- b) 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 associated and subsidiary companies as shown in the financial report;
- 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 are shareholders in El. En Spa;

- the legal bodies of which a significant investment is owned by one of the major shareholders of El.En spa, by one of the shareholders of El. En spa part of the voting assembly, by a member of the Board of Directors, by a member of the Board of Auditors, by any other of the executives with strategic responsibilities.

In this regard the following should be noted:

Associated and subsidiary companies

All relations of amounts receivable and amounts owed, expenditure and income, all financing and guarantees granted to the subsidiary or associated companies during the financial year of 2001, are clearly shown in detail on breakdown charts in this financial statement. Transactions with subsidiary and associated companies take place at ordinary market conditions.

Members of the board of Directors, the Board of Auditors and other strategic executives

Members of the board of Directors, and the Board of Auditors receive salaries which are shown in the Appendix . The President of the Scientific Commission receives the salary indicated in the Appendix.

Legal bodies in which Members of the board of Directors, the Board of Auditors and other strategic executives participate

Members of the Board of Directors, the Board of Auditors and the President of the Scientific Commission possess the investments shown in the following paragraphs of this report.

Physical persons having investments in El. En spa

Besides the members of the Board of Directors, the board of Auditors and the President of the Technical-Scientific Commission, the partners Carlo Raffini and Pio Burlamacchi receive emoluments, as shown in the Appendix, for the following reasons:

- Carlo Raffini, has been appointed Director of the Quality System by El. En Spa.
- Pio Burlamacchi is the possessor, as stipulated in a special contract, of an industrial monopoly right consisting in a request for a patent for the invention of a “Support for the optical cavity for lasers, with adjustment of the ray of light “

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 Valivre Italia Srl, Mrs. Bazzocchi has the same position at Cutlite Penta Srl, Mr. Cangioli the same position at Neuma Laser Srl; Mr. Muzzi is president of Deka M.E.L.A. Srl, Mr. Cangioli 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 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.

14) Allocation of profits

At this time we would like to invite our shareholders to approve the Annual Report for the financial year and allocate the profits of 2.785.340 euros as follows: 139.267 euros as ordinary reserve, 920.000, corresponding to 20 one hundredths of a euro per share, for distribution as dividends, and the remaining 1.726.073 euros as extraordinary reserve.

For the Board of Directors
President

Ing. Gabriele Clementi