El.En.Group

ANNUAL REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDING

December 31st 2000

To our shareholders,

The financial year 2000 ends with a consolidated net profit for the Group of 5.817.144.021 lira, an increase of 4.4% over the 5.574.526.433 lira of the preceding financial period.

The volume activity was up 8,9% over the preceding year, following the growth trend which had already been established during the previous financial periods.

For the El.En. Group, the financial year 2000 represented a fundamental period in the development of their operations; during this financial period, in fact, the head company of the Group, El.En. S.p.A. consolidated their financial position by the capital operations described in detail in the Appendix.

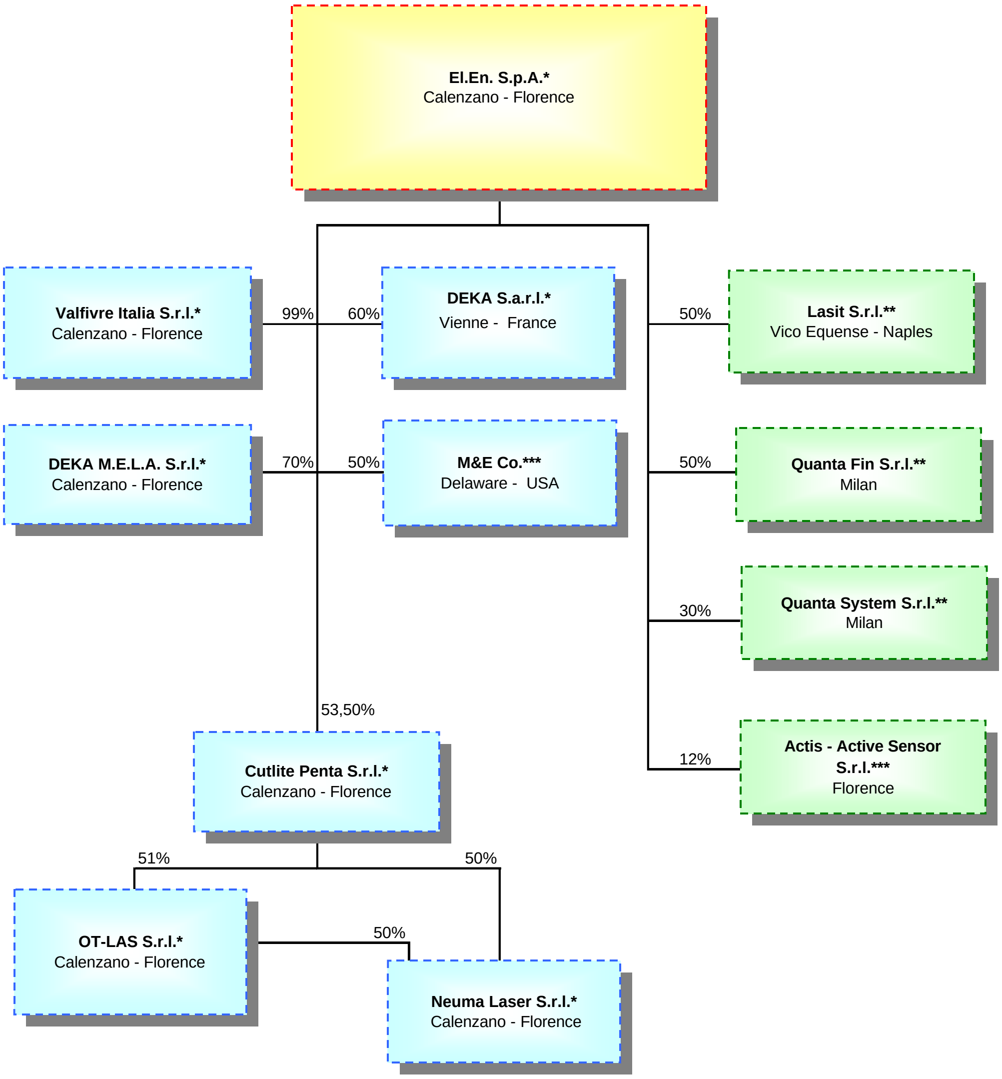
At the end of the financial period therefore, the Group held sufficient cash to be in a position to make all the strategic decisions necessary in order to reinforce their competitive position on the world market in which they operate.

Description of the Group

El.En. S.p.A. controls a group of 6 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 and Deka Sarl 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.

El.En. S.p.A. has equity investments in other companies which operate in the same sector, but does not control these companies and for this reason the results of these latter have not been entirely consolidated in the Annual Report of the Group, but instead have been shown using the method of shareholders'equity. Equity investments in the M&E Co. and Actis Srl have been maintained at cost because the two companies are not yet active and their inclusion in the consolidated area would be irrelevant for the purposes of representing the financial position of the Group.

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



* *Wholly consolidated*
** *Consolidated in relation to net worth*
*** *Kept at cost*

1) Main economic and financial data

During this financial year, the Group designed, manufactured and distributed laser sources and systems; as for the preceding financial year, the main markets were for laser equipment for medical and aesthetic use and laser systems for industrial purposes. Along with these two main sectors, the Group has developed its after-sales technical assistance service for its clients and has received income and profits related to research and development projects. The following table shows the invoiced amounts for these four sectors of activity for the financial year ending December 31st 2000, in comparison with the figures for the preceding year.

Distribution of consolidated earnings per business area

(in millions of lira)	**31-dec-00**	**31-dec-99**	**%**
Industrial systems and lasers	16.134	12.923	*25%*
Medical and aesthetic lasers	30.204	30.233	*0%*
R & D	262	235	*11%*
Service	3.657	2.834	*29%*
Total	50.256	46.225	*9%*

The area of industrial laser systems showed a marked increase in earnings thanks to the creation of a new generation of laser sources and systems. Earnings for medical and aesthetic equipment, which remains the most important sector of the Group, remained unchanged. Profits from research and development increased slightly. Income from assistance services and spare parts went up sharply due to the increased presence on the market of products manufactured by the Group.

It should be noted that, in reality the net income derived from research and development, some of which is included under the heading of “other income”, saw a decrease of 300 million; this was mainly a consequence of the failure to conclude an important contract with MURST (Ministry for the University and for Scientific and Technological Research) which would have reimbursed research expenses which, in any case, have been listed as expenses for the financial period.

The following table shows the geographic distribution of consolidated earnings for the financial period.

.

Distribution of consolidated earnings by geographical area

(in millions of lira)	**31-dec-00**	**31-dec-99**	**%**
Italy	26.065	31.941	*(18%)*
Europe	10.557	8.794	*20%*
Rest of the world	13.634	5.490	*148%*
Total	50.256	46.225	*9%*

From the figures shown on this chart it is evident that the overall increase in earnings is due to expansion on foreign markets, and, in particular, on those outside of Europe. In this connection, it should be noted that the average sale price that the Group quotes for exported products is lower than that quoted in Italy for the same equipment, because foreign sales are made almost entirely through a distributor to whom a discount is granted on the regular list prices for Italy; these distributors, in fact, pay both indirect commercial expenses (fairs, publicity, promotions) and direct commercial expenses (commissions to agents) which, in Italy, are taken care of by the Group. The decrease in earnings in Italy is also due to the fact that increased focus has been placed on the penetration of foreign markets, which in the long run have more growth potential.

The medical/aesthetic sector proved to be the most important for sales again in 2000, notwithstanding the substantial stability of the income; the following chart shows sales in this sector listed by types of use.

Sales in the medical sector by type of application

(in millions of lira)	**31-dec-00**	**31-dec-99**	**%**
Surgical CO_2	3.198	1.943	*65%*
Physiotherapy	1.489	1.367	*9%*
Aesthetic	22.326	23.397	*(5%)*
Dental	1.229	2.451	*(50%)*
Other medical lasers	1.195	822	*45%*
Accessories	767	253	*203%*
Total	30.204	30.233	*0%*

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 lipolysis. During this financial period, in this sector the Group has added depilatory systems and systems for treating vascular lesions with Nd:YAG long impulse technology which is more powerful than those offered previously: in fact, the market trend for this type of product at this time favours high powered systems. We believe that this modification will contribute to the development which is expected for the next financial period.

During this financial period the Group has modified its distribution structure in the odontological field and entered into a strategic partnership with Anthos Impianti, leading manufacturer of equipment for dentistry offices: because of this collaboration the entire range of products offered in this sector was revised; earnings were already produced during the final months of 2000 and good results are expected for the financial year of 2001.

The increase in sales of accessories is derived from the need, in the case of certain procedures, to employ additional laser equipment with accessory instruments and support systems.

The industrial laser sector showed a good growth rate, which represents the result of the efforts of our engineers to create a new range of cutting systems and to improve the performance of the power sources. The chart below shows in detail the evolution of sales for the four types of industrial laser applications.

Sales in the industrial sector per type of application

(in millions of lira)	**31-dec-00**	**31-dec-99**	**%**
Cutting	10.072	8.622	*17%*
Marking	3.456	3.510	*(2%)*
Laser sources	2.124	499	*326%*
Welding	482	292	*65%*
Total	16.134	12.923	*25%*

The increase in earnings for laser sources is particularly noteworthy and is the result of a modification in the range of laser sources offered, with a cost-performance ratio which is extremely advantageous for the clientele.

As far as after-sales service is concerned, earnings increased thanks to the growing number of installations which are now being serviced. The Group offers direct assistance to clients in Italy, France, the Far East and South America, and in the rest of the world it supplies spare parts to technical service firms managed by third parties, whom it keeps informed and up-dated. This service is of fundamental strategic importance to the firm since a punctual, efficient and inexpensive after-sales assistance greatly influences the perception by the client of the quality of the “extended product” which the Group is offering on the market, and determines the market position of the product itself.

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 2000, compared with that which ended on December 31st 1999. The data shown on this chart and all the other included in this report are expressed in millions of lira.

Profit and loss account

Millions of lira	31-dec-00	Inc%	31-dec-99	Inc%	Variaz.
Net turnover from sales and services	50.256	94%	46.225	94%	8,7%
Variation in stock of finished goods and WIP	2.767	5%	2.254	5%	22,8%
Other revenues and income	385	1%	566	1%	-31,9%
Value of production	**53.409**	100%	**49.045**	100%	8,9%
Costs for raw materials	21.720	41%	17.736	36%	22,5%
Variation in stock of raw material	(2.363)	4%	(1.220)	2%	93,8%
Other direct services	6.252	12%	6.277	13%	-0,4%
Gross margin	**27.801**	52%	**26.251**	54%	5,9%
Other operating services and charges	6.683	13%	5.984	12%	11,7%
Added value	**21.118**	40%	**20.267**	41%	4,2%
For staff costs	6.393	12%	5.979	12%	6,9%
Gross operating profit	**14.725**	28%	**14.288**	29%	3,1%
Depreciation, amortisation and other accruals	2.673	5%	1.043	2%	156,3%
Net operating profit	**12.052**	23%	**13.245**	27%	-9,0%
Net financial income (charges)	344	1%	(160)	0%	-315,2%
Operating profit	**12.395**	23%	**13.085**	27%	-5,3%
Value adjustments (Devaluations)	103	0%	(349)	1%	-129,4%
Extraordinary income (Charges)	38	0%	(278)	1%	-113,6%
Earning before taxes	**12.536**	23%	**12.458**	25%	0,6%
Income taxes on the income of the period	5.702	11%	5.703	12%	0,0%
Profit before interest of third parties	**6.834**	13%	**6.754**	14%	1,2%
Minority interest in income	(1.017)	2%	(1.180)	2%	-13,8%
Net profit	**5.817**	11%	**5.575**	11%	4,4%

The gross margin went up from 26.251 million lira to 27.801 million, showing an increase of 5,9%. However, its percentage amount of the production value showed a slight drop, due to the failure to obtain the research and development funds mentioned earlier, and in part because there was a slight reduction in the average sale price.

Operating charges rose from 5.984 million lira in 1999 to 6.683 million in 2000. 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 needed for quotation on the New Stock Market and 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.

Expenses for employees rose by 6,9% to 6.393 million. The number of regular staff members of the Group increased from 86 people on December 31st 1999 to 105 people on December 31st 2000.

New personnel were hired for a variety of roles, in particular for foreign sales (in France) and for research and development. Most of the increase in staff expenses occurred during the last trimester of the year, as the Group was acquiring the personnel needed in order to sustain the increase in its activities. When the parent company, El.En. S.p.A., started being quoted on the stock market, an incentive plan using stock options was approved.

The gross operating profit was 14.725 million lira, an improvement over the 14.288 million lira of the preceding financial year; at this level the decrease in the percentage amount with respect to the production value is confirmed; this is due, not only to the causes described for the gross margin above, but also to the rise in expenses connected to the expansion of the organisation described in the two preceding paragraphs.

The item “Depreciation, amortisations and other accruals” shows a considerable increase with respect to the preceding financial year. Besides the investments derived from normal business activity in December 2000, the costs for quotation on the New Stock Market of El.En. S.p.A. were registered among the intangible assets. Under the heading “Expenses for formation and expansion” 3.500 million lira were registered, of which 2.141 million were for commissions paid to sponsors, global coordinator, and the placement consortium, and 1.500 million lira approx. were spent for professional services needed for admission to the stock market, like legal “due diligence”, revamping of the internal auditing system, communication and publicity expenses. The above mentioned expenses amounted to a total of 700 million approx. for the financial year.

As shown in the continuation of this report regarding the inspection conducted by the *Guardia di Finanza* (Internal Revenue Service) on January 23rd 2001, at the main offices of El.En. S.p.A., the company, although convinced of the correctness of its accounting operations, decided to set up a reserve fund of 800.000.000 lira, in the eventuality that payment for presumed back taxes might arise from a citation issued on the basis of the above mentioned inspection.

The operating profit dropped from 13.245 million in 1999 to 12.052 million in 2000, and was heavily influenced by the increased amortisations required to sustain the costs for quotation on the New Stock Market and for the provisions made for payments that might be necessary on the basis of the inspection conducted by the internal revenue authorities. The percentage amount of the production value of the operating profit therefore dropped from 27% in 1999 to 23% in 2000.

Financial management showed a result of 344 million lira earnings also for the interest matured on the amounts received after the capital transactions made by the parent company, El.En. S.p.A.

The fiscal costs for this financial period were influenced by the effects of the Dual Income Tax (DIT) which set a lower percentage amount of taxes on the taxable income.

Net profit of the Group for the financial period is approx 5.817 million lira, up 4,4% over the preceding year.

The chart below shows the reclassified statement of financial position as of December 31st 2000 compared with that of December 31st 1999.

Balance sheet Millions of lira	31-dec-00	31-dec-99
Intangible assets	2.900	61
Tangible assets	7.173	6.609
Equity investments	2.110	1.985
Other investmetns	815	603
Total fixed assets (A)	**12.998**	**9.257**
Stocks	13.060	7.797
Trade Debtors	13.855	9.534
Other debtors	2.885	4.467
Total current assets (B)	**29.800**	**21.798**
Trade creditors	(11.691)	(9.193)
Other debitors	(3.150)	(6.624)
Totale current liabilities (C)	**(14.841)**	**(15.818)**
Net working capital (D)= B+C	**14.960**	**5.980**
Employee severance indemnity	(1.096)	(895)
Other provisions	(2.488)	(1.607)
Mid and long terms Creditors (E)	**(3.584)**	**(2.502)**
Net invested capital (A + D + E)	**24.374**	**12.735**
Group shareholders' equity	84.662	12.729
Minority interest on equity	2.541	2.044
Net medium and long term financial debts	5.819	6.588
Net short term financial debts (*)	(68.648)	(8.625)
Shareholders' equity and financial debts	**24.374**	**12.735**
Memorandum accounts		
Real guarantees	6.569	6.549
Stocks held by third parties	2.361	1.213
Tangible assets held by third parties	867	682
Total memorandum accounts	**9.797**	**8.444**

(*)the detail of the net financial short term debts is as follows:

Millions of lira	31-dec-00	31-dec-99
Financial liabilities due within 12 months	778	611
Cash in banks and on hand	(69.427)	(9.236)
Total	**(68.648)**	**(8.625)**

Net financial position		
Millions of lira	**31-dec-00**	**31-dec-99**
Financial mid and long term debts	(5.819)	(6.588)
Financial mid and long term debts	**(5.819)**	**(6.588)**
Financial liabilities due within 12 months	(778)	(611)
Cash in banks and on hand	69.427	9.236
Net financial short term position	**68.648**	**8.625**
Total financial net position	**62.830**	**2.038**

At the end of the financial year 2000, the Group shows a net financial position in the black for 62,8 billion lira approx. This profit is due mainly to the income from two increases in capital with payment effected during the financial period. The first, in the month of May, which saw the Banca Toscana Spa, become a partner, with a cash issue of 17,5 billion lira; the second, directed for the quotation of El.En. S.p.A. shares on the New Stock Market with a net income after commissions of approx 48 billion lira.

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 Deka M.E.L.A. Srl operate.

The effects of this amount of cash available have had a positive influence on the results of the financial management of the company and have contributed to the net profits shown at the end of the financial period.

2) Financial results of the subsidiary companies

The table below contains a brief summary of the financial results of the companies which are part of this group (consolidated results).

Millions of lira	**Net turnover 2000**	**Net turnover 1999**	**Variaz. %**	**Net income 2000**	**Net income 1999**
Deka Mela Srl	24.709	21.129	16,94%	3.439	3.260
Cutlite Penta Srl	10.782	9.934	8,55%	211	517
Valfivre Italia Srl	1.173	885	32,48%	86	39
Deka Sarl	2.185	2.045	6,85%	(281)	2
Ot-Las Srl	2.834	2.714	4,43%	(95)	15
Neuma Laser Srl	239	153	56,44%	3	5

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 an improvement over the already exceptional results of the preceding year. The total invoiced amount was 24.709 million lira and the net profit reached 3.439 million, an increase of 5% over the preceding financial year, and a result which confirms the positive development phase of the company.

Cutlite Penta Srl

This company produces industrial laser systems for cutting and marking, and installs CNS controlled movement on laser power sources produced by El.En S.p.A. The financial year 2000 ends with a profit of 211 million lira which represents a drop from the preceding financial year which showed a profit of 517 million. The company, however has consolidated its position on the Italian and foreign market and the foundations have been laid for a phase of development which is expected for 2001.

Valfivre 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 shows a profit of 86 million lira, an increase over the preceding year, which is due to the rise in amounts invoiced for special laser applications.

Ot-Las Srl

As in the preceding financial year, the company operated in the sector of industrial laser systems for cutting and marking. For the financial year it shows a loss of 95 million lira, a result which reflects the repositioning on the market of a highly innovative range of products which the company offered in the industrial marketing sector.

Neuma Laser Srl

This company carried out its activity in the after-sales technical 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. The financial year 2000 shows a profit of 3 million lira.

Deka Sarl

This company acts as a distributor in France for medical laser equipment produced by El.En. S.p.A. The financial year 2000 shows a loss of FRF 950.520, equivalent to 281 million lira. This loss is due to the fact that the company was unable to reach the sales volume that was expected, and on the basis of which the number of employees in the sales department had been increased, so that the over head costs were not entirely covered by the sales margin. The company also conducted a promotional campaign, which, in view of the fact that it also targeted other markets besides the French one, benefited the other companies of the group, and in particular the parent company El.En. S.p.A

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 as of December 31st 2000.

	LOANS RECEIVABLE		RECEIVABLES		TOTAL
	< 1 YEAR	> 1 YEAR	< 1 YEAR	> 1 YEAR	
ASSOCIATED COMPANIES					
QUANTA SYSTEM Srl	13.501.000		92.660.712		106.161.712
M&E CO.			24.970.680		24.970.680
LASIT Srl			3.336.000		3.336.000
Total	13.501.000		120.967.392		134.468.392

	FINANCIAL PAYABLES		COMMERCIAL PAYABLES		TOTAL
	< 1 YEAR	> 1 YEAR	< 1 YEAR	> 1 YEAR	
ASSOCIATED COMPANIES					
QUANTA FIN Srl	1.170.000.000				1.170.000.000
QUANTA SYSTEM Srl			23.303.520		23.303.520
Total	1.170.000.000		23.303.520		1.193.303.520

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.

INTERCOMPANY COSTS OF PRODUCTION	PURCHASES RAW MATER.	SERVICES PROVIDED	OTHER	TOTAL
ASSOCIATED COMPANIES				
QUANTA SYSTEM Srl	175.293.900	719.600		176.013.500
LASIT Srl	60.500.000			60.500.000
Total	235.793.900	719.600		236.513.500

INTERCOMPANY EARNINGS	SALES	SERVICES PROVIDED	TOTAL
ASSOCIATED COMPANIES			
QUANTA SYSTEM Srl	126.532.000	730.000	127.262.000
M&E CO.	23.678.026		23.678.026
LASIT Srl	4.410.000		4.410.000
Total	154.620.026	730.000	155.350.026

Financial debts for an amount of 50.999.178 lira have been included in the financial statement of the parent company of the group, El.En. S.p.A., and refer 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 2000, 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.

The chart below shows the costs sustained by the Group for research activities carried out during 2000.

(Millions of lira)	**31/12/00**
Costs for personnel and general expenses	2.846
Costs for instruments and equipment	60
Costs for building of prototypes	565
Costs for technological consultants	285
Services provided	176
Total	**3.932**

As has been our usual policy, the expenses listed in the chart have been entirely registered among the operating costs for the fiscal year. Among the many activities which have been conducted by the Company the following are some of the most significant: development of components for maneuvering the laser ray, development of sealed and semi-sealed tubes for CO_2 lasers with direct current and in radio-frequency, the development of new laser uses for preservation restoration, development of a process for improving the characteristics of the laser ray for industrial cutting and marking, creation of devices for registering and recording the profile of the laser rays.

For payment of the above mentioned expenses, the company has received income and reimbursements both by re-invoicing the expenses and by receiving contributions in the form of tax credits for a total of 330 million lira. The remaining amount of research funds have been self-financed. The financial income from research, which are partially included under the heading of “Other financial income”, saw a drop of approx. 300 million lira, which was mostly a consequence of the failure to conclude an important research contract with MURST (Ministry for the University and for Scientific and Technological Research) for reimbursement of expenses, which have, in any case been included among the operating expenses.

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	Deputy member	Forli’, 17 June 1940
Andrea Cangioli	Deputy member	Florence, 30 December 1965
Francesco Muzzi	Board member	Florence, 9 September 1955
Marco Canale**	Board member	Napoli, 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:

a. On September 5th 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.

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 Cangioli, 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) 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 240.000.000 lira, by issuing up to 240.000 ordinary shares with a nominal value of 1.000 lira 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 Novembre 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 4.640.089.000 lira 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.

The option rights will be granted exclusively to the following categories: executives, employees and labourers of the Group who, at the moment when the option is granted are working in a subordinate position for the Company.

7) Equity investments of the administrators, controllers and general directors

Some of the members of the Board of Directors have corporative positions in the subsidiary and associated companies: Mr. Clementi is Executive Director of Valfivre Italia Srl, Mrs. Bazzocchi is Executive Director of Cutlite Penta Srl, Mr. Cangioli is Executive Director of Neuma Laser Srl; Mr. Muzzi is President of Deka M.E.L.A. Srl, and, also, Mr. Cangioli is a member of the Board of Directors of Quanta System Srl and di Quanta Fin Srl. The president of the *Collegio Sindacale*, Dr. Pilla is auditor of Deka M.E.L.A. Srl, Cutlite Penta Srl, Lasit Srl and di Quanta System Srl.

In accordance with art. 79 of the Consob regulations which were adopted with vote no.11971 on May 14th 1999, the shares held by the administrators and auditors of the company and their family members were as follows:

Name	*Company*	*Number of shares at the end of the previous period*		*Number of shares acquired*		*Number of shares sent*	*Number of shares at the end of the current period*
Andrea Cangioli	*El.En. S.p.A.*	*564.000*	*	*161.144*	**	*103.422*	621.722
Barbara Bazzocchi	*El.En. S.p.A.*	*420.000*	*	*120.000*	**	*54.026*	485.974
Gabriele Clementi	*El.En. S.p.A.*	*420.000*	*	*120.000*	**	*54.026*	485.974
Francesco Muzzi	*El.En. S.p.A.*	*420.000*	*	*120.000*	**	*54.026*	485.974
Immobiliare del Ciliegio Srl ***	*El.En. S.p.A.*	*240.000*	*	*68.571*	**	-	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
Silvia Cangioli	*El.En. S.p.A.*			*50*			50

* For a correct representation of the variations that have occurred in share ownership, the number of shares on December 31st 1999 has been rectified in consideration of the decision voted by the special assembly on July 7th 2000, which changed the nominal value from 10.000 lira to 1.000 lira.

** The number of shares acquired is a result of the increase in free capital voted by the special assembly on July 7th 2000.

*** L'immobiliare del Ciliegio Srl is a company with its main office in Prato and a share capital of 4.944.800.000 lira. Andrea Cangioli is owner of the direct property rights for an amount of 1.236.200.000, equivalent to 25% of the share capital. Silvia Cangioli is owner of the direct property rights for an amount of 1.236.200.000, equivalent to 25% of the share capital.

8) Own shares

The Company does not possess shares of its own stock and nor do the other companies of the Group.

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

All software used for purposes of administration, management and planning were checked out for problems related to the year 2000. The same was done for all the software installed on our products. The changeover to the new millennium on January 1st 2000 caused no problems.

The software programs used by the companies belonging to the Group will permit the switch over of accounting in lira to Euro. This change will take place by January 1st 2002.

10) Noteworthy events which took place during the financial year

The most important event which took place during the financial year was the Company being admitted to quotation on the New Stock Market and the offer to the public for sale and underwriting of the Company's stock with the aim of having them quoted on the New Market managed by *Borsa Italiana S.p.A.* In this connection please refer to the Appendix.

11) Noteworthy events which took place after the close of the financial year

Company activity during the first months of the financial year showed no particular difference with respect to the production volume and margin of the preceding year.

On January 23rd 2001 the majority share of the DEKA-LMS Gmbh company was purchased, by means of an increase in capital equivalent to 1 million DM (approx. 1 billion lira). DEKA-LMS Gmbh is the offspring of the company which was held by our distributor in Germany for the aesthetic/medical sector, who holds the minority share quota and maintains the general management of the new activity. This associated company has been created for the purpose of intensifying our activity in Germany in order to penetrate what is one of the most important markets in the world in the medical/aesthetic sector.

On May 8th 2001, a citation called *Processo Verbale di Constatazione* (PVC) was delivered to the Company after an inspection begun by the *Guardia di Finanza* (Internal Revenue Service) on January 23rd 2001. This citation was related to the presumed failure to pay the full amounts due for certain taxes (IRPEG, IRAP, IVA) for a total of 1.252.000.000 lira approximately. The company, though convinced of the correctness of its operations, decided, as a precautionary measure, to set a side a reserve fund of 800.000.000 lira in the eventuality that the issuance of judicial acts require payment in relation to the above mentioned citation.

12) 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. The main objective for the present financial year is the penetration of the international markets by means of special marketing and advertising programs which can now be implemented thanks to the increase in capital effected in 2000.

for the Board of Directors
President

Ing. Gabriele Clementi