

El.En. S.p.A.

Report for the financial year closed on 31/12/2001

ASSETS	31/12/2001	31/12/2000
A) SUBSCRIBED UNPAID CAPITAL		
Total subscribed unpaid capital		
B) FIXED ASSETS		
I) Intangible assets		
1) Formation and expansion expenses	1.110.271	1.480.627
4) Concessions, licenses, trade marks and similar rights	8.264	
6) Intangible assets in progress and payments on account	83.638	
7) Other	23.783	13.913
Total intangible assets	1.225.956	1.494.540
II) Tangible assets		
1) Land and buildings	2.500.166	2.580.028
2) Equipment and machinery	142.807	144.441
3) Industrial and commercial equipment	173.584	128.682
4) Other	263.240	270.574
5) Tangible assets under construction and payments on account	16.169	
Total tangible assets	3.095.966	3.123.725
III) Financial fixed assets		
1) Equity investments in :		
a) subsidiary companies	704.793	193.501
b) associated companies	258.516	263.477
d) other companies	171.941	42.569
Total equity investments	1.135.250	499.547
3) Other investments	76.709	76.709
Total financial fixed assets	1.211.959	576.256
TOTAL FIXED ASSETS	5.533.881	5.194.521
C) CURRENT ASSETS		
I) Stocks:		
1) Raw materials and consumables	3.447.986	2.737.376
2) Work in progress and components	2.143.899	1.778.988
4) Finished goods	898.779	840.412
Total stocks	6.490.664	5.356.776
II) Debtors		
1) Trade debtors		
- due within 12 months	2.060.929	2.368.930
Total trade debtors	2.060.929	2.368.930
2) Amounts owed by subsidiary companies		
- due within 12 months	6.057.005	4.562.616
- due after 12 months	333.115	
Total amounts owed by subsidiary companies	6.390.120	4.562.616
3) Amounts owed by associated companies		
- due within 12 months	138.435	69.447
Total amounts owed by associated companies	138.435	69.447
5) Other debtors		
- due within 12 months	1.144.149	585.404
- due after 12 months	353.185	261.574
Total amounts owed by other debtors	1.497.334	846.978
Total debtors	10.086.818	7.847.971
III) Investments which are not permanent		
Total investments which are not permanent		
IV) Cash at bank and in hand		
1) Bank and postal current accounts	28.996.643	32.104.991
3) Cash on hand	4.379	4.684
Total cash at bank and in hand	29.001.022	32.109.675
TOTAL CURRENT ASSETS	45.578.504	45.314.422
D) PREPAYMENTS AND ACCRUED INCOMES:		
1) Prepayments and accrued income assets	44.296	9.270
Total prepayments and accrued incomes	44.296	9.270
TOTAL ASSETS	51.156.681	50.518.213

LIABILITIES		
A) CAPITAL AND RESERVES		
I) Subscribed capital	2.392.000	2.375.702
II) Share premium reserve	34.210.711	34.227.009
III) Revaluation reserve		
IV) Legal reserve	267.626	156.393
V) Reserve for own shares		
VI) Reserves provided for by the articles of association		
VII) Other reserves:		
- Extraordinary reserve	2.427.109	1.233.680
- Reserve for contribution on capital account	426.657	426.657
- Other reserves	4	-2
<i>Total other reserves</i>	2.853.770	1.660.335
VIII) Profits (loss) brought forward		
IX) Profit (loss) for the financial period	2.785.340	2.224.662
TOTAL CAPITAL AND RESERVES	42.509.447	40.644.101
B) PROVISIONS FOR RISKS AND CHARGES		
1) Provisions for pensions and similar obligations	161.477	148.026
2) Provisions for taxation	494.635	509.737
3) Other provisions	110.262	105.321
Total provisions for risks and charges	766.374	763.084
C) EMPLOYEE SEVERANCE INDEMNITY	461.959	344.730
D) CREDITORS		
1) Debenture loans		
- due after 12 months	619.748	619.748
<i>Total debenture loans</i>	619.748	619.748
3) Amounts owed to banks		
- due within 12 months	219.731	224.841
- due after 12 months	826.331	1.032.914
<i>Total amounts owed to banks</i>	1.046.062	1.257.755
4) Amounts owed to other financial institutions		
- due within 12 months	127.064	122.490
- due after 12 months	611.891	738.955
<i>Total amounts owed to other financial institutions</i>	738.955	861.445
5) Advances received		
- due within 12 months	125.686	6.285
<i>Total advances received</i>	125.686	6.285
6) Amounts owed to suppliers		
- due within 12 months	3.474.829	4.306.013
<i>Total amounts owed to suppliers</i>	3.474.829	4.306.013
8) Amounts owed to subsidiary companies		
- due within 12 months	223.737	315.325
<i>Total amounts owed to subsidiary companies</i>	223.737	315.325
9) Amounts owed to associated companies		
- due within 12 months	1.518	12.035
- due after 12 months	191.089	604.255
<i>Total amounts owed to associated companies</i>	192.607	616.290
11) Amounts owed to tax administration		
- due within 12 months	162.092	161.837
<i>Total amounts owed to tax administration</i>	162.092	161.837
12) Amounts owed to social security institutions		
- due within 12 months	223.920	153.577
<i>Total amounts owed to social security institutions</i>	223.920	153.577
13) Other creditors		
- due within 12 months	476.335	321.525
<i>Total other creditors</i>	476.335	321.525
TOTAL CREDITORS	7.283.971	8.619.800
E) ACCRUALS AND DEFERRED INCOME		
1) Accruals and deferred income-liabilities	134.930	146.498
Total accruals and deferred income	134.930	146.498
TOTAL LIABILITIES AND CAPITAL AND RESERVES	51.156.681	50.518.213

PROFIT AND LOSS ACCOUNT	31/12/2001	31/12/2000
A) VALUE OF PRODUCTION		
1) Net turnover from sales and services	16.428.378	15.263.730
2) Variation in stocks of finished goods and in work in progress	423.278	1.359.639
4) Work performed for own purposes and capitalised	95.660	40.152
5) Other revenues and income		
a) Other revenues and income	187.499	152.832
b) Grants received pertaining to the current year	11.982	12.051
<i>Total other revenues and income</i>	<i>199.481</i>	<i>164.883</i>
TOTAL VALUE OF PRODUCTION	17.146.797	16.828.404
B) COSTS OF PRODUCTION		
6) For raw materials, consumables and goods for sale	-9.090.813	-8.522.287
7) For services	-3.622.580	-3.066.240
8) For use of assets owned by others	-4.407	-2.844
9) For staff costs:		
a) wages and salaries	-1.934.534	-1.411.047
b) social security costs	-617.914	-450.606
c) provision for severance indemnity	-123.197	-86.108
<i>Total for staff costs</i>	<i>-2.675.645</i>	<i>-1.947.761</i>
10) Value adjustments		
a) amortisation of intangible assets	-396.820	-385.488
b) depreciation of tangible assets	-440.869	-345.404
d) allowance for debtors in current assets and other acc.s incl. in cash	-71.950	-35.444
<i>Total value adjustments</i>	<i>-909.639</i>	<i>-766.336</i>
11) Variations in stock of raw materials, consumables and goods for resale	710.610	1.156.600
12) Amounts provided for risk provisions	-38.256	-416.019
14) Other operating charges	-190.402	-206.064
TOTAL COSTS OF PRODUCTION	-15.821.132	-13.770.951
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	1.325.665	3.057.453
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments:		
a) in subsidiary companies	904.618	926.547
b) in associated companies	536.504	
<i>Total income from equity investments</i>	<i>1.441.122</i>	<i>926.547</i>
16) Other financial income:		
b) from other permanent investments other than equity investments	3.760	3.371
c) from other investments which are not permanent	131.093	13.280
d) other income not included above		
- to subsidiary companies	25.907	
- to third parties	1.138.791	323.406
<i>Total other income not included above</i>	<i>1.164.698</i>	<i>323.406</i>
<i>Total other financial income</i>	<i>1.299.551</i>	<i>340.057</i>
17) Interest payable and similar charges		
a) to subsidiary companies		-9.956
b) to associated companies	-21.634	-26.339
d) to third parties	-231.731	-216.086
<i>Total interest payable and similar charges</i>	<i>-253.365</i>	<i>-252.381</i>
TOTAL FINANCIAL INCOME AND CHARGES	2.487.308	1.014.223
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS		
19) Devaluation		
a) of equity investments	-147.931	-85.802
<i>Total devaluation</i>	<i>-147.931</i>	<i>-85.802</i>
TOTAL VALUE ADJUSTMENTS	-147.931	-85.802
E) EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
a) income	24.552	10.847
<i>Total extraordinary income</i>	<i>24.552</i>	<i>10.847</i>
21) Extraordinary charges		
a) charges	-13.442	-8.257
<i>Total extraordinary charges</i>	<i>-13.442</i>	<i>-8.257</i>
TOTAL EXTRAORDINARY INCOME AND CHARGES	11.110	2.590
PROFIT OR LOSS BEFORE INCOME TAXES	3.676.152	3.988.464
22) Income taxes on the income of the period:		
a) current	-1.009.865	-1.902.687
b) deferred	119.053	138.885
23) NET TOTAL PROFIT (LOSS)	2.785.340	2.224.662

Appendix to the report for the financial year closed on 31/12/2001

Form and content of the financial statement

1) CRITERIA USED FOR DRAWING UP THE STATEMENT

The following consolidated financial statement is in conformity with articles 25 and following of legislative decree 127/91; it contains the statement of financial position, profit and loss account and the appendix, which has been drawn up in accordance with article 38 of the above mentioned Legislative Decree, and which constitutes an integral part of the consolidated annual report. All data related to the preceding financial year, when shown for a better comprehension of the statement, has been reclassified.

In particular, the following entries have been modified for registration in the financial statement:

Balance sheet:

Fork lifts: dfromB.II.2. Equipment and machinery to B.II.4. Other goods

Provisions for contingencies and tax liabilities: from B.3 Other funds to B.2 Provisions for taxes

Profit and loss account:

The differences asset exchanges: from A.5 Other income to C.16.d. Other financial income

The differences liability exchanges: from B.14 Various management costs to C.17 Interests and other financial costs

2) EVALUATION CRITERIA

a) General criteria

The accounting principles and the evaluation criteria used have been applied uniformly to all the consolidated firms. The evaluation criteria used for the consolidated report are those used by the head company of the Group, El.En. S.p.A. and they are in conformity with the laws now in force which have been cited above, integrated and interpreted by the Accounting Principals issued by the National Council of Certified Accountants (*Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*). The evaluation of the entries in the financial statement is based chiefly of general criteria of competence and prudence with a view to the continuing activity of the company. For accounting purposes, prevalence has been given to the economic substance of the operations as opposed to their juridical form; as far as the financial activities are concerned, they are registered in the statement at the moment they are settled. The profits are included only if they have made by the time the financial year has closed, while risks and losses are taken into account, even if they became known at a later date. The heterogeneous elements included in the single entries of the report have been evaluated separately. Capital and reserve elements which are going to be used over a long period of time have been classified as assets.

b) Value adjustments

The value of material and immaterial goods whose usefulness is limited in time is adjusted by decreasing it through the instrument of amortisation. The analytic methodology of amortisation and devaluation which have been used are described further on in this Appendix.

c) Revaluations

No revaluations have been made.

d) Exceptions

During this and the past financial year no exceptions have been made to the evaluation criteria established by the legislation for annual and consolidated reports.

e) Accounting entries which appear only for purposes of conforming with tax laws

In the financial statement and the consolidated statement for the financial year for some of the consolidated firms, there are entries which appear only for the purposes of conforming with tax laws, in particular early amortisations in excess of those necessary for splitting up the cost of the asset on the basis of what the estimated useful life of the asset itself is.

Main principles and criteria are as follows:**f) Intangible fixed assets**

The costs of formation and expansion are described under the heading of the same name among the assets and amortisations over a period of 5 years. The costs of research and development and for publicity have been entered entirely in the profit and loss account for the financial year in which they were incurred. Licenses, trade-marks and patents have been entered in the report at cost of purchase and are systematically amortised over a 5 year period. Software is entered at the cost of purchase and is amortised in 3 years.

g) Tangible assets and amortisations

Tangible assets are entered at the cost of purchase or production, including accessory charges, net from amortisations. Expenses for ordinary maintenance have been entirely entered in the profit and loss account. Maintenance expenses of an increasing nature have been attributed to the item to which they refer and amortised on the basis of the remaining possibility for use of the item itself.

The aliquots used for amortisation are unvaried with respect to last year and reduced to half for the first fiscal year, as shown:

<i>Description</i>	<i>Amortisation percentage</i>
<i>Land and buildings</i>	
- industrial structures	3,00%
<i>Plants and machinery</i>	
- generic plants and machinery	10,00%
- specific plants and machinery	10,00%
- other plants and machinery	15,50%
<i>Industrial and commercial equipment</i>	
- miscellaneous ad minute equipment	25,00%
- kitchen equipment	25,00%
<i>Other goods</i>	
- goods art. 67 T.U.	100,00%
- motor vehicles	25,00%
- forklift	20,00%
- electronic office equipment	20,00%
- furniture and decor	12,00%

In conformity with present laws, the aliquot for the amortisation of automatic operating machinery has risen from 12.5% to 15.5% and that for fork lifts from 10% to 20%. These variations do not have any significant effect on this financial statement.

We have systematically set aside the early amortisations which, considering the types of company goods and the use to which they are put, must be considered excessive with respect to what is necessary for splitting the cost in function of the possibility for continued use, for all the tangible assets except motor vehicles and electronic office equipment. With the exception of these two categories, these entries should be interpreted as entries made only in order to comply with tax laws.

h) Financial investments*- Investments in subsidiary and associated companies*

The assets which consist of equity investments in associated companies have been evaluated according to the cost method, which, when necessary, is discounted in relation to losses of a certain duration by the company in which the investment has been made. Any capital losses are entered in the profit and loss account, in the column "devaluation of equity investments".

Since the necessary conditions exist, a consolidated balance sheet has been drawn up.

- Other financial assets and investments

All other financial assets and investments are evaluated at cost. In the case of long lasting losses, deriving also from the quotations on the stock market of the shares quoted, a suitable value adjustment is made and during the financial period in which the conditions for value adjustments are no longer viable, the value before devaluation will be entered again.

i) Inventory*- Raw materials, work in progress and finished products*

Inventory is evaluated at the coat of purchase or of manufacture, whichever is less, including accessory charges, and the amount for which it can be sold in consideration of the present market trend. Stocks of obsolete items or those with a slow turn-over are devaluated bearing in mind the possibilities of reuse and sale. The cost system used is that which is called LIFO (last in, first out), calculated annually. Inventory of work in progress is evaluated on the basis of the cost of production.

j) Accounts receivable

Accounts receivable are shown at their presumed cashing-in value. This amount is obtained by direct value adjustment of the amounts, effected analytically for the larger sums and on a lump sum basis for the smaller amounts

k) Financial activity not constituting assets

Stock is evaluated at the purchase price, or, in the case of stocks quoted on the stock market, at the selling price on the basis of the market trend, if it is less.

l) Prepayments and accrued income

The principle of temporal competence is implemented by aligning assets and liabilities of the prepayments and accrued income.

m) Provisions for contingencies and liabilities

Provisions for contingencies are entered among the liabilities on the Balance Sheet for the purpose of covering any potential liabilities charged to the company, the eventuality of which are felt to be probable on the basis of a realistic estimate. The product guarantee fund covers charges derived from a realistic estimate of the quantity of service given to products under warranty which must be given in accordance with contractual obligations.

n) Severance pay for dependent workers

The accrual corresponds to the entire amount of severance pay which must be paid to dependent workers in accordance with laws now in force.

o) Amounts owed

Amounts owed are shown at nominal value.

p) Contingencies, obligations and guarantees

Obligations and guarantees are shown in the memorandum at their contract value. Risks for which a liability is probable are described in the explanatory notes and accrued according to consistent characteristics in the amounts provided for contingencies.

Contingencies for which a liability is only possible are described in the explanatory notes, without accruing funds in the provisions for contingencies, in accordance with the accounting principles being used. Risks which are only remotely possible are not considered.

q) Recognition of income

Income from the sales of products is recognised at the time that ownership is transferred, and this is normally considered to be the moment of delivery or shipment of the goods. Financial income is recognised on the basis of temporal competence.

r) Accounts in foreign currency

Accounts receivable and payable in foreign currency are evaluated at the rate of exchange at the end of the financial year. Profits and losses from conversion of currency are added or subtracted from the profit and loss account.

s) Capital account

In order to pay the expenses of research and development which is charged each year to the profit and loss account, the Company receives, mostly from the Ministry for Scientific Research, a free grant which is registered for the financial year in which it is issued. In the past, as was permitted by regulations at the time, the Company took advantage of the possibility of suspending these grants, either entirely or for 50%, in a Reserve of the Shareholders' equity. Since 1998 these funds have been entirely entered into the profit and loss account.

t) Taxes

Current tax reserves have been set aside according to present aliquots and laws in force, on the basis of a realistic estimate of taxable income and bearing in mind possible exemptions. Liability toward the internal revenue service for these taxes is entered in the balance sheet among the amounts owed to tax authorities net from advance payments.

Deferred tax funds have been set aside according to the differences of a temporary nature between assets and liabilities recognised for tax purposes and those on the balance sheet drawn up according to legal regulations; liabilities have been set aside in the provisions for taxes and the assets have been entered under the heading of "Accounts receivable from others" payable after the next financial year.

Analysis of the different entries in the financial statement:

Assets

B) Fixed assets

I – Intangible assets

The balance of intangible assets at the beginning and at the end of the financial year was composed as follows:

<i>Categories</i>	Balance 31/12/2000	Increments	Revaluation (Devaluation)	Other Operations	(Amortisations)	Balance 31/12/2001
Formation and expansion expenses	1.480.627				-370.356	1.110.271
Concessions, licences, trade marks and similar rights		12.395			-4.131	8.264
Other	13.913	32.203			-22.333	23.783
Intangible assets in progress and payments on account		83.638				83.638
<i>Total</i>	1.494.540	128.236			-396.820	1.225.956

<i>Categories</i>	31/12/2001			31/12/2000		
	Cost	(Amortisations)	Net value	Cost	(Amortisations)	Net value
Formation and expansion expenses	1.866.239	755.968	1.110.271	1.866.239	385.612	1.480.627
Concessions, licences, trade marks and similar rights	12.395	4.131	8.264			
Other	86.147	62.364	23.783	53.944	40.031	13.913
Intangible assets in progress and payments on account	83.638		83.638			
<i>Total</i>	2.048.419	822.463	1.225.956	1.920.183	425.643	1.494.540

<i>Description</i>	Past cost	Accumulated amortisations	Residual value
Year 1996 - Formation and expansion expenses	14.459	14.459	
Year 1997 - Formation and expansion expenses	1.329	1.329	-
Year 2000 - Formation and expansion expenses	1.850.451	740.180	1.110.271
<i>Total</i>	1.866.239	755.968	1.110.271

The amount shown under the item “costs of formation and expansion” consists for the most part, of the capitalisation of the amounts paid during the financial period 2000, for quotation on the new stock market (*Nuovo Mercato*). Included in the investments in progress, there are the costs sustained by the Parent Company for the purchase of new software for management and accounting, which at the end of this financial period were still being implemented.

II – Fixed assets

The changes which took place in the fixed assets during the financial period are as follows :

<i>Cost</i>	Balance 31/12/2000	Increments	Revaluations and devaluations	Other operations	(Disposals)	Balance 31/12/2001
Land and buildings	2.929.725	8.152				2.937.877
Plants and machinery	223.669	35.073			-1.623	257.119
Industrial and commercial equipment	674.470	181.950			-6.809	849.611
Other goods	933.026	241.007			-46.763	1.127.270
Tangible assets under construction		16.169				16.169
<i>Total</i>	4.760.890	482.351			-55.195	5.188.046

<i>Amortisation provisions</i>	Balance 31/12/2000	Amortisations amount	Devaluations	Other operations	(Disposals)	Balance 31/12/2001
Land and buildings	349.697	88.014				437.711
Plants and machinery	79.228	35.570		1	-487	114.312
Industrial and commercial equipment	545.788	135.345			-5.106	676.027
Other goods	662.452	181.940		50.436	-30.798	864.030
Tangible assets under construction						
<i>Total</i>	1.637.165	440.869		50.437	-36.391	2.092.080

<i>Net value</i>	Balance 31/12/2000	Revaluations and increments	(Amortisations and devaluations)	(Disposals)	Balance 31/12/2001
Land and buildings	2.580.028	8.152		-88.014	2.500.166
Plants and machinery	144.441	35.073	-1	-35.570	142.807
Industrial and commercial equipment	128.682	181.950		-135.345	173.584
Other goods	270.574	241.007	-50.436	-181.940	263.240
Tangible assets under construction		16.169		-15.965	16.169
<i>Total</i>	3.123.725	482.351	-50.437	-440.869	3.095.966

<i>Amortisations provisions calculated according to useful duration of source</i>	Balance 31/12/2000	Amortisations amount	Devaluations	Other operations	(Disposals)	Balance 31/12/2001
Land and buildings	305.751	88.014				393.765
Plants and machinery	46.678	26.799		1	-243	73.235
Industrial and commercial equipment	463.828	106.119		-565	-2.553	566.829
Other goods	640.217	167.225		50.437	-30.489	827.390
Tangible assets under construction						
<i>Total</i>	1.456.474	388.157		49.873	-33.285	1.861.219

<i>Amortisations provisions exceeding if compared with the useful duration of source</i>	Balance 31/12/2000	Amortisations amount	Devaluations	Other operations	(Disposals)	Balance 31/12/2001
Land and buildings	43.946					43.946
Plants and machinery	32.550	8.771			-244	41.077
Industrial and commercial equipment	81.960	29.226		565	-2.553	109.198
Other goods	22.235	14.715		-1	-309	36.640
Tangible assets under construction						
<i>Total</i>	180.691	52.712		564	-3.106	230.861

The most valuable item is the real estate property in Via Baldanzese in Calenzano where the parent company and three of the subsidiaries are based. The considerable increase in investments in tangible assets involved, in particular, equipment for sales demonstrations and clinical experimentation for the medical-cosmetic sector. Moreover, much of the laboratory equipment for research was replaced and the hardware network of the Administrative Offices and Research and Development offices were extended, in consideration of the increased number of staff members. Other than these, no single investment of an extraordinary nature or involving a particularly large sum of money was made..

Assets which are presently in the hands of third parties for demonstration and clinical experimentation amount to 229.686 euros

In the chart for amortisation funds, the amount entered under the heading “other movements” is related to the cost of material goods for a value of under one million, as indicated by art. 67, as part of the profit and loss account for the financial period among the business expenses, and therefore not included among the amortisations.

Effects of early amortisations

During this and preceding financial years the company has made early amortisations, according to the limits prescribed by tax regulations. These amortisations, with the exception of those set aside for electronic office equipment and motor vehicles, exceed the amount calculated on the basis of the useful economic-technical life of the item, and should be considered as value adjustments made only for the purpose of complying with tax laws. The counterpart of these early amortisations has been entered in the respective asset accounts.

Therefore, if the company had never entered on the balance sheet the early amortisations in excess of the useful life of the asset, the shareholders' equity and the result for the financial year would be greater, net of the relative fiscal effect of 40.25 percent equal to 138 thousand euros and 29 thousand euros, respectively.

III – Equity investments

The following chart shows the analysis of the financial investments:

Investments in subsidiary companies

Company name:	Headquarters	Share Capital	% owned	Value of charge	Capital and reserves on 31/12/2001	Result 31/12/2001	Fraction account C.R.	Difference
Deka M.E.L.A. Srl	Calenzano	40.560	70,00%	28.199	3.212.006	939.994	2.248.404	-2.220.205
Cutlite Penta Srl	Calenzano	103.480	53,50%	118.263	322.065	-271.634	172.305	-54.042
Valfivve Italia Srl	Calenzano	47.840	99,00%	47.039	133.413	-29.051	132.079	-85.040
Deka Sarl	Vienne (F)	76.250	98,00%		-43.519	-114.135	-42.649	42.649
Deka Lms GmbH	Freising (G)	51.129	51,55%	511.292	597.680	61.714	308.104	203.188
<i>Total</i>				704.793	4.221.645	586.888	2.818.243	-2.113.450

The difference between the charging value and the fraction related to the shareholders' equity of Deka Lms GmbH is due to the goodwill paid at the time of purchase.

As shown below, investment in the subsidiary company Deka Sarl was the subject of direct devaluation in consideration of the losses incurred for this financial period. For the losses exceeding the amount of investment, the company has set aside a sum in the reserve for risks and charges with the liabilities.

Investments in associated companies

Company Name:	Headquarters	Share Capital	% owned	Value of charge	Capital and reserves on 31/12/2001	Result 31/12/2001	Fraction account C.R.	Difference
Lasit Srl	Vico Equense (NA)	234.000	50,00%	110.814	717.471	33.191	358.736	-247.922
Quanta Fin Srl	Milan	10.400	50,00%	41.879	185.642	10.196	92.821	-50.942
Quanta System Srl	Milan	364.000	30,00%	104.583	353.603	45.506	106.081	-1.498
Actis Srl	Florence	10.200	12,00%	1.240	10.916	1.116	1.310	-70
M&E	Delaware (USA)	9.924	50,00%		9.924		4.962	-4.962
<i>Total</i>				258.516	1.277.556	90.009	563.909	-305.393

The associated company Actis Srl is still in the start-up phase and the evaluation of the investment has been maintained at cost. The investment in M&E has been discounted for the amount of 4.962 euros, which is the amount of the original cost, in consideration of the inactivity of the company.

Financial investments – composition

Company name:	31/12/2001			31/12/2000		
	Cost	Reval. (deval.)	Report value	Cost	Reval. (deval.)	Report value
Subsidiary companies:						
Deka M.E.L.A. Srl	28.199		28.199	28.199		28.199
Cutlite Penta Srl	118.263		118.263	118.263		118.263
Valfivire Italia Srl	47.039		47.039	47.039		47.039
Deka Sarl	100.320	-100.320		36.672	-36.672	
Deka Lms GmbH	511.292		511.292			
<i>Total</i>	805.113	-100.320	704.793	230.173	-36.672	193.501
Associated companies:						
Lasit Srl	110.814		110.814	110.814		110.814
Quanta Fin Srl	41.879		41.879	41.879		41.879
Quanta System Srl	104.583		104.583	104.583		104.583
Actis Srl	1.240		1.240	1.239		1.239
M&E Co.	4.962	-4.962		4.962		4.962
<i>Total</i>	263.478	-4.962	258.516	263.477	0	263.477
Other companies:						
Cesvit;Corites;CEO Confidi						
CALEF	10.955		10.955	10.955		10.955
R&S	516		516	258		258
RTM	155.970		155.970	26.856		26.856
EJTN	4.500		4.500	4.500		4.500
<i>Total</i>	171.941	0	171.941	42.569	0	42.569
Other investments:						
Securities	76.709		76.709	76.709		76.709
<i>Total</i>	76.709	0	76.709	76.709	0	76.709
<i>Total</i>	1.317.241	-105.282	1.211.959	612.928	-36.672	576.256

Company name:	Balance 31/12/2000	Financial year operations				Balance 31/12/2001
		Increments	(Disp. assets)	Revaluations (Devaluations)	Other	
Subsidiary companies:						
Deka M.E.L.A. Srl	28.199					28.199
Cutlite Penta Srl	118.263					118.263
Valfivire Italia Srl	47.039					47.039
Deka Sarl		149.450		-100.320	-49.130	
Deka Lms GmbH		511.292				511.292
<i>Total</i>	193.501	660.742	0	-100.320	-49.130	704.793
Associated companies:						
Lasit Srl	110.814					110.814
Quanta Fin Srl	41.879					41.879
Quanta System Srl	104.583					104.583
Actis Srl	1.239				1	1.240
M&E Co.	4.962			-4.962		
<i>Total</i>	263.477	0	0	-4.962	1	258.516
Other companies:						
Cesvit;Corites;CEO Confidi						
CALEF	10.955					10.955
R&S	258	258				516
RTM	26.856	129.114				155.970
EJTN	4.500					4.500
<i>Total</i>	42.569	129.372	0	0	0	171.941
Other investments:						
Securities	76.709					76.709
<i>Total</i>	76.709	0	0	0	0	76.709
<i>Total</i>	576.256	790.114	0	-105.282	-49.129	1.211.959

The investment in Deka Sarl was increased from 60% to 98% by means of an additional underwriting of the capital stock which took place during this financial year, as a consequence of the partial underwriting by third party partners of the increase which had been voted in order to make up for the losses and the reconstitution of the capital. During the preceding financial year, the investment had been the object of direct devaluation on account of the losses incurred up to the amount of the balance sheet and for the remainder, a reserve fund was set up in the Funds for Risks and Liabilities for the amount of 49.130 euros. During the financial year 2001 the funds were used and a further devaluation of 100.320 euros was incurred. Of this amount, 23.613 euros derived from the 2000 losses referred to El.En. S.p.A. which was due to the increase in the quota owned which is mentioned above, while 76.707 euros derived from the further direct devaluation effected on the value of the investment in consideration of the financial results of the period 2001. For the 2001 losses in excess of the amount of the investment, a further reserve was created in the Funds for Risks and Liabilities for 42.649 euros.

In January of 2001 El.En. S.p.A. concluded the purchase of the controlling interest of 51,55% in the new company DEKA Lms Gmbh founded by our distributor in Germany for medical-cosmetic laser equipment for the distribution of the medical-cosmetic products in that country. The operation comported an overall expense of 511.292 euros and the granting of interest-bearing financing for 255.646 euros for the purpose of providing cash in the start up phase of the activity of the company.

Following the implementing of the approval voted by the extraordinary assembly of the Institute for Mechanical Technology and Automation Research (*Istituto per le Ricerche di Tecnologia Meccanica e per l'Automazione S.p.A.*) on March 30th, 1999, related to the increase in capital, on December 2001 El.En. S.p.A. increased its investment in the Institute for the amount of 129.114 euros. From a financial standpoint, the operation was made by the cancellation of some debts that the Institute had towards the company.

The other CCT stocks which fall due on 01/04/2004 and are bound as a personal guarantee used for obtaining facilitated financing granted by MURST and paid by IMI. Comparison with the market value made at the time of this financial statement shows a capital gains with respect to the charge value.

Own stock

The company does not possess shares of its own stock.

Financial charges for amounts entered among the assets for this financial period

No financial charges were entered under the assets for this financial period..

C) Current assets

I -Inventory

Break-down of inventory is as follows:

<i>Stocks:</i>	31/12/2001	31/12/2000	Variation	Var. %
Raw materials and consumables	3.447.986	2.737.376	710.610	25,96%
Work in progress and semi finished products	2.143.899	1.778.988	364.911	20,51%
Finished products and goods for sale	898.779	840.412	58.367	6,95%
<i>Total</i>	6.490.664	5.356.776	1.133.888	21,17%

The inventory which is deposited with third parties for work, repair, technical assistance, demonstration and clinical experimentation, at the end of this financial period amounted to 1.073.059 euros.

Break down of inventory of raw materials is as follows:

Raw material:	31/12/2001	31/12/2000	Variation	Var. %
Optical components	551.677	452.757	98.920	21,85%
Electrical and electronic components	1.391.471	1.108.815	282.656	25,49%
Mechanical components	992.704	845.984	146.720	17,34%
Hydraulic components	277.493	159.315	118.178	74,18%
Empty cases	125.472		125.472	0,00%
Various materials	53.295	64.446	-11.151	-17,30%
Fitting and fixtures	179.041	227.688	-48.647	-21,37%
minus: devaluation provision	-123.167	-121.628	-1.539	1,27%
<i>Total</i>	3.447.986	2.737.376	710.609	25,96%

Comparison between the final inventories for the two financial periods shows the considerable increase in their quantity, which is due to the rise in production volume planned and the desires of the Group to increase its inventories in order to be able to respond better to changes in demand. As of 31/12/2001 the reserve for obsolescence of raw materials amounted to 123 thousand euros.

Break-down of the inventory of semi-finished products is as follows:

Semi finished products	31/12/2001	31/12/2000	Variation	Var. %
High voltage power supplies	428.782	276.155	152.627	55,27%
Assembled electronics boards	170.652	189.493	-18.841	-9,94%
Mechanical units	210.117	172.022	38.095	22,15%
Electrical units	38.817	181.298	-142.481	-78,59%
Hydraulic units	192.782	83.904	108.878	129,76%
Laser cavities and half-assembled sources	52.416	98.512	-46.096	-46,79%
Systems being assembled	1.083.868	777.604	306.264	39,39%
minus: devaluation provision	-33.535		-33.535	0,00%
<i>Total</i>	2.143.899	1.778.988	364.911	20,51%

The sharp rise shown in the quantity of semi-finished pieces is a result of the Group's policy of jobbing out the simplest parts of the manufacturing process and of the necessity of increasing the number of sets for assembly in circulation at the jobbers, where, as of 31/12/2001 a large portion of the semi-finished pieces listed above were deposited.

Break-down of the inventory of finished products is as follows:

Finished products:	31/12/2001	31/12/2000	Variation	Var. %
Medical lasers	764.392	543.034	221.358	40,76%
Industrial laser sources	143.303	196.611	-53.308	-27,11%
Medical fittings and accessories	112.962	126.590	-13.628	-10,77%
Other medical accessories	1.033		1.033	0,00%
Industrial laser systems	33.206		33.206	0,00%
minus: devaluation provision	-156.117	-25.823	-130.294	504,57%
<i>Total</i>	898.779	840.412	58.367	6,95%

The consistent devaluation made during the financial period on finished products refers mainly, to equipment used for sales demonstrations, for which it was considered prudent to show a decrease in value.

The LIFO reserve at the end of this financial period amounted to 154.225 euros.

II – Accounts receivable

Break-down of accounts receivable

Debtors can be analysed as follows

Debtors:	31/12/2001	31/12/2000	Variation	Var. %
Trade debtors	2.060.929	2.368.930	-308.001	-13,00%
Amounts owed by subsidiary companies	6.390.120	4.562.616	1.827.504	40,05%
Amounts owed by associated companies	138.435	69.447	68.988	99,34%
Other debtors	1.497.334	846.978	650.356	76,79%
<i>Total</i>	10.086.818	7.847.971	2.238.847	28,53%

	31/12/2001	31/12/2000	Variation	Var. %
Clients in Italy	1.154.827	1.308.542	-153.715	-11,75%
EC clients	832.870	779.028	53.842	6,91%
Clients outside of EC	226.633	383.802	-157.169	-40,95%
minus: devaluation provision for debtors	-153.401	-102.442	-50.959	49,74%
<i>Total</i>	2.060.929	2.368.930	-308.001	-13,00%

Accounts receivable in foreign currency amount to approx. 144.400 US dollars and about 13.700 British pounds and have been converted at the exchange rate that was valid at the date of this financial statement.

Amounts receivable from subsidiary companies

Trade receivables from subsidiary companies are inherent to typical management operations. Financial receivables entered among the amounts receivable after the next financial period from the subsidiary companies Neuma Laser Srl for euros 77.469 and Dekalms GmbH for euros 255.646 are financing issued to meet operating requirements. The remuneration for the first one is set at 5% annually, while for the second one it is equivalent to BCE interest rates + 2% up to a maximum of 5,5% for the first period and at BCE+2% for the following periods.

The break down of the inter-group sums for amounts receivable and amounts owed, and for expenses and income, is shown in the management report.

Analysis of other amounts receivable

Break down of the other accounts receivable is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
<i>becoming payable within the next fiscal year</i>				
IRPEG and IRAP credits	373.748		373.748	0,00%
VAT credits	541.712	422.862	118.850	28,11%
Security deposits	4.031	4.031		0,00%
Prepayments to suppliers	205.177	156.620	48.557	31,00%
Other credits	19.481	1.891	17.590	930,20%
<i>total becoming payable within the next fiscal year</i>	1.144.149	585.404	558.745	95,45%
<i>becoming payable after the next fiscal year</i>				0,00%
SP tax account	16.980	17.980	-1.000	-5,56%
Insurance policy TFM	156.313	140.819	15.494	11,00%
Credits for advanced taxes	179.892	102.775	77.117	75,03%
<i>total becoming payable after the next fiscal year</i>	353.185	261.574	91.611	35,02%
<i>Total</i>	1.497.334	846.978	650.356	76,79%

The financial period closed with a Value Added Tax (IVA) credit of 541,712 euros which was due to the intense exporting activity. The credit for IRPEG is derived from the difference between the advance payments deposited and the debt which has matured; this latter was influenced also by the fact that the part of the taxable income was subject to the facilitated aliquot of 7% granted to companies newly quoted on the stock market.

Among the accounts receivable within the next five years, we have entered 16,980 euros as an advance on the TFR payment, 156,313 euros as a debt toward the Reale Mutua Insurance which covers the TFM (executive bonus) of the administrators and the rest as credits for advanced tax payments.

Amounts receivable after more than five years

No amounts receivable after more than five years are entered on the balance sheet.

IV – Cash at bank and on hand

Cash at bank and on hand is composed as follows:

<i>Cash at Bank and in hand:</i>	31/12/2001	31/12/2000	Variation	Var. %
bank and postal current accounts	28.996.643	32.104.991	-3.108.348	-9,68%
cash in hand	4.379	4.684	-305	-6,51%
<i>Total</i>	29.001.022	32.109.675	-3.108.653	-9,68%

Disposal of cash on hand during this financial period was due mainly to the conclusion of the deal for the purchase of DEKA Lms GmbH, the granting of inter-group financing and the increase in net circulating capital for final inventory.

D) Prepayments and accrued income assets

Composition of prepayments and accrued assets is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
<i>Assets of accruals:</i>				
Interests	1.142	1.372	-230	-16,76%
<i>Total assets of accruals</i>	1.142	1.372	-230	-16,76%
<i>Assets of deferred incomes:</i>				
Premiums	35.460	2.969	32.491	1094,34%
Other assets of deferred incomes	7.694	4.929	2.765	56,10%
<i>Total assets of deferred incomes</i>	43.154	7.898	35.256	446,39%
<i>Total</i>	44.296	9.270	35.026	377,84%

The amounts entered among the prepayments and accrued income assets according to the accounting principles being used, do not represent phenomenon of particular interest or importance for the activity of the company.

LIABILITES

A) Shareholders' equity

Break-down of shareholders' equity

The chart below shows the main changes which have occurred in the shareholders' equity accounts during the past two financial periods.

<i>NET CAPITAL AND RESERVES:</i>	Balance 31/12/1999	Net income allocation	Dividends distributed	Other operations	Balance 31/12/2000
Subscribed capital	1.239.497			1.136.205	2.375.702
Share premium account				34.227.009	34.227.009
Legal reserve	53.971	102.422			156.393
Others reserves:					
Extraordinary reserves	146.848	1.274.624		-187.792	1.233.680
Reserve for contribution on capital account	797.962			-371.305	426.657
Other reserves				-2	-2
Profits (loss) brought forward		671.394	-671.394		
Profits (loss) of the year	2.048.440	-2.048.440		2.224.662	2.224.662
<i>Net total capital and reserves</i>	<i>4.286.718</i>		<i>-671.394</i>	<i>37.028.777</i>	<i>40.644.101</i>

<i>NET CAPITAL AND RESERVES:</i>	Balance 31/12/2000	Net income allocation	Dividends distributed	Other operations	Balance 31/12/2001
Subscribed capital	2.375.702	-	-	16.298	2.392.000
Share premium account	34.227.009	-	-	-16.298	34.210.711
Legal reserve	156.393	111.233	-	-	267.626
Others reserves:					
Extraordinary reserves	1.233.680	1.193.429	-	-	2.427.109
Reserve for contribution on capital account	426.657	-	-	-	426.657
Other reserves	-2	-	-	6	4
Profits (loss) brought forward	-	920.000	-920.000	-	-
Profits (loss) of the year	2.224.662	-2.224.662	-	2.785.340	2.785.340
<i>Net total capital and reserves</i>	<i>40.644.101</i>	<i>-</i>	<i>-920.000</i>	<i>2.785.346</i>	<i>42.509.447</i>

On June 29th 2001, the assembly voted to distribute the profits of the financial year 2000 as follows: euros 111.233 as legal fund, euros 1.193.429 as extraordinary reserves, and euros 920.000 for distribution as dividends.

The administrative office, since the conditions for the simplified procedure were present, proceeded with the conversion of the capital stock from lira to euros on November 14th 2001. The nominal value of each share was converted using the fixed rate of 1936,27 lira per euro and rounding off the result to the higher amount in hundredths. By using the additional paid-in capital in excess of par value. Consequently, the nominal value of each share was converted from 1000 lira to 0,52 euros.

Composition of the capital

The special assembly of July 7th 2000 voted to authorize, in accordance with art. 2443 of the Civil Code, to the Board of Directors, for a period of up to five years from the date of the deliberation, to increase one or more times with payment, the Capital Stock of the company for a maximum nominal sum 124.800 euros, by issuing a maximum of 240,000 ordinary shares with a nominal value of 0.52 euros each, to be made available at a price which will be determined by the Board of Directors, and bearing in mind the rules described in comma 6 of art. 2441 of the Civil Code, and considering the shareholders' equity and/or price of sale to the public and/or the average of the official prices which are registered by the shares on the market in the period of time before the assignment of rights of option which will be described in the regulations governing the incentive plans.

On November 3rd 2000 the Board of Directors voted to partially implement the motion approved by the Assembly of Shareholders on July 7th 2000 to increase Capital Stock to 2.412.846 euros for use in the stock option plan for 2001/2003 and approving the regulations proposed in this regard. The option rights are granted exclusively to the

executives, employees and workers within the Group who, at the moment of the grant are working for the company in a subordinate position. The above mentioned plan is divided into three sections, one for each year, and the option rights for underwriting new ordinary shares can be exercised by the grantees from September 1st to September 30th of each year for the period under consideration, and they are not negotiable. According to the plan 13,363 options will be available each year. During the year 2001 no option rights were exercised.

As a consequence of these decisions, the capital stock of El.En. S.p.A. on December 31st 2001 was as follows:

Authorised	euro	2.412.846
Underwritten and deposited	euro	2.392.000

Nominal value of each share	0,52
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Categories	31/12/2000	Increase.	(Decrease.)	31/12/2001
No. of Ordinary Shares	4.600.000			4.600.000
<i>Total</i>	4.600.000			4.600.000

Shares are nominal and indivisible and each one represents the right to vote in all the ordinary and extraordinary assemblies as well as the other financial and administrative rights that are granted by the law and by the articles of incorporation of the company. At least 5% of the net profits for the financial year must be set aside for the legal reserve, in accordance with art. 2430 of the Civil Code. The remainder is divided among the shareholders, unless the assembly decides otherwise. Distribution of advance payments on dividends is not permitted by the articles of incorporation. Dividends which have not been cashed in within five years from the day on which they have been paid out are deposited in favor of the company. There are no particular regulations in the articles of incorporation regarding the distribution to shareholders of remaining assets in case of termination. There are no particular clauses in the articles of incorporation which grant particular privileges.

All reserves of the shareholders' equity are readily available for assembly resolutions for distribution, with the exception of those specifically bound by regulations in the Civil Code.

Other reserves

Reserves for payments in capital account can be broken down as follows:

	31/12/2001	31/12/2000	Variation	Var. %
DIFF3 contribution on capital account	150.659	150.659		0,00%
CESVIT contribution on capital account	3.099	3.099		0,00%
CCIAA contribution on capital account	3.892	3.892		0,00%
EU contribution on capital account	269.007	269.007		0,00%
<i>Total</i>	426.657	426.657		0,00%

B) Provisions for contingencies and other liabilities

The following chart shows the changes that occurred in these funds during the last financial period:

	Balance 31/12/2000	Provision	(Utilisation)	Other	Balance 31/12/2001
Pension costs and similar	148.026	15.494	-2.043		161.477
For taxation	509.737	26.834	-41.936		494.635
<i>Others:</i>					
Reserve for guarantee on the products	56.191	11.422	-		67.613
Other minor reserves	49.130	42.649	-49.130		42.649
<i>Total other reserves</i>	105.321	54.071	-49.130	-	110.262
<i>Total</i>	763.084	96.399	-93.109	-	766.374

The provision for severance indemnity is tied to the indemnity fund for end-of-term bonus for administrators (TFM). The reserves for product guarantees is calculated on the basis of costs for spare parts and assistance under warranty which were sustained in the preceding financial period, adapted to the sales volume for this financial period.

Provisions for taxes include the funds which were set aside during the previous financial period for payment of charges which might arise from the issuance of inspection documents after the notification given on May 8th 2001. During the financial period the Company made additions to this fund in consideration of the revisions of the estimates made subsequently to determine the amount of taxes contested for the financial year 1997, which occurred at the beginning of the financial year 2002. The provisions for taxes also refers to the deferred taxes analysed in the following paragraph. Among the other funds we have entered the funds for losses incurred by companies that have been invested in, which refers to the reserves set aside in 2001 for the losses sustained by Deka Sarl which exceeded the amount of the investment. During this financial period, this fund was used for the amount which had been set aside during the previous financial year in order to cover the losses shown by Deka Sarl in 2000.

Analysis of deferred and advance taxes

Deferred taxes have been registered with the temporary differences between assets and liabilities recognized for fiscal purposes and those registered in the balance sheet.

The break down is as follows:

	Balance 31/12/2000	Provision	(Utilisation)	Other	Balance 31/12/2001
Deferred tax assets on loss account from subsidiary companies	-18.178	-15.354	18.178		-15.354
Deferred tax assets on stock devaluations	-60.652	-66.560	1.474		-125.738
Deferred tax assets for provisions on guarantee products	-23.179	-4.597	562		-27.214
Deferred tax assets on credit devaluation		-10.800			-10.800
Other deferred tax assets	-766	-20			-786
Deferred tax liabilities for contributions on capital account	96.571		-41.936		54.635
<i>Total</i>	-6.204	-97.331	-21.722	0	-125.257

During the financial period use of the funds for deferred taxes occurred on payment in capital account and on credit for losses by subsidiary companies. The other uses refer to credits for advanced taxes in the preceding financial periods at the fiscal aliquots valid at the time. Moreover, advance taxes were registered among the reserves set aside during the period with the warehouse obsolescence fund, the product warranty fund, and the fund for discounting of credits not fiscally deductible.

C) Severance pay for employees

The following chart shows the changes that have occurred during this financial period:

Balance 31/12/2000	Provision	Utilization	Other	Balance 31/12/2001
344.730	123.197	-45.504	39.536	461.959

The reserve fund represents the actual debt of the company to the employees at the date indicated, net of all advance payments.

D) Amounts owed

Analysis of amounts owed

Break down of debts is shown in the chart that follows:

	31/12/2001	31/12/2000	Variation	Var. %
debenture loans	619.748	619.748		0,00%
amounts owed to banks	1.046.062	1.257.755	-211.693	-16,83%
amounts owed to other financiers	738.955	861.445	-122.490	-14,22%
advances	125.686	6.285	119.401	1899,78%
amounts owed to suppliers	3.474.829	4.306.013	-831.184	-19,30%
amounts owed to subsidiary companies	223.737	315.325	-91.588	-29,05%
amounts owed to associated companies	192.607	616.290	-423.683	-68,75%
amounts owed to tax administration	162.092	161.837	255	0,16%
amounts owed to social security institutions	223.920	153.577	70.343	45,80%
other creditors	476.335	321.525	154.810	48,15%
<i>Total</i>	7.283.971	8.619.800	-1.335.829	-15,50%

Amounts owed for sales have increased in proportion to the increase in the volume of production.

Amounts owed in foreign currency amount to approx. 3,100 US dollars and about 23,200 British pounds and have been entered after conversion at the exchange rate valid at the date of the balance sheet.

Analysis of debts on the basis of the due date

	31/12/2001			31/12/2000		
	Within 1 year	From 1 to 5 year	Beyond 5 year	Within 1 year	From 1 to 5 year	Beyond 5 year
debenture loans		619.748				619.748
amounts owed to banks	219.731	826.331		224.841	826.331	206.583
amounts owed to other financiers	127.064	514.546	97.345	122.490	537.441	201.514
advances	125.686			6.285		
amounts owed to suppliers	3.474.829			4.306.013		
amounts owed to subsidiary companies	223.737			315.325		
amounts owed to associated companies	1.518	191.089		12.035	604.255	
amounts owed to tax administration	162.092			161.837		
amounts owed to social security institutions	223.920			153.577		
other creditor	476.335			321.525		
<i>Total</i>	5.034.912	2.151.714	97.345	5.623.928	1.968.027	1.027.845

The ordinary debenture loan of. 619,748 euros is to be reimbursed in a single payment on 31/12/2006, and pays a fixed interest rate of 9,75% which is adjusted annually on December 31st.

Mid-term debts to banks are made up of a ten-year mortgage loan issued by the Cassa di Risparmio of Florence, contracted for 1,652,662 euros, to be reimbursed in fixed six-month instalments of 103,291 euros starting on 31/3/1999, with an interest rate equivalent to the quarterly RIBOR plus a spread of 0,95%, with interest paid quarterly. mid-term debts to other financiers consist of IMI facilitated financing for applied research and can be broken down as follows: :

Reference DIFF 3

Multi-year financing granted for 487,095 euros at the fixed annual rate of 3,70%, last instalment July 1st, 2008

Reference TMR 4

Multi-year financing granted for 492,431 euros at the fixed annual rate of 3,70%, last instalment July 1st, 2008.

The seven-year financing from associated companies for 604,255 euros was issued the associated company Quanta Fin Srl at the following conditions:

To be reimbursed in a single payment on June 30th, 2003, with an option for reimbursement, even partial, in advance Annual payment of interest on June 30th of each year.

Interest rate is equal to BCE + 1% as registered at the beginning of the annual period.

The chart below shows the debts described above and the date when they are due:

	Expiration	Rate	Remain	Amount within 1 year	Amount within 5 years	Amount beyond 5 years
Ten-year debenture loans	31/12/2006	9,75%	619.748		619.748	
CRF ten-year loan	07/03/2006	Euribor+,95%	1.032.914	206.583	826.331	
Financing IMI DIFF3	01/07/2008	3,70%	385.746	53.530	234.871	97.345
Financing IMI TMR 4	01/07/2008	3,70%	353.209	73.534	279.675	
Seven- year Quanta Fin financing	30/06/2003	BCE+1%	191.089		191.089	
<i>Total</i>			2.582.706	333.647	2.151.714	97.345

Changes in long term financing

During the financial period the following changes have taken place in relation to lid- and long-term financing. The amounts shown include the quota of short term capital and do not include amounts owed for interest.

	Balance 31/12/2000	Increase	Reimbursement	Other	Balance 31/12/2001
Debtenture loans	619.748				619.748
CRF loan	1.239.497		-206.583		1.032.914
Financing IMI DIFF3	437.349		-51.603		385.746
Financing IMI TMR 4	424.096		-70.887		353.209
Seven- year Quanta Fin financing	604.255		-413.166		191.089
<i>Total</i>	3.324.945	-	-742.239	-	2.582.706

During the financial period, 70.887 euros were reimbursed on financing IMI TMR 4, 51.603 euros on financing IMI DIF3, and 206.583 euros on the CRF loan

The associated company, Quanta Fin S.r.l. made an exceptional distribution of dividends using the available reserves of the shareholders' equity. This distribution include the attribution to El.En. S.p.A. of a dividend for the amount of 413.166 euros. From a financial point of view, this operation was negotiated by partial cancellation of the financing which falls due on June 30th 2003, which had been granted by the associated company Quanta Fin S.r.l. to the parent company El.En. S.p.A..

Debts guaranteed by real estate property

The factory in Via Baldanzese, 17 has a ten year mortgage on it, which was issued by the Cassa di Risparmio of Florence and is described in the preceding paragraphs.

Analysis of tax debts

	31/12/2001	31/12/2000	Variation	Var. %
Taxes on profit - IRPEG		11.051	-11.051	-100,00%
Taxes on profit - IRAP		38.659	-38.659	-100,00%
Debts owed to tax administration for deductions	162.092	112.127	49.965	44,56%
<i>Total</i>	162.092	161.837	255	0,16%

Amounts owed for IRPEG and IRAP are shown net of advance payments, of amounts withheld, and of tax credits on dividends cashed by the parent company, but not the IVA credit which is maturing.

Analysis of amounts owed to social security institutions and other debts

	31/12/2001	31/12/2000	Variation	Var. %
Debts owed to INPS	204.571	139.871	64.700	46,26%
Debts owed to INAIL	9.452	7.407	2.045	27,61%
Debts owed to other Social Security Institutions	9.897	6.299	3.598	57,12%
<i>Total</i>	223.920	153.577	70.343	45,80%

The other debts are composed as follows:

	31/12/2001	31/12/2000	Variation	Var. %
Owed to staff for holidays	146.419	105.930	40.489	38,22%
Owed to staff for wages and salaries	189.352	130.105	59.247	45,54%
Bondholders		52.872	-52.872	-100,00%
Other debts	140.564	32.618	107.946	330,94%
<i>Total</i>	476.335	321.525	154.810	48,15%

The rise in amounts owed to employees for salaries and to social security and pension institutions is a result of the increase in the number of staff members.

E) Accruals and deferred income

Composition of accruals and deferred income is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
<u><i>Accrual liabilities:</i></u>				
Interests	5.816	15.905	-10.089	-63,43%
<i>Total accrual liabilities</i>	5.816	15.905	-10.089	-63,43%
<u><i>Deferred income liabilities</i></u>				
Taxation credits	129.114	130.593	-1.479	-1,13%
<i>Total deferred income liabilities</i>	129.114	130.593	-1.479	-1,13%
<i>Total</i>	134.930	146.498	-11.568	-7,90%

Accrued income liabilities refer to charges which must be paid by the parent company for the financing issued by Quanta Fin Srl.

Deferred income refers to the amounts owed in the form of tax credits, according to decree DM 22 July 1998 which have been recognised as pertinent.

Profit and loss account

A) Value of the production

Analysis of sales and services

	31/12/2001	31/12/2000	Variation	Var. %
Sales of industrial laser systems	3.904.638	3.095.113	809.525	26,15%
Sales of medical laser systems	10.194.268	9.856.352	337.916	3,43%
Consulting and research	86.145	135.053	-48.908	-36,21%
Service and sales of spare parts	2.243.327	2.177.212	66.115	3,04%
<i>Total</i>	16.428.378	15.263.730	1.164.648	7,63%

The medical /cosmetic sector was again the most important area of activity in 2000, notwithstanding the relative stability of the income. The laser source sector showed a strong growth rate which represents the results of the efforts of the company's engineers and the improved performance of power sources. Post-sales service rose as a result of the increase in the number of installations being serviced.

Break down of income by geographical area

	31/12/2001	31/12/2000	Variation	Var. %
Sales in Italy	12.837.781	13.059.367	-221.586	-1,70%
Sales other EC countries	2.950.327	1.889.672	1.060.655	56,13%
Sales outside EC	640.270	314.691	325.579	103,46%
<i>Total</i>	16.428.378	15.263.730	1.164.648	7,63%

The increase in sales in Europe is due to the expansion in the sales volume in the medical sector achieved by two subsidiary companies, e Deka Sarl and Deka Lms GmbH to whom El.En. S.p.A. supplies laser systems directly.

Increases in investments for internal use

During the financial period laser systems were capitalised for an amount of 95.660euros, for use in demonstrations to the clientele and for technical testing. The amount capitalised is equal to the amount of the industrial cost that was sustained.

Other income

Analysis of other sources of income is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
Recovery for accidents and insurance reimbursements	1.446	7.126	-5.680	-79,71%
Expense recovery	6.237	8.159	-1.922	-23,56%
Capital gains on ordinary property conveyances	24.660	25.200	-540	-2,14%
Other income	103.511	112.347	-8.836	-7,86%
Contribution on fiscal year account and on capital account	63.627	12.051	51.576	427,98%
<i>Total</i>	199.481	164.883	34.598	20,98%

Inter-Group trade relations

El.En. controls a group of 7 companies which operate in the same sector of the laser industry, and to each of which a particular portion of the production and the market is assigned: Deka M.E.L.A. Srl, Deka Sarl e Deka Lms GmbH distribute medical-cosmetic laser equipment, Cutlite Penta Srl is involved in the manufacture of flat cutting systems, Ot-Las Srl for large surface marking systems, Neuma Laser Srl is involved with customer service outside of Italy, while Valfive Italia Srl manufactures special systems and designs and develops laser systems for industrial applications of cutting marking and welding.

The combination of different products and services offered by the Group often generates transactions between the various companies belonging to the Group itself. One of the main sources of inter-group transactions is represented by the production of laser power sources by El.En. S.p.A. which constitute one of the fundamental elements in the manufacturing process of Cutlite Penta Srl, Valfive Italia Srl, and Ot-Las Srl.

Other inter-group relations are based on the production of laser equipment for medical and cosmetic use by El.En.S.p.A., some of which are sold to Deka M.E.L.A. Srl, Deka Sarl and Deka Lms GmbH which then distribute them. The prices for the transfer of these goods are those which are normally offered on the market. These inter-group transactions therefore reflect the price trends on the market, though they may differ according to what the marketing policy of the Group is at the time.

B)Production costs

Purchase of raw and subsidiary materials, consumables and goods

The analysis of these costs is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
Purchase of raw materials and finished products	8.741.463	8.223.914	517.549	6,29%
Purchase of packaging	41.351	37.296	4.055	10,87%
Purchase of stationery	33.240	38.054	-4.814	-12,65%
Purchase of fuels	34.381	35.424	-1.043	-2,94%
Purchase of advertising materials	10.332	5.481	4.851	88,51%
Shipment of purchases	86.605	99.314	-12.709	-12,80%
Other purchase expenses	49.122	35.450	13.672	38,57%
Other purchases	94.319	47.354	46.965	99,18%
<i>Total</i>	9.090.813	8.522.287	568.526	6,67%

The increase in purchases of raw materials is reflected, among other things, in the increase in final inventory which was registered at the end of the financial year.

Break down of expenses for services

The following chart shows the break down for the various services:

	31/12/2001	31/12/2000	Variation	Var. %
Expenses for work in progress at third parties'	870.966	998.661	-127.695	-12,79%
User services	147.264	133.216	14.048	10,55%
Consulting and technical services	656.503	478.267	178.236	37,27%
Maintenance	85.344	25.738	59.606	231,59%
Services and commercial consulting	120.805	104.649	16.156	15,44%
Shipment	68.184	51.689	16.495	31,91%
Insurance	29.656	25.555	4.101	16,05%
Travel and overnight expenses	209.240	178.680	30.560	17,10%
Commissions	105.765	74.356	31.409	42,24%
Promotional and advertising expenses	148.221	95.797	52.424	54,72%
Royalties	36.152	36.152	-	0,00%
Other services	1.144.480	863.480	281.000	32,54%
<i>Total</i>	3.622.580	3.066.240	556.340	18,14%

Under the heading of "Other services" the amounts due to administrators and auditors are included as well as the cost of legal services and charges related to quotation of the company on the stock market.

Break down of operating expenses

The following chart shows the break down for the various operating expenses:

	31/12/2001	31/12/2000	Variation	Var. %
Other taxes	21.941	22.519	-578	-2,57%
Associating contributions	14.635	11.320	3.315	29,28%
Newspaper and magazine subscriptions	15.137	25.110	-9.973	-39,72%
Expenses for vehicles	40.664	36.229	4.435	12,24%
Capital losses on ordinary possession conveyances	1.240	1.963	-723	-36,83%
Purchase of consumables art. 67 T.U.	50.435	59.720	-9.285	-15,55%
Fines	917	1.201	-284	-23,65%
Other minor charges	45.433	48.002	-2.569	-5,35%
<i>Total</i>	190.402	206.064	-15.662	-7,60%

Among the production costs, the expenses sustained by the Group for Research and Development are of particular importance. During the year 2001 approx. 2.072 thousand euros were spent for personnel working full or part time on Research and Development, for the purchase of instruments, materials, equipment and consulting fees for research. None of these expenses were capitalised during the financial year 2001.

In order to pay for the above mentioned expenses, income has been cashed in and grants received, both by means of re-invoicing expenses, and by contributions given in the form of tax credits, for a total amount of 149 thousand euros. The remaining amount has been self-financed.

C) Financial income and charges

Analysis of the financial income

Break down of financial income is shown in the following chart:

<i>Income from equity investments</i>	Dividends	Income from negotiation	Other	Total
In subsidiary companies	904.618			904.618
In associated companies	536.504			536.504
<i>Total</i>	1.441.122	-	-	1.441.122

During the financial period dividends for the amount of euros 983.076 were cashed in, of which euros 542.280 from Deka M.E.L.A. Srl, 27.630 from Cutlite Penta Srl and 413.166 from Quanta Fin Srl. The tax credit relative to the dividends received from subsidiary companies is a full tax credit and amounts to 334.708 euros, whereas the tax credit derived from the dividend of Quanta Fin Srl is a limited credit and is entered on the balance sheet for 123.338 euros.

Break down of other financial income

Financial income is analysed in the chart below:

	31/12/2001	31/12/2000	Variation	Var. %
<i>from investments which are not equity investments</i>				
Interests	3.760	3.371	389	11,54%
<i>Total</i>	3.760	3.371	389	11,54%
<i>from non-permanent investments which are not equity investments</i>				
Interests	76.789		76.789	0,00%
Income from negotiations	54.304	13.280	41.024	308,92%
<i>Total</i>	131.093	13.280	117.813	887,15%
<i>financial income different from the previous ones: to third party</i>				
Interests - assets - to bank	1.112.826	270.248	842.578	311,78%
Profits on commercial exchanges	25.483	52.498	-27.015	-51,46%
Other financial incomes	482	660	-178	-26,97%
<i>Total</i>	1.138.791	323.406	815.385	252,12%
<i>Total</i>	1.273.644	340.057	933.587	274,54%

The company registered interests assets from banks for the amount of euros 1.112.826 which had matured on the amounts cashed in for the increase of paid-in capital made in the preceding financial period. Interests assets for financing granted to subsidiary companies for the amount of euros 25.907 have also been entered.

Interests and other financial charges

<i>Financial charges towards third parties</i>	31/12/2001	31/12/2000	Variation	Var. %
debenture loans	60.425	60.425		0,00%
bank debts for account overdraft	4		4	0,00%
bank debts for medium and long - term loans	93.369	103.142	-9.773	-9,48%
losses from negotiation-investments	40.088		40.088	0,00%
losses on commercial exchanges	31.535	52.519	-20.984	-39,96%
other financial charges	6.310		6.310	0,00%
<i>Total</i>	231.731	216.086	15.645	7,24%
<i>Financial charges towards associated companies</i>				
debts to associated companies	21.634	26.339	-4.705	-17,86%
<i>Total</i>	21.634	26.339	-4.705	-17,86%
<i>Total</i>	253.365	242.425	10.940	4,51%

21.634 euros in interest charges were entered for the seven-year financing issued by Quanta Fin Srl.

Interest charges owed to banks for loans and for mid- and long-term financing refer to the loan issued by the Cassa di Risparmio of Florence and to the facilitated financing granted by MIUR (ex MURST) and paid by IMI.

D) Value adjustments for financial activities

The company made a direct devaluation of its investment in the French subsidiary Deka Sarl for the amount of 23.613 euros. This devaluation was due to the major portion of the losses for 2000 sustained by El.En. S.p.A. on account of the increase in the percentage of ownership which was increased from 60% in 2000 to 98% in 2001. In consideration of the losses in 2001, a further direct devaluation for 76.707 euros became necessary as well as an in direct devaluation with the provision of a reserve in the Fund for Losses by companies invested in, for an amount of 42.649 euros. The investment in the associated company M&E was also subject of a devaluation for the amount of 4.962 euros in consideration of the inactivity of the firm

E) Exceptional income and charges

Break down of exceptional income

The chart below shows a break down of the sources of exceptional income:

	31/12/2001	31/12/2000	Variation	Var. %
<i>Extraordinary incomes:</i>				
Miscellaneous income	24.552	9.091	15.461	170,07%
Other extraordinary incomes		1.756	-1.756	-100,00%
<i>Total</i>	24.552	10.847	13.705	126,35%

The chart below shows a break down of the sources of exceptional charges:

	31/12/2001	31/12/2000	Variation	Var. %
<i>Extraordinary charges:</i>				
Miscellaneous losses	13.442	8.252	5.190	62,89%
Other extraordinary charges		5	-5	-100,00%
<i>Total</i>	13.442	8.257	5.185	62,80%

The miscellaneous gains also refer to the higher reserves for taxes made during the preceding financial period.

Taxes on income for the financial period

<i>Description:</i>	31/12/2001	31/12/2000	Variation	Var. %
IRPEG	793.903	1.631.846	-837.943	-51,35%
IRAP	215.962	270.841	-54.879	-20,26%
IRPEG Deferred (Advanced)	-107.451	-126.769	19.318	-15,24%
IRAP Deferred (Advanced)	-11.602	-12.116	514	-4,24%
<i>Total direct taxes</i>	890.812	1.763.802	-872.990	-49,49%

The fiscal expenses related to the financial period are influenced positively by the Dual Income Tax (DIT) conceded to the parent company, El.En. SpA, as a newly-quoted company on the stock market which has a 7% aliquot a part of the taxable income. This determines a lower percentage of taxes on the profits for the financial period.

The break down for the deferred and advance taxes is shown in the chart containing the analysis of the Provisions for liabilities and charges. With the taxes for the income of the financial period, the total due for this period has been entered.

Other information

In accordance with the law, the following chart contains a breakdown of the dependent workers by category and the salaries paid to Administrators and Auditors, cumulatively by category.

Average number of employees divided by category

	Average 2001	31/12/2001	Average 2000	31/12/2000	Variation	Var. %
Executives	4,5	5	3,5	4	1	25,00%
Management	1,5	3			3	0,00%
White collar	48,0	56	36,5	40	16	40,00%
Blue collar	22,0	24	17,5	20	4	20,00%
<i>Total</i>	76,0	88	57,5	64	24	37,50%

Salaries paid to Administrators and Auditors

The chart below shows the salaries paid to the administrators and auditors.

	31/12/2001	31/12/2000	Variation	Var. %
Salaries to Administrators	258.228	265.123	-6.895	-2,60%
Salaries to Auditors	38.087	20.703	17.384	83,97%
<i>Total</i>	296.315	285.826	10.489	3,67%

Salaries paid to Administrators and Auditors

The chart below shows the salaries paid to the administrators and auditors of the parent company El.En. S.p.A. in conformity with art. 78 of the Consob regulations approved by vote n. 11971 on May 14th 1999.

Person		Appointment description		Salary		
<i>Name</i>	<i>Position</i>	<i>Term duration</i>	<i>Perquisites</i>	<i>Non monetary benefits</i>	<i>Bonus and other incentives</i>	<i>Other rewards</i>
Gabriele Clementi	President of the Board of Directors	until 5th September 2003	72.304			5.165
Barbara Bazzocchi	Deputy member	until 5th September 2003	72.304			5.165
Andrea Cangioli	Deputy member	until 5th September 2003	72.304			5.165
Francesco Muzzi	Member	until 5th September 2003	10.329			
Michele Legnaioli	Member	until 5th September 2003	10.329			
Marco Canale	Member	until 5th September 2003	10.329			
Paolo Blasi	Member	until 5th September 2003	10.329			
Vincenzo Pilla	President of the Board of Statutory Auditors	until 5th September 2003	15.646			
Michele Masi	Statutory Auditor	until 16th October 2001	10.351			
Paolo Caselli	Statutory Auditor	until 5th September 2003	11.063			
Sergio Lisi	Statutory Auditor	until 24th April 2002	1.027			

The other salaries refer to end-of-term premiums (TFM) for the administrators which have been set aside in reserves during the financial period.

Salaries of the administrators of the controlling company for carrying out their functions in other companies included in the consolidation are as follows: Francesco Muzzi, as President of Deka M.E.L.A. Srl received a salary from that company of 72,304 euros; Barbara Bazzocchi as sole Administrator of Cutlite Penta Srl received a salary of 10,329 euros from that company; Gabriele Clementi as sole Administrator of Valfivve Italia Srl, received 10.329 euros. To Dott. Vincenzo Pilla, for his work as auditor of the subsidiary companies, Deka M.E.L.A. Srl and Cutlite Penta Srl a salary of 10.016 euros and 7.309 euros respectively was paid. To Dott. Paolo Caselli as auditor of Deka M.E.L.A. Srl and Cutlite Penta Srl a salary of 7.309 euros was paid for each company. To Dott. Michele Masi, as auditor of Deka M.E.L.A. Srl and Cutlite Penta Srl the amounts of 6.598 euros and 8.165 euros respectively were paid.

El.En. SpA does not have a general director.

Amounts paid to correlated parties

In accordance with I.A.S. 24, payments were made to people who were defined as correlated parties, not included among the administrators and auditors.

- Prof. Leonardo Masotti, president of the scientific commission was awarded the sum of euros 6.714;
- Sig. Carlo Raffini, as head of the Quality Control Systems was awarded the amount of euros 51.646
- Prof. Pio Burlamacchi, proprietor of an industrial monopoly consisting of a patent pending for the invention of a "Support for optical cavity for lasers with regulation of the alignment of the ray", was awarded Royalties for euros 36.152.

For a better comprehension of the overall consolidated financial statement, the chart below shows the general financial report for the purposes of illustrating, in a structured and synthetic form, the most significant variations which have occurred under the different headings for the financial period. This statement has been drawn up using the system of "cash flow" which is advised in the accounting principles of the National Council of Certified Public Accountants (*Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri*).

Financial statement (cash flows)

Financial statement (cash flow)	31/12/2001	31/12/2000
Cash flow generated by manufacturing activity:		
Profit (loss) for the financial period	2.785.340	2.224.662
Amortizations	888.124	790.612
Variation of employee severance indemnity	117.229	61.731
Variation of provisions for risks and charges	3.290	416.682
	3.793.983	3.493.687
Variation in the current assets and liabilities:		
Debtors	-2.238.839	-1.719.223
Stocks	-1.133.888	-2.516.240
Prepayments and accruals assets	-35.026	4.120
Creditors	-1.001.646	-138.816
Prepayments and accruals liabilities	-11.568	123.732
	-4.420.967	-4.246.427
Cash flow generated by manufacturing activity	-626.984	-752.740
Cash flow generated by investment activity:		
Income from the sale of fixed assets	18.804	8.529
Purchase of technical assets	-482.351	-511.192
Increase in intangible assets	-128.236	-1.856.758
(Increase) decrease in equity investments	-635.703	19.257
	-1.227.486	-2.340.164
Cash flow from financial activity:		
Increase (decrease) in mid-long term financing	-333.647	-388.654
Variation in short term financing	-536	68.839
(Increase) decrease investments which are not permanent		
Variation in Capital and Reserve		34.804.118
Dividends distributed	-920.000	-671.394
	-1.254.183	33.812.909
Increase (decrease) in cash at bank and on hand	-3.108.653	30.720.005
Cash at bank and on hand at the start of the financial period	32.109.675	1.389.670
Cash at bank and on hand at the end of the financial period	29.001.022	32.109.675

For the Board of Directors

President
Ing. Gabriele Clementi