El.En. GROUP

APPENDIX
TO THE CONSOLIDATED REPORT
DECEMBER 31st 2000

FORM AND CONTENT OF THE CONSOLIDATED 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.

2) AREA OF CONSOLIDATION

The consolidated financial statement of El.En.Group includes the annual reports of the parent company of the Group and the Italian and foreign companies of which El.En. S.p.A. controls directly or indirectly the majority of votes which can be exercised in an ordinary assembly. The list of companies consolidated with the integral method is as follows:

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**percentage**
of Group Head:						
El.En. Spa	Calenzano (FI)	L. 4.600.000.000	-	-	-	-
Subsidiary companies:						
Deka M.E.L.A. Srl	Calenzano (FI)	L. 78.000.000	70,00%		70,00%	70,00%
Cutlite Penta Srl	Calenzano (FI)	L. 199.000.000	53,50%		53,50%	53,50%
Valfivre Italia Srl	Calenzano (FI)	L. 92.000.000	99,00%		99,00%	99,00%
Deka Sarl	Vienne (F)	L. 118.112.286	60,00%		60,00%	60,00%
Ot-las Srl	Signa (FI)	L. 110.000.000		51,00%	51,00%	27,29%
Neuma Laser Srl	Signa (FI)	L. 90.000.000		100,00%	100,00%	40,39%

For Deka Sarl the amount of share capital is expressed in Italian lira on the basis of its equivalent in EURO with respect to French francs.

The following equity investments which represent assets in associated companies have been evaluated using the shareholders' equity method:

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**percentage**
Lasit Srl	Vico Equense (NA)	L. 450.000.000	50,00%		50,00%	50,00%

Quanta Fin Srl	Milano	L. 20.000.000	50,00%		50,00%	50,00%
Quanta System Srl	Milano	L. 700.000.000	30,00%		30,00%	30,00%

Actis Srl	Firenze	L. 20.000.000	12,00%		12,00%	12,00%
M&E	Delaware (USA)	L. 19.215.600	50,00%		50,00%	50,00%

Investments in the M&E Co. and Actis Srl companies have been kept at cost since these companies are not yet active and their inclusion in the area of consolidation would be irrelevant towards representing the financial and economic position of the Group.

3) REFERENCE DATA

The consolidated financial statement is prepared on the basis of the statements approved by the shareholders' assemblies, and, when these are not available, on the basis of the planned statements closed on December 31st and approved by the Board of Directors.

For the companies consolidated using the method of shareholders' equity, Quanta System Srl, Quanta Fin Srl e Lasit Srl, reference has been made to the financial statements approved by the shareholders, or, when these are not available, to the planned statements closed on December 31st and approved by the Board of Directors.

4) PRINCIPLES OF CONSOLIDATION

The financial statements used for consolidation are the annual reports of the single companies. These statements are appropriately reclassified and rectified so that they will be consistent with the accounting principles and the evaluation criteria used for the parent company, which are in conformity with those described in articles 2423 and following, of the Civil Code.
In drawing up the consolidated statement, elements of assets and liabilities, as well as the income and expenses of the companies included in the consolidation, have been included in their entirety. On the other hand, amounts receivable and amounts owed, income and expenses, profit and loss which have originated from operations made between firms included in the consolidation, have been eliminated. The financial amount of equity investments in firms included in the consolidation is shown in relation to the corresponding fraction of their shareholders equity.

The difference between the financial value of the equity investments, which has been suppressed, and the corresponding amount of shareholders' equity which is taken up, is due to the fact that the consolidated shareholders' equity has been rectified under the heading "Consolidation reserves" or "undivided profits".
The amount of capital and reserves of the subsidiary companies which corresponds to equity investments by third parties has been entered under the heading of shareholders' equity in the column called "Capital and reserves of third parties" "; the portion of the consolidated economic result which corresponds to equity investments by third parties has been entered under the heading "profit (loss) of third parties during the financial year".

5) TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENC

The only foreign company belonging to the Group is Deka Sarl, whose financial statement has been consolidated using the set exchange rate of the French Franc with respect to its equivalent in EURO.

6) 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 on 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 heterogenous 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 years 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) INVESTMENTS

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.

The difference from consolidation can be seen from the consolidated statement when the financial amounts of the equity investments are eliminated against the corresponding fractions of the shareholders' equity of the companies invested in.

g) TANGIBLE ASSETS AND AMORTISATIONS

Assets are entered at the cost of purchase or production, including the accessory charges net from amortisations.

Expenses for ordinary maintenance have been entirely entered in the profit and loss account.

Maintenance expenses of an incrementive 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, are as follows .

land and buildings	
- industrial structures	3,00%
equipment and machinery	
- generic equipment and machinery	10,00%
- specific equipment and machinery	10,00%
- other types of equipment	12,50%
industrial and commercial equipment	
- miscellaneous and minute equipment	25,00%
- kitchen equipment	25,00%
other goods	
- goods worth under 1 million	100,00%
- motor vehicles	25,00%
- electronic office equipment	20,00%
- furniture and decor	12,00%

The early amortisations which are in excess of the useful life of the item entered on the financial statements of the individual consolidated companies have been eliminated from the consolidated financial statement.

h) FINANCIAL INVESTMENTS

INVESTMENTS IN SUBSIDIARY COMPANIES WHICH ARE NOT CONTROLLED OR ASSOCIATED

The assets which consist of equity investments in associated companies have been evaluated according to the shareholders' equity method, that is to say, for an amount which corresponds to the fraction of shareholders' equity shown on the last financial statement of of the company itself, after subtraction of the dividends and the adjustments required by the principles applied for drawing up the consolidated statement.

Capital gains and capital losses from disposal of assets which are derived from the application of the shareholders' equity method are entered in the profit and loss account, respectively in the column "revaluation of equity investments" and "devaluation of equity investments", for the amount referring to the financial period; the difference related to the first application of the method is registered under the heading of shareholders' equity in the column Consolidation Reserves.

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 put back 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), caluculated annually.

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 OTHER 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) 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 sheets of the individual consolidated companies drawn up according to legal regulations and bearing in mind also the elimination of inter-Group losses or gains and the elimination of fiscal interferences effected in consolidation; 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.

The tax replacing that on reserves which are subject to increase on the balance, Legislative Decree 467/97, art.1. is entered subtracting from the reserves of the shareholders' equity in correspondence with the payments of the relative instalments.

o) SEVERANCE PAY FOR DEPENDENT WORKERS

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

p) AMOUNTS OWED

Amounts owed are shown at nominal value.

q) 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.

r) 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.

s) 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.

t) CAPITAL ACCOUNT GRANTS

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.

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:

CATEGORIES	BALANCE 31/12/99	increments	Revaluat. (Devaluat.)	Other operations	Amortisation	BALANCE 31/12/00
Formation and expansion expenses	7.258.480	3.582.973.496			-723.338.540	2.866.893.436
Costs of research,develop.,advertis	4.373.504			-4	-4.373.500	
Conc.,licens,trademarks and similar rights	7.423.419			-500.000	-1.704.831	5.218.588
Other	41.790.350	14.604.305		1	-28.497.326	27.897.330
TOTAL	60.845.753	3.597.577.801		-500.003	-757.914.197	2.900.009.354

The chart below shows by the year the costs of formation and expansion, research and publicity.

	Past cost	Accumulated amortisations	Remaining Value
Year 1997 - formation and expansion expenses	2.573.200	-2.058.560	514.640
Year 2000 - formation and expansion expenses	3.582.973.496	-716.594.700	2.866.378.796
TOTAL	3.594.440.696	-727.547.260	2.866.893.436

Under the heading of Costs for formation and expansion we have included all the costs incurred by the head company of the Group, El.En. S.p.A., for admission to the stock market because we believe that the benefits which will be derived from it will not end with the present financial year. In particular in this column, we have entered 2.141.129.953 lira for the placement commissions, 1.402.358.343 lira for consultants' fees and communication expenses and 39.485.200 lira in legal fees.

II FIXED ASSETS

Changes which took place in the fixed assets during the financial year are shown below along with costs in the past for the same item:

COST	BALANCE 31/12/99	Increments	Revaluations	Other operations	(Disposals)	BALANCE 31/12/00
land and buildings	5.632.509.142	40.228.950				5.672.738.092
equipment and machinery	768.454.025	366.573.073				1.135.027.098
industrial and commercial devices	1.501.860.010	323.651.270		106.975	-216.441.411	1.609.176.844
other	2.185.687.830	938.945.780		-8.771.676	-330.733.328	2.785.128.606
fixed assets in prog. and part payment		22.520.669				22.520.669
Total	10.088.511.007	1.691.919.742		-8.664.701	-547.174.739	11.224.591.309

During this financial period no investments of an exceptional nature were made; the existing assets were renewed or replaced, and in particular, the company vehicles and the laser equipment for clinical experiments and sales demostrations, and investments were made in equipment and instruments for production and design as well as for computers for the PC network in the Administrative and Research and Development offices.

Among the various items entered under the heading of "other goods", the most significant amount is represented by vehicles. These are motor vehicles which are used for our technical assistance service (which is offered in all of Italy), and for the sale of our laser equipment, which requires the constant presence of our personnel throughout the distribution network covering the territory. About 151 million lira were spent on the purchase of material goods having a value of under 1 million lira, mostly small pieces of equipment for manufacture and research.

AMORTISATION PROVISIONS	BALANCE 31/12/99	Amortisations amount	Devaluation	Other operations	(Disposals)	BALANCE 31/12/00
land and buildings	422.438.185	169.578.710				592.016.895
equipment and machinery	455.486.805	104.122.259				559.609.064
industrial and commercial devices	989.671.926	244.716.893		1.774.453	-196.107.032	1.040.056.240
other	1.612.254.865	411.513.450		156.723.364	-320.441.910	1.860.049.769
fixed assets in prog. and part payment						
Total	3.479.851.781	929.931.312		158.497.817	-516.548.942	4.051.731.968

The amount which is entered in the column entitled "other changes" shows the cost related to the material goods art. 67, for a value of under 1 million, entered for the financial year under the heading of "Various operating charges" and therefore not part of the amortisations.

NET VALUE	BALANCE 31/12/99	Amortisations amount	Devaluation	Other operations	(Alienations)	BALANCE 31/12/00
land and buildings	5.210.070.957	40.228.950	-169.578.710			5.080.721.197
equipment and machinery	312.967.220	366.573.073	-104.122.259			575.418.034
industrial and commercial devices	512.188.085	323.651.270	-244.716.893	-1.667.478	-20.334.379	569.120.605
other	573.432.963	938.945.780	-411.513.450	-165.495.040	-10.291.418	925.078.835
fixed assets in prog. and part payment		22.520.669				22.520.669
Total	6.608.659.225	1.691.919.742	-929.931.312	-167.162.518	-30.625.797	7.172.859.340

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 increase which is shown for this property is related to maintenance required by an increase in cost of the property itself. Assets in progress refer to equipment and devices purchased by the subsidiary company Ot-Las Srl which will start being used during the next financial period.

EQUITY INVESTMENTS

The following chart contains the analysis of the financial investments.

	31-Dec-00	31-Dec-99	variation	variation %
Equity investments in:				
subsidiary not completely consolidated companies	1.858.720.188	1.754.794.965	103.925.223	5,92%
other companies	82.435.340	60.723.219	21.712.121	35,76%
other equity investments	169.086.750	169.086.750		
Total	2.110.242.278	1.984.604.934	125.637.344	6,33%

The chart below illustrates the elements of consolidation for the associated companies, consolidated with the shareholders' equity method.

	Past cost	Amount C.R. on 31/12/99	variation during the year	Amount C.R. on 31/12/200
Lasit Srl	214.565.024	629.096.024	33.833.178	662.929.202
Quanta Fin Srl	81.089.953	928.407.539	76.191.229	1.004.598.768
Quanta System Srl	202.500.000	197.291.402	-18.106.984	179.184.418
	498.154.977	1.754.794.965	91.917.423	1.846.712.388

During the financial year equity investments in the associated companies M&E Co. and Actis Srl. were entered on the balance sheet. M&E Co., based in Delaware (USA), has been set up in collaboration with a partner who is already active on the American market, for the purpose of distributing laser devices for medical use throughout the NAFTA area; Actis Srl, is based in Florence and develops and manufactures probing sensors.

During the financial year El.En. S.p.A.acquired, among others, interest for 21.212.121 lira in the consortium for research and development of industrial laser and electronic ray CALEF uses, equivalent to a 17,5% share. This interest has been entered under the heading "Financial investments- Interest in other companies".

The other financial investments are shown on the chart below:

	31-Dec-00	31-Dec-99	variation	variation %
Securities	148.530.000	148.530.000		
Italian bonded securities	20.556.750	20.556.750		
Total	169.086.750	169.086.750		

As explained in further detail in the continuation of this Appendix, the other stocks are CCTs entered on the financial statement of the head company of the Group, El.En.S.p.A. and certificate of deposit entered on the financial statement of the subsidiary company, Ot-Las Srl which is bound by a warranty of bank guarantees (fidejussions).

FINANCIAL CHARGES FOR THE FINANCIAL YEAR FOR THE SECURITIES ENTERED AMONG THE ASSETS

No financial charge has been entered among the assets.

C) CURRENT ASSETS

I - INVENTORY

The analysis of the inventory appears in the following chart:

Stocks	31-Dec-00	31-Dec-99	variation	variation %
Raw material, consumables and goods for sale	6.057.537.653	3.694.054.289	2.363.483.364	63,98%
Work in progress and seminfinished products	3.637.780.468	1.573.522.879	2.064.257.589	131,19%
Finished products and goods for resale	3.063.293.894	2.438.179.602	625.114.292	25,64%
Payments on account	301.542.853	91.158.666	210.384.187	230,79%
Total	13.060.154.868	7.796.915.436	5.263.239.432	67,50%

Break down of the inventory of raw materials is shown in the following chart:

	31-Dec-00	31-Dec-99	variation	variation %
Optical components	899.344.315	627.774.776	271.569.539	43,26%
Electrical and electronic components	2.501.350.080	1.201.908.650	1.299.441.430	108,11%
Mechanical components	1.981.907.165	1.664.697.942	317.209.223	19,06%
Hydraulic components	340.052.195	208.676.277	131.375.918	62,96%
Various materials	129.523.902	10.361.334	119.162.568	1150,07%
Fittings and fixtures	440.865.595		440.865.595	
minus: devaluation provision	-235.505.599	-19.364.690	-216.140.909	1116,16%
Total	6.057.537.653	3.694.054.289	2.363.483.364	63,98%

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 december 31st the reserve for obsolescence of raw materials amounted to 235 milioni.

Breakdown of inventory of semi-finished prodicts is as follows:

Semifinished products	31-Dec-00	31-Dec-99	variation	variation %
High voltage power supplies	534.711.432	244.624.103	290.087.329	118,58%
Assembled electronic boards	399.685.910	102.480.025	297.205.885	290,01%
Mechanical units	345.153.742	148.872.930	196.280.812	131,84%
Electrical units	385.471.185	415.355.573	-29.884.388	-7,19%
Hydraulic units	162.461.566	38.925.532	123.536.034	317,37%
Cavities and half-assembled sources	190.745.439	50.789.353	139.956.086	275,56%
Systems being assembled	1.619.551.194	572.475.363	1.047.075.831	182,90%
	3.637.780.468	1.573.522.879	2.064.257.589	131,19%

The sharp rise shown for semi-finished products 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 Dec. 31st, a large portion of the semi-finishes pieces listed above were located.

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

	31-Dec-00	31-Dec-99	variation	variation %
Medical lasers	1.331.633.587	1.006.163.583	325.470.004	32,35%
Industrial laser sources	543.408.152	367.000.000	176.408.152	48,07%
Medical fittings and accessories	341.052.210	134.491.566	206.560.644	153,59%
Other medical accessories	194.997.019	89.219.224	105.777.795	118,56%
Industrial laser systems	713.557.570	841.305.229	-127.747.659	-15,18%
minus:devaluation provision	-61.354.644		-61.354.644	
Total	3.063.293.894	2.438.179.602	625.114.292	25,64%

The increase in the quantity of finished products is represented chiefly by laser equipment for medical purposes and related accessories; inventory of these items has been increased in order to provide better service to the clientele both in terms of delivery time, as well as for availability of products for demonstration purposes.

Reserves with respect to the value of the inventory at present prices are 370 million lira.

II - ACCOUNTS RECEIVABLE

Receivables can be broken down as follows:

Debtors:	31-Dec-00	31-Dec-99	variation	variation %
trade debtors	13.720.956.136	9.366.286.032	4.354.670.104	46,49%
amounts owed by non-consolidated associated companies	134.468.392	167.501.000	-33.032.608	-19,72%
other debtors	3.656.344.680	4.977.608.603	-1.321.263.923	-26,54%
Total	17.511.769.208	14.511.395.635	3.000.373.573	20,68%

Receivables from associated non-consolidated companies consist of short-term financing to Quanta System Srl for 13.501.000 lira and trade receivables from Quanta System Srl for 92.660.712, from Lasit Srl 3.336.000 lira and from M&E Co. for 24.970.680 lira.

Trade receivables are broken down as follows:

	31-Dec-00	31-Dec-99	variation	variation %
clients in Italy	9.413.559.923	6.914.508.091	2.499.051.832	36,14%
EC clients	3.014.210.138	1.835.683.413	1.178.526.725	64,20%
extra EC clients	1.746.867.415	896.601.104	850.266.311	94,83%
minus devaluation provision for debtors	-453.681.340	-280.506.576	-173.174.764	61,74%
Total	13.720.956.136	9.366.286.032	4.354.670.104	46,49%

The total amount of trade receivables from clients has risen along with the increased business volume of the Group; of particular interest is the rise in trade receivables from foreign clients, which is a result of the increase in goods destined for export.

Accounts receivable with a duration of over five years have not been entered on the financial statement.

Break down of the other accounts receivable is as follows:

	31-Dec-00	31-Dec-99	variation	variation %
becoming payable within the next fiscal year				
short-term and low-risk financial operations		3.401.073.745	-3.401.073.745	-100,00%
IRPEG and IRAP credits	295.883.831	71.371.756	224.512.075	314,57%
VAT credits	2.020.774.372	618.368.315	1.402.406.057	226,79%
Security deposits	41.958.000	43.337.429	-1.379.429	-3,18%
Prepayments to suppliers	350.590.990	151.347.567	199.243.423	131,65%
Other creditors	132.071.279	89.099.895	42.971.384	48,23%
	2.841.278.472	4.374.598.707	-1.533.320.235	-35,05%
becoming payable after the next fiscal year				
SP tax accounts	35.412.207	37.248.947	-1.836.740	-4,93%
Insurances a/policy TFM	272.664.000	246.000.000	26.664.000	10,84%
Credits for anticipated taxes	495.289.556	319.760.949	175.528.607	54,89%
Other credits	11.700.445		11.700.445	
	815.066.208	603.009.896	212.056.312	35,17%
Totale	3.656.344.680	4.977.608.603	-1.321.263.923	-26,54%

The financial year closed with a Value Added Tax (IVA) credit which had risen sharply over the preceding year, due to the Group's intense export activity. Credits for IRPEG and IRAP taxes have risen because of the increase in advance payments of the individual companies during the past financial year.

Deferred taxes paid in advance have been entered among the receivables due later than the next financial year; the following chart shows a break-down of these and their provenance.

	31-Dec-00	31-Dec-99
Reserves for funds on product guarantee	44.880.610	42.602.085
Reserves for stock obsolescence	122.122.459	7.987.935
Internal profits on intergroup stocks	291.593.835	216.836.617
Credit devaluation on consolidated	14.362.147	8.250.000
For civil amortisation exceeding goodwill		23.368.125
For intergroup purchase adjustment		9.741.006
Internal profits on tangible assets increases on intergroup sales	9.145.984	10.975.181
Agency expenses	13.184.521	
Total	495.289.556	319.760.949

III - INVESTMENTS WHICH ARE NOT PERMANENT

These investments consist of quoted stocks and debenture loans. Changes in these investments are shown in the chart below

Investments which are not permanent :	31-Dec-00	31-Dec-99	variation	variation %

other investments	2.222.944.171	2.142.624.171	80.320.000	3,75%
Total	2.222.944.171	2.142.624.171	80.320.000	3,75%

The financial activities listed above constitute a temporary use of cash made by the subsidiary Deka M.E.L.A. Srl. The debenture loans are Obbligazioni Zero Coupon Mediobanca 1996-2011, and the other bonds are two Genercomit mutual funds: Treasury and Short Term. The changes which have affected the debenture loans refer to the payment of the issue difference pertaining to the financial year for an amount of 69.589.333 lira and to the value adjustment made in conformity with the price change registered for the financial period, for 10.730.667 lira.

IV - CASH AT BANK AND IN HAND

Cash at bank and in hand can be broken down as follows:

Cash at Bank and in hand:	**31-Dec-00**	**31-Dec-99**	**variation**	**variation %**
bank and postal current accounts	67.181.010.327	7.076.003.195	60.105.007.132	849,42%
cash on hand	22.589.582	17.809.434	4.780.148	26,84%
Total	67.203.599.909	7.093.812.629	60.109.787.280	847,36%

The change in cash available is due chiefly to the income from the two increases in paid-in capital which occurred during the financial period. The first, in the month of May, saw the admission of Banca Toscana S.p.A.as a partner; the second, saw the quotation of El.En. S.p.A. stock on the New Stock Market.

D) PREPAYMENTS AND ACCRUED INCOME ASSETS

The break-down of prepayment and accrued income assets is as follows:

	31-Dec-00	**31-Dec-99**	**variation**	**variation %**
<u>*Assets of accruals*</u>				
Interests on shares	2.657.320	12.618.077	-9.960.757	-78,94%
Contributions	8.333.333	8.333.333		
Other assets of accruals	153.644	305.344	-151.700	-49,68%
Total assets of accruals	11.144.297	21.256.754	-10.112.457	-47,57%
<u>*Assets of deferred incomes*</u>				
Premiums	5.748.344	15.352.263	-9.603.919	-62,56%
Prepaid expenses	7.017.895	46.343.157	-39.325.262	-84,86%
Other assets of deferred incomes	19.702.366	9.442.209	10.260.157	108,66%
Total assets of deferred incomes	32.468.605	71.137.629	-38.669.024	-54,36%
Total	43.612.902	92.394.383	-48.781.481	-52,80%

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.

LIABILITIES

A) SHAREHOLDERS' EQUITY

BREAK DOWN OF SHAREHOLDERS' EQUITY

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

NET CAPITAL AND RESERVES	BALANCE 31/12/98	Result	Dividends distributed	Other operations	Result	Balance 31/12/99
of the group						
Subscribed capital	2.400.000.000					2.400.000.000
Share premium account						
Legal reserve	81.818.975	22.684.039				104.503.014

Other reserves:						
Extraordinary reserve		230.996.723		53.339.946		284.336.669
Reserve for contribution on capital account	1.545.068.562					1.545.068.562
Reserve of consolidation	1.891.107.158			929.331.605		2.820.438.763
Profits (loss) brought forward	73.525.946	1.216.919.695		-1.290.445.641		
Profits (loss) for the financial year	1.470.600.457	-1.270.600.457	-200.000.000		5.574.526.433	5.574.526.433
Net total C.& R. of the group	7.462.121.098	200.000.000	-200.000.000	-307.774.090	5.574.526.433	12.728.873.441
of third parties:						
Capital and reserves of third parties	541.626.586	744.139.976	-376.000.000	-45.731.893		864.034.669
Profit (loss) of third parties	744.139.976	-744.139.976			1.179.937.833	1.179.937.833
Net total capital and reserves of third parties	1.285.766.562		-376.000.000	-45.731.893	1.179.937.833	2.043.972.502
Net total capital and reserves	8.747.887.660	200.000.000	-576.000.000	-353.505.983	6.754.464.266	14.772.845.943

NET CAPITAL AND RESERVES:	BALANCE 31/12/99	Result	Dividends distributed	Other operations	Result	Balance 31/12/00
of the Group:						
Subscribed capital	2.400.000.000			2.200.000.000		4.600.000.000
Share premium account				66.272.731.513		66.272.731.513
Legal reserve	104.503.014	198.316.681				302.819.695
Other reserves:						
Extraordinary reserve	284.336.669	2.468.016.934		-363.616.296		2.388.737.307
Reserve for contribution on capital account	1.545.068.562			-718.945.562		826.123.000
Undivided profits of subsidiaries and other reserves		1.608.192.818		327.273.355		1.935.466.173
Reserve of consolidation	2.820.438.763			-301.649.801		2.518.788.962
Profits (loss) brought forward		1.300.000.000	-1.300.000.000			
Profits (loss) for the financial year	5.574.526.433	-5.574.526.433			5.817.144.021	5.817.144.021
Net total C.&R. of the group	12.728.873.441		-1.300.000.000	67.415.793.209	5.817.144.021	84.661.810.671
of third parties:						
Capital and reserves of third parties	864.034.669	1.179.937.833	-519.749.998			1.524.222.504
Profit (loss) of third parties	1.179.937.833	-1.179.937.833			1.017.262.320	1.017.262.320
Net total capital and reserves of third parties	2.043.972.502		-519.749.998		1.017.262.320	2.541.484.824
Net total capital and reserves	14.772.845.943		-1.819.749.998	67.415.793.209	6.834.406.341	87.203.295.495

The assembly of the head company of the Group, El.En. S.p.A., on April 28h 2000, voted to distribute the profits of the financial year as follows: 198.316.681 lira as legal reserve, 2.468.016.934 lira as extraordinary reserve,and 1.300.000.000 lira for distribution as dividends.

The changes which involve the extraordinary reserve of the parent company of the Group, El.En. S.p.A.during the financial period are as follows: a reduction of 16.552.000 lira related to the payment of a tax on reserves subject to increase of the remainder as per Legislative Decree. D.LGS 467/97, art.1. A further use of 266.009.858 due to the fact that the Irpeg debt on the reserves for taxes on capital account employed the free increase of Capital voted by the extraordinary assembly on July 7th, 2000. This increase was made by using the reserves for taxes on capital accounts for an amount of 718.945.562 lira and utilizing the extraordinary reserves of 81.054.438 lira.

COMPOSITION OF THE CAPITAL OF EL.EN. S.p.A.

As of December 31st, 1999, capital was composed of 240.000 ordinary shares with a par value of 10.000 each. On the 22nd of May, 2000, the assembly of the company, in an extraordinary meeting, voted unanimously, among other things, to increase, by first excluding the option rights as per V comma art. 2441 of the Civil Code, paid-in share capital from 2.400.000.000 to 2.800.000.000 lira and therefore, by 400.000.000 lira, with the issue of 40.000 shares having a par value of 10.000 lira; this increase will be released by means of an overall price of 437.500 lira per share of which 427.500 is for the issue share premium. The total amount of the share premium entered in the special reserve fund is 17.100.000.000 lira. The increase has been entirely underwritten by the Banca Toscana S.p.A.

The extraordinary assembly of July 7th 2000 voted unanimously to increase, free of charge, the share capital from 2.800.000.000 lira to 3.600.000.000 lira and therefore by 800.000.000 lira and to change the par value of each share from 10.000 lira to 1.000 lira. The assembly of July 7th also voted to increase the paid-in capital by a maximum par value of up to 1.000.000.000 lira by issuing up to 1.000.000 shares with a par value of 1.000 lira each which, once the shareholders have renounced their option rights, will be placed for sale on the New Stock Market.

As of December 11th, 2000, the stock of El.En. S.p.A. is bought and sold on the New Stock Market, which is managed by Borsa Italiana S.p.A., thanks to operations conducted by OPV and OPS on the 5th and 6th of December 2000. After the stock had been offered for public sale and underwriting, the share capital increased from 3.600.000.000 lira to 4.600.000.000 lira. The income from this increase, including commissions paid for placement on the market, is 50.172.731.513 lira of which 49.172.731.513 lira is share premium entered in the special reserve of the shareholders' equity. As an effect of the above mentioned operations on the capital, on December 31st a share premium reserve is entered on accounts for 66.272.731.513 lira, and the share capital increases by 2.200.000.000 lira with respect to the preceding financial year.

The assembly of July 7th 2000 voted to give permission to the Board of Directors, in accordance with art. 2443 of the Civil Code, for a maximum of five years from the date of the approval vote, to increase, in one or more payments, the share capital of the Company for a maximum par value of 240.000.000, by issuing up to 240.000 ordinary shares having a par value of 1.000 each, to be released after payment of a price that will be determined by the Board of Directors, and in accordance with the regulations stated in comma 6 of art. 2441 of the Civil Code, and in consideration of the shareholders' equity and/or sale price to the public and/or the average of the official prices registered for the shares on the market for the period of time before the stock option rights were granted, which will be found in the incentive program.

On November 3rd 2000, the Board of Directors partially implemented the vote of the shareholders' assembly of July 7th 2000, to increase the share capital to 4.640.089.000 lira for use in the stock option program for 2001/2003 and approving the relative regulations. This plan is divided into three phases, one for each year, and the option rights for underwriting the new shares can be exercised by the grantees from September 1st to September 30th of each year for the period involved and are not negotiable. The option rights will be granted only to the executives, workers and employees of the Group who at the time of the concession of the right, are working in a subordinate position in the company. After this vote, the share capital of El.En. S.p.A. on December 31st, 2000 was as follows:

Authorised	Lira	4.640.089.000
Underwritten and deposited	Lira	4.600.000.000

Nominal (par) value of each share	***Lira***	***1.000***

Categories	31/12/99	INCREASE.	(DECREASE.)	31/12/00
No. Of Ordinary Shares	2.400.000	2.200.000		4.600.000
Total	2.400.000	2.200.000		4.600.000

In order to make it possible to compare the two financial periods, the number of shares as per December 31st 1999 has been adjusted in consideration of the vote of the extraordinary assembly of July 7th, 2000 which modified the nominal (par) value of the shares from 10.000 to 1.000 lira.

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 year 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.

OTHER RESERVES

Reserves for contributions in capital account entered on the balance sheet of the head company of the Group El.En. S.p.A. can be broken down as follows.

	31-Dec-00	**31-Dec-99**	**variation**	**Variation %**
EME contribution on capital account		350.000.000	-350.000.000	-100,00%
DIFF3 contribution on capital account	291.716.500	291.716.500		
CESVIT contribution on capital account	6.000.000	10.947.000	-4.947.000	-45,19%
Art 4 contribution on capital account		8.553.000	-8.553.000	-100,00%

CCIAA contribution on capital account	7.535.500	7.535.500		
EU contribution on capital account	520.871.000	847.699.000	-326.828.000	-38,55%
Other contributions on capital account		28.617.562	-28.617.562	-100,00%
Total	826.123.000	1.545.068.562	-718.945.562	-46,53%

The chart that follows compares the balance sheet and capital and reserves of the Group head with the corresponding consolidated amounts.

Comparison table between BS of Group head company and consolidated balance				
	Current fiscal year		*Previous fiscal year*	
	Net result	Net C.&R.	Net result	Net C.&R.
BALANCES AS PER BS OF FISCAL YEAR OF GROUP HEAD COMP.	4.307.546.985	78.697.958.500	3.966.333.615	8.300.241.860
Effect of elimination of value adjustment and of provisions made exclusively for applying of tax rules net of fiscal effects:				
- Exceeding anticipated Amortisations	107.828.064	276.374.536	-23.879.196	168.546.471
Elimination of effects of operations made between subsidiary companies net of fiscal effects :				
- Internal profits on stocks	-106.529.097	-415.300.311	-145.408.936	-308.771.214
- Internal profits on tangible assets	2.605.220	-13.026.099	-15.631.319	-15.631.319
- Cancellation devaluation of equity investments in subsidiaries	71.007.299			
- Dividends received from consolidated companies	-1.130.250.000		-624.000.000	
Effect of change and homogenizing of criteria of evaluation inside the Group net of fiscal effects:				
- Evaluation at net C.&R. of companies in BS of current year at cost	91.917.423	1.348.557.411	-161.425.059	1.256.639.988
Charge value of equity investments of consolidated		-491.070.001		-562.077.300
Net C.&R. and result of current year of consolidated year	2.413.086.968	5.198.385.476	2.604.160.882	3.915.548.509
Effect of other value adjustments:				
- Elimination of provision effect for losses of DEKA Sarl	59.931.159	59.931.159		
- Other value adjustments			-25.623.554	-25.623.554
BALANCES AS PER CONSOLIDATED BS - Group amount	5.817.144.021	84.661.810.671	5.574.526.433	12.728.873.441
BALANCES AS PER CONSOLIDATED BS - Third parties amount	1.017.262.320	2.541.484.824	1.179.937.833	2.043.972.502
BALANCES AS PER CONSOLIDATED BS	6.834.406.341	87.203.295.495	6.754.464.266	14.772.845.943

B) PROVISIONS FOR CONTINGENCIES AND OTHER LIABILITIES

The reserve fund for risks and liabilities is made up as follows:

	BALANCE 31/12/99	**PROVISION**	**(UTILISAT.)**	**OTHER OPERATIONS**	**BALANCE 31/12/00**
pension costs and similar	381.735.870	63.472.618			445.208.488
for taxation	412.381.821	132.954.225	-120.508.122		424.827.924
other					
reserve for guarantee on the products	103.277.783	5.523.696			108.801.479
Reserve for risks and charges		800.000.000			800.000.000
Other minor reserves	709.649.718				709.649.718
Total other reserves	812.927.501	805.523.696			1.618.451.197
Total	1.607.045.192	1.001.950.539	-120.508.122		2.488.487.609

The provision for severance indemnity is made up the indemnity fund for end-of-term for administrators for 286.618.419 lira and the clientele agents indemnity fund for 158.590.069 lira.

The fund for product warranty has been calculated on the basis of the costs of spare parts and assistance under warranty incurred during the previous financial year adapted to the sales volume of the same financial year.

On the 8th of May, 2001, El.En. S.p.A. received a notification, the *Processo Verbale di Constatazione* (PVC) in relation to an inspection which had been conducted by the internal revenue aurthorities (*Guardia di Finanza*) on January 23rd 2001. The PVC states that the amounts paid for certain taxes (IRPEG, IRAP, IVA) are contested for a total amount of 1.252.000.000 lira approx. The company, although convinced of the correctness of its operations decided, as a precautionary measure, to set aside a reserve fund of 800.000.000 lira to cover any charges that may arise from the PVC notification.

C) SEVERANCE PAY FOR EMPLOYEES

The following chart shows the changes which have occurred during the financial year.

BALANCE 31/12/99	PROVISION	(UTILISAT.)	OTHER OPERATIONS	BALANCE 31/12/00
894.805.272	273.833.283	-72.798.679	-29	1.095.839.847

The amounts provided for in this reserve correspond to the actual amounts owed by the company to employees on the dates shown, net from all advance payments.

D) AMOUNTS OWED

ANALYSIS OF AMOUNTS OWED

	31-Dec-00	31-Dec-99	variation	variation %
debentures	1.200.000.000	1.200.000.000		
amounts owed to banks	2.565.842.329	2.903.811.200	-337.968.871	-11,64%
amounts owed to other financiers	1.696.410.703	1.925.046.911	-228.636.208	-11,88%
advances	400.840.822	768.100.356	-367.259.534	-47,81%
amounts owed to suppliers	11.690.792.924	9.193.339.218	2.497.453.706	27,17%
amounts owed to subsidiary companies	1.193.303.520	1.265.024.000	-71.720.480	-5,67%
amounts owed to tax administration	919.306.466	4.486.542.726	-3.567.236.260	-79,51%
amounts owed to Social Security Institutions	538.303.887	478.568.766	59.735.121	12,48%
other creditors	899.281.780	741.241.782	158.039.998	21,32%
Total	21.104.082.431	22.961.674.959	-1.857.592.528	-8,09%

While amounts owed to suppliers have increased with the production volume, the sharp drop of sums owed to tax authorities should be noted; these have been entered in the statement net of advance payments, the amount of which has increased considerably during the financial year 2000.

Amounts owed with a residual duration of over five years are shown on the following chart:

	31-Dec-00	31-Dec-99	variation	variation %
debentures	1.200.000.000	1.200.000.000		
amounts owed to other financers	400.000.000	800.000.000	-400.000.000	-50,00%
advances	390.185.133	798.407.207	-408.222.074	-51,13%
Total	1.990.185.133	2.798.407.207	-808.222.074	-28,88%

The ordinary debenture loan of 1.200.000.000 is to be reimbursed in a single payment 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 3.200.000.000 lira, to be reimbursed in fixed six-month instalments of 200.000.000 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 financers consist of IMI facilitated financing for applied research and can be broken down as follows: :
Reference DIFF 3
Multi-year financing granted for 943.147.618 lira at the fixed annual rate of 3,70%, last instalment July 1st, 2008
Reference TMR 4
Multi-year financing granted for 953.479.293 lira at the fixed annual rate of 3,70%, last instalment July 1st, 2008

The seven-year financing from associated companies for 1.170.000.000 lira 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.

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 equivalent to TUS + 1% as registered at the beginning of the year. As of January 1, 2000 the BCE rate replaced the TUS rate.

The "other financing" refers to a loan contracted by the subsidiary company Ot-Las Srl for the purchase of a vehicle.

The chart which follows is a summary of the paragraphs above and also shows the dates when the amount must be paid.

	Expiration	Rate	Remain. 31/12/00	Amount foll.f.year	Amount within 5 years	Amount beyond 5 years
ten-year debenture loans	31/12/2006	9,75%	1.200.000.000			1.200.000.000
ten-year loan with CRF	07/03/2006	Ribor + ,95%	2.400.000.000	400.000.000	1.600.000.000	400.000.000
Financ. IMI DIFF3	01/07/2008	3,70%	846.826.514	99.917.951	438.402.926	308.505.637
Financ. IMI TMR 4	01/07/2008	3,70%	821.164.189	137.256.047	602.228.646	81.679.496
Seven-year Quanta Fin financing	30/06/2003	BCE + 1%	1.170.000.000		1.170.000.000	
Other financings	02/12/2002	6,25%	34.360.841	16.645.097	17.715.744	
Total			6.472.351.544	653.819.095	3.828.347.316	1.990.185.133

CHANGES IN LONG TERM FINANCING

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

	BALANCE 31/12/99	TAKING INTO CHARGE	REIMBURSEM. (subsistenc.)	OTHER OPERATIONS	BALANCE 31/12/00
Debentures	1.200.000.000				1.200.000.000
CRF loan	2.800.000.000		-400.000.000		2.400.000.000
Financing IMI DIFF3	943.147.618		-96.321.104		846.826.514
Financing IMI TMR 4	953.479.293		-132.315.104		821.164.189
Other financings	1.170.000.000				1.170.000.000
Financing Quanta Fin	50.000.000	48.733.650	-64.372.809		34.360.841
Total	7.116.626.911	48.733.650	-693.009.017		6.472.351.544

DEBTS GARANTEED 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. The subsidiary company Ot-Las gave as guarantee securities for an amount of 20.556.750 to sustain a bank guarantee issued by the renter of the building located in Signa - Via Amendola, 25, which was headquarters of the company until February 7th, 2001. In any case, this bank guarantee is no longer in existence.

Amounts owed for taxes are shown on the chart below:

	31-Dec-00	**31-Dec-99**	**variation**	**variation %**
Taxes on profit - IRPEG	313.969.885	3.456.691.428	-3.142.721.543	-90,92%
Taxes on profit - IRAP	103.454.000	447.593.951	-344.139.951	-76,89%
Debts owed to tax administration for VAT	135.789.353	266.085.557	-130.296.204	-48,97%
Debts owed to tax administration for deductions	357.343.649	310.956.513	46.387.136	14,92%
Other tax debts	8.749.579	5.215.277	3.534.302	67,77%
Total	919.306.466	4.486.542.726	-3.567.236.260	-79,51%

The amounts owed for IVA (value added tax) are also related to deferred IVA on supplies to public institutions.

Amounts owed for taxes are shown net from the relative credits for advance payments, and are down from the preceding financial year because of the fact that advance tax payments deposited in 2000 are of a much greater entity than those paid in 1999. Moreover, the head company of the Group and the subsidiary Deka M.E.L.A. Srl were authorised, at the maturity of the tax credits, for an aggregate amount of 309.405.908, for two scholarships and a design project, the creation and testing of a prototype, to be concluded by July 31st, 2001.

The above mentioned amounts receivable have been recognised on the basis of economic pertinence, meaning as a relation between cost and income. For this reason, on the basis of the relative costs, they have been entered in the profit and loss account for the amount of 11.515.904 lira, while the remainder has been entered in the balance sheet of the next financial year. All tax credits have been subtracted from the tax debts owed.

Amounts owed to social security and pension institutions are as follows:

	31-Dec-00	31-Dec-99	variation	variation %
Debts owed to INPS	470.965.199	331.625.900	139.339.299	42,02%
Debts owed to INAIL	22.567.236	22.441.494	125.742	0,56%
Debts owed to Social Security Institutions	44.771.452	124.501.372	-79.729.920	-64,04%
Total	538.303.887	478.568.766	59.735.121	12,48%

All other debts can be broken down as follows:

	31-Dec-00	31-Dec-99	variation	variation %
Owed to staff for holidays	305.330.434	277.950.904	27.379.530	9,85%
Owed to staff for wages and salaries	379.314.653	304.497.136	74.817.517	24,57%
Bondholders	102.375.000		102.375.000	
Other debts	112.261.693	158.793.742	-46.532.049	-29,30%
Total	899.281.780	741.241.782	158.039.998	21,32%

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

E) ACCRUALS AND DEFERRED INCOME

Liabilities derived from accruals and deferred income are broken down in the following chart:

	31-Dec-00	31-Dec-99	variation	variation %
Accruals- liabilities:				
Interests- liabilities	30.796.644	20.747.466	10.049.178	48,44%
Other	280.000		280.000	
Total accruals liabilities	31.076.644	20.747.466	10.329.178	49,79%
Deferred income .-liabilities				
Contributions on staff expense account		23.333.334	-23.333.334	-100,00%
taxation credits	297.890.004		297.890.004	
other	4.520.000	10.800.000	-6.280.000	-58,15%
Total accrued income - liabilities	302.410.004	34.133.334	268.276.670	785,97%
Total	333.486.648	54.880.800	278.605.848	507,66%

The accrued income liabilities also refer to the charges which must be paid in the form of tax credits and entered in the balance sheet subtracting them from the tax debts.

MEMORANDUM

The memorandum lists the inventory which is deposited with third parties for work, repair, technical assistance, demonstration and clinical experimentation and the equipment left with third parties for demonstration and clinical experimentation.

Property guarantees loaned to third parties consist of 6.400.000.000 lira on the mortgage of the factory in Calenzano, as colateral on the loan from the Cassa di Risparmio of Florence issued for 3.200.000.000 lira and the residual value as of December 31st, 2000 for 2.400.000.000 lira; of 148.530.000 lira in state securities retained in favor of the Cassa di Risparmio of Florence for the bank guarantee issued in order to obtain financing granted by MURST and issued by IMI; of 20.556.750 lire in a certificate of deposit of the subsidiary company Ot-Las Srl offered as colateral for the bank guarantee for rental of the building located in Signa, headquarters of the above mentioned company until February 7th, 2001. In any case, this later personal gurantee is no longer in existence.

PROFIT AND LOSS ACCOUNT

A) VALUE OF THE PRODUCTION

ANALYSIS OF SALES AND SERVICES

Break down of income by activity category

	31-Dec-00	31-Dec-99	variation	variation %
Sales medical laser systems	30.204.087.187	30.233.000.652	-28.913.465	-0,10%
Sales industrial laser sources	2.123.999.150	498.999.220	1.624.999.930	325,65%
Sales of spare parts	3.251.576.774	2.243.325.901	1.008.250.873	44,94%
Consulting and research	261.500.000	235.000.866	26.499.134	11,28%
Sales industrial systems	14.010.000.449	12.424.001.119	1.585.999.330	12,77%
other sales and services	405.079.170	590.379.745	-185.300.575	-31,39%
Total	50.256.242.730	46.224.707.503	4.031.535.227	8,72%

The medical /aesthetic 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-Dec-00	31-Dec-99	variation	variation %
Sales in Italy	26.064.999.642	31.941.198.494	-5.876.198.852	-18,40%
Sales other EU countries	10.557.063.211	8.793.529.957	1.763.533.254	20,05%
Sales outside EU	13.634.179.877	5.489.979.052	8.144.200.825	148,35%
Total	50.256.242.730	46.224.707.503	4.031.535.227	8,72%

This chart shows quite clearly that the rise in aggregate income is a result of the company's expansion on foreign markets, and in particular, in countries outside Europe. It should be noted, in fact, that the prices for the selling prices set by the company for foreign sales is lower than that offered for domestic sales, because equipment offered on the foreign market is sold entirely through distributors, to whom a discount on list prices is granted. These distributors, in fact, sustain the charges for both indirect commercial expenses (fairs, publicity, and promotions)and direct expenses (commissions to agents) which, in Italy are paid for by the Group. The drop in income in Italy is due to the focus that was directed to the penetration of the foreign markets, which have a better potential for mid-term growth.

Analysis of the other types of income is as follows:

	31-Dec-00	31-Dec-99	variation	variation %
Profits on commercial exchanges	141.025.099	5.359.664	135.665.435	2531,23%
Recovery for accidents and insurance reimbursements	22.703.600	8.892.646	13.810.954	155,31%
Expense recovery	12.822.501	13.722.911	-900.410	-6,56%
Capital gains on ordinary property conveyances	91.669.950	76.031.819	15.638.131	20,57%
Other income	43.887.263	75.739.454	-31.852.191	-42,05%
Contribution on fiscal year account and on capital account	73.333.334	386.215.251	-312.881.917	-81,01%
Total	385.441.747	565.961.745	-180.519.998	-31,90%

INTERGROUP COMMERCIAL RELATIONS

The combination of different products and services offered by the Group often generates transactions between the various companies of 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, Valfivre Italia Srl, ed Ot-Las Srl.

Other inter-group relations are based on the production of laser equipment for medical and aesthetic use by El.En.S.p.A., some of which are sold to Deka M.E.L.A. Srl and a Deka Sarl, 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 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

PURCHASES OF RAW AND SUBSIDIARY MATERIALS, CONSUMABLES AND GOODS

Break down of purchases is as follows:

	31-Dec-00	31-Dec-99	variation	variation %
Purchase of raw materials	21.137.366.624	17.227.689.754	3.909.676.870	22,69%
Purchase of packagings	101.411.949	113.432.679	-12.020.730	-10,60%
Purchase of stationery	98.729.821	49.427.702	49.302.119	99,75%
Purchase of fuels	129.202.194	99.753.621	29.448.573	29,52%
Purchase of advertising materials	60.377.424	47.199.454	13.177.970	27,92%
Transports on purchases	254.571.718	178.272.748	76.298.970	42,80%
Other purchase expenses	50.478.221	40.983.986	9.494.235	23,17%
Other purchases	142.209.988	175.512.070	-33.302.082	-18,97%
Total	21.974.347.939	17.932.272.014	4.042.075.925	22,54%

BREAK DOWN OF EXPENSES FOR SERVICES

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

	31-Dec-00	31-Dec-99	variation	variation %
Expenses for work in progress at third parties	1.863.810.645	1.766.151.229	97.659.416	5,53%
User services	331.671.149	217.616.860	114.054.289	52,41%
Consulting and technical services	1.300.903.122	774.048.548	526.854.574	68,06%
Maintenance	49.834.602	116.377.208	-66.542.606	-57,18%
Services and commercial advices	1.142.823.761	830.206.362	312.617.399	37,66%
Transport	483.500.403	346.416.843	137.083.560	39,57%
Insurance	104.031.348	89.824.316	14.207.032	15,82%
Travel and overnight expenses	661.547.405	615.817.676	45.729.729	7,43%
Commissions	2.321.924.285	2.960.430.100	-638.505.815	-21,57%
Promotion and advertising expenses	771.010.145	340.936.754	430.073.391	126,14%
Royalties	432.346.299	569.200.519	-136.854.220	-24,04%
Other services	2.172.407.374	2.029.668.451	142.738.923	7,03%
Total	11.635.810.538	10.656.694.866	979.115.672	9,19%

BREAK DOWN OF THE OPERATING EXPENSES

The following chart shows a break down of all the operating expenses:

	31-Dec-00	31-Dec-99	variation	variation %
Different taxes than ones on the income	57.404.680	51.494.000	5.910.680	11,48%
Associating contributions	37.600.372	19.093.570	18.506.802	96,93%
Newspaper and magazine subscriptions	51.186.451	28.989.581	22.196.870	76,57%
Expenses for vehicle	159.470.774	194.227.200	-34.756.426	-17,89%
Capital losses on ordinary possession conveyance	16.422.012	250.004.399	-233.582.387	-93,43%
Purchase of consumables with value lower than 1 million	150.688.315	133.077.699	17.610.616	13,23%
Losses on commercial exchanges	192.524.934	54.571.507	137.953.427	252,79%
Fines	3.512.900	4.352.900	-840.000	-19,30%

Other minor charges	189.476.230	499.986.348	-310.510.118	-62,10%
Total	858.286.668	1.235.797.204	-377.510.536	-30,55%

Among the costs sustained for purchases, the sharp increase in purchases of raw materials is reflected, for one thing, in the increase in inventory which was registered at the end of the financial period. Among the services, it should be noted that the drop in commissions, is due to the decrease in sales in Italy, which are made through agents, to the advantage of foreign sales, usually made by distributors; the increase in the amount of work jobbed out and in consultation and technical services reflects the company's policy of decentralising part of the production, particular the more standardised phases.

Among the production costs, the expenses sustained by the Group for Research and Development are of particular importance. During the year 2000, the companies of the Group spent about 3.900 million lira on personnel dedicated part-time or full-time to Research and Development and for the purchase of instruments, materials, equipment, consultation and services for research. None of these expenses were capitalised in 2000.

In order to pay for the above mentioned expenses income has been cashed in and grants received, both by means of re-invoicing the expenses, and by contributions given in the form of tax credits, for a total of about 330 million lira. The remaining amount has been self-financed. Income from research, some of which is included under the heading of "other income" dropped by about 300 million, as a consequence of the failure to stipulate an important research contract with MURST (Ministry for the University and for Scientific and Technological Research) for the reimbursement of research expenses, which have, in any case, been entered among the costs for the financial year.

C) FINANCIAL INCOME AND CHARGES

Financial income is broken down in the chart which follows.

	31-Dec-00	31-Dec-99	variation	variation %
from investments which are not equity investments				
FROM INVESTMENTS				
Interests	6.527.877	5.279.415	1.248.462	23,65%
Total	6.527.877	5.279.415	1.248.462	23,65%
from non-permanent investments which are not equity investments				
FROM INVESTMENTS	1.890.011	15.333.300	-13.443.289	-87,67%
incomes from negotiation	44.890.891	32.700.782	12.190.109	37,28%
FROM OTHER INVESTMENTS				
from investments		5.192.322	-5.192.322	-100,00%
incomes from negotiation	5.728.888		5.728.888	
Other	69.589.333	69.589.333		
Total	122.099.123	122.815.737	-716.614	-0,58%
incomes different from the previous ones :				
Interests - assets - to banks	603.022.131	92.277.369	510.744.762	553,49%
Investments - assets on other short-term credits		5.192.322	-5.192.322	-100,00%
Other financial incomes	64.706.769	54.315.309	10.391.460	19,13%
Total	667.728.900	151.785.000	515.943.900	339,92%
Total	796.355.900	279.880.152	516.475.748	184,53%

Interest from banks derives from the sums which have been cashed in for increase in paid-in capital made by the group head company, El.En. S.p.A.

Among the the financial income from securities, we have entered the issue difference for ZC Mediobanca 1996/2011 bonds deriving from the investment made by the subsidiary Deka M.E.L.A. Srl.

The other financial income are chiefly related to the amount of interest assets on sales made by Cutlite Penta Srl with purchase facilitated to the client by the "Sabatini law", which have an exact corresponding sum shown under the heading of financial charges.

Composition of interest amounts owed and financial charges can br broken down as follows:

	31-Dec-00	31-Dec-99	variation	variation %
Financial charges on:				
debentures	117.000.000	117.000.000		
Bank debts for account ovedraft	10.031.958	14.400.198	-4.368.240	-30,33%
Bank debts for medium- and long-term loans	202.394.155	170.015.844	32.378.311	19,04%
debts to other financiers	1.515.670	14.771.536	-13.255.866	-89,74%
debits to suppliers		42.680	-42.680	-100,00%
Other financial charges:				
losses from negotiation - investments		4.540.038	-4.540.038	-100,00%
other	70.626.922	63.599.350	7.027.572	11,05%
Total	401.568.705	384.369.646	17.199.059	4,47%

Financial charges towards non-associated companies have been entered for 50.999.178 lira, and are related to the seven-year financing issued by Quanta Fin Srl to the head of the Group, El.En. S.p.A..

D) VALUE ADJUSTMENTS FOR FINANCIAL ACTIVITIES

The adjustment for an amount of 91.917.423 lira entered under item D18 a) of the profit and loss account is due to the application of the shareholders' equity method for evaluating the equity investments in associated companies which are not totally consolidated.

The amount of 10.730.667 lira adjust the value charged for the debenture loans of the Mediobanca Zero Coupon 1996-2011 which were acquired per temporary use as cash by the subsidiary Deka M.E.L.A. Srl, in conformity with the change of price which was registered during the financial period.

E) EXTRAORDINARY INCOME AND CHARGES

BREAK DOWN OF EXTRAORDINARY CHARGES

The chart that follows contains a break down of the extraordinary income:

	31-dic-00	31-dic-99	Variazione	Variazione %
extraordinary income				
Miscellaneous losses	58.151.645	18.244.683	39.906.962	218,73%
Other extraordinary income	3.400.000	5.418.399	-2.018.399	-37,25%
Total	61.551.645	23.663.082	37.888.563	160,12%

The chart that follows shows a break down of the extraordinary charges.

	31-Dec-00	31-Dec-99	variation	variation %
Extraordinary charges:				
Correction of sampling tax errors of the previous fiscal years		29.518	-29.518	-100,00%
Miscellaneous gains	23.667.893	2.541.534	21.126.359	831,24%
Other extraordinary income		133.028	-133.028	-100,00%
Total	23.667.893	2.704.080	20.963.813	775,27%
Taxation related to the previous fiscal years				
Other taxes related to the previous years		299.299.476	-299.299.476	-100,00%
Total		299.299.476	-299.299.476	-100,00%
Total	23.667.893	302.003.556	-278.335.663	-92,16%

TAXES ON INCOME FOR THE FINANCIAL YEAR

Description:	31-Dec-00	31-Dec-99	variation	variation %
IRPEG	4.991.053.175	5.459.272.575	-468.219.400	-8,58%
IRAP	873.634.993	489.683.752	383.951.241	78,41%
DEFERRED (ANTICIPATED) IRPEG	-146.280.064	-220.396.360	74.116.296	-33,63%
DEFERRED (ANTICIPATED) IRAP	-16.802.440	-25.315.798	8.513.358	-33,63%

Total direct taxes	5.701.605.664	5.703.244.169	-1.638.505	-0,03%

The final fiscal cost for the financial year is influenced by the effect of the Dual Income Tax (DIT) which determines a smaller percentage of taxes on the taxable income.

OTHER INFORMATION

In accordance with the law, the chart below shows the composition of company employees by category and cumulative salaries paid to the Administrators and Auditors by category.

Average work force number divided by category

	31-Dec-00	31-Dec-99	variation	variation %
Workers	25,0	22,0	3,0	13,64%
Intermediate employees		1,0	-1,0	-100,00%
Employees	68,0	57,5	10,5	18,26%
Executives	3,5	3,0	0,5	16,67%
Total	96,5	83,5	13,0	15,57%

Salaries of Administrators and Auditors

The chart below shows the salaries paid to the admnistrators and auditors of the head company of the Group, El.En. S.p.A, in conformity with art. 78 of the Consob regulations, applied after approval no. 11971 of May 14th 1999.

PERSON	***DESCRIPTION OF POSITION***		***SALARY***			
First name and last name	*Position*	*Duration of term*	*Emoluments*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
Clementi Gabriele	*President of the Board of Directors*	Year 2000/2002	140.000.000			6.666.000
Bazzocchi Barbara	*Deputy member*	Year 2000/2002	140.000.000			6.666.000
Cangioli Andrea	*Deputy member*	Year 2000/2002	140.000.000			6.666.000
Muzzi Francesco	*Member*	Year 2000/2002	93.350.000			6.666.000
Pilla Vincenzo	*President of Board of Auditors*	Year 2000/2002	21.012.000			
Caselli Paolo	*Effective auditor*	Year 2000/2002	10.302.000			
Masi Michele	*Effective auditor*	Year 2000/2002	8.772.000			

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 67.000.000 lira; Barbara Bazzocchi as sole Administrator of Cutlite Penta Srl received a salary of 20.000.000 lira from that company; Gabriele Clementi as sole Administrator of Valfivre Italia Srl, received a salary of. 20.000.000 from that company.

The parent company of the Group, El.En. S.p.A., does not have a General Director.

For a better comprehension of the overall consolidated financial statement, the chart below shows the general financial report for the purpose of showing 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)

CASH FLOW GENERATED BY MANUFACTURING ACTIVITY		31/12/00		31/12/99
Profit (loss)for the financial period		**5.817.144.021**		**5.574.526.433**
Adjustments for items which have no effect on the cash				
Ammortisations	1.687.845.509		842.801.501	
S.P. matured during the financial year	273.833.283		230.053.194	
S.P. paid during the financial year	-72.798.708		-170.643.772	
Accrulas (utilization) of deferred tax funds	-163.082.504		-245.712.158	
Capital losses (gains) from disposal of assets			-113.415	
Variations in the current assets and liabilities		7.542.941.601		6.230.911.783
Clients	-2.788.317.261		-689.565.605	
Other accounts receivable	-80.320.000		-4.100.634.805	
Inventory	-5.263.239.432		-3.258.815.484	
Prepayments and accrual assets	48.781.481		-44.816.161	
Suppliers	2.497.453.706		1.237.932.577	
Various amounts owed	-97.301.260		441.836.810	
Prepayment and accrual liabilities	278.605.848		-23.981.058	
Tax debts	-3.567.236.260	-7.245.775.598	2.222.406.363	-3.559.252.013
cash flow generated by manufacturing activity		-1.428.631.577		2.015.274.420
CASH FLOW GENERATED BY INVESTMENT ACTIVITY:				
Income from the sale of technical assets	-38.338.711		522.026.668	
Purchase of technical assets	-1.455.792.716		-1.099.212.450	
Increase in intangible activity	-3.597.077.798		-37.298.224	
Increase in intangible activity	-125.637.344	-5.216.846.569	87.402.331	-527.081.675
Increase (decrease) in equity investments				
CASH FLOW FROM FINANCIAL ACTIVITY:				
Receipt of new financing	48.733.650		941.357.000	
Reimbursement of financing	-817.918.590		-766.469.200	
Other changes in the shareholders equity	67.415.793.209		-307.774.090	
Dividends distributed	-1.300.000.000		-200.000.000	
Reduction (increase) in other fixed assets	-212.056.312		-153.462.529	
Increase (reduction)of other M/L term liabilities	1.542.037.243	66.676.589.200	1.350.693.923	864.345.104
Difference in transforming the currency used for the statement				-1.235.518

INCREASE (DECREASE) IN THE CASH AND BANK ACCOUNTS	60.031.111.054	2.351.302.331
CASH AND BANKS AT THE START OF THE FINANCIAL PERIOD	6.624.362.270	4.273.059.939
CASH AND BANKS AT THE END OF THE FINANCIAL PERIOD	66.655.473.324	6.624.362.270

This consolidated financial statement, consisting of the balance sheet, the profit and loss account, and the Appendix, represent, in a correct and truthful manner, the financial and economic situation for the financial year.

for the Board of Directors
President
Ing. Gabriele Clementi