El.En. Group
Consolidated financial statement 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	1.111.579	1.480.627
4) Concessions, licenses, trade marks and similar rights	8.264	
5) Goodwill	242.777	
6) Intangible assets in progress and payments on account	83.638	
7) Other	34.115	17.103
8) Goodwill arising from consolidation	188.353	
Total intangible assets	**1.668.726**	**1.497.730**
II) Tangible assets		
1) Land and buildings	2.544.112	2.623.974
2) Equipment and machinery	281.984	286.644
3) Industrial and commercial equipment	381.779	293.927
4) Other	469.158	488.300
5) Tangible assets under construction and payments on account	16.169	11.631
Total tangible assets	**3.693.202**	**3.704.476**
III) Financial fixed assets		
1) Equity investments in :		
b) associated companies	558.878	959.948
d) other companies	171.946	42.574
Total equity investments	*730.824*	*1.002.522*
3) Other investments	76.709	87.326
Total financial fixed assets	**807.533**	**1.089.848**
TOTAL FIXED ASSETS	**6.169.461**	**6.292.054**
C) CURRENT ASSETS		
I) Stocks:		
1) Raw materials and consumables	4.223.044	3.128.457
2) Work in progress and components	2.176.164	1.878.757
4) Finished goods	2.652.081	1.582.059
5) Payments on account	63.303	155.734
Total stocks	**9.114.592**	**6.745.007**
II) Debtors		
1) Trade debtors		
- due within 12 months	8.219.262	7.086.281
Total trade debtors	*8.219.262*	*7.086.281*
3) Amounts owed by non-consolidated associated companies		
- due within 12 months	139.203	69.447
Total amounts owed by associated companies	*139.203*	*69.447*
5) Other debtors		
- due within 12 months	2.730.145	1.467.398
- due after 12 months	704.510	420.946
Total amounts owed by other debtors	*3.434.655*	*1.888.344*
Total debtors	**11.793.120**	**9.044.072**
III) Investments which are not permanent		
6) Other investments	202.827	1.148.055
Total investments which are not permanent	**202.827**	**1.148.055**
IV) Cash at bank and in hand		
1) Bank and postal current accounts	32.261.260	34.696.096
3) Cash on hand	14.072	11.667
Total cash at bank and in hand	**32.275.332**	**34.707.763**
TOTAL CURRENT ASSETS	**53.385.871**	**51.644.897**
D) PREPAYMENTS AND ACCRUED INCOMES:		
1) Prepayments and accrued income assets	107.002	22.525
Total prepayments and accrued incomes	**107.002**	**22.525**
TOTAL ASSETS	**59.662.334**	**57.959.476**

LIABILITIES		
A) CAPITAL AND RESERVES		
Capital and reserves of the group		
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
- Profits from subsidiaries and associated in previous years	1.592.654	843.801
- Consolidation reserve	1.456.630	1.456.630
- Other reserves	4	1
Total other reserves	*5.903.054*	*3.960.769*
VIII) Profits (loss) brought forward		
IX) Profit (loss) for the financial period	2.275.369	3.004.304
Total capital and reserves of the group	**45.048.760**	**43.724.177**
Capital and reserves of third parties		
X) Capital and reserves of third parties	1.349.987	787.195
XI) Profit (loss) of third parties	358.721	525.372
Total capital and reserves of third parties	**1.708.708**	**1.312.567**
TOTAL CAPITAL AND RESERVES	**46.757.468**	**45.036.744**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Provisions for pensions and similar obligations	255.046	229.931
2) Provisions for taxation	620.218	632.571
3) Other provisions	482.117	422.695
Total provisions for risks and charges	**1.357.381**	**1.285.197**
C) EMPLOYEE SEVERANCE INDEMNITY	**695.191**	**565.954**
D) CREDITORS		
1) Debenture loans		
- due after 12 months	619.748	619.748
Total debenture loans	*619.748*	*619.748*
3) Amounts owed to banks		
- due within 12 months	228.880	283.084
- due after 12 months	826.331	1.042.063
Total amounts owed to banks	*1.055.211*	*1.325.147*
4) Amounts owed to other financial institutions		
- due within 12 months	141.742	137.168
- due after 12 months	611.891	738.955
Total amounts owed to other financial institutions	*753.633*	*876.123*
5) Advances received		
- due within 12 months	223.508	207.017
Total advances received	*223.508*	*207.017*
6) Amounts owed to suppliers		
- due within 12 months	6.231.150	6.037.791
Total amounts owed to suppliers	*6.231.150*	*6.037.791*
9) Amounts owed to associated companies		
- due within 12 months	3.493	12.035
- due after 12 months	191.089	604.255
Total amounts owed to associated companies	*194.582*	*616.290*
11) Amounts owed to tax administration		
- due within 12 months	557.737	474.782
Total amounts owed to tax administration	*557.737*	*474.782*
12) Amounts owed to social security institutions		
- due within 12 months	358.535	278.010
Total amounts owed to social security institutions	*358.535*	*278.010*
13) Other creditors		
- due within 12 months	706.548	464.441
Total other creditors	*706.548*	*464.441*
TOTAL CREDITORS	**10.700.652**	**10.899.349**
E) ACCRUALS AND DEFERRED INCOME		
1) Accruals and deferred income-liabilities	151.642	172.232
Total accruals and deferred income	**151.642**	**172.232**
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**59.662.334**	**57.959.476**

PROFIT AND LOSS ACCOUNT	31/12/2001	31/12/2000
A) VALUE OF PRODUCTION		
1) Net turnover from sales and services	27.844.399	25.955.183
2) Variation in stocks of finished goods and in work in progress	1.323.271	1.388.944
4) Work performed for own purposes and capitalised	137.000	40.152
5) Other revenues and income		
a) Other revenues and income	171.613	88.378
b) Grants received pertaining to the current year	37.835	37.874
Total other revenues and income	*209.448*	*126.252*
TOTAL VALUE OF PRODUCTION	**29.514.118**	**27.510.531**
B) COSTS OF PRODUCTION		
6) For raw materials, consumables and goods for sale	-14.268.989	-11.392.886
7) For services	-7.531.127	-5.970.854
8) For use of assets owned by others	-129.988	-96.087
9) For staff costs:		
a) wages and salaries	-3.169.231	-2.387.326
b) social security costs	-993.162	-772.893
c) provision for severance indemnity	-185.932	-141.423
e) other costs relating to staff		-52
Total for staff costs	*-4.348.325*	*-3.301.694*
10) Value adjustments		
a) amortisation of intangible assets	-510.968	-391.429
b) depreciation of tangible assets	-584.442	-480.269
c) reduction in value of fixed assets	-6.723	
d) allowance for debtors in current assets and other acc.s incl. in cash	-115.092	-92.836
Total value adjustments	*-1.217.225*	*-964.534*
11) Variations in stock of raw materials, consumables and goods for resale	1.094.587	1.220.638
12) Amounts provided for risk provisions	-86.256	-416.019
14) Other operating charges	-434.229	-337.807
TOTAL COSTS OF PRODUCTION	**-26.921.552**	**-21.259.243**
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**2.592.566**	**6.251.288**
C) FINANCIAL INCOME AND CHARGES		
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	236.755	63.059
d) other income not included above		
- to third parties	*1.271.511*	*417.686*
Total other income not included above	*1.271.511*	*417.686*
Total other financial income	*1.512.026*	*484.116*
17) Interest payable and similar charges		
b) to associated companies	*-21.634*	*-26.339*
d) to third parties	*-296.657*	*-306.823*
Total interest payable and similar charges	*-318.291*	*-333.162*
TOTAL FINANCIAL INCOME AND CHARGES	**1.193.735**	**150.954**
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS		
18) Revaluation:		
a) of equity investments	35.346	47.471
c) of non-permanent investments which are not equity investments		5.542
Total revaluation	*35.346*	*53.013*
19) Devaluation		
a) of equity investments	-4.962	
Total devaluation	*-4.962*	
TOTAL VALUE ADJUSTMENTS	**30.384**	**53.013**
E) EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
a) income	*91.237*	*31.794*
Total extraordinary income	*91.237*	*31.794*
21) Extraordinary charges		
a) charges	*-65.211*	*-12.739*
Total extraordinary charges	*-65.211*	*-12.739*
TOTAL EXTRAORDINARY INCOME AND CHARGES	**26.026**	**19.055**
PROFIT OR LOSS BEFORE INCOME TAXES	**3.842.711**	**6.474.310**
22) Income taxes on the income of the period:		
a) current	-1.489.667	-3.028.859
b) deferred	281.046	84.225
23) NET TOTAL PROFIT (LOSS)	**2.634.090**	**3.529.676**
Profit (loss) of third parties	**-358.721**	**-525.372**
24) PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**2.275.369**	**3.004.304**

Appendix to the consolidated report closed on 31/12/2001

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.

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) AREA OF CONSOLIDATION

The consolidated financial statement of the 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. On account of the acquisition of the investment in Deka Lms Gmbh on 23/01/2001, the area of consolidation which is the basis for this financial statement is composed as follows.

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**Percentage**
Parent company:						
El.En. Spa	Calenzano (FI)	2.392.000				
Subsidiary companies:						
Deka M.E.L.A. Srl	Calenzano (FI)	40.560	70,00%		70,00%	70,00%
Cutlite Penta Srl	Calenzano (FI)	103.480	53,50%		53,50%	53,50%
Valfivre Italia Srl	Calenzano (FI)	47.840	99,00%		99,00%	99,00%
Deka Sarl	Vienne (F)	76.250	98,00%		98,00%	98,00%
Deka Lms GmbH	Freising (G)	51.129	51,55%		51,55%	51,55%
Ot-las Srl	Calenzano (FI)	57.200		51,00%	51,00%	27,29%
Neuma Laser Srl	Calenzano (FI)	46.800		100,00%	100,00%	40,39%

The Deka Lms GmbH company became operative on March 1st 2001.For information concerning the company, refer to the management report.

The investment in Deka S.a.r.l. was increased from 60% in the preceding financial period to 98% at present following the payment made by the Parent Company, El.En. S.p.A., implementing the approval voted for making up the losses and reconstituting the capital stock of the subsidiary company, both for its own quota and for the quota which was not optioned by the remaining partners.

During the period being examined here, no variations in the activity of the companies in the El.En. Group occurred.

El.En. S.p.A. owns investments in other companies which operate in the same sector, but which they do not control: for this reason the financial results of the latter are not consolidated in the financial statement of the Group, but have been consolidated using the shareholder's equity method. The following equity investments which represent assets in associated companies have been evaluated using the shareholder's equity method.

Company name:	Headquarters	Subscr.capital	Percentage held: Direct	Indirect	Total	Consolidated percentage
Lasit Srl	Vico Equense (NA)	234.000	50,00%		50,00%	50,00%
Quanta Fin Srl	Milan	10.400	50,00%		50,00%	50,00%
Quanta System Srl	Milan	364.000	30,00%		30,00%	30,00%
Actis Srl	Florence	10.200	12,00%		12,00%	12,00%
M&E	Delaware (USA)	9.924	50,00%		50,00%	50,00%

Investment in the Actis S.r.l company ha been maintained at cost because the company is still in the start–up phase. Investment in M&E has been reduced by 4.962 euros, the amount of the original cost, in consideration of the inactivity of the company.

3) REFERENCE DATA

The consolidated financial statement is prepared on the basis of the statements approved by the shareholder's 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..

4) PRINCIPLES OF CONSOLIDATION

The financial statements used for consolidation are the annual reports on 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 heir shareholder's equity.

The difference between the financial value of the equity investments, which have been suppressed, and the corresponding amount of shareholder's equity which is taken up, is due to the fact that the consolidated shareholder's equity has been rectified under the heading "Consolidated 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 shareholder's 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 of "Profit (loss) of third parties during the financial year".

5) CONVERSION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCY

The financial statement of the foreign companies has been consolidated using the fixed exchange rate of the currency for one 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 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) 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 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.

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

g) Tangible assets and 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:

Description	*Amortisation percentage*
Land and buildings	
- industrial structures	3,00%
Plants and machinery	
- generic plants and machinery	10,00%
- specific plants and machinery	10,00%
- other plants and machinery	15,50%
Industrial and commercial equipment	
- miscellaneous ad minute equipment	25,00%
- kitchen equipment	25,00%
Other goods	
- 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.

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 consolidated 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 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), 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 obligation.

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 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 of the elimination of fiscal interference 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.

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 31/12/2000	Increments	Revaluation (Devaluation)	Other Operations	(Amortisations)	Balance 31/12/2001
Formation and expansion expenses	1.480.627	1.634			-370.682	1.111.579
Concessions, licences, trade marks and similar rights		12.395			-4.131	8.264
Goodwill		303.472			-60.695	242.777
Other	17.103	45.385		-1	-28.372	34.115
Intangible assets in progress and payments on account		83.638				83.638
Difference from consolidation		235.441			-47.088	188.353
Total	**1.497.730**	**681.965**		**-1**	**-510.968**	**1.668.726**

Description	Past cost	Accumulated amortisations	Residual value
Year 1995 - Formation and expansion expenses	1.653	1.653	
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
Year 2001 - Formation and expansion expenses	1.634	326	1.308
Total	**1.869.526**	**757.947**	**1.111.579**

The amount shown under the entry “start-up” refers to the price paid by the subsidiary company Deka Lms Gmbh at the moment of purchase for the distribution activity of medical equipment in Germany. The entry under the item “difference at consolidation” on the other hand, is the consequence of the purchase made by the Parent Company of 51.55% of the German company, and represents the difference between the purchasing price and the value of the shareholder’s equity quoted at the time of purchase. The period of amortisation used for both entries is based on the period of time (5 years) in which the Group will benefit from the market position and the know-how acquired with these operations.

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.

The amount shown under the item “costs of formation and expansion” consists for the most part, of the capitalisation of the amounts paid by the Parent Company, El.En. S.p.A. , during the financial period 2000, for quotation on the new stock market (*Nuovo Mercato*).

II – Fixed assets

Changes which took place in the fixed assets during the financial year are shown below:

Cost	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	447.545	95.730	-10.081	-1	-103.680	429.513
Industrial and commercial equipment	945.790	250.361	-814		-6.809	1.188.528
Other goods	1.459.600	380.840		-1	-81.950	1.758.489
Tangible assets under construction	11.631	16.169		-11.631		16.169
Total	**5.794.291**	**751.252**	**-10.895**	**-11.633**	**-192.439**	**6.330.576**

Amortisation provisions	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	160.901	43.254	-3.460	1	-53.167	147.529
Industrial and commercial equipment	651.863	158.150	-712	3	-2.555	806.749
Other goods	971.300	295.024		76.062	-53.055	1.289.331
Tangible assets under construction						
Total	**2.089.815**	**584.442**	**-4.172**	**76.066**	**-108.777**	**2.637.374**

Net value	Balance 31/12/2000	Increments	Revaluations and other operations	(Amortisations and devaluations)	(Disposals)	Balance 31/12/2001
Land and buildings	2.623.974	8.152		-88.014		2.544.112
Plants and machinery	286.644	95.730	-2	-49.875	-50.513	281.984
Industrial and commercial equipment	293.927	250.361	-3	-158.252	-4.254	381.779
Other goods	488.300	380.840	-76.063	-295.024	-28.895	469.158
Tangible assets under construction	11.631	16.169	-11.631			16.169
Total	**3.704.476**	**751.252**	**-87.699**	**-591.165**	**-83.662**	**3.693.202**

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. Investments in tangible assets include, for the most part, equipment for sales demonstrations and clinical experimentation for the medical-cosmetic sector, the replacement of laboratory equipment and new hardware required for additional personnel.

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.

III – Equity investments

The following chart shows the analysis of the financial investments:

	31/12/2001	31/12/2000	Variation	Var. %
Equity investments in:				
subsidiary not completely consolidated companies	558.878	959.948	-401.070	-41,78%
other companies	171.946	42.574	129.372	303,88%
other equity investments	76.709	87.326	-10.617	-12,16%
Total	807.533	1.089.848	-282.315	-25,90%

Following the implementation of the approval by the special assembly of the Institute for Mechanical Technology and Automation Research S.p.A. on March 30th 1999 concerning the increase of capital, in December of 2001 El.En. S.p.A. increased its investment in the Institute by 129.114 euros. From a financial point of view, the operation was negotiated by compensating for amounts due to the Group from the Institute.

Details of consolidation are shown below for the associated companies which are consolidated with the shareholder’s equity method:

	Past Cost	Amount C.R. on 31/12/2000	Variation during the year	Amount C.R. on 31/12/2001
Lasit Srl	110.814	342.374	16.362	358.736
Quanta Fin Srl	41.879	518.832	-426.011	92.821
Quanta System Srl	104.583	92.541	13.540	106.081
	257.276	953.747	-396.109	557.638

The associated companies, Lasit Srl and Quanta System Srl have been evaluated on the basis of their accounts as of June 30th 2001. The proposed balance sheets now in preparation confirm the results shown for the previous semester.

	31/12/2001	31/12/2000	Variation	Var. %
Securities	76.709	76.709	0	0,00%
Italian bonded securities		10.617	-10.617	-100,00%
Total	76.709	87.326	-10.617	-12,16%

The other stocks are CCT with expiration on 01/04/2004 bound by a fidejussion guarantee given in order to obtain financing granted by MIUR and issued by IMI. The comparison made with the market value at the time the balance sheet was drawn up showed a capital gains with respect to the acquisition value.

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 a follows:

Stocks:	31/12/2001	31/12/2000	Variation	Var. %
Raw materials and consumables	4.223.044	3.128.457	1.094.587	34,99%
Work in progress and semi finished products	2.176.164	1.878.757	297.407	15,83%
Finished products and goods for sale	2.652.081	1.582.059	1.070.022	67,63%
Payments on account	63.303	155.734	-92.431	-59,35%
Total	9.114.592	6.745.007	2.369.585	35,13%

Break-down of inventory of raw materials is as follows:

Raw material:	31/12/2001	31/12/2000	Variation	Var. %
Optical components	566.540	464.473	102.067	21,97%
Electrical and electronic components	1.596.742	1.291.840	304.902	23,60%
Mechanical components	1.496.417	1.023.570	472.847	46,20%
Hydraulic components	315.293	175.622	139.671	79,53%
Empty cases	127.852		127.852	0,00%
Various materials	55.157	66.894	-11.737	-17,55%
Fitting and fixtures	181.112	227.688	-46.576	-20,46%
Laser sources	7.098		7.098	0,00%
minus: devaluation provision	-123.167	-121.628	-1.539	1,27%
Total	4.223.044	3.128.457	1.094.585	34,99%

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	181.649	206.421	-24.772	-12,00%
Mechanical units	210.117	178.257	31.860	17,87%
Electrical units	60.085	199.079	-138.994	-69,82%
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	836.429	247.439	29,58%
minus: devaluation provision	-33.535		-33.535	0,00%
Total	2.176.164	1.878.757	297.407	15,83%

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 located.

The break-down of the inventory of finished products is as follows:

Finished products:	31/12/2001	31/12/2000	Variation	Var. %
Medical lasers	1.154.068	687.731	466.337	67,81%
Industrial laser sources	243.301	280.647	-37.346	-13,31%
Medical fittings and accessories	343.913	176.138	167.775	95,25%
Other medical accessories	169.932	100.708	69.224	68,74%
Industrial laser systems	966.504	368.522	597.982	162,26%
minus: devaluation provision	-225.637	-31.687	-193.950	612,08%
Total	2.652.081	1.582.059	1.070.022	67,63%

The increase in the inventory in the medical laser and industrial laser sectors demonstrates, among other things, the company policy of increasing their inventories in order to be able to better respond to the changeable market conditions 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 209.558 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	8.219.262	7.086.281	1.132.981	15,99%
Amounts owed by non-consolidated associated companies	139.203	69.447	69.756	100,44%
Other debtors	3.434.655	1.888.344	1.546.311	81,89%
Total	11.793.120	9.044.072	2.749.048	30,40%

	31/12/2001	31/12/2000	Variation	Var. %
Clients in Italy	5.219.404	4.861.698	357.706	7,36%
EC clients	2.180.226	1.556.710	623.516	40,05%
Clients outside of EC	1.094.622	902.180	192.442	21,33%
minus: devaluation provision for debtors	-274.990	-234.307	-40.683	17,36%
Total	8.219.262	7.086.281	1.132.981	15,99%

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 from associated companies which are not consolidated are connected with a short-term financing with no interest granted to Quanta System S.r.l. for euros 6.973 and trade debts to Quanta System S.r.l. for euros 109.933, to Lasit S.r.l. for euros 8.633 and to M&E Co. for euros 12.896.

Analysis of the other accounts receivable
Break-down of the other accounts receivable is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
becoming payable within the next fiscal year				
IRPEG and IRAP credits	842.019	152.811	689.208	451,02%
VAT credits	1.582.732	1.043.643	539.089	51,65%
Security deposits	22.572	21.670	902	4,16%
Prepayments to suppliers	228.872	181.065	47.807	26,40%
Other credits	53.950	68.209	-14.259	-20,90%
total becoming payable within the next fiscal year	2.730.145	1.467.398	1.262.747	86,05%
becoming payable after the next fiscal year				
SP tax account	17.422	18.289	-867	-4,74%
Insurance policy TFM	161.478	140.819	20.659	14,67%
Credits for advanced taxes	515.830	255.795	260.035	101,66%
Other credits	9.780	6.043	3.737	61,84%
total becoming payable after the next fiscal year	704.510	420.946	283.564	67,36%
Total	3.434.655	1.888.344	1.546.311	81,89%

The financial period closed with a Value Added Tax (IVA) credit of 1.582.732 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 of the Parent Company, El.En. S.p.A. 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 17.422 euros as an advance on the TFR payment, 161.478 euros as a debt toward the Reale Mutua Insurance which covers the TFM (executive bonus) of the administrators and 515.830 euros as credits for advanced tax payments.

Accounts receivable beyond five years

There are no accounts receivable on the balance sheet with a duration of over five years.

III – Investments which are not permanent

Investments which are not permanent are as follows:

Investments wich are not permanent:	31/12/2001	31/12/2000	Variation	Var. %
other investments	202.827	1.148.055	-945.228	-82,33%
Total	202.827	1.148.055	-945.228	-82,33%

The short term financial activities are temporary cash investments in the French subsidiary company Deka Sarl.
During the financial period, the subsidiary company Deka Mela Srl sold the ZC Mediobanca 1996-2001 bonds and the Fondi Genercomit Treasury and Short Term already entered in last years financial statement, incurring capital gains.

IV – Cash at bank and in hand

Cash available is shown as follows:

Cash at Bank and in hand:	31/12/2001	31/12/2000	Variation	Var. %
bank and postal current accounts	32.261.260	34.696.096	-2.434.836	-7,02%
cash in hand	14.072	11.667	2.405	20,61%
Total	32.275.332	34.707.763	-2.432.431	-7,01%

The reduction in available cash in this financial period is partly due to the expansion of net capital in circulation.

D) Prepayments and accrued income assets

Break-down of prepayments and accrued income assets is as follows:

	31/12/2001	31/12/2000	Variation	Var. %
Assets of accruals:				
Interests	1.142	1.372	-230	-16,76%
Contributions		4.304	-4.304	-100,00%
Other assets of accruals	84	80	4	5,00%
Total assets of accruals	1.226	5.756	-4.530	-78,70%
Assets of deferred incomes:				
Premiums	35.460	2.969	32.491	1094,34%
Prepaid expenses	42.579	3.624	38.955	1074,92%
Other assets of deferred incomes	27.737	10.176	17.561	172,57%
Total assets of deferred incomes	105.776	16.769	89.007	530,78%
Total	107.002	22.525	84.477	375,04%

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.

NET CAPITAL AND RESERVES:	**Balance 31/12/1999**	**Net income risultato**	**Dividends distribuiti**	**Other movimenti**	**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
Profits of subsidiaries and associated in previous years		830.563		13.238	843.801
Reserve of consolidation	1.456.635			-5	1.456.630
Other reserves				1	1
Profits (loss) brought forward		671.394	-671.394		
Profits (loss) of the year	2.879.003	-2.879.003		3.004.304	3.004.304
Net total Capital and reserves of the group	6.573.916-		-671.394	37.821.655	43.724.177
Capital and reserves of third parties	446.237	609.387	-268.428		787.195
Profit (loss) of third parties	609.387	-609.387		525.372	525.372
Net total capital and reserves of third parties	1.055.624	-	-268.428	525.372	1.312.567
Net total Capital and reserves of the group					
	7.629.540	2.879.003	-939.822	38.347.027	45.036.744

NET CAPITAL AND RESERVES:	**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
Profits of subsidiaries and associated in previous years	843.801	779.642	-	-30.789	1.592.654
Reserve of consolidation	1.456.630	-	-	-	1.456.630
Other reserves	1	-	-	3	4
Profits (loss) brought forward	-	920.000	-920.000	-	-
Profits (loss) of the year	3.004.304	-3.004.304	-	2.275.369	2.275.369
Net total Capital and reserves of the group	43.724.177	-	-920.000	2.244.583	45.048.760
Capital and reserves of third parties	787.195	525.372	-256.421	293.841	1.349.987
Profit (loss) of third parties	525.372	-525.372		358.721	358.721
Net total capital and reserves of third parties	1.312.567	-	-256.421	652.562	1.708.708
Net total capital and reserves	45.036.744	-	-1.176.421	2.897.145	46.757.468

The assembly of the Parent Company, El.En. S.p.A. on June 29th 2001 voted to distribute the profits of the financial year 2000 as follows: 111.233 euros as legal reserves, 1.193.429 euros as extraordinary reserves, and 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 he 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 1 to September 30th of each year for the priod under consideration, and they are not negotiable. According to the plan 13.363 options will available each year. During the year 2001no 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***

Categories	**31/12/2000**	**Increase.**	**(Decrease.)**	**31/12/2001**
No. of Ordinary Shares	4.600.000			4.600.000
Total	**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 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.
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%
Total	426.657	426.657		0,00%

Comparison table between the balance sheet of the parent company and the consolidated balance sheet

	Profit and loss account	Capital and reserves
Balance as per statement of the parent company El.En.	**2.785.340**	**42.509.447**
Elimination of investments in:		
Companies totally consolidated	504.114	2.407.394
Companies consolidated with the shareholders' equity method	35.346	300.362
Elimination of dividends for the financial period	-983.076	
Elimination of internal profits on warehouse stock	-113.080	-327.564
Elimination of internal profits from sales of material assets	-4.034	-10.761
Value adjustments on equity investments	50.908	27.295
Effect of early amortisations	20.705	163.441
Other	-20.854	-20.854
Balance as per consolidated statement – Group quota	**2.275.369**	**45.048.760**
Balance as per consolidated statement – Third party quota	**358.721**	**1.708.708**
Balance as per consolidated statement	**2.634.090**	**46.757.468**

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	229.931	44.109	-18.994		255.046
For taxation	632.571	31.043	-43.396		620.218
Others:					
Reserve for guarantee on the products	56.191	11.422	-		67.613
Reserve for risks and charges		48.000	-		48.000
Other minor reserves	366.504	-	-		366.504
Total other reserves	422.695	59.422	-	-	482.117
Total	1.285.197	134.574	-62.390	-	1.357.381

The provision for severance indemnity is made up the indemnity fund for end-of-term bonus for administrators (TFM) for 166,642 euros and the clientele agents indemnity fund for 88,404 euros.

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.

The fund for other contingencies and liabilities is connected to provisions made by the subsidiary company Cutlite Penta Srl in consideration of a legal controversy with requests for damages which is still being settled with the opposing party.

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 analysis is as follows:

	Balance 31/12/2001	Balance 31/12/2000
Deferred tax assets on stock devaluations	-140.307	-63.071
Deferred tax assets for provisions on guarantee products	-27.214	-23.179
Deferred tax assets on credit devaluation	-21.817	-7.417
Deferred tax assets on loss carried forward	-86.619	
Other deferred tax assets	-11.962	-6.809
Deferred tax liabilities for contributions on capital account	54.635	96.571
Other deferred tax liabilities	4.307	5.767
Deferred tax assets on internal profits	-227.911	-155.320
Deferred tax liabilities on advanced amortisations	121.276	117.068
Total	-335.612	-36.390

During the financial period use of the funds for deferred taxes occurred on payment in capital account. 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. The subsidiary company Cutlite Penta Srl registered a credit for advance taxes on the fiscal loss shown during the period since it was considered of an exceptional nature and could be recuperated in the following financial periods. Advance taxes on the inter-group profits and on the advance amortisations which have been combined during consolidation.

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
565.954	185.932	-55.468	-1.227	695.191

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	1.055.211	1.325.147	-269.936	-20,37%
amounts owed to other financiers	753.633	876.123	-122.490	-13,98%
advances	223.508	207.017	16.491	7,97%
amounts owed to suppliers	6.231.150	6.037.791	193.359	3,20%
amounts owed to associated companies	194.582	616.290	-421.708	-68,43%
amounts owed to tax administration	557.737	474.782	82.955	17,47%
amounts owed to social security institutions	358.535	278.010	80.525	28,96%
other creditors	706.548	464.441	242.107	52,13%
Total	10.700.652	10.899.349	-198.697	-1,82%

Amounts owed in foreign currency, and particularly those in U.S. dollars and British pounds, are shown after conversion of the currency at the rate being used at the time the balance sheet was drawn up.

Analysis of debts on the basis of the due date

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	
Other financing			9.149	9.149		
Total			2.591.855	342.796	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
Debenture 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
Other financings	17.745		-8.596		9.149
Total	3.342.690	-	-750.835	-	2.591.855

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.

Reimbursement for financing which was issued by the associated company Quanta Fin Srl to the parent company, El. En Spa, which falls due on June 30th 2003, was made financially by utilising the credit that El. En. had towards the associated company for dividends distributed by the latter.

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	162.458	162.152	306	0,19%
Taxes on profit - IRAP	27.234	53.430	-26.196	-49,03%
Debts owed to tax administration for VAT	105.522	70.129	35.393	50,47%
Debts owed to tax administration for deductions	224.269	184.552	39.717	21,52%
Other tax debts	38.254	4.519	33.735	746,51%
Total	557.737	474.782	82.955	17,47%

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	319.630	243.233	76.397	31,41%
Debts owed to INAIL	11.616	11.655	-39	-0,33%
Debts owed to other Social Security Institutions	27.289	23.122	4.167	18,02%
Total	358.535	278.010	80.525	28,96%

The other debts are as follows:

	31/12/2001	31/12/2000	Variation	Var. %
Owed to staff for holidays	204.657	157.690	46.967	29,78%
Owed to staff for wages and salaries	236.592	195.900	40.692	20,77%
Bondholders		52.872	-52.872	-100,00%
Other debts	265.299	57.979	207.320	357,58%
Total	706.548	464.441	242.107	52,13%

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. %
Accrual liabilities:				
Interests	5.816	15.905	-10.089	-63,43%
Other		145	-145	-100,00%
Total accrual liabilities	5.816	16.050	-10.234	-63,76%
Deferred income liabilities				
Taxation credits	143.863	153.847	-9.984	-6,49%
Other	1.963	2.335	-372	-15,93%
Total deferred income liabilities	145.826	156.182	-10.356	-6,63%
Total	151.642	172.232	-20.590	-11,95%

Accrued income liabilities refer to charges which must be paid by he 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	10.648.640	8.332.517	2.316.123	27,80%
Sales of medical laser systems	15.099.483	15.599.109	-499.626	-3,20%
Consulting and research	86.145	135.053	-48.908	-36,21%
Service and sales of spare parts	2.010.131	1.888.504	121.627	6,44%
Total	27.844.399	25.955.183	1.889.216	7,28%

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	14.478.595	13.461.449	1.017.146	7,56%
Sales other EC countries	6.860.915	5.452.268	1.408.647	25,84%
Sales outside EC	6.504.889	7.041.466	-536.577	-7,62%
Total	27.844.399	25.955.183	1.889.216	7,28%

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 137.000 euros, 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	25.408	11.725	13.683	116,70%
Expense recovery	23.855	13.914	9.941	71,45%
Capital gains on ordinary property conveyances	15.630	47.344	-31.714	-66,99%
Other income	55.075	15.395	39.680	257,75%
Contribution on fiscal year account and on capital account	89.480	37.874	51.606	136,26%
Total	209.448	126.252	83.196	65,90%

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	13.657.321	10.916.365	2.740.956	25,11%
Purchase of packaging	69.459	52.375	17.084	32,62%
Purchase of stationery	50.247	50.990	-743	-1,46%
Purchase of fuels	80.975	66.727	14.248	21,35%
Purchase of advertising materials	83.250	55.505	27.745	49,99%
Shipment of purchases	141.612	131.513	10.099	7,68%
Other purchase expenses	78.438	66.331	12.107	18,25%
Other purchases	107.687	53.080	54.607	102,88%
Total	14.268.989	11.392.886	2.876.103	25,24%

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'	918.718	1.014.224	-95.506	-9,42%
User services	201.375	171.346	30.029	17,53%
Consulting and technical services	913.483	447.607	465.876	104,08%
Maintenance	105.509	25.738	79.771	309,93%
Services and commercial consulting	383.084	303.617	79.467	26,17%
Shipment	301.704	249.627	52.077	20,86%
Insurance	77.426	53.728	23.698	44,11%
Travel and overnight expenses	427.782	341.660	86.122	25,21%
Commissions	1.383.523	1.158.542	224.981	19,42%
Promotional and advertising expenses	940.905	687.659	253.246	36,83%
Royalties	178.582	257.213	-78.631	-30,57%
Other services	1.699.036	1.259.893	439.143	34,86%
Total	7.531.127	5.970.854	1.560.273	26,13%

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	32.467	29.691	2.776	9,35%
Associating contributions	23.937	19.435	4.502	23,16%
Newspaper and magazine subscriptions	15.854	26.513	-10.659	-40,20%
Expenses for vehicles	101.126	82.360	18.766	22,79%
Capital losses on ordinary possession conveyances	45.700	8.481	37.219	438,85%
Purchase of consumables art. 67 T.U.	71.469	75.614	-4.145	-5,48%
Fines	2.057	1.814	243	13,40%
Other minor charges	141.619	93.899	47.720	50,82%
Total	434.229	337.807	96.422	28,54%

Among the production costs, the expenses sustained by the Group for Research and Development are of particular importance. During the year 2001 approx. 2.149.000 euros were spent by the Group 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 180,144 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:

	31/12/2001	31/12/2000	Variation	Var.%
from investments which are not equity investments				
Interests	3.760	3.371	389	11,54%
Total	3.760	3.371	389	11,54%
from non-permanent investments which are not equity investments				
Interests	87.997	3.935	84.062	2136,26%
Income from negotiations	113.564	23.184	90.380	389,84%
Other	35.194	35.940	-746	-2,08%
Total	236.755	63.059	173.696	275,45%
financial income different from the previous ones: to third party				
Interests - assets - to bank	1.165.339	311.435	853.904	274,18%
Profits on commercial exchanges	60.387	72.833	-12.446	-17,09%
Other financial incomes	45.785	33.418	12.367	37,01%
Total	1.271.511	417.686	853.825	204,42%
Total	1.512.026	484.116	1.027.910	212,33%

Interest assets from banks for 1.165.339 euros matured on amounts cashed in for the increase in paid in capital made during the previous financial period by the Parent Company El. En. S.p.A. Interests and income from negotiations related to temporary cash investments have also been entered on the chart.

The other financial income is mostly related to the amount of interest paid on sales made by Cutlite Penta Srl and Ot.las Srl with the "Sabatini financing" for the client, which have a precise corresponding figure among the financial charges.

Interests and other financial charges

Financial charges towards third parties	31/12/2001	31/12/2000	Variation	Var. %
debenture loans	60.425	60.425		0,00%
bank debts for account overdraft	733	5.181	-4.448	-85,85%
bank debts for medium and long - term loans	94.235	104.527	-10.292	-9,85%
losses from negotiation-investments	40.591		40.591	0,00%
losses on commercial exchanges	48.243	99.431	-51.188	-51,48%
other financial charges	52.430	37.259	15.171	40,72%
Total	296.657	306.823	-10.166	-3,31%
Financial charges towards associated companies				
debts to associated companies	21.634	26.339	-4.705	-17,86%
Total	21.634	26.339	-4.705	-17,86%
Total	318.291	333.162	-14.871	-4,46%

21.634 euros have been included in the accounts for the financial period for interest paid on 7-year financing issued by Quanta Fin Srl to the Parent Company.
Interests paid to the banks for mid and long-term loans and financing refer respectively to the loan granted to the Parent Company El.En SpA by the Cassa di Risparmio of Florence, and to the facilitated financing obtained from MIUR (ex MURST) and issued by IMI.

D) Value adjustments for financial activities

The value adjustment shown 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.

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. %
Extraordinary incomes:				
Miscellaneous income	47.072	30.033	61.197	203,77%
Corrections for mistakes made in previous years	44.158		44.158	0,00%
Other extraordinary incomes	7	1.761	-1.754	-99,60%
Total	91.237	31.794	103.601	325,85%

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

	31/12/2001	31/12/2000	Variation	Var. %
Extraordinary charges:				
Corrections for mistakes made in previous years	18.215			0,00%
Miscellaneous losses	30.130	12.223	36.122	295,52%
Other extraordinary charges	16.866	516	16.350	3168,60%
Total	**65.211**	**12.739**	**52.472**	**411,90%**

Surviving assets refers also to the lager tax funds for the last financial period.

Taxes on income for the financial period

Description:	31/12/2001	31/12/2000	Variation	Var. %
IRPEG	1.138.694	2.577.664	-1.438.970	-55,82%
IRAP	350.973	451.195	-100.222	-22,21%
IRPEG Deferred (Advanced)	-180.804	-75.547	-105.257	139,33%
IRAP Deferred (Advanced)	-100.242	-8.678	-91.564	1055,13%
Total direct taxes	1.208.621	2.944.634	-1.736.013	-58,96%

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.

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	81,0	88	67,5	74	14	18,92%
Blue collar	30,0	33	25,0	27	6	22,22%
Total	117,0	129	96,0	105	24	22,86%

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***			
Name	*Position*	*Term duration*	*Perquisites*	*Non monetary benefits*	*Bonus and other incentives*	*Other rewards*
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 Valfivre 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.

The parent company 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 flow)

Financial statement (cash flow)		31/12/2001		31/12/2000
Cash flow generated by manufacturing activity:				
Profit (loss) for the financial period		**2.275.369**		**3.004.304**
Amortizations	1.173.602		947.312	
Variation of employee severance indemnity	129.237		103.826	
Variation of provisions for risks and charges	72.184		455.227	
		3.650.392		**4.510.669**
Variation in the current assets and liabilities:				
Debtors	-2.749.045		-1.549.563	
Stocks	-2.369.585		-2.718.236	
Prepayments and accruals assets	-84.477		25.194	
Creditors	193.729		-636.338	
Prepayments and accruals liabilities	-20.590		143.887	
		-5.029.968		**-4.735.056**
Cash flow generated by manufacturing activity		**-1.379.576**		**-224.387**
Cash flow generated by investment activity:				
Income from the sale of fixed assets	83.662		11.780	
Purchase of technical assets	-735.021		-859.047	
Increase in intangible assets	-681.965		-1.857.736	
(Increase) decrease in equity investments	282.315		-64.886	
		-1.051.009		**-2.769.889**
Cash flow from financial activity:				
Increase (decrease) in mid-long term financing	-342.796		-397.250	
Variation in short term financing	-49.630		104.222	
(Increase) decrease investments which are not permanent	945.228		-41.482	
Variation in Capital and Reserve	-30.789		34.817.352	
Variation in Capital and Reserve of third parties	396.141		256.944	
Dividends distributed	-920.000		-671.394	
		-1.846		**34.068.392**
Increase (decrease) in cash at bank and on hand		**-2.432.431**		**31.074.116**
Cash at bank and on hand at the start of the financial period		**34.707.763**		**3.633.647**
Cash at bank and on hand at the end of the financial period		**32.275.332**		**34.707.763**

for the Board of Directors
President

Ing. Gabriele Clementi