El.En. Group
Consolidated financial statement closed on December 31st 2002

ASSETS	31/12/2002	31/12/2001
A) SUBSCRIBED UNPAID CAPITAL		
Total subscribed unpaid capital		
B) FIXED ASSETS		
I) Intangible assets		
1) Formation and expansion expenses	743.914	1.111.579
3) Patents and rights to use patents of others	425.085	
4) Concessions, licenses, trade marks and similar rights	213.985	8.264
5) Goodwill	179.121	242.777
6) Intangible assets in progress and payments on account		83.638
7) Other	107.018	34.115
8) Goodwill arising from consolidation	6.573.157	188.353
Total intangible assets	**8.242.280**	**1.668.726**
II) Tangible assets		
1) Land and buildings	2.457.768	2.544.112
2) Equipment and machinery	338.614	281.984
3) Industrial and commercial equipment	2.410.081	381.779
4) Other	754.410	469.158
5) Tangible assets under construction and payments on account	235.439	16.169
Total tangible assets	**6.196.312**	**3.693.202**
III) Financial fixed assets		
1) Equity investments in :		
b) associated companies	717.483	558.878
d) other companies	171.953	171.946
Total equity investments	*889.436*	*730.824*
3) Other investments	76.709	76.709
Total financial fixed assets	**966.145**	**807.533**
TOTAL FIXED ASSETS	**15.404.737**	**6.169.461**
C) CURRENT ASSETS		
I) Stocks:		
1) Raw materials and consumables	6.963.383	4.223.044
2) Work in progress and components	3.625.574	2.176.164
4) Finished goods	4.159.568	2.652.081
5) Payments on account	37.891	63.303
Total stocks	**14.786.416**	**9.114.592**
II) Debtors		
1) Trade debtors		
- due within 12 months	15.718.753	8.219.262
Total trade debtors	*15.718.753*	*8.219.262*
3) Amounts owed by non-consolidated associated companies		
- due within 12 months	62.157	139.203
Total amounts owed by associated companies	*62.157*	*130.203*
5) Other debtors		
- due within 12 months	2.143.326	2.730.145
- due after 12 months	900.658	704.510
Total amounts owed by other debtors	*3.043.984*	*3.434.655*
Total debtors	**18.824.894**	**11.793.120**
III) Investments which are not permanent		
5) Own shares	374.163	
6) Other investments	78.004	202.827
Total investments which are not permanent	**452.167**	**202.827**
IV) Cash at bank and in hand		
1) Bank and postal current accounts	27.034.672	32.261.260
3) Cash on hand	15.895	14.072
Total cash at bank and in hand	**27.050.567**	**32.275.332**
TOTAL CURRENT ASSETS	**61.114.044**	**53.385.871**
D) PREPAYMENTS AND ACCRUED INCOMES:		
1) Prepayments and accrued income assets	155.709	107.002
Total prepayments and accrued incomes	**155.709**	**107.002**
TOTAL ASSETS	**76.674.490**	**59.662.334**

LIABILITIES	31/12/2002	31/12/2001
A) CAPITAL AND RESERVES		
Capital and reserves of the group		
I) Subscribed capital	2.392.000	2.392.000
II) Share premium reserve	33.954.774	34.210.711
III) Revaluation reserve		
IV) Legal reserve	406.893	267.626
V) Reserve for own shares	255.937	
VI) Reserves provided for by the articles of association		
VII) Other reserves:		
- Extraordinary reserve	4.153.183	2.427.109
- Reserve for contribution on capital account	426.657	426.657
- Profits from subsidiaries and associated in previous years	1.335.657	1.592.654
- Consolidation reserve	1.404.652	1.456.630
- Other reserves	-906.856	4
Total other reserves	*6.413.293*	*5.903.054*
VIII) Profits (loss) brought forward		
IX) Profit (loss) for the financial period	2.131.050	2.275.369
Total capital and reserves of the group	**45.553.947**	**45.048.760**
Capital and reserves of third parties		
X) Capital and reserves of third parties	5.481.140	1.349.987
XI) Profit (loss) of third parties	732.483	358.721
Total capital and reserves of third parties	**6.213.623**	**1.708.708**
TOTAL CAPITAL AND RESERVES	**51.767.570**	**46.757.468**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Provisions for pensions and similar obligations	301.136	255.046
2) Provisions for taxation	592.242	620.218
3) Other provisions	1.665.786	482.117
Total provisions for risks and charges	**2.559.164**	**1.357.381**
C) EMPLOYEE SEVERANCE INDEMNITY	**948.794**	**695.191**
D) CREDITORS		
1) Debenture loans		
- due within 12 months		
- due after 12 months	619.748	619.748
Total debenture loans	*619.748*	*619.748*
3) Amounts owed to banks		
- due within 12 months	379.325	228.880
- due after 12 months	653.764	826.331
Total amounts owed to banks	*1.033.089*	*1.055.211*
4) Amounts owed to other financial institutions		
- due within 12 months	326.694	141.742
- due after 12 months	597.663	611.891
Total amounts owed to other financial institutions	*924.357*	*753.633*
5) Advances received		
- due within 12 months	351.523	223.508
Total advances received	*351.523*	*223.508*
6) Amounts owed to suppliers		
- due within 12 months	11.857.403	6.231.150
Total amounts owed to suppliers	*11.857.403*	*6.231.150*
9) Amounts owed to associated companies		
- due within 12 months	184.525	3.493
- due after 12 months		191.089
Total amounts owed to associated companies	*184.525*	*194.582*
11) Amounts owed to tax administration		
- due within 12 months	1.987.859	557.737
Total amounts owed to tax administration	*1.987.859*	*557.737*
12) Amounts owed to social security institutions		
- due within 12 months	472.494	358.535
Total amounts owed to social security institutions	*472.494*	*358.535*
13) Other creditors		
- due within 12 months	3.432.770	706.548
Total other creditors	*3.432.770*	*706.548*
TOTAL CREDITORS	**20.863.768**	**10.700.652**
E) ACCRUALS AND DEFERRED INCOME		
1) Accruals and deferred income-liabilities	535.194	151.642
Total accruals and deferred income	**535.194**	**151.642**
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**76.674.490**	**59.662.334**

MEMORANDUM ACCOUNTS	31/12/2002	31/12/2001
Our Guarantees		
Our Guarantees	740.478	
TOTAL MEMORANDUM ACCOUNT	**740.478**	

PROFIT AND LOSS ACCOUNT	31/12/2002	31/12/2001
A) VALUE OF PRODUCTION		
1) Net turnover from sales and services	54.138.923	27.844.399
2) Variation in stocks of finished goods and in work in progress	-19.867	1.323.271
4) Work performed for own purposes and capitalised	428.186	137.000
5) Other revenues and income		
a) Other revenues and income	108.581	171.613
b) Grants received pertaining to the current year	352.074	37.835
Total other revenues and income	*460.655*	*209.448*
TOTAL VALUE OF PRODUCTION	**55.007.896**	**29.514.118**
B) COSTS OF PRODUCTION		
6) For raw materials, consumables and goods for sale	-23.268.931	-14.268.989
7) For services	-13.298.477	-7.531.127
8) For use of assets owned by others	-589.978	-129.988
9) For staff costs:		
a) wages and salaries	-9.201.871	-3.169.231
b) social security costs	-1.577.200	-993.162
c) provision for severance indemnity	-234.866	-185.932
e) other costs relating to staff	-165	
Total for staff costs	*-11.014.102*	*-4.348.325*
10) Value adjustments		
a) amortisation of intangible assets	-1.130.752	-510.968
b) depreciation of tangible assets	-1.594.728	-584.442
c) reduction in value of fixed assets		-6.723
d) allowance for debtors in current assets and other acc.s incl. in cash	-159.235	-115.092
Total value adjustments	*-2.884.715*	*-1.217.225*
11) Variations in stock of raw materials, consumables and goods for resale	1.054.922	1.094.587
12) Amounts provided for risk provisions	-192.711	-86.256
14) Other operating charges	-842.827	-434.229
TOTAL COSTS OF PRODUCTION	**-51.036.819**	**-26.921.552**
(A-B) DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**3.971.077**	**2.592.566**
C) FINANCIAL INCOME AND CHARGES		
16) Other financial income:		
b) from other permanent investments other than equity investments	3.063	3.760
c) from other investments which are not permanent	156.810	236.755
d) other income not included above		
- to third parties	*1.387.266*	*1.271.511*
Total other income not included above	*1.387.266*	*1.271.511*
Total other financial income	*1.547.139*	*1.512.026*
17) Interest payable and similar charges		
b) to associated companies	*-7.594*	*-21.634*
d) to third parties	*-522.001*	*-296.657*
Total interest payable and similar charges	*-529.595*	*-318.291*
TOTAL FINANCIAL INCOME AND CHARGES	**1.017.544**	**1.193.735**
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS		
18) Revaluation:		
a) of equity investments	176.102	35.346
Total revaluation	*176.102*	*35.346*
19) Devaluation		
a) of equity investments	-7.608	-4.962
Total devaluation	*-7.608*	*-4.962*
TOTAL VALUE ADJUSTMENTS	**168.494**	**30.384**
E) EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
a) income	*474.616*	*91.237*
b) capital gains from disposal of assets	*5.195*	
Total extraordinary income	*479.811*	*91.237*
21) Extraordinary charges		
a) charges	*-77.780*	*-65.211*
c) other extraordinary charges	*-11.755*	
Total extraordinary charges	*-89.535*	*-65.211*
TOTAL EXTRAORDINARY INCOME AND CHARGES	**390.276**	**26.026**
PROFIT OR LOSS BEFORE INCOME TAXES	**5.547.391**	**3.842.711**
22) Income taxes on the income of the period:		
a) current	-2.791.968	-1.489.667
b) deferred	108.110	281.046
23) NET TOTAL PROFIT (LOSS)	**2.863.533**	**2.634.090**
Profit (loss) of third parties	**-732.483**	**-358.721**
24) PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**2.131.050**	**2.275.369**

Appendix to the consolidated report closed on December 31st, 2002

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.

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 equities in 2002, the area of consolidation which is the basis for this financial statement is now 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%
Deka Dls GmbH (*)	Freising (G)	50.000		50,40%	50,40%	25,98%
Ot-las Srl (**)	Calenzano (FI)	57.200		54,00%	54,00%	28,89%
Lasit Srl (*****)	Vico Equense (NA)	234.000	50,00%	20,00%	70,00%	55,78%
Neuma Laser Srl (***)	Calenzano (FI)	46.800		100,00%	100,00%	41,20%
Cynosure Inc. (1)	Chelmsford (USA)	53.073	60,00%		60,00%	60,00%
Cynosure GmbH (1) (****)	Paris (F)	25.565		100,00%	100,00%	60,00%
Cynosure Sarl (1) (****)	Parigi (F)	114.336		100,00%	100,00%	60,00%
Cynosure KK (1) (****)	London (UK)	85.821		100,00%	100,00%	60,00%
Cynosure UK (1) (****)	Londra (UK)	1		100,00%	100,00%	60,00%
Suzhou Cynosure Medical Devices Co. (1) (****)	Suzhou (Cina)	No par value		51,60%	51,60%	30,96%

(*) held by Deka Lms GmbH
(**) held by Cutlite Penta Srl
(***) held by Cutlite Penta Srl (50%) e Ot-las (50%)
(****) held by Cynosure Inc.
(*****) held by Elen SpA (50%) e Ot-las (20%)
(1) Consolidated into the Profit and Loss account in May, 2002

Cynosure Inc. was consolidated in the month of May 2002, i.e., from the date of purchase. For information concerning this company and the group of which it is head, see the management report.

On December 12th 2002, the subsidiary Ot-Las Srl acquired a 20% quota of Lasit Srl, which enabled the Group to gain a controlling interest in the company since the parent company, El.En. SpA. Already held a 50% equity. As part of this same operation, Cutlite Penta Srl increased its own equity in Ot-Las Srl, bringing it up to 54%, while the minority shareholders of Lasit Srl acquired a 15% quota of Ot-Las Srl.

For purposes of drawing up the financial statement, the shareholders' equity of Lasit was consolidated using the integral method since the company had become a subsidiary and the Profit and Loss Account with the capital and reserves method since the operations for the acquisition were finalised at the end of the financial period 2002.

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 represent assets in associated companies .

			Percentage held:			Consolidated
Company name:	**Headquarters**	**Subscr.capital**	**Direct**	**Indirect**	**Total**	**percentage**
Quanta System Srl	Milan	364.000	30,00%		30,00%	30,00%
Immobiliare Del.Co.	Solbiate Olona (VA)	24.000	30,00%		30,00%	30,00%
Sona International Co. (*)	Chesapeake (USA)	No par value		40,00%	40,00%	24,00%
Sona Laser Centers Inc. (**)	Chesapeake (USA)	No par value		100,00%	100,00%	24,00%
Actis Srl	Florence	10.200	12,00%		12,00%	12,00%
M&E	Delaware (USA)	9.924	50,00%		50,00%	50,00%

(*) held by Cynosure Inc.
(**) held by Sona International Co.

On May 20th 2002, the Parent Company El.En. SpA acquired an equity of 30% in Immobiliare Del.Co. Srl with headquarters in Solbiate Olona (VA) for the amount of 274.200 euros. The company is the owner of a building which has been leased to the associated company, Quanta System SpA.

On October 17th 2002, the associated companies Quanta System SpA and Quanta Fin Srl, following the vote of approval given during the extraordinary assembly of the shareholders, merged the latter company with the former. Consequently, all the operations of the incorporated company Quanta Fin Srl have been entered into accounting with the company which has incorporated it, Quanta System SpA, with effects retroactive to January 1st 2002, and from this same date start all fiscal effects as per ex art. 123 DPR 22/12/1986 n. 917.

The equity in Actis S.r.l. has been shown at cost since the company is still in the start-up phase and the evaluation with the shareholders' equity method would be irrelevant for the correct representation of the financial and economic situation of the company. The equity in M&E was devaluated during 2001 for the amount of 4.962 euros, equal to the acquisition 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. The statement for the Cynosure Group was consolidated starting on the date of acquisition.

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 THE ENTRIES EXPRESSED IN FOREIGN CURRENCY

The entries in the financial statement which are expressed in foreign currency have been converted using the "current rate" method. Consequently, the rate at the end of the period has been used for the entries in the Balance Sheet and the average exchange rate has been used for those in the Profit and Loss Account. The differences in rates which were generated by the conversion of the entries in the initial shareholders' equity at the current rate at the end of the period are entered in the shareholders' equity under the heading of "Conversion reserves". The exchange rate used for converting dollars to euros for the Cynosure statement are: final exchange rate:1,0487; average exchange rate (for the eight months of consolidation) 0,9777.

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) 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 reduced to half for the first fiscal year, are shown in the chart which follows:

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	
- motor vehicles	25,00%
- forklift	20,00%
- 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 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 31/12/2001	Increments	Revaluation (Devaluation)	Other Operations	(Amortisations)	Translation Adjustments	Balance 31/12/2002
Formation and expansion expenses	1.111.579	3.757		0	-371.422		743.914
Patents and rights to use patents of others		0		481.095	-60.074	4.064	425.085
Concessions, licences, trade marks and similar rights	8.264	154.920		125.292	-75.932	1.441	213.985
Goodwill	242.777			-3.770	-59.886		179.121
Other	34.115	27.364		100.280	-56.683	1.942	107.018
Intangible assets in progress and payments on account	83.638			-83.638			
Difference from consolidation	188.353	6.891.559			-506.755		6.573.157
Total	**1.668.726**	**7.077.600**		**619.259**	**-1.130.752**	**7.447**	**8.242.280**

	31/12/2002			31/12/2001		
Categories	Cost	(Amortisations)	Net value	Cost	(Amortisations)	Net value
Formation and expansion expenses	1.873.285	1.129.371	743.914	1.869.526	757.947	1.111.579
Patents and rights to use patents of others	481.094	56.009	425.085			
Concessions, licences, trade marks and similar rights	292.606	78.621	213.985	12.395	4.131	8.264
Goodwill	299.702	120.581	179.121	303.472	60.695	242.777
Other	247.484	140.466	107.018	110.232	76.117	34.115
Intangible assets in progress and payments on account				83.638		83.638
Difference from consolidation	7.127.000	553.843	6.573.157	237.602	49.249	188.353
Total	**10.321.171**	**2.078.891**	**8.242.280**	**2.616.865**	**948.139**	**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	1.850.450	1.110.270	740.180
Year 2001 - Formation and expansion expenses	1.634	654	980
Year 2002 - Formation and expansion expenses	3.760	1.006	2.754
Total	**1.873.285**	**1.129.371**	**743.914**

Under the heading "Other" we have entered the amount of 83.638 euros reclassified from "intangible assets in progress" to the heading "Concessions, licenses, trade marks and similar rights" made by the parent company, El.En.. The other operations are related to the variations in the area of consolidation of the Group

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*). These costs will be amortised in five years.

The entry under the heading of “Patents and rights to patents of others” are related to the capitalisation of the costs paid by our subsidiary Cynosure Inc. for some patents and license agreements, and are amortised on the basis of their legal bonds and the evaluation of their future usefulness.

Under the heading of “Concessions, licenses, trade marks and similar rights” we have entered the total costs sustained by the controlling company for the purchase of new management and administrative software which, by the end of the previous year, was still being implemented, and was entered under the heading of “intangible assets now in progress”.

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, net of the amortisation fund. The entry made on December 31st 2001,under the heading “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.

The heading “difference in consolidation” also includes, as an increase this year, the amount which resulted from the purchase of an equity of 60% in Cynosure by the parent company, and represents the difference between the cost of the acquisition and the value of the consolidated capital and reserves rectified in quota on the date of the transaction. Since, according to the contract, the operation basically amounts to an increase in capital stock in excess of par value by El.En Spa followed by a purchase by Cynosure Inc. of its own stock from the selling partners, in order to consider this transaction the consolidated capital and reserves of Cynosure.

The difference in consolidation was consequently determined with reference to the structure of the transaction described above. The period of amortisation used is equal to the period of time (10 years) in which we expect to benefit from the market position and the know-how acquired through this transaction.

II – Fixed assets

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

Cost	Balance 31/12/2001	Increments	Revaluations and devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 31/12/2002
Land and buildings	2.937.877	1.820					2.939.697
Plants and machinery	429.513	113.393		198.994	-52.936		688.964
Industrial and commercial equipment	1.188.528	1.485.195		5.150.550	-460.315		7.363.958
Other goods	1.758.489	378.836		1.379.949	-85.775		3.431.499
Tangible assets under construction	16.169	219.270					235.439
Total	**6.330.576**	**2.198.514**		**6.729.493**	**-599.026**		**14.659.557**

Amortisation provisions	Balance 31/12/2001	Amortisations amount	Devaluations	Other operations	(Disposals)	Translation Adjustments	Balance 31/12/2002
Land and buildings	393.765	88.164					481.929
Plants and machinery	147.529	51.141		170.264	-17.689	-895	350.350
Industrial and commercial equipment	806.749	1.084.646		3.341.233	-221.036	-57.715	4.953.877
Other goods	1.289.331	370.777		1.098.794	-75.846	-5.967	2.677.089
Tangible assets under construction							
Total	**2.637.374**	**1.594.728**		**4.610.291**	**-314.571**	**-64.577**	**8.463.245**

Net value	Balance 31/12/2001	Increments	Revaluations and other operations	(Amortisations and devaluations)	(Disposals)	Translation Adjustments	Balance 31/12/2002
Land and buildings	2.544.112	1.820		-88.164			2.457.768
Plants and machinery	281.984	113.393	28.730	-51.141	-35.247	895	338.614
Industrial and commercial equipment	381.779	1.485.195	1.809.317	-1.084.646	-239.279	57.715	2.410.081
Other goods	469.158	378.836	281.155	-370.777	-9.929	5.967	754.410
Tangible assets under construction	16.169	219.270					235.439
Total	**3.693.202**	**2.198.514**	**2.119.202**	**-1.594.728**	**-284.455**	**64.577**	**6.196.312**

The heading "Other goods" refers to those assets which were varied by the changes in the area of consolidation.

The most valuable single item is the real estate property in Via Baldanzese in Calenzano where the parent company and three of the subsidiaries are based. The equipment owned by our subsidiary Cynosure also becomes an important entry under this heading, and includes laser systems used for sales demonstrations and for rentals, in particular in the centres managed by Sona.
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. Under the heading of "tangible assets under construction" we have entered the costs sustained by the parent company for the remodelling of the buildings which are part of the property located in Via Baldanzese which was still in progress at the end of this year.

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..

As in the chart of the original costs, that for the amortisation funds in the column headed "Other goods" shows the increases which took place after the variation in the area of consolidation.

The aliquots used for the amortisation, which correspond to the ordinary and fiscal ones, are commensurate with the period referred to.

III – Equity investments

The following chart shows the analysis of the financial investments:

	31/12/2002	31/12/2001	Variation	Var. %
Equity investments in:				
associated companies	717.483	558.878	158.605	28,38%
other companies	171.953	171.946	7	0,00%
other equity investments	76.709	76.709		0,00%
Total	966.145	807.533	158.612	19,64%

The increase shown under the heading of "Associated companies" includes, for the amount of 268.255 euros, the entry of the equity in Immobiliare Del.Co. Srl, which has been evaluated with the capital and reserves method, after the acquisition of 30% of its capital by the parent company, El.En. SpA. With respect to last year, Lasit Srl has been reclassified among the "Equities in subsidiary companies", and consequently, completely consolidated.

For the associated companies consolidated with the capital and reserves method, the break-down is shown on the following chart.

	Past Cost	Amount C.R. on 31/12/2001	Variation during the year	Amount C.R. on 31/12/2002
Quanta Fin Srl		92.821	-92.821	
Quanta System SpA	129.710	106.081	341.907	447.988
Immobiliare Del.Co. Srl	274.200		22.261	22.261
	403.910	198.902	271.347	470.249

The change which occurred during this financial period related to Quanta Fin Srl are due to the merger by incorporation of the company into Quanta System SpA, as already described in the introduction of this Appendix.

Moreover, SONA International Co. has been consolidated using the capital and reserves method by Cynosure Inc. which owns 40% of it.

	31/12/2002	31/12/2001	Variation	Var. %
Securities	76.709	76.709	0	0,00%
Total	76.709	76.709	0	0,00%

The other CCT stocks which fall due on April 1st, 2004 and are bound as a personal guarantee used for obtaining facilitated financing granted by MURST and paid by IMI for the support of research projects which had been conducted during the preceding year.

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:	31/12/2002	31/12/2001	Variation	Var. %
Raw materials and consumables	6.963.383	4.223.044	2.740.339	64,89%
Work in progress and semi finished products	3.625.574	2.176.164	1.449.410	66,60%
Finished products and goods for sale	4.159.568	2.652.081	1.507.487	56,84%
Payments on account	37.891	63.303	-25.412	-40,14%
Total	14.786.416	9.114.592	5.671.824	62,23%

On December 31st 2002, after the changes in the area of consolidation, Cynosure contributed to the increase in the final inventory, net of inter-Group profits, as shown in the following chart.

Rimanenze:	31/12/2002
Raw materials and consumables	1.728.345
Work in progress and semi fin. products	1.171.315
Finished products and goods for sale	2.052.241
Total	4.951.901

Break-down of raw materials is as follows

Raw material:	31/12/2002	31/12/2001	Variation	Var. %
Optical components	1.204.241	566.540	637.701	112,56%
Electrical and electronic components	3.139.501	1.596.742	1.542.759	96,62%
Mechanical components	2.367.507	1.496.417	871.090	58,21%
Hydraulic components	344.601	315.293	29.308	9,30%
Empty cases	122.558	127.852	-5.294	-4,14%
Various materials	493.710	55.157	438.553	795,10%
Fitting and fixtures	408.824	181.112	227.712	125,73%
Laser sources	34.606	7.098	27.508	387,55%
minus: devaluation provision	-1.152.164	-123.167	-1.028.997	835,45%
Total	6.963.383	4.223.044	2.740.339	64,89%

A comparison between the final inventory of the raw materials for the two periods shows a sharp increase in quantity; this is due to the change in the area of consolidation, and in particular to the presence of Cynosure, as well as to the increase in the volume of sales.
On December 31sr 2002, the fund for obsolescence of raw materials amounted to approx.1.152 thousand euros.

The break-down of the inventory of semi-finished products is shown in the chart below:

Semi finished products	31/12/2002	31/12/2001	Variation	Var. %
High voltage power supplies	362.559	428.782	-66.223	-15,44%
Assembled electronics boards	302.535	181.649	120.886	66,55%
Mechanical units	261.635	210.117	51.518	24,52%
Electrical units	189.142	60.085	129.057	214,79%
Hydraulic units	35.539	192.782	-157.243	-81,57%
Laser cavities and half-assembled sources	48.968	52.416	-3.448	-6,58%
Systems being assembled	2.459.266	1.083.868	1.375.398	126,90%
minus: devaluation provision	-34.070	-33.535	-535	1,60%
Total	3.625.574	2.176.164	1.449.410	66,60%

The sharp increase in the quantity of semi-finished products is due to the presence of Cynosure in the area of consolidation, and to the company of policy of jobbing out the simplest parts of the manufacturing process, which includes consigning to jobbers the work of assembling products from kits.

Break-down of the inventory of finished products is shown on the chart below:

Finished products:	31/12/2002	31/12/2001	Variation	Var. %
Medical lasers	2.417.226	1.154.068	1.263.158	109,45%
Industrial laser sources	138.405	243.301	-104.896	-43,11%
Medical fittings and accessories	224.166	343.913	-119.747	-34,82%
Other medical accessories	1.148.612	169.932	978.680	575,92%
Industrial laser systems	573.329	966.504	-393.175	-40,68%
minus: devaluation provision	-342.170	-225.637	-116.533	51,65%
Total	4.159.568	2.652.081	1.507.487	56,84%

The increase in the quantity of finished products is due almost entirely to the presence of Cynosure in the area of consolidation; without this additional inventory, the quantity of finished products at the end of the year would not have undergone any noteworthy changes.

II – Accounts receivable

Break-down of accounts receivable
Debtors can be analysed as follows

Debtors:	31/12/2002	31/12/2001	Variation	Var. %
Trade debtors	15.718.753	8.219.262	7.499.491	91,24%
Amounts owed by non-consolidated associated companies	62.157	139.203	-77.046	-55,35%
Other debtors	3.043.984	3.434.655	-390.671	-11,37%
Total	18.824.894	11.793.120	7.031.774	59,63%

	31/12/2002	31/12/2001	Variation	Var. %
Clients in Italy	9.611.513	5.219.404	4.392.109	84,15%
EC clients	2.012.610	2.180.226	-167.616	-7,69%
Clients outside of EC	5.384.755	1.094.622	4.290.133	391,93%
minus: devaluation provision for debtors	-1.290.125	-274.990	-1.015.135	369,15%
Total	15.718.753	8.219.262	7.499.491	91,24%

Total accounts receivable grew along with the increase in sales volume as well as for the change in the area of consolidation. On account of this latter effect, accounts receivable showed a net increase of approx. 6.385 thousand euros.

Accounts receivable from associated companies which are not consolidated are related to a no-interest financing loan granted to Quanta System S.r.l. for 6.973 euros, a short-term no-interest loan granted to Immobiliare Del.Co. Srl for 13.565 euros, commercial receivables from Quanta System S.r.l. for 28.723 euros and from M&E Co. for 12.896 euros.

Break-down of the other receivables
Other receivables can be divided as follows:

	31/12/2002	31/12/2001	Variation	Var. %
becoming payable within the next fiscal year				
IRPEG and IRAP credits	369.233	842.019	-472.786	-56,15%
VAT credits	1.164.072	1.582.732	-418.660	-26,45%
Security deposits	50.851	22.572	28.279	125,28%
Prepayments to suppliers	144.520	228.872	-84.352	-36,86%
Other credits	414.650	53.950	360.700	668,58%
total becoming payable within the next fiscal year	2.143.326	2.730.145	-586.819	-21,49%
becoming payable after the next fiscal year				
SP tax account	14.575	17.422	-2.847	-16,34%
Insurance policy TFM	182.136	161.478	20.658	12,79%
Credits for advanced taxes	643.642	515.830	127.812	24,78%
Other credits	60.305	9.780	50.525	516,62%
total becoming payable after the next fiscal year	900.658	704.510	196.148	27,84%
Total	3.043.984	3.434.655	-390.671	-11,37%

The financial yea ended with a Value Added Tax (IVA) credit for 1.164.072 euros due to the intense export activity. The tax credit was due mainly to the difference between the deposits paid and the tax debt which had matured.

Among the receivables which become due within 5 years, we have entered 14.575 euros as a deposit on the TFR taxes, 182.136 euros as a receivable from Reale Mutua insurance company to cover the TFM (end-of-term bonus) of executives and 643.642 euros as receivables for prepaid taxes.

Amounts receivable after more than five years

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

III – Financial activities other than investments

Investments which are not permanent:	**31/12/2002**	**31/12/2001**	**Variation**	**Var. %**
Treasury stock	374.163		374.163	0,00%
Other investments	78.004	202.827	-124.823	-61,54%
Total	452.167	202.827	249.340	122,93%

The heading "Treasury stock" includes treasury stock possessed by the parent company, El.En. SpA for 255.937 euros and treasury stock owned by our subsidiary Cynosure Inc. for an amount equal to 118.226 euros. In particular, the Board of Directors of the parent company, El.En. SpA, following the vote of approval of the Assembly held on April 14th 2002, up until December 31st 2002, proceeded with the purchase of 22.714 shares at the average price of 11,2678 euros. The shares, consequently, have been entered into accounting at this price, which represents a cautious evaluation since on March 31st 2003, their market price was approx. 14,5 euros.

The amount shown under the heading of "Other investments" refers to a temporary use of cash by our subsidiary, Lasit Srl, for approx. 78 thousand euros.

IV – Cash at bank and on hand

Cash at bank and on hand is composed as follows:

Cash at Bank and in hand:	**31/12/2002**	**31/12/2001**	**Variation**	**Var. %**
bank and postal current accounts	27.034.672	32.261.260	-5.226.588	-16,20%
cash in hand	15.895	14.072	1.823	12,95%
Total	27.050.567	32.275.332	-5.224.765	-16,19%

The decrease in the amount of cash available is a direct consequence of the Cynosure purchase, already described in detail, of the acquisition of 30% of Immobiliare Del.Co. Srl for approx. 274 thousand euros, and of a series of ordinary transactions like the distribution of dividends by the parent company El.En. SpA for 920 thousand euros and the subsidiary company Deka Mela Srl to third parties for 123 thousand euros.

D) Prepayments and accrued income assets

Composition of prepayments and accrued assets is as follows

	31/12/2002	**31/12/2001**	**Variation**	**Var. %**
Assets of accruals:				
Interests	935	1.142	-207	-18,13%
Other assets of accruals	3.356	84	3.272	3895,24%
Total assets of accruals	4.291	1.226	3.065	250,00%
Assets of deferred incomes:				
Premiums	8.626	35.460	-26.834	-75,67%
Prepaid expenses	26.881	42.579	-15.698	-36,87%
Other assets of deferred incomes	115.911	27.737	88.174	317,89%
Total assets of deferred incomes	151.418	105.776	45.642	43,15%
Total	155.709	107.002	48.707	45,52%

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 31/12/2000**	**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
Reserve for own shares					
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
Reserve for translation adjustments	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

NET CAPITAL AND RESERVES:	**Balance 31/12/2001**	**Net income allocation**	**Dividends distributed**	**Other operations**	**Balance 31/12/2002**
Subscribed capital	2.392.000	-	-	-	2.392.000
Share premium account	34.210.711	-	-	-255.937	33.954.774
Legal reserve	267.626	139.267	-	-	406.893
Reserve for own shares	-	-	-	255.937	255.937
Others reserves:					
Extraordinary reserves	2.427.109	1.726.073	-	1	4.153.183
Reserve for contribution on capital account	426.657	-	-	-	426.657
Profits of subsidiaries and associated in previous years	1.592.654	-509.971	-	252.974	1.335.657
Reserve of consolidation	1.456.630	-	-	-51.978	1.404.652
Reserve for translation adjustments	4	-	-	-906.860	-906.856
Profits (loss) brought forward	-	920.000	-920.000	-	-
Profits (loss) of the year	2.275.369	-2.275.369	-	2.131.050	2.131.050
Net total Capital and reserves of the group	45.048.760	-	-920.000	1.425.187	45.553.947
Capital and reserves of third parties	1.349.987	358.721	-123.000	3.895.432	5.481.140
Profit (loss) of third parties	358.721	-358.721		732.483	732.483
Net total capital and reserves of third parties	1.708.708	-	-123.000	4.627.915	6.213.623
Net total capital and reserves	46.757.468	-	-1.043.000	6.053.102	51.767.570

The shareholders' assembly of the parent company, El.En. Spa, on April 24th 2002, voted to distribute the profits from the financial year 2001 as follows: 139.267 euros as legal reserve, 1.726.073 euros as extraordinary reserve, and 920.000 euros for payment of dividends.

After the operations for the purchase of treasury stock, a reserve was set aside for an amount equal to the purchase price of the stock. The reserve for treasury stock in portfolio is a closed reserve which will be maintained until the treasury stock is transferred or cancelled.

The difference in exchange rate which was derived from the conversion of the entries in the Net Shareholders' Equity on the day of purchase of our subsidiary Cynosure Inc., with respect to the exchange rate which was valid at the end of the financial year , was equal to 906.856 euros and has been entered directly in the Net Consolidated Shareholders' Equity under the heading of "Reserve for translation adjustments".

Composition of Capital

The special assembly of July 7th 2000 voted to authorise, 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 1st to September 30th of each year for the period under consideration, and they are not negotiable. According to the plan 13,363 options will available each year. During the years 2001 and 2002 no option rights were exercised.

The next extraordinary assembly, held on July 16th 2002, voted to revoke, for the part of the proxy of the assembly vote of July 7th, 2000 which had not been exercised, and which amounted to 199.911 options, the faculty granted by the Board of Directors to proceed with the increase of the Capital Stock , according to the procedure just described.

The same extraordinary assembly of July 16th 2002, also voted, in accordance with art. 2443 of the Civil Code, to allow the Board of Directors, for a period of five years maximum from the date of the vote, to increase in one or two payments, the Capital Stock of the company for the nominal sum of 124.800 euros, by issuing a maximum of 240.000 ordinary shares with a nominal value of 0,52 euros each, with usufruct equal to that of the ordinary shares of the company on the date of underwriting, to be acquired through payment of a price which will be determined by the Board of Directors, in accordance with art. 2441, comma VI, of the Civil Code, - i.e., on the basis of the value of the shareholders' equity, bearing in mind the performance of the stock quoted in the stock market during the preceding six months - and a unit value, including additional paid-in capital in excess of par value, equal to the amount of whichever of the following is the greatest : a)the value of each share determined on the basis of the consolidated shareholders' equity of the El.En. Group on December 31st of the year preceding the issuing of the options; b) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the six months preceding the assignment of the options; c) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the 30 days preceding the assignment of the options; d) the mathematical average of the official prices registered by the ordinary shares of the company on the New Stock Market organised and managed by Borsa Italiana SpA during the period of time preceding the assignment of the options and determined by the Board of Directors in the rules for the incentive plan.

On September 6th 2002, the Board of Directors voted to implement in part the proxy approved by the stock holders' assembly on July 16th 2002, voting to increase the Capital Stock to 31.817,76 euros for use in the 2003/2004 stock options plan and approving the relative regulations. The option rights are assigned exclusively to the executives, managers and office employees who at the time of the assignment are working in a subordinate position for the Group. This plan is organised in two sections, one for each year; the first section, for a maximum of 30.600 shares, can be opted by the assignees from Novembre 18th to December 31st, 2003, from August 15th to September 30th, 2004 and from November 18th to December 31st , 2004; the second section , for a maximum of 30.588 shares can be opted by the assignees from August 15th to September 30th 2004, and from November 18th until December 31st 2004.

As a consequence of these votes, the capital stock of El.En. S.p.A. on December 31st 2002 was as follows:

Authorised	euro	2.430.767
Underwritten and deposited	euro	2.392.000

Nominal value of each share	***0,52***

Categories	**31/12/2001**	**Increase.**	**(Decrease.)**	**31/12/2002**
No. of Ordinary Shares	4.600.000			4.600.000
Total	**4.600.000**			**4.600.000**

The shares are nominal and indivisible, and each of them gives the holder the right to one vote in the ordinary and extraordinary assemblies, as well as the financial and administrative rights granted in accordance to the law and company statutes. At least 5% of the net operating profits must be set aside for the legal reserve in accordance with art. 2430 of the Civil Code. The remainder is distributed to the shareholders, unless the assembly votes otherwise. The company statutes do not permit advance payments on the dividends. Dividends which have not been cashed in within fifteen years of the date of emission will be returned to the company. There are no special clauses in the statutes related to the participation of the shareholders in the remaining assets in case the company is dissolved. No clauses in the statutes grant particular privileges.

All reserves which are part of the shareholders' equity are freely available for assembly votes for distribution except for those with specific limitations in accordance with the civil code.

Other reserves

Reserves for payments on capital account are broken down as follows:

	31/12/2002	**31/12/2001**	**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%

Chart comparing the financial statement of the parent company with the consolidated financial statement

	Profit and loss account	**Capital and reserves**
Balance as per statement of the parent company El.En.	**2.608.165**	**44.197.614**
Elimination of investments in:		
Companies totally consolidated	328.168	8.211.900
Companies consolidated with the shareholders' equity method	55.104	312.333
Goodwill arising from consolidation	-506.755	-6.932.825
Elimination of dividends for the financial period	-287.000	
Elimination of internal profits on warehouse stock (*)	-182.818	-510.382
Elimination of internal profits from sales of material assets (*)	-72.130	-82.891
Value adjustments on equity investments (*)	133.991	161.286
Effect of early amortisations (*)	74.901	238.342
Other	-20.576	-41.430
Balance as per consolidated statement – Group quota	**2.131.050**	**45.553.947**
Balance as per consolidated statement – Third party quota	**732.483**	**6.213.623**
Balance as per consolidated statement	**2.863.533**	**51.767.570**

(*) net of the relative fiscal effects .

B) Provisions for contingencies and other liabilities

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

	Balance 31/12/2001	Provision	(Utilisation)	Other	Translation Adjustments	Balance 31/12/2002
Pension costs and similar	255.046	56.198		-10.108		301.136
For taxation	620.218	48.516	-76.492			592.242
Others:						
Reserve for guarantee on the products	67.613	69.975	-	784.133	-2.800	918.921
Reserve for risks and charges	48.000	166.614	-141.013	308.771	-2.011	380.361
Other minor reserves	366.504	-				366.504
Total other reserves	482.117	236.589	-141.013	1.092.904	-4.811	1.665.786
Total	1.357.381	341.303	-217.505	1.082.796	-4.811	2.559.164

Under the heading of "Others" we have shown the increase in the funds which are a consequence of the changes in the area of consolidation.

The fund for Pension costs and similar refers to the TFM (end-of-term bonus) for the executives for the amount of 187.300 euros and the client and agents' indemnity fund for 113.836 euros..
Provisions for taxes include the deferred taxes (described in the next paragraph) and the residual of the funds set aside during the financial year 2000, and to which additions were made in 2001 for payment of charges which might arise from the issuance of inspection documents after the PVC notification given on May 8th 2001. For this purpose during the financial period 2002, a part of this fund was used to effect payments made after revision of the tax declarations for the years 1997, 1998, 1999.

The reserves for product guarantees is calculated on the basis of costs for spare parts and assistance under warranty which were sustained in the preceding financial period, adapted to the sales volume for this financial period. The increase shown under the heading of "Others" for 784 thousand euros, is derived from the inclusion of Cynosure in the area of consolidation.

The fund for contingencies and other liabilities also refers to the entering into accounts by our subsidiary Cynosure Inc. of 100% of the losses suffered by SONA International Co., on the basis of the agreements stipulated. The fund however, is decreased by the effect of the use of the funds accrued during the last financial period in order to settle a controversy involving payment for damages which had been initiated against our subsidiary, Cutlite Penta Srl.

Analysis of deferred and advance taxes

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

The break down is as follows:

	Balance 31/12/2002	Balance 31/12/2001	Variation
Deferred tax assets on stock devaluations	189.724	140.307	49.417
Deferred tax assets for provisions on guarantee products	36.797	27.214	9.583
Deferred tax assets on credit devaluation	37.816	21.817	15.999
Deferred tax assets on loss brought forward from the previous years		86.619	-86.619
Other deferred tax assets	11.811	11.962	-151
Deferred tax assets on internal profits	367.494	227.911	139.583
Total deferred tax assets	643.642	515.830	127.812
Deferred tax liabilities on advanced amortisations	169.791	121.276	48.515
Deferred tax liabilities for contributions on capital account	27.354	54.635	-27.281
Other deferred tax liabilities	2.775	4.307	-1.532
Total deferred tax liabilities	199.920	180.218	19.702

Credits for advance taxes amount to approx. 644 thousand euros and refer to the advance taxes calculated during the previous financial periods and that in progress related to the warehouse obsolescence fund, on the product guarantee fund, and on the fund for accounts receivable which are not tax deductible. We have also entered anticipated taxes on the elimination of inter-Group profits effected on consolidation. On the other hand, a credit for anticipated taxes accrued by Cutlite Penta Srl occurred on account of the fiscal losses registered last year due to their return to profit.

Use has also been made of the fund for deferred taxes, which on December 31st amounted to approx. 200 thousand euros, and on the contributions in capital account, while deferred taxes on the anticipated amortisations were excluded on consolidation.

C) Severance pay for employees

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

Balance 31/12/2001	Provision	Utilisation	Other	Balance 31/12/2002
695.191	234.866	-94.874	113.611	948.794

The variation in the area of consolidation which occurred during the financial year refers to Lasit Srl, and is shown under the heading “Others” in the chart shown above.

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:

	31/12/2002	31/12/2001	Variation	Var. %
debenture loans	619.748	619.748		0,00%
amounts owed to banks	1.033.089	1.055.211	-22.122	-2,10%
amounts owed to other financiers	924.357	753.633	170.724	22,65%
advances	351.523	223.508	128.015	57,28%
amounts owed to suppliers	11.857.403	6.231.150	5.626.253	90,29%
amounts owed to associated companies	184.525	194.582	-10.057	-5,17%
amounts owed to tax administration	1.987.859	557.737	1.430.122	256,42%
amounts owed to social security institutions	472.494	358.535	113.959	31,78%
other creditors	3.432.770	706.548	2.726.222	385,85%
Total	20.863.768	10.700.652	10.163.116	94,98%

Amounts owed in foreign currency, particularly those expressed in American dollars and British pounds, have been converted at the exchange rate valid on the date of the statement.

The increase in “amounts owed to suppliers” for the amount of 3.901 thousand euros is due to variations in the area of consolidation.

The “amounts owed to other financiers”, after the changes in the area of consolidation, show an increase of approx. 312 thousand euros referring to the debt of our subsidiary Cynosure Inc. to a leasing company for the purchase of plants and equipment used for manufacturing and leased under a “revenue sharing” agreement.

Break down of amounts owed by due dates

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 191 thousands of 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 "Other financing" refers to financial debts of our subsidiary Cynosure Inc. for an amount of 163 thousand euros and a financial debt of Lasit Srl for approx. 34 thousand euros.

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%	826.331	206.583	619.748	
Financing IMI DIFF3	01/07/2008	3,70%	332.216	55.529	243.642	33.045
Financing IMI TMR 4	01/07/2008	3,70%	279.675	76.280	203.395	
Seven- year Quanta Fin financing	30/06/2003	BCE+1%	191.089	191.089		
Other financing			197.693	163.677	34.016	
Leasing			312.466	194.885	117.581	
Total			2.759.218	888.043	1.838.130	33.045

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 31/12/2001	Increase	Reimbursement	Other	Balance 31/12/2002
Debenture loans	619.748				619.748
CRF loan	1.032.914		-206.583		826.331
Financing IMI DIFF3	385.746		-53.530		332.216
Financing IMI TMR 4	353.209		-73.534		279.675
Seven- year Quanta Fin financing	191.089				191.089
Other financing	23.827		-63.878	237.744	197.693
Leasing			-129.690	442.156	312.466
Total	2.606.533	-	-527.215	679.900	2.759.218

During this financial period 73.534 euros were repaid on the IMI TMR 4 financing, 53.530 euros were repaid on the IMI DIF3 financing and 206.583 euros on the CRF loan.

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.

Break-down of tax debts

	31/12/2002	31/12/2001	Variation	Var. %
Taxes on profit	1.279.993	227.946	1.052.047	461,53%
Debts owed to tax administration for VAT	326.811	105.522	221.289	209,71%
Debts owed to tax administration for deductions	381.055	224.269	156.786	69,91%
Total	1.987.859	557.737	1.430.122	256,42%

Amounts owed for income taxes are shown net of advance payments, of amounts withheld, and of tax credits on dividends cashed by the parent company, but not the Value Added Tax (IVA) credit which is maturing.

Break down of amounts owed to social security institutions and other debts

	31/12/2002	31/12/2001	Variation	Var. %
Debts owed to INPS	418.563	319.630	98.933	30,95%
Debts owed to INAIL	19.679	11.616	8.063	69,41%
Debts owed to other Social Security Institutions	34.252	27.289	6.963	25,52%
Total	472.494	358.535	113.959	31,78%

Other amounts due can be broken down as follows:

	31/12/2002	31/12/2001	Variation	Var. %
Owed to staff for holidays	905.237	204.657	700.580	342,32%
Owed to staff for wages and salaries	385.921	236.592	149.329	63,12%
Other debts	2.141.612	265.299	1.876.313	707,24%
Total	3.432.770	706.548	2.726.222	385,85%

The rise in amounts owed to employees for reimbursements and towards social security institutions is a result of the changes in the area of consolidation as well as the increase in the number of employees with respect to last year.

The heading of "Other debts" showed a sharp increase due to the changes in the area of consolidation, and in particular on account of the amount owed by our subsidiary Cynosure Inc. for approx. 1.464 thousand dollars to some of the selling partners after the repurchase of its own shares which occurred during the operations for increasing the Capital stock underwritten by the parent company, El.En. SpA.

E) Accruals and deferred income

Composition of accruals and deferred income is as follows:

	31/12/2002	31/12/2001	Variation	Var. %
Accrual liabilities:				
Interests	3.353	5.816	-2.463	-42,35%
Total accrual liabilities	3.353	5.816	-2.463	-42,35%
Deferred income liabilities				
Taxation credits	6.466	143.863	-137.397	-95,51%
Other	525.375	1.963	523.412	26663,88%
Total deferred income liabilities	531.841	145.826	386.015	264,71%
Total	535.194	151.642	383.552	252,93%

The accrual liabilities refer to interest owed related to the financial year 2002 on financing issued by Quanta Fin Srl (now Quanta System Spa).

The deferred income refers, among other things, to grants owed us in the form of tax credits according to the Ministerial Decree of July 22nd 1998 which have been duly recognised, as well as to the revenue from Cynosure Inc. concerning the rental of equipment through the associated company, SONA, entered in proportion to the duration of the contracts (approx. 499 thousand euros).

Memorandum Accounts

Some leading contracts stipulated by the associated company SONA International Co. were guaranteed by Cynosure Inc. which must pay the amounts due for the rental in the case that SONA was not able to honour the contract. In particular, the total amount guaranteed over a period of the next five years is approx. 740 thousand euros.

Profit and loss account

A) Value of the production

Analysis of sales and services

	31/12/2002	31/12/2001	Variation	Var. %
Sales of industrial laser systems	16.991.338	10.648.640	6.342.698	59,56%
Sales of medical laser systems	29.597.914	15.099.483	14.498.431	96,02%
Consulting and research	180.133	86.145	93.988	109,10%
Service and sales of spare parts	7.369.538	2.010.131	5.359.407	266,62%
Total	54.138.923	27.844.399	26.294.524	94,43%

The increase in total sales volume demonstrates the considerable vitality of the Group and the growth trend in an economic climate which has been anything but favourable.

The medical sector, particularly after the acquisition of Cynosure Inc., continues to represent the most important market for the Group, with an increase of 96%. The part of the sales volume coming from Cynosure is limited to just eight months since the company was consolidated in May of 2002.

The industrial applications sector also shows an exceptional growth rate of 59%. In this sector we are now reaping the benefits of years of work spent perfecting innovative systems capable of improving the performance and value of our products for the clientele.

After-sales service show the expected growth which is derived from an increase in the amount of equipment installed, which has become even more evident with the inclusion of the Cynosure installations, and by the sales volume developed for “customer service”.

Amounts invoiced deriving from research projects and the relative reimbursements made according to contracts signed with the managing institutions by MIUR (ex MURST), show an increase, although they are still too low with respect to the normal levels for the Group, considering that research is considered one of its strong points. This fact depends almost entirely on the delays in issuing payments with respect to the period of time required for the research.

Break-down of sales revenue by geographical areas

	31/12/2002	31/12/2001	Variation	Var. %
Sales in Italy	21.977.421	14.478.595	7.498.826	51,79%
Sales other EC countries	10.368.492	6.860.915	3.507.577	51,12%
Sales outside EC	21.793.010	6.504.889	15.288.121	235,03%
Total	54.138.923	27.844.399	26.294.524	94,43%

The break down of sales revenues by geographical area demonstrates the increasingly international character of the Group, especially evident after the acquisition of Cynosure, and reveals to what extent the international markets, and in particular that of the Far East have contributed to the brilliant growth of sales volume in 2002. The growth of the sales volume in Europe, on the other hand, is due chiefly to the creation of foreign branches in France and Germany in the medical and dental sector.

Increase in investments for company improvements

During this financial year, under the heading of technical investments, we have entered laser systems for an amount of 428.186 euros, in consideration of their long term use for sales demonstrations and for clinical experiments. The amount capitalised is equal to the industrial cost sustained.

Other income and revenues

The analysis of the other income and revenues is shown below:

	31/12/2002	31/12/2001	Variation	Var. %
Recovery for accidents and insurance reimbursements	10.816	25.408	-14.592	-57,43%
Expense recovery	28.448	23.855	4.593	19,25%
Capital gains on ordinary property conveyances	19.610	15.630	3.980	25,46%
Other income	35.965	55.075	-19.110	-34,70%
Contribution on fiscal year account and on capital account	365.816	89.480	276.336	308,82%
Total	460.655	209.448	251.207	119,94%

Under the heading of "contribution on fiscal account and on capital account" we have entered the amount paid for expenses granted as part of the CHOCLAB project for an amount of 329,000 euros..

B) Production costs

Purchase of raw and subsidiary materials, consumables and goods

The analysis of these costs is as follows:

	31/12/2002	31/12/2001	Variation	Var. %
Purchase of raw materials and finished products	22.394.668	13.657.321	8.737.347	63,98%
Purchase of packaging	108.333	69.459	38.874	55,97%
Purchase of stationery	102.273	50.247	52.026	103,54%
Purchase of fuels	78.500	80.975	-2.475	-3,06%
Purchase of advertising materials	127.259	85.818	41.441	48,29%
Shipment of purchases	152.060	141.612	10.448	7,38%
Other purchase expenses	55.911	78.438	-22.527	-28,72%
Other purchases	249.927	105.119	144.808	137,76%
Total	23.268.931	14.268.989	8.999.942	63,07%

The normal 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:

	31/12/2002	31/12/2001	Variation	Var. %
Expenses for work in progress at third parties'	1.537.498	918.718	618.780	67,35%
User services	502.055	201.375	300.680	149,31%
Consulting and technical services	1.252.598	913.483	339.115	37,12%
Maintenance	90.847	105.509	-14.662	-13,90%
Services and commercial consulting	742.522	383.084	359.438	93,83%
Shipment	754.034	301.704	452.330	149,93%
Insurance	395.211	77.426	317.785	410,44%
Travel and overnight expenses	1.470.512	427.782	1.042.730	243,75%
Commissions	2.547.781	1.383.523	1.164.258	84,15%
Promotional and advertising expenses	1.257.684	940.905	316.779	33,67%
Royalties	133.352	178.582	-45.230	-25,33%
Other services	2.614.383	1.699.036	915.347	53,87%
Total	13.298.477	7.531.127	5.767.350	76,58%

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

Break-down of the different types of operating charges is as follows:

	31/12/2002	31/12/2001	Variation	Var. %
Other taxes	78.302	32.467	45.835	141,17%
Associating contributions	33.353	23.937	9.416	39,34%
Newspaper and magazine subscriptions	12.668	15.854	-3.186	-20,10%
Expenses for vehicles	158.168	101.126	57.042	56,41%
Capital losses on ordinary possession conveyances	50.620	45.700	4.920	10,77%
Purchase of consumables art. 67 T.U.	87.797	71.469	16.328	22,85%
Fines	2.286	2.057	229	11,13%
Other minor charges	419.633	141.619	278.014	196,31%
Total	842.827	434.229	408.598	94,10%

C) Financial income and charges

Analysis of the financial income

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

	31/12/2002	31/12/2001	Variation	Var.%
from investments which are not equity investments				
Interests	3.063	3.760	-697	-18,54%
Total	3.063	3.760	-697	-18,54%
from non-permanent investments which are not equity investments				
Interests	7.741	87.997	-80.256	-91,20%
Income from negotiations	149.069	113.564	35.505	31,26%
Other		35.194	-35.194	-100,00%
Total	156.810	236.755	-79.945	-33,77%
financial income different from the previous ones: to third party				
Interests - assets - to bank	696.745	1.165.339	-468.594	-40,21%
Profits on commercial exchanges	612.693	60.387	552.306	914,61%
Other financial incomes	77.828	45.785	32.043	69,99%
Total	1.387.266	1.271.511	115.755	9,10%
Total	1.547.139	1.512.026	35.113	2,32%

Interest assets from banks were 696.745 euros, a decrease with respect to last year due to the effects of lower interest rates and to the use of a large portion of the cash for extraordinary operations, like the acquisition of Cynosure Inc. We have also entered interests and income from transactions related to temporary cash investments. These revenues also include the capital gains that our subsidiary Cutlite Penta Srl showed for 109.615 euros after the sale of a 15% quota of the Capital Stock of the subsidiary Ot-Las Srl, which occurred on December 12th 2002.

The difference in exchange rate assets is derived from the value of the American dollar and the British pound with respect to the euro on the date that the financial statement was drawn up. In particular, the difference in exchange rate assets have been entered into accounting on the amounts owed to suppliers and the debt of the parent company El.En. SpA towards Cynosure Inc. as the final instalment on the purchase price.

The other financial income refers mostly to the interest assets on sales made by the subsidiary companies using the “Sabatini” for the client, which correspond to the exact same amount under the heading of other financial costs.

Interests and other financial charges

Financial charges towards third parties	**31/12/2002**	**31/12/2001**	**Variation**	**Var. %**
debenture loans	60.425	60.425		0,00%
bank debts for account overdraft	12.107	733	11.374	1551,71%
bank debts for medium and long - term loans	66.577	94.235	-27.658	-29,35%
losses from negotiation-investments		40.591	-40.591	-100,00%
losses on commercial exchanges	307.073	48.243	258.830	536,51%
other financial charges	75.819	52.430	23.389	44,61%
Total	522.001	296.657	225.344	75,96%
Financial charges towards associated companies				
debts to associated companies	7.594	21.634	-14.040	-64,90%
Total	7.594	21.634	-14.040	-64,90%
Total	529.595	318.291	211.304	66,39%

7.594 euros in interest charges were entered for the seven-year financing issued by Quanta Fin Srl to the parent company.

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

The increase in the difference in exchange liabilities is derived from the decrease in the value of the U.S. dollar and the British pound with respect to the EC currency during the period that this statement refers to. In particular, exchange liabilities have been entered into accounting for the amounts receivable from the clientele.

D) Value adjustments for financial activities

The value adjustments entered under the heading D18a) of the profit and loss account show the quota of the results of the financial year of the companies evaluated with the net shareholders' equity method, i.e., Quanta System SpA, Immobiliare Del.Co. Srl and Lasit Srl, for a total of approx. 83 thousand euros, and the associated company of Cynosure Inc., Sona International Co., for a total of approx. 93 thousand euros.

The value adjustment entered under the heading D19a) instead shows the amortisation quota calculated on the difference in consolidation shown for Immobiliare Del. Co. Srl for the amount of 7.608 euros.

E) Exceptional income and charges

Break down of exceptional income

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

	31/12/2002	**31/12/2001**	**Variation**	**Var. %**
Extraordinary incomes:				
Miscellaneous income	474.616	47.072	427.544	908,28%
Corrections for mistakes made in previous years		44.158	-44.158	-100,00%
Other extraordinary incomes	5.195	7	5.188	74114,29%
Total	479.811	91.237	388.574	425,90%

The residual assets entered for approx. 475 thousand euros show, among other things, a capital gains of approx. 5 thousand euros after the sale of 20% of the equity owned by the Controlling company, El.En. SpA in Quanta Fin Srl (this latter was later incorporated into Quanta System SpA), as well as the tax reimbursement related to the previous years entered into accounting by Cynosure for the amount of approx. 413 thousand euros.

The chart below shows a break-down of the exceptional charges.

	31/12/2002	31/12/2001	Variation	Var. %
Extraordinary charges:				
Corrections for mistakes made in previous years		18.215	-18.215	-100,00%
Miscellaneous losses	77.771	30.130	47.641	158,12%
Other extraordinary charges	9	16.866	-16.857	-99,95%
Total	77.780	65.211	-12.569	19,27%
Taxation related to the previous fiscal years				
Other taxes related to the previous years	11.755		11.755	0,00%
Total	11.755		11.755	0,00%
Total	**89.535**	**65.211**	**24.324**	**37,30%**

Taxes on the revenues for the financial year

Description:	31/12/2002	31/12/2001	Variation	Var. %
IRPEG	2.251.489	1.138.694	1.112.795	97,73%
IRAP	540.479	350.973	189.506	53,99%
IRPEG Deferred (Advanced)	-97.619	-180.804	83.185	-46,01%
IRAP Deferred (Advanced)	-10.491	-100.242	89.751	-89,53%
Total direct taxes	2.683.858	1.208.621	1.475.237	122,06%

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. It should be noted that the changes which occurred during the year in the DIT have greatly reduced its impact, with negative effects on the results for the financial period. Since the DIT was among the benefits of being quoted on the stock market and represented one of the main advantages, this change has obviously damaged the performance of the company to the general consternation of the management.

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.

Average number of employees divided by category.

	Average 2002	31/12/2002	Average 2001	31/12/2001	Variation	Var. %
Executives	10,0	15	4,5	5	10	200,00%
Management	2,5	2	1,5	3	-1	-33,33%
White collar	148,0	208	81,0	88	120	136,36%
Blue collar	51,5	70	30,0	33	37	112,12%
Total	212,0	295	117,0	129	166	128,68%

Salaries paid to Administrators and Auditors

The chart below shows the cumulative 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 which became effective after vote of approval 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			
Horace Furumoto	Member	until 5th September 2003	7.131			
Paolo Ernesto Agrifoglio	Member	until 5th September 2003	4.783			
Alberto Pecci	Member	until 5th September 2003	4.783			
Vincenzo Pilla	President of the Board of Statutory Auditors	until 5th September 2003	15.646			
Giovanni Pacini	Statutory Auditor	until 5th September 2004	3.793			
Paolo Caselli	Statutory Auditor	until 5th September 2003	11.061			
Sergio Lisi	Statutory Auditor	until 24th April 2002	2.054			

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 and for the same period is shown as the beneficiary of a TFM (end-of-term bonus)of 5,165 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.

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 8,263;
- Sig. Carlo Raffini, as head of the Quality Control Systems was awarded the amount of euros 59.392;
- 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)		**31/12/2002**		**31/12/2001**
Cash flow generated by manufacturing activity:				
Profit (loss) for the financial period		**2.131.050**		**2.275.369**
amortisations	2.741.250		1.173.602	
Variation of employee severance indemnity	139.939		129.237	
Variation of provisions for risks and charges	108.878		72.184	
		5.121.117		**3.650.392**
Variation in the current assets and liabilities:				
Debtors	1.854.705		-2.749.045	
Stocks	-969.638		-2.369.585	
Prepayments and accruals assets	96.630		-84.477	
Creditors	1.668.280		193.729	
Prepayments and accruals liabilities	-191.263		-20.590	
		2.458.714		**-5.029.968**
Cash flow generated by manufacturing activity		**7.579.831**		**-1.379.576**
Cash flow generated by investment activity:				
Income from the sale of fixed assets	284.455		83.662	
Purchase of technical assets	-2.195.023		-735.021	
Increase in intangible assets	-6.990.196		-681.964	
(Increase) decrease in equity investments	-158.605		282.314	
		-9.059.369		**-1.051.009**
Cash flow from financial activity:				
Increase (decrease) in mid-long term financing	-659.170		-342.796	
Variation in short term financing	1.332.772		-49.630	
(Increase) decrease investments which are not permanent	-53.110		945.228	
Variation in Capital and Reserve	-705.864		-30.789	
Variation in Capital and Reserve of third parties	4.204.241		396.141	
Dividends distributed	-920.000		-920.000	
		3.198.869		**-1.846**
Increase (decrease) in cash at bank and on hand		**1.719.331**		**-2.432.431**
Cash at bank and on hand at the start of the financial period		**32.275.332**		**34.707.763**
Changes in consolidation area		**-6.944.096**		
Cash at bank and on hand at the end of the financial period		**27.050.567**		**32.275.332**

For the Board of Directors
Il presidente – Ing. Gabriele Clementi