

Official documents are in Italian



DATALOGIC GROUP

Consolidated financial statements and report for year ending on December 31st 2002

FINANCIAL HIGHLIGHTS 2002

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DATALOGIC GROUP - 2002

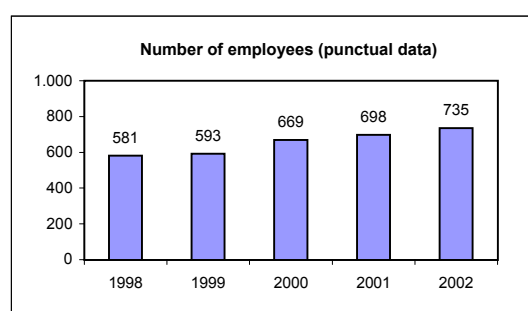
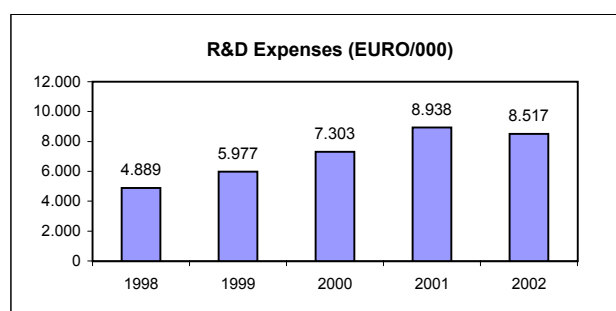
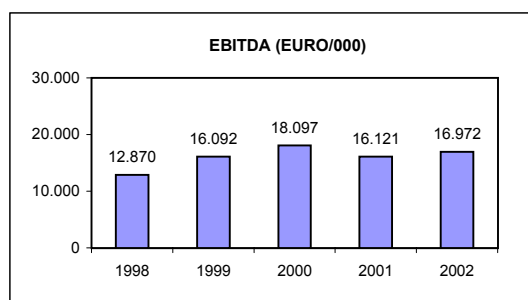
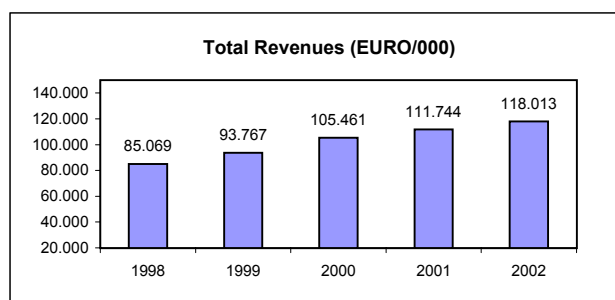
FINANCIAL HIGHLIGHTS



CONSOLIDATED PROFIT & LOSS

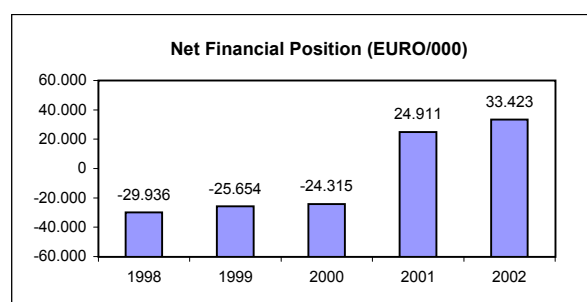
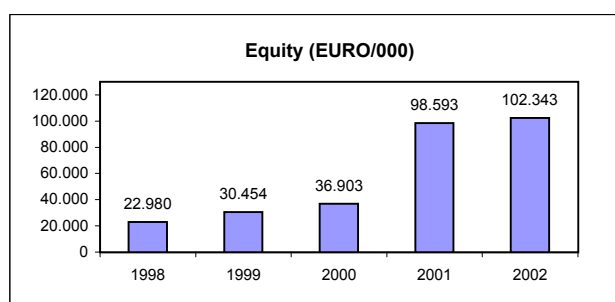
Euro / 1.000	31/12/98	%	31/12/99	%	31/12/00	%	31/12/01	%	31/12/02	%
Total Revenues	85.069	100,0%	93.767	100,0%	105.461	100,0%	111.744	100,0%	118.013	100,0%
EBITDA	12.870	15,1%	16.092	17,2%	18.097	17,2%	16.121	14,4%	16.972	14,4%
EBIT	4.338	5,1%	8.039	8,6%	11.139	10,6%	8.589	7,7%	7.861	6,7%
EBT	3.099	3,6%	8.444	9,0%	10.920	10,4%	2.646	2,4%	6.753	5,7%
Net profit	1.709	2,0%	6.092	6,5%	6.549	6,2%	779	0,7%	5.362	4,5%
R&D Expenses	4.889		5.977		7.303		8.938		8.517	
Number of employees	581		593		669		698		735	

EBITDA and EBIT at 31/12/01 do not include expenses for IPO (Euro 5.987 million), considered as non recurring costs.



CONSOLIDATED BALANCE SHEET

Euro / 1.000	31/12/98	31/12/99	31/12/00	31/12/01	31/12/02
Fixed Assets	37.003	32.647	33.942	37.310	38.107
Current Assets	45.595	54.382	66.523	62.440	65.560
Current Liabilities	-24.497	-24.830	-33.438	-21.127	-29.579
Net Working Capital	21.098	29.552	33.085	41.313	35.981
Net Invested Capital	52.916	56.108	61.219	73.682	68.920
Equity	22.980	30.454	36.903	98.593	102.343
Net Financial Position	-29.936	-25.654	-24.315	24.911	33.423



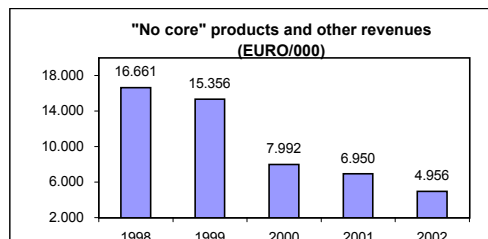
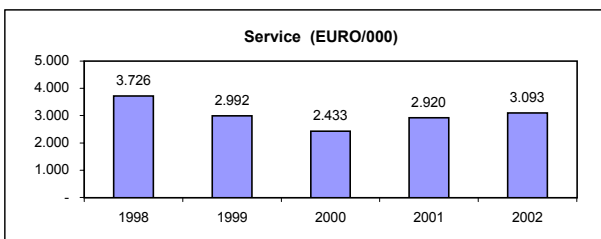
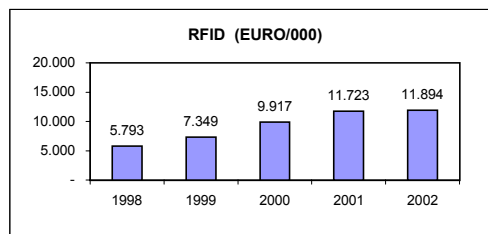
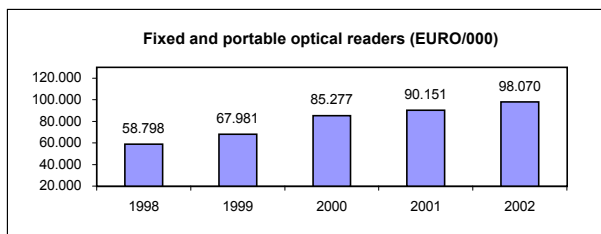
DATALOGIC GROUP - 2002

FINANCIAL HIGHLIGHTS



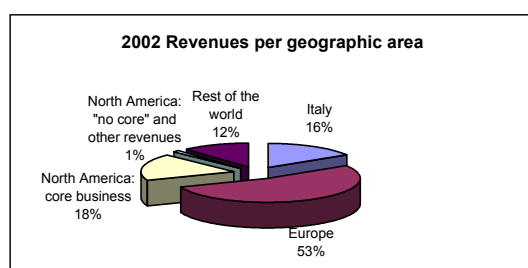
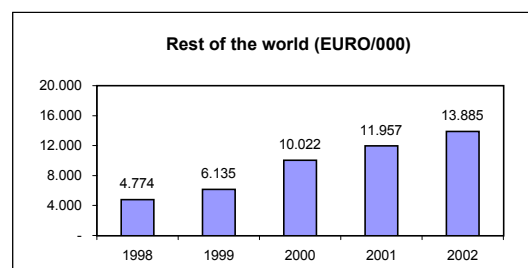
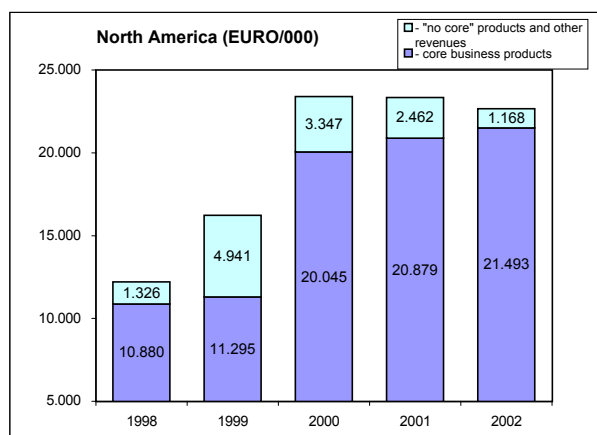
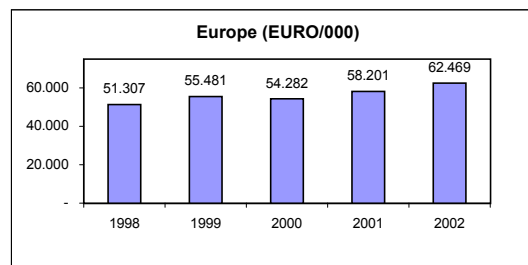
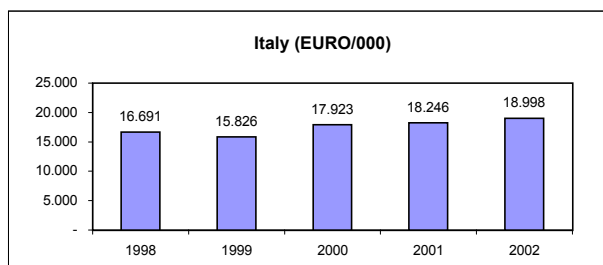
REVENUES PER PRODUCTS

Euro / 1.000	31/12/98	31/12/99	var%	31/12/00	var%	31/12/01	var%	31/12/02	var%	CAGR
Fixed and portable optical readers	58.798	67.981	15,6%	85.277	25,4%	90.151	5,7%	98.070	8,8%	13,6%
RFID	5.793	7.349	26,9%	9.917	34,9%	11.723	18,2%	11.894	1,5%	19,7%
Service	3.726	2.992	-19,7%	2.433	-18,7%	2.920	20,0%	3.093	5,9%	-4,6%
Total core business	68.316	78.322	14,6%	97.627	24,6%	104.794	7,3%	113.057	7,9%	13,4%
"No core" products and other revenues	16.661	15.356	-7,8%	7.992	-48,0%	6.950	-13,0%	4.956	-28,7%	-26,2%
Total	84.977	93.678	10,2%	105.619	12,7%	111.744	5,8%	118.013	5,6%	8,6%



REVENUES PER GEOGRAPHIC AREA

Euro / 1.000	31/12/98	31/12/99	var%	31/12/00	var%	31/12/01	var%	31/12/02	var%
Italy	16.691	15.826	-5,2%	17.923	13,2%	18.246	1,8%	18.998	4,1%
Europe	51.307	55.481	8,1%	54.282	-2,2%	58.201	7,2%	62.469	7,3%
North America:	12.206	16.236	33,0%	23.392	44,1%	23.340	-0,2%	22.661	-2,9%
- core business products	10.880	11.295	3,8%	20.045	77,5%	20.879	4,2%	21.493	2,9%
- "no core" products and other revenues	1.326	4.941	272,7%	3.347	-32,3%	2.462	-26,4%	1.168	-52,6%
Rest of the world	4.774	6.135	28,5%	10.022	63,4%	11.957	19,3%	13.885	16,1%
Total	84.977	93.678	10,2%	105.619	12,7%	111.744	5,8%	118.013	5,6%





COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta

Chairman (2)

Roberto Tunioi

Vice Chairman and C.E.O. (3)

PierPaolo Caruso

Director

Alberto Forchielli

Director

Giancarlo Micheletti

Director

Umberto Paolucci

Director

Elserino Piol

Director

Gabriele Volta

Director

Valentina Volta

Director

Board of Statutory Auditors (4)

Stefano Romani

President

Giovanni Ronzani

Standing auditor

Massimo Saracino

Standing auditor

Stefano Biordi

Alternate auditor

Giorgio Delli

Alternate auditor

Independent auditing firm

PricewaterhouseCoopers SpA

(1) The Board of Directors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2003

(2) Powers of legal representation of the company vis-à-vis third parties

(3) Powers of legal representation of the company vis-à-vis third parties

(4) The Board of Statutory Auditors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2003

DATALOGIC GROUP - REPORT ON OPERATIONS

Shareholders,

The report on operations as of 31 December 2002, which we submit for your approval, has been written in accordance with the regulations of the Nuovo Mercato of the Italian Stock Exchange. Ordinary Datalogic S.p.A. shares debuted on that market on 28 March 2001, with an IPO of 3,046,000 shares, including 400,000 for the greenshoe option which was exercised in full on 4 May 2001.

The following table summarizes the main results of the Datalogic Group as of 31 December 2002 with comparative figures from the previous year.

Datalogic Group	31/12/02	31/12/01	Change
	Euro/000	Euro/000	Euro/000
Total revenues	118,013	111,744	6,269
Gross operating profit (EBITDA)	16,972	16,121	851
<i>% of total revenues</i>	<i>14.4%</i>	<i>14.4%</i>	
Net profit	5,362	779	4,583
<i>% of total revenues</i>	<i>4.5%</i>	<i>0.7%</i>	
Net financial position	33,423	24,911	8,512

The Datalogic Group had total revenues of Euro 118,013,000 (116,132,000 in sales and 1,881,000 in other revenues), an increase of 6% with respect to the previous year.

EBITDA, calculated gross of amortization and depreciation and of provisions for severance indemnities and risks, came to Euro 16,972,000 (+5.3% on 2001) and amounted to 14.4% of total revenues, in line with the previous year.

The net profit leapt from Euro 779,000 in 2001 to Euro 5,362,000 (Euro 6,753,000 before taxes) in 2002. Even after adjusting the 2001 result for listing expenses (Euro 5,987,000, charged in full to the income statement), the improvement is significant: + Euro 1,006,000 with respect to a pro-forma net profit of Euro 4,356,000 in 2001, calculated at a tax rate of 40.25%.

These results were achieved in a year that remained difficult for our market and the global economy. After a 2001 marred by tragedy, it was hoped, and perhaps expected, that 2002 would see some sort of

an upturn or at least some signs of change. That was not the case, however, and the period of hardship and uncertainty has not let up to this day.

Despite an economy on the brink of recession, during the last quarter of the year the group achieved its best-ever performance in terms of revenues (Euro 35,220,000, + 22% on the same period in 2001) and EBITDA (Euro 6,445,000, + 46%). Those figures are the reward for our operations during the year and for the healthy trend in orders which, in 2002, were more than 7% higher than sales for the period.

This was a year of good results, but also of major investments, which will be the springboard to our future success.

Since 1 January 2002 we have had a new subsidiary in operation called Datalogic Iberia, which in its first year of business has contributed much to the group's development, by expanding our already significant share of the Spanish and Portuguese market where revenues swelled by about 30% on the previous year.

Since July the group's Italian companies have been using a new management information system (SAP), a significant investment that will become a major infrastructure for the group in coming years. In July we also took control of a Swedish PDC company called Minec; this gave us a significantly higher market share in Scandinavia, an important part of the European market.

Lastly, in Italy, we successfully developed a new product line that was launched in 2001—"Shopevolution"—which became a top seller in a market new to us and should prove to be even more profitable starting in 2003.

REVENUE TRENDS AND KEY FACTORS AFFECTING PERFORMANCE

In the field of automatic identification, one of the most significant changes of the new millennium has been the transition from two-digit growth to significant downturns that have fast led to a shrinking market.

Analysts at Venture Development Corporation, the most authoritative market research firm in the sector, predicted halfway through the year that 2002 would show essentially no growth on 2001.

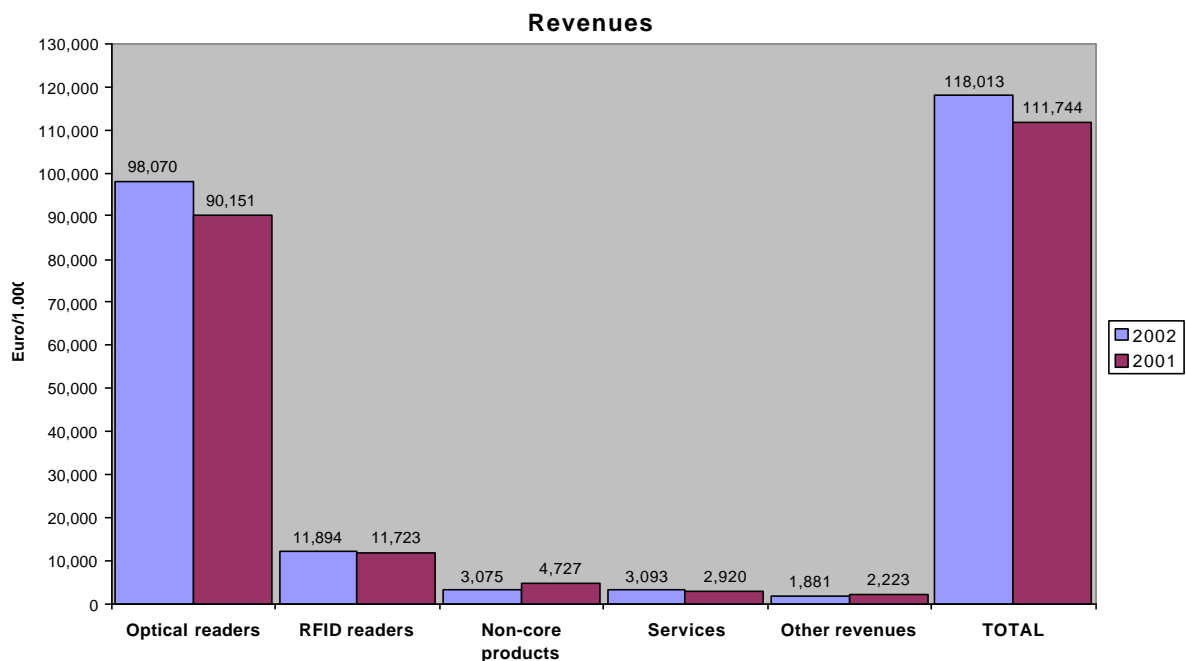
The recessive trends that began in 2001 and that were exacerbated by the attacks of 11 September also put the brakes on the AIDC sector, which suffered the impact—much of it psychological—of rampant uncertainty.

The particular vocation of this sector, to foster the efficiency of business processes, is usually anti-cyclical enough to keep it well afloat even in times of crisis. In 2002, however, there was a slowdown in decision-making by end users trying to stick to frugal budgets, and a heavy focus on working capital by channel operators intent on reducing risks.

Under the circumstances, competition grew fierce, and both manufacturers and ChanOps adopted more aggressive commercial policies so as to protect their market shares and run a reasonably profitable business.

Many of our competitors had a difficult year. Some saw their revenues decrease, or took special measures on the costs and investing front in order to turn profits or cut their losses.

Datalogic had revenues of Euro 118,013,000 in 2002, a substantial increase (+Euro 6,269,000) compared with the previous year's figure of Euro 111,744,000. The breakdown by product line is as follows:



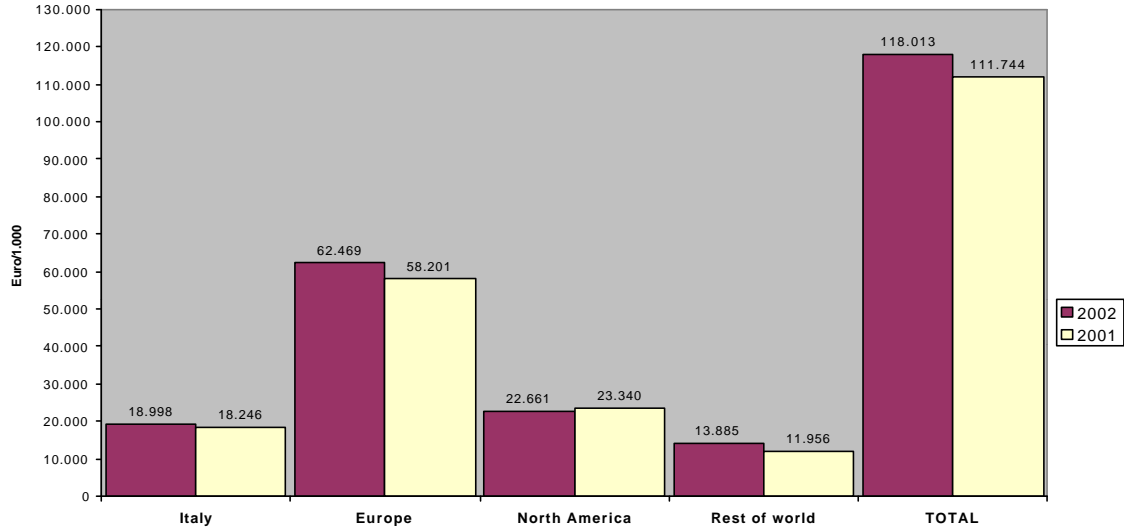
Optical readers accounted for Euro 98,070,000, up 8% on the previous year.

RFID revenues came to Euro 11,894,000, basically unchanged with respect to 2001 (Euro 11,723,000), due primarily to the ongoing problems in the North American market which is the main outlet for these products.

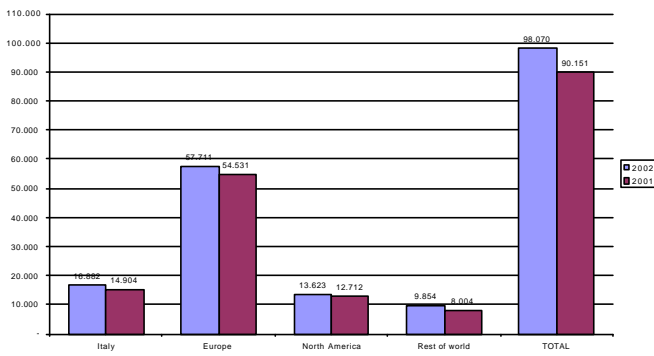
Sales of non-core products continued to decline, from Euro 4,727,000 in 2001 to Euro 3,075,000 the following year. Revenues from services were up 6%, totalling Euro 3,093,000 as of 31 December 2002.

The following graphs show the geographical breakdown of sales:

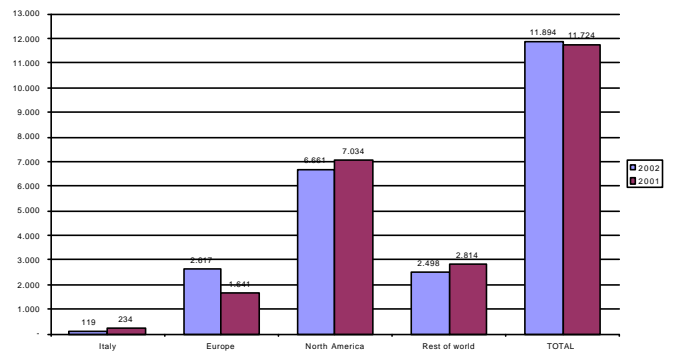
Revenues by geographical area



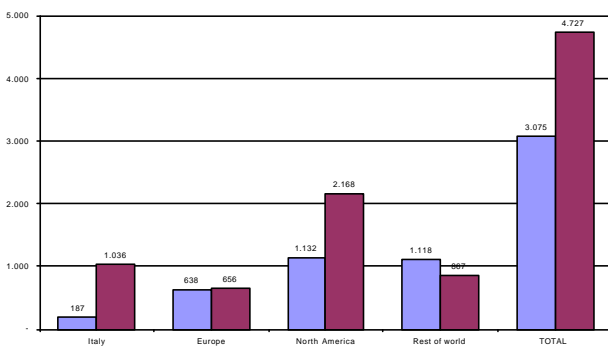
Sales of optical readers by geographical area



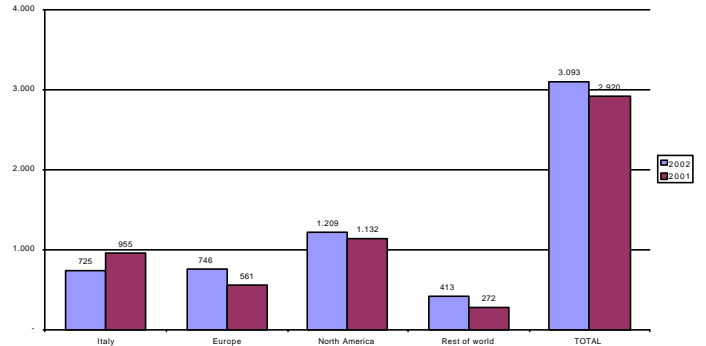
RFID sales by geographical area



Sales of non-core products by geographical area



Service revenues by geographical area



In 2002 Datalogic achieved 6% revenue growth with respect to the previous year, and enjoyed an increase in practically every region: Europe, the Middle East & Africa, and Asia. Progress was even more significant considering the fact that orders topped product sales by over 7%.

In Europe, the Middle East and Africa, sales grew fastest for portable data collectors (PDCs) and hand-held readers (HHRs); for PDCs most of the credit goes to the new Mobile@Work line, and for HHRs to the popularity of Gryphon (which became the top-selling product) and Diamond (recently acquired from the Dutch company Scantech).

Shopevolution, Datalogic's self-scanning product for the retail market, did very well and was particularly successful in Italy. After the investments made in previous years, in 2002 Shopevolution began to prove its commercial worth as the market grew to appreciate its uniqueness.

During the year, Shopevolution systems were set up in 11 different supermarkets forming part of Italy's Coop and Conad chains. These new installations were mainly carried out on orders or supply contracts acquired the previous year. The number of installations by Datalogic compares with the figure for the Italian market as a whole, where 20 new self-scanning systems were set up in 2002. Of particular importance competition-wise is the fact that from the second quarter of 2002, Unicoop Firenze, which had been using a competing system for much of its supermarket chain, switched to Datalogic's system for about 25% of its stores.

During the fourth quarter the group acquired some other new customers in Italy, whose contracts with Datalogic will benefit revenues in 2003.

The European countries where Datalogic showed the fastest growth were Spain, the United Kingdom and Italy. Our investment in Spain, where we have opened a company to market Datalogic products in Spain and Portugal, led to revenue growth of almost 30% on the previous year and has helped stabilize our business in Iberia. In the United Kingdom, growth topped 20%, thanks partly to a better economy and market situation than in continental Europe. A major factor behind the higher sales in Italy (+4%) was Datalogic's increased presence in the retail market, both in the supply chain and with products and services for stores.

Growth was somewhat slower in the rest of Europe. In the German-speaking countries, the stagnant economy discouraged major investment in the AIDC sector, and investments were also meager in the Francophone region. Datalogic did take the chance, however, to bolster its commercial arrangements in those countries for the sake of better growth in 2003.

In Scandinavia, Datalogic made major inroads by acquiring Minec, Sweden's long-standing PDC maker based in Stockholm. In addition to the advantages this gives us on a worldwide scale, it also fortifies our position in Scandinavia in terms of customers, personnel and geographical coverage.

Business in the Middle East inevitably suffered from the regional geopolitical situation.

In the Americas, the decrease in revenues (-11% on 2001) was largely attributable to our non-core products, sales of which fell from Euro 2,168 in 2001 to Euro 1,132,000 in 2002 (-47.78%), and to the appreciation of the euro against the US dollar by an average of 6% for the year.

In North America, our plans to concentrate on the transport and logistics sector by way of unattended scanning systems (USS) led to the acquisition of sizeable orders from major customers.

In 2002 we launched a penetration plan for HHRs, based on a selective distribution policy, which has already had welcome results and paved the way for further growth in 2003.

In North America we also made significant progress in radiofrequency identification devices (RFIDs) for the auto industry, where Datalogic is a leading player through its subsidiary EMS. We also boosted our presence in the logistics sector and in vertical applications.

Results in Central and South America were disappointing, but in line with those of the competition. The economy throughout most of the region forced many companies out of the market, and caused a steep drop in investing capacity including in automatic identification.

Datalogic did very well in Asia this year. In Japan, our focus on the USS sector brought in orders from the major system integrators. Although the Japanese market was still essentially motionless in 2002, we increased our market share through our affiliate Izumi Datalogic. Elsewhere in the Far East, Datalogic made further inroads thanks to the success of Gryphon and other HHRs. In particular, China has started to be an important area of growth.

We also achieved more than 30% growth in Australia, where the development of an indirect network of partners is improving both the extent and the solidity of revenues.

To increase our ability to boost market shares and revenues even under non-growth conditions, we reorganized our commercial structure in 2002 in order to attain a sharper focus and improve operator performance. One part of our sales force was devoted to the industrial automation business, where it sells USS products to the manufacturing, transport & logistics and distribution markets and through the OEM channel. The rest of the sales force is now focused on ICT, where it is responsible for promoting and selling HHR and PDC products to the manufacturing, transport & logistics, and retail markets.

On a worldwide scale, the new structure will be fully functional as from the start of 2003, and will help us continue on an upward path despite lasting economic uncertainty.

Our presence in the various markets was emphasized by significant investments in marketing initiatives, where efforts and programmes were intensified, and by organizational changes designed to improve our impact on both end users and the channel. As far as this latter is concerned, Datalogic's model is becoming a standard of reference in the AIDC sector for its solidity, stability and innovation.

The structure of operating expenses changed little with respect to the previous year: EBITDA increased by 5% (to Euro 16,972,000), essentially matching the growth in revenues (+6%).

There was an increase in depreciation during the year, from Euro 6,165,000 in 2001 to Euro 7,156,000 in 2002 (+16%). The main reason for the increase was the launch of the new management information system in July, for which depreciation came to Euro 565,000.

As of 31 December 2002, the net financial position was a positive Euro 33,423,000, as follows:

Datalogic Group	31/12/02	31/12/01
financial fixed assets	2,466	2,468
treasury stock	4,925	1,091
medium-/long-term payables to banks	-3,745	-16,978
medium-/long-term payables to other sources of finance	-4,025	-4,404
net medium-/long-term debt	-379	-17,823
short-term payables to banks and other sources of finance	-2,543	-7,928
financial payables (leasing)	0	-69
financial receivables	2,487	1,167
commercial paper	6,233	0
cash and banks	27,625	49,564
net short-term financial position	33,802	42,734
net liquidity	33,423	24,911

The improvement in net financial position with respect to 31 December 2001 comes to Euro 8,512,000 and is explained mostly by the cash flow from current operations (Euro 13,500,000). Net investments in tangible and intangible fixed assets totalled Euro 6,786,000, against a decline of Euro 5,332,000 in net working capital.

TECHNOLOGY DEVELOPMENT

Our production department dealt with a widely fluctuating demand for finished products, especially during the fourth quarter of the year. It reacted well to these conditions, maintaining response times and the proper balance between efficiency and effectiveness.

New personnel was hired to manage the increase in volumes, mostly under temporary contracts. The results were excellent, thanks to a structure that was already broken in and ready to welcome the new arrivals. We also outsourced some work, using third-party manufacturers that have been working with us at length.

We continued to invest in advanced production technologies, especially for fixed (USS) scanners. As for logistics, the implementation of the new IT system made it possible to use tools that have substantially improved the management and rationalization of stocks.

BUSINESS & POLITICAL CLIMATE AND LABOUR RELATIONS

The most recent indicators portray a weak domestic economy, the only exception being the labour market which is showing a delayed reaction to the economic trend. On average for the first 10 months of the year, national industrial output—on an equal work-day basis—should have fallen by 2.2%. Use of state redundancy benefits was ample, the number of authorized hours rising by 68.8%. Industrial revenues showed signs of an upturn, but estimates for Italy's GDP growth in 2002 were gradually reduced over the course of the year. The current estimate is for growth of well under 1%.

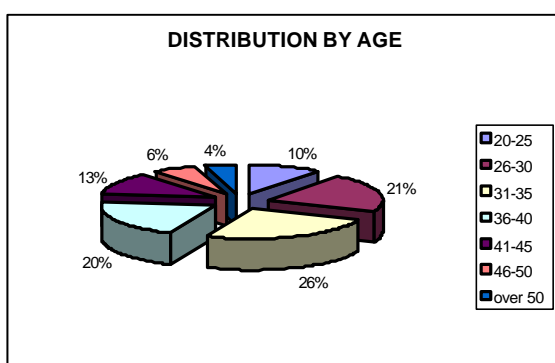
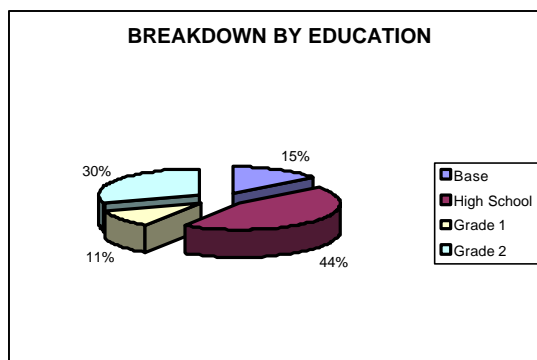
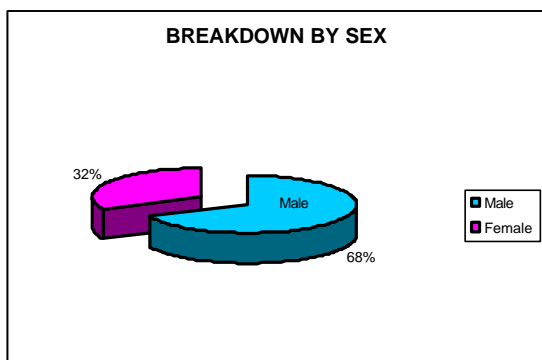
Business conflicts were rife in 2002, with the Fiat crisis contributing to the turmoil during the last few months. Labour relations reflect the overall climate, and a deep fracture has developed on the national labour union front. Federmeccanica, since the end of 2002, has had to negotiate the renewal of the national engineering workers' contract for the two-year economic period 2003-2004 and the four-year regulatory period 2003-2006 on the basis of two different platforms presented by Fim-CISL and Fiom-CIGL.

Employment was up by 271,000 jobs between October 2001 and October 2002, a gain of 1.2%. Nationwide, the unemployment rate came to 8.7%. Temping work continued to climb in 2002, although the growth rate has been slacker in recent months as the initial boom for this new type of contract has gradually faded from its peak in 1998-2001.

During the last six months of the year, Datalogic S.p.A. made more frequent use of this extremely flexible kind of labour, mostly to deal with temporary peaks in production. The group had a workforce of 738 as of 31 December 2002, compared with 698 a year earlier.

At the end of 2002 the Datalogic Group's staff was made up as follows:

- average age: 31 to 35;
- sex: female 32% male 68%;
- education: base school (elementary/middle school education) 15%, high school (professional institute/diploma) 44%, grade 1 (associate's degree) 11%, grade 2 (bachelor's degree) 30%;
- professional categories: direct production workers 14%, designers 14%, sales force 9%, other 63%.



EMBED

In 2002 we continued to invest in training, with a particular focus on technical courses for our staff in Italy and at our other branches, as well as for our main distributors abroad. Total training hours at Datalog S.p.A came to 12,220 for the year.

Internal labour relations were good, and suffered little from Italy's troubled social climate.

FINANCIAL MANAGEMENT

Net financial expenses came to Euro 219,000, compared with Euro 59,000 the previous year. That is the net result of Euro 379,000 in financial income in the strict sense of the term, Euro 379,000 in income from equity investments, and Euro 977,000 in net exchange losses, due mostly to the appreciation of the euro against the US dollar.

As far as actual financial income is concerned, most of the positive result was earned by the parent company; in the first quarter, the advance repayment of three mortgage loans led to a significant reduction in interest paid to banks.

The parent company was also responsible for most of the exchange losses (Euro 953,000, despite income of Euro 207,000 from financial hedging transactions based on forward currency sales). With regard to the parent company's exchange losses arising from adjustment to the year-end rate, those for commercial transactions amounted to Euro 324,000 and those for financial transactions to Euro 416,000.

The parent company has set up a cash pooling system, for centralized treasury management, which will eventually involve most of the companies in the group. The advantages we expect from such a system are as follows:

- a lower cost of short-term debt for our foreign branches,
- better liquidity management throughout the group.

As of 31 December 2002, the cash pooling system was in effect for the following companies: Datasud S.r.l., Datalogic SA (France), Datalogic GmbH (Germany) and Datalogic UK (England).

INVESTMENTS

During the year the group made investments in tangible and intangible fixed assets which, net of assets under construction and advances (amounting to Euro 6,189,000), totalled Euro 11,122,000 as broken down below:

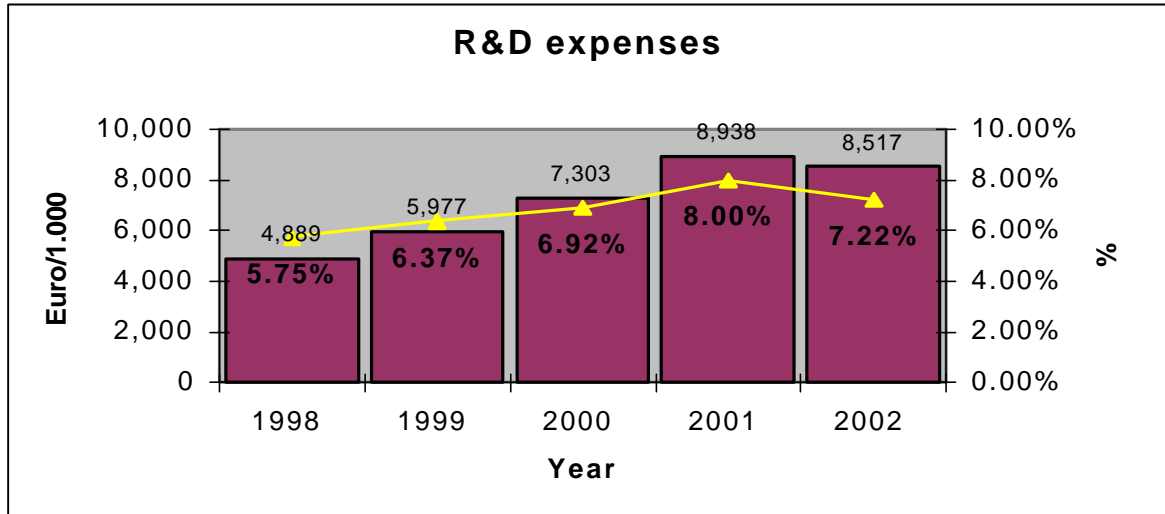
Land and buildings:	Euro 4,606,000
Plant and machinery:	Euro 592,000
Moulds and dies:	Euro 253,000
Equipment and instrumentation:	Euro 775,000
Other tangible assets:	Euro 1,269,000
Software:	Euro 3,029,000
Patents:	Euro 257,000
Other intangible assets:	Euro 341,000

The largest investment category in 2002 was land and buildings; the parent company spent Euro 4,604,000 on the expansion of the building at Via Candini 2, Lippo di Calderara (near Bologna). That project was completed during the third quarter of the year and has increased the usable area by 2,400 sqm and the metric volume by 4,500 cm.

Another major investment concerned the parameterization and customization of the new information system (SAP), which in 2002 cost Euro 2,255,000 for the parent company and Euro 570,000 for Datasud. The SAP system, on which work began in July, will soon become an important infrastructure supporting the company's strategies for optimization and growth; in 2003-04 the new software will be introduced at all major subsidiaries abroad.

RESEARCH AND DEVELOPMENT

In 2002 the cost of research and development (net of depreciation) came to 7.2% of revenues, or Euro 8,517,000: Euro 6,504,000 for optical readers and Euro 2,013,000 for RFIDs. R&D investments over the past several years are shown below:



We also capitalized Euro 257,000 for patents.

The decline in investments with respect to 2001 does not mark a reversal of the R&D growth trend. It merely reflects the exceptional investments made that year, especially in self-scanning and RFID technologies, which were not repeated in 2002.

For the medium term, we think that R&D investments amounting to 7-8% of revenues will be sufficient to produce the innovation we need to support our plans for growth.

In the Shopevolution division, R&D activities were focused mainly on projects to integrate the system with the major POS platforms used by our customers in Italy (IBM, NCR and Wincor-Nixdorf).

In the area of fixed scanners (USS), we worked hard throughout the year to develop innovative new solutions especially in vision technology, while strengthening and boosting the competitiveness of our traditional laser-based products, which the market continues to appreciate for their reliability, low cost and value. We presented a new family of laser scanners (the "6000" series), and developed special solutions for the transport and distribution market.

As for HHRs, we successfully completed our overhaul of the entire family of laser readers and the system components of RFIDs; we also made significant progress with cutting-edge readers that can

handle complex (two-dimensional) codes.

Lastly, in the area of PDCs, we introduced several software packages to complete the systems available for high-end terminals. We continued to develop platforms based on the Windows CE operating system, which will lead to some interesting products in 2003.

PERFORMANCE BY GROUP COMPANIES

Performance by group companies as of 31 December 2002, gross of intercompany transactions, can be summarized as follows (profits are shown before taxes and reflect adjustments to group accounting principles):

REVENUES FROM SALES AND SERVICES (Euro/000):

NAME	PERCENT HELD AS OF 31/12/02	31/12/02	31/12/01	PERCENT CHANGE
Datalogic S.p.A. (parent company)		84,069	76,861	9.4%
Datasud S.r.l.	100%	28,863	26,700	8.1%
Datalogic AB	100%	7,265	6,771	7.3%
EMS, Inc.	88.02%	12,602	12,991	-3.0%
Datalogic France SA	100%	7,714	11,570	-33.3%
Datalogic Optik elektronIK GMBH	100%	28,292	27,807	1.7%
Datalogic Optic Electronics B.V. (1)	100%	0	0	0.0%
Datalogic Handelsgesellschaft mbH (1)	100%	0	0	0.0%
Datalogic PTY LTD	100%	4,068	2,999	35.6%
Datalogic UK LTD	100%	8,531	6,757	26.3%
Datalogic INC	100%	15,676	14,383	9.0%
DL Iberia (1)	100%	42	0	0.0%

(1) These companies operate under agency contracts.

Revenues by the French subsidiary declined because of Datalogic Iberia, which was established on 13 December 2001 and has been operating since 1 January 2002. Since that date, sales to customers in Spain and Portugal have been booked by the parent company (rather than Datalogic France), which pays sales commissions to Datalogic Iberia.

PROFIT (LOSS) FOR THE YEAR (Euro/000):

NAME	PERCENT HELD AS OF 31/12/02	31/12/02	31/12/01	PERCENT CHANGE
Datalogic S.p.A. (parent company)		3,045	3,613	-15.7%
Datasud S.r.l.	100%	1,039	582	78.5%
Datalogic AB	100%	109	-49	-322.4%
EMS, Inc.	88.02%	-328	569	-157.6%
Datalogic France SA	100%	73	197	-62.9%
Datalogic Optik elektronIK GMBH	100%	1,040	1,315	-20.9%
Datalogic Optic Electronics B.V.	100%	141	49	187.8%
Datalogic Handelsgesellschaft mbH	100%	1,494	674	121.7%
Datalogic PTY LTD	100%	16	-128	-112.5%
Datalogic UK LTD	100%	250	107	133.6%
Datalogic INC	100%	-250	452	-155.3%
DL Iberia	100%	-175	0	0.0%

RELATED PARTY TRANSACTIONS

Only minor transactions were conducted with the holding company (Hydra S.p.A.) during the year, consisting of the reciprocal charging of rent.

With other related parties, the only significant transactions were those with Datasensor S.p.A., which consisted mainly of the purchase of components by the parent company for Euro 954,000; expenses net of interest subsidies for the IMI mortgage loan (now held jointly by the parent company and Datasensor S.p.A. as a result of the spin-off of 2 January 1998) for Euro 45,000; and the distribution of small quantities of Datasensor products by various group companies.

STOCK OPTION PLAN

On 28 February 2001, the company's extraordinary shareholders' meeting gave the Board of Directors full power to draw up a stock option plan for employees and for board members with particular responsibilities. On the same date the shareholders voted to increase share capital (by a maximum of 600,000 shares, about 4.8% of capital) to service the stock option plan.

On 17 May 2001, the board of directors implemented the plan, which in the short term will help the company:

- attract and retain key managerial and technical staff;
- align the interests of key staff and shareholders;
- put key personnel in a position to create value and share it with the investors.

The Board of Directors has decided on 66 beneficiaries, made up of directors with particular responsibilities and employees of the company and its subsidiaries (excluding Escort Memory System). The options can be exercised from 1 January 2004 to 31 December 2007.

On 27 February 2002, on an extraordinary basis, the Board of Directors voted to change the strike price of the stock option plan approved on 17 May 2001 to Euro 11.5.

The following table summarizes the situation as of 31 December 2002:

	Number of shares	Average strike price (euro)	Market price (euro)	% of share capital
Options outstanding as of 1/1/02	552,000	11.5	12.10	4.64%
New options granted during the year	16,000	11.5	10.06	0.13%
(Options exercised during the year)	-	-	-	-
(Options expired during the year) (1)	14,500	-	-	0.13%
Total options outstanding as of 31/12/02	553,500	11.5	8.98	4.65%
of which: exercisable as of 31/12/02	-	-	-	-

(1) Expired options are those granted to personnel that have left the company's service.

On 22 April 2002, the parent company's ordinary shareholders' meeting authorized the Board of Directors to grant 54,500 shares under a new stock option plan. (As of that date, for the 600,000 shares authorized for issue on 28 February 2001, 545,500 options had been assigned.) On 14 November 2002, the Board of Directors voted to grant 67% of the rights to the beneficiaries of the stock option plan.

Below, in accordance with CONSOB Resolution 11520 of 1 July 1998, we specify the interests held by the parent company's directors and auditors in the parent company itself and in direct or indirect subsidiaries:

NAME	HOLDING MODALITY	COMPANY HELD	NO. SHARES HELD AT END PREV. YEAR	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. SHARES HELD AT YEAR END
Volta Romano	Indirect through Hydra SpA e Hydra Investissements SA	Datalogic SpA	4.411.125			4.411.125
Volta Romano	Indirect through Fantini Lucia (wife)	Datalogic SpA	4.411.125			4.411.125
Volta Romano	Indirect through Volta Filippo Maria (minor son)	Datalogic SpA	-	26.000		26.000
Tunioli Roberto	Direct	Datalogic SpA	2.700	148.000		150.700
Tunioli Roberto	Direct	Datalogic Ltd.	1			1
Tunioli Roberto	Direct	Datalogic France	1			1
Tunioli Roberto	Indirect through China Paola (wife)	Datalogic SpA	-	900		900
Micheletti Giancarlo	Direct	Datalogic SpA	7.025			7.025
Caruso Pier Paolo	Direct	Datalogic France	1			1
Caruso Pier Paolo	Direct	Datalogic SpA	750			750
Volta Gabriele	Direct	Datalogic SpA	28.800			28.800
Volta Valentina	Direct	Datalogic SpA	44.025		17.900	26.125
Forchielli Alberto	Direct	Datalogic SpA	-	2.100		2.100
Romani Stefano	Direct	Datalogic SpA	600			600
Delli Giorgio	Direct	Datalogic SpA	2.025		1.525	500
Ronzani Giovanni	Direct	Datalogic SpA	680			680

OUTLOOK FOR 2003

Considering the orders received in the early months of the year and the negotiations we have in course, we expect to reach the objectives set out in the 2003 budget.

SECONDARY LOCATIONS

The parent company has a secondary location in the town of Mogliano Veneto (TV), which houses the PDC production unit, Management, the design department, and the staff positions of the self-scanning unit.

Thank you for your confidence in our work.

Romano Volta
Chairman of the Board of Directors

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	31-dic-02 in Euro/000	31-dic-01 in Euro/000
A) SUBSCRIBED CAPITAL UNPAID		
1) Part called up		
2) Part not called up		
Total subscribed capital unpaid (A)		
B) FIXED ASSETS		
<i>I - Intangible fixed assets:</i>		
1) Start up and expansion costs	3	17
2) Research & Development and advertising costs	-	-
3) Industrial patent rights and rights for use of intellectual properties	4.516	3.289
4) Concessions, licenses, trademarks and similar rights	78	133
5) Goodwill	4.424	5.467
6) Consolidation difference	1.600	-
7) Intangible Assets in progress and advances	267	1.893
8) Other intangible assets	305	249
Total intangible fixed assets (I)	11.193	11.048
<i>II - Tangible fixed assets:</i>		
1) Land and buildings	18.778	15.102
2) Plant and machinery	1.479	1.415
3) Industrial and commercial equipment	2.431	2.727
4) Other tangible fixed assets	2.307	2.502
5) Assets in progress and advances	68	3.832
Total tangible fixed assets (II)	25.063	25.578
<i>III - Long term financial assets:</i>		
1) Investments in:		
a) Subsidiaries valued on the net equity basis	1.433	61
b) Associated companies valued on the net equity basis	268	376
c) Parent companies	-	-
d) Other companies	62	62
2) Accounts receivable from:		
a) Subsidiaries		
within 12 months		-
after 12 months		-
Total accounts receivable from subsidiaries (a)	-	-
b) Associated companies		
within 12 months		-
after 12 months		-
Total accounts receivable from associated companies (b)	-	-
c) Parent companies		
within 12 months		-
after 12 months		-
Total accounts receivable from parent companies (c)		
d) Other companies		
within 12 months	-	55
after 12 months	88	130
Total accounts receivable from other companies (d)	88	185
3) Other securities:	2.466	2.468
4) Own shares	4.925	1.091
Total long term financial assets (III)	9.242	4.242
Total fixed assets (B= I + II + III)	45.498	40.868
C) CURRENT ASSETS		
<i>I - Inventories:</i>		
1) Raw and auxiliary materials, and consumables	9.954	11.652
2) Work in progress and semifinished goods	2.679	2.832

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	31-dic-02 in Euro/000	31-dic-01 in Euro/000
3) Work to order in progress	-	-
4) Finished goods and goods for resale	8.640	9.744
5) Payments on account		47
Total inventories (I)	21.273	24.275
II - Accounts receivable:		
1) From customers		
within 12 months	31.802	27.925
after 12 months	295	-
Total accounts receivable from customers (1)	32.097	27.925
2) From subsidiaries		
within 12 months	-	-
after 12 months	-	-
Total accounts receivable from subsidiaries (2)	-	-
3) From associated companies		
within 12 months	676	472
after 12 months	-	-
Total accounts receivable from associated companies (3)	676	472
4) From parent companies		
within 12 months	1	-
after 12 months	-	-
Total accounts receivable from parent companies (4)	1	-
5) From others		
within 12 months	15.440	8.175
after 12 months	1.139	97
Total accounts receivable from others (5)	16.579	8.272
Totale accounts receivable (II)	49.353	36.669
III - Current Financial assets		
1) Investments in subsidiaries	-	-
2) Investments in associated companies	-	-
3) Investments in parent companies	-	-
4) Other investments	-	-
5) Own shares	-	-
6) Other securities	2.487	1.167
Total current financial assets (III)	2.487	1.167
IV - Bank deposit and cash on hand		
1) Bank and postal deposits	27.607	49.325
2) Cheques		-
3) Cash and cash equivalent	18	239
Total bank deposit and cash on hand (IV)	27.625	49.564
Total current assets (C = I + II + III + IV)	100.738	111.675
D) ACCRUED INCOME AND PREPAYMENTS		
a) Accrued income	69	86
b) Prepayments	1.098	1.410
c) Discounts on loans		
Total accrued income and prepayments (D)	1.167	1.496
TOTAL ASSETS (A + B+ C+ D)	147.403	154.039

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	31-dic-02 in Euro/000	31-dic-01 in Euro/000
A) NET EQUITY		
<i>I Share Capital</i>	24.759	24.759
<i>II Share premium reserve</i>	54.424	54.424
<i>III Revaluation reserves</i>	258	258
<i>IV Legal reserve</i>	464	284
<i>V Own-share reserve</i>	4.925	1.091
<i>VI Statutory reserves</i>	0	0
<i>VII Demerger capital reserve</i>	4.439	4.439
<i>VIII Other reserves</i>	0	
<i>IX Consolidation reserve</i>	1.878	1.878
<i>X Translation reserve/(loss)</i>	(13)	1.154
<i>XI Retained earnings/(losses) carried forward</i>	5.418	9.246
<i>XIII Net profit/(loss) for the year</i>	5.362	779
	101.914	98.312
Net equity pertaining to minorities	429	281
Total net equity (A)	102.343	98.593
B) PROVISIONS FOR RISKS AND CHARGES:		
1) Provision for retirement benefits and similar obligations	10	6
2) Provision for taxation	200	495
3) Others	686	701
Total provisions for risks and charges (B = 1 + 2+ 3)	896	1.202
C) Employees' severance indemnity provision	4.217	3.498
D) PAYABLES		
1) Debentures		
within 12 months	-	-
after 12 months	-	-
Total debentures (1)	-	-
2) Convertible bonds		
within 12 months	-	-
after 12 months	-	-
Total convertible bonds (2)	-	-
3) Bank borrowing		
within 12 months	1.354	6.844
after 12 months	3.745	16.978
Total bank borrowing (3)	5.099	23.822
4) Accounts payable to other financial institutions		
within 12 months	1.189	1.084
after 12 months	4.025	4.404
Total accounts payable to other financial institutions (4)	5.214	5.488
5) Advances received		
within 12 months	29	1
after 12 months	-	-
Total advances received (5)	29	1
6) Trade payables		
within 12 months	16.838	12.071
after 12 months	-	0
Total trade payables (6)	16.838	12.071
7) Bill payable		
within 12 months	-	-
after 12 months	-	-
Total bill payable (7)	-	-
8) Accounts payable to subsidiaries		
within 12 months	-	-

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	31-dic-02 in Euro/000	31-dic-01 in Euro/000
after 12 months	-	-
Total accounts payable to subsidiaries (8)	-	-
9) Accounts payable to associated companies		
within 12 months		6
after 12 months		-
Total accounts payable to associated companies (9)	-	6
10) Accounts payable to parent companies		
within 12 months		2
after 12 months	-	-
Total accounts payable to parent companies (10)	-	2
11) Tax authorities payable		
within 12 months	5.350	4.053
after 12 months	22	208
Total tax authorities payable (11)	5.372	4.261
12) Social security institutions payable		
within 12 months	1.453	1.047
after 12 months		-
Total social security institutions payable (12)	1.453	1.047
13) Other payables		
within 12 months	5.170	3.494
after 12 months	33	33
Total other payables (13)	5.203	3.527
Total accounts payable (D)	39.208	50.227
E) ACCRUED EXPENSES AND DEFERRED INCOME		
a) Accrued expenses	309	419
b) Deferred income	430	101
c) Premium on loans		-
Total accrued expenses and deferred income (E)	739	520
TOTAL LIABILITIES AND EQUITY (A+B+C+D+E)	147.403	154.039
MEMORANDUM ACCOUNTS		
Ordinary guarantees	3.490	3.464
Secured guarantees	10.307	10.964
Personal guarantees	6.456	7.909
Commitments	4.556	110
TOTAL MEMORANDUM ACCOUNTS	24.809	22.447

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31-dic-02 in Euro/000	31-dic-01 in Euro/000
A) PRODUCTION VALUE:		
1) Revenues from sales and services	116.132	109.521
2) Changes in inventories of work in progress, semifinished and finished goods	(1.986)	(1.884)
3) Changes in contract work in progress	-	-
4) Increases in fixed assets from internal work	48	489
5) Other revenue and income		
a) Sundry revenues	1.491	1.766
b) Income from grants	390	457
Total other revenue and income(5)	1.881	2.223
Total production value(A)	116.075	110.349
B) PRODUCTION COSTS:		
6) Raw and auxiliary materials, consumables and goods for resale	43.982	38.323
7) Services	17.184	23.955
8) Use of third parties asset	2.108	1.837
9) Personnel costs:		
a) Salaries and wages	27.958	25.581
b) Social contributions	6.077	5.812
c) Employees' severance indemnity	1.084	977
d) Provision for retirement benefits and similar costs		-
e) Other personnel costs	820	706
Total personnel costs (9)	35.939	33.076
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	3.404	2.433
b) Depreciation of tangible fixed assets	3.752	3.732
c) Other write-downs of fixed assets		-
d) Write-downs of receivables entered in current assets and in cash at bank and on hand	236	120
Total amortisation, depreciation and write-downs (10)	7.392	6.285
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	336	3.029
12) Risk provisions	91	70
13) Other provisions	-	-
14) Sundry operating costs	1.291	1.261
Total production costs (B)	108.323	107.836
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)	7.752	2.513

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31-dic-02 in Euro/000	31-dic-01 in Euro/000
C) FINANCIAL INCOME AND CHARGES:		
15) Income from investments in:		
a) Subsidiaries		85
b) Associated companies		-
c) Other companies	379	-
Total income from investments (15)	<u>379</u>	<u>85</u>
16) Other financial income from:		
a) Receivables entered in long term financial assets from:		
- Subsidiaries		-
- Associated companies		-
- Parent companies		-
- Others		-
Total (a)	<u>-</u>	<u>-</u>
b) Securities entered in long term financial assets that are not investments	70	81
c) Securities entered in current assets that are not investments	53	12
d) Income other than the above from:		
- Subsidiaries		0
- Associated companies		1
- Parent companies		-
- Other companies	1.887	3.006
Total (d)	<u>1.887</u>	<u>3.007</u>
Total other financial income (16)	<u>2.010</u>	<u>3.100</u>
17) Interest and other financial costs from:		
- Subsidiaries		
- Associated companies		
- Parent companies		
- Others	2.608	3.244
Total interest and other financial costs (17)	<u>2.608</u>	<u>3.244</u>
Total financial income and charges (15+16-17)	(219)	(59)
D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS:		
18) Revaluation of:		
a) investments	102	-
b) long term financial assets that are not investments		-
c) Securities entered in current assets that are not investments		-
Total revaluations (18)	<u>102</u>	<u>-</u>
19) Write-downs of:		
a) investments		4
b) long term financial assets that are not investments		-
c) Securities entered in current assets that are not equity investments		-
Total write-downs (19)	<u>-</u>	<u>4</u>
Net adjustment to the value of financial assets (D =18-19)	102	(4)
E) EXTRAORDINARY INCOME AND CHARGES:		
20) Extraordinary income		
a) Capital gains on disposals of fixed assets	5	9
b) Other extraordinary income	146	668
Total extraordinary income (20)	<u>151</u>	<u>677</u>
21) Extraordinary charges		
a) Capital losses on disposals of fixed assets	2	1
b) Other extraordinary charges	1.031	480
Total extraordinary charges (21)	<u>1.033</u>	<u>481</u>
Total extraordinary income/(charges) (20-21)	(882)	196

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	<i>31-dic-02 in Euro/000</i>	<i>31-dic-01 in Euro/000</i>
PROFIT/(LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	6.753	2.646
22) Current income taxes	(3.149)	(1.484)
Deferred taxes	1.719	(338)
PROFIT/(LOSS) FOR THE YEAR	5.323	824
Profit/(Loss) pertaining to minorities	39	(45)
NET PROFIT/(LOSS) FOR THE YEAR	5.362	779

The President of the Board of Directors
(Romano Volta)

DATALOGIC GROUP – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002

FORM AND CONTENT

The consolidated financial statements of the Datalogic Group as of 31 December 2002 have been drawn up in the format required by Legislative Decree 127/91.

They consist of the balance sheet, the income statement and these notes and are accompanied by the report on operations, to which the reader is referred for information on subsequent events and related party transactions.

For the sake of thoroughness, we have also provided a statement of changes in shareholders' equity and a reconciliation between the shareholders' equity and net profit of Datalogic S.p.A. (the parent company) and the corresponding consolidated figures.

The consolidated financial statements are based on the financial statements of the parent company and its subsidiaries, as drawn up by each company's Board of Directors for approval by the shareholders' meeting and, when possible, as already approved by the shareholders, for the year ended 31 December 2002.

Where necessary, those statements have been adjusted—taking account of any tax effects—to bring them into line with group accounting policies, the most important of which are described in a separate section of these notes, and to eliminate adjustments in value and provisions made exclusively for tax purposes.

REPORTING UNIT

For the sake of clarity and intelligibility, all figures in the balance sheet, income statement, notes and attachments are expressed in thousands of euro.

Activities and structure of the group

The companies making up the group operate in the manufacture and sale of products for the automatic identification business. They work mainly in four product lines:

USS: Unattended Scanning Systems

HHR: Hand Held Readers

PDC: Portable Data Collection

RFID: Radio Frequency Identification Devices

The consolidated financial statements include the financial statements of the parent company and those companies in which it holds the majority of voting rights, either directly or indirectly. They also include any significant companies over which Datalogic S.p.A. has a dominant influence.

The following companies were consolidated on a line-by-line basis as of 31 December 2002:

Name	Head office	Share capital	Total shareholders' equity (Euro/000)	Net profit (loss) for the year (Euro/000)	Percent held
Datalogic S.p.A. (parent company)	Lippo di Calderara di Reno (BO) – Italy	EUR 24,759,280	95,504	3,045	
Datasud S.r.l.	Castiglion Messer Raimondo (TE) – Italy	EUR 1,820,000	7,168	1,039	100%
Datalogic AB	Malmö –Sweden	KRS 1,400,000	1,099	120	100%
EMS, Inc.	Scotts Valley, California – United States	USD 833,000	3,239	(438)	88.02%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR 2,227,040	3,062	18	100%
Datalogic Optik elektronIK GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR 1,022,580	5,841	1,022	100%
Datalogic Optic Electronics B.V.	Maarsse – Netherlands	EUR 18,150	(31)	117	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR 72,670	657	586	100%
Datalogic PTY LTD	Mount Waverley (Melbourne) - Australia	AUD 2,300,000	854	16	100%
Datalogic UK LTD	Redbourn (London) – United Kingdom	GBP 3,500,000	2,667	270	100%
Datalogic INC	Hebron, Kentucky – United States	USD 1	1,797	(250)	100%
DL Iberia	Madrid - Spain	EUR 60,500	(129)	(190)	100%

The considerable loss suffered by DL Iberia is justified by the fact that it is still in the start-up phase; the loss is not considered to be long-term since the company is expected to make a profit as early as 2003.

The following companies were valued using the net equity method:

Name	Head office	Share capital	Total shareholders' equity (Euro/000)	Net profit (loss) for the year (Euro/000)	Percent held
Izumi Datalogic Co. Ltd.	Kobe - Japan	YEN 300,000,000	553	24	50%
Minec Group	Stockholm - Sweden	SEK 100,000	1,433	(68)	100%

The wholly owned subsidiary Minec System Holding AB was consolidated at net equity because it was considered immaterial, on the basis of its results between the date of acquisition and 31 December 2002.

The following companies were valued at cost:

Name	Head office	Share capital	Percent held
Datalogic Private Ltd.	Shankarapuram (Bangalore) - India	INR 1,000,000	20%

The Greek company Datalex SA is no longer valued at cost, since on 23 July 2002 the group sold its 50% interest in the company for Euro 222,000. The capital gain of Euro 135,000 has been booked to the item "income from equity investments in associated companies".

Changes in the scope of consolidation

With respect to the previous year the share capital of EMS increased by USD 195,000; the increase was subscribed to in full by the employees, under the stock option plan approved by the Board of Directors in 1997. That operation decreased our interest by 4.02%.

The wholly-owned subsidiary Datalogic Iberia, established on 13 December 2001 and in business since 1 January 2002, was consolidated on a line-by-line basis in the 2002 financial statements and at net equity the previous year.

On 15 July 2002 the wholly-owned subsidiary Datalogic AB acquired 100% control of the company Minec System Holding AB, which in turn owns 100% of Minec AB.

The Minec Group was consolidated under the net equity method for the reasons discussed above.

CONSOLIDATION METHODS

The financial statements of the consolidated companies were consolidated on a line-by-line basis, which entails the full incorporation of every balance sheet and income statement item. The more important consolidation policies are as follows:

- the carrying value of consolidated equity investments is eliminated against the corresponding portion of net equity at the time of the acquisition; the resulting differences, if negative, are booked to the "Consolidation reserve" under shareholders' equity.
- Positive differences with respect to the current value of assets and liabilities are booked to the asset item "Consolidation difference", which is amortized on a straight-line basis over 10 years. That period is deemed appropriate in light of the company's characteristics, as discussed in the comments to intangible fixed assets.
- Results achieved subsequent to the acquisition are then booked to consolidated shareholders' equity under the heading "Other reserves and profits/losses from prior years".
- Intercompany payables, receivables, costs and revenues and the effects of all significant transactions between consolidated companies are eliminated. Specifically, we have eliminated unrealized profits with third parties deriving from intercompany transactions that are included, as of the reporting date, in the value of inventories.
- The financial statements of foreign companies are converted into euro by applying the exchange rate as of 31 December 2002 to all assets and liabilities and the average exchange rate for the year to the items in the income statement. Differences arising from the conversion of opening shareholders' equity at the year-end exchange rates as opposed to the rates in effect at the end of the previous year, and from the conversion of income statement items at the average as opposed to the year-end exchange rates, are booked to consolidated shareholders' equity under the heading "Translation reserves/(losses)". The exchange rates used are as follows:

CURRENCY	Year-end exchange rate	Average rate for the year
US dollar	0.95356	1.05756
British pound	1,53728	1,59025
Australian dollar	0.53891	0.57549
Japanese yen	0.00804	0.00847
Swedish krona	0.10926	0.10916

ACCOUNTING POLICIES

The valuation policies and other general principles used in drawing up the consolidated financial statements as of 31 December 2002 are the same as those used the previous year.

The financial statement items have been valued with a view to prudence and to matching costs and income to the period to which they pertain, and on a general going-concern basis.

Below are the more important valuation policies used to prepare the consolidated financial statements, on the basis of which the financial statements of the individual companies have been adjusted where necessary.

Intangible fixed assets

Expenses serving more than one year have been booked at purchase or production cost, including ancillary expenses, and are amortized directly in relation to their residual useful life.

Amortization rates are as follows:

	<u>No. years</u>
Start-up and expansion costs	5
Patents and intellectual property rights	3-5
Concessions, licenses and trademarks	3-8
Goodwill	10
Consolidation difference	10
Other deferred expenses	5
Licences, deferred costs and leasehold improvements	(*)

(*) Amortized over the rental or leasing contract.

Costs for the development of innovative products or processes are capitalized when the following conditions apply:

- the products or processes are clearly defined;
- the costs refer to realizable projects and will be recovered through future revenues.

Tangible fixed assets

Tangible fixed assets are booked at purchase or production cost, including ancillary expenses. Some have been adjusted in accordance with monetary revaluation laws; they have also been revalued in prior years, as shown in a separate table. The revalued figures in no case exceed the estimated realizable value.

Ordinary maintenance costs are charged in full to the income statement for the year in which they are incurred; those that increase the value of the asset by significantly raising their production capacity or useful life are capitalized.

Tangible fixed assets are depreciated each year on a straight-line basis over their estimated useful lives; rates are reduced by half for the first year the assets are used. The depreciation rates used by the group are the same as in previous years:

Buildings:

- Ordinary constructions 3%
- Installations and systems 10%
- Light constructions 10%

Plant and machinery:

- Automated machinery 15.5-31%
- Furnaces and appurtenances 15%
- General/specific production plant 10%

Industrial and commercial equipment:

- Production equipment and electrical instrumentation 25%
- Moulds and dies 25%

Other tangible fixed assets:

- Electronic office machinery 20-40%
- Office fixtures and furniture 12%
- Cars 25-50%
- Transport vehicles 20%
- Canteen fittings and equipment 12%
- Equipment for trade fairs and exhibitions 12-24%

Assets are written down in the case of permanent losses in value, regardless of depreciation already booked; their original value is written back in subsequent periods if the reasons for the writedown no longer apply.

As in the previous year, leased goods are booked according to the "financial method" in the consolidated financial statements. By treating such transactions as loans, that method requires that the original cost of the asset be booked to tangible fixed assets and depreciated at the rates specified above, while the remaining instalments due are booked to liabilities.

Financial fixed assets

Equity investments in other companies are valued at purchase or subscription cost, and written down if necessary to reflect long-term impairment in value.

Fixed income securities included in fixed assets are booked at purchase cost, which corresponds to their nominal redemption value.

Treasury stock, purchased on the basis of shareholders' resolutions as required by the Italian Civil Code, and within the limits set by such resolutions, are valued at cost; writedowns are charged in the event of long-term impairment in value.

Other financial fixed assets are booked at face value.

Equity investments in foreign companies are converted at the exchange rates in effect at the time of the acquisition or in relation to the book value of the assets acquired.

Inventories

Inventories are booked at the lower of purchase or production cost, calculated on the basis of weighted average cost for the period, and estimated realizable value as determined from market trends.

Obsolete and slow-moving inventories are written down according to their likelihood of being used or sold.

Tax assets (prepaid taxes) arising from the reversal of intercompany profits on inventories are only recorded if there are tax provisions in the statutory financial statements so that they are objectively certain to be realized.

Receivables and payables

Receivables are shown at estimated realizable value and written down by way of the reserve for doubtful accounts.

Payables are booked at face value.

Equity investments and securities not held as fixed assets

Equity investments held for sale and thus booked as current assets are shown at the lower of book value and estimated realizable value.

Other unlisted securities are booked at the lower of cost and estimated realizable value.

Accruals and deferrals

Costs and income pertaining to more than one year are booked on an accruals basis.

Reserves for contingencies and other charges

The reserves for contingencies and other charges cover certain or probable losses and liabilities whose extent or timing were unknown at the close of the year.

Reserve for severance indemnities

The reserve for severance indemnities covers the liability to all employees, accrued in accordance with current laws and labour contracts. The liability is index-linked.

Recognition of income and costs

Revenues from the sale of products are recognized when ownership changes hands, which generally coincides with the delivery or shipment date.

Financial income, revenues from services and costs are booked on an accruals basis.

Income taxes

Current taxes are provided for on an accruals basis and cover taxes paid or to pay for the year, on the basis of current rates and laws.

As recommended by the accounting principles, the company reports deferred tax liabilities and prepaid taxes deriving from temporary timing differences between when expenses and income are booked and when they become relevant for fiscal purposes.

Commitments, guarantees and risks

Commitments and guarantees are shown in the memorandum accounts at their contractual value.

Risks for which the manifestation of a liability is certain or probable are provided for in the reserves as appropriate.

Risks for which the manifestation of a liability is only possible are described in the notes but not provided for.

Translation of foreign currency balances

Receivables and payables are translated at year-end exchange rates, with exchange gains and losses booked to the income statement, in accordance with the rules for converting short- and long-term receivables and payables expressed in foreign currency.

For forward transactions, the difference between the spot exchange rate on the day the contract is negotiated and the exchange rate as of 31 December is booked to the income statement.

Moreover, the difference between the amount of forward hedging contracts converted at the exchange rate in effect on the date of the transaction and the same amount converted at the forward exchange rate established in the contract is booked to the income statement over the duration of the contract.

INFORMATION ON THE BALANCE SHEET

INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets are shown in the following table:

	Start-up and expansion costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Consolidation difference	Other	Construction in progress and advances	Total
<u>Opening balance</u>								
historical cost	74	6,589	260	10,437		1,036	1,893	20,289
(amortization)	- 57	- 3,180	- 127	- 4,970		- 787		- 9,121
revaluations (writedowns)		- 120						- 120
total	17	3,289	133	5,467	-	249	1,893	11,048
<u>Increases</u>								
additions	1	3,291	23	-	1,678	312	1,494	6,799
reversal of amortization	-	2	-					2
other changes	-	25	-			4		29
total	1	3,318	23	-	1,678	316	1,494	6,830
<u>Decreases</u>								
disposals	-	- 7	-	-	-	-	- 3,120	- 3,127
amortization	- 15	- 1,954	- 78	- 1,043	- 78	- 236		- 3,404
other changes		- 130	-			- 24		- 154
total	- 15	- 2,091	- 78	- 1,043	- 78	- 260	- 3,120	- 6,685
Closing balance	3	4,516	78	4,424	1,600	305	267	11,193

The item "start-up and expansion costs" consists mainly of expenses and fees incurred for the absorption of IdWare S.r.l. in 1998.

Patents and intellectual property rights, amounting to Euro 4,516,000, are attributable:

- to the parent company for Euro 3,594,000: Euro 1,987,000 for software licences, Euro 279,000 for proprietary patents, Euro 885,000 for licences on third-party patents, and Euro 443,000 for the acquisition of know-how;

- to the company EMS for Euro 461,000, in relation to know-how developed for a radio frequency identification project;
- to the company Datasud for Euro 458,000, consisting mainly of software development expenses for the new management information system.

Of the total increase in this item (Euro 3,291,000), Euro 2,716,000 pertains to the parent company and Euro 573,000 to Datasud. It refers mainly (Euro 2,825,000) to the parameterization and customization of the IT system that has been in operation for the group's Italian companies since July.

Goodwill, at Euro 4,424,000, comes from the merger deficit and the swap deficit resulting from Datalogic S.p.A.'s absorption of IdWare S.r.l. in 1998.

The consolidation difference arose when consolidating Minec Systems Holding AB using the net equity method. Owned 100%, the company was acquired on 15 July 2002 from Datalogic AB, a wholly-owned subsidiary of the parent company.

The consolidation difference will be amortized over 10 years, a period deemed appropriate in relation to the company's characteristics. Minec, in fact, is one of the main PDC makers in Sweden and has a solid base of customers, most of which are new for Datalogic. Thanks to our excellent relations with Minec, in coming years they will be natural targets for other products in our range.

Minec is also putting the finishing touches on an important new PDC product that should produce significant economic returns, both in Sweden and in other markets where the group operates.

In light of the above, we can assume that the competitive advantage will last about 10 years.

The item "Other", totalling Euro 305,000, is made up as follows:

- Euro 97,000 in deferred expenses on rented buildings, of which Euro 7,000 pertains to the parent company and Euro 90,000 to EMS;
- Euro 192,000 in costs for the development of software to be sold, attributable to the parent company.

The entire balance of the item "construction in progress and advances" pertains to the parent company.

The increase is explained by the purchase of software, as follows:

- Euro 1,389,000 in advance payments on the new IT system;
- Euro 105,000 in advance payments on the external development of software for Datalogic products.

The decreases in construction in progress and advances consist of the initial amortization charged on:

- the external development of software for Datalogic products (Euro 287,000);
- the new SAP R/3 software (Euro 2,255,000, in addition to Euro 283,000 charged to our subsidiary Datasud for its share of the cost);
- the completion of contract management software developed by an outside supplier (Euro 8,000).

TANGIBLE FIXED ASSETS

Changes in tangible fixed assets are shown below:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
<u>Opening balance</u>						
historical cost	19,139	4,806	9,877	11,876	3,827	49,525
(depreciation)	(4,710)	(3,391)	(7,192)	(9,215)		(24,508)
revaluations	675		15	8		698
(writedowns)	(246)			(160)		(406)
Exchange difference	244		27	(7)	5	269
total	15,102	1,415	2,727	2,502	3,832	25,578
<u>Increases</u>						
investments	4,606	592	1,028	1,269	4,695	12,190
reversal of depreciation			161	197		358
total	4,606	592	1,189	1,466	4,695	12,548
<u>Decreases</u>						
disinvestments		(7)	(172)	(401)	(8,458)	(9,038)
depreciation	(739)	(521)	(1,250)	(1,242)		(3,752)
writedowns						-
total	(739)	(528)	(1,422)	(1,643)	(8,458)	(12,790)
<u>Reclassif. and other movements</u>						
incoming transfers				33		33
(outgoing transfers)			(33)			(33)
Change in scope of consolidation						-
Exchange diff.	(191)		(30)	(51)	(1)	(273)
Closing balance	18,778	1,479	2,431	2,307	68	25,063

Almost all of the increase in land and buildings (Euro 4,604,000) pertains to the parent company, for the expansion of the building at Via Candini 2.

That project was completed during the third quarter of the year and has increased the usable area by 2,400 sqm and the metric volume by 4,500 cm.

The increase in plant and machinery relates chiefly to production investments by the subsidiary Datasud: an automatic inspection machine (Euro 240,000), an automatic silk-screening machine (Euro 80,000), and charging units for automatic assembly machines (Euro 50,000).

Industrial and commercial equipment increased by Euro 1,028,000, mostly attributable as follows:

- to the parent company for the purchase of molds and dies (Euro 253,000) and electronic instrumentation for production and research laboratories (Euro 298,000);
- to the French subsidiary for the renovation of its building (Euro 244,000).

The increase in the item "other assets" (Euro 1,269,000) pertains primarily to:

- the parent company (Euro 712,000), mostly for new furnishings (Euro 355,000), EDP machines (Euro 232,000), motor vehicles (Euro 57,000) and the partial refurbishment of the trade fair stand (Euro 68,000);
- Datalogic UK (Euro 118,000), mostly for the purchase of office furniture and machines (Euro 94,000) and motor vehicles (Euro 22,000);
- the Spanish subsidiary (Euro 135,000), chiefly for the purchase of new furnishings and office machines.

The main components of the item "other assets" as of 31 December 2002 were as follows: office furniture and fittings (Euro 706,000), office machines (Euro 1,039,000), motor vehicles (Euro 213,000) and trade fair equipment (Euro 254,000).

The item "construction in progress and advances" decreased due to the completion, during the year, of the expansion of the building at Via Candini 2.

In previous years, Datasud S.r.l. received capital grants amounting to Euro 2,056,000 (disbursed in three parts, one in 1993 and two in 1997) that were booked to "other reserves", and interest subsidies amounting to Euro 1,756,000 (disbursed in two parts in 1995 and 1996). This entailed the following encumbrances on assets:

- a special lien on plant and machinery installed on the premises (Euro 2,970,000), pursuant to Art. 46 of Legislative Decree 385 of 1 September 1993;
- a mortgage of the same amount on real estate holdings.

Non-compliance with the terms of these encumbrances entitles the paying body to recall the grants.

With reference to the revaluation of assets and in accordance with Art. 7 of Law 72 of 10 March 1983, cited in Articles 24 et seq. of Law 413 of 30 December 1991, we present the details of revaluations carried out as of 31 December 2001, all of which pertain to the parent company (in thousands of euro):

Type	Buildings	Plant/machinery	Industrial equipment	Other assets
Law 576 of 2.12.75	34	-	5	3
Law 72 of 19.3.83	137	-	10	5
Law 413 of 30.12.91	144	-	-	-
Economic revaluation as per last par. of C.C. Art. 2425	361	-	-	-
Total	676	-	15	8

The economic revaluation, carried out in 1992, refers to one of the buildings used by the parent company.

In 2002, as in prior years, no financial expenses were added to the value of tangible fixed assets.

FINANCIAL FIXED ASSETS

Equity investments

Movements in equity investments during the year were as follows:

	Balance as of 31/12/01	Additions	Exchange diff.	Revaluations (writedowns)	Change	Balance as of 31/12/02
a) Subsidiaries						
- valued at net equity:						
DL Iberia	61				(61)	-
Minec Group	-	1,321	14	98		1,433
Total subsidiaries	61	1,321	14	98	(61)	1,433
b) Associated companies						
- valued at net equity:						
Izumi DL Co. Ltd	281		(20)	4	(5)	260
- valued at cost:						
DATALEX Greece	87				(87)	(0)
DL PRIVATE India	8					8
Total associated companies	376	-	(20)	4	(92)	268
d) Other companies						
NOMISMA SpA Italy	7					7

Conai	-	-	-	-	-
Caaf Ind. Emilia Romagna Italy	4				4
Crit Srl	51				51
Total other companies	62	-	-	-	62

With respect to the previous year, changes in subsidiaries result from:

- the switch to line-by-line consolidation for the new company Datalogic Iberia, established in December 2001 and in business since the start of 2002;
- the purchase and consolidation, at net equity, of Minec Systems Holding AB, of which 100% was acquired on 15 July 2002 from the parent company's wholly-owned subsidiary Datalogic AB.

The change in associated companies is explained by the valuation of Izumi Datalogic Co. Ltd. at net equity, and by the sale of Datalex on 23 July 2002.

Financial receivables – fixed assets

Changes during the year were as follows:

	31/12/01	Increases	(Decreases)	31/12/02
Due from subsidiaries				
Due from associated companies				
Due from others	185	6	(103)	88
Total	185	6	(103)	88

The item "due from others" consists mainly of the parent company's tax credit for the advance payment of withholding tax on severance indemnities, including both payments during the year and the revaluation of the outstanding credit.

Other securities

	31/12/01	Increases	(Decreases)	31/12/02
Securities held as guarantees	2,468	272	(274)	2,466
(Writedowns)				-

Total	2,468	272	(274)	2,466
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This item consists mainly of securities held to guarantee the loan granted by San Paolo IMI S.p.A. to the parent company to finance applied research. The portfolio contains government bonds (BTPs and CCTs) for Euro 1,296,000, bank-issued bonds for Euro 457,000, and bond funds for Euro 711,000.

Treasury stock

	31/12/01	Increases	(Decreases)	31/12/02
Shares of Datalogic S.p.A.	1,091	3,834		4,925
Total	1,091	3,834		4,925

The parent company's ordinary shareholders' meeting of 25 October 2001 approved a buy-back plan for the purchase of up to 650,000 shares to be carried out within 18 months of the resolution, at a unit price of between 5 and 20 euro. The plan was devised for a variety of reasons:

- in the future, it will be helpful to conduct share swaps in order to accelerate the company's growth plan, and the use of treasury stock is a more flexible approach than the issue of new shares;
- the stock's market price does not seem to reflect the company's actual asset structure and earnings prospects, so the buy-back is a good investment opportunity.

As of 31 December 2002 we had purchased 465,416 own shares for Euro 4,925,000, making the average unit purchase price Euro 10.58. The value of those shares at year end was Euro 4,179,000, but the Board of Directors has decided not to write them down since the loss is not considered permanent. As required by law, a restricted reserve of that amount has been set up as part of the parent company's shareholders' equity by withdrawing the necessary amount from unallocated profits.

CURRENT ASSETS

Inventories

In detail:

	31/12/02	31/12/01	Change
1) Raw and ancillary materials and consumables	9,954	11,652	(1,698)
2) Work in progress and semi-finished products	2,679	2,832	(153)
3) Work in progress to order	-	-	
4) Finished products and goods	8,640	9,744	(1,104)

5) Advances		47	(47)
Total	21,273	24,275	(3,002)

The decrease in stocks mainly concerned the components and semi-finished products held by Datasud S.r.l. and relates to the introduction of new techniques for the handling of production logistics and to the higher sales volume of the final quarter.

Writedowns of slow-moving inventories and adjustments in value are charged directly to the income statement, amounting to Euro 544,000 for the year.

RECEIVABLES

	31/12/02	31/12/01	Change	Due beyond 5 years
Trade receivables				
For goods and services	32,874	28,673	4,201	
(reserve for doubtful accounts)	(777)	(748)	(29)	
Total	32,097	27,925	4,172	-
Due from associated companies				
Izumi Datalogic	676	342	334	-
Datalex SA	-	130	(130)	-
Total	676	472	204	-
due from parent companies				
Hydra Spa	1	-	1	-
Total	1	-	1	-
due from others				
VAT credits	3,103	2,716	387	
Tax credits	6,065	4,684	1,381	
Commercial paper	6,233	-	6,233	
Interest due from banks	-	1	(1)	
Advance payments and prepaid invoices	517	554	(37)	
Tax credit on dividends	246	119	127	
other receivables	415	198	217	
				-
Total	16,579	8,272	8,307	-
Total receivables	49,353	36,669	12,684	-

The increase in trade receivables is due primarily to the significant rise in sales during the fourth quarter (+ 26.7% on the same period in 2001). The balance includes a long-term portion of Euro 295,000 in connection with the repayment plan established for an important customer of the parent company.

Amounts due from associated companies have arisen from commercial transactions settled at arm's-length conditions.

Tax credits, consisting mainly of amounts due to the parent company (Euro 2,905,000), Datasud (Euro 495,000) and Datalogic Handelsgesellschaft (Euro 908,000), are comprised chiefly of tax advances for Euro 2,943,000, withholding on interest income for Euro 252,000 and prepaid taxes for Euro 2,852,000, including a long-term portion of Euro 989,000.

Commercial paper (Euro 6,233,000) is a form of investment aimed at making the best possible use of liquidity.

The item "advance payments and prepaid invoices" consists primarily of receivables due by the parent company (Euro 497,000), including Euro 165,000 in advances for the convention of February 2003, Euro 130,000 in advance payments on research and development projects, and Euro 35,000 in advance payments on design work by outside suppliers.

The tax credit on dividends (Euro 246,000) pertains to the dividend paid by Datasud.

Current financial assets

The increase for the year, Euro 1,320,000, relates to the investment of liquid cash in bonds and money market funds.

Cash and banks

	31/12/02	31/12/01	change
1) bank and post office deposits	27,607	49,325	(21,718)
2) cheques	-	-	-
3) cash and valuables on hand	18	239	(221)
Total cash and banks	27,625	49,564	(21,939)

The significant decrease in this item is due mainly to the investments in bonds and commercial paper, and to the advance repayment of three unsecured loans by the parent company for a total of Euro 16,963,000 (Euro 15,775,000 for the advance repayment and Euro 1,188,000 in instalments due for the year).

Accrued income and prepayments

	31/12/02	31/12/01	Change
a) accrued income			
sundry interest income	24	18	6
other	45	68	(23)
total accrued income	69	86	(17)
b) prepayments			
insurance	59	95	(36)
membership fees	77	58	19
rent and maintenance fees	92	72	20
leasing contracts	33	11	22
costs for sureties	97	114	(17)
trade fairs and sponsorships	67	165	(98)
substitute tax	521	625	(104)
other	152	270	(118)
total prepayments	1,098	1,410	(312)
Total accrued income and prepayments	1,167	1,496	(329)

The most significant item is the substitute tax on goodwill booked to the financial statements of the parent company (Euro 521,000), which pertains to the years 1998-2007 (inclusive) as it is associated with the period over which the goodwill is being amortized.

Shareholders' equity

Movements in shareholders' equity during the year were as follows:

	Balance as of 31/12/01	Allocation of the net profit	Capital increases	Other movements	Net profit (loss) for the year	Balance as of 31/12/02
Share capital	24,759					24,759
Share premium reserve	54,424					54,424
Revaluation reserves	258					258
Legal reserve	284	180				464
Reserve for the purchase of treasury stock	1,091			3,834		4,925
Capital reserve from spin-off	4,439					4,439
Consolidation reserve	1,878					1,878
Translation reserves	1,154			(1,179)		(25)
Prior year profits/(losses)	9,246	18		(3,834)		5,430
Net profit (loss) for the year	779	(779)			5,362	5,362
Balance	98,312	(581)	0	(1,179)	5,362	101,914
Minority interests in profit	45	(45)			(39)	(39)
Minority interests in shareholders' equity	236	45	187			468
Balance	98,593	(581)	187	(1,179)	5,323	102,343

The revaluation reserves cover the asset revaluations (Euro 258,000) carried out under the following laws:

- Law 413/91
- Law 72/83 (the "Visentini Law").

The capital reserve from spin-off arose from the splitting of the parent company, on 2 January 1998, into I.E.S. S.p.A (the spun-off company, now Datasensor) and Datalogic S.p.A. (the beneficiary).

The reserve for the purchase of treasury stock was set up by the parent company as a result of buy-back operations, as required by the Italian Civil Code.

As of 31 December 2002, share capital was made up as follows:

Shares/quotas	Number	Par value in euro	Total in euro
Ordinary	11,903,500	2.08	24,759,280

The item "prior year profits/(losses) by other group companies" includes changes in the equity items of consolidated companies post-acquisition as well as the effect of the consolidation procedure.

As resolved by the annual general meeting of 22 April 2002, the parent company paid dividends amounting to Euro 581,000.

Below is the reconciliation between the shareholders' equity and net profit of the parent company and the corresponding consolidated figures:

	Share capital and reserves	Result 31/12/02	Total shareholders' equity as of 31/12/02
Parent company's shareholders' equity and profit	92,459	3,045	95,504
Difference between net equity of consolidated companies and their valuation in the parent company's financial statements	4,956	3,517	8,473
Amortization of consolidation difference		(78)	(78)
Elimination of intercompany profits	(2,668)	(509)	(3,177)
Effect of eliminating intercompany transactions	16	9	25
Effect of booking leasing transactions	153	(69)	84
Deferred taxes	178	732	910

Reversal of writedowns of receivables	373	(200)	173
Reversal of dividends	1,085	(1,085)	0
Group portion of shareholders' equity	96,552	5,362	101,914
Minority interests in shareholders' equity	468	(39)	429
Total shareholders' equity	97,020	5,323	102,343

RESERVES FOR CONTINGENCIES AND OTHER CHARGES

	31/12/01	Increases	(Utilizati ons)	Exchang e diff.	31/12/02
for retirement benefits and similar obligations	6	4			10
for taxes	495	10	(304)	(1)	200
other provisions	701	91	(77)	(29)	686
Total reserves for contingencies and other charges	1,202	105	(381)	(30)	896

The tax reserve consists mainly of Euro 44,000 for deferred taxes resulting from consolidation entries, Euro 82,000 for deferred taxes calculated by the parent company, and Euro 53,000 for deferred taxes provided for by the subsidiary Datalogic GmbH against the different depreciation rates used for the consolidation.

The other reserves for contingencies and other charges are as follows:

	31/12/02	31/12/01	Change
Product warranty reserve	577	548	29
Reserve for legal disputes	37	33	4
Other	72	120	(48)
Total	686	701	(15)

The product warranty reserve covers the estimated cost of repairing products sold under warranty; it amounts to Euro 577,000 and is considered sufficient in relation to the specific risk it covers.

We also report that during the last quarter of 2002 one of our foreign subsidiaries replaced its CEO. Available information suggests that this will entail no significant liability risk for the group.

RESERVE FOR SEVERANCE INDEMNITIES

Changes during the year were as follows:

	31/12/01	Provisions (Utilizations)	31/12/02
Reserve for severance indemnities	3,498	1,084 (365)	4,217

PAYABLES

Due to banks

In detail:

	due within 12 months	due beyond 12 months	due beyond 5 years	Total
Due to banks				
current account overdrafts	252			252
loans	1,102	3,450	295	4,847
Total	1,354	3,450	295	5,099

Due to other sources of finance

Due to other sources of finance				
San Paolo IMI S.p.A.	1,119	2,466	467	4,052
Other	70	303	789	1,162
Total	1,189	2,769	1,256	5,214

Payables due to other sources of finance consist primarily of a mortgage loan granted by San Paolo IMI S.p.A. to Datasud S.r.l. and to the parent company, and a loan received by Datalogic UK Ltd. and renegotiated in 2000 with Barclays Bank.

The loans included under payables to banks and other sources of finance can be broken down by group company as follows (in Euro/000):

Company	Type of loan	Due date	Interest term rate	Short-term portion	Long-term portion	Instalments
<i>DL spa</i>	Loan from IMI Law 346	31/12/05	FIXED	828	1,829	half-yearly
	Loan from IMI Law 46 (MURST) 66985	31/12/11	FIXED	13	112	half-yearly
	Loan from IMI Law 46 (MURST) 67231	30/06/12	FIXED	0	84	half-yearly
	Loan from IMI Law 46 (MURST) 67232	30/06/12	FIXED	24	443	half-yearly
	Loan from IMI Law 46 (MURST) 67231	30/06/12	FIXED	0	80	half-yearly
	Loan from IMI Law 46 (MURST) 67232	30/06/12	FIXED	7	126	half-yearly
<i>DL France</i>	Pool mortgage loan CFF and BNP	18/12/06	VARIABLE	91	275	quarterly
	Mortgage loan BNP	16/07/05	VARIABLE	21	35	monthly
<i>DataSud</i>	Loan from IMI Law 64/86	31/12/04	FIXED	247	259	half-yearly
	Mortgage loan Rolo	30/11/05	FIXED	383	832	half-yearly
	Long-term loan from Carisbo	31/12/05	VARIABLE	515	1,117	half-yearly
<i>DL Inc.</i>	Mortgage loan	01/06/03	FIXED	6	95	monthly
<i>DL AB</i>	Mortgage loans	30/08/03	FIXED	-	340	one-off
	Mortgage loans	30/11/02	FIXED	-	373	one-off
<i>PTY</i>	Bank loan	23/09/04	FIXED	3	8	monthly
	Bank loan	27/06/06	FIXED	7	28	monthly
<i>DL UK</i>	Mortgage loan	23/05/15	VARIABLE	70	1,092	quarterly
<i>DL GMBH</i>	Loan secured by inventories and receivables	30/11/08	FIXED	75	641	monthly
TOTAL				2,291	7,770	

Due to subsidiaries, associated companies and parent companies

As of 31 December 2002 there were no payables of this kind.

Creditors in 2001 are shown below:

	31/12/02	31/12/01	Change
Due to associated companies			
Izumi Datalogic			-
Datalex SA	-	6	(6)
total due to associated companies	-	6	(6)
Due to parent companies			
Hydra		2	(2)
total due to parent companies	-	2	(2)
Total	-	8	(8)

Taxes payable

This item covers liabilities only for certain taxes of a defined amount and deadline, as those for taxes that are merely probably or whose extent or timing are uncertain, and those for deferred taxes, fall under item B.2 (reserve for taxation). As of 31 December 2002, taxes payable amounted to Euro 5,350,000 and were attributable to the parent company for Euro 3,185,000. Most of that amount consists of the following:

Euro 1,270,000 for corporate income tax (IRPEG);

Euro 992,000 for the regional tax on business activities (IRAP);

Euro 707,000 for employee income tax withholding;

Euro 208,000 for the share of the substitute tax on goodwill to be paid in 2003;

Euro 7,000 for withholding on consultants' fees.

Other significant taxes due are reported by Datalogic GmbH (Euro 444,000), Datalogic UK (Euro 377,000) and Datasud (Euro 650,000).

Other payables

Other payables	31/12/02	31/12/01	Change
Due to personnel	3,423	2,806	617
Leasing instalments due	-	68	(68)
Directors' emoluments	301	243	58
Insurance		65	(65)
Advances		-	-
Other	1,479	345	1,134

Total	5,203	3,527	1,676
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Payables due to personnel consist of compensation and pay in lieu of holiday accrued as of 31 December 2002.

The item "other" includes Euro 1,246,000 due for the acquisition of Minec Systems Holding AB.

ACCRUED LIABILITIES AND DEFERRED INCOME

	31/12/02	31/12/01	change
a) accrued liabilities			
interest on mortgage loans	14	40	(26)
consulting	68	116	(48)
bonuses and fees	1	35	(34)
marketing funds	118	65	53
other	108	163	(55)
Total accrued liabilities	309	419	(110)
b) deferred income			
maintenance contracts	1	26	(25)
intercompany transactions	146	75	71
other	283	-	283
Total deferred income	430	101	329
Total accrued liabilities and deferred income	739	520	219

The item "deferred income - other" includes Euro 200,000 in suspended revenues posted by the subsidiary EMS in relation to specific jobs that are not yet fully complete, and Euro 83,000 (57,000 for Datalogic GmbH and 26,000 for the parent company) in suspended revenues relating to extended warranty fees.

MEMORANDUM ACCOUNTS

Sureties

These consist of sureties issued by Datalogic S.p.A. in favour of group companies (Euro 3,360,000) and third parties (Euro 130,000).

Collateral

Collateral amounts to Euro 10,307,000 and is made up as follows:

mortgages on tangible fixed assets (Euro 3,958,000);

securities pledged against loans granted to the parent company (Euro 2,478,000);

other collateral (Euro 3,871,000).

Personal guarantees

These are binding letters of patronage given by the parent company in favour of Datasud S.r.l.

Commitments

As follows::

- Euro 107,000 for leasing contracts;
- Euro 4,449,000, for financial commitments made by the parent company close to the end of the year. As of 31 December 2002 the parent company had forward currency contracts of USD 500,000, maturing at the end of January 2003, amounting to Euro 510,000 at the forward rate of exchange. It also has outstanding contracts for the sale of call options and the purchase of put options, which can be summarized as follows:

	USD	Euro/000
Put options	1,950,000	2,008
Call options	3,900,000	3,939

The equivalent in euro is calculated at the exchange rate in effect upon maturity.

There are no commitments other than those specified at the foot of the balance sheet.

D) INFORMATION ON THE INCOME STATEMENT

PRODUCTION VALUE

	31/12/02	31/12/01	Change
Revenues from sales and services	116,132	109,521	6,611
Change in inventories of work in progress, semi-finished and finished products	(1,986)	(1,884)	(102)
Increase in capitalized assets	48	489	(441)
Other revenues	1,491	1,766	(275)
Operating grants	390	457	(67)
Total value of production	116,075	110,349	5,726

Revenues from sales and services increased by over 6% on the previous year, due to the fine performance of optical readers (+8%) and even more so of hand-held readers (+10%).

The decline in the item "increase in capitalized assets" is mainly attributable to the parent company, which in 2001 capitalized costs for the purchase of know-how on a new product.

Other revenues are mostly made up as follows:

Euro 381,000 for the recovery of sundry costs;

Euro 285,000 for packaging and shipping;

Euro 209,000 for rent;

Euro 101,000 for out-of-period income and non-existent liabilities;

Euro 90,000 in other proceeds and income;

Euro 72,000 for giveaways to customers;

Euro 62,000 for the recovery of seconded personnel costs.

Of the operating grants, Euro 248,000 refers to research grants from MURST (the Ministry of University, Scientific and Technological Research) and Euro 142,000 to the hiring bonus offered under Art.7 of Law 388/00.

Here is the geographical breakdown of revenues from sales and services:

	31/12/02	31/12/01	Change
Italy	16%	16%	0%
Elsewhere - EU	53%	52%	1%
Elsewhere - non-EU	31%	32%	-1%

COST OF PRODUCTION

	31/12/02	31/12/01	Change
Raw and ancillary materials, consumables and goods	43,982	38,323	5,659
Services	17,184	23,955	(6,771)
Rentals and leasing	2,108	1,837	271
Payroll costs			
wages and salaries	27,958	25,581	2,377
social security taxes	6,077	5,812	265
severance indemnities	1,084	977	107
other costs	820	706	114
<i>Total payroll costs</i>	35,939	33,076	2,863
Amortization, depreciation and writedowns:			-
amortization of intangible fixed assets	3,404	2,433	971
depreciation of tangible fixed assets	3,752	3,732	20
writedowns of receivables held as current assets	236	120	117
<i>Total amortization, depreciation and writedowns</i>	7,392	6,285	1,107
Change in inventories of raw and ancillary materials, consumables and goods	336	3,029	(2,693)
Provisions for contingencies	91	70	21
Other provisions			
Other operating expenses	1,291	1,261	30
Total cost of production	108,323	107,836	487

The substantial increase in the cost of raw and ancillary materials, consumables and goods (+15%) is largely attributable to the rise in volumes produced and to changes in the sales mix.

The increase in payroll costs is due primarily to the higher average headcount at the parent company (+16) and at Datalogic Inc., whose workforce increased by 10 in connection with large-scale projects in unattended scanning systems (USS) being developed in the United States.

The rise in amortization—Euro 971,000—relates mostly to the start of amortization on the new SAP system (in operation since the end of July at the group's Italian companies), which amounted to Euro 565,000 for the year.

The cost of services can be broken down as follows:

	31/12/02	31/12/01	Change
subcontracted work	1,413	1,215	198
receipt and shipment of goods	1,546	1,518	28
technical, legal and tax consulting	2,030	2,644	(614)
travel expenses	1,746	2,016	(270)
motive power, lighting and heating	518	495	23
maintenance	561	445	116
repairs	1,085	568	517
trade fairs, advertising and entertainment	2,413	3,647	(1,234)
commissions	115	268	(153)
corporate officers' emoluments	1,068	738	330
staff services	771	837	(66)
meetings	461	764	(303)
telephone and postal expenses	870	988	(118)
EDP services	349	353	(4)
car expenses	244	306	(62)
cleaning	316	268	48
insurance	344	348	(4)
listing costs (Nuovo Mercato)	-	5,987	(5,987)
other	1,334	550	784
Total	17,184	23,955	(6,771)

The decrease in the cost of services is due mainly to the expenses booked in 2001 for listing the parent company's shares for trading on the Nuovo Mercato.

Most of the decrease in technical, legal and tax consulting is explained by the parent company's reduced use, in 2002, of external staff for the development of studies and technical designs.

The increase in the cost of repairs (Euro 517,000) pertains chiefly to Datalogic Iberia, Datalogic GmbH and Datalogic UK. It results from the greater use of external repair shops; since 2002 the group has fully implemented its plan to use authorized repair centers (ARCs), which customers contact directly for both

out-of-warranty repairs (paid for directly by the customer) and for repairs under warranty that are later recharged to the pertinent company.

The reduction in the item "Trade fairs, advertising and entertainment" (Euro 1,234,000) with respect to the previous year is explained by the lower number of trade fairs attended by the group, the decline in advertising investments and the reclassification of royalty expenses, which as of 31 December 2002 were booked as "rentals and leasing" in the amount of Euro 254,000.

Corporate officers' emoluments cover fees paid to the directors (Euro 1,006,000) and the statutory auditors (Euro 62,000). Note that when the 2001 financial statements were approved, the shareholders resolved to pay an extraordinary fee of Euro 87,000 to the CEO of the parent company.

Below is the breakdown of the item "Rentals and leasing":

	31/12/02	31/12/01	Change
building rent	989	967	22
other rent	546	595	(49)
leasing instalments	198	217	(19)
leasehold maintenance	54	39	15
royalties	254	-	254
other	67	19	48
Total	2,108	1,837	271

This item increased mainly because of the reclassification of royalties, which were booked as service costs the previous year.

Other operating expenses are as follows:

	31/12/02	31/12/01	Change
indirect taxation	292	274	18
car taxes	16	25	(9)
losses on receivables	2	13	(11)
other non-deductible costs	8	30	(22)
costs with recovery from third parties	371	293	78
membership fees	221	229	(8)
sponsorships and publicity	111	135	(24)
gifts/donations	67	102	(35)
out-of-period expenses	15	28	(13)
capital losses on disposal of ordinary assets	25	10	15
other	163	122	41
Total	1,291	1,261	30

Financial income and expenses

Income from equity investments in other companies

This item includes the capital gain of Euro 135,000 on the sale, for Euro 222,000, of the associated company Datalex SA on 23 July 2002.

Other financial income

In detail:

	31/12/02	31/12/01	Change
b) from securities held as fixed assets that do not constitute equity investments	70	81	(11)
c) from securities held as current assets that do not constitute equity investments	53	12	41
d) income other than the above:			
- from associated companies	-	1	-
- from others	1,887	3,006	(1,119)
Total	2,010	3,100	(1,089)

"Income other than the above" received from others is shown in greater detail below:

	31/12/02	31/12/01	Change
interest on current accounts at banks	1,064	1,808	(744)
exchange gains	739	1,194	(455)
interest on commercial paper	80	-	80
other	4	4	-
total other income from others	1,887	3,006	(1,119)

Exchange gains pertain to the parent company for Euro 579,000 and consist of:

- Euro 372,000 in exchange gains on commercial transactions, including Euro 26,000 for adjustment to the year-end exchange rate.
- Euro 207,000 in exchange gains on financial hedging transactions conducted via the forward sale of currency, including Euro 5,000 for adjustment to the year-end exchange rate.

Interest and other financial expenses

	31/12/02	31/12/01	Change
interest on current account overdrafts/bank loans	329	1,733	(1,404)
exchange losses	1,716	1,394	322
interest on loans from other sources of finance	600	203	397
provision for exchange losses	-	-	-
operating grant	(233)	(233)	-
other	196	147	49
Total interest and other financial expenses	2,608	3,244	(636)

Exchange losses pertain to the parent company for Euro 1,532,000, which consists of:

- Euro 1,046,000 in exchange losses on commercial transactions, including Euro 324,000 for adjustment to the year-end exchange rate.
- Euro 486,000 in exchange losses on loans and current account overdrafts, including Euro 416,000 for adjustment to the year-end exchange rate.

The decrease in the item “interest on current account overdrafts/bank loans” is due mainly to the parent company's advance repayment of three unsecured loans, two from Banca Agricola Mantovana and one from Rolo Banca.

Adjustments to the value of financial assets

The revaluation refers to the valuation of Izumi Datalogic Co. Ltd. at net equity.

The writedown refers to the valuation at net equity of the Minec Group for the period following the acquisition (16 July – 31 December 2002).

Non-recurring income and expenses

	31/12/02	31/12/01	Change
20) Income			
a) capital gains on disposals	5	9	(4)
b) other non-recurring income			-
out-of-period income	95	539	(444)
other	51	129	(78)
total income	151	677	(526)
21) Expenses			
a) capital losses on disposals			
sundry	2	-	2
b) other non-recurring expenses			-
out-of-period expenses	152	397	(245)
other	879	84	795
total expenses	1,033	481	552

The item other non-recurring expenses consists primarily of Euro 708,000 attributable to the subsidiary EMS for the settlement of a lawsuit filed by a former employee (Euro 179,000 for legal expenses and Euro 529,000 for the settlement), and Euro 93,000 paid by the subsidiary Datalogic GmbH in relation to tax audits for the years 1994, 1995 and 2000.

Deferred taxation

Deferred taxes are calculated according to the global allocation method, taking accounting of the cumulative effect of all timing differences, on the basis of the average rates expected to be in effect when the timing differences are reversed.

Overall, deferred taxation has a positive effect on the income statement amounting to Euro 1,719,000.

It can be broken down as follows:

- A negative effect of Euro 163,000, attributable to the parent company, obtained from the reporting of deferred tax assets (Euro 437,000), the use of the reserve for deferred tax liabilities (Euro 88,000) and the reduction in the amount receivable for prepaid taxes (Euro 688,000). Taxes paid in advance have been booked on the basis of deductible timing differences. The main timing differences that have led to the recording of deferred tax assets are inventory writedowns and unpaid directors' emoluments, amounting respectively to Euro 833,000 and Euro 252,000.
- A positive effect of Euro 908,000 attributable to the company Datalogic Handelsgesellschaft mbH in relation to fiscal losses carried forward. The potential tax benefit of those losses has been booked to the balance sheet as a receivable for taxes paid in advance, since the company is reasonably certain to earn taxable income in the future that will absorb the losses and since the losses derive from well determined circumstances that are unlikely to recur.
- A positive effect of Euro 246,000 attributable to the company Datalogic AB in relation to fiscal losses carried forward. The potential tax benefit of those losses has been booked to the balance sheet as a receivable for taxes paid in advance, since the company is reasonably certain to earn taxable income in the future that will absorb the losses and since the losses derive from well determined circumstances that are unlikely to recur.
- A positive effect of Euro 682,000, which constitutes the balance of deferred taxes resulting from the elimination of the intercompany margin on inventories.

OTHER INFORMATION

	31/12/02	31/12/01
Executives	27	28
Middle management	68	59
General staff	499	466
Factory workers	141	145
TOTAL	735	698

The total headcount as of 31 December 2002 includes the 19 employees of Minec AB, acquired in the month of July.

Pursuant to CONSOB Resolution no. 11520 of 1 July 1998, the following table specifies the total compensation due to directors and statutory auditors for the year 2002:

NAME	POSITION		COMPENSATION	OTHER EMOLUMENTS	BONUSES AND OTHER INCENTIVES
	OFFICE HELD	UNTIL	EMOLUMENTS FOR OFFICE HELD		
R. Volta	Chairman	31/12/03	80,568		
R. Tunioi	Dep. Ch./CEO	31/12/03	468,637	4,179	190,000
P. Caruso	Director	31/12/03	113,786		
A. Forchielli	Director	31/12/03	21,691		
G. Micheletti	Director	31/12/03	15,504	(*) 116,348	61,975
U. Paolucci	Director	31/12/03	15,494		
U. Piol	Director	31/12/03	15,494		
G. Volta	Director	31/12/03	9,296		
V. Volta	Director	31/12/03	9,296		
S. Romani	Chair. Bd. St. Auds.	31/12/03	18,666		
M. Saracino	Reg. Aud.	31/12/03	12,444		
G. Ronzani	Reg. Aud.	31/12/03	12,444		
S. Biordi	Alt. Aud.	31/12/03			
G. Delli	Alt. Aud.	31/12/03			

(*) For service as manager at Datalogic S.p.A.

In the first quarter of 2002, the Board of Directors voted to pay an extraordinary fee of Euro 86,811,000 to the CEO.

All compensation listed above has been paid in full by the parent company; nothing more is due to the directors by other subsidiaries.

As for the Board of Statutory Auditors, the emoluments paid by the company Datasud S.r.l. are as follows:

NAME	POSITION		COMPENSATION	NON-MON. BENEF.	BONUSES AND OTHER INCENTIVES
	OFFICE HELD	UNTIL	EMOLUMENTS FOR OFFICE HELD		
S. Biordi	Chair. Bd. St. Auds.	08/04/02	2,063		
M. Saracino	Reg. Aud.	08/04/02	1,136		
M. Saracino	Chair. Bd. St. Auds.	31/12/04	6,426		
G. Ronzani	Reg. Aud.	31/12/04	4,125		
R. Di Berardino	Reg. Aud.	31/12/04	4,545		

In 2002 the company's Board of Statutory Auditors underwent a change in membership: M. Saracino became chairman and G. Ronzani and R. Di Berardino became regular auditors. Until 8 April 2002 the Board of Statutory Auditors was made up as follows:

- S. Biordi (chairman)
- M. Saracino and R. Di Berardino (regular auditors).

Romano Volta

Chairman of the Board of Directors

DATALOGIC S.p.A.

CONSOLIDATED CASH FLOW

	31-dic-02 in Euro/000	31-dic-01 in Euro/000
NET SHORT TERM FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	42.734	1.543
NET PROFIT/(LOSS) FOR THE YEAR	5.362	779
Amortisation and depreciation	7.156	6.165
Increase of the provision for employees' severance indemnity	1.084	977
Revaluations/write-downs of financial assets	-102	4
CASH FLOW FROM CURRENT OPERATIONS	13.500	7.925
Effect of changes in operating assets and liabilities		
Trade receivables	-4.377	-1.931
Inventories	3.002	4.867
Other current assets	-703	1.119
Other long term assets	-1.042	29
Trade payables	4.787	-9.616
Tax payables	1.297	-2.919
Other current liabilities	2.369	130
Other long term liabilities	-186	-80
Provisions for risks and charges	-306	-473
Decrease of the provision for employees' severance indemnity	-365	-1.196
Changes in operating assets and liabilities	4.476	-10.070
CASH FLOW FROM OPERATING ACTIVITIES	17.976	-2.145
Effect of changes in investment activities		
(Increase)/decrease in intangible fixed assets	-3.549	-4.356
(Increase)/decrease in tangible fixed assets	-3.237	-5.966
(Increase)/decrease in long term financial assets	-3.736	-836
CASH FLOW FROM INVESTMENT ACTIVITIES	-10.522	-11.158
Effect of changes in financial activities		
Change in long term financial position	-13.612	-7.141
Change in net equity pertaining to minorities	148	52
Impact of exchange-rate changes on foreign companies' consolidation	-1.179	229
Other net equity changes	-581	60.630
Change in unconsolidated investments (*)	-1.162	724
CASH FLOW FROM FINANCIAL ACTIVITIES	-16.386	54.494
CHANGE IN NET FINANCIAL POSITION	-8.932	41.191
NET SHORT TERM FINANCIAL POSITION AT YEAR-END	33.802	42.734