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DATALOGIC
Your Life. Our Enthusiasm™

Consolidated financial statements and report for year ending on December 31st 2004

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COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta
Chairman (2)

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

Pier Paolo Caruso
Director

Alberto Forchielli
Director

Giancarlo Micheletti
Director

Umberto Paolucci
Director

Elserino Piol
Director

Gabriele Volta
Director

Valentina Volta
Director

John O'Brien
Director

Angelo Manaresi
Director

Board of Statutory Auditors (4)

Stefano Romani
President

Gianluca Cristofori
Standing auditor

Roberto Feverati
Standing auditor

Patrizia Passerini
Alternate auditor

Giorgio Delli
Alternate auditor

Indipendent 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 2006
(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 2006

REPORT ON OPERATIONS

A) INFORMATION ON PERFORMANCE

Shareholders,

With the international economy weak—especially in Europe—and Italy's industrial sector showing signs of serious trouble (output was down 0.4% in 2004), Datalogic had its best year ever.

The net profit climbed from € 7,180 thousand in 2003 to € 11,290 thousand in 2004 (+57.2%). The growth strategy Datalogic has pursued for several years continued apace, with total revenues up 12.7% on 2003, and is naturally one of the group's main drivers and a recipient of increasing resources.

These outstanding results owe to the fine performance of core activities and the acquisition of Laservall SpA, an Italian laser-marking firm. The acquisition enables Datalogic to integrate its activities in a sector adjacent to its traditional core business that features excellent growth prospects already in the short term.

Laservall has been consolidated on a 100% line-by-line basis since the third quarter of 2004.

The following table summarizes Laservall's operating and financial results as of 31 December 2004 (operating results refer to the second half of the year and have been adjusted to take account of consolidation entries):

Laservall SpA	**31/12/04**
	€/1,000
Total revenues	8,789
EBITDA	2,300
% of total revenues	26.17%
Net profit for the period	700
% of total revenues	7.96%
Net financial position (NFP)	-858

During the year the Datalogic Group achieved revenues of € 148,181 thousand (€ 131,508 thousand in 2003), detailed as follows:

- € 146,267 thousand consisting of revenues for sales and services (of which Laservall S.p.A € 8,523 thousand);
- € 1,914 thousand for other revenues and income (Laservall SpA = € 266 thousand), including € 539 thousand in operating grants received by the parent company (€ 397 thousand) and by Laservall SpA (€ 142 thousand).

These revenues showed an increase of 12.7% compared with the previous year (6% net of Laservall SpA).

The following table summarizes the main results of the Datalogic Group as of 31 December 2004 with comparative figures from the previous year:

Datalogic Group	**31/12/04**	**31/12/03**	**Change**	**% change**
	€/1,000	**€/1,000**	**€/1,000**	
Total revenues	148,181	131,508	16,673	*12.7%*
EBITDA	27,700	21,308	6,392	*30.0%*
% of total revenues	*18.7%*	*16.2%*		
Net profit for the year	11,290	7,180	4,110	*57.2%*
% of total revenues	*7.6%*	*5.5%*		
Net financial position (NFP)	45,177	39,554	5,623	*14.2%*

EBITDA, calculated before depreciation and amortization and provisions for employee severance indemnities and risks, amounted to € 27,700 thousand (of which Laservall SpA = € 2,300 thousand), with an 18.7% margin on total revenues (18.2% net of Laservall SpA). The increase on the previous year is substantial both in absolute terms (+30% compared with € 21,308 thousand as of 31 December 2003, +19.2% net of Laservall SpA) and as a percentage of revenues (16.2% as of 31 December 2003).

The table below reports the main components of EBITDA in comparison with the previous year:

	31/12/04		31/12/03		change	% change
REVENUES FROM SALES AND SERVICES	146,267		130,071		16,196	12.5%
OTHER REVENUES AND INCOME	1,914		1,437		477	33.2%
TOTAL REVENUES	**148,181**	**100.0%**	**131,508**	**100.0%**	**16,673**	**12.7%**
COST OF PRODUCTS SOLD AND OPERATING EXPENSES	-120,481	-81.3%	-110,200	-83.8%	-10,281	9.3%
EBITDA	**27,700**	**18.7%**	**21,308**	**16.2%**	**6,392**	**30.0%**
PROVISIONS FOR EMPLOYEE SEVERANCE INDEMNITIES AND RETIREMENT BENEFITS	-1,454	-1.0%	-1,199	-0.9%	-255	21.3%
DEPRECIATION OF TANGIBLE FIXED ASSETS (**)	-2,842	-1.9%	-3,936	-3.0%	1,094	-27.8%
AMORTIZATION OF INTANGIBLE FIXED ASSETS (**)	-3,119	-2.1%	-3,352	-2.5%	233	-7.0%
WRITEDOWNS (WRITEBACKS) OF INVENTORIES	-1,520	-1.0%	-1,121	-0.9%	-399	35.6%
OTHER PROVISIONS	-321	-0.2%	-663	-0.5%	342	-51.6%
EBIT	**18,444**	**12.4%**	**11,037**	**8.4%**	**7,407**	**67.1%**
EXTRAORDINARY EXPENSES (*)	-140	-0.1%	-157	-0.1%	17	-10.8%
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	**18,304**	**12.4%**	**10,880**	**8.3%**	**7,424**	**68.2%**
NET FINANCIAL AND EXTRAORDINARY INCOME (EXPENSES)	511	0.3%	-552	-0.4%	1,063	-192.6%
PROFIT BEFORE TAX	**18,815**	**12.7%**	**10,328**	**7.9%**	**8,487**	**82.2%**
INCOME TAXES	-7,525	-5.1%	-3,148	-2.4%	-4,377	139.0%
NET PROFIT FOR THE YEAR	**11,290**	**7.6%**	**7,180**	**5.5%**	**4,110**	**57.2%**

( ) costs considered extraordinary for management accounting purposes but not by law, comprised of staff leaving incentives*

(**) the redefinition of the useful lives of intangible and tangible fixed assets in 2004 decreased total amortization and depreciation by € 1,841 thousand with respect to the amounts that would have applied under the previous system.

EBIT amounted to € 18,444 thousand (of which Laservall SpA € 1,488 thousand), with a 12.4% margin on revenues (12.2% net of Laservall) and a 67.1% increase on 2003 (+53.6% net of Laservall).

The 2004 net profit was € 11,290 thousand (of which € 700 thousand from Laservall SpA), an increase of 57.2% on the 2003 figure of € 7,180 thousand (+47.5% net of Laservall).

In 2004 the average exchange rate of the euro against the US dollar (the Datalogic Group's main billing currency other than the euro) rose from 1.1312 to 1.2439, appreciating by about 10%.

The following table highlights the effects of this trend on the consolidated income statement as of 31 December 2004.

EFFECTS ON THE INCOME STATEMENT OF THE APPRECIATION OF THE EURO AGAINST THE DOLLAR	TOTAL REVENUES	COST OF PRODUCTS SOLD AND TOTAL OPERATING EXPENSES	***EBIT***	NET FINANCIAL AND EXTRAORDINARY INCOME (EXPENSES)	***PROFIT FOR THE PERIOD***
	€/000	€/000	***€/000***	€/000	***€/000***
Effect of conversion into euros of accounts of the group's US companies (translation effect) (1)	-2,355	1,377	***-979***	-1	***-980***
Effect of conversion into euros of Italian companies' USD sales/costs (1)	-601	761	***160***		***160***
Effect of hedging transactions and exchange adjustments			***0***	-384	***-384***
TOTAL EFFECT	**-2,956**	**2,137**	***-818***	**-385**	***-1,203***

(1) The effect of the change in inventories on these items has not been calculated.

At the EUR/USD exchange rates in effect in 2003, revenues as of 31 December 2004 would have been € 2,956 thousand higher (+2%), costs would have been € 2,137 thousand lower (-2%) and the pre-tax profit would have been € 1,203 thousand higher (+6.3%) than actually reported.

In 2004, Datalogic energetically pursued its course toward "profitable growth", which for years has been the common denominator of corporate strategies and a touchstone for managers at every level.

New product development, strict control over business costs and a decrease in the cost of components are traditional strengths of Datalogic and in 2004 made their usual contribution to growth and profitablity.

Datalogic continued to invest heavily in research and development, in the amount of € 10,907 thousand for the year (€ 439 thousand at Laservall SpA) or 7.4% of revenues.

The following tables present the main income statement figures for the final quarter of the year, compared with the same period in 2003 and the third quarter of 2004.

	4Q04		4Q03		change	% change
TOTAL REVENUES	44,304	100.0%	36,325	100.0%	7,979	22.0%
EBITDA	8,435	19.0%	5,887	16.2%	2,548	43.3%
EBIT	7,073	16.0%	2,513	6.9%	4,560	181.5%

	4Q04		3Q04		change	% change
TOTAL REVENUES	44,304	100.0%	35,294	100.0%	9,010	25.5%
EBITDA	8,435	19.0%	7,121	20.2%	1,314	18.5%
EBIT	7,073	16.0%	4,631	13.1%	2,442	52.7%

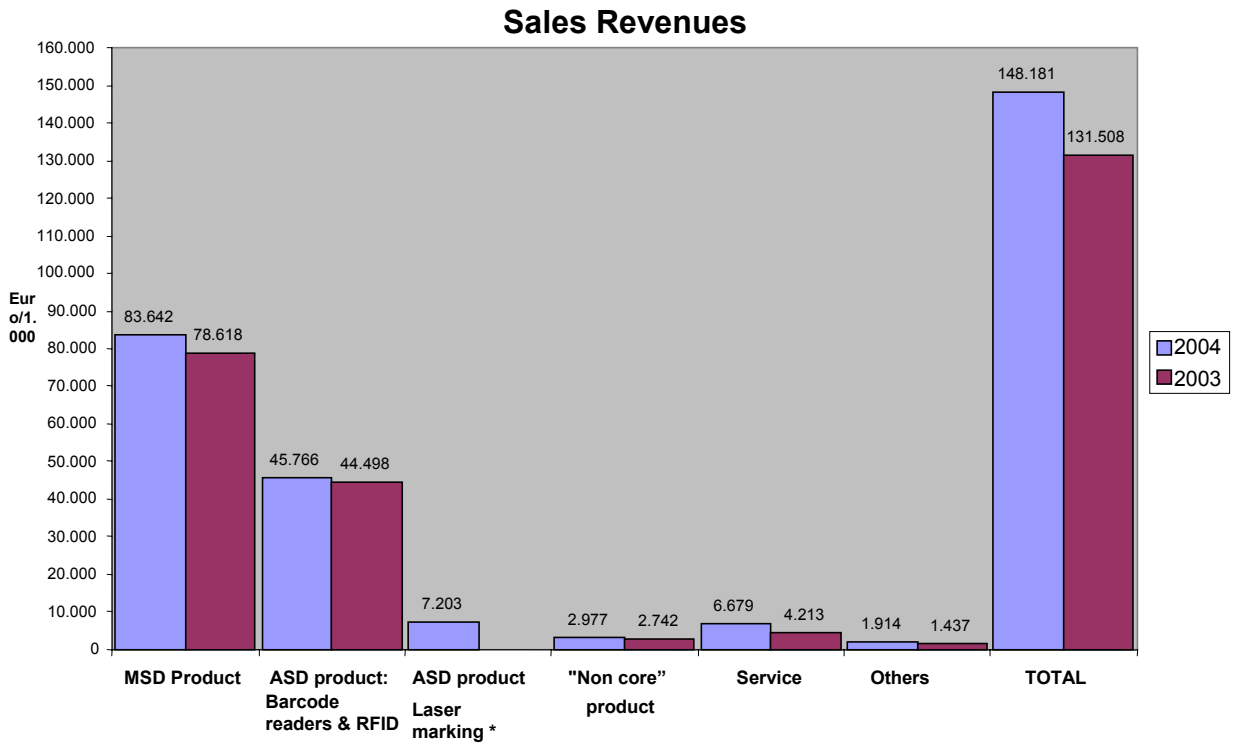
The fourth quarter of 2004 was Datalogic's eighth consecutive quarter of year-on-year growth. Consolidation of the results of Laservall, which achieved outstanding performance in the period, further enhanced a result that would still have been highly positive (without Laservall, EBIT gained 161.7% on the fourth quarter of 2003).

REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS DURING THE YEAR

In 2004 the automatic identification market showed encouraging signs of recovery, despite a global economy fraught with lingering uncertainty. Datalogic and its main competitors reported significant growth, confirming the good health of this market, which according to VDC is expected to see average growth rates of more than 10% in coming years.

The table below shows sales revenue by product category in 2004 and comparative figures from the previous year.

Please note that we have changed the segmentation of sales revenues compared with previous reports. Instead of being classified under “Optical Readers” and “RFID” (radio-frequency identification), sales are now classified under “Mobile System Division (MSD) products” and “Automation System Division (ASD) products”. MSD includes all hand-held readers, PDC terminals and ShopEvolution (Datalogic’s self-scanning solutions). ASD comprises fixed scanners, RFID products, and laser marking products.



All product lines enjoyed an increase in revenues this year.

Sales of MSD products amounted to € 83,642 thousand (+6% vs. € 78,618 thousand reported in 2003).

ASD products (fixed barcode readers and RFID) generated sales of € 45,766 thousand and showed progress of 3% vs. 2003 revenues of € 44,498 thousand. Performance by this division was affected greatly by the depreciation of the dollar against the euro, since about 40% of revenues are expressed in US currency. In Europe and in the rest of the world, revenue growth was positive, especially for fixed barcode readers (respectively +9% and +31% with respect to 2003). Contributing to this success were several projects in the logistics sector, mostly in Asia (Japan above all), and significant growth in applications for OEM customers in the European market.

Revenues for non-core products were also on the rise, from € 2,742 thousand in 2003 to € 2,977 thousand in 2004.

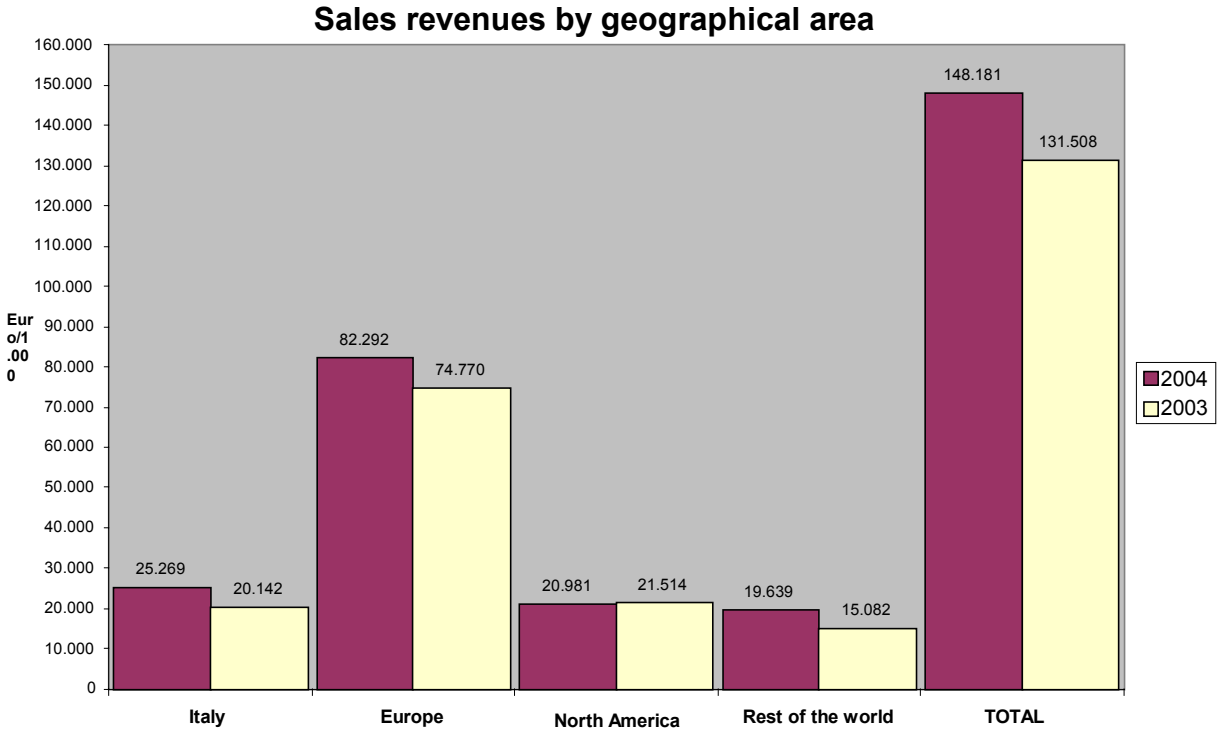
Revenues from services increased substantially, contributing € 6,679 thousand to consolidated revenues, including € 1,321 thousand at Laservall (+59% with respect to the 2003 total of € 4,213 thousand).

The item "other income" rose from € 1,437 thousand in 2003 to € 1,914 thousand 2004. The main contributor to this item was the parent company, specifically with:

- € 217 thousand for the decrease in the corporate restructuring provision following acquisition of a business branch (consisting of a software R&D laboratory).

- € 397 thousand for operating grants (vs. € 538 thousand in 2003).

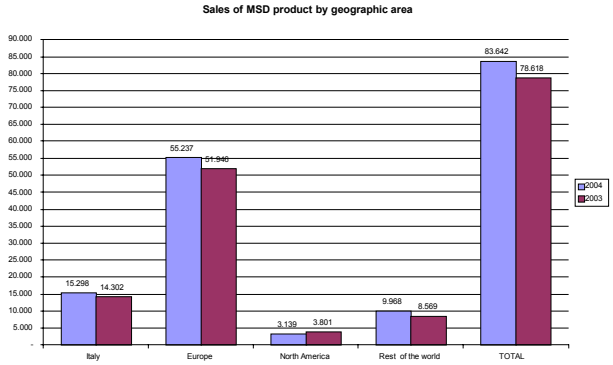
In 2004, the geographical breakdown of sales was as follows:

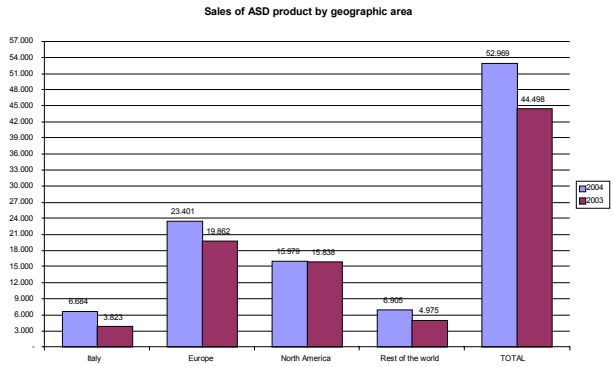


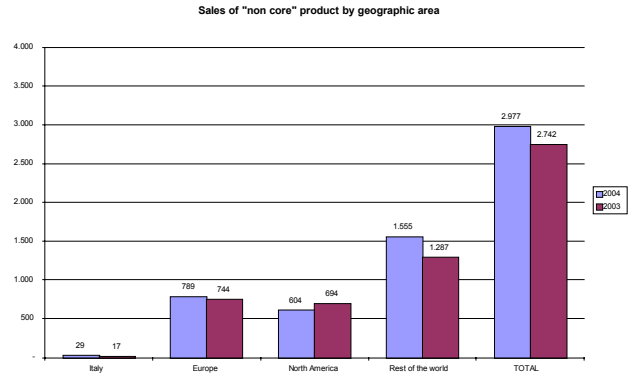
Europe (including Italy) grew by over 13%, thanks to Laservall SpA (approxiamtely 6 percentage points) and good performance by all product lines.

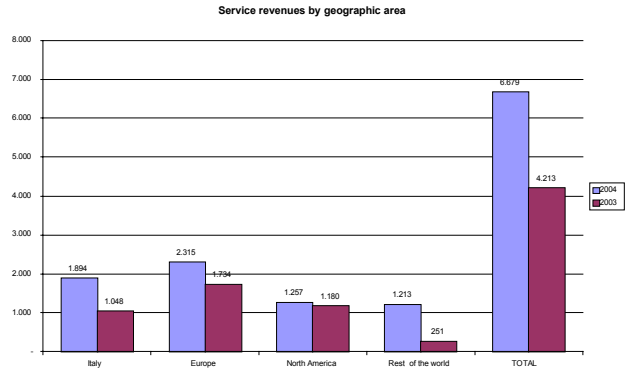
Growth in the rest of the world was significant (+30% on 2003, about half due to Laservall), thanks mainly to sales of fixed scanners.

The following tables show sales by geographical area of the main product lines:









As of 31 December 2004, the net financial position was a positive € 45,177 thousand (€ 46,035 thousand net of Laservall) and featured the following breakdown:

Datalogic Group	***31/12/04***	***31/12/03***
financial fixed assets	2,849	2,856
treasury stock	0	0
due to banks (medium-/long-term)	-2,194	-2,177
due to other sources of finance (medium-/long-term)	-3,306	-3,147
net medium-/long-term debt	*-2,651*	*-2,468*
due to banks and other sources of finance (short-term)	-2,660	-2,054
financial receivables	3,402	1,422
treasury stock	9,673	5,381
commercial paper		1,497
cash and banks	37,413	35,776
net short-term financial position	*47,828*	*42,022*
net debt	**45,177**	**39,554**

The net financial position as of 31 December 2004 was significantly better than at the close of 2003 (+ € 5,623 thousand). Note than in 2004:

- dividends were paid in the amount of € 2,114 thousand;
- an interest in Alien Technology (a RFID firm based in the US) was acquired for € 1,042 thousand;
- an interest in Laservall SpA was acquired for € 14,036 thousand, of which € 7,200 thousand had been paid as of 31 December;

for a total of € 10,356 thousand.

As for financial income, during the year the parent company took in € 5,007 thousand (including interest) for the partial reimbursement of a VAT credit carried over from 2003.

Investments in tangible and intangible fixed assets, net of disposals, came to € 18,107 thousand in 2004, including € 11,636 thousand for the consolidation difference on Laservall SpA and € 1,410 thousand brought in by the Laservall acquisition.
Net of those items, investments would amount to € 5,061 thousand, essentially in line with the previous year's figure of € 5,116 thousand 2003).

Net working capital was € 39,448 thousand for the year (+ € 1,708 thousand with respect to 2003).

TECHNOLOGY DEVELOPMENT

Production volumes in 2004 reflected sharp fluctuations in demand, which the company addressed through the use of outsourcing and temporary employment.

During the year the new factory at Quinto di Treviso was brought up to speed, with the installation of advanced SMT machines for the production of new PDC products featuring ball grid array components. The 4,200-square-meter plant will satisfy the group's PDC and ShopEvolution production quotas for several years to come.

Lastly, Datalogic has begun to overhaul its distribution logistics, a project entailing the transition from a model whereby products are shipped from the parent company to its branches to the consumer to a system of direct shipping to all consumers in Europe. The new system would maintain today's standards of service while considerably reducing finished product inventories.

BUSINESS & POLITICAL CLIMATE AND LABOUR RELATIONS

The economic recovery that began in 2003 continued to take root this year. Although the entire global economy saw improvements, progress was swift in Asia and the United States and slower in Europe, where overall GDP growth failed to reach 2%. In Italy, GDP rose by just 1.1%.

Despite the slight upturn in this country, the economy is still lethargic, with low consumer confidence, depressed domestic consumption, and investments and industrial output either stationary or on the wane.

On the other hand, the employment situation showed significant improvements: The jobless rate for 2004 was 8.1 %, but it decreased gradually throughout the year, to less than 7.5 %.
Wages, thanks mainly to the renewal of national employment contracts in several fields, were up by an average of 2.9% and thus outpaced the 2.2% rate of inflation; in the manufacturing sector, wage growth was even faster at around 3.2%.

The dispute over the national employment contract that pitted unions CISL and UIL against CGIL seriously aggravated labour relations throughout the year and across the country, especially in Emilia Romagna. The tension seeped into in-house labour negotiations, leading to the conclusion of several costly pre-contractual agreements.

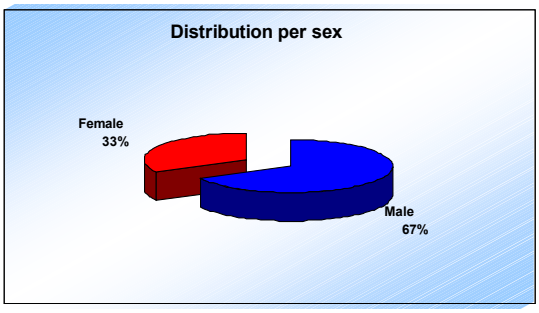
Within the Datalogic Group, however, labour relations remained positive and were not strained by the battle outside. The in-house supplementary contracts for Datalogic SpA (Bologna and Quinto di Treviso) and Datasud SpA were renewed at no significant extra expense. Later in the year, in connection with negotiations for the in-house supplementary contract, union representation in Bologna was re-established and was thus more active and present.

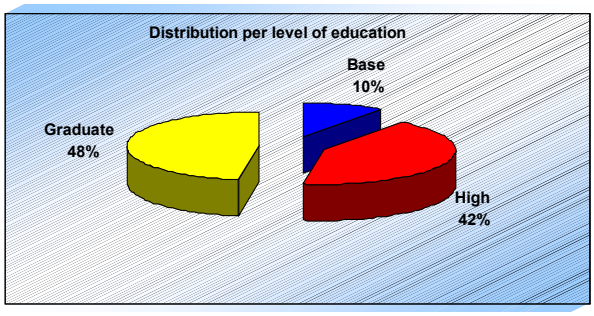
Group-wide employment levels increased once again this year: as of 31 December 2004 the group had a workforce of 875 (including 67 at Laservall SpA), compared with 775 a year earlier. Most of the increase was caused by the acquisition of a business branch in early April, which brought in 20 new employees, most of them product designers. Turnover is still limited to less than 6%.

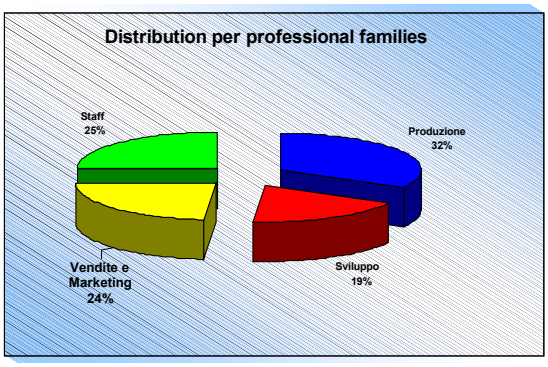
With a view to bolstering its management team, the group has sought experience and professional skills on the national and international markets. These efforts have led to the recruitment of new general managers for Datalogic Inc. (USA), Datalogic AB (Sweden) and Datalogic UK, and of the group's new human resources director. The professional hiring process will continue in 2005, with a focus on commercial positions.

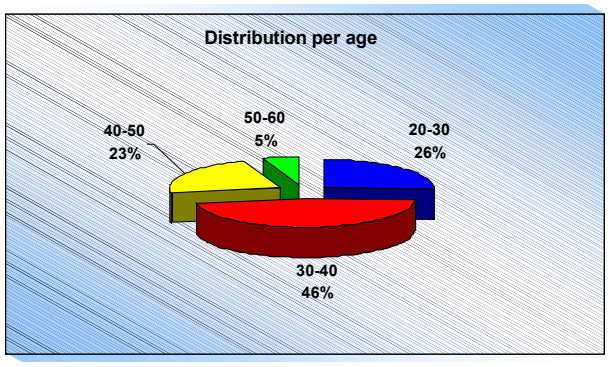
Investments in personnel training, especially technical/professional courses, also continued in 2004 both in Italy and abroad. Training took up 10,224 man/hours in 2004, an increase of 3% on the previous year.

At the end of 2004 the Datalogic Group's staff was made up as follows:









FINANCIAL INCOME AND EXPENSES

Financial income net of expenses came to € 1,432 thousand, up from € 885 thousand in 2003. That figure can be broken down as follows:

- income of € 1,338 thousand in capital gains realized by the parent company from the sale of treasury shares,
- € 404 thousand in financial income in the strict sense of the term,
- net exchange losses of € 310 thousand.

INVESTMENTS

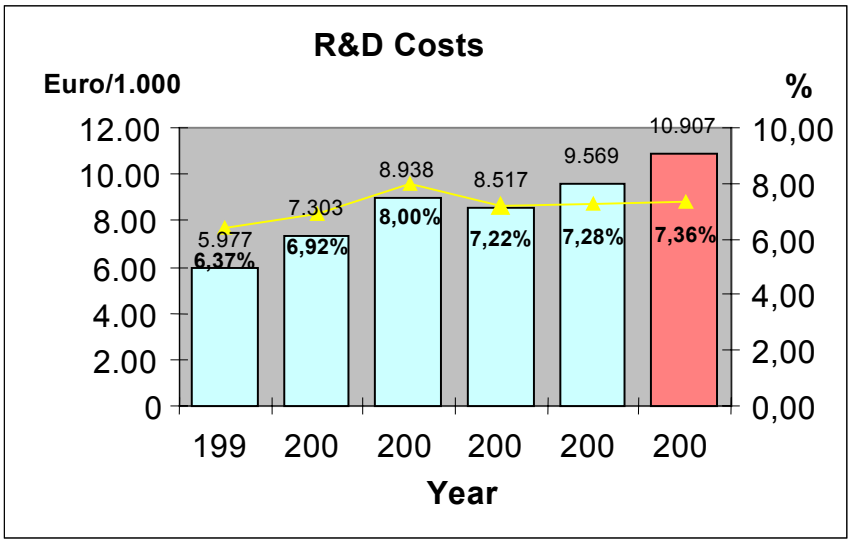
During the year, net of disposals, the group invested € 18,107 thousand in tangible and intangible fixed assets:

Land and buildings	€ 1,433 thousand
Plant and machinery	€ 1,004 thousand (including € 232 thousand brought in by Laservall)
Moulds and dies	€ 725 thousand
Equipment and tools	€ 708 thousand (including € 146 thousand from Laservall)
Other tangible assets:	€ 1,320 thousand (including € 444 thousand from Laservall)
Consolidation difference - Laservall	€ 11,636 thousand
Software	€ 378 thousand (including € 70 thousand from Laservall),
Patents	€ 295 thousand
Other intangible assets:	€ 1,633 thousand (including € 518 thousand from Laservall)
Assets under development and construction	€ - 1,025 thousand.

The decrease in assets under development and construction was caused by their reclassification to the relative asset categories for the start of depreciation/amortization.

RESEARCH AND DEVELOPMENT

Research and development costs amounted to € 10,907 thousand for 2004 (7.4% of revenues), an increase of 14% on the previous year. Of the total, € 5,267 thousand was spent by the MSD division, € 3,827 thousand by the ASD division and € 439 thousand by the newly acquired Laservall SpA, while € 1,374 thousand consisted of expenses common to the group. R&D investments over the past several years are shown below:



In addition, the group capitalized € 295 thousand for patents.

Both divisions worked intensively this year in the development of new products:

- the ASD division launched new products for both vision systems and laser readers. It also completed the decoding libraries for two-dimensional codes, and new algorithms for reading damaged barcodes. In the business of RFID readers, it introduced a new 13.56 Mhz platform for readers/antennae, and new electronic tags resistant to high temperatures.
- The MSD division, with regard to PDC terminals, continued to focus sharply on two product lines: the Professional line for use in distribution and vertical markets (access management, office automation) and the Industrial line for use in the manufacturing sector. In the Professional line, in addition to improvements to the existing range, the division introduced Datalogic Jet, the new PDA equipped with WindowsCE.net architecture and a complete range of peripherals: from GPRS communication to image capture and the reading of barcodes and RFID tags. Datalogic software was also further specialized and integrated into new products, attaining levels of excellence, especially in remote installation management and connectivity featuring terminal or web browser emulation. Lastly, with regard to hand-held readers, the range of CCD products was expanded and some important product lines were upgraded, with a view to strengthening the group's several-year hold on the European market.

PERFORMANCE OF GROUP COMPANIES

The business performance of group companies as of 31 December 2004 – inclusive of intercompany transactions – is summarized in the following table (the result for the period is shown after the necessary adjustments to group accounting policies):

REVENUES FROM SALES AND SERVICES (€/000):

COMPANY NAME	Percent held as of 31/12/04	31/12/04	31/12/03	CHANGES
Datalogic SpA (parent company)		143,331	95,756	49.7%
Laservall SpA (3)	100%	8,672		0.0%
Datalogic AB	100%	10,460	8,529	
Minec System Holding (1)	100%	0	0	
Datalogic Holding AB	100%	0	2,565	-100.0%
EMS, Inc	100%	10,337	10,987	-5.9%
Datalogic France SA (2)	100%	3,495	8,927	-60.8%
Datalogic Optik elektroniK GMBH	100%	38,008	35,114	8.2%
Datalogic Optic Electronics B.V. (2)	100%	0	0	0.0%
Datalogic Handelsgesellschaft mbH (2)	100%	0	0	0.0%
Datalogic PTY LTD	100%	5,412	4,972	8.8%
Datalogic UK Ltd. (2)	100%	7,498	8,439	-11.2%
Datalogic INC	100%	13,589	15,129	-10.2%
DL Iberia (2)	100%	305	129	136.4%

(1) The figure for "revenues from sales and services" is zero because this company is currently dormant.

(2) These companies operate on the basis of an agency contract by virtue of which they receive commissions posted among "Other revenues" (DL France as from 1 May 2004 and DL UK as from 1 September 2004).

(3) The figure for Laservall SpA refers to the second half of 2004.

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

COMPANY NAME	Percent held as of 31/12/04	31/12/04	31/12/03	CHANGE
Datalogic SpA (parent company)		10,734	4,913	5,821
Laservall SpA (1)	100%	1,211	0	1,211
Datalogic AB	100%	1	63	
Minec System Holding	100%	-9	-11	
Datalogic Holding AB	100%	46	154	- 108
EMS, Inc	100%	300	-418	718
Datalogic France SA	100%	185	47	138
Datalogic Optik elektroniK GMBH	100%	1,488	1,582	- 94
Datalogic Optic Electronics B.V.	100%	-34	104	- 138
Datalogic Handelsgesellschaft mbH	100%	185	303	- 118
Datalogic PTY LTD	100%	-29	35	- 64
Datalogic UK LTD	100%	402	889	- 487
Datalogic Inc.	100%	-127	-64	- 63
DL Iberia	100%	279	449	- 170

(1) The figure for Laservall SpA refers to the second half of 2004.

TRANSACTIONS WITH SUBSIDIARIES NOT CONSOLIDATED LINE-BY-LINE, WITH ASSOCIATED COMPANIES AND WITH RELATED PARTIES

Transactions with Datalogic Group companies

Izumi Datalogic Co. Ltd, a Japanese firm in which the holding company (Hydra SpA) owns a 50% stake, buys products and components from Datalogic for resale in the Far East.

In 2004, Hydra sold products and components to Izumi totalling € 2,461 thousand. As of 31 December 2004, trade receivables from Izumi totalled € 1,189 thousand. These transactions took place at conditions comparable to those of other affiliates.

Transactions with DL Private Ltd., an Indian company of which Hydra SpA owns 20%, are immaterial.

Transactions with companies belonging to shareholders

Transactions with Datasensor SpA – controlled by Hydra SpA's key shareholders – mainly concerned the purchase of components by Datalogic S.p.A. (€ 1,279 thousand), financial expenses (€ -163 thousand), financial income (€ 39 thousand), contributions to interest payments (€ 233 thousand) concerning the IMI long-term loan (which, following the demerger of 2 January 1998, is now jointly held by the parent company and Datasensor SpA), and the distribution by certain group companies of limited quantities of Datasensor products.

As of 31 December 2004, trade payables to Datasensor amounted to € 399 thousand and trade receivables to € 126 thousand.

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

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. The shareholders also 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 identified 78 beneficiaries of the plan, consisting 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 exercise price of the shares offered under stock option plan of 17 May 2001 to € 11.50.

As of 31 December 2003, all options on the 600,000 shares issued as per the shareholders' resolution of 28 February 2001 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; the remaining 33% were assigned on 17 December 2003.

The following table summarizes the situation as of 31 December 2004:

	Number of shares	Average strike price (€)	Market price (€)	% of share capital
Options granted as of 1/1/04	600,000	11.5	14.64	5.04%
New options granted during the year	-	-	-	-
(Options exercised during the year)	150,650	11.5	16.30	1.25%
(Options expiring during the year) (1)	-	-	-	-
Total options outstanding as of 31/12/04	449,350	11.5	17.91	3.73%
Of which: exercisable as of 31/12/04	449,350	11.5	17.91	3.73%

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

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 its direct or indirect subsidiaries:

NAME	DIRECT OR INDIRECT	COMPANY HELD	NO. SHARES OWNED AT END PREV. YEAR.	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. SHARES OWNED AT YEAR END
Romano Volta	Indirect through Hydra SpA	Datalogic SpA	4,465,495			4,465,495
Romano Volta	Indirect through spouse, Lucia Fantini	Datalogic SpA	4,465,494	17,194		4,482,688
Romano Volta	Direct	Datalogic SpA		130,000		130,000
Roberto Tunioli	Direct	Datalogic SpA	127,700	102,500 (*)	127,700	102,500
Roberto Tunioli	Direct	Datalogic Ltd.	1			1
Roberto Tunioli	Direct	Datalogic France	1			1
Roberto Tunioli	Indirect through spouse, Paola China	Datalogic SpA	900			900
Giancarlo Micheletti	Direct	Datalogic SpA	7,025		6,525	500
Pier Paolo Caruso	Direct	Datalogic France	1			1
Pier Paolo Caruso	Direct	Datalogic SpA	750			750
Gabriele Volta	Direct	Datalogic SpA	28,800			28,800
Valentina Volta	Direct	Datalogic SpA	26,125			26,125
Alberto Forchielli	Direct	Datalogic SpA	2,100			2,100
Stefano Romani	Direct	Datalogic SpA	600			600
Giorgio Delli	Direct	Datalogic SpA	500			500

(*) exercised 102,500 options on 10 December 2004 totalling € 1,178,750.

SUBSEQUENT EVENTS

In February 2005, Datalogic embarked on a reorganization project that is the logical evolution of the divisional structure launched in 2003, and will also provide the company with the organization best suited to its traditional sectors (fixed readers, hand-held readers and PDC terminals) as well as its fast-growth businesses (ShopEvolution, RFID readers) and recently acquired activities (lasers for industrial marking).

Also in February, Datalogic sold 589,930 treasury shares for a capital gain of € 1,045 thousand.

OUTLOOK FOR THE REST OF THE YEAR

Market conditions and the activities planned by the company should ensure that revenues and margins in 2005 are in line with the budget and higher than those achieved in 2004.

Application of International Accounting Standards (IAS)

In accordance with Regulation 1606/2002 of the European Parliament and Council of 19 July 2002, as from 1 January 2005 all companies governed by the laws of a Member State are required to produce consolidated financial statements following the international accounting standards adopted throughout Europe (IAS/IFRS) if, as of the reporting date, they are listed on any official market of an EU country. Therefore, in 2004 the parent company launched a project during which it has:

- analysed the impact of the new regulations on various parts of the financial statements, on reporting and on group processes;
- finished training the group's administrative personnel and written a new manual of accounting policies;
- -restated the financial statements as of 31 December 2003 on the basis of IAS/IFRS, and reclassified figures for 2004.

The impact of the transition on opening net equity as of 31 December 2003 is as follows:

Net equity shown in Italian consolidated financial statements as of 31/12/03 (transition date)	**106,013**
Impact of transition on net equity	**2,772**
IFRS net equity as of 31 December 2003 (transition date)	**108,785**

The impact (€ 2,772 thousand) is presented in detail below:

Capitalization of development costs (IAS 38)	3,394
Land and building revaluation (IFRS 1)	5,745
Change in useful life – tangible (IAS 16 and IFRS 1)	3,077
Change in useful life – intangible (IAS 38 and IFRS 1)	1,957
Redetermination ofseverance indem./actuarial (IAS 19)	585
Reversal of capital grants (IAS 20)	(702)
Treasury stock (IAS 32 and SIC 16)	(5,381)
Reversal of deferred charges (IAS 38)	(607)
Fair value securities (IAS 39)	113
Tax effect (IAS 12)	(5,409)
	2.772

With regard to research and development costs, the only projects capitalized are those worth more than € 20 thousand that constitute a breakthrough in terms of creating a new business segment and/or line of products.

Land and buildings have been revalued on the basis of technical appraisals so as to better represent their real market value.

Please see the notes to the financial statements for further details on the new useful lives applied to the historical cost of assets.

The following table reconciles shareholders' equity calculated according to the current accounting policies with that produced on the basis of IAS/IFRS.

Net equity as of 31 Dec. 2004 (current standards)	116,580
Impact of transition as of 31/12/03	2,772
Impact on 2004 of use of IAS/IFRS	(2,526)
Net equity as of 31 Dec. 2004 (IAS/IFRS)	116,826

Details of the impact on shareholders' equity as of 31 December 2004 are as follows:

Capitalization of development costs (IAS 38)	638
Reversal of goodwill amort. Idware & DL AB (IFRS 3)	1.208
Laservall acquisition (IFRS 3)	(59)
Change in useful life – tangible (IAS 16 and IFRS 1)	(471)
Change in useful life – intangible (IAS 38 and IFRS 1)	(405)
Redetermination of severance indem./actuarial (IAS 19)	231
Reversal of capital grants (IAS 20)	18
Treasury stock (IAS 32 and SIC 16)	(4.292)
Other deferred charges (IAS 38)	221
Fair value securities (IAS 39)	29
Tax effect (IAS 12)	356
	(2.526)

The table below reconciles the net profit calculated according to the current accounting policies with that produced on the basis of IAS/IFRS.

Net equity as of 31 December 2004 (current accounting standards)	11,290
Impact of transition as of 31/12/04	396
Net equity as of 31 December 2004 (IAS/IFRS)	11,686

Details of the impact on net profit as of 31 December 2004 are as follows:

Capitalization of development costs (IAS 38)	638
Reversal of goodwill amort. Idware & DL AB (IFRS 3)	1,208
Laservall acquisition (IFRS 3)	(59)
Change in useful life – tangible (IAS 16 and IFRS 1)	(474)
Change in useful life – intangible (IAS 38 and IFRS 1)	(405)
Redetermination of severance indem./actuarial (IAS 19)	231
Reversal of capital grants (IAS 20)	18
Treasury stock (IAS 32 and SIC	(1,338)
Other deferred charges (IAS 38)	221
Tax effect (IAS 12)	356
	396

For IdWare and New DL AB (formerly Minec), which were acquired prior to the transition date, the group has taken the exemption from IFRS 3 (fully retrospective application) permitted by IFRS 1, and has thus maintained the goodwill posted in the financial statements as of 31 December 2003 in accordance with Italian accounting standards. The goodwill figures were subject to impairment tests that demonstrated no need for writedowns, so the amortization charged on the basis of current accounting principles has been reversed.

IFRS 3 was applied to the acquisition of Laservall SpA, producing two new categories of intangible asset: know-how and commercial structure ("Far East windows"), with respective useful lives of 7 and 10 years, along with some residual goodwill that is not allocable and thus cannot be amortized but is subject periodically to the impairment test.

Below is the reconciliation of the income statement according to current accounting principles with that prepared according to IAS/IFRS (these figures have not yet been audited, since auditing is mandatory only as from 2005).

	31/12/04 current accounting standards		IAS adjustments	31/12/04 IAS/IFRS	
REVENUES FROM SALES AND SERVICES	146,267			146,267	
OTHER REVENUES AND INCOME	1,914			1,914	
TOTAL REVENUES	***148,181***	***100.0%***		***148,181***	***100.0%***
COST OF PRODUCTS SOLD AND OPERATING EXPENSES	-120,481	*-81.3%*	-1,969	-122,450	*-82.6%*
EBITDA	***27,700***	***18.7%***	***-1,969***	***25,731***	***17.4%***
PROVISIONS FOR EMPLOYEE SEVERANCE INDEMNITIES AND RETIREMENT BENEFITS	-1,454	*-1.0%*	1,454	0	*0.0%*
DEPRECIATION OF TANGIBLE FIXED ASSETS (**)	-2,842	*-1.9%*	-456	-3,298	*-2.2%*
AMORTIZATION OF INTANGIBLE FIXED ASSETS (**)	-3,119	*-2.1%*	508	-2,611	*-1.8%*
WRITEDOWNS (WRITEBACKS) OF INVENTORIES	-1,520	*-1.0%*	1,520	0	*0.0%*
OTHER PROVISIONS	-321	*-0.2%*	321	0	*0.0%*
EBIT	***18,444***	***12.4%***	***1,378***	***19,822***	***13.4%***
EXTRAORDINARY EXPENSES (*)	-140	*-0.1%*		-140	*-0.1%*
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	***18,304***	***12.4%***	***1,378***	***19,682***	***13.3%***
NET FINANCIAL AND EXTRAORDINARY INCOME (EXPENSES)	511	*0.3%*	-1,338	-827	*-0.6%*
PROFIT BEFORE TAX	***18,815***	***12.7%***	***40***	***18,855***	***12.7%***
MINORITY INTERESTS	0	*0.0%*		0	*0.0%*
INCOME TAXES	-7,725	*-5.1%*	356	-7,169	*-4.8%*
NET PROFIT FOR THE YEAR	***11,290***	***7.6%***	***396***	***11,686***	***7.9%***

The switch to the new accounting standards caused operating income to increase by € 1,378 thousand (+7.5% with respect to EBIT calculated according to Italian accounting standards), due mainly to the capitalization of development costs and the reversal of goodwill amortization.

The pre-tax profit is essentially unchanged, since the increase in EBIT is offset by the reversal of proceeds from the sale of treasury stock.

Because the switch to IAS requires less prudent accounting decisions (note, for example, the obligation to capitalize development costs), Datalogic has redefined its EBITDA structure, which from

now on will be shown net of employee severance indemnity provisions, inventory writedowns and other provisions.

These changes will take effect from the first quarter of 2005.

SECONDARY LOCATIONS

The parent company has a secondary location in the town of Quinto (Province of Treviso), which houses the PDC production unit, Management, the design department and the staff positions of the ShopEvolution product line.

ALLOCATION OF NET PROFIT FOR THE YEAR

Shareholders,
We believe that the report on operations, which accompanies the financial statements of Datalogic SpA and the consolidated financial statements of the Datalogic Group, presents a thorough description of performance and results in 2004.
The Board of Directors proposes the following allocation of Datalogic SpA's net profit of € 10,733,568.65:

- 5% (€ 536,678.43) to the legal reserve;
- € 1,608,437 to a reserve that cannot be distributed until realization of the deferred tax assets reported in the financial statements;
- to the shareholders, an ordinary dividend (gross of mandatory withholding) of € 0.22 per share, going "ex-div" on 2 May 2005 and payable as from 5 May 2005, for a maximum total of 2,750,770;
- the remainder to be carried forward.

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	*31.12.04 in Euro/000*	*31.12.03 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 - Intangible fixed assets:		
1) Start up and expansion costs	1	2
2) Research & Development and advertising costs	26	-
3) Industrial patent rights and rights for use of intellectual properties	3.129	3.425
4) Concessions, licenses, trademarks and similar rights	34	16
5) Goodwill	2.336	3.380
6) Consolidation difference	12.279	1.394
7) Intangible Assets in progress and advances	43	980
8) Other intangible assets	1.612	385
Total intangible fixed assets (I)	***19.460***	***9.582***
II - Tangible fixed assets:		
1) Land and buildings	18.859	17.828
2) Plant and machinery	2.307	1.662
3) Industrial and commercial equipment	3.400	2.851
4) Other tangible fixed assets	2.983	2.072
5) Assets in progress and advances	199	289
Total tangible fixed assets (II)	***27.748***	***24.702***
III - Long term financial assets:		
1) Investments in:		
a) Subsidiaries valued on the net equity basis	-	-
b) Associated companies valued on the net equity basis	851	326
c) Parent companies		
d) Other companies	1.112	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	48	
after 12 months		
Total accounts receivable from associated companies (b)	48	-
c) Parent companies		
within 12 months		
after 12 months		
Total accounts receivable from parent companies (c)		
d) Other companies		
within 12 months		
after 12 months	55	59
Total accounts receivable from other companies (d)	55	59
3) Other securities:	2.849	2.856
4) Own shares		-
Total long term financial assets (III)	***4.915***	***3.303***
Total fixed assets (B= I + II + III)	**52.123**	**37.587**
C) CURRENT ASSETS		
I - Inventories:		
1) Raw and auxiliary materials, and consumables	12.147	10.707
2) Work in progress and semifinished goods	3.498	2.143
3) Work to order in progress		
4) Finished goods and goods for resale	7.109	9.442
5) Payments on account		
Total inventories (I)	***22.754***	***22.292***
II - Accounts receivable:		

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	***31.12.04 in Euro/000***	***31.12.03 in Euro/000***
1) From customers		
within 12 months	40.868	32.221
after 12 months	47	
Total accounts receivable from customers (1)	40.915	32.221
2) From subsidiaries		
within 12 months	-	-
after 12 months		
Total accounts receivable from subsidiaries (2)	-	-
3) From associated companies		
within 12 months	1.930	482
after 12 months		
Total accounts receivable from associated companies (3)	1.930	482
4) From parent companies		
within 12 months		
after 12 months		
Total accounts receivable from parent companies (4)	-	-
4 bis) tax credit		
within 12 months	7.818	11.332
after 12 months		
Total tax credit (4 bis)	7.818	11.332
4 ter) deferred tax		
within 12 months	2.962	2.204
after 12 months	840	1.158
Total deferred tax (4 bis)	3.802	3.362
5) From others		
within 12 months	900	2.592
after 12 months		42
Total accounts receivable from others (5)	900	2.634
Totale accounts receivable (II)	***55.365***	***50.031***
III - Current Financial assets		
1) Investments in subsidiaries		
2) Investments in associated companies		
3) Investments in parent companies		
4) Other investments		
5) Own shares	9.673	5.381
6) Other securities	3.402	1.422
Total current financial assets (III)	***13.075***	***6.803***
IV - Bank deposit and cash on hand		
1) Bank and postal deposits	37.201	35.751
2) Cheques	193	
3) Cash and cash equivalent	19	25
Total bank deposit and cash on hand (IV)	***37.413***	***35.776***
Total current assets (C = I + II + III + IV)	**128.607**	**114.902**
D) ACCRUED INCOME AND PREPAYMENTS		
a) Accrued income	269	638
b) Prepayments	771	951
c) Discounts on loans		
Total accrued income and prepayments (D)	**1.040**	**1.589**
TOTAL ASSETS (A + B+ C+ D)	**181.770**	**154.078**

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	*31.12.04 in Euro/000*	*31.12.03 in Euro/000*
A) NET EQUITY		
I Share Capital	***25.073***	***24.759***
II Share premium reserve	***55.843***	***54.424***
III Revaluation reserves	***258***	***258***
IV Legal reserve	***862***	***617***
V Own-share reserve	***9.673***	***5.381***
VI Statutory reserves		***0***
VII Other reserves:		
- Demerger capital reserve	***4.439***	***4.439***
- Surplus from merger Datasud	***4.432***	***0***
- No taxed investment grant reserve	***958***	***0***
- Consolidation reserve	***0***	***1.878***
- Translation reserve/(loss)	***(1.244)***	***(943)***
VIII Retained earnings/(losses) carried forward	***4.996***	***8.020***
IX Net profit/(loss) for the year	***11.290***	***7.180***
	116.580	***106.013***
Net equity pertaining to minorities	*0*	*0*
Total net equity (A)	**116.580**	**106.013**
B) PROVISIONS FOR RISKS AND CHARGES:		
1) Provision for retirement benefits and similar obligations	0	0
2) Provision for taxation	1.262	216
3) Others	2.775	761
Total provisions for risks and charges (B = 1 + 2+ 3)	**4.037**	**977**
C) Employees' severance indemnity provision	***6.513***	***4.970***
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) Financial shareholder payable		
within 12 months		
after 12 months		
Total financial shareholder payable (3)	-	-
4) Bank borrowing		
within 12 months	1.394	682
after 12 months	2.194	2.177
Total bank borrowing (3)	3.588	2.859
5) Accounts payable to other financial institutions		
within 12 months	1.266	1.372
after 12 months	3.306	3.147
Total accounts payable to other financial institutions (4)	4.572	4.519

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY		*31.12.04 in Euro/000*	*31.12.03 in Euro/000*
6) Advances received			
	within 12 months	122	125
	after 12 months		
	Total advances received (5)	122	125
7) Trade payables			
	within 12 months	19.870	19.437
	after 12 months		
	Total trade payables (6)	19.870	19.437
8) Bill payable			
	within 12 months		
	after 12 months		
	Total bill payable (7)	-	-
9) Accounts payable to subsidiaries			
	within 12 months	7	1

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	*31.12.04 in Euro/000*	*31.12.03 in Euro/000*
after 12 months		
Total accounts payable to subsidiaries (8)	7	1
10) Accounts payable to associated companies		
within 12 months		
after 12 months		
Total accounts payable to associated companies (9)	-	-
11) Accounts payable to parent companies		
within 12 months		
after 12 months		
Total accounts payable to parent companies (10)	-	-
12) Tax authorities payable		
within 12 months	9.897	7.273
after 12 months		
Total tax authorities payable (11)	9.897	7.273
13) Social security institutions payable		
within 12 months	2.282	2.077
after 12 months		
Total social security institutions payable (12)	2.282	2.077
14) Other payables		
within 12 months	9.904	5.146
after 12 months	3.058	65
Total other payables (13)	12.962	5.211
Total accounts payable (D)	**53.300**	**41.502**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
a) Accrued expenses	221	215
b) Deferred income	1.119	401
c) Premium on loans		
Total accrued expenses and deferred income (E)	**1.340**	**616**
TOTAL LIABILITIES AND EQUITY (A+B+C+D+E)	**181.770**	**154.078**
MEMORANDUM ACCOUNTS		
Ordinary guarantees	**0**	**130**
Secured guarantees	**7.388**	**10.445**
Personal guarantees	**0**	**0**
Commitments	**327**	**2.166**
TOTAL MEMORANDUM ACCOUNTS	**7.715**	**12.741**

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31.12.04 in Euro/000	*31.12.03 in Euro/000*
A) PRODUCTION VALUE:		
1) Revenues from sales and services	146.267	130.071
2) Changes in inventories of work in progress, semifinished and finished goods	1.158	(441)
3) Changes in contract work in progress		
4) Increases in fixed assets from internal work	126	266
5) Other revenue and income		
a) Sundry revenues	1.375	899
b) Income from grants	539	538
Total other revenue and income(5)	1.914	1.437
Total production value(A)	**149.465**	**131.333**
B) PRODUCTION COSTS:		
6)Raw and auxiliary materials, consumables and goods for resale	53.322	52.041
7) Services	21.465	19.675
8) Use of third parties asset	3.048	2.599
9) Personnel costs:		
a) Salaries and wages	31.748	30.189
b) Social contributions	8.009	7.187
c) Employees' severance indemnity	1.303	1.076
d) Provision for retirement benefits and similar costs	151	123
e) Other personnel costs	1.070	795
Total personnel costs (9)	42.281	39.370
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	3.119	3.352
b) Depreciation of tangible fixed assets	2.842	3.936
c) Other write-downs of fixed assets		19
d) Write-downs of receivables entered in current assets and in cash at bank and on hand	112	447
Total amortisation, depreciation and write-downs (10)	6.073	7.754
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	3.665	(2.170)
12) Risk provisions	234	197
13) Other provisions		
14) Sundry operating costs	1.073	987
Total production costs (B)	**131.161**	**120.453**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)	**18.304**	**10.880**

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31.12.04 in Euro/000	*31.12.03 in Euro/000*
C) FINANCIAL INCOME AND CHARGES:		
15) Income from investments in:		
a) Subsidiaries		
b) Associated companies		
c) Other companies		
Total income from investments (15)	-	-
16) Other financial income from:		
a) Receivables entered in long term financial assets from:		
- Subsidiaries		
- Associated companies		
- Parent companies		
- Others		14
Total (a)	-	14
b) Securities entered in long term financial assets that are not investments	325	318
c) Securities entered in current assets that are not investments	1.096	101
d) Income other than the above from:		
- Subsidiaries		
- Associated companies		
- Parent companies		
- Other companies	751	694
Total (d)	751	694
Total other financial income (16)	2.172	1.127
17) Interest and other financial costs from:		
- Subsidiaries		
- Associated companies		
- Parent companies		
- Others	430	505
Total interest and other financial costs (17)	430	505
17 bis) exchange profit and loss:		
	(310)	263
Total exchange profit and loss (17 bis)	(310)	263
Total financial income and charges (15+16-17)	**1.432**	**885**
D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS:		
18) Revaluation of:		
a) investments	351	82
b) long term financial assets that are not investments		
c) Securities entered in current assets that are not investments		
Total revaluations (18)	351	82
19) Write-downs of:		
a) investments		
b) long term financial assets that are not investments		
c) Securities entered in current assets that are not equity investments		
Total write-downs (19)	-	-
Net adjsutment to the value of financial assets (D =18-19)	**351**	**82**
E) EXTRAORDINARY INCOME AND CHARGES:		
20) Extraordinary income		

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31.12.04 in Euro/000		*31.12.03 in Euro/000*
a) Capital gains on disposals of fixed assets	27		
b) Other extraordinary income	282		227
Total extraordinary income (20)	309		227
21) Extraordinary charges			
a) Capital losses on disposals of fixed assets			
b)Other extraordinary charges	1.581		1.746
Total extraordinary charges (21)	1.581		1.746
Total extraordinary income/(charges) (20-21)	**(1.272)**		**(1.519)**
PROFIT/(LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	**18.815**		**10.328**
22) Current income taxes, deferred taxes	(7.525)		(3.148)
PROFIT/(LOSS) FOR THE YEAR	**11.290**	**-**	**7.180**
Profit/(Loss) pertaining to minorities			
NET PROFIT/(LOSS) FOR THE YEAR	**11.290**		**7.180**

The President of the Board of Directors
(Romano Volta)

DATALOGIC GROUP – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

FORM AND CONTENT

The consolidated financial statements of the Datalogic Group as of 31 December 2004 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 SpA (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, approved by the shareholders, with reference to the year ended 31 December 2004.

Where necessary, those financial 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 euros (€/000).

Group business and structure

The companies forming the group are active in the industrial production and marketing of products relating to the automatic identification sector. In addition, as mentioned earlier, since August 2004 the group has owned Laservall SpA which manufactures and sells laser marking products. The offering principally consists of five product lines, i.e.

USS: Unattended Scanning Systems

HHR: Hand-Held Readers

PDC: Portable Data Collection devices

RFID: Radio-Frequency Identification Devices

Industrial laser-marking products.

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 SpA exerts a dominant influence.

The following companies were consolidated on a line-by-line basis as of 31 December 2004:

Company name	Registered office	Share capital		Total shareholders' equity (€/000)	Net profit (loss) for the year (€/000)	% ownership
Datalogic SpA (parent company)	Lippo di Calderara di Reno (BO) – Italy	EUR	25,072,632	114,458	10,734	
Laservall SpA	Donnas (AO) – Italy	EUR	900,000	3,611	1,211	100%
Datalogic Holding AB	Malmoe – Sweden	KRS	1,400,000	1,336	46	100%
EMS, Inc	Scotts Valley, California – United States	USD	465,034	1,449	300	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR	2,227,500	3,831	185	100%
Datalogic Optik elektroniK GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR	1,025,000	5,650	1,488	100%
Datalogic Optic Electronics B.V.	Maarssen – Holland	EUR	18,150	62	-34	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR	72,673	1,052	185	100%
Datalogic PTY LTD	Mount Waverley (Melbourne) - Australia	AUD	2,300,000	917	-29	100%
Datalogic UK LTD	Redbourn (London) – UK	GBP	3,500,000	3,720	402	100%
Datalogic INC	Hebron, Kentucky – United States	USD	1	1,212	-127	100%
DL Iberia	Madrid - Spain	EUR	60,500	613	279	100%
Datalogic AB	Stockholm – Sweden	KRS	200,000	862	1	100%
Minec System Holding	Stockholm – Sweden	KRS	100,000	1,232	-9	100%

The following companies were valued using the net equity method:

Company name	Registered office	Share capital		Total shareholders' equity (€/000)	Net profit (loss) for the year (€/000)	% ownership Direct and indirect
Izumi Datalogic Co. Ltd.	Osaka – Japan	JPY	300,000,000	858	250	50%
Laservall Asia Co. Ltd.	Hong Kong - China	HKD	460,000	148	75	50%
Laservall China Co. Ltd	Shenzhen - China	USD	400,000	570	283	45%
Ixla SA	Avry - Switzerland	CHF	100,000	104	39	97%

Associated companies, posted at cost, were as follows:

Company name	Registered office	Share capital		% ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	INR	1,000,000	20%

Changes in the scope of consolidation

On 27 August 2004 the Board of Directors of Datalogic SpA approved acquisition of 100% of the company Laservall SpA, with registered headquarters in Donnas (Aosta). This company has been consolidated on a line-by-line basis since 30 September 2004; the result shown is for the period 1 July – 31 December 2004 (€ 1,211 thousand), since the parent company acquired control of it during the second half of the year.

Laservall's subsidiaries and associated companies are as follows:

Company name	Registered offices	% ownership Direct and indirect	Consolidation method applied
Laservall Asia Co. Ltd.	Hong Kong - China	50%	Shareholders' equity
Laservall China Co. Ltd	Shenzhen - China	45%	Shareholders' equity
Ixla SA	Avry - Switzerland	97%	Shareholders' equity

Consolidation at equity of the companies indicated above generated a positive effect on the income statement of € 226 thousand.

On 28 December 2004, Datasud Srl was merged into Datalogic SpA with retroactive effect as of 1 January 2004. With the merger, the parent company's interest in Datasud was cancelled and a merger surplus reserve of € 5,390 thousand was booked to shareholders' equity.

CONSOLIDATION METHODS

The financial statements of the consolidated companies have been consolidated on a line-by-line basis, which entails the full incorporation of every balance sheet and income statement item. The more important consolidation methods 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 euros by applying the exchange rate as of 31 December 2004 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 against the euro are as follows:

CURRENCY	Year-end exchange rate	Average rate for the year
US dollar	1.3621	1.2439
British pound	0.7051	0.6787
Australian dollar	1.7459	1.6905
Japanese yen	139.65	134.445
Swedish krona	9.0206	9.1244
Chinese renminbi (yuan)	11.2781	10.2992
Swiss franc	1.5429	1.54382

ACCOUNTING POLICIES

The policies and other general principles used in drawing up the consolidated financial statements as of 31 December 2004 are the same as those used the previous year, with the exception of depreciation and amortization rates for tangible and intangible fixed assets.

During the year, the residual useful life of these assets was analysed in order to determine the most appropriate rates. As a result, including for the purpose of transitioning to IAS, useful lives were redefined for certain categories of asset. Thus, amortization and depreciation were recalculated by distributing the book value of the assets as of 31 December 2003 over their new residual life, in the belief that if the previous year's rates had been used, the assets' net value would have been reduced to zero before they reached the end of their lives.

This change had a positive effect on the income statement of € 1,841 thousand, but no significant influence on the valuation of inventories.

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.

The useful life of each category is shown below, in comparison with that used through 2003:

Category	**31/12/04**	**Previous years**
Start-up and expansion costs	5	5
Patents and intellectual property rights	3-5	3-5
Concessions, licenses and trademarks	3-8	3-8
SAP licences	10	5
Goodwill	10	10
Consolidation difference	10	10
Other deferred charges	5	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 for the first year the assets are used reflect the month they were placed in service. Group-wide depreciation rates are shown below, in comparison with those used in prior years:

Category	**31/12/04**	**Previous years**
Real property:		
Buildings	2%	3%
Building plants and systems	8.33% - 10% - 6.67%	10%
Light constructions	6.67% - 4%	10%
Plant and machinery:		
Automated machinery	20% - 14.29%	15.5 - 31%
Furnaces and appurtenances	14.29%	15%
General/specific production plant	20% - 10%	10%
Industrial and commercial equipment:		
Production equipment and electronic instrumentation	20% - 10%	25%
Moulds and dies	20%	25%
Other tangible fixed assets:		
EDP machines	33% - 20%- 10%	20 - 40%
Office fixtures and furniture	10% - 6.67% - 5%	12%
Cars	25%	25 - 50%
Transport vehicles	14.29%	20%
Equipment for trade fairs and exhibitions	11% - 20%	12 - 24%

Assets are written down in the case of long-term impairment in value, regardless of the depreciation that has already been 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-interest 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/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 the likelihood of their 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.

Treasury shares are booked at the lower of cost and estimated realizable value.

Other unlisted securities are also 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 risks and charges

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

Reserve for employee severance indemnities

The reserve for employee severance indemnities covers the liability to all employees, accrued in accordance with current laws and labor 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.

Foreign-currency forward contracts hedge specific foreign-currency receivables and payables or cover specific sale commitments or budgeted sales forecasts.

They are recorded in observance of accounting policy no. 26 endorsed by the Italian accounting profession.

C) INFORMATION ON THE BALANCE SHEET

INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets are shown below:

	Start-up and expansion costs	Research, development and advertising costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Consolidation difference	Other	Assets under development and advances	Total
Opening balance									
historical cost	75		10,503	296	10,437	1,678	1,653	980	25,622
(amortization)	(73)		(6,958)	(280)	(7,057)	(284)	(1,268)		(15,920)
revaluations									
(writedowns)			(120)						(120)
Total	**2**		**3,425**	**16**	**3,380**	**1,394**	**385**	**980**	**9,582**
Increases									
additions			666	45	100	11,636	1,070	35	13,552
reversal of amortization									
other changes			2						2
Total			668	45	100	11,636	1,070	35	**13,554**
Decreases									
disposals			(63)		(100)			(972)	(1,135)
amortization	(1)	(36)	(971)	(27)	(1,044)	(751)	(289)		(3,119)
other changes							(10)		(10)
Total	(1)	(36)	(1,034)	(27)	(1,144)	(751)	(299)	(972)	**(4,264)**
Changes in scope of consolidation									
Laservall		62	70				456		588
Closing balance	**1**	**26**	**3,129**	**34**	**2,336**	**12,279**	**1,612**	**43**	**19,460**

The balance of the item “start-up and expansion costs” consists of expenses and fees borne for the merger by incorporation of IdWare Srl in 1998.

The item “patents”, which totalled € 3,129 thousand, is ascribable to:

- the parent company for € 3,061 thousand, of which € 2,078 thousand for software licences, € 284 thousand for patent registration, € 671 thousand for licences on third-party patents, and € 28 thousand for know-how;

- EMS for € 68 thousand: € 45 thousand relating to the development of know-how in a project relating to the RFID area and € 23 thousand for expenses for the lodging of patents.

There was an increase in the item of € 666 thousand. The change is attributable to the parent company and consists of expenses for patent registration (€ 295 thousand), the purchase of various software licences (€ 259 thousand) and the management information system (€ 112 thousand).

"Goodwill", amounting to € 2,336 thousand, is wholly attributable to the parent company and refers to the merger deficit and share-swap loss arising on the merger by incorporation of IdWare Srl in 1998.

The goodwill generated from the acquisition, completed on 1 January 2004, of a business branch consisting of a software R&D laboratory (€ 100 thousand) has been totally written off as a prudent measure, since, in practice, the conditions do not exist for continuing to post it under assets. Goodwill reversal did not affect the income statement for the year since partial use was made of the company restructuring reserve acquired by the parent company upon acquisition of the business branch.

The breakdown of the item “consolidation difference”, amounting to € 12,279 thousand, was as follows:

- € 1,230 thousand caused by consolidation of the Minec Group, in which a 100% interest was acquired on 15 July 2002 by Datalogic AB, a wholly-owned subsidiary of Datalogic SpA;
- € 11,049 thousand for the consolidation of Laservall SpA, of which the parent company acquired 100% during the third quarter of the year, for a total cost of € 14,036 thousand including ancillary expenses. We believe the conditions exist for posting the difference between the equity interest’s purchase cost and net equity as a “consolidation difference”, since it represents the intangible elements present in the company acquired. Laservall, in fact, possesses major technological know-how in the laser-marking sector, particularly as regards product engineering and industrialization. It also has a well-established global sales network and customer base, with a direct presence in regions featuring strong economic growth (Hong Kong and China). This consolidation difference, as well as the one concerning the Minec Group, is being amortized over 10 years. Note that, in calculating the relevant amount, we have included as an investment cost the variable (i.e. earn-out) portion – which amounts to € 6,011 thousand – since achievement of the operating and financial targets to which earn-out payment is subject is believed to be probable. An initial payment of € 3,011 thousand was made in January 2005.

The heading “Others”, amounting to € 1,612 thousand, consists of the following:

- € 318 thousand in costs for the development (by outside suppliers) of software for our products ascribable to the parent company;
- € 1,294 thousand in deferred costs for rented buildings, attributable primarily to the parent company (€ 886 thousand) and to a lesser degree to EMS (€ 21 thousand) and Laservall (€ 385 thousand).

Of the increase of € 1,070 thousand in this item, € 1,066 thousand is ascribable to the parent company and includes € 967 thousand in long-term costs for rented buildings relating to the new location in Quinto (province of Treviso). The increase caused by the line-by-line consolidation of Laservall SpA (€ 456 thousand gross of amortization) refers to long-term costs for rental of the Donnas premises incurred in 2004.

The balance of the item “Assets under development and advances” pertains solely to the parent company.

Most of the decrease in this item is explained by the transfer of € 908 thousand in deferred costs for rental of the new premises in Quinto to the relevant intangible asset category for the start of amortization.

TANGIBLE FIXED ASSETS

Changes in tangible fixed assets are shown below:

	Lands and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Opening balance						
historical cost	23,822	5,913	12,391	13,665	287	56,078
(depreciation)	(6,258)	(4,251)	(9,530)	(11,360)		(31,399)
revaluations	675		15	8		698
(writedowns)	(246)			(160)		(406)
Exchange difference	(165)		(25)	(81)	2	(269)
Total	**17,828**	**1,662**	**2,851**	**2,072**	**289**	**24,702**
Increases						
investments	1,576	1,010	1,619	1,175	147	5,527
reversal of depreciation	35	193	312	256		796
						-
Total	**1,611**	**1,203**	**1,931**	**1,431**	**147**	**6,323**
Decreases						
disposals	(143)	(238)	(332)	(299)	(235)	(1,247)
depreciation	(484)	(516)	(1,102)	(740)		(2,842)
writedowns						-
Total	**(627)**	**(754)**	**(1,434)**	**(1,039)**	**(235)**	**(4,089)**
Reclass. and other movements						
incoming transfers	133	(133)		88		88
(outgoing transfers)	(97)	97	(88)			(88)
Chg. in scope of consolidation - Laservall		232	146	444		822
Exchange diff.	11		(6)	(13)	(2)	**(10)**
Closing balance	**18,859**	**2,307**	**3,400**	**2,983**	**199**	**27,748**

The “Land and buildings” balance of € 18,859 thousand is attributable to the parent company (€ 11,892 thousand), Datalogic UK (€ 2,430 thousand), Datalogic GmbH (€ 1,693 thousand), DL France (€ 1,511 thousand) and Datalogic Holding AB (€ 1,333 thousand).

The increase in this item is ascribable to the parent company and consists mainly (€ 1,297 thousand) of the purchase of a plot of land.

The decrease in the same item was due to sale of a building by the affiliate DI Inc., leading to a capital gain – booked under extraordinary income – of € 27 thousand.

The item “Plant and machinery” increased by € 1,010 thousand, wholly attributable to the parent company, as follows:

- € 768 thousand for the purchase of automated machinery,
- € 55 thousand for the purchase of general production plant,
- € 75 thousand for the purchase of furnaces and appurtenances,
- € 112 thousand for the purchase of specific plant.

The line-by-line consolidation of Laservall SpA produced an increase of € 232 thousand, gross of depreciation for the second half of the year.

The decrease in this category of € 238 thousand is also ascribable to the parent company and relates chiefly to the sale of automated machinery (€ 95 thousand) and of leased goods that had already been redeemed (€ 92 thousand).

The item “Industrial and commercial equipment” increased by € 1,619 thousand, mainly attributable to the parent company, as follows:

- € 882 thousand for the purchase of moulds and dies,
- € 665 thousand for the purchase of electronic instrumentation for production and research laboratories.

The decrease in this item of € 332 thousand is also attributable to the parent company, mostly for the sale of moulds and dies (€ 157 thousand) and of electronic instrumentation (€ 108 thousand).

The line-by-line consolidation of Laservall SpA produced an increase of € 146 thousand, gross of depreciation.

“Other tangible assets” showed an increase of € 1,175 thousand, mainly attributable to the parent company, for the purchase of electronic office machines (€ 458 thousand, including € 130 thousand for the business branch acquisition mentioned earlier), new furnishings (€ 126 thousand) and cars (€ 92 thousand).
The € 299-thousand decrease in this item was again mainly attributable to the parent company and, in particular, to the sale of hardware (€ 85 thousand), furniture and furnishings (€ 66 thousand) and cars (€ 57 thousand).

The line-by-line consolidation of Laservall SpA produced an increase of € 444 thousand, gross of depreciation.

The main components of the heading "Other assets" as of 31 December 2004 were as follows: office furniture and fittings (€ 1,055 thousand, of which € 196 thousand pertains to Laservall), office

machines (€ 1,405 thousand, of which € 139 thousand for Laservall), cars (€ 288 thousand, of which € 77 thousand for Laservall), and trade fair equipment (€ 179 thousand).

The balance of the item "Assets under construction and advances" is ascribable to the parent company and consists of:

- € 107 thousand in advances on plant and moulds;
- € 57 thousand for equipment constructed in-house.

In previous years, Datasud Srl received capital grants of € 2,056 thousand (in three instalments: one in 1993 and two in 1997), which have been booked under Other Reserves, and interest subsidies totalling € 1,756 thousand (issued in two instalments in 1995 and1996). Due to Datasud's merger by incorporation into the parent company, the untaxed portion of that reserve has been reconstituted under Datalogic SpA's shareholders' equity.
These grants have led to the following restrictions and constraints on the free disposability of assets:

- a special lien of € 2,970 thousand on plant and machinery installed in the factory pursuant to Article 46 of Legislative Decree 385 of 1 September 1993;
- a mortgage for the same amount on real properties.

Any failure to comply with the clauses imposing these restrictions and constraints entitles the issuing agency to recall the grants.

As required by Article 10 of Italian Law 72/1983, below we list the tangible fixed assets entered in the company's accounts as of 31 December 2004 that have undergone monetary and economic revaluations as an exception to normal financial reporting standards.

Revaluation amounts	Law 576 of 2 December 1975	Law 72 of 19 March 1983	Law 413 of 30 December 1991	Economic revaluation	Total
Land and buildings	34	137	144	361	676
Plant and machinery	-	-	-	-	-
Industrial & commercial equipment	5	10	-	-	15
Other assets	3	5	-	-	8
Total	41	152	144	361	698

The economic revaluation, undertaken in 1992, refers to one of the buildings where the company conducts its business.

FINANCIAL FIXED ASSETS

Equity investments

Changes in equity investments during the year are shown below:

	Balance as of 31/12/03	Increases	Exchange diff.	Write-ups (Writedowns)	Changes	Balance as of 31/12/04
b) Associated companies						
- Valued at net equity:						
Izumi DL Co. Ltd	318	125	(14)			429
Laservall Asia Co. Ltd		59	(1)		27	85
Laservall China Co. Ltd.		100	(9)		137	228
Ixla SA		67			34	101
- Valued at cost:						0
DL Private India	8					8
Total associated companies	**326**	**351**	**(24)**	**0**	**198**	**851**
d) Other companies						
NOMISMA SpA Italy	7					7
Conai	0					0
Caaf Ind. Emilia Romagna Italy	4					4
Crit Srl	51					51
T3 Lab Consortium		8				8
Alien Technology Corporation		1,042				1,042
Total other companies	**62**	**1,050**	**0**	**0**	**0**	**1,112**

The breakdown of the increase of € 525 thousand vs. 31 December 2003 of “Investments in associated companies” is as follows:

- € 351 thousand for the posting at equity of the companies Izumi DL Co. Ltd., Laservall Asia Co. Ltd., Laservall China Co. Ltd. and Ixla SA.;
- € 24 thousand for the adverse exchange-rate difference stemming from the posting at equity of Izumi DL Co. Ltd.;
- € 198 thousand for the book value in Laservall accounts as of 31 December 2004 of Laservall Asia Co. Ltd., Laservall China Co. Ltd. and Ixla SA.

The change with respect to 31 December 2003 in the item "Equity investments in other companies" is mostly due to the parent company's acquisition of a minority interest (less than 1%) in Alien Technology Corporation, an American firm specialized in RFID readers.

Non-current financial receivables

Changes during the year were as follows:

	31/12/03	Increases	(Decreases)	31/12/04
Due from subsidiaries				
Due from associated companies		48		48
Due from others	59	5	(9)	55
Total	**59**	**53**	**(9)**	**103**

The € 48-thousand increase in receivables from associated companies is due to the line-by-line consolidation of Laservall SpA and consists of an interest-bearing loan (rate: 12%) granted to Laservall Asia Co. Ltd.

Receivables due from others mainly consists of a € 41-thousand security deposit made by the parent company and security deposits of € 8 thousand made by Laservall.

Other securities

	31/12/03	Increases	(Decreases)	31/12/04
Securities held as guarantees	2,856	849	(856)	2,849
(Writedown reserve)				-
Total	**2,856**	**849**	**(856)**	**2,849**

This balance mainly consists of securities held to secure the loan granted by San Paolo IMI SpA to the parent company to finance applied research. The securities owned by the parent company amount to € 2,846 thousand: € 1,718 thousand in Italian medium- and long-term treasury notes (BTP and CCT), € 417 thousand in banking bonds, and € 711 thousand in units of bond funds.

The following table summarizes the "Other securities" held by the parent company as of 31 December 2004:

LISTED SECURITIES (in €)

type of security	purchase value	unit value	nominal value	unit value as of 31/12/04	total market value as of 31/12/04
Bond fund	443,045.30	5.931		6.72	502,142.91
Bond fund	134,950.19	5.284		5.41	167,445.93
Bond fund	132,936.01	5.762		7.07	166,202.37
	710,931.50				**835,791.21**

type of security	purchase value	unit purchase price	nominal value	market price as of 31/12/04	total market value as of 31/12/04
Treasury notes	39,986.86	100.52	39,780	100.48	39,970.95
Bonds	144,644.68	97.09	148,980	104.76	156,071.45
Treasury notes	808,654.36	100.36	805,740	100.35	808,573.78
Treasury notes	506,500.18	100.52	503,880	100.35	505,643.58
Treasury notes	362,808.00	100.78	360,000	100.35	361,260.00
	1,862,594.08		**1,858,380.00**		**1,871,519.76**

UNLISTED SECURITIES (in €)

type of security	purchase value	unit purchase price	nominal value	market price as of 31/12/04	total market value as of 31/12/04
Bonds	**272,220**	100		100	**272,220**

CURRENT ASSETS

Inventories

Details are as follows:

	31/12/04	31/12/03	Change
1) Raw and ancillary materials and consumables	12,147	10,707	1,440
2) Work in progress and semi-finished products	3,498	2,143	1,355
3) Work in progress to order			
4) Finished products and goods	7,109	9,442	(2,333)
5) Advances			
Total	**22,754**	**22,292**	**462**

As of 31 December 2004, € 3,718 thousand derived from the consolidation of Laservall SpA, as follows:

- Raw and ancillary materials and consumables for € 2,228 thousand;
- Work in progress for € 571 thousand;
- Finished products and goods for € 919 thousand.

Net of those amounts, this item would have decreased by € 3,256 thousand (-15% compared with 31 December 2003).

The valuation applied does not differ significantly from a valuation based on current costs.

Receivables

	31/12/04	31/12/03	Change	Due beyond 5 years
Trade receivables				
For goods and services	41,706	33,071	8,635	
(writedown reserve)	(791)	(850)	59	
Total	**40,915**	**32,221**	**8,694**	**-**
Due from associated companies				
Izumi Datalogic	1,353	482	871	-
Ixla SA	1		1	
Laservall Asia	576		576	
Alitec			-	
Datalex SA	-	-	-	-
Total	**1,930**	**482**	**1,448**	**-**
due from parent and holding companies			-	
Hydra SpA		-	-	
Total	**-**	**-**	**-**	**-**
tax credits				
VAT credits	3,869	6,774	(2,905)	
Other tax credits	3,949	2,995	954	
Tax credit on dividends	-	1,563	(1,563)	
Total	**7,818**	**11,332**	**(3,514)**	**-**
prepaid taxes				
	3,802	**3,362**	440	
Total	**3,802**	**3,362**	**440**	**-**
due from others				
Commercial paper	-	1,497	(1,497)	
Interest due from banks		-	-	
Advance payments and prepaid invoices	227	526	(299)	
Other receivables	673	611	62	
			-	
Total	**900**	**2,634**	**(1,734)**	**-**
Total receivables	**55,365**	**50,031**	**5,334**	**-**

Trade receivables as of 31 December 2004 include € 3,122 thousand for the consolidation of Laservall SpA. Net of that amount, the increase in trade receivables would have amounted to € 5,572 thousand (+17% on the previous year). The increase on 2003 stems mainly from the growth of revenues (+10% net of Laservall SpA for the final quarter of 2004).

Receivables from associated companies relate to trade transactions completed at going market rates.

Most of the VAT credits are held by the parent company (€ 3,461 thousand); the decrease for the year is explained by the authorities' partial reimbursement of the interim VAT credit in the amount of € 4,985 thousand.

Other tax credits mainly consist of:

- € 3,769 thousand for tax payments on account (€ 3,152 thousand for the parent company, € 536 thousand for Laservall, € 48 thousand for DL Iberia and € 33 thousand for other group companies);
- € 174 thousand for taxes withheld on interest, of which € 172 thousand at the parent company.

Deferred tax assets total € 3,802 thousand (including € 840 thousand long-term), as detailed below:

Deferred tax assets	**31/12/04**	**31/12/03**	**change**
Datalogic SpA	1,609	924	685
Datasud Srl		143	(143)
Laservall SpA	39		39
DL AB Holding	203	213	(10)
DL AB	74	-	74
DL Inc.	162	139	23
EMS	2	8	(6)
DL UK		16	(16)
Total short-term deferred tax assets	**2,089**	**1,443**	**646**
Datalogic Handelsgesellschaft mbH	469	794	(325)
Datalogic Pty Ltd.	51	41	10
Datalogic UK Ltd.	320	320	-
Datasud Srl		3	(3)
Total long-term deferred tax assets	**840**	**1,158**	**(318)**
Deferred taxes posted by virtue of consolidation entries	873	761	112
Total deferred tax assets	**3,802**	**3,362**	**440**

Receivables for commercial paper existing at the close of 2003 (representing the parent company's investment of corporate liquidity) were cleared during the first half of the year.

"Other receivables" include € 222 thousand paid by the parent company against a tax assessment received on 22 October 2002, against which the company has filed an appeal.

Current financial assets

Treasury stock

On 25 October 2001, an ordinary meeting of the parent company's shareholders approved a buy-back plan for a maximum of 650,000 shares.

Subsequently, on 22 April 2004, shareholders approved an extension of the buy-back plan for up to 1,150,000 shares, to be executed by the next annual general meeting of shareholders for approval of 2004 year-end accounts or within 18 months of the shareholder resolution. There were various, detailed reasons for proposing this plan to shareholders:

- there is the future possibility of undertaking share swaps to accelerate the company's development, with the use of own shares being a more flexible instrument than a new share issue;
- the stock's market price does not seem to represent the company's actual fundamentals and earnings potential, so the buy-back seems to be a good investment opportunity for the company itself.

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.

	31/12/03	Increases	(Decreases)	31/12/04
Shares of Datalogic SpA	5,381	9,673	(5,381)	9,673
Total	**5,381**	**9,673**	**(5,381)**	**9,673**

Treasury stock reclassified from financial fixed assets as of 31 December 2003 (€5,381 thousand) was sold in January and February 2004, for a capital gain of € 1,065 thousand, posted as "Income from securities held as current assets that do not constitute equity investments".

As of 31 December 2004, for the reasons stated above, 589,930 treasury shares had been reclassified from financial fixed assets for a total value of € 9,673 thousand at an average unit purchase price of € 16.40. The total market value of these shares at the close of 2004 was € 10,563 thousand. They were sold in February 2005 for a capital gain of € 1,045 thousand.

Other securities

	31/12/03	Increases	(Decreases)	31/12/04
other securities	1,422	11,925	(9,945)	3,402
Total	**1,422**	**11,925**	**(9,945)**	**3,402**

This item changed as follows during the year:

- an increase of € 11,925 thousand, made up of:
  - € 7,231 thousand in money market funds;
  - € 4,694 thousand in government bonds;
- a decrease of € 9,945 thousand consisting of:
  - € 5,042 thousand for the sale of treasury notes
  - € 4,903 thousand for the sale of fund units.

The following table summarizes the other securities held by the parent company as of 31 December 2004:

type of security	purchase value	unit purchase price	nominal value	unit market price as of 31/12/04	total market value as of 31/12/04
Fund	3,402,472.17	8.2195		8.233	3,408,076.08

Cash and banks

	31/12/04	31/12/03	change
1) bank and post office deposits	37,201	35,751	1,450
2) cheques	193	-	193
3) cash and valuables on hand	19	25	(6)
Total cash and banks	**37,413**	**35,776**	**1,637**

This item includes € 1,556 thousand for the consolidation of Laservall SpA.

Accrued income and prepayments

	31/12/04	31/12/03	Change
a) accrued income			
sundry interest income	23	3	20
exchange gains	239	597	(358)
other	7	38	(31)
total accrued income	**269**	**638**	**(369)**
b) prepayments			
insurance	82	91	(9)
membership fees	27	4	23
rents and maintenance fees	54	185	(131)
leasing contracts	12	2	10
surety costs	107	100	7
trade fairs and sponsorships	44	40	4
substitute tax	313	417	(104)
other	132	112	20
total prepayments	**771**	**951**	**(180)**
Total accrued income and prepayments	**1,040**	**1,589**	**(549)**

Accrued income for exchange gains includes € 228 thousand for the adjustment of financial transactions to the year-end exchange rate and € 11 thousand for calculation of the premium accruing as of 31 December 2004.

The most significant item under prepayments is the substitute tax on goodwill booked to the financial statements of the parent company (€ 313 thousand), which pertains to the years 1998-2007 (inclusive) as it is associated with the amortization period for the goodwill acquired with the IdWare Srl merger in 1998.

SHAREHOLDERS' EQUITY

Changes in shareholders' equity in 2004 were as follows:

	Balance as of 31/12/03	Profit allocation	Capital increases	Other movements	Profit/(loss) for the year	Balance as of 31/12/04
Share capital	24,759		314			25,073
Share premium reserve	54,424		1,419			55,843
Revaluation reserves	258					258
Legal reserve	617	245				862
Reserve for treasury stock	5,381			4,292		9,673
Demerger capital reserve	4,439					4,439
Surplus from Datasud cancellation				4,432		4,432
Untaxed capital grants reserve				958		958
Consolidation reserve	1,878			(1,878)		(0)
Translation reserves	(943)			(301)		(1,244)
Retained earnings/ (losses carried forward)	8,020	4,821		(7,845)		4,996
Profit/(loss) for the year	7,180	(7,180)			11,290	11,290
Balance	**106,013**	**(2,114)**	**1,733**	**(342)**	**11,290**	**116,580**
Minority interests in profit	**0**					0
Minority interests in sh. equity	0					0
Balance	**106,013**	**(2,114)**	**1,733**	**(342)**	**11,290**	**116,580**

Revaluation reserves (totalling € 258 thousand) cover asset revaluations performed pursuant to the following Italian laws:

- Law 413/91

- Law 72/83 (the “Visentini Law”).

The “reserve for treasury stock” has been set up by the parent company in connection with the buy-back operations, as required under the Italian Civil Code. As required by law, as of 31 December 2004 this reserve changed by an amount equivalent to that of the “Treasury stock” item under assets.

The “Demerger capital reserve” followed the split of the parent company on 2 January 1998 into IES SpA (demerged company, now Datasensor) and Datalogic SpA (the beneficiary company).

The surplus from cancellation reserve and the untaxed capital grants reserve have arisen from the merger of Datalogic SpA and Datasud, as mentioned earlier in these notes.

The item “Retained earnings/losses carried forward":

- increased by € 4,821 thousand due to the allocation of 2003 net earnings;
- decreased by € 7,845, as follows:
  - € 4,292 thousand moved to the reserve for treasury stock due to purchases during the year;
  - € 4,432 thousand moved to “Surplus from Datasud cancellation”;
  - € 958 thousand moved to the capital grants reserve;
  - € 1,878 thousand used for the closure of the consolidation reserve arising upon first-time consolidation of Datasud;
  - € 41 thousand for the use of unallocated earnings by the company Datalogic AB.

Share capital was made up as follows as of 31 December 2004:

Shares/quotas	Number	Par value in €	Total in €
Ordinary	12,054,150	2.08	25,072,632

The increase in this item was caused by the exercise of some of the stock options assigned to the company's directors and employees. This operation also generated a € 1,419-thousand increase in the share premium reserve.

The item “Retained earnings/losses carried forward” includes the equity changes taking place in consolidated companies after the date of acquisition, as well as the effect of consolidation procedures. It was reduced due to the deconsolidation of Datasud.

The decrease of € 2,114 thousand in group net equity was due to the parent company's payment of a per-share dividend of € 0.18, approved by the ordinary shareholders' meeting of 22 April 2004 and distributed on 29 April.

The following table reports shareholders' equity items along with their origin, possible uses, availability for distribution, and utilization in prior years.

	Amount	Possible use(s)	Amount available	Summary of utilizations during the past three years	
				For loss coverage	For other reasons
Share capital	25,073				
Capital reserves:	0				
Share premium reserve	55,843	A, B, C	55,843		
Demerger capital reserve	4,439	A, B, C	4,439		
	0		0		
	0		0		
Profit reserves:	0		0		
Reserve for treasury stock	9,673		0		
Surplus from cancellation reserve	4,432	A, B, C	4,432		
Legal reserve	862	B	862		
Capital grants reserve	958	B	958		
Retained earnings	4,996	A, B, C	4,996		(9,673)
	0		0		
Revaluation reserves:	0		0		
Revaluation reserve as per Law 413/91	164		0		
Revaluation reserve as per Law 72/83	94		0		
Translation reserves:	(1,244)		0		
Total	105,290		71,531		
Non-distributable portion					
Remaining amount distributable					
Key: A: for capital increases – B: for coverage of losses – C: for distribution to the shareholders					

Utilization of the reserves shown in the table concerns the allocation of retained earnings to the reserve for treasury stock.

Reconciliation between the parent company's net equity and profit and the corresponding consolidated figures is as shown below (including comparison with the previous year):

	31 December 2004		31 December 2003	
	Total shareholders' equity	**Net profit (loss) for the year**	**Total shareholders' equity**	**Net profit (loss) for the year**
Datalogic SpA net equity and profit	**114,460**	**10,734**	**98,718**	**4,913**
Difference between consolidated companies' net equity and their carrying value in the Datalogic SpA's statement; effect of the equity-based valuation	4,833	4,249	9,711	5,818
Dividend reversal	0	(3,404)	0	(3,373)
Amortization of consolidation difference	(990)	(751)	(239)	(161)
Elimination of capital gain on sale of business branch	(208)	70	(278)	(276)
Effect on elimination of intercompany transactions	(69)	(79)	18	(7)
Elimination of intercompany profits	(2,333)	403	(2,736)	441
Effect of booking leasing transactions	(73)	(64)	(9)	(93)
Deferred taxes	960	132	828	(82)
Group shareholders' equity	**116,580**	**11,290**	**106,013**	**7,180**
Minority interests in shareholders' equity	0		0	
Total shareholders' equity	**116,580**	**11,290**	**106,013**	**7,180**

RESERVES FOR RISKS AND CHARGES

	31/12/03	Increases	(Utilizations)	Exchange diff.	31/12/04
for retirement benefits and similar obligations	-				-
for taxes (current and deferred)	216	1,087	(40)	(1)	1,262
other reserves	761	2,754	(735)	(5)	2,775
Total reserves for risks and charges	**977**	**3,841**	**(775)**	**(6)**	**4,037**

Tax reserves mainly consist of:

- € 1,042 thousand in deferred taxes provided by the parent company against depreciation and provisions deducted exclusively for tax purposes (for further details see the section on deferred taxation);
- € 41 thousand in deferred taxes provided by Laservall SpA;
- € 50 thousand in deferred taxes provided by the subsidiary Datalogic Gmbh in respect of the different depreciation rates used for consolidation purposes;
- € 117 thousand in deferred taxes relating to the company Datalogic AB.

The breakdown of "other reserves" for risks and charges is as follows:

	31/12/04	31/12/03	Change
Product warranty reserve	906	727	179
Reserve for legal disputes	154	17	137
Reserve for restructuring costs	1,153	-	1,153
Other	562	17	545
Total	**2,775**	**761**	**2,014**

The product warranty reserve covers the estimated cost of repairing products sold under warranty. It totals € 906 thousand and is deemed sufficient to meet the specific risk concerned. Of the total increase in this item, € 100 thousand was due to the consolidation of Laservall.

The reserve for restructuring costs was acquired by the parent company following the acquisition of the business branch mentioned earlier (€ 1,730 thousand). As of 31 December 2004 it had been reduced by € 577 thousand, as follows:

- € 260 thousand for leaving incentives paid to former employees of the acquired branch;
- € 217 thousand booked as "Other revenues and income" against training and job-conversion costs borne for the staff involved in the acquisition;
- € 100 thousand against goodwill reversal.

RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES

Changes in 2004 are shown below:

	31/12/03	Provisions	Other movements	(Utilizations)	31/12/04
Reserve for employee severance indemnities	**4,970**	**1,303**	**569**	**(329)**	**6,513**

Utilizations refer chiefly to Datalogic SpA (€ 310 thousand: € 109 thousand for advances, € 186 thousand for severance payments and € 15 thousand for the decrease in the substitute tax on employees' severance indemnities and equalization).

Of the increase of € 569 thousand, € 286 thousand is ascribable to the parent company, which acquired this amount following acquisition of the business branch consisting of a software R&D laboratory, while € 283 thousand is due to the consolidation of Laservall.

PAYABLES

Due to banks

In detail:

		due within 1 year	due beyond 1 year	due beyond 5 years	Total
Due to banks					
	current account overdrafts	355			355
	bank loans and mortgages	1,039	2,087	107	3,233
Total		**1,394**	**2,087**	**107**	**3,588**

This item includes € 1,627 thousand in bank debt by Laservall, as follows:

- € 324 thousand in advances subject to collection;

- € 420 thousand in loans due within 12 months;
- € 883 thousand in loans due beyond 12 months.

Due to other sources of finance

This item can be broken down as follows:

	due within 1 year	due beyond 1 year	due beyond 5 years	Total
Due to other sources of finance				
San Paolo IMI SpA	1,159	1,102	577	2,838
Other	107	482	1,145	1,734
Total	**1,266**	**1,584**	**1,722**	**4,572**

Amounts due to other sources of finance consist mainly of the following:

- a mortgage loan taken out by the parent company from SanPaolo IMI SpA;
- a loan received by Datalogic UK LTD and renegotiated in 2000 with Barclays Bank;
- low-interest loans received by Laservall SpA totalling € 787 thousand (of which € 744 thousand is due beyond 12 months). Loan payments due beyond five years amount to € 427 thousand.

Borrowing from banks and other financial institutions are split as follows among group companies (amounts in €/000):

Company	Type of loan	Due date	Interest Rate	Current Portion	Long-term portion	Instalments
DL spa	Loan from IMI Law 346	01/01/06	FIXED	944	0	half-yearly
	Loan from IMI Law 46 (MURST) 66985	01/01/11	FIXED	78	415	half-yearly
	Loan from IMI Law 46 (MURST) 66985	01/01/11	FIXED	14	72	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/12	FIXED	6	78	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/12	FIXED	5	75	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/12	FIXED	1	20	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/12	FIXED	7	90	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/17	FIXED	11	158	half-yearly
	Loan from IMI Law 46 (MURST) 67231	01/07/12	FIXED	17	238	half-yearly
	Loan from IMI Law 46 (MURST) 67232	01/07/12	FIXED	49	346	half-yearly
	Loan from IMI Law 46 (MURST) 67232	01/07/12	FIXED	14	98	half-yearly
	Loan from IMI Law 46 (MURST) 67233	01/07/12	FIXED	13	89	half-yearly
	UniCredito loan from merger of Datasud	30/11/05	FIXED	424	0	half-yearly
DL France	Pool mortgage loan CFF and BNP	18/06/06	VARIABLE	46	46	quarterly
	Mortgage loan BNP	18/06/06	VARIABLE	46	46	quarterly
	Mortgage loan BNP	16/07/05	VARIABLE	13	0	monthly
Datalogic Holding AB	Mortgage loans	28/02/2005	FIXED	0	378	lump sum
	Mortgage loans	30/09/05	FIXED	0	345	lump sum
Datalogic Pty Ltd.	Bank loan	27/06/06	FIXED	7	15	monthly
Datalogic UK	Mortgage loan	23/05/15	VARIABLE	64	884	quarterly
DL GMBH	Loan secured by inventories and receivables	01/01/11	FIXED	82	480	monthly
Laservall SpA	SESTO loan	30/04/05	FIXED	12	-	monthly
	Law 46/82 Project no. 11005	09/03/15	FIXED	-	418	yearly
	UNIONFIDI loan	30/11/05	FIXED	130	-	monthly
	LOAN. UNIONFIDI	11/02/08	FIXED	79	183	monthly
	€ 1,000,000 loan	01/06/09	FIXED	200	700	quarterly
	Law 46/82 Project no. 3153	01/01/13	FIXED	43	326	half-yearly
TOTAL				**2,305**	**5,500**	

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 2004, taxes payable amounted to Euro 9,897 thousand and were attributable to the parent company for Euro 5,569 thousand. Most of that amount consists of the following:

€ 4,640 thousand for income taxes for the year;

-€ 921 thousand for personal income tax (IRPEF) withheld for employees;

-€ 8 thousand for taxes withheld for professionals and various self-employed service providers.

Other significant tax debts were reported by Datalogic Gmbh (€ 1,545 thousand), Datalogic UK (€ 244 thousand), Datalogic Holding AB (€ 186 thousand), Datalogic Spain (€ 176 thousand) and Laservall (€ 1,975 thousand, including € 1,064 thousand for estimated corporate income tax as of 30 June 2004).

Other payables

Other payables	**31/12/04**	**31/12/03**	**Change**
due to personnel	5,082	4,339	743
directors' emoluments	411	475	(64)
insurance	104	69	35
advances			-
other	7,365	328	7,037
Total	**12,962**	**5,211**	**7,751**

Amounts due to personnel consist of salaries and pay in lieu of holiday accrued by employees as of the reporting period (including € 216 thousand for Laservall).

The heading "other" includes € 6,711 thousand in debt pertaining to the parent company for the Laservall acquisition, of which € 3,000 thousand (the amount of the second and third earn-outs) will fall due beyond 12 months.

ACCRUED LIABILITIES AND DEFERRED INCOME

	31/12/04	31/12/03	change
a) accrued liabilities			
interest on mortgage loans	32	10	22
consulting services	74	61	13
bonuses and fees			-
other	115	144	(29)
Total accrued liabilities	**221**	**215**	**6**
b) deferred income			
maintenance contracts	174	9	165
intercompany transactions	287	46	241
warranty extension	514	311	203
other	144	35	109
Total deferred income	**1,119**	**401**	**718**
Total accrued liabilities and deferred income	**1,340**	**616**	**724**

Of the increase in the deferred-income item “maintenance contracts”, € 17 thousand is attributable to Datalogic UK for suspension of the portion of revenues not pertaining to the year of maintenance contracts taken out with customers that, during the accounting period, followed a different invoicing policy to that of the previous year. The parent company was responsible for an additional € 95 thousand.

The increase in the deferred-income item “warranty extension” was due to the YoY increase in sales of this service.

“Intercompany transactions” refer to the elimination of inventory margin for the companies Izumi (€ 137 thousand), Laservall China (€ 138 thousand) and Laservall Asia (€ 11 thousand), which are booked at equity.

MEMORANDUM ACCOUNTS

Collateral

Collateral amounts to € 7,388 thousand and consists of the following items:

- mortgages on tangible fixed assets for € 4,007 thousand;
- pledges on securities against IMI financing received by the parent company for € 2,478 thousand;
- additional pledges for € 903 thousand.

Commitments

These refer to commitments for leasing contracts.

The following table summarizes all financial transactions outstanding as of 31 December 2004:

Type of financial transaction	Due date	Notional amount in foreign currency	Forward contract exchange rate (Currency/EUR)	Total value at forward contract exchange rate	Exchange rate as of 31/12/04 (Currency/ EUR)	Total value at exchange rate as of 31/12/04
Forward sale	15/04/05	USD 2,000,000	1.1792	1,696,000	1.3620	1,468,400
Forward sale	28/01/05	USD 500,000	1.3046	383,250	1.3620	367,100

D) INFORMATION ON THE INCOME STATEMENT

PRODUCTION VALUE

	31/12/04	31/12/03	Change
revenues from sales and services	146,267	130,071	16,196
change in inventories of work in progress, semi-finished and finished products	1,158	(441)	1,599
increase in fixed assets via internal production	126	266	(140)
sundry revenues	1,375	899	476
operating grants	539	538	1
Total production value	**149,465**	**131,333**	**18,132**

Revenues from sales and services increased by 13% with respect to the previous year (6% net of Laservall SpA).
For greater detail, see the section “Revenue trends and key factors affecting operations during the year" in the report on operations.

The item "Sundry revenues" mainly consists of:

- rent: € 264 thousand;
- casual losses and non-existent assets: € 175 thousand;
- other income: € 451 thousand;
- capital gains on disposals: € 59 thousand;
- canteen refund claim: € 65 thousand.

The heading “Other income” includes the € 217-thousand decrease in the company restructuring reserve (acquired by the parent company with the acquisition mentioned earlier).

Operating grants refer to:

- € 397 thousand received by the parent company, consisting of € 347 thousand in grants issued by the Ministry of University and Scientific & Technical Research (MURST) for R&D projects and € 50 thousand in hiring bonuses pursuant to Article 7 of Italian Law 388/00;

- € 142 thousand in MURST grants received by Laservall SpA.

Below is the percent geographical breakdown of revenues for sales and services:

	31/12/04	31/12/03	Change
Italy	17%	15%	2%
Elsewhere - EU	56%	57%	-1%
Elsewhere - non-EU	27%	28%	-1%

PRODUCTION COSTS

	31/12/04	**31/12/03**	**Change**
raw and ancillary materials, consumables and goods	53,322	52,041	1,281
services	21,465	19,675	1,790
rentals and leasing	3,048	2,599	449
payroll costs:			
wages and salaries	31,748	30,189	1,559
social security charges	8,009	7,187	822
employee severance indemnities	1,303	1,076	227
retirement benefits and similar	151	123	28
other	1,070	795	275
total payroll costs	**42,281**	**39,370**	**2,911**
amortization, depreciation and writedowns:			-
amortization	3,119	3,352	(233)
depreciation	2,842	3,936	(1,094)
other writedowns of fixed assets		19	(19)
writedowns of receivables held as current assets	112	447	(335)
total amortization, depreciation and writedowns	**6,073**	**7,754**	**(1,681)**
change in inventories of raw and ancillary materials, consumables and goods	3,665	(2,170)	5,835
provisions for contingencies	234	197	37
other provisions	-	-	-
other operating expenses	1,073	987	86
Total production costs	**131,161**	**120,453**	**10,708**

Purchase cost savings were one of the main drivers of the increase in profitability with respect to 2003.

Comparison of the sum of the two items “raw and ancillary materials, consumables and goods" and “change in inventories" (inclusive of inventory writedown) shows a 10% increase (+3% without Laservall) compared with the same sum of items as of 31 December 2004. This change is lower than the percent increase in “revenues for sales and services” (+13% and +6% without Laservall) in the same period and reflects a significant reduction in the purchase cost of components.

The increase in payroll costs was mainly due to:

- the YoY increase in the parent company’s workforce (+33 employees), of which 21 additions stemmed from the acquisition mentioned earlier;
- consolidation of Laservall SpA (for € 1,356 thousand and 67 employees).

Of the decrease in amortization and depreciation, € 1,841 thousand was caused by the change in rates discussed in greater detail above.

The detailed breakdown of service costs (of which Laservall accounted for € 1,303 thousand) is as follows:

	31/12/04	31/12/03	Change
subcontracted work	2,499	2,667	(168)
receipt and shipment of goods	1,893	2,151	(258)
technical, legal and tax consulting	2,364	2,100	264
travel expenses	1,924	1,879	45
power, lighting and heating	603	605	(2)
maintenance	569	633	(64)
repairs and technical work	1,879	1,195	684
trade fairs, advertising and entertaining	2,634	1,966	668
commissions	146	79	67
corporate officers' emoluments	1,527	1,289	238
staff services	1,272	1,055	217
meetings	608	479	129
telephone and postal expenses	839	886	(47)
EDP services	400	331	69
car expenses	135	242	(107)
cleaning	375	326	49
insurance	489	440	49
other	1,309	1,352	(43)
Total	**21,465**	**19,675**	**1,790**

The decrease in subcontracted work was mainly due to the parent company's reduced use of outsourcing.

The decrease posted for the receipt and shipment of goods (Laservall's contribution: € 43 thousand) is explained by greater logistical efficiency, especially in the European region.

The € 264-thousand increase in "technical, legal, and tax consulting" was due mostly to Laservall, which booked € 250 thousand for technical advisory services.

The increase of € 620 thousand in the combined balance of “maintenance” and “repairs and technical work” was due to the increase in sales and to greater use of outside personnel for the activities concerned.

The € 668-thousand increase in the item “Trade fairs, advertising and entertaining” includes € 299 thousand for the consolidation of Laservall, the participation of the group's German and British affiliates in some new trade fairs, and the overall rise in advertising investments.

The € 217-thousand increase in costs for “staff services” was ascribable to the parent company for canteen costs (€ 51 thousand) and training courses (€ 28 thousand) as well as to Laservall SpA (€ 43 thousand).

The item “corporate officers' emoluments” includes fees paid to directors (€ 1,434 thousand, of which Laservall = € 171 thousand) and statutory auditors (€ 93 thousand).

Details of rental and leasing costs are as follows:

	31/12/04	31/12/03	Change
building rents	1,057	997	60
other rent	770	679	91
leasing instalments	357	264	93
leasehold maintenance	32	56	(24)
royalties paid	680	492	188
other	152	111	41
Total	**3,048**	**2,599**	**449**

Most of the increase in building rents pertains to the parent company for rental of its factory in Quinto, which is larger than the plant previously occupied in Mogliano Veneto.

The increase in “Other rent” is also mainly ascribable to the parent company and was caused by the increase in the number of car rental contracts.

The increase in royalties paid is explained chiefly by the Laservall consolidation (for € 164 thousand).

Leasing instalments refer to motor vehicles and equipment.

"Other operating expenses" can be broken down as follows:

Other operating expenses

	31/12/04	31/12/03	Change
indirect taxation	317	274	43
car taxes	32	25	7
losses on receivables		1	(1)
	-		
sundry non-deductible costs	2		2
		-	
costs reimbursable by third parties	50	173	(123)
membership fees	176	234	(58)
sponsorships and publicity	121	52	69
gifts/donations	49	58	(9)
contingent charges	12	42	(30)
capital losses on disposal of ordinary assets	91	4	87
other	223	124	100
Total	**1,073**	**987**	**87**

Financial income and expenses

Other financial income

In detail:

	31/12/04	31/12/03	Change
a) from receivables held as fixed assets - other	-	14	(14)
b) from securities held as fixed assets that do not constitute equity investments	325	318	7
c) from securities held as current assets that do not constitute equity investments	1,096	101	995
d) income other than the above:			-
- from others	751	694	57

Total	**2,172**	**1,127**	**1,045**

The increase in the item “Income from securities held as current assets that do not constitute equity investments” was due mainly to the parent company's proceeds (€ 1,065 thousand) from the sale of treasury stock that, as of 31 December 2003, was booked among current assets.

Below are details of the item “income other than the above" received from others:

	31/12/04	31/12/03	Change
interest on current accounts at banks	688	533	155
interest on commercial paper	33	77	(44)
other	30	84	(54)
total other income from others	**751**	**694**	**57**

Interest and other financial expenses

	31/12/04	31/12/03	Change
- to subsidiaries			
- to associated companies			
- to parent and holding companies			
- to others			
interest on bank current accounts and loans	205	157	48
interest on loans from other sources of finance	215	350	(135)
operating grants	(233)	(233)	-
other	243	231	12
Total interest and other financial expenses	**430**	**505**	**(75)**

Exchange gains and losses

	31/12/04	31/12/03	Change
exchange gains	1,024	2,344	(1,320)
exchange losses	(1,334)	(2,081)	747
Net exchange gains/(losses)	**(310)**	**263**	**(573)**

Exchange gains (of which € 790 thousand pertains to the parent company) are made up as follows:

- € 472 thousand in exchange gains on commercial transactions, including € 68 thousand for adjustment to year-end exchange rates;

- € 28 thousand in exchange gains relating to foreign-currency borrowing and current accounts (adjustment to year-end exchange rates);

- € 290 thousand in connection with financial transactions, including € 239 thousand detailed below:
  1. € 228 thousand generated by adjustment of forward hedging transactions to year-end exchange rates;
  2. € 11 thousand from calculation of the premium relevant to the period up to 31 December 2004.

Of the item "Exchange losses", € 1,274 thousand is attributable to the parent company and can be broken down as follows:

- € 753 thousand in exchange losses on commercial transactions, of which € 151 thousand for adjustment to year-end exchange rates;
- € 212 thousand in exchange losses on foreign-currency loans and current accounts, including € 201 thousand for adjustment to year-end exchange rates;
- € 309 thousand relating to financial transactions.

Adjustments to the value of financial assets

The total write-up of € 351 thousand refers to the valuation at equity of:

- Izumi Datalogic Co. Ltd. (€ 125 thousand);
- Laservall Asia Co. Ltd. (€ 59 thousand);
- Laservall China Co. Ltd. (€ 100 thousand);
- Ixla S.A. (€ 67 thousand).

Non-recurring income and expenses

	31/12/04	31/12/03	Change
20) income			
a) capital gains on disposals	27	14	13
b) other non-recurring income			-
contingent income	239	183	56
other	43	30	13
total non-recurring income	**309**	**227**	**82**
21) expenses			
a) capital losses on disposals			
sundry	6	2	4
b) other non-recurring expenses			-
contingent expenses	628	390	238
extraordinary operation - EMS		1,080	(1,080)
tax pardon		266	(266)
prior-period taxes	303		303
other	644	8	636
total non-recurring expenses	**1,581**	**1,746**	**(165)**

"Contingent income" includes € 79 thousand for refunding of interest erroneously charged to Datasud by a bank and € 104 thousand concerning various minor amounts relating to the parent company.

"Contingent charges" include € 82 thousand for a Datasud tax credit that cannot be used, € 110 thousand for an extraordinary bonus granted to a customer and € 204 thousand for goods returned by customers.

Of the item "Prior-period taxes", € 226 thousand was attributable to Datalogic Gmbh for an error in calculations, and € 76 thousand to the parent company due to the effect of the change (published on 1 April 2004, thus after the Board of Directors approved the financial statements) in the ordinary rate of remuneration used for application of the dual income tax regime to 2003 income, which decreased from 5.7% to 5%.

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 had a positive effect on the income statement amounting to € 838 thousand.

It can be broken down as follows:

A negative effect of € 498 thousand, attributable to the parent company, obtained from the reporting of deferred tax assets (€ 1,590 thousand), the reduction in the amount receivable for prepaid taxes (€ 1,046 thousand) and the provision for deferred taxation (€ 1,042 thousand). Taxes paid in advance have been booked on the basis of deductible timing differences. The timing differences that gave rise to deferred tax assets and liabilities are summarized in the following table:

Liabilities	Deferred taxes 2003			Absorptions in 2004			Increases in 2004			Deferred taxes 2004		
	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax
Taxable timing differences												
Depreciation charged for tax purposes							2,644,243	37.25%	984,980	2,644,243	37.25%	984,980
Provisions charged for tax purposes							173,072	33.00%	57,114	173,072	33.00%	57,114
Total liabilities									**1.042.094**			**1,042.,094**

Assets	Prepaid taxes 2003			Absorptions in 2004			Increases in 2004			Prepaid taxes 2004		
	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax
Deductible timing differences												
Inventory writedown for statutory purp.	1,689,70	37.25%	629,.216	1,689,170	37.25%	629,216	3,253,014	37.25%	1,211,748	3,253,014	37.25%	1,211,748
Unpaid directors' emoluments	432,455	33.00%	142,710	432,455	33.00%	142,710	409,052	33.00%	134,987	409,052	33.00%	134,987
Unpaid membership fees	8,151	37.25%	3,036	8,151	37.25%	3,036	9,158	37.25%	3,411	9,158	37.25%	3,411
Provisions for future charges							535,675	37.25%	199,539	535,675	37.25%	199,539
Writedowns of intangible fixed assets							90,000	37.25%	33,525	90,000	37.25%	33,525
Entertaining costs	79,541	37.25%	29,629	28,942	33.00%	9,551	17,123	37.25%	6,378	67,722	37.25%	25,226
Provisions to product warranty reserve	361,625	33.00%	119,336	361,625	33.00%	119,336						
Total assets			**923,927**			**903,849**						
Total assets – merged company			**143,249**			**142,249**						
			1,067,176			**1,046,098**			**1,589,588**			**1,608,437**

- A negative effect of € 325 thousand attributable to Datalogic Handelsgesellschaft mbH for the use of deferred tax assets reported the previous year due to the carrying forward of fiscal losses (€ 908 thousand);
- A negative effect of € 191 thousand attributable to Laservall SpA, as follows:

- € 184 thousand for the release of deferred assets provided against adjustments to the profit as of 30 June 2004 as a result of the due diligence;
- € 7 thousand made up as follows:

Liabilities	Deferred taxes 2003			Absorptions in 2004			Increases in 2004			Deferred taxes 2004		
	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax
Taxable timing differences												
Depreciation charged for tax purposes							88,981	37.25%	33,146	88,981	37.25%	33,146
Uncollected capital grants							25,000	33.00%	8,250	25,000	33.00%	8,250
Total liabilities									**41.396**			**41,396**

Assets	Prepaid taxes 2003			Absorptions in 2004			Increases in 2004			Prepaid taxes 2004		
	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax	taxable	rate	tax
Deductible timing differences												
Inventory writedown for statutory purp.							87,529	37.25%	32,605	87,529	37.25%	32,605
Entertaining costs	14,283	37.25%	5,321	5,162	37.25%	1,923	8,630	37.25%	3,215	17,752	37.25%	6,613
Total assets			**5,321**			**1,923**			**35,819**			**39,217**

- A positive effect of € 132 thousand constituting the balance of deferred taxes resulting from the elimination of the intercompany inventory margin (€ 108 thousand) and the leasing entry (€ 24 thousand);
- A positive effect of € 44 thousand attributable to DL Inc., including € 31 thousand for prior losses.

OTHER INFORMATION

	31/12/04	31/12/03
Executives	33	30
Middle management	86	70
General staff	586	526
Factory workers	170	149
TOTAL	**875**	**775**

The total employee headcount as of 31 December 2004 included Laservall's 67 employees (0 executives, 3 middle managers, 45 general staff and 19 factory workers).

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 2004:

	POSITION		COMPENSATION		
NAME	OFFICE HELD	END OF TERM	EMOLUMENTS FOR SAID OFFICE	OTHER EMOLUMENTS	BONUSES AND OTHER INCENTIVES
R. Volta	Chairman	31/12/06	147,900		
R. Tunioli	Dep. Ch./CEO	31/12/06	550,000	6,060	317,373
A. Forchielli	Director	31/12/06	21,700		
G. Micheletti	Director	31/12/06	15,500	* 117,015	81,245
U. Paolucci	Director	31/12/06	15,500		
U. Piol	Director	31/12/06	15,500		
P. Caruso	Director	31/12/06	9,300	93	
G. Volta	Director	31/12/06	9,300		
V. Volta	Director	31/12/06	9,300		
J. O'Brian	Director	31/12/06	6,200		
A. Manaresi	Director	31/12/06	6,200		
S. Romani	Chair. Bd. St. Auds.	31/12/06	23,040	520	
G. Cristofori	Reg. Aud.	31/12/06	3,000	120	
R. Feverati	Reg. Aud.	31/12/06	3,000	120	
P. Passarini	Alt. Aud.	31/12/06			
G. Delli	Alt. Aud.	31/12/06			
M. Saracino	Reg. Aud.	22/04/04**	12,360	494	
G. Ronzani	Reg. Aud.	22/04/04**	12,360	494	

*) For service as executive at Datalogic SpA

**) Date of approval of the 2003 financial statements, coinciding with end of term as statutory auditor.

The above compensation has been paid in full by Datalogic SpA; nothing more is due to the directors by other subsidiaries.

As for Datasud, the emoluments paid to statutory auditors are as follows:

	POSITION		COMPENSATION		
NAME	OFFICE HELD	END OF TERM	EMOLUMENTS FOR SAID OFFICE	NON-MON. BENEF.	BONUSES AND OTHER INCENTIVES
M. Saracino	Chair. Bd. St. Auds.	31/12/04	10,920		
G. Ronzani	Reg. Aud.	31/12/04	7,280		
R. Di Berardino	Reg. Aud.	31/12/04	5,661		

Compensation due to the directors and statutory auditors of Laservall SpA for the year 2004 is broken down below:

	POSITION		COMPENSATION		
NAME	OFFICE HELD	END OF TERM	EMOLUMENTS FOR SAID OFFICE	NON-MON. BENEF.	BONUSES AND OTHER INCENTIVES
P. Cucchi	Director	31/12/04	158,400		
M. Cucchi	Director	31/12/04	181,500		
A. De Polo	Director	26/07/04	96,000		
G. Piccino	Director	30/06/04	25,000		
A. Saporiti	Director	31/12/04	2,500	*118,002	47,671.96
R. Tunioli	Director	31/12/04			
R. Azzimonti	Chair. Bd. St. Auds.	31/12/04	10,490		
D. Novallet	Reg. Aud.	31/12/04	7,238		
Studio Pozzi	Reg. Aud.	31/12/04	3,950		

*) For service as consultant for Laservall SpA.

Romano Volta

Chairman of the Board of Directors

DATALOGIC S.p.A.

CONSOLIDATED CASH FLOW

	31.12.04 in Euro/000	*31.12.03 in Euro/000*
NET SHORT TERM FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	**42.022**	**33.802**
NET PROFIT/(LOSS) FOR THE YEAR	**10.589**	**7.180**
Amortisation and depreciation	5.184	7.288
Increase of the provision for employees' severance indemnity	1.235	1.076
Revaluations/write-downs of financial assets	-125	-82
CASH FLOW FROM CURRENT OPERATIONS	**16.883**	**15.462**
Effect of changes in operating assets and liabilities		
Trade receivables	-6423	71
Inventories	3.256	-1.019
Other current assets	4.576	-5.846
Other long term assets	360	-32
Trade payables	-2.080	2.696
Tax payables	649	1.901
Other current liabilities	1.289	477
Other long term liabilities	-7	32
Provisions for risks and charges	2.919	81
Other changes in employees' severance indemnity	290	
Decrease of the provision for employees' severance indemnity	-329	-323
Changes in operating assets and liabilities	**4.500**	**-1.962**
CASH FLOW FROM OPERATING ACTIVITIES	**21.383**	**13.500**
Effect of changes in investment activities		
(Increase)/decrease in intangible fixed assets	-773	-1.741
(Increase)/decrease in tangible fixed assets	-5.066	-3.575
(Increase)/decrease in long term financial assets	19	4.535
Laservall S.p.a. effect	-7.325	
Laservall S.p.a.	768	
CASH FLOW FROM INVESTMENT ACTIVITIES	**-12.377**	**-781**
Effect of changes in financial activities		
Change in long term financial position	-1.451	-2.446
Change in net equity pertaining to minorities	0	-429
Impact of exchange-rate changes on foreign companies' consolidation	-301	-930
Other net equity changes	1.692	-453
Distribution dividends	-2.114	-1.698
Change in unconsolidated investments	-1.026	1.457
CASH FLOW FROM FINANCIAL ACTIVITIES	**-3.200**	**-4.499**
CHANGE IN NET FINANCIAL POSITION	**5.806**	**8.220**
NET SHORT TERM FINANCIAL POSITION AT YEAR-END	**47.828**	**42.022**

Enclosure

HYDRA S.p.a.

CONSOLIDATED BALANCE SHEET Euro /000

ASSETS	*31-dic-03*
A) SUBSCRIBED CAPITAL UNPAID	-
B) FIXED ASSETS	81.104
C) CURRENT ASSETS	128.973
D) ACCRUED INCOME AND PREPAYMENTS	1.650
TOTAL ASSETS	211.727

LIABILITIES AND EQUITY	*31-dic-03*
A) NET EQUITY	
Share Capital	*31.200*
Reserves	*41.378*
Net profit/(loss) for the year	*8.642*
Total net equity	*81.220*
Net equity pertaining to minorities	*22.200*
TOTAL NET EQUITY	103.420
B) PROVISIONS FOR RISKS AND CHARGES	1.090
C) Employees' severance indemnity provision	7.101
D) PAYABLES	99.388
E) ACCRUED EXPENSES AND DEFERRED INCOME	728
TOTAL LIABILITIES AND EQUITY	211.727

MEMORANDUM ACCOUNTS	15.937

CONSOLIDATED PROFIT & LOSS ACCOUNTS Euro /000

	31-dic-03
A) PRODUCTION VALUE	153.284
B) PRODUCTION COSTS	143.129
C) FINANCIAL INCOME AND CHARGES	730
D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	2.479
E) EXTRAORDINARY INCOME AND CHARGES	425
Current income taxes	3.722
PROFIT/(LOSS) FOR THE YEAR	10.067
Profit/(Loss) pertaining to minorities	(1.425)
NET PROFIT/(LOSS) FOR THE YEAR	8.642

HYDRA S.P.A.

Sede in via D'Azeglio n. 57 - 40100 Bologna (Bo)
Capitale sociale Euro 31.200.000 i.v.
Codice Fiscale e iscrizione Registro Imprese di Bologna n° 00445970379
R.E.A. di Bologna n° 202001

Balance Sheet as of 31st Dec. 2003

ASSETS	31/12/2003
A) SUBSCRIBED CAPITAL UNPAID	
B) FIXED ASSETS	79.519.024
C) CURRENT ASSETS	4.447.795
D) ACCRUED INCOME AND PREPAYMENTS	916
TOTAL ASSETS	83.967.735

LIABILITIES AND EQUITY	31/12/2003
A) NET EQUITY	
Share Capital	31.200.000
Reserves	(1.755.355)
Net profit/(loss)	4.180.157
B) PROVISIONS FOR RISKS AND CHARGES	
C) Employees' severance indemnity provision	8.508
D) PAYABLES	50.226.527
E) ACCRUED EXPENSES AND DEFERRED INCOME	107.898
TOTAL LIABILITIES AND EQUITY	83.967.735

MEMORANDUM ACCOUNTS	258.228

PROFIT & LOSS ACCOUNTS	31/12/2003
A) PRODUCTION VALUE	834.446
B) PRODUCTION COSTS	917.216
C) FINANCIAL INCOME AND CHARGES	1.946.522
D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	2.331.586
E) EXTRAORDINARY INCOME AND CHARGES	(15.181)
Current income taxes	
PROFIT/(LOSS) FOR THE YEAR	4.180.157