



# **Consolidated Financial Report at June 30<sup>th</sup>, 2003**



## **DATALOGIC GROUP**

### **Consolidated First-Half Interim Report as at June 30th 2003**

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## COMPOSITION OF CORPORATE GOVERNANCE BODIES

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### **Board of Directors** (1)

**Romano Volta**

*Chairman (2)*

**Roberto Tunioli**

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

**PierPaolo Caruso**

Director

**Alberto Forchielli**

Director

**Giancarlo Micheletti**

Director

**Umberto Paolucci**

Director

**Elserino Piol**

Director

**Gabriele Volta**

Director

**Valentina Volta**

Director

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### **Board of Statutory Auditors** (4)

**Stefano Romani**

President

**Giovanni Ronzani**

Standing auditor

**Massimo Saracino**

Standing auditor

**Stefano Biordi**

Alternate auditor

**Giorgio Delli**

Alternate auditor

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### **Independent auditing firm**

PricewaterhouseCoopers SpA

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

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

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

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

## **DATALOGIC GROUP - NOTES ON CONSOLIDATED FIRST-HALF INTERIM REPORT AS AT JUNE 30th 2003**

*To Our Shareholders*

### **A) INFORMATION ON PERFORMANCE**

The interim report as at June 30th 2003, that we herewith submit to you for review, has been prepared in compliance with the requirements indicated in the instructions accompanying the Nuovo Mercato (New Market) Regulation.

In the first half of 2003 (1H03) the Datalogic Group achieved revenues of € 64,747 thousand (of which € 63,809 thousand from sales and services and € 938 thousand from other revenues and income) – with growth of some +8% over the first half of 2002 (1H02) (when we reported revenues of € 59,919 thousand).

The following table summarises the Datalogic Group's key operating and financial highlights in 1H03, comparing them with 1H02:

<b>Datalogic Group</b>	<b>1H03</b>	<b>1H02</b>	<b>Change</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
Total revenues	64,747	59,919	4,828
EBITDA	10,582	8,311	2,271
% on total revenues	16.3%	13.9%	
Pre-tax profit	4,808	3,746	1,062
% on total revenues	7.4%	6.3%	
Net financial position (NFP)	34,170	32,442	1,728
NFP as at 31/12 of previous fiscal year	33,423	24,911	8,512
Change in NFP	747	7,531	-6,784

We point out that profit for the period is shown before tax, as envisaged by paragraph 7 of Article 81 of the Regulation for Issuers (Regolamento degli Emittenti) no. 11971 dated May 14th 1999.

EBITDA, calculated before depreciation & amortisation and provisions for employee severance indemnities and risks, amounted to € 10,582 thousand, with a 16.3% margin on total revenues. There was a major YoY increase, both in outright terms (+27% vs. EBITDA of € 8,311 thousand reported in 1H02) and in terms of margin on revenues (the 1H02 margin on revenues was 13.9%). The following table shows the main EBITDA components and the comparison with 1H02.

€ '000	1H03		1H02		Change	
					Amount	%
Revenues from sales and services	63,809		59,236		4,573	7.7%
Other revenues and income	938		683		255	37.3%
<b>Total revenues</b>	<b>64,747</b>	<b>100.0%</b>	<b>59,919</b>	<b>100.0%</b>	<b>4,828</b>	<b>8.1%</b>
Costs of goods sold & operating costs	54,165	83.7%	51,609	86.1%	2,557	5.0%
<b>EBITDA</b>	<b>10,582</b>	<b>16.3%</b>	<b>8,311</b>	<b>13.9%</b>	<b>2,272</b>	<b>27.3%</b>
Employee severance indemnity provision	560	0.9%	510	0.9%	50	9.8%
Depreciation of tangible fixed assets	1,762	2.7%	1,902	3.2%	-140	-7.4%
Amortisation of intangible fixed assets	1,597	2.5%	1,252	2.1%	345	27.6%
Inventory write-downs/(write-ups)	520	0.8%	120	0.2%	400	333.3%
Other provisions	475	0.7%	64	0.1%	411	642.2%
<b>EBIT</b>	<b>5,668</b>	<b>8.8%</b>	<b>4,463</b>	<b>7.4%</b>	<b>1,206</b>	<b>27.0%</b>
Net extraordinary costs (*)	35	0.1%	72	0.1%	-37	-51.0%
<b>Difference between production value and production cost</b>	<b>5,633</b>	<b>8.7%</b>	<b>4,391</b>	<b>7.3%</b>	<b>1,242</b>	<b>28.3%</b>
Net financial income/(charges) and extraordinary income/(charges)	-843	-1.3%	-660	-1.1%	-183	27.7%
<b>Profit before tax and minorities</b>	<b>4,790</b>	<b>7.4%</b>	<b>3,731</b>	<b>6.2%</b>	<b>1,059</b>	<b>28.4%</b>
Minorities	18	0.0%	15	0.0%	3	20.0%
<b>PRE-TAX PROFIT</b>	<b>4,808</b>	<b>7.4%</b>	<b>3,746</b>	<b>6.3%</b>	<b>1,062</b>	<b>28.4%</b>

(\*) Costs considered extraordinary for operating purposes, but not for statutory reporting purposes, consisting of demanning incentives

As stated earlier, profit for the period is shown before tax, as envisaged by paragraph 7 of Article 81 of the Regulation for Issuers no. 11971 dated May 14th 1999.

EBIT amounted to € 5,668 thousand (with an 8.8% margin on revenues, with an increase of +27% over 1H02).

As up to June 30th 2003, pre-tax profit totalled € 4,808 thousand, up by over 28% vs. € 3,746 thousand reported in 1H02.

The results achieved were extremely positive and, overall, are the consequence of good performance by all the main product lines and of maintenance of a high level of efficiency in the main operating processes.

Strong investment in R&D activities continued and, in the period concerned, totalled € 4,976 thousand (7.7% of total revenues).

A further point to note is that there seems to be a few timid signs of recovery of the main markets in which the company is active. Following a couple of very tough years, when companies significantly reduced their investments, often in a totally indiscriminate manner, it seems that operators are now paying greater attention to ROI and, consequently, products and services that (as do those supplied by Datalogic) enable companies to reduce costs and/or improve efficiency are given preference.

We believe that review of performance in the second quarter of the year (2Q03), compared both with the first quarter (1Q03) and with the same period in 2002 (2Q02), clearly and univocally show the constant improvement in the group's operating performance.

€ '000	2Q03		2Q02		YoY Change	
					Amount	%
<b>Total revenues</b>	33,589	100.0%	30,781	100.0%	2,808	9.1%
<b>EBITDA</b>	5,672	16.9%	4,334	14.1%	1,338	30.9%
<b>EBIT</b>	2,851	8.5%	2,330	7.6%	521	22.4%

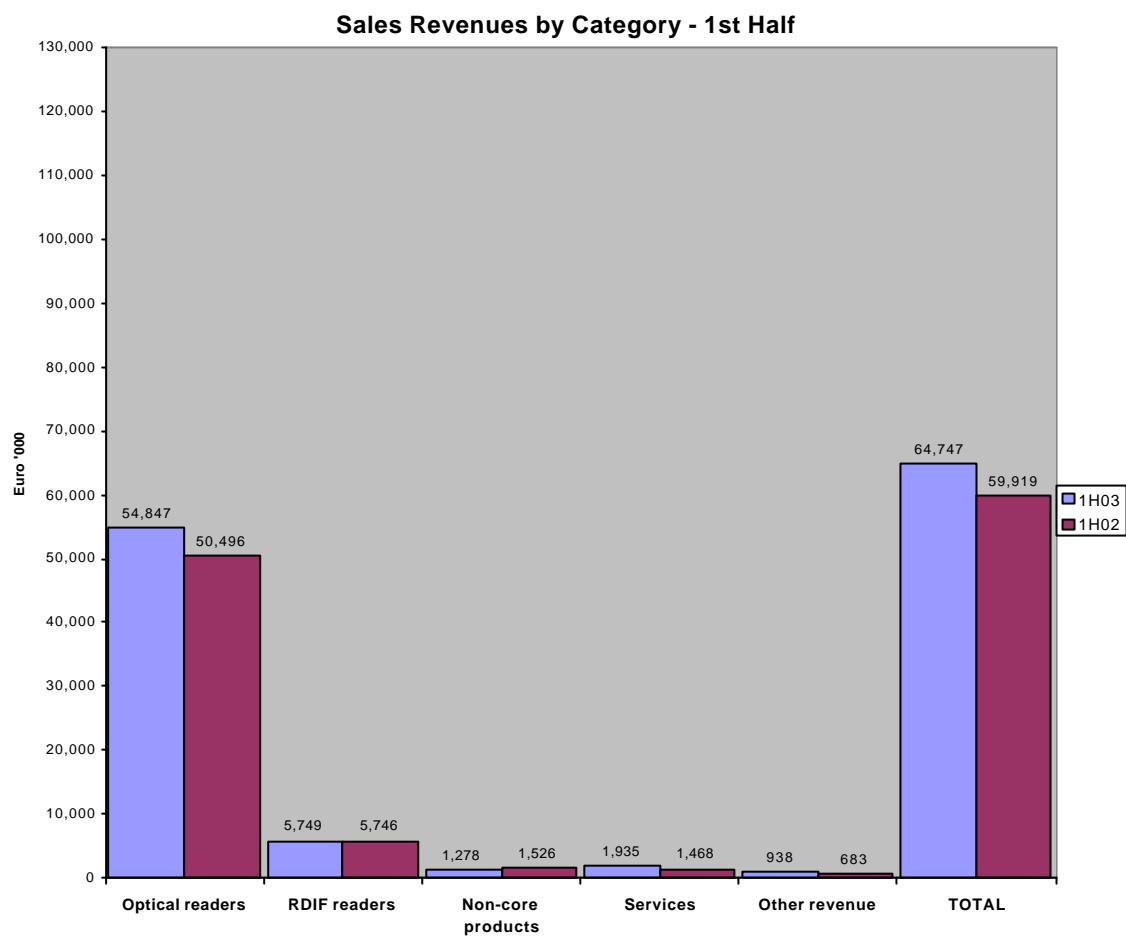
€ '000	2Q03		1Q03		QoQ Change	
					Amount	%
<b>Total revenues</b>	33,589	100.0%	31,158	100.0%	2,431	7.8%
<b>EBITDA</b>	5,672	16.9%	4,910	15.8%	762	15.5%
<b>EBIT</b>	2,851	8.5%	2,817	9.0%	34	1.2%

## REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS IN THE FIRST HALF

1H03 sales revenues for optical readers and scanners totalled € 54,847 thousand (+9% vs. € 50,496 thousand reported in 1H02). RFID (radio-frequency identification) readers generated sales of € 5,749 thousand – substantially confirming results achieved in the previous year (1H02 revenues = € 5,746 thousand).

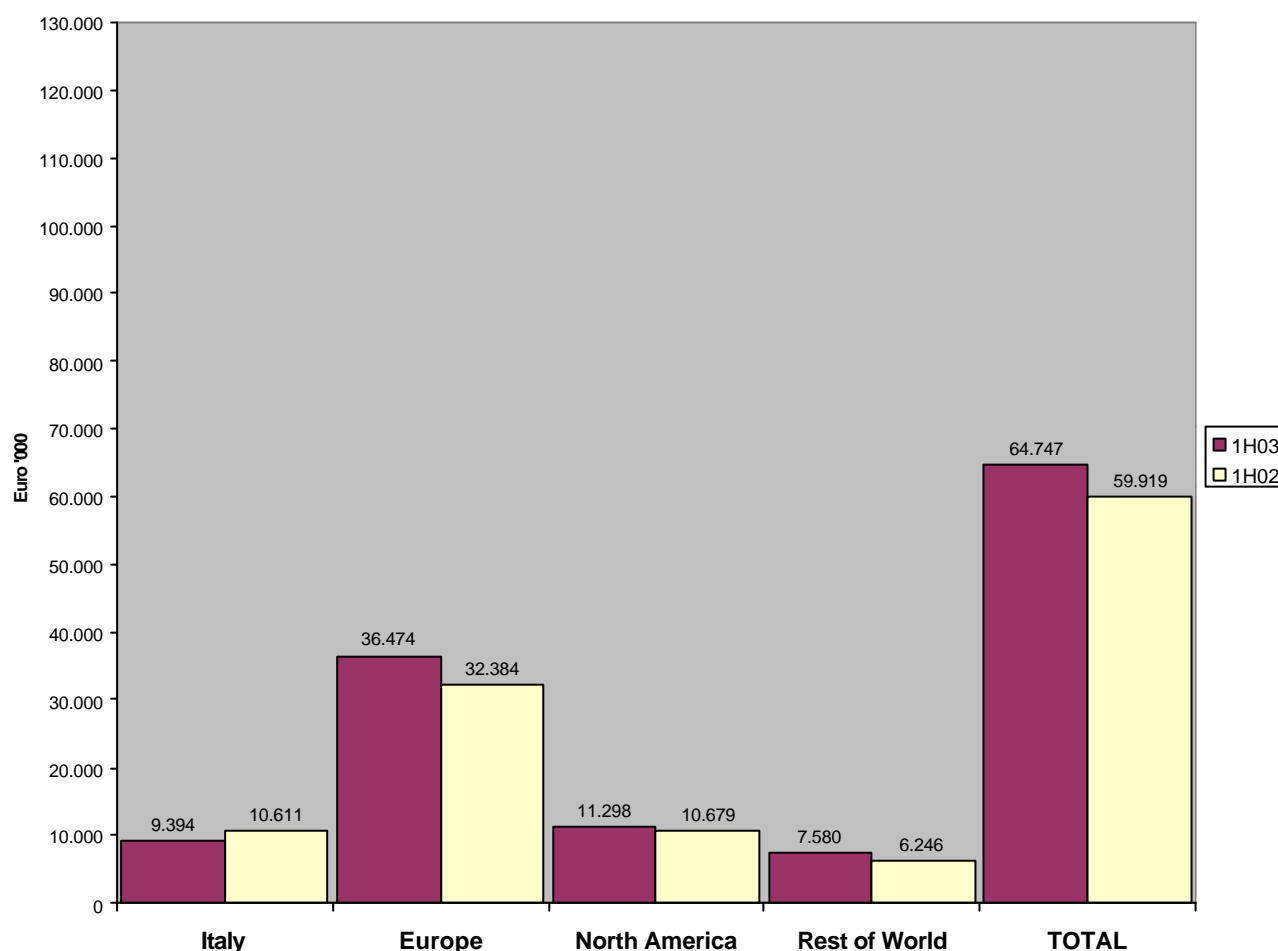
Non-core products showed a further reduction, going down from € 1,526 thousand as up to June 30th 2002 to € 1,278 thousand in 1H03.

Lastly, service revenues increased significantly, making a contribution of € 1,935 thousand to group revenues (+32% vs. € 1,468 thousand achieved in 1H02), as did "other revenues", which rose from € 638 thousand in 1H02 to € 938 thousand in the first half of the current year.



In the first half of the year the various geographical areas' contribution to sales was as follows:

**Sales Revenue by Geographical Area - 1st Half**



The downturn in Italian sales (-11%) was largely due to a major project executed during 2002, which had a major impact on 1H02 revenues. A point to note is the significant growth in the North American market (+6%), despite the strong revaluation of the euro vs. the USD (+19% in the period in question).

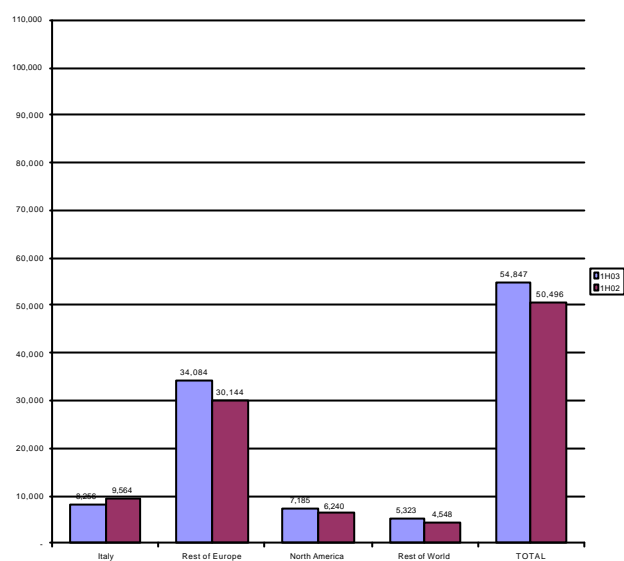
As regards the results of the various product lines, a point worthy of note was the good performance of PDC (portable data collection) devices, sales of which – mainly by virtue of the launch of new products in the high-end segment – increased by over 40% YoY.

Sales continued successfully for Shopevolution – the self-scanning solution for the retailing market – which, following the substantial progress achieved in 2002, continued to grow at a very satisfactory pace (1H03 sales more than doubled vs. 1H02).

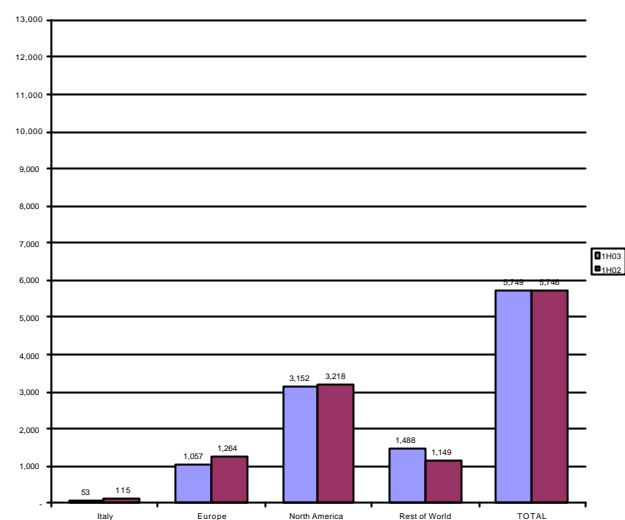


In the following charts we highlight sales by geographical area of the main product lines:

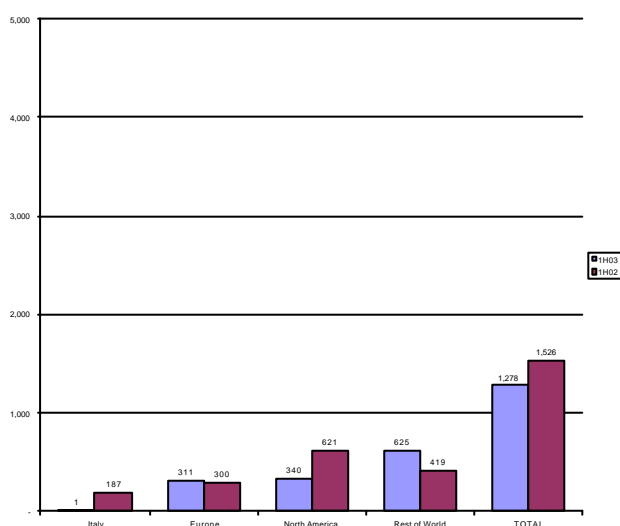
Optical Readers: 1H03 Sales by Geographical Area



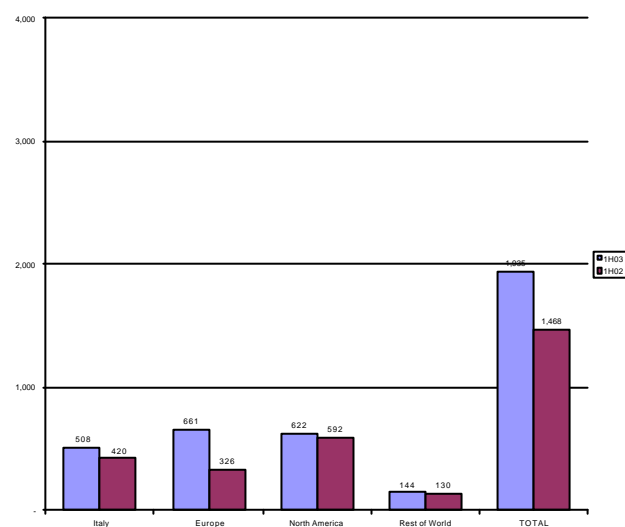
RFID Readers: 1H03 Sales by Geographical Area



Non-Core Products: 1H03 Sales by Geographical Area



Services: 1H03 Sales by Geographical Area



As at June 30th 2003, our net financial position was positive by € 34,170 thousand and featured the following breakdown:

<b>Datalogic Group</b>	<b>30/06/03</b>	<b>31/12/02</b>	<b>30/06/02</b>
Non-current financial assets	2,843	2,466	2,467
M-/L-term bank borrowing	-2,508	-3,745	-4,311
M-/term amounts payable to other financial institutions	-3,866	-4,025	-4,434
Own shares	6,141	4,925	3,672
<b>M-/L-term net financial position</b>	<b>2,610</b>	<b>-379</b>	<b>-2,606</b>
Short-term bank borrowing and amounts payable to other financial institutions	-1,962	-2,543	-3,395
Financial payables (leasing)	0	0	-16
Financial receivables (other securities)	4,000	2,487	4,000
Commercial paper	0	6,233	4,188
Cash and cash equivalents	29,522	27,625	30,271
<b>Short-term net financial position</b>	<b>31,560</b>	<b>33,802</b>	<b>35,048</b>
<b>Net financial position</b>	<b>34,170</b>	<b>33,423</b>	<b>32,442</b>

The net financial position as at June 30th 2003 improved versus both December 31st 2002 (+ € 747 thousand) and 1H02 (+ € 1,728 thousand). It should be noted that in the second quarter of the current year dividends of € 1,698 thousand were paid out and that shares and options of the EMS company (previously assigned to the company's employees) were acquired for € 1,875 thousand. Without considering these monetary outlays, the net financial position at the end of 1H03 would have shown improvement of some € 537 thousand vs. March 31st 2003 (when the net financial position showed a surplus of € 37,206 thousand).

Investments in tangible and intangible fixed assets, net of disposals, totalled € 1,241 thousand in the six-month period.

## PERFORMANCE OF GROUP COMPANIES

The business performance of group companies as up to June 30th 2003 – inclusive of intercompany transactions – is summarised in the following table (the result for the period, shown before tax, is the one resulting after making the necessary adjustments to assure alignment with group accounting policies).

## REVENUES FROM SALES &amp; SERVICES - € '000

COMPANY NAME	% OWNERSHIP	30/06/03	30/06/02	CHANGES
Datalogic SpA (direct parent company)		47,780	43,399	4,381
Datasud Srl	100%	18,341	13,694	4,647
Datalogic AB	100%	3,350		
Minec System Holding (1)	100%	0		
Datalogic Holding AB	100%	2,531	3,784	(1,253)
EMS Inc.	97.08%	5,910	6,318	(408)
Datalogic France SA	100%	4,291	3,778	513
Datalogic Optik Elektronik GmbH	100%	16,940	15,010	1,930
Datalogic Optic Electronics BV (2)	100%	209	214	(5)
Datalogic Handelsgesellschaft mbH (2)	100%	406	601	(195)
Datalogic PTY Ltd.	100%	2,354	1,915	439
Datalogic UK Ltd.	100%	4,007	4,261	(254)
Datalogic Inc.	100%	8,271	7,245	1,026
DL Iberia (2)	100%	1,024	498	526

(1) Zero revenues from sales and services because the company is not operational.

(2) The figure for revenues from sales and services is zero because these companies operate on the basis of an agency contract.

We point out that, on April 30th 2003, Datalogic AB (which on July 15th 2002 had acquired the 100% interest in Minec System Holding AB, which in turn controls 100% of the Minec AB company) sold a company division to Minec AB. Following this transaction the two companies changed their names:

- Datalogic AB changed its name to Datalogic Holding AB
- Minec AB changed its name to Datalogic AB and is the group's new operating company.

In the previous and later tables the companies' new names are used.

## PRE-TAX PROFIT (€ '000):

COMPANY NAME	% OWNERSHIP	30/06/03	30/06/02	CHANGES
Datalogic SpA (direct parent company)		3,022	4,445	(1,422)
Datasud Srl	100%	2,318	354	1,964
Datalogic AB (1)	100%	126		
Minec System Holding (1)	100%	(14)		
Datalogic Holding AB	100%	258	19	239
EMS Inc.	97.08%	(604)	(181)	(423)
Datalogic France SA	100%	(94)	35	(129)
Datalogic Optik Elektronik GmbH	100%	513	(395)	908
Datalogic Optic Electronics BV	100%	75	59	16
Datalogic Handelsgesellschaft mbH	100%	231	439	(208)
Datalogic PTY Ltd.	100%	112	(88)	200
Datalogic UK Ltd	100%	248	54	194
Datalogic Inc.	100%	73	(231)	304
DL Iberia	100%	383	(50)	433

(1) Figure as at 30/06/02 not shown in this table because the companies were acquired on July 15th 2002.

## STOCK OPTION PLAN

At the extraordinary meeting held on February 28th 2001 shareholders gave the Board of Directors full powers for the purpose of preparing an equity incentive scheme for directors holding particular offices and for employees. At the same time shareholders also decided on a capital increase (up to a maximum of 600,000 shares, equivalent to about 4.8% of capital) reserved for implementation of the stock option plan.

On May 17th 2001 the Board of Directors implemented the said plan that, in the short term, will make it possible to:

- Enhance the company's ability to attract and retain key managerial and professional figures
- Foster alignment of the interests of key people and shareholders
- Enable key people to participate in the creation and in the sharing of value with shareholders.

The Board of Directors has identified the beneficiaries of the stock option plan. They total 66 including directors with particular offices and employees of the company and its subsidiaries with the exception of Escort Memory System (EMS).

The period of exercise of options will start on January 1st 2004 and end on December 31st 2007.

On February 27<sup>th</sup> 2002 the Board of Directors decided to redefine – as an extraordinary measure – the allocation price of shares relating to the stock option plan approved on May 17<sup>th</sup> 2001, as being €11.5.

The following table summarises plan status as at June 30th 2003:

	Number of shares	Average exercise price (Euro)	Market price (Euro)	% of company capital
Rights existing as at 1/1/2003	553,500	11.5	9,65	4,65%
<i>New rights assigned in period</i>	-	-	-	-
(Rights exercised in period)	-	-	-	-
(Rights expiring in period) (1)	-	-	-	-
Total rights existing as at 30/6/2003	553,500	11.5	9,65	4,65%
Of which: exercisable as at 30/6/2003	-	-	-	-

(1) *Rights expiring in the period concern rights assigned to staff no longer employed by the company.*

At the ordinary meeting held on April 22nd 2003, the parent company's shareholders authorised the Board of Directors to use 54,500 shares to service a new stock-option plan. As at that date, of the 600,000 shares of the increase decided upon on 28/02/2001, 545,500 option rights had been assigned.

On November 14th 2002, the Board of Directors decided on assignment to beneficiaries of the stock option plan of 67% of the rights attributed to them.

## **INDICATION OF REGISTERED SECONDARY LOCATIONS**

The parent company has a registered secondary location in the municipality of Mogliano Veneto (in the province of Treviso) where the production unit for PDC (portable data collection) products is located, together with management offices, the design department, and staff functions for the Self-Scanning business unit

## **MAJOR EVENTS OCCURRING AFTER END OF FIRST HALF AND FORESEEABLE BUSINESS PROGRESS**

During June we embarked on major organisational restructuring envisaging tighter focus on the various business units in which the group operates. This will make the organisation structure more effective in supporting future development plans, and will already be operational during the last quarter of the year.

Lastly, as regards results expected for FY2003, we believe that the market situation and the activities planned by the company will permit achievement for the current year of revenues and margins in line with budget and significantly higher than the previous year's actual results.

## **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 company in which the parent company owns a 50% stake, purchases products and components from Datalogic for resale in the Far Eastern area. During the first half of 2003 the parent company sold Izumi products and components totalling about € 637,000. As at June 30th 2003, trade amounts receivable from Izumi totalled € 304 thousand. These transactions were executed at conditions comparable to those of other affiliates.

The parent company has issued a letter of patronage in favour of Izumi Datalogic Co. Ltd. against lines of credit totalling JPY 100,000,000 of which the Japanese affiliate is the beneficiary.

Transactions with DL Private Ltd., an Indian company in which the company owns a 20% equity interest, are not significant.

*Transactions with companies belonging to shareholders*

Transactions with Datasensor SpA – a company controlled by the indirect parent company's key shareholders – mainly concerned purchase of components by the direct parent company ( € 681 thousand), financial charges ( € 116 thousand), and contributions to interest payments (€ 113 thousand) concerning the IMI long-term loan (which, following the demerger on 02/01/1998, is now jointly held by the direct parent company and Datasensor SpA), and to distribution, by some group companies, of modest quantities of Datasensor products.

Transactions with the indirect parent company (Hydra SpA) during the semester were marginal, being limited to reciprocal debiting of rents.

## B) ACCOUNTING STANDARDS AND POLICIES

### *Introduction*

The Datalogic Group's first-half interim report for the period ending on June 30th 2003 has been prepared in compliance with Italian Legislative Decree 127/1991 and also taking into account corporate disclosure requirements, introduced by Italian Legislative Decree 58/1998 (the so-called "Draghi Decree"), and subsequent implementation and supplementary decrees, as well as CONSOB (Italian listed corporate and stock-market surveillance commission) recommendations concerning first-half interim reports.

The financial statements presented consist of the consolidated balance sheet, profit & loss account, and cash-flow summary. The data shown in the first two statements are compared with those shown in consolidated year-end financial statements as at December 31st 2002 and in the interim first-half report as at June 30th 2002. The notes commenting on the balance sheet also include tables showing changes in net equity accounts and the reconciliation of the parent company's first-half result and net equity with the corresponding consolidated items.

All amounts presented in the interim report are shown in € '000. Amounts shown in the notes commenting on the balance sheet are compared with those as at December 31st 2002, whilst those concerning the profit & loss account are compared with data as at June 30th 2002.

The consolidated financial statements have been prepared based on the data of the parent company Datalogic SpA and of companies included in the consolidation area. These data have been appropriately adjusted, when necessary, to align them with group accounting policies.

### *Accounting Standards and Policies*

The accounting standards and policies used to prepare the interim report for the period ending on June 30th 2002 are those envisaged in Italian Legislative Decree 127/1991 supplemented – for aspects not specifically covered by the decree – by the Italian accounting standards indicated by the Italian National Councils of Chartered and Registered Accountants (Consigli Nazionali e dei Dottori Commercialisti e dei Ragionieri) and, when lacking, by those of the International Accounting Standards Committee (IASC).

Standards and policies are the same as those used to draw up consolidated financial statements for the year ending on 2002. Depreciation and amortisation of tangible and intangible fixed assets have been calculated at straight-line rates, halved to reflect the length of the accounting period concerned

As regards preparation of the first-half interim report, the Datalogic Group has decided to avail itself of the faculty allowed by paragraph 5 of Article 3 of the CONSOB regulation (approved via resolution no. 8195 dated June 30th 1994) and has thus presented profit for the period before tax, as well as adjustments and provisions deriving exclusively from application of tax regulations.

## 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. The offering principally consists of four product ranges, i.e.

USS: Unattended Scanning System

HHD: Hand-Held Devices

PDC: Portable Data Collection devices

RFID: Radio-Frequency Identification Devices.

Consolidated first-half interim financial statements include the statements of the direct parent company and of the companies in which the latter directly or indirectly holds the majority of voting capital, or in which it exercises a dominant influence, if the companies concerned are significant.

The companies consolidated on a line-by-line basis for the period ending on June 30th 2002 were as follows:

Company name	Registered location	Share capital	Total net equity (*) (€ '0000)	1H03 result (*) (€ '000)	% ownership
Datalogic Spa (direct parent company)	Lippo di Calderara di Reno (Bo) – Italy	EUR 24,759,280	96,827	3,022	
Datasud Srl	Castiglion Messer Raimondo (TE) – Italy	EUR 1,820,000	8,707	2,318	100%
Datalogic Holding AB	Malmö – Sweden	SEK 1,400,000	1,341	258	100%
EMS Inc.	Scotts Valley (California) – United States of America	USD 791,000	1,387	-668	97.08%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR 2,227,040	3,494	-105	100%
Datalogic Optik Elektronik GmbH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR 1,022,580	6,109	532	100%
Datalogic Optic Electronics BV	Maarsse – Netherlands	EUR 18,150	66	75	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR 72,670	1,797	231	100%
Datalogic PTY Ltd.	Mount Waverley (Melbourne)- Australia	AUD 2,300,000	1,042	112	100%
Datalogic UK Ltd.	Redbourn (London) – Great Britain	GBP 3,500,000	2,748	248	100%
Datalogic Inc.	Hebron (Kentucky) – United States of America	USD 1	1,718	73	100%
DL Iberia	Madrid – Spain	EUR 61,000	269	383	100%
Datalogic AB	Stockholm - Sweden	SEK 200,000	948	126	100%
Minec System Holding	Stockholm - Sweden	SEK 100,000	1,187	-14	100%

(\*) Figures shown in the table have been taken from local interim statements and converted into euro.



Companies valued on a net equity basis were as follows:

Company name	Registered offices	Share Capital	Total Net Equity (€ '000)	1H03 Result (€ '000)	% Ownership
Izumi Datalogic Co. Ltd.	Kobe – Japan	JPY 300,000,000	482	12	50%

The companies valued at cost were as follows:

Company name	Registered offices	Share Capital	% Ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	INR 1,000,000	20%

### **Changes in consolidation area**

During the first half 2003 the EMS company, as part of reorganisation of the corporate structure to enable the parent company to gain full control of the equity interest, bought back 703,706 shares (previously subscribed by management and employees pursuant to the stock option plan approved by the Board of Directors in 1997) for a total of USD 879,722.5, which were then cancelled (as provided for under American legislation). This move caused the percentage of control to increase to 9.06 %.

In addition, the companies Minec System Holding and Datalogic AB (ex Minec AB) were consolidated on a line-by-line basis, whereas up to December 31st 2002 they had been posted at cost.

## C) BALANCE-SHEET INFORMATION

### INTANGIBLE FIXED ASSETS

Below we show the changes occurring in intangible fixed assets:

	Start-up % expansion costs	Industrial patents and intellectual properties	Concessions, licenses, trademarks & similar items	Goodwill	Consolidation difference	Other intangible assets	Intangible assets in process and payments on account	Total
<u>Initial value</u>								
Historical value	75	9,768	283	10,437	1,678	1,328	267	23,836
(Amortisation)	(72)	(5,132)	(205)	(6,013)	(78)	(1,023)		(12,523)
Adjustments (Write-downs)		(120)						(120)
<b>Total</b>	<b>3</b>	<b>4,516</b>	<b>78</b>	<b>4,424</b>	<b>1,600</b>	<b>305</b>	<b>267</b>	<b>11,193</b>
<u>Increases</u>								
Increases		291	6			290	59	646
Amortisation reversal								
Other changes								
<b>Total</b>		291	6			290	59	646
<u>Decreases</u>								
Decreases						(1)	(267)	(268)
Amortisation	(1)	(840)	(36)	(522)	(84)	(115)		(1,597)
Other changes		(35)				(5)		(40)
<b>Total</b>	<b>(1)</b>	<b>(875)</b>	<b>(36)</b>	<b>(522)</b>	<b>(84)</b>	<b>(121)</b>	<b>(267)</b>	<b>(1,905)</b>
<b>Year-end value</b>	<b>3</b>	<b>3,932</b>	<b>48</b>	<b>3,902</b>	<b>1,516</b>	<b>474</b>	<b>59</b>	<b>9,934</b>

The balance of the item "start-up and expansion costs" consisted mainly of expenses and fees borne for merger by incorporation of the company IdWare Srl (in 1998).

The item "industrial patents", which totalled € 3,932 thousand, was mainly ascribable to:

- € 3,174 thousand = Direct parent company, of which € 1,808 thousand for software licenses, € 285 thousand for depositing patents, € 831 thousand for licenses on 3rd-party patents, and € 250 thousand on acquisition of know-how
- € 316 thousand = EMS company and related to development of know-how relating to the RFID area
- € 418 thousand = Datasud and mainly consisted of development expenses for the new management information system
- The total increase in the item was € 291 thousand, € 247 thousand of this increase related to the direct parent and consisted of expenses for lodging patents (€ 123) and for software purchases (€ 124 thousand).

The item "Goodwill", amounting to € 3,902 thousand, refers to the merger loss and share -swap loss originated by the merger by incorporation of IdWare Srl during 1998.

The item "consolidation difference", amounting to € 1,516 thousand , was created following consolidation of the companies Minec System Holding and Datalogic AB (ex Minec AB). The 100% interest in Minec System Holding was acquired on July 15th 2002 by Datalogic Holding AB, 100% owned by the direct parent company.

The "Others" item, which amounted to € 474 thousand, consisted of:

- € 79 thousand – long-term costs relating to rented buildings, of which € 9 thousand for the direct parent company and € 70 thousand for EMS
- € 380 thousand = development costs for marketable software attributable to the direct parent company
- € 15 thousand = other minor items

The € 290 thousand increase in this item was mainly ascribable to the direct parent company (€ 285 thousand) and chiefly concerned development of marketable software

The balance of the item "Assets in process and payments on account" pertained solely to the direct parent company and mainly concerned a payment on account accorded for development of a license.

## TANGIBLE FIXED ASSETS

Below we summarise the changes occurring in tangible fixed assets:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in process and payments on account	Total
<b>Initial value</b>						
Historical cost	23,745	5,391	10,700	12,777	64	52,677
(Depreciation)	(5,449)	(3,912)	(8,281)	(10,260)		(27,902)
Revaluations	675		15	8		698
(Write-downs)	(246)			(160)		(406)
Exchange-rate differences	53		(3)	(58)	4	(4)
<b>Total</b>	<b>18,778</b>	<b>1,479</b>	<b>2,431</b>	<b>2,307</b>	<b>68</b>	<b>25,063</b>
<b>Increases</b>						
Investments	12	77	448	313	131	981
Depreciation reversal	1		22	45		68
<b>Total</b>	<b>13</b>	<b>77</b>	<b>470</b>	<b>358</b>	<b>131</b>	<b>1,049</b>
<b>Decreases</b>						
Disposals	(4)		(22)	(82)	(10)	(118)
Depreciation	(407)	(206)	(585)	(564)		(1,762)
Write-downs						0
<b>Total</b>	<b>(411)</b>	<b>(206)</b>	<b>(607)</b>	<b>(646)</b>	<b>(10)</b>	<b>(1,880)</b>
<b>Reclassification &amp; other changes</b>						
Positive reversals						0
(Negative reversals)	0					0
Change in consolidation area				146		146
Exchange-rate differences	(191)		(13)	(22)	(3)	(229)
<b>Closing value</b>	<b>18,189</b>	<b>1,350</b>	<b>2,281</b>	<b>2,143</b>	<b>186</b>	<b>24,149</b>

Of the "Land & buildings" item of € 18,189 thousand was attributable to the direct parent company (€ 8,903 thousand), Datalogic UK (€ 2,513 thousand), Datasud (€ 1,994 thousand), the German GmbH subsidiary (€ 1,754 thousand, DL France (€ 1,560 thousand), Datalogic Holding AB (€ 1,350 thousand), and to the DL Inc. affiliate (€ 115 thousand).

The item "Industrial & Commercial Equipment" increased by € 448 thousand, mainly attributable to:

- The Direct parent company for purchases of moulds (€ 137 thousand) and electronic instruments for production and for the research laboratories (€ 148 thousand)
- The French affiliate, for building restructuring (€ 63 thousand).

The "Other tangible assets" item increased by € 313 thousand, mainly due to the direct parent company, for purchases of electronic office machinery (€ 167 thousand) and for new furnishings (€ 20 thousand).

Lastly, we highlight an increase of € 146 thousand due to the switch to line-by-line consolidation of the Minec group.

The main components of "Other tangible assets" as at June 30th 2003 were: office furniture & fittings (€ 643 thousand), office machinery (€ 1,033 thousand), motor vehicles (€ 178 thousand), and trade fair equipment (€ 213 thousand).

We also highlight the fact that in previous years the company Datasud Srl received capital grants of € 2,056 thousand (issued in three instalments: one in 1993 and two in 1997), that have been entered under Other Reserves, and interest subsidies totalling € 1,756 thousand (issued in two instalments in 1995 and 1996).

These grants led to the following restrictions and constraints on free disposability of assets:

- A specific lien pursuant to Article 46 of Italian Legislative Decree no. 385 dated 01.09.1993 of € 2,970 thousand on plant and machinery installed in the factory
- A mortgage for the same amount on real-estate assets.

Any failure to comply with the clauses envisaging these restrictions and constraints makes it possible for the issuing agency to recall the grants.

## NON-CURRENT FINANCIAL ASSETS

### Investments

The changes occurring in equity investments during the period were as follows:

	Net balance 31/12/02	Increases	Exchange- rate differences	Write- ups/(write- downs)	Changes	Net balance 30/06/03
a) Subsidiary companies						
- Valued on net equity basis: Minec Group	1,433				(1,433)	0
<b>Total subsidiaries</b>	<b>1,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,433)</b>	<b>0</b>
Associated companies						
- Valued on net equity basis: Izumi DL Co. Ltd	260	6	(25)			241
- Valued at cost: DL Private Ltd. - India	8					8
<b>Total associated companies</b>	<b>268</b>	<b>6</b>	<b>(25)</b>	<b>0</b>	<b>0</b>	<b>249</b>
d) Other companies						
Nomisma SpA - Italy	7					7
Conai	0					0
Caaf Ind. Emilia Romagna - Italy	4					4
Crit Srl	51					51
<b>Total other companies</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62</b>

The change vs. December 31st 2002 in investments in subsidiaries was due to transition to line-by-line consolidated of the companies Minec System Holding and Datalogic AB (ex Minec AB).

The change vs. December 31st 2002 of investments in associated companies was the result of equity valuation of the company Izumi Datalogic Co. Ltd.

### Financial receivables – non-current assets

Changes in the period were as follows:

Financial amounts receivable from:	31/12/02	Increases	(Decreases)	30/06/03
Subsidiaries				
Associated companies				
Others	88		(15)	73
<b>Total</b>	<b>88</b>		<b>(15)</b>	<b>73</b>

As at June 30<sup>th</sup> 2002 the item "Others" consisted mainly of the direct parent company's tax credit for prepayment of withholding taxes on employee severance indemnities, inclusive both of payments made during the year and of revaluation of the existing credit.

## Other securities

	31/12/02	Increases	(Decreases)	30/06/03
Securities as surety	2.466	377		2.843
(Write-down provision)				-
<b>Total</b>	<b>2.466</b>	<b>377</b>		<b>2.843</b>

The item consists mainly of securities kept as guarantee of the mortgage loan in place with San Paolo IMI SpA obtained by the direct parent company to finance applied research. The securities owned by the direct parent company amount to € 2,827 thousand, of which € 1,659 thousand in Italian medium- and long-term treasury notes (BTP and CCT), € 457 thousand in banking bonds, and € 711 thousand in shares in bond funds.

The increase in the period was ascribable to the direct parent company and concerned the purchase of Italian floating-rate treasury certificates (Italian acronym = CCT) given as surety for a guarantee.

In the following table we summarise "Other securities" as at June 30th 2003:

### LISTED SECURITIES (in euro)

Type of security	Purchase value	Value of stake	Nominal value	Value of stake as at 30/6/2003	Market Value as at 30/6/2003
Bond fund	443,120.02	5.931		6.608	493,700.40
Bond fund	134,950.19	5.284		6.241	159,391.39
Bond fund	132,936.01	5.762		6.944	160,206.11
	<b>711,006.21</b>				<b>813,297.91</b>
Type of security	Purchase value	Value of stake	Nominal value	Value of stake as at 30/6/2003	Market Value as at 30/6/2003
Corporate bonds	40,560.00	100	40560	100	40,560.00
Corporate bonds	144,644.8	97.09	148980	103.34	153,955.93
Government bonds	811,364.03	100.71	805740	100.35	808,463.72
Government bonds	484,637.32	96.18	503880	101.7	512,451.82
Government bonds	362,808.00	100.78	360000	100.76	362,736.00
	<b>1,844,014.04</b>		<b>1,859,160.00</b>		<b>1,878,167.46</b>

### UNLISTED SECURITIES (in euro)

Type of security	Purchase value	Value of stake	Nominal value	Value of stake as at 30/6/2003	Market Value as at 30/6/2003
Corporate bonds	<b>272,220.00</b>	100		100	<b>272,220.00</b>

## Own shares

	31/12/02	Increases	(Decreases)	30/06/02
Datalogic SpA shares	4,925	1,216		6,141
<b>Total</b>	<b>4,925</b>	<b>1,216</b>		<b>6,141</b>

On October 25th 2001 direct parent company shareholders, at an ordinary meeting, approved a buy-back plan for up to a maximum of 650,000 shares.

As up to 30/06/2003 we had bought back 598,385 own shares for a total of € 6,141 thousand and thus the average unitary purchase price was € 10.27. The total market value of these shares as at 30/06/2003 was € 5,774 thousand. The Board of Directors has not deemed it necessary to apply any write-down since this loss in value is not considered to be permanent.

On April 16th 2003 direct parent company shareholders, at an ordinary meeting, approved extension of the buy-back plan for up to a maximum of 1,150,000 shares, to be executed within 18 months after the resolution at a unitary price ranging from a minimum of € 5.00 to a maximum of € 15.00. There were various, detailed reasons for proposing this plan to shareholders:

- On the one hand there is the opportunity, in future, of undertaking share swaps to accelerate the company's development and the use of existing own shares is a more flexible instrument than a new share issue
- The stock's market price does not seem to represent the company's effective fundamentals and profit outlook and therefore the buy-back operation seems to be a good investment opportunity for the company itself.

As required by law, a specific non-distributable reserve of a similar amount has been set up within the parent company's net equity account by drawing on the retained earnings reserve.

## CURRENT ASSETS

### Inventories

The detailed breakdown was as follows:

	30/06/03	31/12/02	Change
1) Raw & secondary materials, plus consumables	13,048	9,954	3,094
2) Work in process and semiprocessed goods	2,777	2,679	98
3) Work in process against orders	-	-	
4) Finished products and merchandise	11,710	8,640	3,070
5) Payments on account	-	-	



Total	27,535	21,273	6,262
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The valuation applied does not differ significantly from a valuation based on current costs.

The significant increase was mainly due to:

- The parent company and Datasud, for a total of € 4,618 mn, due to (a) the increase in sales, (b) strategic purchasing of components, and (c) introduction of a new logistics model that in the short term, due to realignment of stocks, cause an increase in inventory (which will already be absorbed in forthcoming months)
- The US affiliate DL Inc., for € 1,250 thousand, mainly consisting of products earmarked for a project with a major local customer.

#### RECEIVABLES

Amounts receivable from:		30/06/03	31/12/02	Change	Falling due after 5 years
<b>Customers</b>					
	For goods and services	32,671	32,874	(203)	
	(Doubtful debt provision)	(860)	(777)	(83)	
	<b>Total</b>	<b>31,811</b>	<b>32,097</b>	<b>(286)</b>	-
<b>Associated companies</b>					
	Izumi Datalogic Co. Ltd.	341	676	(335)	-
	<b>Total</b>	<b>341</b>	<b>676</b>	<b>(335)</b>	-
<b>Parent companies</b>					
	Hydra SpA	4	1	3	-
	<b>Total</b>	<b>4</b>	<b>1</b>	<b>3</b>	-
<b>Others</b>					
	Tax authorities for VAT	5,856	3,103	2,753	
	Other tax receivables	4,156	6,065	(1,909)	
	Commercial paper	-	6,233	(6,233)	
	Supplier payments and invoices on account	491	517	(26)	
	Tax credits on dividends	438	246	192	
	Sundry receivables	445	415	30	
	<b>Total</b>	<b>11,386</b>	<b>16,579</b>	<b>(5,193)</b>	-
<b>Total receivables</b>		<b>43,542</b>	<b>49,353</b>	<b>(5,811)</b>	-

Amounts receivable from subsidiaries and associated companies relate to trade transactions completed at going market rates.

Other tax credits, consisting mainly of those of the direct parent company (€ 1,242 thousand), Datasud Srl (€ 149 thousand), and Datalogic Handelgesellschaft (€ 932 thousand) primarily concern tax

payments on account (€ 1,218 thousand), withholding tax on interest income (€ 55 thousand), and prepaid taxes of €2,882 thousand, of which € 994 thousand of a long-term nature.

Receivables for commercial papers existing at 2002 year-end (representing the parent company's investment of corporate liquidity) were cleared during 1H03.

Amounts receivable for tax credits on dividends (€ 438 thousand) is a result of distribution of dividends by Datasud.

The "Sundry credits" item includes € 149 thousand of long-term receivables, of which € 110 thousand attributable to the parent company for the sale of Datalex, collection of which is scheduled to take place on 31/12/2004.

### Current financial assets

	31/12/02	Increases	(Decreases)	30/06/03
Bonds	2,487	2,000	(487)	4,000
<b>Total</b>	<b>2,487</b>	<b>2,000</b>	<b>(487)</b>	<b>4,000</b>

The item "Other securities", totalling € 4,000 thousand, and relating to investment in bonds, underwent the following changes in the period concerned:

- An increase of € 2,000 thousand for subscription of BNL (Banca Nazionale del Lavoro) bonds
- Decrease of € 487 thousand, of which € 247 thousand for the maturing of government bonds and € 240 thousand for monetisation of Commerzbank bonds.

In the following table we summarise "Other securities" as at June 30th 2003 (in euro):

Type of security	Purchase value	Purchase price	Nominal value per bond	Market price as at 30/6/2003	Market value as at 30/6/2003
Bonds	4,000,000	100	1000	100	4,000,000

### Cash and cash equivalents

	30/06/03	31/12/02	Change
1) Bank and post-office deposits	29,493	27,607	1,886
2) Cheques	-	-	-
3) Cash and valuables in hand	29	18	11
<b>Total cash and cash equivalents</b>	<b>29,522</b>	<b>27,625</b>	<b>1,897</b>

**Accrued income and prepayments**

	30/06/03	31/12/02	Change
<b>a) Accrued income</b>			
Sundry interest income	32	24	8
Exchange-rate differences	533	-	533
Others	65	45	20
<b>Total accrued income</b>	<b>630</b>	<b>69</b>	<b>561</b>
<b>b) Prepayments</b>			
Insurance	208	59	149
Association membership fees	-	77	(77)
Rents and maintenance fees	88	92	(4)
Leasing contracts	1	33	(32)
Surety costs	98	97	1
Trade fairs & sponsorships	49	67	(18)
Substitute tax	521	521	-
Others	271	152	119
<b>Total prepayments</b>	<b>1,236</b>	<b>1,098</b>	<b>138</b>
<b>Total accrued income and prepayments</b>	<b>1,866</b>	<b>1,167</b>	<b>699</b>

The item "Exchange-rate differences" in accrued income includes € 526 thousand generated by alignment of financial operations' exchange rate at the end of the period plus € 7 thousand generated by calculation of the premium accruing as up to June 30th 2003.

The largest item consists in prepayments consists substitute tax on goodwill of € 521 thousand entered in the parent company's accounts and referring to the period 1998-2007 (included), since it is commensurate with the length of goodwill amortisation.

## NET EQUITY

Changes occurring in net equity during the period were as follows:

	Balance as at 31/12/02	Profit Allocation	Capital Increases	Other Changes	Profit/(loss) in period	Balance as at 30/06/03
Share capital	24,759					24,759
Share premium reserve	54,424					54,424
Revaluation reserves	258					258
Legal reserve	464	153				617
Own-shares reserve	4,925			1,216		6,141
Demerger capital reserve	4,439					4,439
Consolidation reserve	1,878					1,878
Translation reserve	(13)			(479)		(492)
Retained earnings/losses carried forward	5,418	3,511		(1,599)		7,330
Profit/(loss) for first half	5,362	(5,362)			4,808	4,808
<b>Balance</b>	<b>101,914</b>	<b>(1,698)</b>	<b>0</b>	<b>(862)</b>	<b>4,808</b>	<b>104,162</b>
Minorities' results	(39)	39			(18)	(18)
Minorities' net equity	468	(39)		(387)		42
<b>Balance</b>	<b>102,343</b>	<b>(1,698)</b>	<b>0</b>	<b>(1,249)</b>	<b>4,790</b>	<b>104,186</b>

We point out that interim profit is shown before tax as envisaged by paragraph 7 of Article 18 of the CONSOB issuer regulation no. 11971 dated May 14th 1999.

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

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

The demerger capital reserve follows the split of the direct parent company on January 2nd 1998 into IES SpA (demerged company, now Datasensor) and Datalogic SpA (the beneficiary company).

The own-shares reserve has been set up by the parent company following buy-back operations, as required under the Italian Civil Code. As required by law, as at June 30<sup>th</sup> 2003 this reserve was increased by an amount equivalent to the increase in the "Own share" item by making use of the retained earnings reserve.

As at June 30th 2003 the composition of our share capital was as follows:

<b>Shares/quotas</b>	<b>Number</b>	<b>Nominal value per share (€)</b>	<b>Total (€)</b>
Ordinary	11,903,500	2.08	24,759,280

The item "Retained earnings/losses carried forward" include the equity changes taking place in consolidated companies after the date of acquisition, as well as the effect of consolidation procedures.

The decrease of € 1,698 thousand in group net equity, was due to distribution of dividends by the direct parent company, as envisaged by the shareholders' resolution passed at the ordinary general meeting held on April 16th 2003.

Following buy-back by the EMS company of a portion of shares from employees, the effects on net equity are:

- A decrease of € 387 thousand in minorities' net equity
- A decrease of € 383 thousand in group net equity.

Reconciliation between the direct parent company's net equity and profit and the corresponding consolidated figures is as shown below:

	<b>Share capital and reserves</b>	<b>Net profit 30/06/03</b>	<b>Total equity 30/06/03</b>
<b>Datalogic SpA net equity and profit</b>	93,805	3,022	96,827
Differences between consolidated companies' net equity and their carrying value in the parent co.'s statement and effect of the equity-based valuation	7,001	3,656	10,657
Amortisation of consolidation difference	(78)	(84)	(162)
Elimination of intercompany profits	(2,310)	(589)	(2,899)
Effect on elimination of intercompany transactions	27	(28)	(1)
Effect of posting of leasing	127	(46)	81
Elimination of capital gain on sale of company division	3	(344)	(341)
Dividend reversal	779	(779)	0
<b>Group net equity and profit</b>	<b>99,354</b>	<b>4,808</b>	<b>104,162</b>
Minorities' net equity and profit	42	(18)	24
<b>Total net equity and profit</b>	<b>99,396</b>	<b>4,790</b>	<b>104,186</b>

As stated earlier, profit for the period is shown before tax, as envisaged by paragraph 7 of Article 81 of the Regulation for Issuers no. 11971 dated May 14th 1999.

## Provisions for risks and charges

	31/12/02	Increases	(Utilisation)	Exchange-rate differences	30/06/03
Retirement benefits and similar obligations	10	1			11
Taxes	200	129			329
Other provisions	686	57	(56)	(12)	675
<b>Total provisions for risks and charges</b>	<b>896</b>	<b>187</b>	<b>(56)</b>	<b>(12)</b>	<b>1.015</b>

Tax provisions mainly consist of:

- € 44 thousand = deferred taxes stemming from consolidation entries
- € 82 thousand = deferred taxes calculated by the direct parent company
- € 53 thousand = deferred taxes provisioned by the Datalogic GmbH subsidiary against the different depreciation rates used for the purposes of consolidated statements
- € 129 thousand (increase in the period) = deferred taxes relating to the company Datalogic AB.

The breakdown of "other provisions" was as follows:

	30/06/03	31/12/02	Change
Product warranty provision	582	577	5
Provision for legal controversies	18	37	(19)
Others	75	72	3
<b>Total</b>	<b>675</b>	<b>686</b>	<b>(11)</b>

Product warranty provision represents estimated costs to be borne for service work on products sold under a periodical warranty. It totals € 582 thousand and is deemed sufficient to meet the specific risk concerned.

## ACCRUED EMPLOYEE SEVERANCE INDEMNITY PROVISION

Below we show changes occurring in the period.

	31/12/02	New provisions	(Utilisation)	30/06/03
Employee severance indemnities	4,217	560	(261)	4,516

€ 191 thousand of utilisation was ascribable to the parent company, of which € 121 thousand for advance payments on account and € 70 thousand for resignations.

#### **Breakdown of employee headcount by contractual category**

	30/06/03	31/12/02
Managers	30	27
Supervisors	70	68
White-collars	521	499
Blue-collars	156	141
<b>TOTAL</b>	<b>777</b>	<b>735</b>

The classification shown above – typical of Italian collective labour contracts – has been applied to foreign affiliates' employee figures on a comparable basis.

#### **PAYABLES**

##### **Bank borrowing**

The breakdown of bank borrowing was as follows:

	Within 12 months	After 12 months	After 5 years	Total
<b>Bank borrowing</b>				
Bank loans and mortgages	638	2,213	295	3,146
<b>Total bank borrowing</b>	<b>638</b>	<b>2,213</b>	<b>295</b>	<b>3,146</b>

Bank borrowing decreased vs. 2002 year-end following early discharge of a mortgage loan by Datasud Srl for a total amount of € 1,632 thousand.

##### **Amounts owed to other financial institutions**

	Within 12 months	After 12 months	After 5 years	Total
<b>Amounts owed to other financial institutions</b>				
San Paolo IMI SpA	1,260	2,404	467	4,131



Other financial institutions	64	300	695	1,059
<b>Total amounts owed to other financial institutions</b>	<b>1,324</b>	<b>2,704</b>	<b>1,162</b>	<b>5,190</b>

The amounts owed to other financial institutions mainly concern to a secured long-term loan issued by San Paolo IMI SpA to Datasud Srl and to the direct parent company, and to a loan received by Datalogic UK Ltd. and renegotiated in 2000 with Barclays Bank.

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

Company	Loan Type	Expiry Date	Interest Rate	Current Portion	L-T Portion	Instal-ments
DL SpA	IMI loan under Law 346	31/12/05	FIXED	856	1.393	6-monthly
	IMI loan under Law 346 (MURST) * 66985	31/12/11	FIXED	89	624	6-monthly
	IMI loan under Law 346 (MURST) 67231	30/06/12	FIXED	0	84	6-monthly
	IMI loan under Law 346 (MURST) 67232	30/06/12	FIXED	49	419	6-monthly
	IMI loan under Law 346 (MURST) 67231	30/06/12	FIXED	0	80	6-monthly
	IMI loan under Law 346 (MURST) 67232	30/06/12	FIXED	13	119	6-monthly
	IMI loan under Law 346 (MURST) 67231	30/06/12	FIXED	0	21	6-monthly
	IMI loan under Law 346 (MURST) 67232	30/06/12	FIXED	0	21	6-monthly
DL France	CFF and BNP syndicate secured loan	18/12/06	VARIABLE	91	229	quarterly
	BNP secured loan	16/07/05	VARIABLE	22	24	monthly
	BNP secured loan	15/01/09	VARIABLE	39	196	monthly
Datasud	IMI loan under Law 64/86	31/12/04	FIXED	253	131	6-monthly
	Rolo mortgage loan	30/11/05	FIXED	394	632	6-monthly
DL Inc.	Mortgage loan	01/06/08	FIXED	5	85	monthly
DL Holding AB	Loans secured by mortgages	30/08/04	FIXED	-	336	lump sum
	Loans secured by mortgages	31/12/04	FIXED	-	369	lump sum
DL PTY Ltd.	Bank loan	23/09/04	FIXED	4	7	monthly
	Bank loan	27/06/06	FIXED	8	27	monthly
DL UK	Mortgage loan	23/05/15	VARIABLE	64	994	quarterly
DL Gmbh	Loan secured by inventory and receivables	30/11/08	FIXED	76	603	monthly
<b>TOTAL</b>				<b>1,962</b>	<b>6,374</b>	

\* MURST = Italian Ministry for the University and for Scientific & Technological Research

Tax payables

The item "Taxes payable" includes only liabilities for certain or definite taxes, since liabilities for taxes probable or uncertain as regards amount and materialisation, or for deferred taxes, are entered in item B2 of the liability statement (tax provision). As at June 30th 2003, taxes payable amounted to € 2,783 thousand, of which € 1,335 thousand relating to the parent company as detailed by key item below:

- € 345 thousand for personal income tax (IRPEF) withheld for employees
- € 592 thousand for VAT payable
- € 396 thousand for corporate income tax
- € 2 thousand for taxes withheld for professionals and various self-employed service providers.

Other significant tax debts were reported by Datasud ( € 282 thousand), Datalogic UK (€ 330 thousand), and DL France (€ 227 thousand).

Other amounts payable

Other amounts payable	30/06/03	31/12/02	Change
Employees	4,252	3,423	829
Directors' emoluments	192	301	(109)
Sundry amounts payable	490	1,479	(989)
<b>Total</b>	<b>4,934</b>	<b>5,203</b>	<b>(269)</b>

Amounts payable to employees represent the amount payable for salaries and for vacations accrued by employees as at the end of the accounting period. The increase is due to the increase in employee headcount (+42 people since the beginning of the year) and in the amount payable for vacations not taken.

The decrease of the item "sundry amounts payable" was mainly due to payment of the debt existing as at 31/12/02 for purchase of the interest in Minec Systems Holding AB.

**ACCRUED LIABILITIES AND DEFERRED INCOME**

	30/06/03	31/12/02	Change
<b>a) Accrued liabilities</b>			
Interest payable	8	14	(6)
Consulting services	92	68	24
Bonuses and commissions	1	1	-
Marketing funds	308	118	190

	Sundry items	136	108	28
	<b>Total accrued liabilities</b>	<b>545</b>	<b>309</b>	<b>236</b>
<b>b) Deferred income</b>				
	Maintenance contracts	45	1	44
	Intercompany transactions	60	146	(86)
	Warranty extension	230	-	230
	Sundry items	11	283	(272)
	<b>Total deferred income</b>	<b>346</b>	<b>430</b>	<b>(84)</b>
	<b>Total accrued liabilities and deferred income</b>	<b>891</b>	<b>739</b>	<b>152</b>

During the last quarter of 2002 the group – with the aim of rounding off its customer service – introduced sale of the warranty-extension service. Corresponding revenues for the period have been suspended and booked under the “Warranty extension” heading since the service in question starts when the basic legal warranty expires. As at 31/12/02 this deferred-income item totalled € 26 thousand and was classified among “Sundry items”.

The decrease of € 272 thousand in sundry deferred -income items was mainly due (€ 200 thousand) to EMS following realisation of the revenues that had been suspended as at December 31st 2002.

## MEMORANDUM ACCOUNTS

### Ordinary guarantees

These consist of ordinary guarantees issued by the parent company in favour of the group's companies for the amount of € 3,343 thousand and in favour of third parties for the amount of € 130 thousand

### Secured guarantees

Secured guarantees totalled € 10,347 thousand and consisted 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
- Pledges on inventories against financing received totalling € 3,862 thousand.

### Personal guarantees

This item concerns guarantees issued by the parent company for binding letters of patronage in favour of Datasud Srl for € 3,873 thousand.

### Commitments

These refer to:

- € 107 thousand = commitments relating to leasing contracts
- € 5,382 thousand = financial commitments made by the direct parent company at the beginning of the year, divided as follows; € 2,951 thousand for call options and € 2,431 thousand for forward sales contracts (USD 2,500 thousand).

In the following table, we summarise all financial transactions extant as at June 30th 2003:

Type of financial transaction	Due date	Nominal amount in foreign currency		Contract exchange rate	Total € value at contract exchange rate	Exchange rate as at 30/6/03	Total € value as at 30/06
Option - CALL	22/07/03	USD	600,000	0.9896	593,760	0.8751	525,060
Option - CALL	22/07/03	USD	400,000	0.9820	392,800	0.8751	350,040
Option - CALL	27/08/03	USD	1,000,000	0.9820	982,000	0.8751	875,100
Option - CALL	24/09/03	USD	1,000,000	0.9820	982,000	0.8751	875,100
Option - PUT	22/07/03	USD	300,000	0.9662	289,860	0.8751	262,530
Option - PUT	22/07/03	USD	200,000	0.9820	196,400	0.8751	175,020
Option - PUT	27/08/03	USD	500,000	0.9820	491,000	0.8751	437,550
Option - PUT	24/09/03	USD	500,000	0.9820	491,000	0.8751	437,550
Forward sale	01/12/03	USD	2,500,000	0.9725	2,431,250	0.8751	2,187,750
Forward purchase	01/12/03	USD	-2,500,000	0.9133	-2,283,250	0.8751	-2,187,750
Forward sale	31/10/03	USD	500,000	0.9732	486,600	0.8751	437,550
Forward sale	26/11/03	USD	500,000	0.9739	486,950	0.8751	437,550
Forward sale	24/12/03	USD	500,000	0.9747	487,350	0.8751	437,550
Forward sale	15/04/04	USD	2,000,000	0.9391	1,878,200	0.8751	1,750,200
Forward sale	31/07/03	SEK	4,000,000	0.1090	436,000	0.1081	432,400
Forward sale	29/08/03	SEK	4,000,000	0.1089	435,600	0.1081	432,400
Forward sale	31/07/03	GBP	250,000	1.4424	360,600	1.4426	360,650
Forward sale	29/08/03	GBP	250,000	1.4411	360,275	1.4426	360,650

## D) INFORMATION ON PROFIT & LOSS ACCOUNT

### PRODUCTION VALUE

	1H03	1H02	Change
Revenues from sales and services	63,809	59,236	4,573
Change in inventories of work in process, semi-finished, and finished goods	1,358	747	611
Increase in fixed assets following internal enhancement	89	15	74
Sundry revenues	483	504	(21)
Income from grants	455	179	276
<b>Total production value</b>	<b>66,194</b>	<b>60,681</b>	<b>5,513</b>

Revenues from sales and services increased by 8% vs. 1H02. For greater detail, reference should be made to the comments contained in the paragraph "Revenue trends and key factors affecting operations in the first half"

The item Sundry Revenues mainly consisted of:

€ 169 thousand for rents

€ 129 thousand for packaging and shipment

€ 85 thousand for contingent income

€ 54 thousand for other sundry income and revenues.

Grants refer to grants issued by the Ministry for the University and for Scientific & Technical Research for R&D projects.

The percent geographical breakdown of revenues for sales and services was as follows:

	30/6/03	30/6/02	Change
Revenues - Italy	15%	18%	-3 p.p.
Foreign revenues – Rest of EU	56%	53%	3 p.p.
Foreign revenues – Rest of World	29%	29%	0 p.p.

**PRODUCTION COSTS**

	<b>30/6/03</b>	<b>30/6/02</b>	<b>Change</b>
Raw materials supplies, consumables, and goods for resale	30,518	24,677	5,841
Services	9,951	8,811	1,140
Use of 3rd-party assets	1,297	941	356
Staff costs:			
Wages and salaries	14,780	13,658	1,122
Social security charges	3,439	3,015	424
Employee severance indemnities	560	510	50
Other staff costs	662	794	(132)
Total staff costs	<b>19,441</b>	<b>17,977</b>	<b>1,464</b>
Amortisation, depreciation and write-downs:			
Amortisation of intangible fixed assets	1,597	1,252	345
Depreciation of tangible fixed assets	1,762	1,902	(140)
Other write-downs of fixed assets	19		19
Write-downs of receivables included in current assets	394	64	330
Total amortisation, depreciation and write-downs	<b>3,772</b>	<b>3,218</b>	<b>554</b>
Changes in inventories of raw materials supplies, consumables, and goods for resale	(4,909)	217	(5,126)
Risk provisions	62	-	62
Other provisions	-	-	-
Sundry operating costs	429	449	(20)
<b>Total production costs</b>	<b>60,561</b>	<b>56,290</b>	<b>4,271</b>

The considerable increase for costs of raw materials supplies, consumables and goods (+24%) was due to (a) the increase in sales (+8% vs. 1H02), (b) the total increase in inventory (€ 6,262 thousand), and (c) the effect of the change to line-by-line consolidation of the companies Minec System Holding and Datalogic AB (ex Minec AB) (€ 1,536 thousand).

The increase in staff costs was mainly due to the increase in average employee headcount reported by the parent company (+ 40 heads), Datasud Srl (+10 heads) and by the new Datalogic AB (+22 heads, nearly all employees of the ex-Minec company) vs. 1H02.

“Write-downs of receivables included in current assets” totalled € 394 thousand and was mainly attributable to Datalogic GmbH (€ 196 thousand) and to the parent company (€ 149 thousand).

The detailed breakdown of services costs was as follows:

	30/6/03	30/6/02	Change
Outworkers	1,536	733	803
Goods receipt and shipment	958	709	249
Technical, legal and tax advisory services	880	1,063	(183)
Travel and lodging	1,062	921	141
Maintenance, repairs, and technical work	887	658	229
Sales and marketing costs	1,552	1,703	(151)
Emoluments of corporate governance bodies	546	560	(14)
Overhead costs	1,666	1,674	(8)
Others	864	790	74
<b>Total</b>	<b>9,951</b>	<b>8,811</b>	<b>1,140</b>

The increase in the “outworkers” item was mainly due to greater use of outsourcing, by the parent company and Datasud, for some phases of production work.

The decrease in the item “technical, legal and tax advisory services” was mainly due to the fact that, in 1H02, use had been made of outside personnel to develop technical studies and designs that were concluded at the end of 2002.

The € 151 -thousand reduction in sales and marketing costs vs. 1H02 was ascribable to the reduction in the number of trade fairs attended by the group, and to reclassification of costs for royalty expenses, which as at June 30th 2003 were transferred to “costs for use of 3rd-party assets, and amounted to € 105 thousand as at June 30th 2002.

The item “Emoluments for corporate governance bodies” includes emoluments both for directors (€ 514 thousand) and statutory auditors (€ 32 thousand).

The detail of costs borne for use of third-party assets is as follows:

Costs of use of 3rd-party assets	30/6/03	30/6/02	Change
Building rents	537	490	47
Rents of other assets	363	299	64
Leasing instalments	71	86	(15)
Others	326	66	260
<b>Total</b>	<b>1,297</b>	<b>941</b>	<b>356</b>

This item increased mainly because of reclassification, as already mentioned, of royalty expenses (€ 251 thousand as up to 30/06/03), which as up to 30/06/02 had been classified among service costs.

The breakdown of “Sundry operating costs” is as follows:

Sundry operating costs	30/6/03	30/6/02	Change
Taxation other than income tax	117	119	(2)
Costs reimbursable by third parties	18	15	3
Association membership fees	135	129	6
Sponsorships and technical promotions	21	111	(90)
Contingent charges and losses	49	32	17
Others	89	43	46
<b>Total</b>	<b>429</b>	<b>449</b>	<b>(20)</b>

## **Financial income and charges**

### **Other financial income**

The breakdown of this item was as follows:

Other financial income	30/6/03	30/6/02	Change
b) From securities posted in long-term financial assets that are not operational equity investments	37	47	(10)
c) From securities posted in current assets that are not operational equity investments	48	-	48
d) Income other than the above:			-
- From others	1,490	1,109	381
<b>Total</b>	<b>1,575</b>	<b>1,156</b>	<b>419</b>

The detail of “income other than the above received from others” is as follows:

	30/6/03	30/6/02	Change
Interest income on bank accounts	308	587	(279)
Exchange-rate gains	1,105	495	610
Others	77	27	50
<b>Total “income other than the above received from others”</b>	<b>1,490</b>	<b>1,109</b>	<b>381</b>

The decrease in current-account interest income was mainly ascribable to the direct parent company and was large due to the decrease in market rates.

As regards the item “Exchange-rate gains”, € 979 thousand of this concerned the parent company and featured the following breakdown:

- € 173 thousand for exchange-rate gains concerning commercial transactions, of which € 60 thousand for adjustment to exchange rates at the end of the accounting period
- € 273 thousand for exchange-rate gains relating to foreign-currency borrowing and bank accounts
- € 533 thousand concerning financial transactions, as detailed below:
  1. € 130 thousand from collar-ratio-down transactions



2. € 138 thousand from valuation at current value of forward call and put transactions (USD 2.500 thousand)
3. € 258 thousand from alignment of forward hedging transactions to exchange rates at the end of the accounting period
4. € 7 thousand from calculation of premium relevant to period as up to 30/06/03.

### Interest expenses and other financial charges

	30/6/03	30/6/02	Change
- Subsidiaries			
- Associated companies			
- Parent companies			
- Others			
Interest payable on bank current accounts and loans	139	400	(261)
Exchange-rate losses	1,107	1,080	27
Interest on loans from other financial institutions	171	198	(27)
Operating grants	(116)	(116)	-
Others	83	76	7
<b>Total interest expenses and other financial charges</b>	<b>1,384</b>	<b>1,638</b>	<b>(254)</b>

As regards the item "Exchange-rate losses", € 977 thousand of the amount concerned the parent company and featured the following breakdown:

- € 595 thousand for exchange-rate losses concerning commercial transactions, of which € 35 thousand for adjustments to exchange rates as at the end of the accounting period
- € 382 thousand for exchange-rate losses for foreign-currency borrowing and current accounts, of which € 348 thousand for adjustments to exchange rates as at the end of the accounting period.

The decrease in the item "Interest on bank current accounts and loans" was mainly due to early discharge of four medium-/long-term loans, of which three by the parent company during the second half of 2002 and one by Datasud in the early months of 2003.

### Adjustments to the value of financial assets

The write-down concerned the net-equity valuation of Izumi Datalogic Co. Ltd.

**Extraordinary income and charges**

	30/6/03	30/6/02	Change
<b>20) Income</b>			
a) Capital gains on disposals			
b) Other extraordinary income			
Contingent income	103	80	23
Sundry income	33	14	19
<b>Total extraordinary income</b>	<b>136</b>	<b>94</b>	<b>42</b>
<b>21) Charges</b>			
a) Capital losses on disposals			
Miscellaneous charges	4	4	-
b) Other extraordinary charges			
Contingent charges	233	85	148
Tax pardon	266	-	266
EMS extraordinary operation	1,105	-	1,105
Sundry charges	6	160	(154)
<b>Total extraordinary charges</b>	<b>1,614</b>	<b>249</b>	<b>1,365</b>

In April the direct parent company and Datasud opted for the so-called “tombstone tax pardon” (pursuant to Article 9 of Italian Law 289/2002) solely for direct taxes. The cost was € 244 thousand for the parent company and € 22 thousand for Datasud.

The item “EMS extraordinary operation” amounting to € 1,105 thousand was a consequence of buy-back, by EMS, of stock options previously assigned to the company’s management and employees and not yet exercised. The cost of this particular operation, i.e. € 946 thousand, is considered to be extraordinary since it forms part of reorganisation of the company designed to gain full control of the shareholding, in view of the importance of the product line managed by EMS for the group’s future development. In relation to this operation, extraordinary costs of € 159 thousand were also borne for staff resignations.

*Romano Volta*

*Chairman of the Board of Directors*

# DATALOGIC S.p.A.

## CONSOLIDATED BALANCE SHEET

ASSETS	30-Jun-03 in Euro/000	31-Dec-02 in Euro/000	30-Jun-02 in Euro/000
<b>A) SUBSCRIBED CAPITAL UNPAID</b>			
1) Part called up			
2) Part not called up			
<b>Total subscribed capital unpaid (A)</b>			
<b>B) FIXED ASSETS</b>			
<b>I - Intangible fixed assets:</b>			
1) Start up and expansion costs	3	3	11
2) Research & Development and advertising costs		-	
3) Industrial patent rights and rights for use of intellectual properties	3.932	4.516	2.714
4) Concessions, licenses, trademarks and similar rights	48	78	110
5) Goodwill	3.902	4.424	4.945
6) Consolidation difference	1.516	1.600	
7) Intangible Assets in progress and advances	59	267	2.726
8) Other intangible assets	474	305	185
<b>Total intangible fixed assets (I)</b>	<b>9.934</b>	<b>11.193</b>	<b>10.691</b>
<b>II - Tangible fixed assets:</b>			
1) Land and buildings	18.189	18.778	14.703
2) Plant and machinery	1.350	1.479	1.623
3) Industrial and commercial equipment	2.281	2.431	2.303
4) Other tangible fixed assets	2.143	2.307	2.540
5) Assets in progress and advances	186	68	3.890
<b>Total tangible fixed assets (II)</b>	<b>24.149</b>	<b>25.063</b>	<b>25.059</b>
<b>III - Long term financial assets:</b>			
1) Investments in:			
a) Subsidiaries valued on the net equity basis		1.433	
b) Associated companies valued on the net equity basis	249	268	260
c) Parent companies			
d) Other companies	62	62	62
2) Accounts receivable from:			
a) Subsidiaries			
within 12 months			
after 12 months			
Total accounts receivable from subsidiaries (a)	-	-	-
b) Associated companies			
within 12 months			
after 12 months			
Total accounts receivable from associated companies (b)	-	-	-
c) Parent companies			
within 12 months			
after 12 months			
Total accounts receivable from parent companies (c)			
d) Other companies			
within 12 months	6	-	
after 12 months	67	88	104
Total accounts receivable from other companies (d)	73	88	104
3) Other securities:	2.843	2.466	2.467
4) Own shares	6.141	4.925	3.672
<b>Total long term financial assets (III)</b>	<b>9.368</b>	<b>9.242</b>	<b>6.565</b>
<b>Total fixed assets (B= I + II + III)</b>	<b>43.451</b>	<b>45.498</b>	<b>42.315</b>
<b>C) CURRENT ASSETS</b>			
<b>I - Inventories:</b>			
1) Raw and auxiliary materials, and consumables	13.048	9.954	12.015
2) Work in progress and semifinished goods	2.777	2.679	3.588
3) Work to order in progress	-	-	
4) Finished goods and goods for resale	11.710	8.640	8.730
5) Payments on account	-		1
<b>Total inventories (I)</b>	<b>27.535</b>	<b>21.273</b>	<b>24.334</b>
<b>II - Accounts receivable:</b>			
1) From customers			
within 12 months	31.811	31.802	31.238
after 12 months		295	
Total accounts receivable from customers (1)	31.811	32.097	31.238
2) From subsidiaries			
within 12 months	-	-	-

# DATALOGIC S.p.A.

## CONSOLIDATED BALANCE SHEET

ASSETS	30-Jun-03 in Euro/000	31-Dec-02 in Euro/000	30-Jun-02 in Euro/000
after 12 months			
Total accounts receivable from subsidiaries (2)	-	-	-
3) From associated companies			
within 12 months	341	676	883
after 12 months			
Total accounts receivable from associated companies (3)	341	676	883
4) From parent companies			
within 12 months	4	1	4
after 12 months			
Total accounts receivable from parent companies (4)	4	1	4
5) From others			
within 12 months	10.243	15.440	10.379
after 12 months	1.143	1.139	107
Total accounts receivable from others (5)	11.386	16.579	10.486
<b>Totale accounts receivable (II)</b>	<b>43.542</b>	<b>49.353</b>	<b>42.611</b>
<b>III - Current Financial assets</b>			
1) Investments in subsidiaries		-	
2) Investments in associated companies		-	87
3) Investments in parent companies		-	
4) Other investments		-	
5) Own shares		-	
6) Other securities	4.000	2.487	4.000
<b>Total current financial assets (III)</b>	<b>4.000</b>	<b>2.487</b>	<b>4.087</b>
<b>IV - Bank deposit and cash on hand</b>			
1) Bank and postal deposits	29.493	27.607	30.049
2) Cheques			
3) Cash and cash equivalent	29	18	21
<b>Total bank deposit and cash on hand (IV)</b>	<b>29.522</b>	<b>27.625</b>	<b>30.070</b>
<b>Total current assets (C = I + II + III + IV)</b>	<b>104.599</b>	<b>100.738</b>	<b>101.102</b>
<b>D) ACCRUED INCOME AND PREPAYMENTS</b>			
a) Accrued income	630	69	148
b) Prepayments	1.236	1.098	1.540
c) Discounts on loans			
<b>Total accrued income and prepayments (D)</b>	<b>1.866</b>	<b>1.167</b>	<b>1.688</b>
<b>TOTAL ASSETS (A + B+ C+ D)</b>	<b>149.916</b>	<b>147.403</b>	<b>145.105</b>

# DATALOGIC S.p.A.

## CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	30-Jun-03 in Euro/000	31-Dec-02 in Euro/000	30-Jun-02 in Euro/000
<b>A) NET EQUITY</b>			
<i>I Share Capital</i>	24.759	24.759	24.759
<i>II Share premium reserve</i>	54.424	54.424	54.424
<i>III Revaluation reserves</i>	258	258	258
<i>IV Legal reserve</i>	617	464	464
<i>V Own-share reserve</i>	6.141	4.925	3.672
<i>VI Statutory reserves</i>		0	
<i>VII Demerger capital reserve</i>	4.439	4.439	4.439
<i>VIII Other reserves</i>			
<i>IX Consolidation reserve</i>	1.878	1.878	1.878
<i>X Translation reserve/(loss)</i>	(492)	(13)	322
<i>XI Retained earnings/(losses) carried forward</i>	7.330	5.418	6.667
<i>XIII Net profit/(loss) for the period (*)</i>	4.808	5.362	3.746
	<b>104.162</b>	<b>101.914</b>	<b>100.629</b>
Net equity pertaining to minorities	24	429	277
<b>Total net equity (A)</b>	<b>104.186</b>	<b>102.343</b>	<b>100.906</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES:</b>			
1) Provision for retirement benefits and similar obligations	11	10	9
2) Provision for taxation	329	200	602
3) Others	675	686	623
<b>Total provisions for risks and charges (B = 1 + 2 + 3)</b>	<b>1.015</b>	<b>896</b>	<b>1.234</b>
<b>C) Employees' severance indemnity provision</b>	<b>4.516</b>	<b>4.217</b>	<b>3.826</b>
<b>D) PAYABLES</b>			
1) Debentures			
within 12 months		-	
after 12 months		-	
Total debentures (1)	-	-	-
2) Convertible bonds			
within 12 months		-	
after 12 months		-	
Total convertible bonds (2)	-	-	-
3) Bank borrowing			
within 12 months	638	1.354	2.280
after 12 months	2.508	3.745	4.311
Total bank borrowing (3)	3.146	5.099	6.591
4) Accounts payable to other financial institutions			
within 12 months	1.324	1.189	1.115
after 12 months	3.866	4.025	4.434
Total accounts payable to other financial institutions (4)	5.190	5.214	5.549
5) Advances received			
within 12 months	20	29	1
after 12 months		-	
Total advances received (5)	20	29	1
6) Trade payables			
within 12 months	21.929	16.838	18.421
after 12 months			
Total trade payables (6)	21.929	16.838	18.421
7) Bill payable			
within 12 months		-	
after 12 months		-	
Total bill payable (7)	-	-	-

# DATALOGIC S.p.A.

## CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY		30-Jun-03 in Euro/000	31-Dec-02 in Euro/000	30-Jun-02 in Euro/000
8) Accounts payable to subsidiaries				
	within 12 months		-	
	after 12 months		-	
	Total accounts payable to subsidiaries (8)	-	-	-
9) Accounts payable to associated companies				
	within 12 months			2
	after 12 months			
	Total accounts payable to associated companies (9)	-	-	2
10) Accounts payable to parent companies				
	within 12 months			6
	after 12 months		-	
	Total accounts payable to parent companies (10)	-	-	6
11) Tax authorities payable				
	within 12 months	2.783	5.350	3.063
	after 12 months	0	22	
	Total tax authorities payable (11)	2.783	5.372	3.063
12) Social security institutions payable				
	within 12 months	1.306	1.453	865
	after 12 months			
	Total social security institutions payable (12)	1.306	1.453	865
13) Other payables				
	within 12 months	4.894	5.170	3.998
	after 12 months	40	33	33
	Total other payables (13)	4.934	5.203	4.031
<b>Total accounts payable (D)</b>		<b>39.308</b>	<b>39.208</b>	<b>38.529</b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>				
a) Accrued expenses		545	309	440
b) Deferred income		346	430	170
c) Premium on loans				
<b>Total accrued expenses and deferred income (E)</b>		<b>891</b>	<b>739</b>	<b>610</b>
<b>TOTAL LIABILITIES AND EQUITY (A+B+C+D+E)</b>		<b>149.916</b>	<b>147.403</b>	<b>145.105</b>

**CONSOLIDATED PROFIT & LOSS ACCOUNTS**

	30-Jun-03 in Euro/000	30-Jun-02 in Euro/000	31-Dec-02 in Euro/000
<b>A) PRODUCTION VALUE:</b>			
1) Revenues from sales and services	63.809	59.236	116.132
2) Changes in inventories of work in progress, semifinished and finished goods	1.358	747	(1.986)
3) Changes in contract work in progress			-
4) Increases in fixed assets from internal work	89	15	48
5) Other revenue and income			
a) Sundry revenues	483	504	1.491
b) Income from grants	455	179	390
Total other revenue and income(5)	938	683	1.881
<b>Total production value(A)</b>	<b>66.194</b>	<b>60.681</b>	<b>116.075</b>
<b>B) PRODUCTION COSTS:</b>			
6) Raw and auxiliary materials, consumables and goods for resale	30.518	24.677	43.982
7) Services	9.951	8.811	17.184
8) Use of third parties asset	1.297	941	2.108
9) Personnel costs:			
a) Salaries and wages	14.780	13.658	27.958
b) Social contributions	3.439	3.015	6.077
c) Employees' severance indemnity	560	510	1.084
d) Provision for retirement benefits and similar costs	-	-	-
e) Other personnel costs	662	794	820
Total personnel costs (9)	19.441	17.977	35.939
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets	1.597	1.252	3.404
b) Depreciation of tangible fixed assets	1.762	1.902	3.752
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	394	64	236
Total amortisation, depreciation and write-downs (10)	3.772	3.218	7.392
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	(4.909)	217	336
12) Risk provisions	62	-	91
13) Other provisions	-	-	-
14) Sundry operating costs	429	449	1.291
<b>Total production costs (B)</b>	<b>60.561</b>	<b>56.290</b>	<b>108.323</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)</b>	<b>5.633</b>	<b>4.391</b>	<b>7.752</b>

**CONSOLIDATED PROFIT & LOSS ACCOUNTS**

	30-Jun-03 in Euro/000	30-Jun-02 in Euro/000	31-Dec-02 in Euro/000
<b>C) FINANCIAL INCOME AND CHARGES:</b>			
15) Income from investments in:			
a) Subsidiaries			
b) Associated companies			
c) Other companies	438		379
Total income from investments (15)	438	-	379
16) Other financial income from:			
a) Receivables entered in long term financial assets from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Others			
Total (a)	-	-	-
b) Securities entered in long term financial assets that are not investments	37	47	70
c) Securities entered in current assets that are not investments	48		53
d) Income other than the above from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Other companies	1.490	1.109	1.887
Total (d)	1.490	1.109	1.887
Total other financial income (16)	1.575	1.156	2.010
17) Interest and other financial costs from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Others	1.384	1.638	2.608
Total interest and other financial costs (17)	1.384	1.638	2.608
<b>Total financial income and charges (15+16-17)</b>	<b>629</b>	<b>(482)</b>	<b>(219)</b>
<b>D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS:</b>			
18) Revaluation of:			
a) investments	6		102
b) long term financial assets that are not investments			
c) Securities entered in current assets that are not investments			
Total revaluations (18)	6	-	102
19) Write-downs of:			
a) investments		23	
b) long term financial assets that are not investments			
c) Securities entered in current assets that are not equity investments			
Total write-downs (19)	-	23	-
<b>Net adjustment to the value of financial assets (D =18-19)</b>	<b>6</b>	<b>(23)</b>	<b>102</b>
<b>E) EXTRAORDINARY INCOME AND CHARGES:</b>			
20) Extraordinary income			
a) Capital gains on disposals of fixed assets			5
b) Other extraordinary income	136	94	146
Total extraordinary income (20)	136	94	151
21) Extraordinary charges			
a) Capital losses on disposals of fixed assets	4	4	2
b) Other extraordinary charges	1.610	245	1.031
Total extraordinary charges (21)	1.614	249	1.033
<b>Total extraordinary income/(charges) (20-21)</b>	<b>(1.478)</b>	<b>(155)</b>	<b>(882)</b>



**DATALOGIC S.p.A.**

## CONSOLIDATED PROFIT &amp; LOSS ACCOUNTS

	<i>30-Jun-03 in Euro/000</i>	<i>30-Jun-02 in Euro/000</i>	<i>31-Dec-02 in Euro/000</i>
<b>PROFIT/(LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)</b>	<b>4.790</b>	<b>3.731</b>	<b>6.753</b>
22) Current income taxes			(3.149)
Deferred taxes			1.719
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>4.790</b>	<b>3.731</b>	<b>5.323</b>
Profit/(Loss) pertaining to minorities	18	15	39
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>4.808</b>	<b>3.746</b>	<b>5.362</b>

\*) Net Profit/(Loss) at 30 June 2003 and 2002 is the result before taxes

The President of the Board of Directors  
(Romano Volta)

**DATALOGIC S.p.A.**  
CONSOLIDATED CASH FLOW

	30-Jun-03 in Euro/000	31-Dec-02 in Euro/000	30-Jun-02 in Euro/000
<b>NET SHORT TERM FINANCIAL POSITION AT THE BEGINNING OF THE YEAR</b>	<b>33.802</b>	<b>42.734</b>	<b>42.734</b>
<b>NET PROFIT/(LOSS) FOR THE PERIOD (*)</b>	<b>4.808</b>	<b>5.362</b>	<b>3.746</b>
Amortisation and depreciation	3.359	7.156	3.154
Increase of the provision for employees' severance indemnity	560	1.084	510
Revaluations/write-downs of financial assets	-6	-102	23
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>8.721</b>	<b>13.500</b>	<b>7.433</b>
<b>Effect of changes in operating assets and liabilities</b>			
Trade receivables	621	-4.377	-3.728
Inventories	-6.262	3.002	-59
Other current assets	-1.735	-703	1.960
Other long term assets	-4	-1.042	16
Trade payables	5.082	4.787	6.350
Tax payables	-2.589	1.297	-1.198
Other current liabilities	-273	2.369	465
Other long term liabilities	7	-186	0
Provisions for risks and charges	119	-306	32
Decrease of the provision for employees' severance indemnity	-261	-365	-182
<b>Changes in operating assets and liabilities</b>	<b>-5.295</b>	<b>4.476</b>	<b>3.656</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3.426</b>	<b>17.976</b>	<b>11.089</b>
<b>Effect of changes in investment activities</b>			
(Increase)/decrease in intangible fixed assets	-338	-3.549	-895
(Increase)/decrease in tangible fixed assets	-848	-3.237	-1.383
(Increase)/decrease in long term financial assets	-1.579	-3.736	-2.581
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-2.765</b>	<b>-10.522</b>	<b>-4.859</b>
<b>Effect of changes in financial activities</b>			
Change in long term financial position	-1.396	-13.612	-12.637
Change in net equity pertaining to minorities	-405	148	-4
Impact of exchange-rate changes on foreign companies' consolidation	-479	-1.179	-832
Other net equity changes	-2.081	-581	-597
Change in unconsolidated investments	1.458	-1.162	154
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-2.903</b>	<b>-16.386</b>	<b>-13.916</b>
<b>CHANGE IN NET FINANCIAL POSITION</b>	<b>-2.242</b>	<b>-8.932</b>	<b>-7.686</b>
<b>NET SHORT TERM FINANCIAL POSITION AT PERIOD-END</b>	<b>31.560</b>	<b>33.802</b>	<b>35.048</b>