



Consolidated Financial

Report at

June 30th, 2005



DATALOGIC GROUP

Consolidated Financial Report as at June 30, 2005

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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

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 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

DATALOGIC GROUP – NOTES ON MIDYEAR INTERIM REPORT AS AT JUNE 30, 2005

To Our Shareholders

A) INFORMATION ON PERFORMANCE

The midyear interim report for the 6month period ending on June 30, 2005, which 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.

Specifically:

- Consolidated financial statements apply the format envisaged by international accounting standards (IAS/IFRS) introduced by European Regulation 1725/2003
- Comments have been prepared as per the requirements indicated in Attachment 3D of CONSOB (Italian securities & exchange commission) regulation no. 11971 of 14/09/1999 and subsequent updates.

The Datalogic Group's net profit in the first half of 2005 (1H05) totalled € 5,596 thousand, growing by over 27.1% vs. € 4,403 thousand reported in the same period in the previous year (1H04).

Important contributors to this result were the recent acquisitions of Laservall SpA (consolidated on a 100% line-by-line basis as from the third quarter of 2004) and of Informatics Inc. (consolidated on a 100% line-by-line basis as from March of the current year).

The following table summarises these two companies' key operating results as up to June 30th 2005 (duly adjusted to allow for consolidation adjustments concerning the companies):

	1H05 Informatics	1H04 Laservall	TOTAL
	€ '000	€ '000	€ '000
Total revenues	10,348	9,940	20,288
EBITDA	1,766	3,284	5,050
% on total revenues	17.1%	33.0%	24.9%
Net profit	1,104	1,505	2,609
% on total revenues	10.7%	15.1%	12.9%

In 1H05 the **Datalogic Group** achieved total revenues of **€ 86,567 thousand (vs. € 67,416 thousand in 1H04)**, detailed as follows:

- € 83,339 thousand consisting of revenues from the sale of products (of which Laservall SpA €9,595 thousand and Informatics Inc. € 10,348 thousand)
- € 3,228 thousand of revenues for services (of which Laservall SpA € 346 thousand).

These reported revenues showed growth of some 28.4% over 1H04 (1H04 revenues = € 67,416 thousand). Net of Laservall SpA and Informatics Inc., they shrank by -1.7% YoY.

The following table summarises the Datalogic Group's key operating and financial highlights in 1H05 (i.e. as up to June 30, 2005) comparing them with 1H04:

Datalogic Group	1H05	1H04	YoY Change	
	€ '000	€ '000	€ '000	%
Total revenues	86,567	67,416	19,151	28.4%
EBITDA	14,748	10,565	4,183	39.6%
% on total revenues	17.0%	15.7%		
Net profit	5,596	4,403	1,193	27.1%
% on total revenues	6.5%	6.5%		
Net Financial Position (NFP)	27,975	37,811	-9,836	-26.0%

Group EBITDA was € 14,748 thousand (of which Laservall SpA € 3,284 thousand and Informatics Inc. € 1,766 thousand), with 17% margin on total revenues (14.6% net of Laservall SpA and Informatics Inc.). The outright increase over 1H04 totalled €4,183 thousand (+39.6% vs. € 10,565 thousand as up to June 30th 2004, -8.2% YoY net of Laservall SpA and Informatics Inc.).

The following table shows the EBITDA components, comparing them with 1H04.

	1H05		1H04(*)		YoY Change	
					Amount	%
Total revenues	86,567	100.0%	67,416	100.0%	19,151	28.4%
Cost of goods sold and operating costs	-71,819	-83.0%	-56,851	-84.3%	-14,968	26.3%
EBITDA	14,748	17.0%	10,565	15.7%	4,183	39.6%
Depreciation of tangible fixed assets	-2,034	-2.3%	-1,856	-2.8%	-178	9.6%
Amortisation of intangible fixed assets	-1,660	-1.9%	-615	-0.9%	-1,045	169.9%
EBIT	11,054	12.8%	8,094	12.0%	2,960	36.6%
Non-recurrent costs	-1,243	1.4%	-57	0.1%	-1,186	nmf
Operating profit	9,811	11.3%	8,037	11.9%	1,774	22.1%
Net financial income/(costs) and income from associate companies	489	0.6%	-49	-0.1%	538	nmf
EBT	10,300	11.9%	7,988	11.8%	2,312	28.9%
Income tax	-4,601	-5.3%	-3,585	-5.3%	-1,016	28.3%
NET PROFIT BEFORE MINORITIES	5,699	6.6%	4,403	6.5%	1,296	29.4%
Minority interests	103	0.1%	0	0.0%	103	
GROUP NET PROFIT	5,596	6.5%	4,403	6.5%	1,193	27.1%

(*) 1H04 data have been reclassified in order to make them comparable with 1H05 results, which have been calculated according to IAS/IFRS.

Following the introduction of IAS, non-recurrent or extraordinary costs are no longer shown separately in the financial statements presented but are included in ordinary operating figures.

In order to assure better representation of the Group's ordinary profitability, we have preferred – in all tables in this section concerning information on performance – to show an operating result before the impact of non-recurrent costs/income that we have called “EBIT”. To permit comparability with detailed official accounting statements, we have in any case included a further intermediate profit margin (called “Operating profit”) that includes the net impact of non-recurrent items.

EBIT, as thus defined, amounted to € 11,054 (of which € 2,467 thousand Laservall SpA and € 1,705 thousand Informatics Inc.), with a 12.8% margin on revenues (10.4% net of Laservall SpA and Informatics Inc.) and with growth of 36.6% vs. 1H04 (-15% net of Laservall SpA and Informatics Inc.).

The following table summarises the effect of euro appreciation vs. the US dollar (Datalogic's main non-euro invoicing currency).

INCOME STATEMENT IMPACT AS AT 30/06/2005 OF EURO APPRECIATION VS. USD	TOTAL REVENUES	COSTS OF GOODS SOLD & TOTAL OPERATING COSTS	EBIT	NET FINANCIAL INCOME/(COSTS)	EBT
	€ '000	€ '000	€ '000	€ '000	€ '000
Effect of conversion into euro of accounts of the group's US companies (translation effect) (1)	-1,053	736	-317	1	-316
Effect of conversion into euro of Italian companies' USD sales/costs (1)	-163	220	57	310	367
Effect of hedging operations and exchange-rate alignment	0	0	0	61	61
TOTAL IMPACT	-1,216	956	-260	372	112

(1) It should be noted that the effect of inventory differences on these items has not been considered.

Based on straight-line EUR/USD exchange rates vs. 2004, 1H05 revenues would have been € 1,216 thousand higher (+1.4% vs. reported revenues), costs would have been € 956 thousand lower (-1.2% vs. reported costs of goods sold and total operating costs) and EBT would have been € 112 thousand higher (+1.1% vs. reported EBT).

The next 2 tables compare key operating results achieved in the second quarter of 2005 (2Q05) compared with, respectively, 2Q05 and the first quarter of 2005 (1Q05).

€ '000	2Q05		2Q04		YoY Change	
					Amount	%
Total revenues	49,949	100.0%	35,007	100.0%	14,942	42.7%
EBITDA	8,625	17.3%	5,783	16.5%	2,842	49.1%
EBIT	6,707	13.4%	4,676	13.4%	2,031	43.4%

It should be noted that 2Q05 includes the results of both Informatics and Laservall, whereas 2Q04 excludes both of them.

€ '000	2Q05		1Q05		QoQ Change	
					Amount	%
Total revenues	49,949	100.0%	36,618	100.0%	13,331	36.4%
EBITDA	8,625	17.3%	6,124	16.7%	2,501	40.8%
EBIT	6,707	13.4%	4,348	11.9%	2,359	54.3%

As already highlighted, Informatics was consolidated only as from 2Q05.

REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS IN THE FIRST HALF

Segment information

A business segment is a group of assets and operations the aim of which is to provide products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment refers to a group of assets and operations that provides products and services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

We consider business segments to be primary (see IAS 14), whilst geographical segments have been considered secondary. Our segment information reflects the Group's internal reporting structure.

The amounts used for intersegment transfers of components or products are the Group's effective intercompany selling prices.

Segment information includes both directly attributable costs and those reasonably allocable.

Business segments

The Group consists of the following business segments:

Data Capture: this is Datalogic's traditional business and includes the development, production and sale of the following products: HHR (hand-held readers), USS (unattended scanning systems) and MC (mobile computers).

Business Development: this division includes businesses featuring high growth potential within Datalogic's traditional offering (RFID (radio-frequency identification devices) and self-scanning solutions) or those adjacent to the Group's traditional business areas. They consist of:

- Industrial marking products
- Distribution of automatic identification products.

These last two activities relate to two companies recently acquired by Datalogic SpA (i.e. respectively to Laservall SpA and Informatics).

Primary segment results as up to 30/06/2005 (1H05), compared with those as up to 30/06/2004 (1H04) were as follows:

€ '000	Data Capture		Business Development		Adjustments		Consolidated Total	
	1H05	1H04	1H05	1H04	1H05	1H04	1H05	1H04
Revenues:								
External sales	60,193	60,078	26,374	7,338	-	-	86,567	67,416
Intersegment sales	34	1	20	388	(54)	(389)	-	-
TOTAL REVENUES	<u>60,227</u>	<u>60,079</u>	<u>26,394</u>	<u>7,726</u>	<u>(54)</u>	<u>(389)</u>	<u>86,567</u>	<u>67,416</u>
Cost of goods sold	30,021	29,952	13,102	3,276	-	-	43,123	33,228
Intersegment cost of goods sold	21	30	10	240	(31)	(270)	-	(0)
GROSS PROFIT	<u>30,185</u>	<u>30,097</u>	<u>13,282</u>	<u>4,210</u>	<u>(23)</u>	<u>(119)</u>	<u>43,444</u>	<u>34,188</u>
Other attributable revenues	1,100	1,272	111	-	-	-	1,211	1,272
Other intersegment revenues	175	284	-	-	(175)	(284)	-	-
Operating costs:								
R&D expenses	5,076	4,309	1,708	1,088			6,784	5,397
Distribution expenses	9,885	10,169	4,924	1,650	(170)		14,639	11,819
Allocable G&A costs	6,381	6,302	2,577	517			8,958	6,819
Other allocable operating costs	397	787	227	10			624	797
SEGMENT RESULT	<u>9,721</u>	<u>10,086</u>	<u>3,957</u>	<u>945</u>	<u>(28)</u>	<u>(403)</u>	<u>13,650</u>	<u>10,628</u>
Unallocable G&A costs		-		-			2,596	2,534
OPERATING PROFIT	<u>9,721</u>	<u>10,086</u>	<u>3,957</u>	<u>945</u>	<u>(28)</u>	<u>(403)</u>	<u>11,054</u>	<u>8,094</u>
Allocable net non-recurrent costs	(285)	(57)					(285)	(57)
Unallocable net non-recurrent costs	-						(958)	-
Net financial income/(expenses)							348	(94)
Share of associates' profit	64	45	77				141	45
Income tax							(4,601)	(3,585)
NET PROFIT	<u>9,500</u>	<u>10,074</u>	<u>4,034</u>	<u>945</u>	<u>(28)</u>	<u>(403)</u>	<u>5,699</u>	<u>4,403</u>
OTHER INFORMATION								
Segment assets	119,444	107,061	37,054	4,004		(46)	156,498	111,019
Interests in associates	513	369	512				1,025	369
Unallocable assets							54,962	54,757
Total assets	<u>119,957</u>	<u>107,430</u>	<u>37,566</u>	<u>4,004</u>	<u>-</u>	<u>(46)</u>	<u>212,485</u>	<u>166,145</u>
Segment liabilities	37,754	33,781	7,327	904	(937)		44,144	34,685
Unallocable liabilities							35,270	20,929
Equity							133,071	110,531
Total liabilities	<u>37,754</u>	<u>33,781</u>	<u>7,327</u>	<u>904</u>	<u>(937)</u>	<u>-</u>	<u>212,485</u>	<u>166,145</u>
Deprec. & amort.n (D&A)	2,101	1,695	1,003	133			3,104	1,828
Unallocable D&A							590	643

Gross profit rose from € 34,188 thousand in 1H04 to € 43,444 thousand in 1H05 (+27% YoY). In the face of a substantially unchanged contribution from the Data Capture Division, the Business Development Division featured a substantial increase. As already pointed out, consolidation of the Laservall and Informatics was the main driver of this result.

Operating costs attributed to the Divisions, totalling € 31,005 thousand as at June 30 2005, increased by approximately 25% vs. € 24,832 thousand reported in 1H04:

- In the period the **Data Capture Division** featured operating costs substantially unchanged vs. 1H04 (operating costs went from € 21,567 thousand to € 21, 739 thousand). More specifically:
 - R&D costs increased (+18% vs. 1H04 and +5.5% YoY without considering the effect of capitalisation of development costs under IAS) and, in 1H05, were equivalent to 8.4% of revenues (vs. 7.1% as at June 30, 2004)
 - Distribution expenses instead decreased, going down from € 10.169 thousand to € 9,885 thousand, mainly due to the saving stemming from the fact that we did not hold the company convention in the period in question (which instead took place in February 2004)
 - Attributable G&A costs were substantially the same (€ 6,381 thousand in 1H05 vs. € 6,302 thousand in 1H04), whereas other allocable operating costs were almost halved (down from € 787 thousand to € 397 thousand) – mainly because of lower incidental items (€ 171 thousand) and lower previous years' taxes (€ 234 thousand)
- For the **Business Development Division** the same considerations made earlier apply, i.e. the significant increase in operating costs was almost totally due to the change in consolidation area occurring in the period concerned.

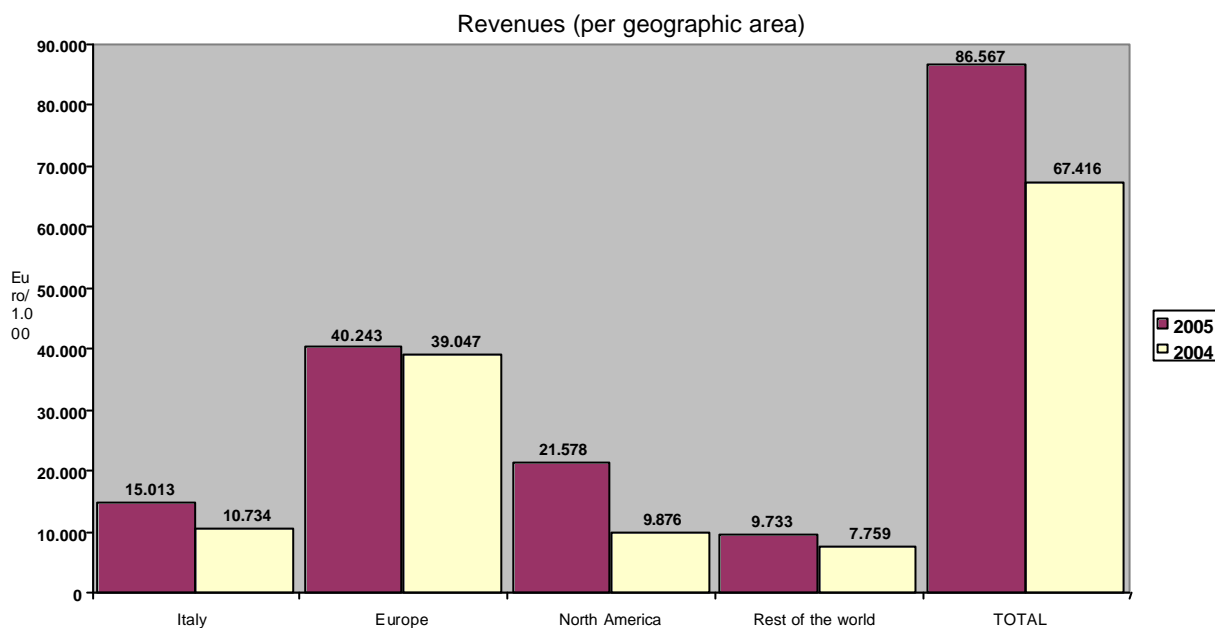
The Data Capture Division's segment result (i.e. before non-allocable operating expenses) as up to June 30 2005 amounted to € 9,721 thousand, down by -4% vs. € 10,086 thousand reported in 1H04. The Business Development Division's contribution amounted to € 3,957 thousand, accounting for 29% of the total.

The Data Capture Division experienced significant growth in the North American market (+16% vs. 1H04) and in Italy (+14%), and slowdown in the rest of Europe (-4% YoY), mainly due to the results obtained in Germany.

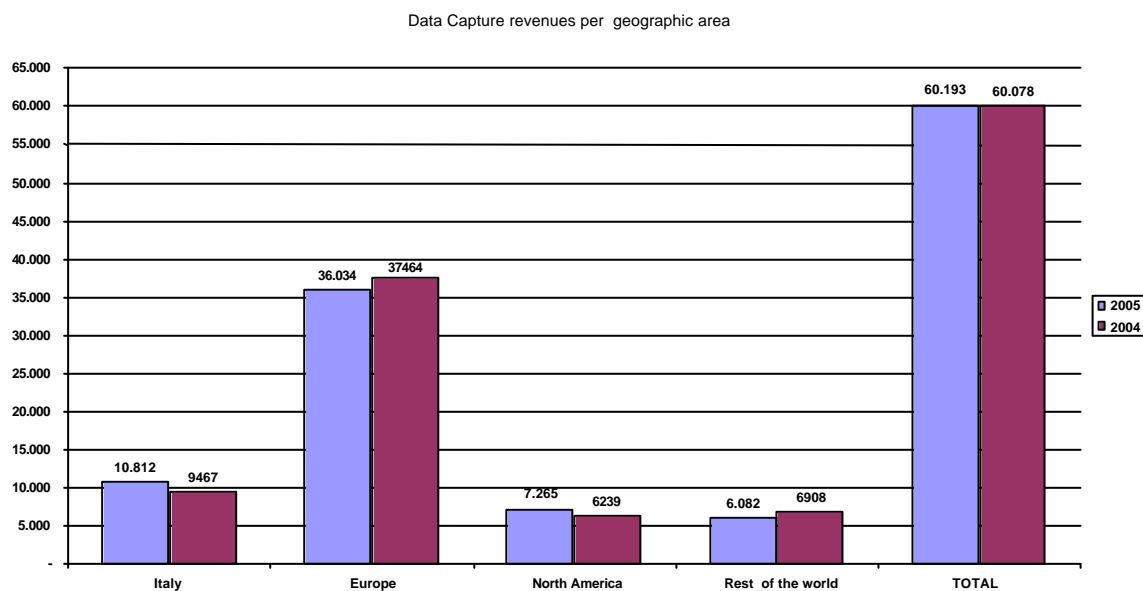
Reorganisation of the Group's two business areas – which became operational at the beginning of the year – undoubtedly affected these results but was not the only cause. In 1H05 the European market in general seems to have experienced slowdown, which particularly hit Central European countries (headed by Germany), which are important outlet markets for our products.

The Business Development Division's sparkling revenue performance (€ 26,374 thousand, i.e. +259% vs. 1H04) was in fact ascribable to consolidation of the Laservall and Informatics companies.

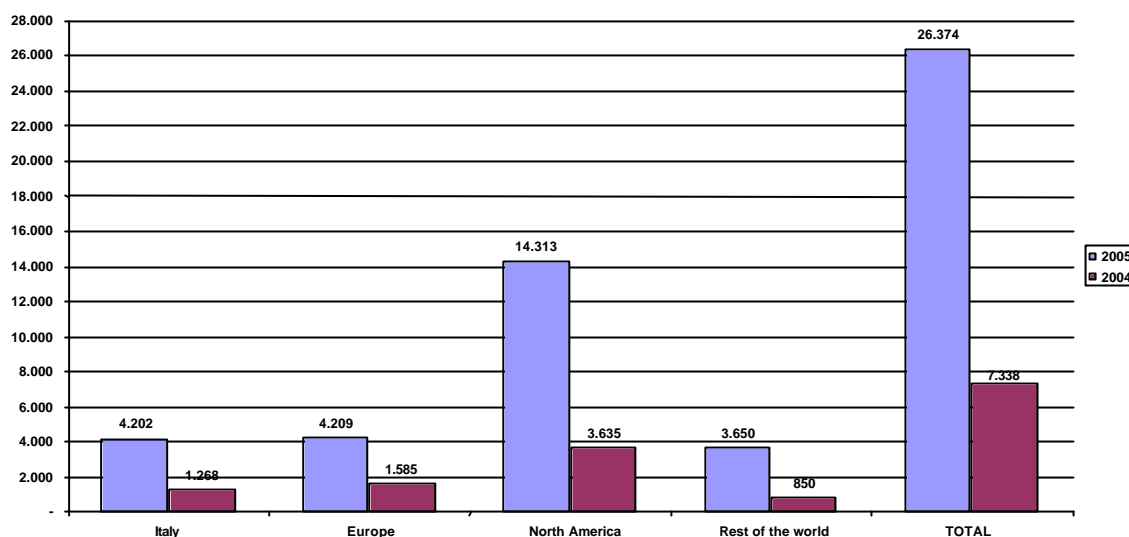
Going into greater detail, in 1H05 the various geographical areas' contribution to sales was as follows:



The following charts provide the geographical breakdown of the Data Capture and Business Development Divisions' Sales.



Business Development revenues per geographic area



As at June 30 2005, our net financial position was positive by € 27,975 thousand and featured the following breakdown:

Datalogic Group (€ '000)	30/06/05	31/12/04	30/06/04
Non-current financial assets	4,494	2,979	2,969
M-/L-term bank borrowing	-13,033	-5,500	-4,759
M-/L-term net financial position	-8,539	-2,521	-1,790
Short-term bank borrowing and amounts payable to other financial institutions	-2,617	-2,660	-1,953
Financial receivables	3,032	3,407	0
Hedging transactions	-159	239	49
Commercial paper	0	0	0
Cash and cash equivalents	36,258	37,413	41,505
Short-term net financial position	36,514	38,399	39,601
Total net financial position	27,975	35,878	37,811

NFP structure for the three periods shown has been restated following adoption of IAS/IFRS.

Our net financial position as at June 30 2005 decreased both vs. December 31 2004 (by € 7,903 thousand) and June 30 2004 (by € -9,836 thousand). This was mainly due to the acquisition of Laservall SpA and Informatics SpA, which, together, generated financial outlays of some € 21,011 thousand in the 12-month period (of which € 10,975 thousand for the acquisition of Informatics Inc. and the remaining € 11,036 thousand for Laservall SpA). It should also be noted that, as at 30/6/2005 the company Informatics Inc. had net financial debt of € -9,081 thousand, which is included in the Group's net financial debt at the end of the first half.

Given this, excluding the acquisitions of Laservall SpA and Informatics Inc., the Group's net financial position as at June 30 2005 would have been positive by € 48,986 thousand (i.e. with improvement of € 13,108 thousand vs. December 31 2004).

In addition, in May 2005, we distributed dividends totalling € 2,690 thousand.

Net working capital totalled € 38,641 thousand, with an increase of € 3,918 thousand vs. December 31 2004.

FINANCIAL INCOME

Net financial income totalled € 348 thousand. The drivers of this result were as follows:

Financial income in the strict sense of the term	252
Net foreign exchange gains	418
Banking expenses	(122)
Financial component of accrued employee severance indemnity provision	(116)
Other costs	(84)
Total net financial income	348

We also earned € 141 thousand from profits made by companies consolidated at equity.

PERFORMANCE OF GROUP COMPANIES

The business performance of group companies as up to June 30, 2005 – inclusive of intercompany transactions – is summarised in the following table (the result for the period, shown before tax, is the one obtained after making the necessary adjustments to assure alignment with group accounting policies).

REVENUES FROM SALES & SERVICES - € '000

COMPANY NAME	% OWNERSHIP as at 30/06/05	31/03/2005	31/03/2004	CHANGES
Datalogic Spa (direct parent company) *		52,798	69,716	-24.3%
Laservall SpA **	100%	9,910	0	0.0%
Datalogic AB	100%	4,278	5357	
Minec System Holding (2)	100%	0	0	
Datalogic Holding AB (2)	100%	0	0	0.0%
EMS, Inc	100%	4,503	5,726	-21.4%
Datalogic France SA (1)	100%	61	3,130	-98.1%
Datalogic Optik Elektronik GmbH	100%	16,790	18,854	-10.9%
Datalogic Optic Electronics BV (1)	100%	0	0	0.0%
Datalogic Handelsgesellschaft mbH (1)	100%	0	0	0.0%
Datalogic Pty. Ltd.	100%	2,561	2,560	0.0%
Datalogic UK LTD (1)	100%	545	4,412	-87.6%
Datalogic Inc.	100%	7,269	6,360	14.3%
Informatics inc.	90%	10,348	0	
DL Iberia (1)	100%	241	180	33.9%

* 2004 includes reclassified revenues of the Datasud company, which was merged by incorporation during 2004

** No figure is shown as at 30/06/2004 because the company was acquired during the second half of 2004

(1) These companies operate on the basis of an agency contract by virtue of which they receive commissions that are posted among "Other revenues".

(2) Zero total revenues because the company is not operational.

NET PROFIT (€ '000):

COMPANY NAME	% OWNERSHIP as at 30/06/05	31/03/2005	31/03/2004	CHANGES
Datalogic SpA (direct parent company) *		5.969	6.191	- 222
Laservall SpA **	100%	1.793		1.793
Datalogic AB	100%	-195	-113	- 82
Minec System Holding	100%	-6	-7	1
Datalogic Holding AB	100%	-100	-14	- 86
EMS, Inc	100%	-116	438	- 554
Datalogic France SA	100%	136	-5	141
Datalogic Optik Elektronik GmbH	100%	804	616	188
Datalogic Optic Electronics BV	100%	-48	-67	19
Datalogic Handelsgesellschaft mbH	100%	47	205	- 158
Datalogic Pty. Ltd.	100%	-54	-64	10
Datalogic UK Ltd.	100%	111	82	29
Datalogic Inc.	100%	80	-133	213
Informatics Inc.	90%	1.027	0	1.027
DL Iberia	100%	91	132	- 41

* 2004 includes the reclassified result of the Datasud company, which was merged by incorporation during 2004

** No figure is shown as at 30/06/2004 because the company was acquired during 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 company in which the indirect (i.e. ultimate) parent company owns a 50% stake, purchases products and components from Datalogic for resale in the Far Eastern area. During 1H05 the ultimate parent company sold Izumi products and components totalling about € 1,469 thousand. As at June 30 2005, trade accounts receivable from Izumi totalled € 679 thousand. These transactions were executed at conditions comparable to those of other affiliates.

Transactions with DL Private Ltd., an Indian company in which the ultimate parent 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 (€ 758 thousand), financial charges (€ -26 thousand), and contributions to interest payments (€ 116 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.

As at June 30 2005 trade accounts payable to Datasensor totalled € 362 thousand and receivables € 142 thousand.

Transactions with the indirect parent company (Hydra SpA) during 1H05 were marginal and limited to reciprocal debiting of rents.

FORESEEABLE BUSINESS PROGRESS FOR THE CURRENT YEAR

The market situation and the actions planned by the company – together with acquisition in 2005 of the US company Informatics Inc. - should permit achievement, for 2005, of revenues and margins in line with the budget and in any case higher than those reported at the end of the previous year.

B) ACCOUNTING STANDARDS AND POLICIES

Datalogic SpA is a company incorporated in Italy. Midyear interim financial statements as at June 30 2005 comprise Datalogic SpA and its subsidiaries (hereinafter defined as “the Group”) and the relevant share of associate companies' profits.

Datalogic SpA, the direct parent company, is a limited joint-stock company listed on the Nuovo Mercato (= new market) of the Italian Bourse and is based in Italy. The address of its registered headquarters is: Via Candini 2, Lippo di Calderara (BO), Italy.

Consolidated midyear interim financial statements as at June 30 2005 were approved by the Board of Directors during the meeting held today (September 22nd 2005).

(a) Accounting standards applicable

Following the coming into force of EC Regulation no. 1606/2002 of the European Parliament and Commission dated July 19 2002, as from FY2005 companies with securities listed in a regulated market of European Union member countries prepare consolidated accounts in compliance with the international accounting and financial reporting standards (IAS/IFRS) endorsed by the European Commission. Our consolidated midyear interim report as at June 30 2005 has been prepared in accordance with international accounting standards (hereinafter also “IAS”, “IFRS”, or “IAS/IFRS”) for

interim reports. Financial statements have been prepared in accordance with IAS 1. The consolidated midyear interim report as at June 30 2005 is the first consolidated midyear interim report prepared according to IFRS. We have therefore applied IFRS 1 (First-time adoption of International Financial Reporting Standards). This midyear interim report has thus also been prepared in compliance with the IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective at the time of its preparation. The IFRS and IFRIC interpretations that will be applicable as at December 31 2005 – including those that will be optionally applicable – were not known with any certainty at the time of preparation of this consolidated midyear interim report. If new IFRS versions or interpretations or future orientations of the European Commission concerning endorsement of international accounting standards were to be issued prior to publication of the first IFRS-compliant annual report and accounts, possibly with retrospective effect, consequent effects could emerge on the data presented in this midyear interim report prepared, for the first time, in accordance with IFRS.

The Datalogic Group's consolidated year-end financial statements were prepared in compliance with Italian law, supplemented and interpreted by the provisions of the Italian accounting standards indicated by the Italian National Councils of Chartered and Registered Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) until December 31 2004. As is known there are differences, sometimes significant, between such standards (Italian GAAP) and IFRS. In preparing the present midyear interim report, the company's directors have modified some recognition, measurement and consolidation practices applied to the Italian consolidated year-end accounts in order adapt them to IFRS requirements. Comparative figures relating to 2004 have been restated to take these adjustments into account, with the exception of what is described in accounting standards and policies.

The reconciliations of net equity, profit and cash flow between Italian GAAP and IFRS, required by IFRS 1, are shown in the appendix called "Illustration of IAS/IFRS Transition".

(b) Presentation and basic approach

Our consolidated financial statements are presented in thousands of euro (€ '000). They have been prepared according to the cost criterion, with the exception of derivative financial instruments, which are measured at fair value.

Non-current assets available for sale are measured at the lowest between carrying value and fair value less selling costs.

Preparation of a midyear interim report in accordance with IAS 34 (Interim Financial Reporting) requires judgements, estimates, and assumptions that have an effect on assets, liabilities, costs, and revenues. Actual results could be different from those obtained by means of such estimates.

Preparation of the consolidated midyear interim report in accordance with IAS 34 has involved a change in accounting standards compared with the last year-end financial statements prepared according to Italian GAAP. The accounting standards adopted in the consolidated midyear interim report as at June 30 2005 have been uniformly applied to all periods presented for comparison, including the standards IAS 32 and IAS 39 concerning the recognition, measurement and presentation

of financial instruments and derivatives. The accounting standards described hereunder have been applied, as required by IFRS, to the comparative periods, i.e. to the:

- Opening balance sheet as at January 1 2004, the IFRS transition date, as required by IFRS 1
- Balance sheet and income statement as at December 31 2004
- The balance sheet and income statement as at June 30 2004.

Accounting standards have been uniformly applied in all group companies.

(c) Consolidation standards and policies

(i) Subsidiaries (companies controlled)

Companies are defined as being “controlled” when the parent company has the power, directly or indirectly, to influence their operations in such a way as to obtain benefits from performance of the activity concerned. In defining control, the potential voting rights are exercisable or convertible as at reporting date are also taken into account. Control is presumed to exist when the Group owns the majority of voting rights. The accounts of companies controlled – i.e. subsidiaries - are consolidated on a 100% line-by-line basis from start of exercise of control until the date of its cessation. We have not consolidated the accounts of some subsidiaries due to their lack of significance (specifically, Datalogic Hong Kong, which was founded at the end of 1H05).

Subsidiaries acquired by the Group are recognised using the acquisition cost method. The cost method is based on the fair value of the assets sold, considering any equity instruments issued and liabilities incurred or assumed as at the date of exchange, plus costs any costs directly attributable to the acquisition. Identifiable assets and contingent liabilities acquired as part of the deal are initially identified at their fair value, irrespective of any minority interests.

The excess of acquisition cost over the fair value of the Group's share of net assets is recognised as goodwill. If acquisition cost is instead less than the fair value of the Group's share of the acquiree subsidiary's net assets, the difference is immediately recognised in the income statement.

Reciprocal payable and receivable and cost and revenue transactions between consolidated companies and the effects of all significant transactions between them have been eliminated. More specifically, profits not yet realised with third parties, stemming from intragroup transactions and those included, as at reporting date, in the measurement of inventories.

(ii) Associate companies

Associate companies are those in which the Group has significant influence but does not exercise control over operations. Such influence is represented by the Group's ownership of an interest ranging from 20% to 50% of voting rights. Our consolidated midyear report as at June 30 2005 includes our share of the profits and losses of associate companies, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same.

The Group's share of associate companies' post-acquisition profits or losses is recognised in the income statement and its post-acquisition share of changes in reserves is recognised in reserves. Cumulative post-acquisition changes are included in the investment's carrying value. If the Group's share of an associate company's losses equals or exceeds the value of its investment in the associate company, including any other receivables, the Group does not recognise any further losses unless it has obligations to make payments, or has already made payments, on the associate company's behalf.

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also not recognised unless there is evidence of potential impairment of the asset transferred. Accounting standards adopted by associates have been modified when necessary to assure consistency with the policies adopted by the Group.

(d) Treatment of foreign currency items

(i) Foreign currency transactions

Transactions in foreign currencies are translated into euro according to the exchange rate in force on transaction date. Monetary assets and liabilities are translated at the exchange rate in force on balance sheet date. Exchange differences emerging from translation are recorded in the income statement. Non-monetary assets and liability are translated at the historical exchange rate in force on the date of the transaction concerned. Monetary assets and liabilities carried at fair value are translated into euro at the exchange rate in force on the date when fair value was determined.

(ii) Translation of foreign currency financial statements

The assets and liabilities resident in countries other than those of the Eurozone, including consolidation adjustments, goodwill, and fair-value alignment, are converted at the exchange rates in force on balance sheet date. The same companies' revenues and costs are translated at the period's average exchange rate, which approximates exchange rates in force in individual transaction dates. Exchange differences emerging from the translation process are directly classified in a specific equity reserve called "Translation reserve".

(iii) Net foreign currency investments

Exchange differences arising upon translation of net foreign currency investments – basically equity interests in unconsolidated subsidiaries and in associates – and from any hedging of foreign exchange risk are classified in the translation reserve. Such differences are recognised in the income statement when the investment is divested. Foreign exchange differences originated before January 1 2004 – IFRS transition date – are shown in a specific net equity reserve.

The exchange rates used were as follows:

EXCHANGE RATES AS AT 30/06/2005	End-of-period exchange rate	Average exchange rate
US dollar (USD)	1.2092	1.2848
British pound sterling (GBP)	0.6742	0.6861
Australian dollar (AUD)	1.5885	1.6625
Japanese yen (JPY)	133.9500	136.9863
Swedish krona (SEK)	9.4259	9.1408
Chinese renminbi yuan (CNY)	10.0079	10.6356
Swiss franc (CHF)	1.5499	1.5463
Hong Kong dollar (HKD)	9.3990	10.0125

(e) Derivative financial instruments

The Datalogic Group uses derivative financial risks to hedge its exposure to foreign exchange risks. The Group does not hold speculative derivative financial instruments. Nevertheless, in cases when financial derivatives do not meet all conditions required for hedge accounting, they are accounted for as if they were speculative contracts.

Derivative financial instruments are initially measured at cost. On subsequent reporting dates they are remeasured to fair value. Gains and losses arising from fair-value adjustment are recognised in profit or loss, except when financial derivatives qualified for hedge accounting. In this case the accounting treatment of such foreign exchange gains and losses depends on the nature of the underlying element hedged (see accounting policy (f) below).

(f) Hedging and hedge accounting of foreign exchange risk

(i) Cash flow hedges

When a financial derivative is intended to hedge cash flow changes originated by an asset or liability or by a future, highly probable transaction, the gain or loss generated by the financial derivative's fair-value adjustment is classified directly in an equity reserve. When the underlying element hedged (of a non-financial nature) materialises, this amount is removed from equity and is included in the initial cost or other carrying value of the underlying item. If hedging of a forecast future transaction subsequently results in recognition of a financial asset or liability, the related gains and losses, previously classified directly in net equity, are recognised in the income statement in the same period when the relevant assets and liabilities impact profit and loss (for example: when interest items are recognised in the income statement).

Gains and losses concerning cash flow hedges not forming part of the two categories described above are removed from equity and are recognised in the income statement in the same periods when the forecast transaction hedged causes impact on profit or loss. The portion of gain or loss that is ineffective because it did not qualify for hedge accounting is immediately recognised in the income statement.

When a hedging instrument matures, is sold or is exercised and the forecast transaction originally hedged, even although it has not materialised, is still considered probable, the relevant gains and losses stemming from fair-value adjustment of the financial instrument concerned remain in equity and are then posted in profit or loss when the transaction materialises, as described previously. If the underlying transaction does not occur, the derivative contract's relevant gains and losses, originally recorded in net equity, are immediately recognised in profit or loss.

(ii) Hedging of monetary assets and liabilities

When a financial derivative instrument used to hedge a monetary asset or liability that has already been recognised in accounts, gains and losses relating to the financial derivative are posted in profit or loss and therefore hedge accounting is not applied.

(iii) Hedging of a net investment in a foreign operation

Gains and losses relating to fair-value adjustment of a financial derivative used to hedge a net investment in a foreign operation and that meets effectiveness criteria are classified directly in equity. The part not meeting effectiveness requirements is immediately recognised in profit or loss.

(g) Property, plant, and equipment

(i) Owned assets

Land and buildings, considered separately as per the requirements of IAS 16, have been measured at fair value as at December 31 2003, obtained via appraisals performed by independent outside consultants. Buildings are depreciated net of residual value – defined as the realisable value obtainable via disposal at the end of the building's useful working life.

Land is considered to be an asset with an indefinite life and therefore is not subjected to depreciation.

Plant and equipment are measured at cost and are shown net of depreciation and impairment.

Costs subsequently incurred (maintenance & repair costs and replacement costs) are recognised in the asset's carrying value, or are recognised as a separate asset, only if it is thought likely that it will be possible to enjoy the future economic benefits associated with the asset and the assets' cost can be reliably measured. Maintenance and repair costs or replacement costs that do not have the above characteristics are recognised in the income statement in the year when they are borne.

Tangible assets are depreciated on a straight-line basis each year according to economic/technical rates determined according to assets' residual possibility of utilisation and taking into account the month when they become available for use in the first year of utilisation.

The Group applies the following depreciation rates:

Asset Category	Annual Depreciation Rates
<u>Property:</u>	
Buildings	2%
Land	0%
<u>Plant & equipment:</u>	
Automatic operating machines	20% - 14.29%
Furnaces and appurtenances	14.29%
Generic/specific production plant	20% - 10%
<u>Other assets:</u>	
Plant pertaining to buildings	8.33% - 10% - 6.67%
Lightweight constructions	6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20% - 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14.29%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	According to contract duration

If, regardless of depreciation already entered in accounts, long-lasting impairment of value occurs, the fixed asset in question is written down. If in subsequent years the reasons for such write-down cease to exist, the original value is written back. Assets' residual value and useful life are reviewed on each annual reporting date and, if deemed necessary, appropriate adjustments are made.

Proceeds and losses on asset disposals are determined by comparing the agreed selling price and carrying value. The figure so determined is recognised in profit or loss. Costs of borrowing for the purchase of tangible assets are recognised in the income statement.

(ii) Assets held under finance lease contracts

Tangible assets held under finance lease contracts are those assets for which the Group has taken on all risks associated with ownership. Such assets are measured at the lowest between their fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Finance lease instalments are recognised according to the approach described in IAS 17.

(h) Intangible assets

(i) Goodwill

Acquisitions have been recognised in accounts using the purchase method. For acquisitions completed after January 1 2004, goodwill is the difference between acquisition cost and the fair value of assets and liabilities acquired.

For acquisitions completed prior to that date, goodwill is posted on the basis of cost determined according to accounting standards adopted in the various financial statements at the time of acquisition, i.e. those determined by legal regulations, supplemented and interpreted by the accounting standards adopted by the Italian National Councils of Chartered & Registered Accountants and, when lacking, by the International Accounting Standards Board (IASB).

Goodwill is recognised at cost, less impairment losses. As from January 1 2004 goodwill is allocated to cash generating units and is no longer amortised. Carrying value is reviewed annually to check the absence of impairment (IFRS 3). Goodwill relating to unconsolidated subsidiaries, associate companies or other companies is included in the equity investment's value.

Negative goodwill originated by acquisitions is directly recognised in the income statement.

(ii) Research and development costs

Research expenses are recognised in the income statement at the time when the cost is borne. Project costs for the development of innovative products or processes are recognised as intangible assets when it is believed that the project will be successful, considering the product's commercial and technological opportunities, on condition that costs can be reliably measured and appropriate analyses demonstrate that they will generate future economic benefits. Other development expenses are recognised as costs as soon as they are incurred. Development costs previously recognised as a costs are not recognised as assets in subsequent accounting periods. Development costs with a finite life have been capitalised and amortised from the start of commercial production of the products concerned, on a straight-line basis, for a period equal to the useful life of the products to which they refer (IAS 38) – normally 5 years.

(iv) Other intangible assets

Other intangible assets are measured at cost, less cumulative amortisation and impairment.

The purchase of software licenses is capitalised according to the costs borne to render the software operational. These costs are amortised for the duration of their expected useful life.

(v) Subsequent costs

Subsequent costs borne for intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised. Otherwise they are charged to the income statement when they are borne.

(vi) Amortisation

Amortisation is charged to the income statement on a systematic straight-line basis according to the estimated useful life of the assets capitalised, with the exception of intangible assets featuring an indefinite life. Goodwill and intangible assets with an indefinite life are systematically tested to check the absence of impairment losses as at December 31 of each year. Other intangible assets are amortised from the time when they become useable.

The useful life for each category is detailed below:

<i>Intangible asset category</i>	<i>Useful life - years</i>
Goodwill	Indefinite
Development costs	5
Other intangible assets:	
• Software licenses	3-5
• Licenses and trademarks	3-8
• SAP licenses	10
• Usage licenses	Contract duration

(i) Investments in associates

Investments in associate companies are classified in non-current assets according to the equity method, as envisaged by IAS 28. The portion of profits or losses stemming from application of this method is indicated in a separate item of the income statement.

(j) Other equity investments and financial assets available for sale

Investments in other companies are classified among available-for-sale financial instruments, as envisaged by IAS 39, even if the Group has not expressed the intention of selling such investments.

If as at reporting date an impairment loss is found on the amount determined using the above method, the investment is written down accordingly.

Listed securities' fair value is based on current market prices. If a financial asset's market is not active (and also in the case of unlisted securities), the Group establishes fair value using transactions occurring as up to balance sheet date, referring to other instruments of substantially the same nature and discounted cash flow analysis adjusted to reflect the issuer's specific circumstances.

(k) Inventories

Inventories are measured at the lowest between cost and net realisable value. Cost is calculated using the weighted average cost method. The cost of finished products includes raw materials, direct labour, other direct production costs and related indirect production costs (based on normal production capacity). Net realisable value is the estimated selling price in the normal course of business, less any selling costs.

(l) Receivables

Receivables, with due dates consistent with normal terms of trade or that earn interest at market rates, are not discounted and are recognised at cost (identified as being their face value), net of doubtful

debt provision, shown as a direct deduction from such receivables in order to bring their value down to presumed realisable value. Receivables whose due date exceeds normal terms of trade are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank and post office balances, and securities with original maturity of less than three months. Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the cash flow statement.

(n) Impairment of assets

The book value of assets – with the exception of inventories (see IAS 2), financial assets governed by IAS 39, deferred tax assets (see IAS 19), and non-current assets held for sale, governed by IFRS 5 – must be reviewed at each balance sheet date to look for any indications of impairment. If this analysis reveals the presence of such indications, it is necessary to calculate the asset's presumed recoverable value following the approach indicated later on in point (i).

The presumed recoverable value of goodwill and of intangible assets not yet used is instead estimated at least annually, or more frequently if specific events indicate the possible presence of impairment.

If the recoverable value (estimated as indicated later on) of the asset or cash generating unit (CGU) to which the asset belongs is lower than net carrying value, the asset is written down to reflect impairment, with the relevant loss posted in the period's income statement.

Write-downs made to CGUs for impairment losses are allocated firstly to goodwill and, for the remainder, to other assets on a proportional basis..

The Group's CGUs are defined as being individual companies in the consolidation area, given their autonomous ability to generate cash flows:

All goodwill recognised in accounts as at June 30 2005 was subjected to impairment testing as at January 1 2004 – the IFRS transition date – and December 31 2004. No impairment losses emerged from such tests.

(i) Calculation of presumed recoverable value

The presumed recoverable value of held-to-maturity securities and financial receivables recorded according to amortised cost is the present value of estimated future cash flows: The discount rate used is the interest rate envisaged when the security was issued or the receivable originated. The present value of short-term receivables is not calculated.

The presumed recoverable value of other assets is the highest between their net disposal price and value in use. Value in use is calculated according to projected future cash flows associated with the asset, discounted at a pre-tax rate that allows for current market interest rates and for the specific risks

inherent in the asset to which presumed recoverable value refers. For assets that do not generate stand-alone cash flows, presumed recoverable value is determined for the CGU to which the asset belongs.

(ii) Reversal of impairment losses

An impairment loss relating to held-to-maturity securities and financial receivables recorded according to amortised cost is reversed when the subsequent increase of presumed recoverable value is objectively due to an event occurring in a period subsequent to the one when the impairment loss was recorded.

Impairment loss of other assets is reversed when there is a change in the estimate used to determine presumed recoverable value. Goodwill impairment losses are never reversed.

Impairment loss is reversed within the limits of the carrying value that would have emerged, net of depreciation and amortisation, if no impairment loss had ever been recognised.

(o) Share capital

In the case of repurchase of own equity instruments ("treasury shares"), the price paid, inclusive of any directly attributable accessory costs, are deducted from the Group's equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as group equity.

(p) Stock options

On February 28 2001 the Extraordinary Shareholder Meeting of Datalogic SpA gave the Board of Directors full powers to develop a stock-option incentive scheme for executive directors and for some employees. At the same time shareholders approved a capital increase (of up to a maximum of 600,000 shares, or some 4.8% of share capital) reserved for implementation of the stock option plan.

On May 17 2001 the Board of Directors implemented the plan in question, which would have made it possible to:

- Increase the capacity to attract and retain key managerial and professional figures
- Aid alignment of the interests of key people and shareholders
- Enable key persons to participate in the creation of value and share it with shareholders.

In addition, the Board of Directories identified the stock option plan's beneficiaries – 78 in total between executive directors and employees of the company and its subsidiaries, with the exception of Escort Memory System (EMS).

The options' vesting period started on January 1st 2004 and will end on December 31st 2007.

On February 27 2002, the Board of Directors decided to recalculate – as an extraordinary measure – the grant price of shares relating to the stock option plan approved on May 17th 2001, setting it at €11.5 per share.

On November 14 2002, the Board of Directors approved assignment to the stock option plan's beneficiaries of 67% of the rights attributed. On December 17th 2003 the Board approved assignment of the remaining 33%. As at December 2003 all rights relating to the 600,000 shares of the increase approved on February 28 2002 had been assigned.

The following table summarises the plan's status as at June 30, 2005.

	Number of shares	Average exercise price (€)	Market price (€)	% of share capital
Rights existing as at 1/01/2005	449,350	11.5	17.91	3.73%
Of which exercisable as at 1/01/2005				
New rights granted in the period	-	-	-	-
(Rights exercised in period)	182,666	11.5	21.84	1.49%
(Rights lapsing in period)	-	-	-	-
Total rights existing as at 30/06/2005	266,684	11.5	21.3	2.18%
Of which exercisable as at 30/06/2005	266,684	11.5	21.3	2.18%

The company has not applied IFRS 2 (Share-based Payment) to the stock option plan described above, availing itself of the exemption envisaged by IFRS (First-Time Adoption of IFRS).

(q) Interest-bearing financial liabilities

Interest-bearing financial liabilities are initially recorded at fair value, net of accessory costs. Subsequent to initial recognition, interest-bearing financial liabilities are measured at amortised cost. The difference between this value and discharge value is posted in the income statement over the duration of the loan based on its amortisation plan. Loans are classified as current liabilities unless the Group has an unconditional right to defer payment for at least 12 months after balance sheet date.

(r) Liabilities for employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension scheme for which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation as regards payment of further contributions if the scheme were to have insufficient funds to pay all employees the benefits relating to their period of service.

Contribution obligations relating to employees for pensions or other types of benefit are posted in the income statement when they are incurred.

(ii) Defined benefit plans

The net obligations concerning defined benefit plans after the period of employment in the Group – consisting mainly of employee severance indemnities for the Group's Italian companies – are calculated separately for each plan, estimating – with use of actuarial techniques – the amount of the future benefit accrued by employees in the period and in previous periods. The benefit so determined is discounted and is shown net of the fair value of any related assets. Calculation is performed by an independent actuary using the project unit credit method.

Actuarial gains and losses as at January 1 2004, the IFRS transition date, have been classified in a specific equity reserve, since the company has not availed itself of the specific exemption envisaged by IFRS 1. Actuarial gains and losses subsequent to that date are recognised in the income statement of the relevant period, therefore not adopting the “corridor” technique envisaged by IAS 19.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before normal pensionable retirement age or when an employee accepts voluntary redundancy in exchange for such benefits. The Group (a) recognises termination benefits when it is demonstrably under obligation to terminate current employees' employment in accordance with a detailed formal plan without any possibility of withdrawal and (b) provides termination benefits following a proposal made to encourage voluntary redundancy. Benefits that fall due after more than 12 months after balance sheet date are discounted to their present value.

(s) Provisions

In cases where the Group has a legal or constructive obligation arising from a past event and will probably have to bear losses of economic benefits to settle the obligation, provision is made. If the time factor of the expected loss of benefits is significant, the amount of future cash outlays is discounted to present value at a pre-tax interest rate that allows for market interest rates and for the specific risk of the liability concerned.

Provisions are not made for possible future operating losses.

Provisions are measured at the fair value of the best estimate made by management of the expense of meeting the current obligation as at balance sheet date.

(i) Product warranty provision

Liabilities for servicing work under warranty are specifically provisioned when products are sold. Provision is calculated on the basis of historical cost data for work under warranty.

(ii) Other provisions

The Group has made provision within overall provisions for a lawsuit against an ex-employee. The amount has been calculated based on estimates made by the Group, together with its legal advisors, to determine the likelihood, timing, amounts involved, and probable outlay of resources. The provision

made will be adjusted according to the lawsuit's development. Upon conclusion of the controversy, the amount differing from balance sheet provision will be recognised in the income statement.

(t) Trade and other payables

Trade and other payables are measured at cost, representing their discharge value.

(u) Revenues

(i) Revenues from sales of goods and services

Revenues from sales of goods are recognised in the income statement when the risks and benefits associated with ownership of the goods have been substantially transferred to the purchaser. Revenues for services rendered are recognised in the income statement according to percent completion status as at balance sheet date.

(ii) Government grants

Government grants are recorded as deferred revenues among other liabilities at the time when it is reasonably certain that they will be given and when the Group has complied with all conditions necessary to obtain them. Grants received against costs borne are systematically posted in the income statement in the same periods when such costs were recorded. Grants received against specific balance sheet assets are recognised on a straight-line basis in the income statement as other revenues based on the relevant asset's useful life.

(iii) Dividends

Dividends are recognised in the income statement on the date when the right to receive them matures. In the case of listed companies, this is on coupon detachment date.

(v) Costs

(i) Rental and operating lease costs

Rental and operating lease costs are recorded in the income statement on an accrual accounting basis.

(ii) Finance lease instalments

In the case of finance lease instalments, the capital portion goes to reduce the financial liability, whilst interest is posted in the income statement.

(iii) Financial income and expenses

Finance income and expenses are recognised on an accrual accounting basis according to interest accruing on the net value of relevant financial assets and liabilities using the effective tax rate. Financial income and expenses include: dividends received from unconsolidated subsidiaries and from

associate companies, foreign exchange gains and losses, and gains and losses on derivative instruments that have to be put through profit or loss (see IAS 32 and 39).

(w) Income taxes

Income taxes shown in the income statement include current and deferred taxes. Income taxes are generally posted in the income statement, except when they refer to events recognised directly in equity. In such cases income taxes are directly classified in equity.

Current income taxes are the taxes that are expected to be paid, calculated by applying to taxable income the tax rate in force as at balance sheet date and adjustments to previous periods' taxes.

Deferred taxes are calculated using the so-called liability method applied to temporary differences between the amount of assets and liabilities in consolidated accounts and the corresponding amounts recognised for tax purposes. Deferred taxes are calculated according to the expected manner of reversal of temporary differences, using the tax rate in force as at balance sheet date.

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to use such deferred taxes.

(x) Segment information

A segment is defined as a business activity or geographical area in which the Group does business that features conditions and returns different to those of other segments. In the Group's specific case, business segments are the primary segments and are identified as the Data Capture segment and the Business Development segment. Geographical areas (secondary segments) have been defined as being Italy, the Rest of Europe (including non-EU countries), North America, the Pacific Area (including China and Oceania), and the Rest of the World.

(y) Non-current assets held for sale and discontinued operations

Assets held for sale and any assets and liabilities belonging to company divisions or consolidated investments held for sale are measured at the lowest between book value at the time of classification of such items as held for sale and their fair value net of selling costs.

Any impairment losses recognised via application of this policy are recognised in the income statement, both in the case of write-down for alignment with fair value and in that of gains and losses stemming from subsequent changes in fair value.

Business divisions are classified as discontinued operations at the time of their disposal or when they meet the requisites for being classified as held for sale, if such requisites existed previously.

(z) Exemptions and exceptions envisaged by IFRS 1

For the purposes of preparation of the present interim report and relevant comparative data, the accounting standards illustrated in the previous paragraphs have been applied retrospectively except

in the case of optional exemptions to retrospective application allowed by IFRS 1 (First-Time Adoption of IFRS) and adopted by the Group as described in the following table.

Optional Exemption	Choice
Business combinations: aggregations of companies, acquisitions of equity interests in companies under common control and in joint ventures	The Group has decided to avail itself of exemption as regards retrospective application of IFRS 3 ("Business Combinations") for aggregations of companies and acquisitions of equity interests in companies under common control and in joint ventures taking place prior to January 1 2004
Opening value of tangible and intangible assets	The Group has decided to apply "deemed cost" for property assets based on specific appraisals performed by independent expert valuers. As regards intangible assets, given the absence of active markets, the Group has been unable to benefit from use of the "deemed cost" method.
Employee benefits	As regards accounting treatment of defined-benefit plans (= employee severance indemnities in Italy) the Group has decided <u>not</u> to avail itself of the corridor [= transitional] approach and therefore, disregarding the exemption granted under IFRS 1, the actuarial gain/loss has been fully recognised as at transition date and duly reflected in net equity
Cumulative translation differences	The Group has decided to opt for exemption from retrospective application of IAS 21. Gains/(losses) arising from translation of foreign investee companies' financial statements have been cleared, set against the "Retained earnings" reserve.
Compound financial instruments	The Group does <u>not</u> have any compound financial instruments
Transition of subsidiary, associated and JV companies	<u>Not</u> applicable to consolidated financial statements
Alignment of comparative information concerning financial assets and liabilities	The Group has decided to apply IAS 32 and IAS 39 <u>early</u> , as from the transition date.
Designation of financial instruments already recognised	The Group has decided to apply IAS 32 and IAS 39 <u>as</u> from the transition date. Exemption has therefore been applied as from that date.
Stock options	The Group has a stock option plan in place, assignment of which took place prior to November 7 2002. The company has thus availed itself of the optional exemption of not putting this through profit and loss.
Insurance contracts	Not applicable to the Group
Changes in liabilities booked for decommissioning, restoration and similar liabilities	The Group did not have any liabilities for decommissioning, restoration and similar liabilities as at transition date

The accounting standards applied to the opening balance sheet as at January 1 2004 have been uniformly applied to the balance sheet and income statement for the first half of 2005 (1H05) and to comparative 2004 figures, including those concerning recognition, classification and measurement of financial assets and liabilities (IAS 32 and 39).

The effects of IFRS adoption have been recognised in opening equity in the “Retained earnings reserve”, except for the effects of application of fair value to available-for-sale financial assets, which have been recognised in the “Fair value reserve”.

(aa) IFRS and IFRIC interpretations not yet endorsed

During the last few months the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) have published new standards and interpretations. Although, to date, the EU legislator has not yet endorsed such standards and interpretations, the Group has in any case considered their effects, highlighting their potential impact on its balance sheet and income statement as follows:

IFRS/IFRIC Interpretation	Effects for Datalogic Group
IAS 39 - Amendment of fair value option	None
IAS 39 – Amendment of cash flow hedge accounting of forecast intragroup transactions	None
IFRS 6 - Exploration for and evaluation of mineral assets	None: the Group does not perform exploration of mineral assets and does not possess any such assets
IFRIC 2 - Members' shares in co-operative entities and similar instruments	None
IFRIC 3 – Emission rights	None: the Group does not participates in emission rights schemes
IFRIC 4 – Determining whether an arrangement contains a lease	The Group does not envisage any change in the accounting treatment of existing arrangements
IFRIC 5 - Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	None: the Group owns no interest in decommissioning, restoration, and environmental rehabilitation funds

GROUP STRUCTURE

Consolidated 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 rights.

The companies consolidated on a 100% line-by-line basis as at June 30th 2005 were the following:

Company name	Registered location	Share capital	Total net equity (€ '0000)	1H05 result (€ '000)	% ownership
Datalogic SpA (direct parent company)	Lippo di Calderara di Reno (BO) - Italy	EUR 84,592,658	133,614	5,969	
Laservall SpA	Donnas (AO) - Italy	EUR 900,000	4,933	1,793	100%
Datalogic Holding AB	Malmö -Sweden	SEK 1,400,000	1,330	-100	100%
EMS Inc.	Scotts Valley (California) - USA	USD 1,949,084	1,732	-116	100%
Datalogic France SA	Villebon Sur Yvette (Paris) - France	EUR 2,227,588	3,552	136	100%
Datalogic Optik Elektronik GmbH	Erkenbrechtsweiler (Stuttgart) - Germany	EUR 1,025,000	4,613	804	100%
Datalogic Optic Electronics BV	Maarssen - The Netherlands	EUR 17,800	14	-48	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) - Austria	EUR 72,673	589	47	100%
Datalogic Pty. Ltd.	Mount Waverley (Melbourne) - Australia	AUD 2,300,000	951	-54	100%
Datalogic UK Ltd.	Redbourn (London) - UK	GBP 3,500,000	4,423	111	100%
Datalogic Inc.	Hebron (Kentucky) - USA	USD 1,847,000	1,522	80	100%
Datalogic Iberia	Madrid - Spain	EUR 60,500	717	91	100%
Datalogic AB	Stockholm - Sweden	SEK 200,000	672	-195	100%
Minec System Holding	Stockholm - Sweden	SEK 100,000	1,173	-6	100%
Informatics Holding Inc.	Plano (Texas) - USA	USD 15,100,000	13,580	1,027	90%

The companies booked at equity as at June 30 2005 were as follows:

Company name	Registered location	Share capital	Total net equity (€ '0000)	1H05 result (€ '000)	% direct and indirect ownership
Izumi Datalogic Co. Ltd.	Osaka- Japan	JPY 300,000	1,026	128	50%
Laservall Asia Co. Ltd.	Hong Kong - China	HKD 460,000	162	45	50%
Laservall China Co. Ltd	Shenzhen - China	USD 400,000	680	36	45%
Ixla SA	Avry - Switzerland	CHF 100,000	129	39	97%

Associate/subsidiary companies measured at cost as at June 30 2005 were the following.

Company name	Registered location	Share capital	% ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	INR 1,000,000	20%
Datalogic Asia Ltd.	Hong Kong - China	HKD 100,000	100%

The company Datalogic Asia Ltd, was founded on April 22 2005 and was posted at cost because, as at June 30 2005, it was not yet operational.

Changes in consolidation area

On March 2 2005 Datalogic set up the company Informatics Acquisition Inc., based in Delaware (USA), subscribing 14,100,00 shares for a total of USD 14,100,000, accounting for 90% of share capital (consisting of 15,666,666 shares for a total of USD 15,100,000).

This newco subsequently acquired the equity interest in, and merged by incorporation, the company Informatics Inc., based in Dallas (Texas).

Informatics is active in the American market with various brands, of which the best known are System ID and Wasp Barcode.

This acquisition is strategic for the company since, besides strengthening its presence and standing in the US market, it enriches the business-solution offering, permitting achievement of significant synergies in sectors featuring attractive growth prospects.

Informatics Inc. as at June 30 2005 was consolidated on a 100% line-by-line basis and the net profit considered (€ 1,027 thousand) relates to the period March 1-June 30 2005.

In the following table we show the acquiree company's net assets as at acquisition date and calculation of goodwill pertaining to Datalogic SpA. As envisaged by IFRS the latter can be revised within one year after acquisition date.

	Amounts as per acquiree's accounts (USD '000)	Adjustments to fair value (USD '000)	Carrying value (USD '000)	Carrying value (€ '000) (X-rate as at 28/02/05)
Tangible and intangible assets	3,606	580	4,186	3,158
Trademark			0	0
Inventory	3,423	155	3,578	2,699
Trade and other receivables	3,978		3,978	3,001
Cash & cash equivalents	-520		-520	-392
Interest-bearing financial liabilities	-12,000		-12,000	-9,052
Trade and other payables	-1,502		-1,502	-1,132
NET ASSETS AT FAIR VALUE			-2,280	-1,720
% pertaining to Group				90%
NET ASSETS AT GROUP FAIR VALUE				-1,548
Price paid				10,636
Accessory expenses				369
ACQUISITION COST				11,005
GOODWILL AS AT ACQUISITION DATE				12,553
Revaluation of goodwill due to change in exchange rate				1,209
GOODWILL AS AT JUNE 30 2005				13,762

As highlighted in the previous section, on April 22 2005 Datalogic SpA founded the company Datalogic Asia Ltd., based in Hong Kong. As from July the company has been marketing our products in the Asian market. It will be consolidated on a 100% line-by-line basis as from September 2005.

C) BALANCE SHEET INFORMATION

NON-CURRENT ASSETS

1. Property, plant, and equipment

	Land	Buildings	Plant & equipment	Other tangible assets	Assets in progress and payments on account	Total
<u>Opening value as at 31/12/2004</u>						
Historical cost		25,566	6,881	28,547	199	61,193
IAS adj. of historical cost	5,833	(3,210)		5,038		7,661
Cumulative depreciation		(6,707)	(4,574)	(22,164)		(33,445)
IAS adj. of cumulative depreciatn.	1,583	283	48		1,914	
Net opening value	5,833	17,232	2,590	11,469	199	37,323
<u>Increases</u>						
Investments		16	198	1,713	41	1,968
Depreciation reversal			60	93		153
Total increases	-	16	258	1,806	41	2,121
<u>Decreases</u>						
Disposals		22		97		119
Depreciation for period		(116)	(303)	(1,615)		(2,034)
Write-downs						-
Total decreases	-	(94)	(303)	(1,518)	-	(1,915)
<u>Reclass. & other changes</u>						
Positive transfers				116		116
(Negative transfers)				96		96
Change in consolidation area: Informatics historical cost	662	1,977	134	485		3,258
Change in consolidation area: Informatics cumulative deprecn.	-	(15)	(16)	(32)		(63)
Foreign exchange difference	49	(15)		69		103
<u>Closing value</u>						
Historical cost	6,544	24,312	7,213	35,775	240	74,084
(Cumulative depreciation)	-	(5,255)	(4,550)	(23,670)	-	(33,475)
Net closing value	6,544	19,057	2,663	12,105	240	40,609

The “Land” item of € 6,544 thousand was attributable to the direct parent company (€ 3,722 thousand), Datalogic UK (€ 1,283 thousand), Informatics (€ 662 thousand) Datalogic France (€ 514 thousand), Datalogic Optik Elektronik GmbH (€ 227 thousand), and Datalogic Holding AB (€ 136 thousand).

The increase of this item was mainly due to acquisition of Informatics Inc.

The “Buildings” item of € 19,057 thousand was attributable to the direct parent company (€ 11,456 thousand), Informatics Inc. (€ 2,296 thousand), Datalogic UK (€ 1,283 thousand), Datalogic Optik Elektronik GmbH (€ 1,596 thousand), Datalogic France (€ 1,151 thousand), and Datalogic Holding AB (€ 1,275 thousand).

The increase of this item was due to acquisition of Informatics Inc.

The “Plant & equipment” item increased by € 198 thousand. This was mainly attributable to the direct parent company (€ 57 thousand) and Laservall SpA (€ 78 thousand).

The “Other tangible assets” item featured an increase of € 1,713 thousand, mainly attributable to:

- The direct parent company: € 802 thousand, consisting mainly of the purchase of:
 - Equipment and electronic instruments = € 132 thousand
 - Moulds = € 446 thousand
 - Electronic office equipment = € 103 thousand
 - Generic plant = € 35 thousand
- Laservall SpA: € 284 thousand, consisting mainly of:
 - Expenditure for enhancement of 3rd-party assets = € 106 thousand
 - Purchase of office furniture and electronic equipment = € 79 thousand.

The increase due to acquisition of Informatics Inc., i.e. € 485 thousand, consisted of office furniture (€ 208 thousand) and electronic office equipment (€ 277 thousand).

The € 97-thousand decrease in the item was mainly attributable to the direct parent company and related to sale of office equipment (€ 22 thousand) and general building plant (€ 52 thousand).

As at June 30 2005 the main components of the “Other tangible assets” item were:

- Industrial & commercial equipment = € 4,054 thousand
- Office furniture & fittings = € 3,869 thousand
- Generic building plant = € 1,664 thousand
- Cars = € 362 thousand
- Maintenance of 3rd-party assets = € 1,347 thousand
- Tradeshow equipment = € 229 thousand.

The balance of the item "Assets in progress and payments on account" was mainly attributable to the direct parent company (€ 223 thousand) and consisted off:

- € 129 thousand = payments on account for moulds
- € 94 thousand = payments on account for assets in progress.

Leased assets amounted to € 81 thousand and related to the categories of plant & equipment (€ 60 thousand) and industrial & commercial equipment (€ 21 thousand)

Depreciation and amortisation of tangible and intangible assets in the period – totalling € 3,694 thousand – was split as follows in the income statement:

- Cost of goods sold: € 628 thousand (€ 406 thousand in June 2004)
- R&D: € 987 thousand (€ 952 thousand in June 2004)
- Distribution expenses: € 158 thousand (€ 131 thousand in June 2004)
- General & administrative expenses: € 1,921 thousand (€ 982 thousand in June 2004).

In the case of the general & administrative expense category, the increase was mainly due to amortisation of the intangible assets "Know-how" and "Far East Window" created as a result of consolidation of Laservall SpA (€ 647 thousand).

Mortgages on land and buildings totalled € 2,772 thousand (December 2004: € 4,007 thousand) and related to the companies Datalogic Holding AB and Datalogic Optik Elektronik GmbH. The decrease was mainly due to discharge of a secured loan pertaining to the UK company (mortgage value as at 31/12/04 = € 1,199 thousand).

Contractual commitments

On June 30 2005 Datalogic SpA signed a rental contract for a building in Slovakia, which will be the registered place of business of a new group company (Datalogic Slovakia), which, as from 2006, will manage one of the Datalogic product lines. The contract provides for penalties payable by Datalogic and by the counterparty in the eventuality of contractual non-performance. The maximum risk for Datalogic amounts to € 900 thousand.

2. Intangible assets

	Goodwill	Development costs	Other intangible assets	Total
<u>Opening value as at 31/12/2004</u>				
Historical cost	23,751		14,868	38,619
IAS adj. of historical cost	(6,517)	5,534	5,691	4,708
Cumulative amortisation	(9,136)		(10,023)	(19,159)
IAS adj. of cumulative amortisation	1,795	(1,502)	3,812	4,105
Net opening value	9,893	4,032	14,348	28,273
<u>Increases</u>				
Increases	13,762	315	214	14,291
Amortisation reversal				
Other changes				
Total increases	13,762	315	214	14,291
<u>Decreases</u>				
Decreases				
Amortisation for period		(431)	(1,229)	(1,660)
Other changes		(110)	116	6
Total decreases		(541)	(1,113)	(1,654)
Change in consolidation area: Informatics historical cost				
Change in consolidation area: Informatics cumulative deprecn.				
Foreign exchange difference				
<u>Closing value</u>				
Historical cost	30,996	5,739	21,121	57,856
(Cumulative amortisation)	(7,341)	(1,933)	(7,440)	(16,714)
Net closing value	23,655	3,806	13,681	41,142

"Goodwill", totalling €23,655 thousand, consisted of the following items:

- € 1,394 thousand caused by consolidation of the Minec group, in which a 100% interest was acquired on July 15 2002 by Datalogic Holding AB, in turn 100% owned by the direct parent company.
- € 3,380 thousand, ascribable to the direct parent company, consisting of the merger loss and share-swap loss originated by the merger by incorporation of IdWare Srl during 1998.
- € 5,119 thousand caused by consolidation of the Laservall company, an interest acquired during 3Q04 by the direct parent company. We believe the conditions exist for posting the difference

between purchase cost and fair value of net assets acquired as goodwill, since it represents the acquired company's future profit-generation capacity.

- € 13,762 thousand caused by consolidation of Informatics Inc., as already detailed in the section of "Change in consolidation area".

These items of goodwill have been allocated to the CGUs (cash generating units) and have no longer been amortised since January 1st 2004.

Goodwill relating to the acquisitions listed above has been subjected to impairment testing. For the most recent acquisitions – Informatics and Laservall – we have used the valuation performed at the time of acquisition, because no significant events had occurred between acquisition date and June 30 2005 such as to suggest any significant impairment loss. For the acquisition of Minec and for IdWare we performed impairment testing upon transition to IFRS and as at December 31st 2004.

Goodwill was measured on the basis of the discounted cash flow method applied to the expected income of individual CGUs. In practice, the latter are the individual companies, except in the case of IdWare goodwill, which is allocated to the MC (mobile computer) division.

The "Development costs" item, which amounted to € 3,806 thousand, pertained to the direct parent company and consisted of development projects capitalised because they met IAS 38 requirements.

"Other intangible assets", totalling € 13,681 thousand, mainly consisted of the following sub-items:

- Know-how amounting to € 5,116 thousand (€ 5,968 thousand as at the date of initial recognition), acquired from the investee company Laservall SpA and relating to technological expertise in the laser marking sector, in terms of product engineering and industrialisation. The useful life of this intangible asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to € 3,975 thousand (€ 4,417 thousand as at the date of initial recognition), acquired from the investee company Laservall SpA and consisting of the latter's well-established global sales network and customer base, with a direct presence in areas featuring strong economic growth. The useful life of this intangible non-current asset has been defined as being 10 years.
- € 4,590 thousand for other intangible assets, of which € 4,330 thousand ascribable to the direct parent company and mainly relating to software licenses (€ 3,167 thousand), third-party licenses and patents (€ 617 thousand), and development of proprietary software for the sale of our products (€ 351 thousand).

The increase of € 214 thousand was mainly ascribable to the direct parent company and was due to the purchase of software licenses.

3. Investments in associate companies

	Balance 31/12/04	Increases	Forex differences	Share of profit	Dividends	Changes	Balance 30/06/05
a) Subsidiary companies							
Datalogic Asia Ltd	0	13				0	13
Total subsidiaries	0	13	0	0		0	13
b) Associate companies							
Izumi Datalogic Co. Ltd	429		20	64			513
Laservall Asia Co. Ltd	85			30			115
Laservall China Co. Ltd	228		25	18			271
Ixla SA	101		(4)	38	(9)		126
Datalogic Private Ltd. - India	8						8
Total associate companies	851	0	41	150	(9)	0	1.033

The change vs. 31/12/04 in the item "Subsidiary companies" is due to foundation of the company Datalogic Asia Ltd. by the parent company, which started operations in July. This company was booked at cost because its June result was considered not to be significant, in relation to the Group's total figures. It will be consolidated on a 100% line-by-line basis as from the consolidated interim report for the period ending on September 30 2005.

Below we present a summary of the financial data of associate companies, none of which is listed:

Data as at 30/06/05 in € '000:

Company	Registered location	Total Assets	Revenues	Net profit	% owned
Izumi Datalogic Co. Ltd	Osaka - Japan	3,212	3,002	128	50%
Laservall Asia Co. Ltd	Hong Kong - China	880	1,717	45	50%
Laservall China Co. Ltd	Shenzhen - China	1,350	977	36	45%
Ixla SA	Avry - Switzerland	489	790	39	97%
Datalogic Private Ltd. - India	Shankarapuram (Bangalore) - India	n.a.	n.a.	n.a.	20%

Data as at 31/12/04 in € '000:

Company	Registered location	Total Assets	Revenues	Net profit	% owned
Izumi Datalogic Co. Ltd	Osaka - Japan	3,483	4,713	250	50%
Laservall Asia Co. Ltd	Hong Kong - China	870	4,811	75	50%
Laservall China Co. Ltd	Shenzhen - China	1,326	2,471	283	45%
Ixla SA	Avry - Switzerland	176	624	39	97%
Datalogic Private Ltd. - India	Shankarapuram (Bangalore) - India	n.a.	n.a.	n.a.	20%

4. Non-current available-for-sale financial assets

Other equity investments

	Balance 31/12/04	Increases	Forex differences	Share of profit	Dividends	Changes	Balance 30/06/05
d) Other companies							
Nomisma SpA - Italy	7						7
Conai	0						0
Caaf Ind. Emilia Romagna - Italy	4						4
Crit Srl	51						51
Consorzio T3 Lab	8						8
Alien Technology Corporation	1,042						1,042
Total other equity investments	1,112	0	0	0		0	1,112

The amount of other equity investments consists mainly of the direct parent company's invest (an interest of less than 1%) in Alien Technology Corporation, a US company active in RFID (radio-frequency identification devices). It is recognised at cost – and this is substantially aligned with fair value determined on the basis of recent transactions involving the company. We nevertheless point out that, in the reporting period, as in the previous year, the company reported significant losses. Notwithstanding this, the parent company's directors believe that the requisites do not exist for write-down of this investment as Alien Technology is a start-up active in a very promising segment (RFID) and, consequently, that the loss is not long-lasting in nature.

Securities

	31/12/2004	Increases	(Decreases)	Changes in fair value	30/06/2005	Total change
Securities as surety.	2,979	1,509		6	4,494	1,515
Total	2,979	1,509	-	6	4,494	1,515

The item consists mainly of securities kept as guarantee of the secured medium-term 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 amounted to € 4,494 thousand, of which € 3,219 thousand in Italian medium- and long-term treasury notes (BTP and CCT), € 429 thousand in banking bonds, and € 846 thousand in shares in bond funds.

The increase vs. December 31st 2004 was due to purchase of CCT maturing on 1/08/2007 for € 1,509 thousand. These are held as collateral for the banking surety issued to cover earn-out relating to the acquisition of Laservall SpA.

In the following tables we summarise the direct parent company's "Securities" item as at 30/06/05:

LISTED SECURITIES (in euro)

Type of security	Total purchase price	Unitary price of fund share	Par value	Unitary price of fund share as at 30/6/2005	Total market value as at 30/6/2005
Investment fund	443,045.30	5.931		6.754	504,608.43
Investment fund	134,950.19	5.284		5.531	171,317.69
Investment fund	132,936.01	5.762		7.239	170,199.31
	710,931.50				846,125.43

Type of security	Total purchase price	Unitary purchase price	Par value	Unitary market price as at 30/6/2005	Total market value as at 30/6/2005
Government bonds	39,986.86	100.52	39,780.00	100.31	39,903.32
Corporate bonds	144,644.68	97.09	148,980.00	105.66	157,412.27
Government bonds	808,654.36	100.36	805,740.00	100.15	806,962.28
Government bonds	506,500.18	100.52	503,880.00	100.15	504,635.82
Government bonds	362,808.00	100.78	360,000.00	100.15	360,540.00
Government bonds	1,509,300.00	100.62	1,500,000.00	100.46	1,506,900.00
	3,371,894.07		3,358,380.00		3,376,353.69

UNLISTED SECURITIES (in euro)

Type of security	Total purchase price	Unitary purchase price	Par value	Unitary market price as at 30/6/2005	Total market value as at 30/6/2005
Banca Intesa bonds	272,220	100		100	272,220

CURRENT ASSETS**5. Inventories**

	30/06/2005	31/12/2004	Change
Raw & auxiliary materials, plus consumables	12,196	12,147	49
Work in progress and semiprocessed goods	4,816	3,498	1,318
Finished products and goods for resale	12,519	7,109	5,410
Total	29,531	22,754	6,777

As at June 30 2005 inventories had increased by 30% vs. 31/12/04 (€ +6,777 thousand). Of this increases € 2,926 thousand was due to acquisition of Informatics. Net of this, the increase amounted to € 3,841 thousand (+17%), mainly due (€ 3,000 thousand) to the direct parent company in order to cover sales planned in the period immediately following 1H05.

Inventories are shown net of obsolescence provision that, as at June 30 2005, amounted to € 4,599 thousand. Changes in the latter during 1H05 are shown below:

	30/06/2005
Cumulative inventory write-down provision as at 31/12/04	3,961
Foreign exchange difference	37
Change due to acquisition	111
Provisions made in 1H05	494
Use of surplus during period	-4
Cumulative inventory write-down provision as at 30/06/05	4,599

We note that Datalogic AB had goods pledged against loans totalling € 865 thousand.

6. Trade and other receivables

	30/06/2005	31/12/2004	Change
Trade and other receivables	45,094	44,546	548
Trade receivables:	43,078	42,845	233
Trade receivables due within 12 months	41,610	40,742	868
Trade receivables due after 12 months	-	47	(47)
Associate receivables:	1,322	1,930	(608)
- Izumi Datalogic	848	1,353	(505)
- Ixla SA	253	1	252
- Laservall Asia	221	576	(355)
- Alitec	-	-	-
Related-party receivables	146	126	20
Other current receivables	990	900	90
Accrued income and prepaid expenses	1,026	801	225

Trade receivables

Net trade receivables as at June 30 2005 totalled € 43,078 thousand (doubtful-debt provision as at 30/06/05 totalled € 937 thousand vs. € 791 thousand as at 31/12/04), with an increase of 0.6% vs. the comparative figure in December 2004. Net trade receivables of the Informatics company totalled € 3,559 thousand (with doubtful-debt provision of € 71 thousand). Without this acquisition trade receivables would have been down by -8% vs. 31/12/04.

Associate receivables stemmed from trade transactions concluded at arm's length market conditions.

Related-party receivables consisted of:

- Hydra (ultimate parent company) = € 4 thousand
- Datasensor = € 142 thousand.

Other current receivables

The item "Other current receivables" included € 222 thousand, paid by the direct parent company to the Inland Revenue for notice of tax reassessment received on 22/10/02, against which the company has filed an appeal; € 309 thousand for advance payments to suppliers; and € 119 thousand claimed by the subsidiary Laservall SpA from the Valle d'Aosta regional authorities for excess rent paid.

Accrued income and prepaid expenses

	30/06/2005	31/12/2004	Change
a) Accrued income			
Miscellaneous interest income	45	23	22
Foreign exchange differences	-	-	-
Others	-	7	(7)
Total accrued income	45	30	15
b) Prepaid expenses			
Insurance	125	82	43
Association membership dues	3	27	(24)
Rentals and maintenance fees	161	54	107
Lease contracts	2	12	(10)
Surety costs	53	107	(54)
Tradeshows and sponsorships	95	44	51
Substitute tax	261	313	(52)
Others	281	132	149
Total prepaid expenses	981	771	210
Total accrued income and prepaid expenses	1,026	801	225

7. Tax receivables

	30/06/2005	31/12/2004	Change
Short-term tax receivables	5,929	7,818	(1,889)
Tax authorities for VAT	2,407	3,869	(1,462)
Tax authorities for other tax credits	3,522	3,949	(427)
Long-term tax receivables	39	-	39
Tax authorities for other tax credits	39	-	39
Total	5,968	7,818	(1,850)

Amounts receivable from the tax authorities for VAT mainly related to the direct parent company (€ 2,126 thousand). The decrease vs. December 31 2004 was due to partial interim refund of VAT by the Inland Revenue (€ 1,926 thousand).

Other tax credits vis-à-vis the tax authorities related to tax payments on account and sundry taxes withheld relating to the direct parent company (€ 2,121 thousand), Laservall SpA (€ 754 thousand), and Datalogic GmbH (€ 476 thousand), with the remainder (€ 171 thousand) relating to other group companies.

8. Available-for-sale financial assets

	31/12/2004	Increases	Decreases	Fair Value	30/06/2005
Other securities	3,407	11,608	(12,010)	(5)	3,000
Loans to subsidiaries	-	32			32
Total	3,407	11,640	(12,010)	(5)	3,032

The increase of the item “Loans to subsidiaries” consisted of the loan granted by the direct parent company to Datalogic Asia Ltd.

Below we show the table summarising “Other securities” as at 30/06/05 – pertaining wholly to the direct parent company.

Type of security	Total purchase price	Unitary purchase price	Par value	Unitary market price as at 30/6/2005	Total market value as at 30/6/2005
BNL (bank) bonds	3,000,000.00	100	-	100	3,000,000.00
Total	3,000,000.00				3,000,000.00

9. Financial assets – derivative instruments

The item “Derivative instruments” included a negative amount of € -154 thousand due to alignment of financial transactions to the end-of-period exchange rate and a negative amount of € -5 thousand caused by calculation of the premium relating to the period ending on 30/06/2005.

In the following table we summarise all derivative instruments extant as at June 30 2005 that did not possess the formal characteristics required by IAS 29 for application of hedge accounting.

Type of financial transaction	End date	Notional amount in foreign currency	Exchange rate at contract end date (currency/euro)	Total value at end-of-contract exchange rate	Exchange rate as at 30/06/05 (currency/euro)	Total value as exchange rate as at 30/06/05
Forward forex sale	16/09/2005	USD 1,000,000	1.3461	742,900	1.2092	827,000
Forward forex sale	13/04/2006	USD 1,000,000	1.3012	768,500	1.2092	827,000
Forward forex sale	31/08/2005	USD 500,000	1.2887	388,000	1.2092	413,500

10. Cash and cash equivalents

	30/06/2005	31/12/2004	Change
Bank and post-office deposits	36,143	37,201	(1,058)
Cash and valuables in hand	115	212	(97)
Total cash and cash equivalents	36,258	37,413	(1,155)

The item includes € 1,671 thousand stemming from consolidation of Informatics Inc.

11. Net equity

Changes in net equity as up to 30/06/05 were as follows:

	Balance as at 31/12/04	Profit Allocation	Capital Increases	Other Changes	Profit/(loss) in period	Balance as at 31/06/05
1) Total share capital:	76,875	0	2,101	10,056	0	89,032
Share capital	25,073		380			25,453
Treasury shares	(8,480)			10,056		1,576
Share premium reserve	55,843		1,721			57,564
Demerger capital reserve	4,439					4,439
2) Total reserves:	83	0	0	2	0	85
Fair value reserve	83			2		85
3) Total retained earnings:	28,020	8,521	0	1,886	0	38,427
Legal reserve	862	537				1,399
Treasury share reserve	9,673			(9,313)		360
Gain on Datasud cancellation	4,432					4,432
Untaxed capital grant reserve	256					256
IFRS transition reserve	9,045			93		9,138
Retained earnings	3,752	7,984		11,106		22,842
4) Profit/(loss) for period	11,211	(11,211)			5,596	5,596
Total (1+2+3+4)	116,189	(2,690)	2,101	11,944	5,596	133,140
Minority interest earnings	0				103	103
Minority interest net equity	0			(172)		(172)
Total	116,189	(2,690)	2,101	11,772	5,699	133,071

The profit made by the direct parent company in 2004 was allocated as follows:

- € 537 thousand = increase of legal reserve
- € 2,690 thousand = dividend distribution
- € 7,506 = to retained earnings (of which € 1,608 thousand constitute a reserve temporarily not distributable until the date of effective realisation of deferred-tax assets posted in financial statements).

Share capital

The breakdown of share capital was as follows:

	Total shares outstanding	Ordinary shares issued	Treasury shares
31/12/2003	11,419,080	11,903,500	- 484,420
30/06/2004	11,436,738	11,909,000	- 472,262
31/12/2004	11,464,220	12,054,150	- 589,930
30/06/2005	12,220,799	12,236,816	- 16,017

The increase of € 10,056 thousand in “Other changes” in total share capital (net of treasury shares) was due to:

- Sale of treasury shares (held as at December 31 2004) completed in the early months of 2005, of which € 744 thousand consisting of the capital gain (net of the tax effect) made on these transactions, reversed from the income statement as required under IAS 32.

The balance of the “Treasury shares” item included in total share capital and amounting to € 1,576 thousand consisted of the capital gains (net of the tax effect) made, during 2004 and in the first half of 2005, on the sale of treasury shares net of the balance of treasury shares as at 30/06/05.

Ordinary shares

As at June 30 2005 total ordinary shares numbered 12,2236,816 with a unitary par value of € 2.08. All shares issued had been fully paid.

The increase in ordinary shares, which caused the item “Share capital” to increase by € 380 thousand and the “Share premium reserve” by € 1,721 thousand, was due to exercise of part of the stock options assigned to the company’s directors and employees.

Reacquired own equity instruments

The amount of treasury shares held by the direct parent company is recorded in an equity reserve. During 1H05 the Group reacquired own equity instruments for a total of € 360 thousand and, at the same time, restricted, in compliance with legal requirements, a specific unavailable reserve of the same amount and decreased the “Own shares” item classified as part of share capital.

Treasury shares sold

During 1H05 the Group sold 593,922 treasury shares, making a total capital gain of € 1,110 thousand, which, net of the tax effect was deducted from share capital.

Demerger capital reserve

This reserve was a consequence of the split of the direct parent company on January 2 1998 into IES SpA (demerged company, now Datasensor) and Datalogic SpA (the beneficiary company).

Reserves

The reserve for revaluation of financial assets (the Fair value reserve) comprises revaluation at fair value of AFS securities until the time when such securities are sold and is net of the tax effect.

		Fair value reserve for available-for-sale financial assets (€ '000)
31/12/2004		83
	Fair value valuation	10
	Tax effect	-3
	Gain/(loss) transferred to profit and loss	-5
	Taxes relating to gain/(loss) transferred to profit and loss	
30/06/2005		85

Cumulative retained earnings

Treasury share reserve

This was set up by the direct parent company following share buybacks, as required by the Italian Civil Code. In compliance with legal requirements as at 31/12/04, this reserve changed by an amount equal to that of changes in treasury shares.

Reserve for gain on cancellation and Untaxed capital grant reserve

These reserves were a consequence of the merger of Datalogic SpA and Datasud in 2004.

They decreased by € 720 thousand as a consequence of the requirements of IAS 20 (Accounting for government grants and disclosure of government assistance).

IFRS transition reserve

This is the reserve created upon first-time adoption of international accounting standards as at January 1st 2004 (consolidated year-end accounts as at 31/12/2003) as per IFRS 1.

The increase of € 93 thousand was due to a correction made to cumulative depreciation & amortisation relating to Datalogic Inc. and to leased assets.

Previous years' earnings

This item includes equity changes occurring in consolidated companies after acquisition date and absorbs the translation reserve (€ 556 thousand) generated by consolidation of foreign companies.

Dividends

In 1H05 we paid dividends totalling € 2,690 thousand (€ 2,114 thousand in 1H04) corresponding to a per-share dividend of € 22 cents (€ 18 cents in 1H04). In addition, the ordinary shareholder meeting held on April 28 2005 approved payout of an extraordinary dividend of € 1 per share on October 17 2005.

Minority interests

Minority interests amounted to € -69 thousand and related to 10% of Informatics Inc.

Earnings per share (EPS)

Basic EPS

Basic EPS for 1H05 has been calculated on the basis of net profit of € 5,596 thousand (€ 4,403 thousand in 1H04) divided by the weighted average number of ordinary shares outstanding during 1H05, i.e. 11,930,399 (11,615,743 in 1H04).

Diluted EPS

Diluted EPS for 1H05 has been calculated on the basis of net profit of € 5,596 thousand (€ 4,403 thousand in 1H04) divided by a weighted average number of ordinary shares during 1H05 of 12,053,099 (11,757,778 shares in 1H04), with the detailed calculation being as follows:

	30/06/2005	30/06/2004
Group net profit (€)	5,596,000	4,403,000
Average number of shares as at June 30	11,930,399	11,615,743
Effect of future exercise of stock options	122,700	142,035
Diluted average number of shares as at June 30	12,053,099	11,757,778
Diluted EPS (€)	0.4643	0.3745

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

	Total net equity	Net profit for period
Datalogic SpA net equity and profit	128,573	5,969
Differences between consolidated companies' net equity and their carrying value in the parent co.'s statement and effect of the equity-based valuation	7,172	3,608
Reversal of dividends	0	(3,677)
Laservall acquisition	(1,294)	(647)
Amortisation of Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of company division	(199)	
Effect on elimination of intercompany transactions	(2,118)	215
Elimination of intercompany profits	(87)	(26)
Effect of posting of finance leases	(33)	(10)
Deferred taxes	1,365	164
Group net equity and profit	133,140	5,596
Minority interests	(69)	103
Total net equity	133,071	5,699

NON-CURRENT LIABILITIES**12. Short-/long-term borrowing**

The breakdown of borrowing was as follows:

30/06/2005	Within 12 months	After 12 months	After 5 years	Total
Bank borrowing				
Current account overdrafts				-
Bank loans & mortgages and other financial institutions	2,617	8,419	4,614	15,650
Total	2,617	8,419	4,614	15,650

31/12/2004	Within 12 months	After 12 months	After 5 years	Total
Bank borrowing				
Current account overdrafts	355			355
Bank loans & mortgages and other financial institutions	2,305	3,671	1,829	7,805
Total	2,660	3,671	1,829	8,160

This item includes a secured loan of USD 12 million, signed by Informatics Inc., to finance the acquisition described earlier. Further information is given in the next table.

In April 2005 Datalogic UK Ltd. discharged a secured loan, which as at 31/12/04 had amounted to €948 thousand (non-current portion = € 884 thousand).

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

Company	Loan Type	Expiry Date	Interest Rate	IR Type	Current Portion	L-T Portion	Installments
DL SpA	IMI loan under Law 346	01/01/2006	(*)	FIXED	480	0	6-monthly
	IMI loan under Law 46 (MURST)* 66985	01/01/2011	1.00%	FIXED	78	375	6-monthly
	IMI loan under Law 46 (MURST) 66985	01/01/2011	1.00%	FIXED	14	65	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	11	73	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	11	69	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	3	18	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	13	84	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	23	146	6-monthly
	IMI loan under Law 46 (MURST) 67231	01/07/2012	1.00%	FIXED	33	222	6-monthly
	IMI loan under Law 46 (MURST) 67232	01/07/2012	1.00%	FIXED	50	320	6-monthly
	IMI loan under Law 46 (MURST) 67232	01/07/2012	1.00%	FIXED	13	83	6-monthly
	IMI loan under Law 46 (MURST) 67232	01/07/2012	1.00%	FIXED	14	91	6-monthly
	Loan coming from Datasud merger	30/11/2005	2.60%	FIXED	214	0	6-monthly
DL France	Secured bank loan	18/06/2006	Euribor (3 mths) + 1.5%	VARIABLE	46	23	Quarterly
	Secured bank loan	18/06/2006	Euribor (3 mths) + 1.5%	VARIABLE	46	23	Quarterly
	Secured bank loan	16/07/2005	Euribor (3 mths) + 1.7%	VARIABLE	2	0	Monthly
DL AB Holding	Loans secured by mortgages	28/02/2005	4.20%	FIXED	0	362	Lump sum
	Loans secured by mortgages	30/09/2005	3.50%	FIXED	0	330	Lump sum
DL Pty.	Bank loan	27/06/2006	7.35%	FIXED	20	0	Monthly
DL GmbH	Loans secured by mortgages	01/01/2011	4.98%	FIXED	84	438	Monthly
Laservall SpA	Law 46/82 Project No. 11005	09/03/2015	1.56%	FIXED	0	418	Annual
	Unionfidi-backed loan (collective credit guarantee scheme)	30/11/2005	3.32%	FIXED	60	-	Monthly
	Unionfidi-backed loan	39489	3.89%	FIXED	40	183	Monthly
	Unionfidi-backed loan	01/06/2009	3.65%	FIXED	100	700	Quarterly
	Law 46/82 Project No. 3153	01/01/2013	2.00%	FIXED	22	327	6-monthly
Informatics Inc.	Secured bank loan	03/05/2013	4.41%	FIXED	1,240	8,683	Quarterly
TOTAL					2,617	13,033	

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

Loans were issued in the following currencies, with the total amount converted into euro applying the end-of-period exchange rate:

Currencies '000	30/06/2005	31/12/2004	Change
Euro	5,015	6,112	(1.097)
USD (US dollar)	12,000	-	12.000
AUD (Australian dollar)	32	40	(8)
GBP (British pound sterling)	-	668	(668)
SEK (Swedish krona)	6,522	6,522	-

The loans are secured as follows:

- Loan to Datalogic GmbH = real estate mortgage of € 1,968 thousand
- Loan to Datalogic Holding AB = real estate mortgage of € 803 thousand
- Loan to Informatics = surety issued by direct parent company of € 9,924 thousand.

13. Deferred tax assets

The detail of deferred tax assets was as shown below:

Deferred tax assets	30/06/2005	31/12/2004	Change
Datalogic SpA	1,993	1,609	384
Laservall SpA	65	39	26
Datalogic Holding AB	207	203	4
Datalogic AB	74	74	-
Datalogic Inc.	166	162	4
EMS Inc.	12	2	10
Datalogic France	29	-	29
Datalogic Iberia	25	-	25
Total short-term deferred tax assets	2,571	2,089	482
Datalogic Handelsgesellschaft mbH	457	469	(12)
Datalogic Pty. Ltd.	79	51	28
Datalogic UK Ltd.	341	320	21
Total long-term deferred tax assets	877	840	37
Deferred tax assets posted due to effect of consolidation adjustments	788	873	(85)
Total deferred tax assets	4,236	3,802	434

The item “deferred tax assets posted due to effect of consolidation adjustments” were mainly ascribable to the elimination of inventory margin.

The detail of deferred tax liabilities was instead as shown below:

Deferred tax liabilities	30/06/2005	31/12/2004	Change
Laservall SpA	41	-	41
Datalogic France	29	-	29
Total short-term deferred tax liabilities	70	-	70
Datalogic SpA	1,510	1,042	468
Datalogic AB	110	117	(7)
Datalogic Optik Elektronik GmbH	73	50	23
Laservall SpA		41	(41)
Datalogic Pty. Ltd.	7	9	-2
EMS Inc.		3	(3)
Total long-term deferred tax liabilities	1,700	1,262	438
Deferred tax liabilities posted due to effect of IFRS transition	5,767	5,746	21
Deferred tax liabilities due to effect of Laservall consolidation adjustments	3,386	3,627	(241)
Total deferred tax liabilities	10,923	10,635	288

The item “Deferred tax liabilities posted due to effect of IFRS transition” consisted of taxes calculated on adjustments made to adapt accounts to the new accounting standards (IAS/IFRS).

The item “Deferred tax liabilities posted due to effect of Laservall consolidation adjustments” consists of deferred tax provision (€ 3,868 thousand on the date of initial recognition) made upon simultaneous recognition in “Intangible assets” of the intangible assets of the subsidiary Laservall SpA (“Know-How” and “Far East Window”). This provision is released in parallel with the process of amortisation.

The changes in net deferred taxes (assets less liabilities) were the following:

31/12/2004		-6,833
Acquisitions of subsidiaries		
Allocated to profit and loss		248
Allocated to net equity		-116
Foreign exchange differences		14
30/06/2005		-6,687

The temporary differences leading to recognition of deferred tax assets and liabilities are summarised, by individual group company, in the following table:.

Deferred tax liabilities	Depreciation & amortisation	Reserve for previous losses	Provisions	Others	Total
31/12/2004					
EMS Inc				3	3
Datalogic Pty. Ltd.	8			1	9
Datalogic Optik Elektronik GmbH	50				50
Datalogic AB		117			117
Laservall SpA	33			8	41
Datalogic SpA (parent company)	985		57		1.042
TOTAL	1.076	117	57	12	1.262
30/06/2005					
Datalogic Pty. Ltd.	6			1	7
Datalogic Optik Elektronik GmbH	73				73
Datalogic AB		110			110
Datalogic France				29	29
Laservall SpA	33			8	41
Datalogic SpA (parent company)	1429		81		1.510
TOTAL	1.541	110	81	38	1.770

Deferred tax assets	Previous year's losses	Provisions	Asset write-downs	Others	Total
31/12/2004					
Datalogic Pty. Ltd.	20	31			51
Datalogic Handelsgesellschaft mbH	469				469
Datalogic Holding AB	192	11			203
Datalogic AB		74			74
Datalogic UK Ltd.	320				320
Datalogic Inc.	162				162
EMS Inc.				2	2
Laservall SpA			32	7	39
Datalogic SpA (parent company)		200	1246	163	1.609
TOTAL	1.163	316	1.278	172	2.929
30/06/2005					
Datalogic Pty. Ltd.	37	41			79
Datalogic Handelsgesellschaft mbH	457				457
Datalogic Holding AB	196	11			207
Datalogic AB		74			74
Datalogic UK Ltd.	333	8			341
Datalogic Inc.	166				166
Datalogic France				29	29
Datalogic Iberia				25	25
EMS Inc.				12	12
Laservall SpA			58	7	65
Datalogic SpA (parent company)		319	1282	392	1.993
TOTAL	1.189	454	1.340	465	3.448

14. Post-employment benefit obligations

As at 30/06/05 the only defined-benefit plans of the Group were the mandatory employee severance indemnity and retirement obligations of the Italian companies Datalogic SpA and Laservall SpA. Consequent liability was calculated on the basis of the following actuarial assumptions:

	Unit of measurement	1H05	1H04
Discounting rate	%	4.5	5.0
Expected rate of salary growth	%	4.5 – 3.5	4.5 – 3.5
Rate of annual cost-of-living increase	%	2.0	2.0
Average employee service tenure	Years	35	35

Changes in this liability during the period were as follows

	1H05
	€ '000
31/12/2004	5,697
Amount provisioned in period	578
Utilisation	-334
Financial component	116
Actuarial impact	0
30/06/2005	6,057

Utilisation was mainly attributable to the direct parent company, i.e. € 308 thousand, of which € 122 thousand for advances and € 186 thousand for resignations.

The effects on the income statement were allocated as follows:

	1H05
	€ '000
Cost of goods sold	179
Research & development	207
Commercial expenses	114
General & administrative expenses	78
Financial expenses	116
Total	694

15. Provisions

The breakdown of the total "provisions" item was as follows:

	30/06/2005	31/12/2004	Change
Short-term provisions	129	-	129
Long-term provisions	1.816	2.775	(959)
Total provisions	1.945	2.775	(830)

Below we show the changes occurring in the item:

	31/12/2004	Increases	(Use)	Unused amounts	Foreign exchange diff.	30/06/2005
Product warranty provision	906	95	(35)			966
Litigation provision	154	250	(53)		(2)	349
Restructuring provision	1,153		(768)			385
Other provisions	562	246	(536)	(27)		245
Total provisions	2,775	591	(1,392)	(27)	(2)	1,945

Product warranty provision represents estimated costs to be borne for service work on products sold under a periodical warranty. It totals € 966 thousand and is deemed sufficient to meet the specific risk concerned. It is mainly attributable to the direct parent company (€ 831 thousand) and to Laservall SpA (€ 125 thousand).

The restructuring provision was acquired by the direct parent company following acquisition of a company division (€ 1,730 thousand at the time of acquisition). As at June 30 2005 € 768 thousand of this figure was released and booked among "Other revenues and income" against training and job-conversion costs borne for the staff involved in the acquisition.

The "Other provisions" item consisted of:

- € 96 thousand = return sales provision of Informatics Inc.
- € 77 thousand = provision for coverage of investee losses pertaining to Laservall SpA
- € 72 thousand = provision for employee grievances relating to Datalogic GmbH.

16. Other non-current liabilities

€ 1,000 thousand of the "Other non-current liabilities" item consists of Datalogic SpA's debt for the acquisition of Laservall SpA, i.e. the long-term portion of the third earn-out which should be paid on 31/12/06. We point out that, as done the last year, the entire debt continues to be recognised as it is thought likely that the business and financial objectives to which payment of this sum is subject will be achieved. The sum was in any case included in the acquisition's value.

CURRENT LIABILITIES

17. Trade and other payables

These are the details of trade and other payables:

	30/06/2005	31/12/2004	Change
Trade and other payables	36,083	34,209	1,874
Trade payables:	22,121	19,999	2,122
Trade payables due within 12 months	21,759	19,593	2,166
Trade payables due after 12 months	-	-	-
Associate receivables:	-	7	(7)
- Izumi Datalogic	-	7	(7)
Related-party payables	362	399	(37)
Other current payables	11,630	12,186	(556)
Accrued liabilities and deferred income	2,332	2,024	308

Trade payables

Trade payables included € 987 thousand coming from consolidation of Informatics.

Related-party payables referred to the Datasensor company.

Other current payables

The detailed breakdown of other current payables was as follows:

Other current payables	30/06/2005	31/12/2004	Change
Acquisition of equity interest in Laservall SpA	2,000	3,711	(1,711)
Pension and social security agencies	1,753	2,282	(529)
Employees	6,040	5,028	1,012
Cautionary deposits		22	(22)
Directors' remuneration	1,229	411	818
Insurance	67	104	(37)
Royalty costs yet to be paid	77	189	(112)
Sundry current payables	464	439	25
Total	11,630	12,186	(556)

Employee payables represent amounts due for salaries and holidays accrued by staff as at balance sheet date (Informatics accounted for € 245 thousand. The increase is due to higher accruals for holidays and "13th-month" salaries in the 6-month period concerned.

Accrued liabilities and deferred income

The detail of accrued liabilities and deferred income was as follows:

	30/06/2005	31/12/2004	Change
a) Accrued liabilities			
Interest payable for long-term loans	73	32	41
Consulting services	112	74	38
Sundry items	190	115	75
Total accrued liabilities	375	221	154
b) Deferred income			
Maintenance contracts	309	174	135
Intercompany transactions	260	287	(27)
Warranty extension	563	514	49
Capital grants	684	684	-
Other items	141	144	(3)
Total deferred income	1,957	1,803	154
Total accrued liabilities and deferred income	2,332	2,024	308

The increase in the deferred-income item "Maintenance contracts" was mainly attributable to Datalogic UK following suspension of the portion of revenues not pertaining to the period of maintenance contracts stipulated with customers.

The "Intercompany transactions" item concerns elimination of inventory margin for the companies Izumi (€ 141 thousand), Laservall China (€ 40 thousand), and Laservall Asia (€ 79 thousand), which are booked at equity.

The "Capital grants" item of € 684 thousand reflects reclassification of capital government grants for assets, obtained in the past by the subsidiary Datasud Srl (now merged with the direct parent company). These grants have been reversed from net equity reserves as per the requirements of IAS 20 and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

18. Taxes payable

	30/06/2005	31/12/2004	Change
Short-term taxes payable	7,701	9,897	(2,196)
Long-term taxes payable	16	-	16
Total	7,717	9,897	(2,180)

As at June 30 2005 taxes payable amounted to € 7,717 thousand. This amount was attributable as follows:

- € 3,954 thousand for the direct parent company and consisting of:
 - € 2,792 thousand for the period's income tax
 - € 480 thousand for personal income tax withheld for employees
 - € 666 thousand for VAT
 - € 16 thousand for other taxes.
- € 1,224 thousand for Datalogic GmbH (€ 1,014 thousand for income tax and € 210 thousand for VAT)
- € 1,426 thousand for Laservall SpA for income tax
- € 295 thousand for Informatics Inc.

19. Guarantees and commitments

Collateral provided

Collateral provided totalled € 6,115 thousand and consisted of:

- Mortgages on tangible assets for a total of € 2,772 thousand
- Pledges of € 2,478 thousand on securities owned to guarantee the IMI loan to the direct parent company and other pledges of € 865 thousand.

Commitments

They totalled € 582 thousand and related to commitments for finance lease and rental contracts.

D) INFORMATION ON THE INCOME STATEMENT**20. Revenues**

	1H05	1H04	Change
Revenues from sale of products	83,339	64,733	18,606
Revenues for services	3,228	2,683	545
Total revenues	86,567	67,416	19,151

Total revenues increased by 28.4% YoY (1.7% YoY net of Laservall SpA and Informatics Inc.). For greater detail, reference should be made to the comments contained in the earlier section "Revenue trends and key factors affecting operations in the first half".

The percent geographical breakdown of revenues was as follows:

	1H05	1H04	Change
Revenues - Italy	17%	16%	1% pt.
Foreign revenues – Rest of EU	47%	58%	-11% pts.
Foreign revenues – Rest of World	36%	26%	10% pts.

21. Cost of goods sold and operating costs

	1H05	1H04	Change
TOTAL COST OF GOODS SOLD (1)	43,123	33,285	9,838
TOTAL OPERATING COSTS (2)	34,844	27,366	7,478
R&D expenses	6,784	5,397	1,387
Distribution expenses	14,674	11,819	2,855
General & administrative expenses	12,512	9,353	3,159
Other operating costs	874	797	77
TOTAL (1+2)	77,967	60,651	17,316

Total cost of goods sold (1)

This item increased by 30% YoY (without Laservall and Informatics it would have decreased by – 1.8%, in line with the trend in like-for-like sales revenues.

Total operating costs (2)

R&D expenses, which totalled € 6,784 thousand as at 30/06/05, were equivalent to 7.8% of revenues and grew by 26% vs. 1H04 (the R&D expenses of Laservall SpA, consolidated as from the second half of 2004, amounted to € 550 thousand).

Reported distribution expenses amounted to € 14,674 thousand. Net of Laservall and Informatics the amount decreases to € 11,725 thousand, down by € -94 thousand vs. 1H04, mainly because of the company convention, held in February 2004 and not held in the current year.

G&A expenses amounted to € 12,512 thousand (€ 10,418 thousand net of Laservall and Informatics) and included non-recurrent remuneration to the CEO of € 958 thousand (i.e. 40% of the total bonus authorised).

The detailed breakdown of "Other operating costs" was as follows:

	1H05	1H04	Change
Capital losses on asset disposals	16	-	16
Incidental costs and cancellation of income items	78	249	(171)
Previous years' taxes		234	(234)
Doubtful-debt provision	142	103	39
Other provisions	327	-	327
Non-income taxes	214	166	48
Sundry operating costs	97	45	52
TOTAL OTHER OPERATING COSTS	874	797	77

"Other provisions" consisted of:

- € 250 thousand = litigation provision made by the direct parent company
- € 77 thousand = provision by Laservall SpA for losses on equity investments.

Non-income taxes were attributable mainly to the direct parent company (€ 58 thousand), Datalogic UK (€ 44 thousand), and Datalogic France (€ 38 thousand).

Breakdown of costs by nature:

In the following table we detail total costs (cost of goods sold + operating costs) by nature, for the main items:

	1H05	1H04	Change
Payroll	25,114	20,735	4,379
Depreciation & amortisation	3,694	2,471	1,223
Inventory change	-6,293	-1,802	(4,491)
Materials and goods	37,668	26,226	11,442
Outsourced processing	1,669	1,094	575
Repairs	1,024	739	285
Marketing	1,912	1,050	862
Directors' remuneration	1,903	627	1,276
Travel & accommodation	1,297	846	451
Advisory services	804	512	292
Goods receipt & shipment	1,176	886	290
Other costs	7,999	7,267	732
Total (COGS + operating costs)	77,967	60,651	17,316

Cost of goods sold – which is the sum of the items “Materials and goods” and “Inventory change” – amounted, net of Informatics Inc. and Laservall SpA, to € 22,154 thousand and decreased by about 9.2% vs. 1H04.

The increase in the cost of outsourced processing was due to (a) consolidation of Laservall SpA (€ 178 thousand) and to greater use of outsourcing by the direct parent company for phases of production activity.

The increase in “Repairs” was due to the increase in outsourced repair work.

Marketing expenses – which net of Informatics Inc. and Laservall SpA amounted to € 1,231 thousand – consisted of advertising spending (€ 1,225 thousand), tradeshow (€ 480 thousand), and co-marketing participation (€ 206 thousand).

The increase in the item “Directors' remuneration” was due to consolidation of Laservall SpA (€ 333 thousand) and to payment of non-recurrent remuneration to the CEO (€ 958 thousand).

Of total travel & accommodation expenses – which net of Informatics Inc. and Laservall SpA amounted to € 1,086 thousand - € 432 thousand was attributable to the direct parent company (€ 285 thousand in 1H04).

€ 301 thousand of expenses for advisory services – which net of Informatics Inc. and Laservall SpA amounted to € 541 thousand – were attributable to the direct parent company.

Expenses for goods shipment and receipt – which net of Informatics Inc. and Laservall SpA amounted to € 931 thousand – related mainly to the direct parent company (€ 461 thousand vs. € 338 thousand as at 30/06/04) and to Datalogic Inc. (€ 200 thousand vs. € 123 thousand in 1H04).

The detailed breakdown of payroll costs was as follows:

	1H05	1H04	Change
Wages and salaries	19,293	15,180	4,113
Social security charges	4,158	3,944	214
Severance indemnities	578	360	218
Retirement and similar benefits	135	68	67
Other payroll costs	950	1,183	(233)
Total	25,114	20,735	4,379

The increase in payroll costs was mainly due to:

- Consolidation of Laservall SpA and Informatics Inc. (€ 3,242 thousand, 167 employees)
- Greater use of temporary working by the direct parent company (€ 695 thousand in 1H05 vs. € 181 thousand in 1H04)
- Lower capitalisation of staff costs for new-product development (€ 315 thousand in 1H05 vs. € 677 thousand in 1H04)
- Increase in employee headcount of the direct parent company (+9 heads) and of other group companies (+3 heads).

22. Other operating revenues

The detailed breakdown of this item was as follows:

	1H05	1H04	Change
Release of restructuring provision	768	217	551
Rent income	110	162	(52)
Charge-back of miscellaneous costs	62	61	1
Charge-back for seconded staff		19	(19)
Capital gains on asset disposals	67	58	9
Canteen refunds	-	34	(34)
Packing and shipment	-	13	(13)
Operating grants	25	215	(190)
Incidental income and cost cancellation	79	154	(75)
Reversal of provisions	-	135	(135)
Tax recovery	-	21	(21)
Miscellaneous operating revenue	100	183	(83)
TOTAL OTHER OPERATING REVENUES	1,211	1,272	(61)

23. Financial income

	1H05	1H04	Change
Interest expenses for bank overdrafts/loans	154	136	18
Foreign exchange losses	1,099	727	372
Banking expenses	122	85	37
Financial component of post-employment benefits	116	105	11
Other financial expenses	230	73	157
TOTAL FINANCIAL EXPENSES	1,721	1,126	595
Interest income on bank current accounts	282	341	(59)
Foreign exchange gains	1,517	586	931
Other financial income	270	105	165
TOTAL FINANCIAL INCOME	2,069	1,032	1,037
NET FINANCIAL INCOME/(LOSS)	348	(94)	442

Total financial expenses

“Foreign exchange losses” totalling € 1,099 thousand were mainly attributable to the direct parent company (€ 825 thousand), Datalogic Holding AB for end-of-period alignment of the loan in euro (€ 134 thousand), and to Datalogic AB (€ 80 thousand).

The breakdown of the parent company's foreign exchange losses was as follows:

- € 264 thousand = foreign exchange losses relating to commercial transactions, of which € 111 thousand for alignment with the end-of-period exchange rate
- € 282 thousand = foreign exchange losses relating to foreign currency loans and current accounts of which € 12 thousand for alignment with the end-of-period exchange rate
- € 279 thousand = financial transactions, of which € 159 thousand caused by alignment with end-of-period exchange rates of forward hedging transactions net of alignment performed as at 31/12/2004.

“Banking expenses” included € 51 thousand for surety fees attributable to the direct parent company.

Of “Other financial expenses”, € 155 thousand were attributable to the direct parent company, of which € 16 thousand for loans and € 46 thousand for losses on securities held as current assets.

Total financial income

“Foreign exchange gains” totalling € 1,517 thousand were mainly attributable to the direct parent company (€ 1,318 thousand) and Datalogic AB (€ 154 thousand).

The breakdown of the direct parent company's foreign exchange gains was as follows:

- € 659 thousand = foreign exchange gains relating to commercial transactions, of which € 248 thousand for alignment with the end-of-period exchange rate
- € 658 thousand = foreign exchange gains relating to foreign currency loans and current accounts of which € 404 thousand due to alignment with the end-of-period exchange rate
- € 1 thousand = financial transactions.

“Other financial income” included:

- € 170 thousand attributable to the direct parent company for income on securities held as non-current assets (€ 43 thousand, of which € 34 thousand for interest accruing as up to 30/06/05) and for income on securities held as current assets (€ 127 thousand, of which € 8 thousand for interest accruing as up to 30/06/05)
- € 67 thousand relating to Laservall SpA.

24. Income tax

	1H05
Income tax	4,849
Deferred tax	-248
	4,601

The average tax rate applied was 44.67%, in line with the average tax rate applied as up to the end of June 2004 (44.89%).

The statement of reconciliation – for 1H05 – between the effective tax burden and the burden that would emerge based on application of the average tax rate to the pre-tax result of individual companies consolidated (on a 100% line-by-line basis) is shown in the appendices.

SEGMENT INFORMATION

The Group consists of the following business segments:

Data Capture: this is Datalogic's traditional business and includes the development, production and sale of the following products: HHR (hand-held readers), USS (unattended scanning systems) and MC (mobile computers).

Business Development: this division includes businesses featuring high growth potential within Datalogic's traditional offering (RFID (radio-frequency identification devices) and self-scanning solutions) or those adjacent to the Group's traditional business areas. They consist of:

- Industrial marking products
- Distribution of automatic identification products.

These last two activities relate to two companies recently acquired by Datalogic SpA (i.e. respectively to Laservall SpA and Informatics).

Primary segment results in 1H05, compared with those in 1H04, were as follows:

€ '000	Data Capture		Business Development		Adjustments		Consolidated Total	
	1H05	1H04	1H05	1H04	1H05	1H04	1H05	1H04
Revenues:								
External sales	60,193	60,078	26,374	7,338	-	-	86,567	67,416
Intersegment sales	34	1	20	388	(54)	(389)	-	-
TOTAL REVENUES	<u>60,227</u>	<u>60,079</u>	<u>26,394</u>	<u>7,726</u>	<u>(54)</u>	<u>(389)</u>	<u>86,567</u>	<u>67,416</u>
Cost of goods sold	30,021	29,952	13,102	3,276	-	-	43,123	33,228
Intersegment cost of goods sold	21	30	10	240	(31)	(270)	-	(0)
GROSS PROFIT	30,185	30,097	13,282	4,210	(23)	(119)	43,444	34,188
Other attributable revenues	1,100	1,272	111	-	-	-	1,211	1,272
Other intersegment revenues	175	284	-	-	(175)	(284)	-	-
Operating costs:								
R&D expenses	5,076	4,309	1,708	1,088			6,784	5,397
Distribution expenses	9,885	10,169	4,924	1,650	(170)		14,639	11,819
Allocable G&A costs	6,381	6,302	2,577	517			8,958	6,819
Other allocable operating costs	397	787	227	10			624	797
SEGMENT RESULT	9,721	10,086	3,957	945	(28)	(403)	13,650	10,628
Unallocable G&A costs		-		-			2,596	2,534
OPERATING PROFIT	<u>9,721</u>	<u>10,086</u>	<u>3,957</u>	<u>945</u>	<u>(28)</u>	<u>(403)</u>	<u>11,054</u>	<u>8,094</u>
Allocable net non-recurrent costs	(285)	(57)					(285)	(57)
Unallocable net non-recurrent costs	-						(958)	-
Net financial income/ (expenses)							348	(94)
Share of associates' profit	64	45	77				141	45
Income tax							(4,601)	(3,585)
NET PROFIT	<u>9,500</u>	<u>10,074</u>	<u>4,034</u>	<u>945</u>	<u>(28)</u>	<u>(403)</u>	<u>5,699</u>	<u>4,403</u>
OTHER INFORMATION								
Segment assets	119,444	107,061	37,054	4,004		(46)	156,498	111,019
Interests in associates	513	369	512				1,025	369
Unallocable assets							54,962	54,757
Total assets	<u>119,957</u>	<u>107,430</u>	<u>37,566</u>	<u>4,004</u>	-	<u>(46)</u>	<u>212,485</u>	<u>166,145</u>
Segment liabilities	37,754	33,781	7,327	904	(937)		44,144	34,685
Unallocable liabilities							35,270	20,929
Equity							133,071	110,531
Total liabilities	<u>37,754</u>	<u>33,781</u>	<u>7,327</u>	<u>904</u>	<u>(937)</u>	-	<u>212,485</u>	<u>166,145</u>
Deprec. & amortn (D&A)	2,101	1,695	1,003	133			3,104	1,828
Unallocable D&A							590	643

Romano Volta

Chairman of the Board of Directors

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

	Note	30-06-05 Euro/000	31-12-04 Euro/000	30-06-04 Euro/000
ATTIVO				
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		92.800	74.443	56.758
1) Tangible non-current assets		40.609	37.323	34.966
Land	1	6.544	5.833	4.597
Buildings	1	19.057	17.232	17.389
Plant & machinery	1	2.663	2.590	2.048
Other tangible assets	1	12.105	11.469	10.444
Assets in progress and payments on account	1	240	199	488
2) Investment property		0	0	0
3) Intangible non-current assets		41.142	28.273	13.460
Goodwill	2	23.655	9.893	4.874
Development costs	2	3.806	4.032	3.788
Other intangible assets	2	13.681	14.348	4.798
4) Equity interests in associate companies	3	1.046	851	377
5) Available-for-sale financial assets (non-current)		5.606	4.091	4.073
Equity investments	4	1.112	1.112	1.104
Treasury stock			0	
Securities	4	4.494	2.979	2.969
6) Trade and other receivables		122	103	36
7) Deferred tax credits	13	4.236	3.802	3.846
8) Tax credits	7	39		
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		119.685	116.177	109.387
9) Inventories	5	29.531	22.754	24.201
Raw & auxiliary materials plus consumables	5	12.196	12.147	12.122
Work in progress and semiprocessed goods	5	4.816	3.498	2.733
Finished products and goods for resale	5	12.519	7.109	9.346
10) Job-order work in progress		0	0	0
11) Trade and other receivables	6	45.094	44.546	38.356
Trade receivables	6	43.078	42.845	36.029
Within 12 months		41.610	40.742	35.659
After 12 months			47	74
Amounts receivable from associates		1.322	1.930	296
Amounts receivable from related parties		146	126	0
Other receivables	6	990	900	1.095
Accrued income and prepaid expenses	6	1.026	801	1.232
12) Tax credits	7	5.929	7.818	5.276
13) Available-for-sale financial assets (current)	8	3.032	3.407	0
Securities		3.000	3.407	0
Loans to subsidiaries		32		
14) Hedging instruments	9	-159	239	49
15) Cash & cash equivalents	10	36.258	37.413	41.505
TOTAL ASSETS (A+B)		212.485	190.620	166.145

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	30-06-05 Euro/000	31-12-04 Euro/000	30-06-04 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	133.071	116.189	110.531
1) Share capital		89.032	76.875	77.424
Share capital		25.453	25.073	24.771
Treasury stock		1.576	-8.480	-6.262
Share premium reserve		57.564	55.843	54.476
Demerger capital reserve		4.439	4.439	4.439
2) Reserves		85	83	1.949
Revaluation reserves			0	
Consolidation reserve			0	1878
Translation reserve/(loss)			0	
Cash-flow hedge reserve			0	
Fair-value reserve from available-for-sale financial assets		85	83	71
3) Retained earnings/(losses carried forward)		38.427	28.020	26.755
Previous years' earnings/(losses)		22.842	3.752	9.522
Reserve for gain on Datasud cancellation		4.432	4.432	
Untaxed capital grant reserve		256	256	
Legal reserve		1.399	862	862
Treasury stock reserve		360	9.673	7.329
IAS transition reserve		9.138	9.045	9.042
4) Profit/(loss) for period		5.596	11.211	4.403
5) Minority interests		-69	0	
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		32.884	27.665	18.237
6) Borrowing	12	13.033	5.500	4.759
7) Tax payables	18	16	0	
8) Deferred tax liabilities	13	10.923	10.635	6182
9) Employee severance indemnity and retirement provision	14	6.057	5.697	4942
10) Long-term provisions for risks and expenses	15	1.816	2.775	2354
11) Other non-current liabilities	16	1.039	3.058	
C) CURRENT LIABILITIES (12+13+14+15)		46.530	46.766	37.377
12) Trade and other payables	17	36.083	34.209	28.992
Trade payables		22.121	19.999	19.509
Within 12 months		21.759	19.593	19.173
After 12 months			0	
Amounts payable to associates			7	
Amounts payable to related parties		362	399	336
Accrued liabilities and deferred income		2.332	2.024	1.658
Other current payables		11.630	12.186	7.825
13) Taxes payable	18	7.701	9.897	6.432
14) Short-term provisions for risks and expenses	15	129		
14) Short-term borrowing	12	2.617	2.660	1.953
TOTAL LIABILITIES (A+B+C)		212.485	190.620	166.145

DATALOGIC S.p.A.**CONSOLIDATED PROFIT & LOSS ACCOUNT**

	Note	30-06-05 Euro/000	30-06-04 Euro/000	31-12-04 Euro/000
1) TOTAL REVENUES	20	86.567	67.416	146.267
Revenues from sale of products		83.339	64.733	139.589
Revenues from services		3.228	2.683	6.678
2) Cost of goods sold	21	43.123	33.285	72.759
GROSS PROFIT (1-2)		43.444	34.131	73.508
3) Other operating revenues	22	1.211	1.272	2.705
4) R&D expenses	21	6.784	5.397	11.395
5) Distribution expenses	21	14.674	11.819	23.432
6) General & administrative expenses	21	12.512	9.353	20.839
7) Other operating expenses	21	874	797	2.316
8) Total operating costs (4+5+6+7)		34.844	27.366	57.982
B) OPERATING PROFIT (A-8)		9.811	8.037	18.231
8) Financial income	23	348	-94	95
9) Share of associate companies' profits	3	141	45	351
C) PRE-TAX PROFIT/(LOSS) (B+9+10)		10.300	7.988	18.677
11) Taxes	24	4.601	3.585	7.466
D) NET PROFIT FOR PERIOD (C-11)		5.699	4.403	11.211
12) Minority interests' share of net profit	11	103		0
E) GROUP NET PROFIT (D-12)		5.596	4.403	11.211
Earning per share (Euro)		0,4691	0,3791	0,9769
Diluted earning per share (Euro)		0,4643	0,3745	0,9658

DATALOGIC S.p.A.
CONSOLIDATED CASH FLOW STATEMENT

	Note	30-06-05 Euro/000	31-12-04 Euro/000
Short-term net financial position at beginning of period		38.399	37.243
Net profit/(loss) for period		4.672	10.400
Depreciation & amortisation		3.631	5.242
Employee severance indemnity provision		694	1.399
Write-down of financial assets		-141	-125
Current cash flow		8.856	16.916
Effect of changes in operating assets and liabilities:			
Trade receivables		3.326	-6.423
Inventories		-3.841	3.256
Other current assets		1.755	5.018
Other medium-/long-term assets		-486	-484
Trade payables		1.135	-2.080
Taxes payable		-2.475	5.659
Other current liabilities		-690	1.271
Other medium-/long-term liabilities		-2.019	-7
Deferred taxes		288	
Provisions for risks and expenses		-926	1.873
Other changes in employees' severance indemnity			290
Employee severance indemnities paid out		-334	-724
Net change in operating assets and liabilities		-4.267	7.649
Operating cash flow/(absorption)		4.589	24.565
Cash flow/(absorption) from investment activities:			
(Increase)/decrease in intangible non-current assets		-536	-5.269
(Increase)/decrease in tangible non-current assets		-2.063	-5.340
(Increase)/decrease in unconsolidated equity investments		-54	24
Laservall S.p.a.			-7.325
Short financial position Laservall S.p.a.			768
Informatics		-11.070	
Short financial position Informatics		-397	
Investment cash flow/(absorption)		-14.120	-17.142
Cash flow/(absorption) from financing activities:			
Medium-/long-term loans taken out net of portions repaid in the period		-1.151	-1.451
Minority interests' net equity		0	0
Effect of exchange-rate changes on consolidation of foreign companies			
Other changes in net equity		13.002	-1.692
Dividend distribution		-2.690	-2.114
(Increase)/decrease in non-current financial assets		-1.515	-1.010
Finance cash flow/(absorption)		7.646	-6.267
Change in net financial position		-1.885	1.156
Short-term net financial position at end of period		36.514	38.399

DATALOGIC SpA
STATEMENT OF CHANGES IN NET EQUITY

Description	Share capital	Consolid. Reserve	Fair value reserve for AFS assets	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Net profit for period	Net equity
31.12.03	78.241	1.878	71	6.375	-	-	617	5.381	9.042	7.180	108.785
Profit allocation				4.821			245			- 7.180	-2.114
Capital increase	64										64
Treasury shares	- 881			1.948				1.948			-881
Datasud merger											-
Fair value adjustment											-
Translation reserve				274							274
Other changes											-
Net profit as at 30.06.04										4.403	4.403
30.06.04	77.424	1.878	71	9.522	-	-	862	7.329	9.042	4.403	110.531
Profit allocation											-
Capital increase	1.669										1.669
Treasury shares	-2.218			-2.344				2.344			-2.218
Datasud merger		-1.878		-2.810	4.432	256					-
Fair value adjustment			12								12
Translation reserve				-575							-575
Other changes				-41					3		-38
Net profit as at 31.12.04										6.808	6.808
31.12.04	76.875	-	83	3.752	4.432	256	862	9.673	9.045	11.211	116.189
Profit allocation				7.984			537			-11.211	-2.690
Capital increase	2.101										2.101
Translation reserve				1.800							1.800
Increase in IFRS reserve									93		93
Sale of treasury shares	10.056			9.313				-9.313			10.056
Fair value adjustment			2								2
Other changes				-7							-7
Net profit as at 30.06.05										5.596	5.596
30.06.2005	89.032		85	22.842	4.432	256	1.399	360	9.138	5.596	133.140
Minority interests										103	103
Minority interests' equity											-172
Net equity	89.032		85	22.842	4.432	256	1.399	360	9.138	5.699	133.071

APPENDIX 1

1H05 TAX RECONCILIATION

€ '000	DL Pty. Ltd.	DL France	DL GmbH	DL AU	DL BV	DL UK	DL AB Holding	DL AB	DL Minec Holding	DL Inc.	EMS	DL Spain	Informatics Inc.	Laservall SpA	Parent company	Consolid.n adjustments	Consolidated total
Pre-tax profit/(loss)	-76	226	1.075	63	-73	135	-139	-271	-6	136	-116	136	1.582	3.105	8.527	-4.004	10.300
Local statutory tax rate	30%	36,33%	37,50%	25%	29%	30%	28%	28%	28%	34%		30% first € 60k, 35%	35%	33% income tax + 4.25% regional business tax	33% income tax + 4.25% regional business tax	37,25%	
Taxes calculated applying local statutory tax rate to pre-tax result	23	-82	-403	-16	21	-41	39	76	2	-46	0	-46	-554	-1.025	-3.170	1.490	0
Italian regional business tax														-228	-607		
Tax effect of non-taxable income/tax-deductible costs			191		4	16									2.642		
Tax effect of non-deductible costs	-1	-8	-59							-10				-83	-1.658	-1.326	
Deferred taxes														23	-80		
IAS/IFRS effect															373		
Substitute tax															-58		
Losses for which deferred taxes are not recognised	0		0		0	0	0	0	-2	0	0	0	0	0	0	0	0
Total taxes	22	-90	-271	-16	25	-24	39	76	0	-56	0	-46	-554	-1.312	-2.558	164	-4.601
Net profit/(loss)	-54	136	804	47	-48	111	-100	-195	-6	80	-116	90	1.028	1.793	5.969	-3.840	5.699
Average effective tax rate	28,68%	39,71%	25,22%	25,00%	34,48%	18,00%	28,00%	28,00%	0,00%	41,50%	0,00%	33,53%	35,00%	42,27%	29,99%	4,10%	44,67%

NOTE: Taxes calculated on consolidation adjustments (concerning (a) elimination of inventory margin and (b) amortisation of Laservall intangible assets) are of a negligible amount when set against total adjustments (i.e. € -4,004 thousand) since the latter consist mainly (€ 3,677 thousand) of reversal of dividends collected by the direct company and DL GmbH, on which these two companies either did not pay taxes (Datalogic GmbH) or paid them on 5% of the dividends in question.

With attribution of the main consolidation adjustments to the companies to which they refer (the parent company and Datalogic GmbH), the following results would be obtained:

	Parent company	DL GmbH
Pre-tax profit	5.539	565
Total taxes	-2.587	-271
Average tax rate	46,71%	47,96%

APPENDIX 2

DATALOGIC GROUP ILLUSTRATION OF IAS/IFRS TRANSITION

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INTRODUCTION

In application of European regulation 1606/2002 of July 19 2002 the consolidated financial statements of the Datalogic Group (hereinafter, simply “the Group”) for the 6month period ending on June 30 2005 are the first consolidated accounts prepared in compliance with the international accounting and financial reporting standards endorsed by the European Commission (hereinafter IAS or IAS/IFRS).

As required by Article 81 of Italian Issuer Regulation no. 111971, as amended by CONSOB resolution 14990 of April 14th 2005, the Group has opted for preparation of its Midyear Interim Report as at June 30 2005 in compliance with the international accounting standards applicable to interim reports (IAS 34). Until December 31 2004 the Datalogic Group prepared its consolidated accounts in compliance with Italian regulations, interpreted and supplemented by the accounting standards devised by the Italian National Council of Chartered & Registered Accountants (hereinafter “Italian GAAP”). As is known, there are difference – sometimes significant – between Italian GAAP and IFRS. In preparing the midyear interim report as at June 30 2005 in accordance with IFRS, the company’s directors have some accounting, measurement and consolidation practices applied to Italian consolidated financial statements so as to adapt them to IFRS requirements. Consequently, as required by the aforementioned Article 81, the Group has determined the effects of transition to IFRS and prepared the statements of reconciliation envisaged by paragraphs 39 and 40 of IFRS 1 (“First-Time Adoption of International Financial Reporting Standards”), accompanied by notes explaining the approach to preparation and the criteria underlying the items shown in the statements of reconciliation.

The statements of reconciliation in question have been prepared solely for the purposes of the transition project for preparation for the first full year-end financial statements according to IFRS endorsed by the European Commission. They lack the comparative data and necessary explanatory notes needed for reliable of thorough IFRS-compliant representation of the Group’s consolidated balance sheet, financial status and operating results.

It is also pointed out that the statements in question have been prepared in compliance with international accounting standards in force to date, including the IFRS recently adopted by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), endorsed by the European Commission. These standards are assumed to be the ones that will be in force as at December 31 2005. Such standards might not, however, match those in force as at December 31 2005 due both to new orientations of the European Commission regarding their interpretation and to the issue of new standards or interpretations by the relevant bodies. Given this, the data presented here could possibly undergo changes for the purposes of their use as comparative data in our first IFRS-compliant full-year consolidated financial statements.

In the following paragraphs we provide:

- A description of the accounting policies that, within the IFRS framework, the Group has adopted to prepare consolidated midyear financial statements as at June 30 2005 and, as such, considered for the purposes of preparation of the statements of reconciliation shown later on.
- Reconciliations of consolidated net equity as per Italian accounting standards (Italian GAAP) with the aforementioned policies as at January 1 2004 (transition date) and December 31 2004, highlighting the effects on individual balance sheet items
- Reconciliations of consolidated net profit as per Italian GAAP with the aforesaid policy for the year ending on December 31 2004, highlighting the effects on individual income statement items
- Reconciliation of the cash flow statement as at December 31 2004 stemming from application of the aforementioned policies
- An analysis of the potential effects on the Group's balance sheet and income statement of application of IFRS and IFRIC interpretations that have not yet been endorsed.

ACCOUNTING STANDARDS AND BASIS OF CONSOLIDATION

As required by IFRS 1, the accounting standards and policies described in this section have been uniformly applied to the opening balance sheet as at January 1 2004 (date of the Group's transition to IFRS) and to the balance sheet as at December 31 2004 and FY2004 income statement, including the standards concerning classification and measurement of financial instruments (IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement"), application of which as at transition date (January 1 2004) as regards accounts for the year starting on January 1 2005, although not mandatory, is allowed.

Historical cost is the standard adopted for all assets and liabilities, except for derivative instruments and some financial assets to which the fair-value approach is applied.

a) Consolidation standards and policies

(i) Subsidiaries (companies controlled)

Companies are defined as being "controlled" when the parent company has the power, directly or indirectly, to influence their operations in such a way as to obtain benefits from performance of the activity concerned. In defining control, the potential voting rights are exercisable or convertible as at reporting date are also taken into account. Control is presumed to exist when the Group owns the majority of voting rights. The accounts of companies controlled – i.e. subsidiaries - are consolidated on a 100% line-by-line basis from start of exercise of control until the date of its cessation. We have not consolidated the

accounts of some subsidiaries due to their lack of significance (specifically, Datalogic Hong Kong, which was founded at the end of 1H05).

Subsidiaries acquired by the Group are recognised using the acquisition cost method. The cost method is based on the fair value of the assets sold, considering any equity instruments issued and liabilities incurred or assumed as at the date of exchange, plus costs any costs directly attributable to the acquisition. Identifiable assets and contingent liabilities acquired as part of the deal are initially identified at their fair value, irrespective of any minority interests.

The excess of acquisition cost over the fair value of the Group's share of net assets is recognised as goodwill. If acquisition cost is instead less than the fair value of the Group's share of the acquiree subsidiary's net assets, the difference is immediately recognised in the income statement.

Reciprocal payable and receivable and cost and revenue transactions between consolidated companies and the effects of all significant transactions between them have been eliminated. More specifically, profits not yet realised with third parties, stemming from intragroup transactions and those included, as at reporting date, in the measurement of inventories.

(ii) Associate companies

Associate companies are those in which the Group has significant influence but does not exercise control over operations. Such influence is represented by the Group's ownership of an interest ranging from 20% to 50% of voting rights. Our consolidated midyear report as at June 30 2005 includes our share of the profits and losses of associate companies, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same.

The Group's share of associate companies' post-acquisition profits or losses is recognised in the income statement and its post-acquisition share of changes in reserves is recognised in reserves. Cumulative post-acquisition changes are included in the investment's carrying value. If the Group's share of an associate company's losses equals or exceeds the value of its investment in the associate company, including any other receivables, the Group does not recognise any further losses unless it has obligations to make payments, or has already made payments, on the associate company's behalf.

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also not recognised unless there is evidence of potential impairment of the asset transferred. Accounting standards adopted by associates have been modified when necessary to assure consistency with the policies adopted by the Group.

(b) Treatment of foreign currency items

(i) Foreign currency transactions

Transactions in foreign currencies are translated into euro according to the exchange rate in force on transaction date. Monetary assets and liabilities are translated at the exchange rate in force on balance sheet date. Exchange differences emerging from translation are recorded in the income statement. Non-monetary assets and liability are translated at the historical exchange rate in force on the date of the transaction concerned. Monetary assets and liabilities carried at fair value are translated into euro at the exchange rate in force on the date when fair value was determined.

(ii) Translation of foreign currency financial statements

The assets and liabilities resident in countries other than those of the Eurozone, including consolidation adjustments, goodwill, and fair-value alignment, are converted at the exchange rates in force on balance sheet date. The same companies' revenues and costs are translated at the period's average exchange rate, which approximates exchange rates in force in individual transaction dates. Exchange differences emerging from the translation process are directly classified in a specific equity reserve called "Translation reserve".

(iii) Net foreign currency investments

Exchange differences arising upon translation of net foreign currency investments – basically equity interests in unconsolidated subsidiaries and in associates – and from any hedging of foreign exchange risk are classified in the translation reserve. Such differences are recognised in the income statement when the investment is divested. Foreign exchange differences originated before January 1 2004 – IFRS transition date – are shown in a specific net equity reserve.

The exchange rates used were as follows:

EXCHANGE RATES AS AT 30/06/2005	End-of-period exchange rate	Average exchange rate
US dollar (USD)	1.2092	1.2848
British pound sterling (GBP)	0.6742	0.6861
Australian dollar (AUD)	1.5885	1.6625
Japanese yen (JPY)	133.9500	136.9863
Swedish krona (SEK)	9.4259	9.1408
Chinese renminbi yuan (CNY)	10.0079	10.6356
Swiss franc (CHF)	1.5499	1.5463
Hong Kong dollar (HKD)	9.3990	10.0125

(c) Derivative financial instruments

The Datalogic Group uses derivative financial risks to hedge its exposure to foreign exchange risks. The Group does not hold speculative derivative financial instruments. Nevertheless, in cases when financial derivatives do not meet all conditions required for hedge accounting, they are accounted for as if they were speculative contracts.

Derivative financial instruments are initially measured at cost. On subsequent reporting dates they are remeasured to fair value. Gains and losses arising from fair-value adjustment are recognised in profit or loss, except when financial derivatives qualified for hedge accounting. In this case the accounting treatment of such foreign exchange gains and losses depends on the nature of the underlying element hedged (see accounting policy (d) below).

(d) Hedging and hedge accounting of foreign exchange risk

(i) Cash flow hedges

When a financial derivative is intended to hedge cash flow changes originated by an asset or liability or by a future, highly probable transaction, the gain or loss generated by the financial derivative's fair-value adjustment is classified directly in an equity reserve. When the underlying element hedged (of a non-financial nature) materialises, this amount is removed from equity and is included in the initial cost or other carrying value of the underlying item. If hedging of a forecast future transaction subsequently results in recognition of a financial asset or liability, the related gains and losses, previously classified directly in net equity, are recognised in the income statement in the same period when the relevant assets and liabilities impact profit and loss (for example: when interest items are recognised in the income statement).

Gains and losses concerning cash flow hedges not forming part of the two categories described above are removed from equity and are recognised in the income statement in the same periods when the forecast transaction hedged causes impact on profit or loss. The portion of gain or loss that is ineffective because it did not qualify for hedge accounting is immediately recognised in the income statement.

When a hedging instrument matures, is sold or is exercised and the forecast transaction originally hedged, even although it has not materialised, is still considered probable, the relevant gains and losses stemming from fair-value adjustment of the financial instrument concerned remain in equity and are then posted in profit or loss when the transaction materialises, as described previously. If the underlying transaction does not occur, the derivative contract's relevant gains and losses, originally recorded in net equity, are immediately recognised in profit or loss.

(ii) Hedging of monetary assets and liabilities

When a financial derivative instrument used to hedge a monetary asset or liability that has already been recognised in accounts, gains and losses relating to the financial derivative are posted in profit or loss and therefore hedge accounting is not applied.

(iii) Hedging of a net investment in a foreign operation

Gains and losses relating to fair-value adjustment of a financial derivative used to hedge a net investment in a foreign operation and that meets effectiveness criteria are classified directly in equity. The part not meeting effectiveness requirements is immediately recognised in profit or loss.

(e) Property, plant, and equipment

(i) Owned assets

Land and buildings, considered separately as per the requirements of IAS 16, have been measured at fair value as at December 31 2003, obtained via appraisals performed by independent outside consultants. Buildings are depreciated net of residual value – defined as the realisable value obtainable via disposal at the end of the building's useful working life.

Land is considered to be an asset with an indefinite life and therefore is not subjected to depreciation.

Plant and equipment are measured at cost and are shown net of depreciation and impairment.

Costs subsequently incurred (maintenance & repair costs and replacement costs) are recognised in the asset's carrying value, or are recognised as a separate asset, only if it is thought likely that it will be possible to enjoy the future economic benefits associated with the asset and the assets' cost can be reliably measured. Maintenance and repair costs or replacement costs that do not have the above characteristics are recognised in the income statement in the year when they are borne.

Tangible assets are depreciated on a straight-line basis each year according to economic/technical rates determined according to assets' residual possibility of utilisation and taking into account the month when they become available for use in the first year of utilisation.

The Group applies the following depreciation rates:

Asset Category	Annual Depreciation Rates
<u>Property:</u>	
Buildings	2%
Land	0%
<u>Plant & equipment:</u>	
Automatic operating machines	20% - 14.29%
Furnaces and appurtenances	14.29%
Generic/specific production plant	20% - 10%
<u>Other assets:</u>	
Plant pertaining to buildings	8.33% - 10% - 6.67%
Lightweight constructions	6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20% - 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14.29%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	According to contract duration

If, regardless of depreciation already entered in accounts, long-lasting impairment of value occurs, the fixed asset in question is written down. If in subsequent years the reasons for such write-down cease to exist, the original value is written back. Assets' residual value and useful life are reviewed on each annual reporting date and, if deemed necessary, appropriate adjustments are made.

Proceeds and losses on asset disposals are determined by comparing the agreed selling price and carrying value. The figure so determined is recognised in profit or loss. Costs of borrowing for the purchase of tangible assets are recognised in the income statement.

(ii) Assets held under finance lease contracts

Tangible assets held under finance lease contracts are those assets for which the Group has taken on all risks associated with ownership. Such assets are measured at the lowest between their fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Finance lease instalments are recognised according to the approach described in IAS 17.

(f) Intangible assets

(i) Goodwill

Acquisitions have been recognised in accounts using the purchase method. For acquisitions completed after January 1 2004, goodwill is the difference between acquisition cost and the fair value of assets and liabilities acquired.

For acquisitions completed prior to that date, goodwill is posted on the basis of cost determined according to accounting standards adopted in the various financial statements at the time of acquisition, i.e. those determined by legal regulations, supplemented and interpreted by the accounting standards adopted by the Italian National Councils of Chartered & Registered Accountants and, when lacking, by the International Accounting Standards Board (IASB).

Goodwill is recognised at cost, less impairment losses. As from January 1 2004 goodwill is allocated to cash generating units and is no longer amortised. Carrying value is reviewed annually to check the absence of impairment (IFRS 3). Goodwill relating to unconsolidated subsidiaries, associate companies or other companies is included in the equity investment's value.

Negative goodwill originated by acquisitions is directly recognised in the income statement.

(ii) Research and development costs

Research expenses are recognised in the income statement at the time when the cost is borne. Project costs for the development of innovative products or processes are recognised as intangible assets when it is believed that the project will be successful, considering the product's commercial and technological opportunities, on condition that costs can be reliably measured and appropriate analyses demonstrate that they will generate future economic benefits. Other development expenses are recognised as costs as soon as they are incurred. Development costs previously recognised as a costs are not recognised as assets in subsequent accounting periods. Development costs with a finite life have been capitalised and amortised from the start of commercial production of the products concerned, on a straight-line basis, for a period equal to the useful life of the products to which they refer (IAS 38) – normally 5 years.

(iv) Other intangible assets

Other intangible assets are measured at cost, less cumulative amortisation and impairment.

The purchase of software licenses is capitalised according to the costs borne to render the software operational. These costs are amortised for the duration of their expected useful life.

(v) Subsequent costs

Subsequent costs borne for intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised. Otherwise they are charged to the income statement when they are borne.

(vi) Amortisation

Amortisation is charged to the income statement on a systematic straight-line basis according to the estimated useful life of the assets capitalised, with the exception of intangible assets featuring an indefinite life. Goodwill and intangible assets with an indefinite life are

systematically tested to check the absence of impairment losses as at December 31 of each year. Other intangible assets are amortised from the time when they become useable.

The useful life for each category is detailed below:

<i>Intangible asset category</i>	<i>Useful life - years</i>
Goodwill	Indefinite
Development costs	5
Other intangible assets:	
• Software licenses	3-5
• Licenses and trademarks	3-8
• SAP licenses	10
• Usage licenses	Contract duration

(g) Investments in associates

Investments in associate companies are classified in non-current assets according to the equity method, as envisaged by IAS 28. The portion of profits or losses stemming from application of this method is indicated in a separate item of the income statement.

(h) Other equity investments and financial assets available for sale

Investments in other companies are classified among available-for-sale financial instruments, as envisaged by IAS 39, even if the Group has not expressed the intention of selling such investments.

If as at reporting date an impairment loss is found on the amount determined using the above method, the investment is written down accordingly.

Listed securities' fair value is based on current market prices. If a financial asset's market is not active (and also in the case of unlisted securities), the Group establishes fair value using transactions occurring as up to balance sheet date, referring to other instruments of substantially the same nature and discounted cash flow analysis adjusted to reflect the issuer's specific circumstances.

(i) Inventories

Inventories are measured at the lowest between cost and net realisable value. Cost is calculated using the weighted average cost method. The cost of finished products includes raw materials, direct labour, other direct production costs and related indirect production costs (based on normal production capacity). Net realisable value is the estimated selling price in the normal course of business, less any selling costs.

(j) Receivables

Receivables, with due dates consistent with normal terms of trade or that earn interest at market rates, are not discounted and are recognised at cost (identified as being their face

value), net of doubtful debt provision, shown as a direct deduction from such receivables in order to bring their value down to presumed realisable value. Receivables whose due date exceeds normal terms of trade are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank and post office balances, and securities with original maturity of less than three months. Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the cash flow statement.

(l) Impairment of assets

The book value of assets – with the exception of inventories (see IAS 2), financial assets governed by IAS 39, deferred tax assets (see IAS 19), and non-current assets held for sale, governed by IFRS 5 – must be reviewed at each balance sheet date to look for any indications of impairment. If this analysis reveals the presence of such indications, it is necessary to calculate the asset's presumed recoverable value following the approach indicated later on in point (i).

The presumed recoverable value of goodwill and of intangible assets not yet used is instead estimated at least annually, or more frequently if specific events indicate the possible presence of impairment.

If the recoverable value (estimated as indicated later on) of the asset or cash generating unit (CGU) to which the asset belongs is lower than net carrying value, the asset is written down to reflect impairment, with the relevant loss posted in the period's income statement.

Write-downs made to CGUs for impairment losses are allocated firstly to goodwill and, for the remainder, to other assets on a proportional basis..

The Group's CGUs are defined as being individual companies in the consolidation area, given their autonomous ability to generate cash flows:

Goodwill recognised in accounts as at June 30 2005 was subjected to impairment testing as at January 1 2004 – the IFRS transition date – and December 31 2004. No impairment losses emerged from such tests.

(i) Calculation of presumed recoverable value

The presumed recoverable value of held-to-maturity securities and financial receivables recorded according to amortised cost is the present value of estimated future cash flows: The discount rate used is the interest rate envisaged when the security was issued or the receivable originated. The present value of short-term receivables is not calculated.

The presumed recoverable value of other assets is the highest between their net disposal price and value in use. Value in use is calculated according to projected future cash flows

associated with the asset, discounted at a pre-tax rate that allows for current market interest rates and for the specific risks inherent in the asset to which presumed recoverable value refers. For assets that do not generate stand-alone cash flows, presumed recoverable value is determined for the CGU to which the asset belongs.

(ii) Reversal of impairment losses

An impairment loss relating to held-to-maturity securities and financial receivables recorded according to amortised cost is reversed when the subsequent increase of presumed recoverable value is objectively due to an event occurring in a period subsequent to the one when the impairment loss was recorded.

Impairment loss of other assets is reversed when there is a change in the estimate used to determine presumed recoverable value. Goodwill impairment losses are never reversed.

Impairment loss is reversed within the limits of the carrying value that would have emerged, net of depreciation and amortisation, if no impairment loss had ever been recognised.

(m) Share capital

In the case of repurchase of own equity instruments ("treasury shares"), the price paid, inclusive of any directly attributable accessory costs, are deducted from the Group's equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as group equity.

(n) Stock options

On February 28 2001 the Extraordinary Shareholder Meeting of Datalogic SpA gave the Board of Directors full powers to develop a stock-option incentive scheme for executive directors and for some employees. At the same time shareholders approved a capital increase (of up to a maximum of 600,000 shares, or some 4.8% of share capital) reserved for implementation of the stock option plan.

On May 17 2001 the Board of Directors implemented the plan in question, which would have made it possible to:

- Increase the capacity to attract and retain key managerial and professional figures
- Aid alignment of the interests of key people and shareholders
- Enable key persons to participate in the creation of value and share it with shareholders.

In addition, the Board of Directors identified the stock option plan's beneficiaries – 78 in total between executive directors and employees of the company and its subsidiaries, with the exception of Escort Memory System (EMS).

The options' vesting period started on January 1st 2004 and will end on December 31st 2007.

On February 27 2002, the Board of Directors decided to recalculate – as an extraordinary measure – the grant price of shares relating to the stock option plan approved on May 17th 2001, setting it at €11.5 per share.

On November 14 2002, the Board of Directors approved assignment to the stock option plan's beneficiaries of 67% of the rights attributed. On December 17th 2003 the Board approved assignment of the remaining 33%. As at December 2003 all rights relating to the 600,000 shares of the increase approved on February 28 2002 had been assigned.

The following table summarises the plan's status as at June 30, 2005:

	Number of shares	Average exercise price (€)	Market price (€)	% of share capital
Rights existing as at 1/01/2005	449,350	11.5	17.91	3.73%
Of which exercisable as at 1/01/2005				
New rights granted in the period	-	-	-	-
(Rights exercised in period)	182,666	11.5	21.84	1.49%
(Rights lapsing in period)	-	-	-	-
Total rights existing as at 30/06/2005	266,684	11.5	21.3	2.18%
Of which exercisable as at 30/06/2005	266,684	11.5	21.3	2.18%

The company has not applied IFRS 2 (Share-based Payment) to the stock option plan described above, availing itself of the exemption envisaged by IFRS (First-Time Adoption of IFRS).

(o) Interest-bearing financial liabilities

Interest-bearing financial liabilities are initially recorded at fair value, net of accessory costs. Subsequent to initial recognition, interest-bearing financial liabilities are measured at amortised cost. The difference between this value and discharge value is posted in the income statement over the duration of the loan based on its amortisation plan. Loans are classified as current liabilities unless the Group has an unconditional right to defer payment for at least 12 months after balance sheet date.

(p) Liabilities for employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension scheme for which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation as regards payment of further contributions if the scheme were to have insufficient funds to pay all employees the benefits relating to their period of service.

Contribution obligations relating to employees for pensions or other types of benefit are posted in the income statement when they are incurred.

(ii) Defined benefit plans

The net obligations concerning defined benefit plans after the period of employment in the Group – consisting mainly of employee severance indemnities for the Group's Italian companies – are calculated separately for each plan, estimating – with use of actuarial techniques – the amount of the future benefit accrued by employees in the period and in previous periods. The benefit so determined is discounted and is shown net of the fair value of any related assets. Calculation is performed by an independent actuary using the project unit credit method.

Actuarial gains and losses as at January 1 2004, the IFRS transition date, have been classified in a specific equity reserve, since the company has not availed itself of the specific exemption envisaged by IFRS 1. Actuarial gains and losses subsequent to that date are recognised in the income statement of the relevant period, therefore not adopting the “corridor” technique envisaged by IAS 19.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before normal pensionable retirement age or when an employee accepts voluntary redundancy in exchange for such benefits. The Group (a) recognises termination benefits when it is demonstrably under obligation to terminate current employees' employment in accordance with a detailed formal plan without any possibility of withdrawal and (b) provides termination benefits following a proposal made to encourage voluntary redundancy. Benefits that fall due after more than 12 months after balance sheet date are discounted to their present value.

(q) Provisions

In cases where the Group has a legal or constructive obligation arising from a past event and will probably have to bear losses of economic benefits to settle the obligation, provision is made. If the time factor of the expected loss of benefits is significant, the amount of future cash outlays is discounted to present value at a pre-tax interest rate that allows for market interest rates and for the specific risk of the liability concerned.

Provisions are not made for possible future operating losses.

Provisions are measured at the fair value of the best estimate made by management of the expense of meeting the current obligation as at balance sheet date.

(i) Product warranty provision

Liabilities for servicing work under warranty are specifically provisioned when products are sold. Provision is calculated on the basis of historical cost data for work under warranty.

(ii) Other provisions

The Group has made provision within overall provisions for a lawsuit against an ex-employee. The amount has been calculated based on estimates made by the Group, together with its legal advisors, to determine the likelihood, timing, amounts involved, and probable outlay of resources. The provision made will be adjusted according to the lawsuit's development. Upon conclusion of the controversy, the amount differing from balance sheet provision will be recognised in the income statement.

(t) Trade and other payables

Trade and other payables are measured at cost, representing their discharge value.

(s) Revenues

(i) Revenues from sales of goods and services

Revenues from sales of goods are recognised in the income statement when the risks and benefits associated with ownership of the goods have been substantially transferred to the purchaser. Revenues for services rendered are recognised in the income statement according to percent completion status as at balance sheet date.

(ii) Government grants

Government grants are recorded as deferred revenues among other liabilities at the time when it is reasonably certain that they will be given and when the Group has complied with all conditions necessary to obtain them. Grants received against costs borne are systematically posted in the income statement in the same periods when such costs were recorded. Grants received against specific balance sheet assets are recognised on a straight-line basis in the income statement as other revenues based on the relevant asset's useful life.

(iii) Dividends

Dividends are recognised in the income statement on the date when the right to receive them matures. In the case of listed companies, this is on coupon detachment date.

(t) Costs

(i) Rental and operating lease costs

Rental and operating lease costs are recorded in the income statement on an accrual accounting basis.

(ii) Finance lease instalments

In the case of finance lease instalments, the capital portion goes to reduce the financial liability, whilst interest is posted in the income statement.

(iii) Financial income and expenses

Finance income and expenses are recognised on an accrual accounting basis according to interest accruing on the net value of relevant financial assets and liabilities using the effective tax rate. Financial income and expenses include: dividends received from unconsolidated subsidiaries and from associate companies, foreign exchange gains and losses, and gains and losses on derivative instruments that have to be put through profit or loss (see IAS 32 and 39).

(u) Income taxes

Income taxes shown in the income statement include current and deferred taxes. Income taxes are generally posted in the income statement, except when they refer to events recognised directly in equity. In such cases income taxes are directly classified in equity.

Current income taxes are the taxes that are expected to be paid, calculated by applying to taxable income the tax rate in force as at balance sheet date and adjustments to previous periods' taxes.

Deferred taxes are calculated using the so-called liability method applied to temporary differences between the amount of assets and liabilities in consolidated accounts and the corresponding amounts recognised for tax purposes. Deferred taxes are calculated according to the expected manner of reversal of temporary differences, using the tax rate in force as at balance sheet date.

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to use such deferred taxes.

(v) Segment information

A segment is defined as a business activity or geographical area in which the Group does business that features conditions and returns different to those of other segments. In the Group's specific case, business segments are the primary segments and are identified as the Data Capture segment and the Business Development segment. Geographical areas (secondary segments) have been defined as being Italy, the Rest of Europe (including non-EU countries), North America, the Pacific Area (including China and Oceania), and the Rest of the World.

(w) Non-current assets held for sale and discontinued operations

Assets held for sale and any assets and liabilities belonging to company divisions or consolidated investments held for sale are measured at the lowest between book value at the time of classification of such items as held for sale and their fair value net of selling costs.

Any impairment losses recognised via application of this policy are recognised in the income statement, both in the case of write-down for alignment with fair value and in that of gains and losses stemming from subsequent changes in fair value.

Business divisions are classified as discontinued operations at the time of their disposal or when they meet the requisites for being classified as held for sale, if such requisites existed previously.

CHANGES IN ACCOUNTING POLICIES, ERRORS, AND CHANGES OF ESTIMATES

For the purposes of preparation of the statement of reconciliation of net equity as at January 1 2004, the accounting standards illustrated in the previous paragraphs have been applied retrospectively except in the case of optional exemptions to retrospective application allowed by IFRS 1 and adopted by the Group as described in the following table.

Optional Exemption	Choice
Business combinations: aggregations of companies, acquisitions of equity interests in companies under common control and in joint ventures	The Group has decided to avail itself of exemption as regards retrospective application of IFRS 3 ("Business Combinations") for aggregations of companies and acquisitions of equity interests in companies under common control and in joint ventures taking place prior to January 1 2004
Opening value of tangible and intangible assets	The Group has decided to apply "deemed cost" for property assets based on specific appraisals performed by independent expert valuers. As regards intangible assets, given the absence of active markets, the Group has been unable to benefit from use of the "deemed cost" method.
Employee benefits	As regards accounting treatment of defined-benefit plans (= employee severance indemnities in Italy) the Group has decided <u>not</u> to avail itself of the corridor [= transitional] approach and therefore, disregarding the exemption granted under IFRS 1, the actuarial gain/loss has been fully recognised as at transition date and duly reflected in net equity
Cumulative translation differences	The Group has decided to opt for exemption from retrospective application of IAS 21. Gains/(losses) arising from translation of foreign investee companies' financial statements have been cleared, set against the "Retained earnings" reserve.
Compound financial instruments	The Group does <u>not</u> have any compound financial instruments
Transition of subsidiary, associated and JV companies	<u>Not</u> applicable to consolidated financial statements
Alignment of comparative information concerning financial assets and liabilities	The Group has decided to apply IAS 32 and IAS 39 <u>early</u> , as from the transition date.
Designation of financial instruments already recognised	The Group has decided to apply IAS 32 and IAS 39 <u>as</u> from the transition date. Exemption has therefore been applied as from that date.
Stock options	The Group has a stock option plan in place, assignment of which took place prior to November 7 2002. The company has thus availed itself of the optional exemption of not putting this through profit and loss.
Insurance contracts	Not applicable to the Group
Changes in liabilities booked for decommissioning, restoration and similar liabilities	The Group did not have any liabilities for decommissioning, restoration and similar liabilities as at transition date

The accounting standards applied to the opening balance sheet as at January 1 2004 have been uniformly applied to the balance sheet and income statement for FY2004, including those concerning recognition, classification and measurement of financial assets and liabilities (IAS 32 and 39).

The effects of IFRS adoption have been recognised in opening equity in the “IFRS reserve”, except for the effects of application of fair value to available-for-sale financial assets, which have been recognised in the “Fair value reserve”.

EVENTS AFTER BALANCE SHEET AS AT DECEMBER 31, 2004

Following the closing date of accounts for the year ending on December 31 2004, no subsequent modifying events have occurred such as to request adjustment of the data recorded and of disclosures provided.

As required by IFRS 1, in preparing the necessary balance sheets and income statements, the estimates and assumptions underlying determination of the value of assets and liabilities recorded in year-end accounts as at December 31 2004 in compliance with Italian GAAP have not been revised.

During transition no material errors have been identified.

IFRS AND IFRIC INTERPRETATIONS NOT YET ENDORSED

During the last few months the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) have published new standards and interpretations. Although, to date, the EU legislator has not yet endorsed such standards and interpretations, the Group has in any case considered their effects, highlighting their potential impact on its balance sheet and income statement as follows:

IFRS/IFRIC Interpretation	Effects for Datalogic Group
IAS 39 - Amendment of fair value option	None
IAS 39 – Amendment of cash flow hedge accounting of forecast intragroup transactions	None
IFRS 6 - Exploration for and evaluation of mineral assets	None: the Group does not perform exploration of mineral assets and does not possess any such assets
IFRIC 2 - Members' shares in co-operative entities and similar instruments	None
IFRIC 3 – Emission rights	None: the Group does not participates in emission rights schemes
IFRIC 4 – Determining whether an arrangement contains a lease	The Group does not envisage any change in the accounting treatment of existing arrangements
IFRIC 5 - Rights to interests arising from decom-missioning, restoration and environmental rehabilitation funds	None: the Group owns no interest in decommissioning, restoration, and environmental rehabilitation funds

INDEPENDENT AUDITING OF RECONCILIATIONS

We have appointed PricewaterhouseCoopers SpA, the Group's independent auditor, to perform a full audit the reconciliations of the Group's consolidated net equity as at January 1 and December 31 2004 and also the consolidated profit result of the Group for the year ending on December 31 2004 and for the midyear period ending on June 30 2004, complete with related explanatory notes. The results of the work done by PricewaterhouseCoopers SpA will be disclosed to the market within the deadline envisaged by relevant regulations.

RECONCILIATIONS BETWEEN ITALIAN GAAP AND IFRS:
FINANCIAL STATEMENTS AND NOTES

DATALOGIC SpA
BALANCE SHEET

31/12/03

	Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
ASSETS					
Non-current assets		37.587	3.362	13.674	54.623
Property, plant, and equipment		24.702	935	8.822	34.459
Land	a	0	2.260	2.275	4.535
Buildings	b	17.828	-3.767	3.470	17.531
Plant & equipment	c	1.662		236	1.898
Other tangible assets	c	4.923	1.565	2.841	9.329
Assets in progress and payments on account	d	289	877		1.166
Investment property		0			0
Intangible assets		9.582	-935	4.744	13.391
Goodwill		4.774			4.774
Development costs	e			3.394	3.394
Other intangible assets	f	4.808	-935	1.350	5.223
Investments in associate companies		326			326
Available-for-sale financial assets (non-current)		2.918	0	108	3.026
Equity investments		62			62
Securities	g	2.856		108	2.964
Trade and other receivables		59			59
Deferred tax assets	h	0	3.362		3.362
Current assets		116.491	-3.362	-5.376	107.753
Inventories		22.292	0	0	22.292
Raw & auxiliary materials plus consumables		10.707			10.707
Work in progress and semiprocessed goods		2.143			2.143
Finished products and goods for resale		9.442			9.442
Job-order work in progress		0			0
Trade and other receivables		51.620	-16.788	0	34.832
Trade receivables		32.703			32.703
Within 12 months		32.100			32.100
After 12 months					
Associate receivables		482			482
Related-party receivables		121			121
Other receivables	i	17.328	-16.191		1.137
Accrued income and prepaid expenses	j	1.589	-597		992
Tax receivables	k	0	11.332		11.332
Available-for-sale financial assets (current)	l	6.803	0	-5.376	1.427
Derivative financial instruments	m	0	597	0	597
Cash & cash equivalents	n	35.776	1.497		37.273
TOTAL ASSETS		154.078	0	8.298	162.376

DATALOGIC SpA
BALANCE SHEET

31/12/03

Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
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NET EQUITY AND LIABILITIES

Share capital		83.622	0	-5.381	78.241
Share capital		24.759			24.759
Share premium reserve		54.424			54.424
Demerger capital reserve		4.439			4.439
Treasury shares	o	0		-5.381	-5.381
Reserves		1.193	943	-187	1.949
Revaluation reserves	p	258		-258	0
Consolidation reserve		1.878			1.878
Translation reserve	q	-943	943		0
Cash-flow hedge reserve		0			0
Fair-value reserve for AFS financial assets	r	0		71	71
...		0			0
Cumulative retained earnings		21.198	-943	8.340	28.595
Previous years' earnings/(losses)	s	8.020	-943	-702	6.375
Legal reserve		617			617
Treasury share reserve		5.381			5.381
...					0
IFRS transition reserve	t	0		9.042	9.042
Profit/(loss) for period		7.180			7.180
Minority interests		0			0
TOTAL NET EQUITY		106.013	0	2.772	108.785
Non-current liabilities		11.336	0	4.824	16.160
Borrowing		5.324			5.324
Taxes payable		0			0
Deferred tax liabilities	u	216		5.409	5.625
Post-employment benefit obligation	v	4.970		-585	4.385
Provisions (non-current)		761			761
Other non-current liabilities		65			65
Current liabilities		36.729	0	702	37.431
Trade and other payables		27.402	0	702	28.104
Trade payables		19.563			19.563
Within 12 months		19.263			19.263
After 12 months					0
Associate payables		1			1
Related-party payables		299			299
Deferred income		616		702	1.318
Other current payables		7.223			7.223
Taxes payable		7.273			7.273
Short-term borrowing		2.054			2.054
Provisions (current)		0			0
TOTAL LIABILITIES		154.078	0	8.298	162.376

Information concerning effects of transition to IAS/IFRS - January 1 2004

The following comments concern adjustments to the balance sheet and profit & loss account following transition to IAS/IFRS.

Property, plant, and equipment

a. Land

Reclassification from Buildings	2,260
Revaluation of land based on expert technical appraisals	<u>2,275</u>
Total	4,535

Land was reclassified from Buildings (€ 2,260 thousand) so as to separate the value of land from that of buildings, since land must no longer be amortised.

During 2004 top management commissioned expert technical appraisals in all Group companies in order to determine the fair value of land and of buildings (for which reference should be made to the next point) as at transition date and use this value as deemed cost (i.e. cost substitute), taking advantage of the exemption envisaged by IFRS 1. The detail of these revaluations – which is required by the aforementioned standard – is as follows:

Company	Net value 31/12/2003 Italian GAAP	Revaluations	Net value 1/01/2004 IAS/IFRS
Datalogic SpA	59	1,845	1,904
Datasud Srl	192	329	521
Datalogic Gmbh	227	-	227
Datalogic France SA	411	103	514
Datalogic UK	1,241	(12)	1,228
Datalogic AB	130	11	141
TOTAL	2,260	2,275	4,535

b. Buildings

The detailed breakdown of the amount shown in the reclassification column is as follows:

Reclassification to Land	(2,260)
Reclassification to Other Tangible Assets (generic plant for buildings)	(1,473)
Reclassification to Other Tangible Assets (lightweight constructions)	(34)
Total	(3,767)

As regards reclassification to Land, we refer readers to the comment made earlier in point a).

Adjustments, totalling € 3,470 thousand, instead consisted of:

- € 3,728 thousand stemming from the company's choice to adopt fair value as deemed cost also for Buildings, as per IFRS 1 provisions. This new value was determined by the technical appraisals mentioned earlier. The detail of adjustments made is as follows:

Company	Net value 31/12/2003 Italian GAAP	Adjustments	Net value 1/01/2004 IAS/IFRS
Datalogic SpA	7,143	1,894	9,037
Datasud Srl	1,767	1,074	2,840
Datalogic Gmbh	1,495	159	1,654
Datalogic France SA	1,122	65	1,187
Datalogic UK	1,215	382	1,597
Datalogic AB	1,219	154	1,373
Datalogic Inc.	101	-	101
TOTAL	14,061	3,728	17,789

- Elimination of revaluation of € 258 thousand performed for legal purposes on the direct parent company's buildings – not recognised for the purposes of IAS 16, which allows the possibility of performing revaluations only on a regular systematic basis.

c. Other tangible assets

The breakdown of reclassification totalling € 1,565 thousand is as detailed below:

Generic plant for buildings	1,473
Lightweight constructions	34
Enhancement of rented/leased assets	58
Total	1,565

Enhancements to rented/leased assets, totalling € 58 thousand and relating to the building leased by the US subsidiary EMS, have been reclassified among tangible fixed assets as per IAS 16 rules.

The adjustment of € 3,077 thousand (of which € 2,841 thousand ascribable to other tangible assets and € 236 thousand to plant and equipment) refers to redefinition of assets' residual useful life by the company's internal technical staff in order to apply a depreciation process reflecting assets' effective economic/technical duration. The detailed breakdown of this figure is as follows:

Company	Net value 31/12/2003 Italian GAAP	Adjustments to adapt depreciation to IAS/IFRS	Net value 1/01/2004 IAS/IFRS
Datalogic SpA	5,433	2,445	7,878
Datasud Srl	1,327	239	1,566
Datalogic AB	187	34	221
Datalogic Inc.	102	15	117
Datalogic Pty. Ltd.	100	17	117
EMS Inc.	98	279	377
Datalogic Iberia	117	9	126
Datalogic Gmbh	114	21	135
Datalogic France	337	1	338
Datalogic UK	201	17	218
TOTAL	8,016	3,077	11,093

d. Assets in progress and payments on account

Reclassification of € 877 thousand related to enhancements of rented/leased assets performed in the leased HQ building in Quinto (Treviso) during FY2003. In accounts prepared as per Italian GAAP these were classified among intangible assets.

Intangible assets

e. Development costs

The item concerns capitalisation of development costs borne by the company for projects aiming to create new products set to generate future economic benefits. These costs have been capitalised because they are identifiable and controllable as required by IAS 38.

The detail of the adjustment is as follows:

Year when cost was borne	Cost	Cumulative amortisation	Net value as at January 1 2004
Project costs in FY2002	1,411	(565)	846
Patent costs in FY2002	66	(26)	39
Projects completed in FY2003	1,225	(245)	980
Projects underway in FY2003	1,529	-	1,529
Total	4,230	(836)	3,394

Capitalisation of development costs has involved only projects with a value in excess of €20 thousand and that represent breakthroughs in terms of creation of a new business segment and/or product line.

Amortisation has been calculated over a 5year time span, since we believe this to be the average life cycle of products obtained from the development activities concerned.

f. Other intangible assets

Adjustments regard reclassification of expenses for enhancement of rented/leased assets (€ - 935 thousand) as discussed earlier in points c) and d).

The detail of adjustments, totalling € 1,350 thousand, is as follows:

Recalculation of amortisation	1,957
Reversal of multiannual costs	(607)
Total	1,350

Recalculation of amortisation involved various categories, among which the predominant ones were software (€ 1,257 thousand) and know-how (€ 572 thousand), both relating to the parent company. These adjustments were based on redefinition of the assets' useful life. Among these costs borne in the software category for implementation of the SAP information system predominated. These were capitalised mainly in 2002 and are projected to have a 10-year utilisation period.

The adjustment due to uncapitalisable multiannual costs, due to absence of IAS 38 requisites, is mainly due to reversal of costs borne for patents (€ 260 thousand) and to reversal of intangible assets relating to EMS Inc.

Available-for-sale (AFS) financial assets

g. Securities

The adjustment of € 108 thousand refers to alignment of market value as at January 1 2004 of securities posted, as established by IAS 39. The securities are mainly Italian government bonds retained as surety for the medium-term loan in place with San Paolo IMI SpA, obtained by the direct parent company to finance applied research.

h. Deferred tax assets

The amount reclassified - € 3,362 thousand – relates to deferred tax assets recorded in individual group companies' accounts or stemming from consolidation adjustments. These taxes were classified among Other Current Receivables in accounts prepared according to Italian GAAP and have now been recognised as a specific non-current asset item as required by IAS 1.

i. Other receivables

Reclassification of € 16,191 thousand consists of the following items:

Tax receivables	11,332
Commercial paper	1,497
Credits for prepaid taxes	3,362
Total	16,191

Tax receivables have been adjusted from this item to be reclassified in the specific Tax Receivables item as per IAS 1. requirements.

Commercial paper with an original maturity of less than 3 months has been classified among Cash & Cash Equivalents as envisaged by IAS 7.

Credits for prepaid taxes have instead been reclassified to Deferred Tax Assets in non-current assets.

j. Accrued income and prepaid expenses

Reclassification of € 597 thousand relates to fair value of forward foreign exchange sale transactions not qualifying for application of hedge accounting. This amount has in fact been

reclassified in Financial Assets – Derivative Instruments, in line with the specific requirements of IAS 1 and IAS 39.

k. Tax receivables

This is the reclassification already highlighted in the earlier point i.

l. AFS assets (current)

The adjustment of € 5,376 thousand is mainly due to elimination of parent-company treasury shares for a total of € 5,381 thousand, now posted as a reduction of share capital, as per IAS 32 requirements.

m. Derivative financial instruments

This is the reclassification concerning valuation at fair value of forward sale transactions highlighted in note j) – accrued income and prepaid expenses.

n. Cash & cash equivalents

This is reclassification of € 1,497 thousand for commercial paper highlighted earlier in point 1.

o. Share capital

The adjustment of € 5,381 thousand refers to reclassification of treasury shares, which, based on IAS 1, must be directly deducted from share capital.

p. Revaluation reserve

The decrease of € 258 thousand regards cancellation of revaluation of buildings undertaken by the direct parent company, as this is not envisaged by IAS 16 (see the earlier comment in note b).

q. Translation reserve

As per the specific exemption envisaged by IFRS 1, the translation reserve calculated under Italian GAAP as at transition date has been cleared, transferred the amount concerned to “Previous year’s earnings”.

r. **Fair value reserve (reserve for valuation of AFS financial assets)**

The adjustment consists of revaluation to fair value of securities posted both in non-current and current assets, net of the tax effect, as discussed earlier. The breakdown is as follows:

Revaluation to fair value of securities in non-current assets	108
Revaluation to fair value of securities in current assets	5
Tax effect	(42)
Total reserve	71

s. **Retained earnings**

The adjustment made consists of:

- Use of € 943 thousand following clearance of the translation reserve, as envisaged by IFRS 1
- A reduction of € 702 thousand relating to government capital grants for plant, obtained in the past by the subsidiary Datasud Srl. These grants have been reversed from net equity reserves as per the requirements of IAS 20 and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

t. **IFRS transition reserve**

As envisaged by IFRS 1, this reserve comprises the arithmetical total of all adjustments, net of related tax effect, made upon first-time application of IAS/IFRS.

Description	Note	Amount (€'000)
Fair value as deemed cost of land	a	2,275
Fair value as deemed cost of buildings	b	3,728
Change in useful life of plant & equipment and other tangible assets	c	3,077
Capitalisation of development costs	e	3,394
Change in useful life of other intangible assets	f	1,957
Adjustment of multiannual costs	f	(607)
Post-employment benefit obligations	v	585
Tax effect		(5,637)
Total		9,042

u. **Deferred tax liabilities**

The adjustment of € 5,409 thousand relates to the tax effect on adjustments made, considering the tax rate applicable based on the type of adjustment and the country to which it refers.

v. **Post-employment benefit obligations**

This item refers to Italian employee severance provision, which was accounted for according to specific Italian legal regulations. With adoption of IFRS, severance indemnity provision is considered to be a defined-benefit obligation to be treated according to IAS 19. Consequently, it has to be recalculated applying the projected unit credit method, which consists of estimating the amount payable to the employee when he/she leaves the company for any reason (the time factor also has to be estimated) and discounting this amount to present value. The estimate is performed by an independent actuary. As at January 1 2004 the application of this standard led to a € 585-thousand decrease in severance indemnity provision.

w. **Capital grants**

As described earlier in note s., the increase of € 702 thousand in deferred income was due to posting of government grants for plant, obtained in the past by the subsidiary Datasud Srl. As per the requirements of IAS 20 these grants have been reversed from net equity reserves – where they had been classified previously as allowed by Italian GAAP - and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

DATALOGIC SpA
BALANCE SHEET

31/12/2004

	Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
ASSETS					
Non-current assets		55.925	0	18.518	74.443
Property, plant, and equipment		27.748	1.294	8.281	37.323
Land	a	0	3.557	2.276	5.833
Buildings	b	18.859	-5.138	3.511	17.232
Plant & equipment	c	2.307		283	2.590
Other tangible assets	c	6.383	2.875	2.211	11.469
Assets in progress and payments on account		199			199
Investment property		0			0
Intangible assets		19.460	-1.294	10.107	28.273
Goodwill	d	14.615		-4.722	9.893
Development costs	e			4.032	4.032
Other intangible assets	f	4.845	-1.294	10.797	14.348
Investments in associate companies		851			851
Available-for-sale financial assets (non-current)		3.961	0	130	4.091
Equity investments		1.112			1.112
Securities	g	2.849		130	2.979
Trade and other receivables		103			103
Deferred tax assets		3.802			3.802
Current assets		125.845	0	-9.668	116.177
Inventories		22.754	0	0	22.754
Raw & auxiliary materials plus consumables		12.147			12.147
Work in progress and semiprocessed goods		3.498			3.498
Finished products and goods for resale		7.109			7.109
Job-order work in progress		0			0
Trade and other receivables		44.785	-239	0	44.546
Trade receivables		42.845			42.845
Within 12 months		40.742			40.742
After 12 months		47			47
Associate receivables		1.930			1.930
Related-party receivables		126			126
Other receivables		900			900
Accrued income and prepaid expenses	h	1.040	-239		801
Tax receivables		7.818			7.818
Available-for-sale financial assets (current)		13.075	0	-9.668	3.407
Derivative financial instruments	i	0	239	0	239
Cash & cash equivalents		37.413			37.413
TOTAL ASSETS		181.770	0	8.850	190.620

DATALOGIC SpA
BALANCE SHEET

31/12/2004

	Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
NET EQUITY AND LIABILITIES					
Share capital		85.355	0	-8.480	76.875
Share capital		25.073			25.073
Share premium reserve		55.843			55.843
Demerger capital reserve		4.439			4.439
Treasury shares	j	0		-8.480	-8.480
Reserves		-986	1.244	-175	83
Revaluation reserves	k	258		-258	0
Consolidation reserve		0			0
Translation reserve	l	-1.244	1.244		0
Cash-flow hedge reserve		0			0
Fair-value reserve for AFS financial assets	m	0		83	83
...		0			
Cumulative retained earnings		32.211	-1.244	8.264	39.231
Previous years' earnings/(losses)	n	4.996	-1.244		3.752
Reserve for gain on Datasud cancellation		4.432			4.432
Untaxed capital grant reserve	n	958		-702	256
Legal reserve		862			862
Treasury share reserve		9.673			9.673
...					0
IFRS transition reserve	o	0		9.045	9.045
Profit/(loss) for period	p	11.290		-79	11.211
Minority interests		0			0
Total net equity		116.580	0	-391	116.189
Non-current liabilities		19.108	0	8.557	27.665
Borrowing		5.500			5.500
Taxes payable		0			0
Deferred tax liabilities	q	1.262		9.373	10.635
Post-employment benefit obligation	r	6.513		-816	5.697
Provisions (non-current)		2.775			2.775
Other non-current liabilities		3.058			3.058
Current liabilities		46.082	0	684	46.766
Trade and other payables		33.525	0	684	34.209
Trade payables		19.999			19.999
Within 12 months		19.593			19.593
After 12 months					0
Associate payables		7			7
Related-party payables		399			399
Deferred income		1.340		684	2.024
Other current payables		12.186			12.186
Taxes payable		9.897			9.897
Short-term borrowing		2.660			2.660
Provisions (current)		0			0

DATALOGIC SpA

PROFIT & LOSS ACCOUNT

	Notes	Italian GAAP-compliant accounts	Adjustments	IAS-compliant accounts 31/12/04 Euro/000
1) Total revenues		146.267	0	146.267
Revenues from sale of products		139.589		139.589
Revenues from services		6.678		6.678
2) Cost of goods sold	A	72.921	-162	72.759
GROSS PROFIT (1-2)		73.346	162	73.508
3) Other operating revenues		2.705		2.705
4) R&D expenses	B	12.090	-695	11.395
5) Distribution expenses	C	23.471	-39	23.432
6) General & administrative expenses	D	21.143	-304	20.839
7) Other operating expenses		2.316		2.316
Total operating costs (4+5+6+7)		59.020	-1.038	57.982
OPERATING PROFIT		17.031	1.200	18.231
8) Financial income/(expenses)	E	1433	-1338	95
9) Share of associate companies' profits		351		351
PRE-TAX PROFIT/(LOSS)		18.815	-138	18.677
Taxes	F	7525	-59	7.466
NET PROFIT/(LOSS) FOR PERIOD		11.290	-79	11.211
Minority interests' share of net profit		0	0	
GROUP NET PROFIT		11.290	-79	11.211

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Italian GAAP-compliant accounts 31/12/04 (€'000)	Adjustments	IFRS-compliant accounts 31/12/04 (€'000)
Short-term net financial position at beginning of period	42.022	4.779	37.243
Net profit/(loss) for period	10.589	-622	11.211
Current cash flow	16.883	-1.353	18.236
Changes in operating assets and liabilities	4.500	-6.945	11.445
Changes in cash flow from operations	21.383	-8.298	29.681
Changes in cash flow from investment activities	-12.377	12.343	-24.720
Changes in cash flow/(absorption) from financing activities	-3.200	605	-3.805
Change in net financial position	5.806	4.650	1.156
Short-term net financial position at end of period	47.828	9.429	38.399

Information concerning effects of transition to IAS/IFRS - December 31 2004

The following comments concern adjustments to the balance sheet and profit & loss account following transition to IAS/IFRS.

BALANCE SHEET

Property, plant, and equipment

a. Land

Reclassification from Buildings	2,260
Increase due to purchase of land	1,297
Revaluation of land based on expert technical appraisals	2,275
Total	4,535

Land was reclassified from Buildings (€ 2,260 thousand) so as to separate the value of land from that of buildings, since land must no longer be amortised.

In addition, there was an increase in the value of Land following purchase by the parent company of a plot of land worth € 1,297 thousand during FY2004.

During 2004 top management commissioned expert technical appraisals in all Group companies in order to determine the fair value of land and of buildings (for which reference should be made to the next point) as at transition date and use this value as deemed cost (i.e. cost substitute), taking advantage of the exemption envisaged by IFRS 1. The detail of these revaluations is provided in the comments on reconciliation as at January 1 2004, to which reference should be made.

b. Buildings

The detailed breakdown of the amount shown in the reclassification column is as follows:

Reclassification to Land	(3,557)
Reclassification to Other Tangible Assets (generic plant for buildings)	(1,549)
Reclassification to Other Tangible Assets (lightweight constructions)	(32)
Total	(5,138)

As regards reclassification of the Land item, reference should be made to the comment provided in point a. above.

Adjustments totalling €3,511 thousand instead consisted of:

Revaluation of buildings	3,728
Elimination of revaluation reserves	(258)
Depreciation of buildings	41
Total	3,511

Revaluation of buildings and elimination of the revaluation reserve have already been discussed in the IAS/IFRS reconciliation as at January 1 2004, to which reference should be made.

As regards depreciation of € 41 thousand in FY2004, we point out that residual useful life was defined as being 50 years by the technical appraisals mentioned in the IAS/IFRS reconciliation as at January 1 2004. Buildings' value is depreciated net of the asset's presumed realisable value at the end of its useful life, discounted to present value as at calculation date.

C. Other tangible assets

The breakdown of reclassification totalling €2,875 thousand is as detailed below:

Generic plant for buildings	1,549
Lightweight constructions	32
Enhancement of rented/leased assets	1,294
Total	2,875

Enhancements to rented/leased assets, totalling € 1,294 thousand and relating to the parent company and to the US subsidiary EMS, have been reclassified among tangible fixed assets as per IAS 16 rules.

The detailed origin of the total adjustment of € 2,211 thousand was as follows:

2003 asset revaluation	3,077
Reclassification in plant & equipment category	(236)
Foreign exchange difference	(18)
Depreciation for the year	(612)
Total	2,211

The 2003 asset revaluation has already been highlighted earlier in the reconciliation as at January 1, 2004. It suffered an adverse foreign exchange difference due to alignment of foreign affiliates' assets as at December 31 2004. There is also depreciation totalling €612 thousand for FY2004 stemming from newly defined useful life. Depreciation rates have been applied to assets' historical cost, as established by IAS 16.

There is also a reclassification in the plant & equipment category of €236 thousand, already present in initial transition as at January 1 2004, increased by €47 thousand by virtue of positive depreciation caused by redefinition of the useful life of the assets concerned.

d. Goodwill

The breakdown of the negative adjustment of €4,722 thousand is as follows:

Reinstatement of IdWare amortisation	1,044
Reinstatement of Minec amortisation	164
Laservall goodwill	(5,930)
Total	(4,722)

The acquisitions of IdWare and Datalogic AB (ex-Minec), which took place before the transition date, have been treated applying the exemption to IFRS 3 envisaged by IFRS 1. We have there retained the goodwill value present in accounts under Italian GAAP as at December 31 2003. Following application of IFRS 3, this goodwill value has not been amortised since January 1 2004 and therefore amortisation posted under Italian GAAP has been reversed. The goodwill value concerned was subjected to impairment testing as at transition date and as at December 31 2004. This did not reveal any need for write-downs, since recoverable value based on future cash flows associated with such goodwill was higher than carrying value as at transition date.

As regards the Laservall company, we recall the fact that it was acquired in the second half of 2004. This acquisition, contrary to what was done in accounts prepared under Italian GAAP, has been treated in compliance with IFRS 3. The details of this treatment are as follows:

Reversal of Laservall goodwill (Italian GAAP accounts)	(11,636)	1)
Reinstatement of amortisation (Italian GAAP accounts)	587	2)
New goodwill	5,119	3)
Total	(5,930)	

1. This is the adjustment made as per IFRS 3 to eliminate the consolidation difference emerging in recognition of the Laservall acquisition in Italian GAAP accounts as the difference between the price paid and book net equity as at acquisition date.
2. This is the adjustment to reinstate amortisation applied in the last six months of 2004 to the aforementioned consolidation difference.

3. This is the difference between the acquisition cost and the Group's share of the fair value of the net assets acquired, calculated as established IFRS 3 and illustrated below:

	Amounts as per company accounts	Split	Due diligence adjustment	Fair value adjustments	Carrying value
Tangible and intangible assets	1.573	-721			852
Know-how				5.986	5.968
Far East Window (market development)				4.417	4.417
Investments	432		-188		244
Inventory	3.305		-134		3.171
Trade and other receivables	4.583		-93		4.490
Cash and cash equivalents	1.601		-600		1.001
Interest-bearing financial liabilities	-2.573	721			-1.852
Trade and other payables	-4.034		-1.064	184	-4.914
Provisions			-283		-283
Post-employment benefit obligations	-309				-309
Deferred tax liabilities				-3.868	-3.868
Net assets at fair value					8.917
Price paid:					
- Fixed amount					7.900
- Variable amount - 1st earn-out					3.011
- Variable amount - 2nd earn-out					3.000
Accessory costs					125
Acquisition cost					14.036
Goodwill as at acquisition date					5.119

e. Development costs

The item concerns capitalisation of development costs borne by the company for projects aiming to create new products set to generate future economic benefits. These costs have been capitalised because they are identifiable and controllable as required by IAS 38.

The detail of the adjustment is as follows:

Capitalisation as at 1/01/04	3,394
Capitalisation in 2004	1,304
Amortisation in 2004	(666)
Total	4,032

Capitalisation of R&D costs has involved only projects with a value in excess of € 20 thousand and that represent breakthroughs in terms of creation of a new business segment and/or product line.

Amortisation has been calculated over a 5year time span, since we believe this to be the average life cycle of products obtained from the development activities concerned.

f. Other intangible assets

Adjustments regard reclassification of € 1,294 thousand for enhancement of rented/leased assets as discussed earlier in point c).

The detail of changes totalling € 10,797 thousand is as follows:

Amortisation of other intangible assets	1,647
Reversal of multiannual costs	(588)
Laservall intangible assets	10,385
Amortisation	(647)
Total	10,797

The figure of € 1,647 thousand originates from recalculation of amortisation - as discussed in initial IAS/IFRS reconciliation as at January 1 2004 – totalling € 1,957 thousand. The latter decreased by € 310 thousand due to the difference between amortisation as per Italian GAAP and the higher amortisation calculated in compliance with IAS.

The decrease relating to multiannual costs not capitalisable under IAS 38 is mainly due to €260 thousand of costs borne for patents and to € 240 thousand for reversal of intangible assets pertaining to EMS Inc.

New intangible assets amounting to € 10,385 thousand are ascribable to the Laservall company, acquired in the second half of 2004. Such assets stem from reallocation of goodwill based on application of IFRS 3.

They are the intangible assets identified upon recognition of the acquisition of Laservall SpA (as described earlier), i.e. specifically:

- Laser-marking technological know-how (€ 5,968 thousand)
- The so-called Far East Window (€ 4,4,17 thousand – with € 221 thousand for the period's amortisation) relating to the well-established global sales network and customer base directly present in Far Eastern areas.

The useful life of these intangible assets has been defined as 7 years for know-how and 10 years for the Far East Window. The impact of amortisation refers only to the second half of the year, the period as of which the Laservall acquisition was recognised in accounts.

Available-for-sale (AFS) financial assets

g. Securities

The adjustment of € 130 thousand refers to alignment of market value as at December 31 2004 of securities posted, as established by IAS 39. The securities are mainly Italian government bonds retained as surety for the medium-term loan in place with San Paolo IMI SpA, obtained by the direct parent company to finance applied research.

h. Accrued income and prepaid expenses

Reclassification of € 239 thousand refers to the fair value of forward forex sale transactions not qualifying for application of hedge accounting. This figure has in fact been reclassified in the item "Derivative financial instruments" as specifically required by IAS 1 and IAS 39.

i. Derivative financial instruments

This is the reclassification concerning valuation at fair value of forward sale transactions highlighted in note h) – accrued income and prepaid expenses.

j. Share capital

The adjustment of € 8,480 thousand refers to reclassification of treasury shares present as at December 31 2004, which, based on IAS 32, must be directly deducted from share capital. In application of IAS 32 and SIC 16 we have also adjusted financial proceeds from sale of treasury shares during 2004.

The adjustment is as follows:

Treasury shares as at January 1 2004	(9,673)
Cash-in from sale net of tax effect	1,193
Total	(8,480)

k. Revaluation reserve

The decrease of € 258 thousand regards cancellation of revaluation of buildings undertaken by the direct parent company, as this is not envisaged by IAS 16 (see the earlier comment in note b).

l. Translation reserve

Based on the specific exemption envisaged by IFRS 1, the translation reserve created on the basis of Italian GAAP as up to transition date has been cleared, transferring the relevant amount to Previous years' earnings.

m. Fair value reserve (reserve for valuation of AFS financial assets)

The adjustment consists of revaluation to fair value of securities posted both in non-current and current assets, net of the tax effect, as discussed earlier. The breakdown is as follows:

Revaluation to fair value of securities in non-current assets	130
Revaluation to fair value of securities in current assets	3
Tax effect	(50)
Total reserve	83

n. Retained earnings

The adjustment made consists of:

- Use of € 1,244 thousand following clearance of the translation reserve, as envisaged by IFRS 1
- A reduction of € 702 thousand relating to government capital grants for assets, obtained in the past by the subsidiary Datasud Srl, merged by incorporation in the direct parent company effective January 1 2004. These grants have been reversed from net equity reserves as per the requirements of IAS 20 and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

o. IFRS transition reserve

As envisaged by IFRS 1, this reserve comprises the arithmetical total of all adjustments, net of related tax effect, made upon first-time application of IAS/IFRS.

p. Profit/(loss) for year

Reference should be made to subsequent comments concerning adjustments to the income statement.

q. Deferred tax liabilities

The adjustment – totalling € 9,373 thousand – relates to:

- The tax effect on all adjustments made, considering the tax rate applicable according to the type of adjustment and the country to which it refers.
- Deferred tax provision of € 3,868 thousand relating to the Laservall subsidiary's intangible assets (know-how and Far East Window), which will be released in future years in parallel with the amortisation process.

r. Post-employment benefit obligations

This item refers to Italian employee severance provision, which was accounted for according to specific Italian legal regulations. With adoption of IFRS, severance indemnity provision is considered to be a defined-benefit obligation to be treated according to IAS 19. Consequently, it has to be recalculated applying the projected unit credit method, which consists of estimating the amount payable to the employee when he/she leaves the company for any reason (the time factor also has to be estimated) and discounting this amount to present value. The estimate is performed by an independent actuary. As at December 31 2004 the application of this standard led to an € 816-thousand decrease in severance indemnity provision. There was a positive impact of € 231 thousand on the income statement.

s. Capital grants

As described earlier in note n., the increase of € 702 thousand in deferred income is due to posting of government grants for plant, obtained in the past by the subsidiary Datasud Srl. As per the requirements of IAS 20 these grants have been reversed from net equity reserves – where they had been classified previously as allowed by Italian GAAP - and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

INCOME STATEMENT

A. Cost of goods sold

Of the € 162-thousand decrease in the cost of goods sold, € 116 thousand is due to allocation of part of the new valuation of accrued post-employment benefit provision based on application of IAS 19. The remainder consists of the economic benefit stemming from different application of depreciation based on the new useful life of asset categories involved in the production process.

B. Development costs

The decrease of € 695 thousand in this item mainly relates to (a) capitalisation of development expenses qualifying for IAS 38, net of amortisation for the year, and (b) an adverse effect due to higher amortisation costs for intangible assets (know-how) following redefinition of useful life.

C. Distribution expenses

The € 39-thousand decrease in this item is due to allocation of part of the new valuation of post-employment benefit provision based on application of IAS 19.

D. General and administrative expenses

The decrease in these costs mainly consists of reversal of goodwill amortisation for IdWare (€ 1,044 thousand) and Datalogic AB (formerly Minec - € 164 thousand) net of higher depreciation for other tangible assets (totalling € 611 thousand) and of higher amortisation for other intangible assets (€ 328 thousand).

E. Financial income

The adjustment is ascribable to adjustment of financial income stemming from sale of treasury shares during 2004, by virtue of application of IAS 32.

F. Income tax

This is the tax effect on the various economic adjustments made, considering the tax rate applicable according to the type of adjustment and to the country to which it refers.

Taxes also include a positive effect relating to downward adjustment of taxable financial earnings on the sale, during the year, of treasury shares.

CASH FLOW STATEMENT

The decrease of € 9,429 thousand consists of (a) a decrease of € 9,673 thousand relating to adjustment of treasury shares held as at December 31 2004 – which, based on IAS 1, must be directly deducted from share capital – and (b) an increase of € 239 thousand from the reclassification from Accrued income and prepaid expenses for fair-value valuation of forward forex sale transactions and of € 5 thousand for fair-value alignment of securities.

DATALOGIC GROUP

IAS/IFRS TRANSITION

MIDYEAR INTERIM FINANCIAL STATEMENTS AS AT JUNE 30 2004

RECONCILIATIONS BETWEEN ITALIAN GAAP AND IFRS:
FINANCIAL STATEMENTS AND NOTES

DATALOGIC SpA
BALANCE SHEET

30-giu-04

	Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
ASSETS					
Non-current assets		48.391	0	8.367	56.758
Property, plant, and equipment		24.816	918	9.232	34.966
Land	a	0	2.322	2.275	4.597
Buildings	b	17.595	-3.860	3.654	17.389
Plant & equipment	c	1.687		361	2.048
Other tangible assets	c	5.046	2.456	2.942	10.444
Assets in progress and payments on account	d	488			488
Investment property		0			0
Intangible assets		8.495	-918	5.883	13.460
Goodwill		4.270		604	4.874
Development costs	e	0		3.788	3.788
Other intangible assets	f	4.225	-918	1.491	4.798
Investments in associate companies		377			377
Available-for-sale financial assets (non-current)		11.289	0	-7.216	4.073
Equity investments		1.104			1.104
Own shares	J	7.329		-7.329	0
Securities	g	2.856		113	2.969
Trade and other receivables		36			36
Deferred tax assets		3.378		468	3.846
Current assets		109.387	0	0	109.387
Inventories		24.201	0	0	24.201
Raw & auxiliary materials plus consumables		12.122			12.122
Work in progress and semiprocessed goods		2.733			2.733
Finished products and goods for resale		9.346			9.346
Job-order work in progress		0			0
Trade and other receivables		38.405	-49	0	38.356
Trade receivables		36.029			36.029
Within 12 months		35.659			35.659
After 12 months		74			74
Associate receivables		296			296
Related-party receivables		0			0
Other receivables		1.095			1.095
Accrued income and prepaid expenses	h	1.281	-49		1.232
Tax receivables		5.276			5.276
Available-for-sale financial assets (current)		0	0		0
Derivative financial instruments	i	0	49	0	49
Cash & cash equivalents		41.505			41.505
TOTAL ASSETS		157.778	0	8.367	166.145

DATALOGIC SpA
BALANCE SHEET

30-giu-04

Notes	Italian GAAP-compliant accounts	Reclassifications	Adjustments	IAS-compliant accounts
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NET EQUITY AND LIABILITIES

Share capital		83.686	0	-6.262	77.424
Share capital		24.771			24.771
Share premium reserve		54.476			54.476
Demerger capital reserve		4.439			4.439
Own shares	j	0		-6.262	-6.262
Reserves		1.442	694	-187	1.949
Revaluation reserves	k	258		-258	0
Consolidation reserve		1.878			1.878
Translation reserve	l	-694	694		0
Cash-flow hedge reserve		0			0
Fair-value reserve for AFS financial assets	m	0		71	71
Cumulative retained earnings		26.583	-694	5.269	31.158
Previous years' earnings/(losses)	n	10.893	-694	-677	9.522
Legal reserve		862			862
Own share reserve		7.329			7.329
IFRS transition reserve	o	0		9.042	9.042
Profit/(loss) for period	p	7.499	0	-3.096	4.403
TOTAL NET EQUITY		111.711		-1.180	110.531
Non-current liabilities		12.967		5.270	18.237
Borrowing		4.759			4.759
Taxes payable		0			0
Deferred tax liabilities	q	212		5.970	6.182
Post-employment benefit obligation	r	5.642		-700	4.942
Provisions (non-current)		2.354			2.354
Other non-current liabilities		0			0
Current liabilities		33.100		4.277	37.377
Trade and other payables		28.290		702	28.992
Trade payables		19.509			19.509
Within 12 months		19.509			19.509
After 12 months		0			0
Associate payables		0			0
Related-party payables		0			0
Deferred income		956		702	1.658
Other current payables		7.825			7.825
Taxes payable		2.857		3.575	6.432
Short-term borrowing		1.953			1.953
Provisions (current)		0			0
TOTAL LIABILITIES		157.778	0	8.367	166.145

DATALOGIC SpA

PROFIT & LOSS ACCOUNT

	Notes	Italian GAAP-compliant accounts	Adjustments	IAS-compliant accounts 30/06/04 Euro/000
1) Total revenues		67.416	0	67.416
Revenues from sale of products		64.733		64.733
Revenues from services		2.683		2.683
2) Cost of goods sold	A	33.554	-269	33.285
GROSS PROFIT (1-2)		33.862	269	34.131
3) Other operating revenues		1.272		1.272
4) R&D expenses	B	5.863	-466	5.397
5) Distribution expenses	C	11.873	-54	11.819
6) General & administrative expenses	D	10.308	-955	9.353
7) Other operating expenses		797		797
Total operating costs (4+5+6+7)		28.841	-1.475	27.366
OPERATING PROFIT		6.293	1.744	8.037
8) Financial income/(expenses)	E	1161	-1255	-94
9) Share of associate companies' profits		45		45
PRE-TAX PROFIT/(LOSS)		7.499	489	7.988
Taxes	F	3119	466	3.585
NET PROFIT/(LOSS) FOR PERIOD		4.380	23	4.403
Minority interests' share of net profit		0	0	0
GROUP NET PROFIT		4.380	23	4.403

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Italian GAAP- compliant accounts 30/06/04 (€'000)	Adjustments	IFRS-compliant accounts 30/06/04 (€'000)
Short-term net financial position at beginning of period	42.022	4.779	37.243
Net profit/(loss) for period	7.499	3.096	4.403
Current cash flow	11.463	4.169	7.294
Changes in operating assets and liabilities	-734	-3.120	2.386
Changes in cash flow from operations	10.729	1.049	9.680
Changes in cash flow from investment activities	-9.785	-6.733	-3.052
Changes in cash flow/(absorption) from financing activities	-3.414	856	-4.270
Change in net financial position	-2.470	-4.828	2.358
Short-term net financial position at end of period	39.552	-49	39.601

Information concerning effects of transition to IAS/IFRS - June 30 2004

The following comments concern adjustments to the balance sheet and profit & loss account following transition to IAS/IFRS.

BALANCE SHEET

a. Land

Reclassification from Buildings	2,322
Revaluation of land based on expert technical appraisals	<u>2,275</u>
Total	4,597

Land was reclassified from Buildings (€ 2,322 thousand) so as to separate the value of land from that of buildings, since land must no longer be amortised.

During 2004 top management commissioned expert technical appraisals in all Group companies in order to determine the fair value of land and of buildings (for which reference should be made to the next point) as at transition date and use this value as deemed cost (i.e. cost substitute), taking advantage of the exemption envisaged by IFRS 1. The detail of these revaluations has already been provided in the comments on reconciliation as at January 1 2004, to which reference should be made.

b. Buildings

The detailed breakdown of the amount shown in the reclassification column is as follows:

Reclassification to Land	(2,322)
Reclassification to "Other tangible assets" of generic plant for buildings and lightweight constructions	<u>(1,538)</u>
Total	(3,860)

As regards reclassification to Land, we refer readers to the comment made earlier in point a).

The reclassification of € 1,538 thousand consists of:

Generic plant for buildings	1,506
Lightweight constructions	<u>32</u>
Total	1,538

Total adjustments of € 3,654 thousand instead consisted of:

Revaluation of buildings	3,728
Foreign exchange difference	18
Elimination of revaluation reserve	(258)
Depreciation of buildings	<u>166</u>
Total	3,654

Revaluation of buildings and elimination of the revaluation reserve have already been discussed in IAS/IFRS reconciliation as at January 1 2004, to which reference should be made.

As regards depreciation of € 166 thousand in the first half of 2004 (1H04), we point out that residual useful life was defined as being 50 years by the technical appraisals mentioned in the IAS/IFRS reconciliation as at January 1 2004. Buildings' value is depreciated net of the asset's presumed realisable value at the end of its useful life, discounted to present value as at calculation date.

c. Other tangible assets

The breakdown of reclassification totalling € 2,456 thousand is as detailed below:

Generic plant for buildings	1,506
Lightweight constructions	32
Enhancement of rented/leased assets	<u>918</u>
Total	2,456

Enhancements to rented/leased assets, totalling € 918 thousand and relating to the parent company and to the US subsidiary EMS, have been reclassified among tangible fixed assets as per IAS 16 rules.

The detailed origin of the total adjustment of € 2,942 thousand was as follows:

2003 asset revaluation	3,077
Reclassification in plant & equipment category	(236)
Foreign exchange difference	(15)
Depreciation for the period	<u>(86)</u>
Total	2,211

The 2003 asset revaluation has already been highlighted earlier in the reconciliation as at January 1, 2004. It suffered an adverse foreign exchange difference due to alignment of foreign affiliates' assets as at December 31 2004. There is also depreciation for FY2004 stemming from newly defined useful life. Depreciation rates have been applied to assets' historical cost, as established by IAS 16.

There is also a reclassification in the plant & equipment category of € 236 thousand, already present in initial transition as at January 1 2004, increased by € 125 thousand by virtue of positive depreciation caused by redefinition of the useful life of the assets concerned.

d. Goodwill

The breakdown of the positive adjustment of € 604 thousand is as follows:

Reinstatement of IdWare goodwill	522
Reinstatement of Minec goodwill	<u>82</u>
Total	604

The acquisitions of IdWare and Datalogic AB (ex-Minec), which took place before the transition date, have been treated applying the exemption to IFRS 3 envisaged by IFRS 1. We have there retained the goodwill value present in accounts under Italian GAAP as at December 31 2003. Following application of IFRS 3, this goodwill value has not been amortised since January 1 2004 and therefore amortisation posted under Italian GAAP has been reversed. The goodwill value concerned was subjected to impairment testing as at transition date and as at December 31 2004. This did not reveal any need for write-downs, since recoverable value based on future cash flows associated with such goodwill was higher than carrying value as at transition date.

e. Development costs

The item concerns capitalisation of development costs borne by the company for projects aiming to create new products set to generate future economic benefits. These costs have been capitalised because they are identifiable and controllable as required by IAS 38.

The detail of the adjustment is as follows:

Capitalisation as at 1/01/04	3,394
Capitalisation 1H04	677
Amortisation in 1H04	<u>(283)</u>
Total	3,788

Capitalisation of R&D costs has involved only projects with a value in excess of € 20 thousand and that represent breakthroughs in terms of creation of a new business segment and/or product line.

Amortisation has been calculated over a 5year time span, since we believe this to be the average life cycle of products obtained from the development activities concerned.

f. Other tangible assets

The adjustment of € 918 thousand for enhancement of rented/leased assets has already been discussed earlier in point c).

The detail of changes totalling € 1,497 thousand is as follows:

Amortisation of other intangible assets	2,106
Reversal of multiannual costs	<u>(588)</u>
Total	1,491

The figure of € 2,106 thousand originates from recalculation of amortisation - as discussed in initial IAS/IFRS reconciliation as at January 1 2004 – totalling € 1,957 thousand. The latter increased by € 149 thousand due to the difference between amortisation as per Italian GAAP and that calculated in compliance with IAS.

The decrease relating to multiannual costs not capitalisable under IAS 38 is mainly due to reversal of €260 thousand of costs borne for patents.

Available-for-sale (AFS) financial assets

g. Securities

The adjustment of € 113 thousand refers to alignment of market value as at June 30 2004 of securities posted, as established by IAS 39. The securities are mainly Italian government bonds retained as surety for the medium-term loan in place with San Paolo IMI SpA, obtained by the direct parent company to finance applied research.

h. Accrued income and prepaid expenses

Reclassification of € 49 thousand refers to the fair value of forward forex sale transactions not qualifying for application of hedge accounting. This figure has in fact been reclassified in the item “Derivative financial instruments” as specifically required by IAS 1 and IAS 39.

i. Derivative financial instruments

This is the reclassification concerning valuation at fair value of forward forex sale transactions highlighted in note h) – accrued income and prepaid expenses.

j. Share capital

The adjustment of € 6,262 thousand refers to reclassification of treasury shares present as at June 30 2004, which, based on IAS 32, must be directly deducted from share capital. In application of IAS 32 and SIC 16 we have also adjusted financial proceeds from sale of treasury shares during 1H04.

The adjustment is as follows:

Treasury shares as at June 30 2004	(7,329)
Cash-in from sale	<u>1,067</u>
Total	(6,262)

k. Revaluation reserve

The decrease of € 258 thousand regards cancellation of evaluation of buildings undertaken by the direct parent company, as this is not envisaged by IAS 16 (see the earlier comment in note b).

l. Translation reserve

Based on the specific exemption envisaged by IFRS 1, the translation reserve created on the basis of Italian GAAP as up to transition date has been cleared, transferring the relevant amount to Previous years' earnings.

m. Fair value reserve (reserve for valuation of AFS financial assets)

The adjustment consists of revaluation to fair value of securities posted both in non-current and current assets, net of the tax effect, as discussed earlier. The breakdown is as follows:

Revaluation to fair value of securities in non-current assets	113
Tax effect	(42)
Total reserve	71

n. Retained earnings

The adjustment made consists of:

- Use of € 694 thousand following clearance of the translation reserve, as envisaged by IFRS 1
- A reduction of € 677 thousand relating to government capital grants for assets, obtained in the past by the subsidiary Datasud Srl, merged by incorporation in the direct parent company effective January 1 2004. These grants have been reversed from net equity reserves as per the requirements of IAS 20 and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.
- An increase of € 25 thousand for the foreign exchange difference on adjustments made as at 31/12/03.

o. IFRS transition reserve

As envisaged by IFRS 1, this reserve comprises the arithmetical total of all adjustments, net of related tax effect.

p. Profit/(loss) for period

Reference should be made to our subsequent comments on adjustments to the income statement.

q. Deferred tax liabilities

The adjustment – totalling € 5,409 thousand – relates to the tax effect on all adjustments made, considering the tax rate applicable according to the type of adjustment and the country to which it refers.

r. Post-employment benefit obligations

This item refers to Italian employee severance provision, which was accounted for according to specific Italian legal regulations. With adoption of IFRS, severance indemnity provision is considered to be a defined-benefit obligation to be treated according to IAS 19. Consequently, it has to be recalculated applying the projected unit credit method, which consists of estimating the amount payable to the employee when he/she leaves the company for any reason (the time factor also has to be estimated) and discounting this amount to present value. The estimate is performed by an independent actuary. As at June 30 2004 the application of this standard led to an € 700-thousand decrease in severance indemnity provision. There was a positive impact of € 115 thousand on the income statement.

INCOME STATEMENT

A. Cost of goods sold

Of the € 269-thousand decrease in the cost of goods sold, € 45 thousand is due to allocation of part of the new valuation of accrued post-employment benefit provision based on application of IAS 19. The remainder consists of the economic benefit stemming from different application of depreciation based on the new useful life of asset categories involved in the production process.

B. Development costs

The detailed breakdown of the decrease of € 466 thousand in this item is as follows:

- A positive effect of € 394 thousand relating to capitalisation of development expenses, net of amortisation for the year, by virtue of application of IAS 38
- A positive effect of € 45 thousand due to redefinition of intangible assets' useful life
- A positive effect of € 27 thousand relating to post-employment benefit obligations (severance indemnity provision) based on application of IAS 19.

C. Distribution expenses

The € 54-thousand decrease in this item is due to allocation of part of the new valuation of post-employment benefit provision based on application of IAS 19.

D. General and administrative expenses

The € 955-thousand decrease in these costs mainly consists of reversal of goodwill amortisation for IdWare (€ 522 thousand) and Datalogic AB (formerly Minec - € 82 thousand), lower depreciation for other tangible assets (totalling € 192 thousand) and lower amortisation for other intangible assets (€ 104 thousand).

E. Financial income

The adjustment is ascribable to adjustment of financial income stemming from sale of treasury shares during the period, by virtue of application of IAS 32.

F. Income tax

This is the tax effect on the various economic adjustments made, considering the tax rate applicable according to the type of adjustment and to the country to which it refers.

Taxes also include a positive effect relating to downward adjustment of taxable financial earnings on the sale, during the period, of treasury shares.

CASH FLOW STATEMENT

The increase of € 49 thousand in net financial position is due to reclassification from Accrued income and prepaid expenses for fair-value valuation of forward forex sale transactions.

DATALOGIC SPA**BALANCE SHEET**

ASSETS	30/06/2005	31/12/2004	30/06/2004
A) SUBSCRIBED CAPITAL UNPAID			
1) Part called up			
2) Part not called up			
Total subscribed capital unpaid (A)			
B) FIXED ASSETS			
<i>I - Intangible fixed assets:</i>			
1) Start up and expansion costs	401	801	1.202
2) Research & Development and advertising costs			
3) Industrial patent rights and rights for use of intellectual properties	2.872.827	3.060.526	2.463.367
4) Concessions, licenses, trademarks and similar rights	24.714	33.703	14.992
5) Goodwill	2.609.301	3.131.162	3.753.022
6) Intangible Assets in progress and advances	45.578	44.449	166.870
7) Other intangible assets	1.154.460	1.204.149	1.088.926
Total intangible fixed assets (I)	6.707.281	7.474.790	7.488.377
<i>II - Tangible fixed assets:</i>			
1) Land and buildings	11.736.452	11.892.208	8.598.181
2) Plant and machinery	1.915.583	2.077.807	799.816
3) Industrial and commercial equipment	2.989.242	2.946.639	2.275.856
4) Other tangible fixed assets	1.561.652	1.608.062	1.190.004
5) Assets in progress and advances	223.218	163.977	487.720
Total tangible fixed assets (II)	18.426.147	18.688.693	13.351.576
<i>III - Long term financial assets:</i>			
1) Investments in:			
a) Subsidiaries valued on the net equity basis	40.766.264	29.747.374	17.303.979
b) Associated companies valued on the net equity basis	360.568	360.568	360.568
c) Parent companies			
d) Other companies	1.111.491	1.111.491	1.104.491
2) Accounts receivable from:			
a) Subsidiaries			
within 12 months	6.350.137	5.593.335	5.928.406
after 12 months			2.582.284
Total accounts receivable from subsidiaries (a)	6.350.137	5.593.335	8.510.690
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			
after 12 months	43.253	40.914	28.571
Total accounts receivable from other companies (d)	43.253	40.914	28.571
3) Other securities:	4.355.046	2.845.746	2.848.155
4) Own shares	360.444		7.329.438
Total long term financial assets (III)	53.347.203	39.699.428	37.485.892
Total fixed assets (B= I + II + III)	78.480.630	65.862.911	58.325.846
C) CURRENT ASSETS			
<i>I - Inventories:</i>			
1) Raw and auxiliary materials, and consumables	8.620.092	9.333.161	6.094.040
2) Work in progress and semifinished goods	3.903.575	2.827.256	2.667.326
3) Work to order in progress			
4) Finished goods and goods for resale	5.817.887	3.181.983	5.449.914

DATALOGIC SPA**BALANCE SHEET**

ASSETS	30/06/2005	31/12/2004	30/06/2004
5) Payments on account			
Total inventories (I)	18.341.554	15.342.400	14.211.281
II - Accounts receivable:			
1) From customers			
within 12 months	20.254.990	20.243.263	15.892.283
after 12 months			73.972
Total accounts receivable from customers (1)	20.254.990	20.243.263	15.966.255
2) From subsidiaries			
within 12 months	10.968.324	12.785.168	13.339.697
after 12 months			
Total accounts receivable from subsidiaries (2)	10.968.324	12.785.168	13.339.697
3) From associated companies			
within 12 months	677.689	1.188.936	267.922
after 12 months			
Total accounts receivable from associated companies (3)	677.689	1.188.936	267.922
4) From parent companies			
within 12 months	3.718		3.718
after 12 months			
Total accounts receivable from parent companies (4)	3.718		3.718
4 bis) tax credit			
within 12 months	4.246.729	6.831.163	4.231.542
after 12 months			
Total tax credit (4 bis)	4.246.729	6.831.163	4.231.542
4 ter) deferred tax			
within 12 months	1.993.567	1.608.437	923.927
after 12 months			
Total deferred tax (4 bis)	1.993.567	1.608.437	923.927
5) From others			
within 12 months	650.454	460.584	830.378
after 12 months			
Total accounts receivable from others (5)	650.454	460.584	830.378
Totale accounts receivable (II)	38.795.471	43.117.551	35.563.439
III - Current Financial assets			
1) Investments in subsidiaries			
2) Investments in associated companies			
3) Investments in parent companies			
4) Other investments			
5) Own shares		9.672.683	
6) Other securities	3.000.000	3.402.472	
Total current financial assets (III)	3.000.000	13.075.155	
IV - Bank deposit and cash on hand			
1) Bank and postal deposits	29.406.445	30.759.188	37.685.515
2) Cheques	1.059	187.050	
3) Cash and cash equivalent	21.805	12.008	13.517
Total bank deposit and cash on hand (IV)	29.429.309	30.958.246	37.699.032
Total current assets (C = I + II + III + IV)	89.566.334	102.493.352	87.473.752
D) ACCRUED INCOME AND PREPAYMENTS			
a) Accrued income	43.217	255.981	123.135
b) Prepayments	422.722	483.158	662.171
c) Discounts on loans			
Total accrued income and prepayments (D)	465.940	739.139	785.306
TOTAL ASSETS (A + B+ C+ D)	168.512.904	169.095.402	146.584.904

DATALOGIC SPA

BALANCE SHEET

LIABILITIES AND EQUITY	30/06/2005	31/12/2004	30/06/2004
A) NET EQUITY			
<i>I Share Capital</i>	25.452.577	25.072.632	24.770.720
<i>II Share premium reserve</i>	57.564.182	55.843.468	54.476.155
<i>III Revaluation reserves</i>	257.516	257.517	257.516
<i>IV Legal reserve</i>	1.398.819	862.140	862.141
<i>V Own-share reserve</i>			
<i>VI Statutory reserves</i>	360.444	9.672.683	7.329.438
<i>VII Other reserves:</i>			
- <i>Demerger capital reserve</i>	4.439.056	4.439.056	4.439.056
- <i>Translation reserve/(loss)</i>	4.431.402	4.431.402	
- <i>Other</i>	2.566.784	958.347	
<i>VIII Retained earnings/(losses) carried forward</i>	17.399.104	2.188.545	4.531.795
<i>IX Net profit/(loss) for the year</i>	6.726.418	10.733.571	6.821.995
Total net equity (A)	120.596.302	114.459.361	103.488.815
B) PROVISIONS FOR RISKS AND CHARGES:			
1) Provision for retirement benefits and similar obligations			
2) Provision for taxation	1.513.697	1.042.094	
3) Others	1.514.989	2.498.404	2.141.740
Total provisions for risks and charges (B = 1 + 2+ 3)	3.028.686	3.540.498	2.141.740
C) Employees' severance indemnity provision	6.462.155	6.149.250	5.187.824
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			
4) Bank borrowing			
within 12 months		50	276
after 12 months			
Total bank borrowing (3)	-	50	276
5) Accounts payable to other financial institutions			
within 12 months	957.416	1.583.019	1.112.623
after 12 months	1.545.669	1.678.503	2.001.928
Total accounts payable to other financial institutions (4)	2.503.085	3.261.522	3.114.551
6) Advances received			

DATALOGIC SPA

BALANCE SHEET

LIABILITIES AND EQUITY		30/06/2005	31/12/2004	30/06/2004
	within 12 months	5.741	1.825	151.840
	after 12 months			
	Total advances received (5)	5.741	1.825	151.840
7) Trade payables				
	within 12 months	16.359.416	15.857.068	8.373.413
	after 12 months			
	Total trade payables (6)	16.359.416	15.857.068	8.373.413
8) Bill payable				
	within 12 months			
	after 12 months			
	Total bill payable (7)			
9) debiti verso imprese controllate				
	entro 12 mesi	4.882.670	6.843.877	17.475.118
	oltre 12 mesi			
	totale debiti verso imprese controllate (8)	4.882.670	6.843.877	17.475.118
9) Accounts payable to subsidiaries				
	within 12 months		7094	
	after 12 months			
	Total accounts payable to subsidiaries (8)		7.094	
10) Accounts payable to associated companies				
	within 12 months			
	after 12 months			
	Total accounts payable to associated companies (9)			
12) Tax authorities payable				
	within 12 months	3.954.144	5.568.631	1.123.824
	after 12 months			
	Total tax authorities payable (11)	3.954.144	5.568.631	1.123.824
13) Social security institutions payable				
	within 12 months	1.571.766	2.009.149	1.188.227
	after 12 months			
	Total social security institutions payable (12)	1.571.766	2.009.149	1.188.227
14) Other payables				
	within 12 months	8.628.123	11.101.518	4.099.474
	after 12 months			
	Total other payables (13)	8.628.123	11.101.518	4.099.474
Total accounts payable (D)		37.904.946	44.650.734	35.526.723
E) ACCRUED EXPENSES AND DEFERRED INCOME				
a) Accrued expenses		186.907	2.894	84.000
b) Deferred income		333.907	292.665	155.801
c) Premium on loans				
Total accrued expenses and deferred income (E)		520.815	295.559	239.801

DATALOGIC SPA

BALANCE SHEET

LIABILITIES AND EQUITY	30/06/2005	31/12/2004	30/06/2004
TOTAL LIABILITIES AND EQUITY (A+B+C+D+E)	168.512.904	169.095.402	146.584.903
MEMORANDUM ACCOUNTS			
Ordinary guarantees	11.481.328	1.627.386	3.491.329
Secured guarantees		1.835.401	3.615.198
Personal guarantees	2.477.947	2.477.947	2.477.947
Commitments	2.067.483		
TOTAL MEMORANDUM ACCOUNTS	16.026.757	5.940.734	9.584.474

DATALOGIC SPA

INCOME STATEMENT

	30/06/2005	30/06/2004	31/12/2004
A) PRODUCTION VALUE:			
1) Revenues from sales and services	53.255.448	51.501.610	143.331.240
2) Changes in inventories of work in progress, semifinished and finished goods	3.712.223	1.548.168	(692.094)
3) Changes in contract work in progress			
4) Increases in fixed assets from internal work	58.918	49.434	126.363
5) Other revenue and income			
a) Sundry revenues	1.297.005	936.263	1.842.018
b) Income from grants	25.200	214.900	397.098
Total other revenue and income(5)	1.322.205	1.151.163	2.239.116
Total production value(A)	58.348.794	54.250.375	145.004.625
B) PRODUCTION COSTS:			
6) Raw and auxiliary materials, consumables and goods for resale	24.186.449	31.476.143	82.224.825
7) Services	11.202.616	6.988.728	17.344.714
8) Use of third parties asset	561.825	719.585	1.581.455
9) Personnel costs:			
a) Salaries and wages	9.440.168	8.164.665	17.810.961
b) Social contributions	2.921.670	2.485.466	5.489.216
c) Employees' severance indemnity	621.066	579.361	1.222.104
d) Provision for retirement benefits and similar costs	110.717		150.884
e) Other personnel costs	864.921	231.435	749.492
Total personnel costs (9)	13.958.542	11.460.927	25.422.657
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets	981.458	1.219.377	2.013.680
b) Depreciation of tangible fixed assets	1.143.222	1.247.431	2.167.854
c) Other write-downs of fixed assets			
d) Write-downs of receivables entered in current assets and in cash at bank and on hand			
Total amortisation, depreciation and write-downs (10)	2.124.679	2.466.808	4.181.534
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	713.069	(2.162.435)	831.792
12) Risk provisions	320.000	25.000	130.000
13) Other provisions			
14) Sundry operating costs	294.028	290.832	495.932
Total production costs (B)	53.361.209	51.265.588	132.212.909
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)	4.987.585	2.984.787	12.791.716

DATALOGIC SPA

INCOME STATEMENT

	30/06/2005	30/06/2004	31/12/2004
C) FINANCIAL INCOME AND CHARGES:			
15) Income from investments in:			
a) Subsidiaries	3.167.284	3.000.000	3.000.000
b) Associated companies			411
c) Other companies			
Total income from investments (15)	3.167.284	3.000.000	3.000.411
16) Other financial income from:			
a) Receivables entered in long term financial assets from:			
- Subsidiaries	121.399	63.057	131.428
- Associated companies			
- Parent companies			
- Others			
Total (a)	121.399	63.057	131.428
b) Securities entered in long term financial assets that are not investments	56.723	36.288	324.589
c) Securities entered in current assets that are not investments	1.221.609	1.187.902	1.096.439
d) Income other than the above from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Other companies	256.256	330.740	750.337
Total (d)	256.256	330.740	750.337
Total other financial income (16)	1.655.986	1.617.987	2.302.793
17) Interest and other financial costs from:			
- Subsidiaries	38.973	56.432	132.620
- Associated companies			
- Parent companies			
- Others	163.641	38.474	169.650
Total interest and other financial costs (17)	202.613	94.906	302.270
17 bis) exchange profit and loss:			
	493.396	(79.877)	(484.232)
Total exchange profit and loss (17 bis)	493.396	(79.877)	(484.232)
Totale proventi ed oneri finanziari (15+16-17+-17bis)	5.114.052	4.443.204	4.516.702

D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS:

18) Revaluation of:	
a) investments	
b) long term financial assets that are not investments	
c) Securities entered in current assets that are not investments	
Total revaluations (18)	
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	

DATALOGIC SPA

INCOME STATEMENT

	30/06/2005	30/06/2004	31/12/2004
Total write-downs (19)			
Net adjustment to the value of financial assets (D =18-19)			
E) EXTRAORDINARY INCOME AND CHARGES:			
20) Extraordinary income			
a) Capital gains on disposals of fixed assets			
b) Other extraordinary income	68.798	83.638	205.694
Total extraordinary income (20)	68.798	83.638	205.694
21) Extraordinary charges			
a) Capital losses on disposals of fixed assets			
b) Other extraordinary charges	512.953	689.634	1.535.319
Total extraordinary charges (21)	512.953	689.634	1.535.319
Total extraordinary income/(charges) (20-21)	(444.154)	(605.996)	(1.329.625)
PROFIT/(LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	9.657.483	6.821.995	15.978.793
22) Current income taxes, deferred taxes	2.931.065	-	5.245.222
Current taxes	2.844.592		4.744.389
Deferred taxes	86.473		500.833
PROFIT/(LOSS) FOR THE YEAR	6.726.418	6.821.995	10.733.571

Chairman of the Board of Directors
(Dr. Ing. Romano Volta)