



**Consolidated Financial
Report at
March 31st, 2004**

Official documents are in Italian



DATALOGIC GROUP

Consolidated financial statements and report for the first quarter of 2004

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COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors ⁽¹⁾

Romano Volta

Chairman ⁽²⁾

Roberto Tunioli

Vice Chairman and C.E.O. ⁽³⁾

Pier Paolo Caruso

Director

Alberto Forchielli

Director

Giancarlo Micheletti

Director

Umberto Paolucci

Director

Elserino Piol

Director

Gabriele Volta

Director

Valentina Volta

Director

John O'Brien

Director

Angelo Manaresi

Director

Board of Statutory Auditors ⁽⁴⁾

Stefano Romani

President

Gianluca Cristofori

Standing auditor

Roberto Feverati

Standing auditor

Patrizia Passerini

Alternate auditor

Giorgio Delli

Alternate auditor

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 CONSOLIDATED QUARTERLY RESULTS AT 31 MARCH 2004

A) INFORMATION ON MANAGEMENT

Dear Shareholders,

The quarterly report as at 31 March 2004, which we are submitting for your review, has been prepared in compliance with the requirements indicated in the instructions accompanying the Nuovo Mercato (New Market) Regulations.

In the first quarter of 2004 the Datalogic Group posted revenues of Euro 32,813 thousand (of which Euro 32,307 thousand from sales and services and Euro 506 thousand from other revenues and income), a 5.3% increase on the same period of last year (Euro 31,158 thousand in the first quarter of 2003).

The following schedule summarises the main economic and financial results of the Datalogic Group as at 31 March 2004, comparing them with the same period of the previous year:

Datalogic Group	31/03/2004	31/03/2003	Change
	Euro/'000	Euro/'000	Euro/'000
Total revenues	32,813	31,158	1,655
EBITDA	5,294	4,910	384
% on total revenues	16.1%	15.8%	
Net profit	3,960	3,026	934
% on total revenues	12.1%	9.7%	
Net financial position (NFP)	43,002	37,206	5,796
NFP as at 31/12/2003	39,554	33,423	6,131
Change in net financial position	3,448	3,783	-335

We point out that the year's profits are shown before taxes, adjustments and provisions set aside exclusively to enforce tax regulations.

EBITDA, calculated including amortisation and depreciation, provisions for employee severance indemnities and risks, is equal to Euro 5,294 thousand, corresponding to 16% of the total revenues. The increase compared to the previous year is equal to Euro 384 thousand (+8% compared to Euro 4,910 thousand at 31 March 2003).

The following table indicates the main components of EBITDA, and the comparison with the same period of the previous year:

	31/03/04		31/03/03		Change	% Change
REVENUES FROM SALES AND SERVICES	32,307		30,906		1,401	4.5%
OTHER REVENUES AND INCOME	506		252		254	100.8%
TOTAL REVENUES	32,813	100.0%	31,158	100.0%	1,655	5.3%
COST OF SALES AND OPERATING COSTS	27,519	83.9%	26,248	84.2%	1,271	4.8%
EBITDA	5,294	16.1%	4,910	15.8%	384	7.8%
PROVISIONS FOR STAFF LEAVING INDEMNITY AND RETIREMENT BENEFITS	328	1.0%	263	0.8%	65	24.7%
DEPRECIATION OF TANGIBLE FIXED ASSETS	920	2.8%	890	2.9%	30	3.4%
AMORTISATION OF INTANGIBLE FIXED ASSETS	751	2.3%	784	2.5%	-33	-4.2%
STOCK WRITEDOWN (WRITEUP)	169	0.5%	80	0.3%	89	111.3%
OTHER PROVISIONS	49	0.1%	76	0.2%	-27	-35.5%
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST	3,077	9.4%	2,817	9.0%	260	9.2%
FINANCIAL AND EXTRAORDINARY OPERATING RESULT	883	2.7%	249	0.8%	634	254.6%
RESULT BEFORE TAXES	3,960	12.1%	3,066	9.8%	894	29.2%
RESULT PERTAINING TO MINORITY INTERESTS	0	0.0%	-40	-0.1%	40	-100.0%
PROFIT FOR THE PERIOD	3,960	12.1%	3,026	9.7%	934	30.9%

The operating result is equal to Euro 3,077 thousand (9,4% of revenues), to which corresponds an increase by 9.2% compared to what was achieved during the same period of the previous year.

At 31 March 2004, the profit for the year is equal to Euro 3,960 thousand, increasing by 31% compared to the previous fiscal period.

The table below summarizes the effects of the Euro appreciation compared to the U.S. Dollar (the main invoicing currency other than the Euro for Datalogic).

EFFECTS ON THE PROFIT AND LOSS ACCOUNT OF THE APPRECIATION OF EURO VS/USD AT 31/03/04	TOTAL REVENUES	TOTAL COST OF SALES AND OPERATING COSTS	OPERATING RESULT	FINANCIAL AND EXTRAORDINARY OPERATING RESULT	PROFIT FOR THE PERIOD
	euro/000	euro/000	euro/000	euro/000	euro/000
Effect of the Euro conversion of the Balance sheets of the American companies of the Group (Translation effect)	-925	643	-282	1	-281
Effect of the Euro conversion of turnover/costs in dollars of the Italian companies	-180	320	140	0	140
Difference in the exchange rate (commercial and relating to cover operations)	0	0	0	60	60
TOTAL EFFECT	-1,105	963	-142	61	-81

(1) We point out that the effect on these items of the left-over stock change was not considered.

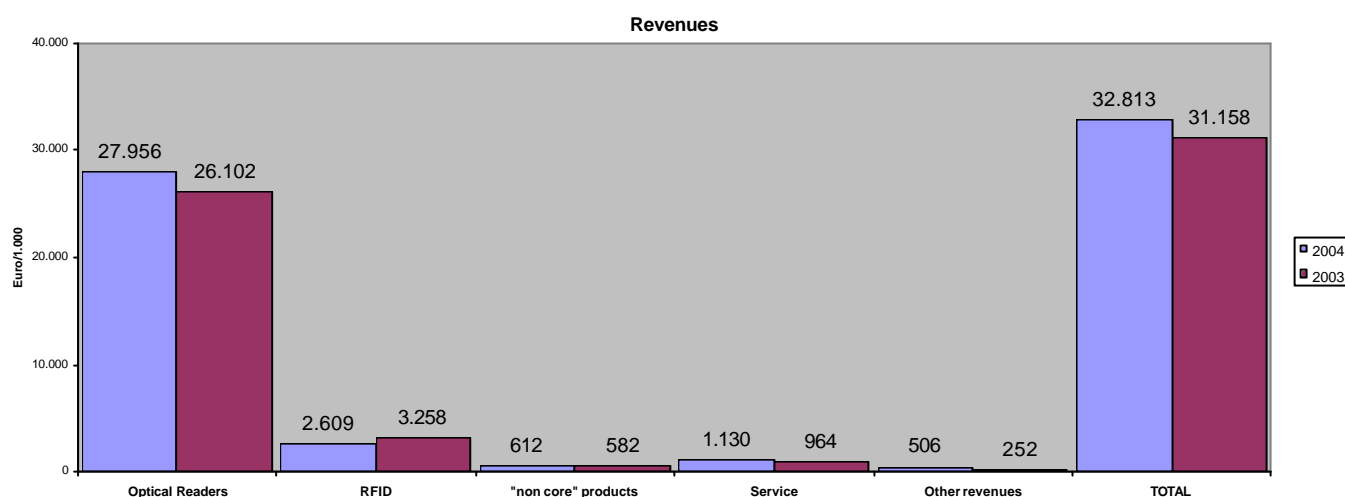
At constant Euro/USD exchange rates compared to 2003, the revenues as at 31 March 2004 would have been greater than Euro 1,105 thousand (+3.4% compared to the final result revenues) and the Profit for the period, including taxes, greater than Euro 81 thousand (+2% compared to the final result before taxes), therefore essentially unchanged compared to final data.

After an outstanding 2003 (+34% net profit compared to the previous year), the Group improved its performance in the first 2004 quarter too, both in terms of growth and profitability, while continuing to invest significantly (+ 26 employees, R&D costs for Euro 2,424 thousand – 7.4% of revenues).

In the last two years, revenues increased by 13% (Euro 29,138 thousand in the first quarter 2002) and the operating result was over 44% (Euro 2,133 thousand at 31 March 2002); we believe that Datalogic's capacity to combine growth and profitability is an effective measure of the quality of the strategies implemented by the Company.

REVENUE TREND AND KEY FACTORS AFFECTING OPERATIONS OF THE PERIOD

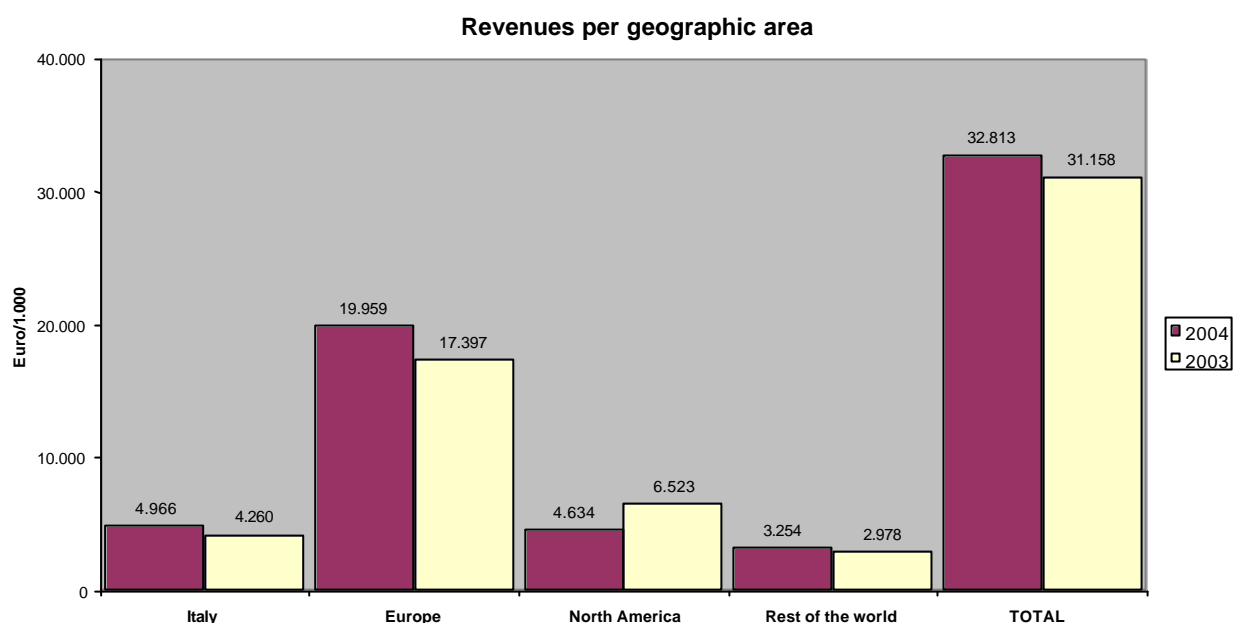
In the following table, we point out the sales proceeds for the first quarter 2004 compared with the first quarter in the previous year.



The increase in optical reader sales has been largely caused by the sale of hand held readers (for which Datalogic, starting from 2002, has become the leader in European markets), whose trends keep growing satisfactorily. On the other hand, radio-frequency readers show a downtrend (-20%), partly due to exchange rate effects (the U.S. Dollar, that is the invoicing currency for radio-frequency readers, has lost 16.4% against the Euro) and partly due to reorganization activities (involving both the organizational structure and the product range), which is involving "EMS" (the company entrusted with the management of this product array).

Finally, a significant increase in service turnover (+17% compared to the previous year) confirms ongoing trends, being the consequence of actions (offer of new products, investment in human resources) that the Company has implemented to increase this high-profitability component of the Group's revenues.

In the first quarter of 2004, the contribution to sales of the different geographic areas is set below:



In Europe, all the main geographical areas showed an increase compared to the first quarter of 2003.

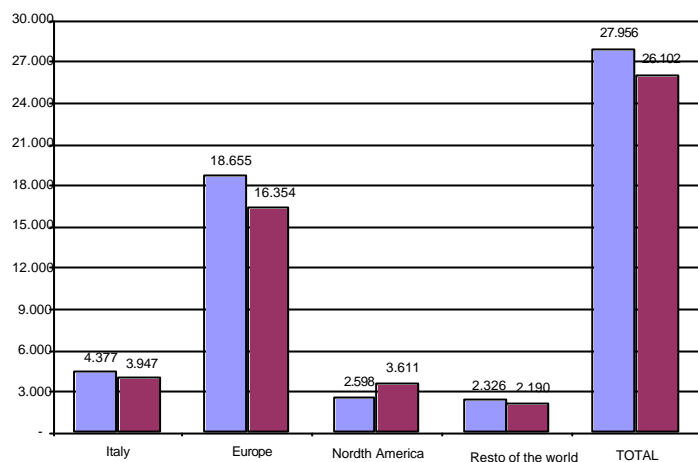
In particular, higher than average results were shown by Italy (+16%), Germany (+19%), and the United Kingdom (+16%).

In the first quarter, North America represented the most critical area: the decrease shown (-29%) compared to the same period of the previous year was the consequence of multiple factors, the first of which was the effect of the exchange rate that not only depressed the conversion in Euro of revenues expressed in the U.S. currency, but mostly reduced the competitiveness of our products in North American markets.

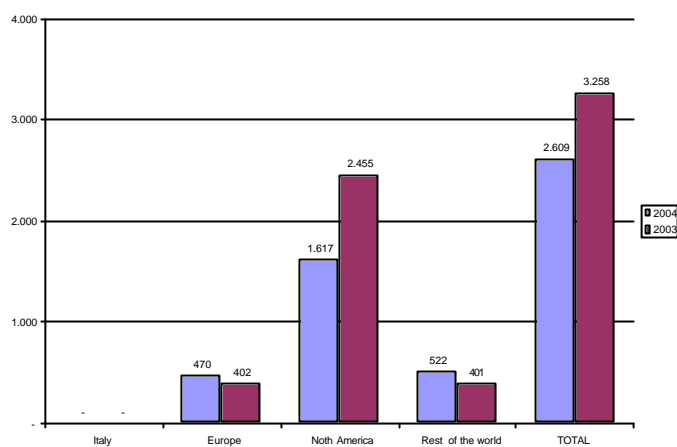
More factors that affected this performance were the not so brilliant trend in the sales of radio-frequency readers and the absence, in the first quarter, of important projects in the area of fixed station readers, which represent the main range of products marketed by Datalogic on the U.S. marketplace.

The following tables show the sales by geographical areas at the main product lines:

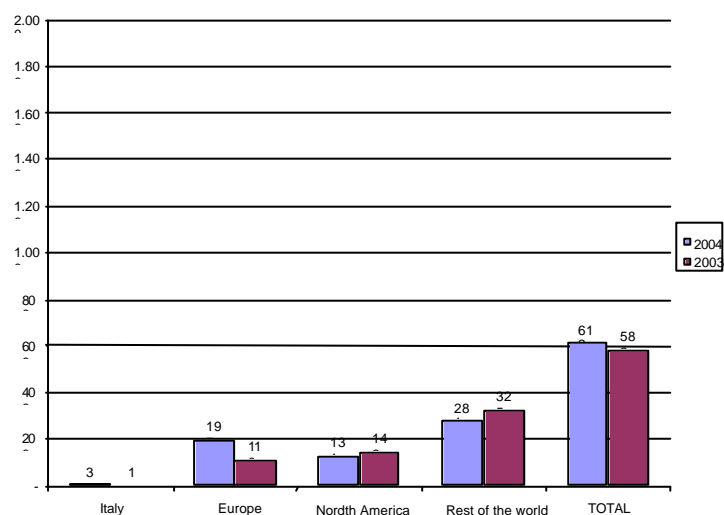
Sales of optical readers per geographic area



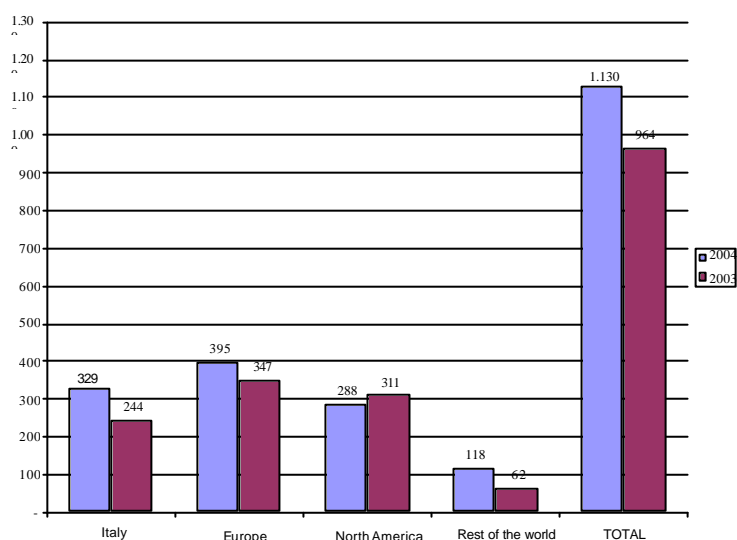
Sales of RFID per geographic area



Sales of "non core" products per geographic



Service revenues per geographic area



As at 31 March 2004, the net financial position reported net cash of Euro 43,002 thousand, comprised as follows:

Datalogic Group	31/03/04	31/12/03	31/03/03
long-term financial assets	2,856	2,856	2,466
Medium/long-term bank borrowing	-2,103	-2,177	-2,771
Medium and long-term payables due to other financial institutions	-3,378	-3,147	-3,970
Own shares	1,927	0	5,919
Medium and long-term net financial position	-698	-2,468	1,644
Short-term bank borrowing and payables due to other financial institutions	-2,765	-2,054	-1,815
Financial receivables (other securities)	6,537	1,422	4,000
Own shares	0	5,381	0
Commercial paper	1,997	1,497	3,991
Cash and cash equivalents	37,931	35,776	29,386
Short-term net financial positions	43,700	42,022	35,562
Net financial position	43,002	39,554	37,206

The net financial positions at 31 March has greatly improved compared to 31 December 2003 (+ Euro 3,448 thousand) and to the same period in 2003 (+ Euro 5,796 thousand).

At 31 March 2004, Investments in tangible and intangible fixed assets, net of disinvestments, are equal to Euro 475 thousand.

The net working capital is equal to Euro 38,514 thousand and increased by Euro 774 thousand compared with the results at 31 December 2003.

Notice that in the course of March the Parent Company cashed Euro 3,180 thousand of VAT credit with a delay of about 8 months with respect to standard times.

FINANCIAL MANAGEMENT

The financial management is positive for Euro 1,241 thousand. More specifically, this result is attributable to a positive balance for Euro 1,175 thousand, deriving from capital gains obtained with the sale of Company's own shares, and to a positive balance for Euro 72 thousand recorded in the financial management as such, and to exchange losses equal to Euro 6 thousand.

PERFORMANCES OF GROUP COMPANIES

The performance of group companies up to 31 March 2004 - inclusive of intercompany transactions - is summarised below (the result for the period is shown before tax and after making the necessary adjustments for alignment with group accounting policies). :

REVENUES FROM SALES AND SERVICES (Euro/000):

COMPANY NAME	% OWNERSHIP at 31/03/04	31/03/04	31/03/03	% CHANGE
Datalogic Spa (parent company)		24,594	22,362	10.0%
Datasud SRL	100%	10,012	8,251	21.3%
Datalogic Holding AB	100%	0	1,924	-100.0%
EMS, Inc	100%	2,665	3,348	-20.4%
Datalogic France SA	100%	2,212	2,036	8.6%
Datalogic Optik elektronIK GMBH	100%	9,361	7,865	19.0%
Datalogic Optic Electronics B.V. (1)	100%	0	0	0.0%
Datalogic Handelsgesellschaft mbH (1)	100%	0	0	0.0%
Datalogic PTY LTD	100%	1,196	1,041	14.9%
Datalogic UK LTD	100%	2,273	1,964	15.7%
Datalogic INC	100%	3,088	4,075	-24.2%
DL Iberia (1)	100%	59	25	136.0%
Datalogic AB	100%	2793	799	249.6%
Minec System Holding AB (2)	100%	0	0	0.0%

(1) These companies work according to an agency contract, under which commissions are paid and booked in the item "Other revenues".

(2) The "revenues from sales and services" item is equal to zero since this company is not operative.

OPERATING RESULT (Euro/000):

COMPANY NAME	% OWNERSHIP at 31/03/04	31/03/2004	31/03/2003
Datalogic Spa (Capogruppo)		2,125	1,787
Datasud srl	100%	1,358	906
Datalogic Holding AB	100%	-58	-130
EMS, Inc	100%	13	498
Datalogic France SA	100%	-32	-42
Datalogic Optik elektronIK GMBH	100%	320	345
Datalogic Optic Electronics B.V.	100%	52	57
Datalogic Handelsgesellschaft mbH	100%	140	112
Datalogic PTY LTD	100%	-6	3
Datalogic UK LTD	100%	53	122
Datalogic INC	100%	-101	151
DL Iberia	100%	110	164
Datalogic AB	100%	-30	126
Minec System Holding AB	100%	-6	-12

TRANSACTIONS WITH NOT FULLY CONSOLIDATED SUBSIDIARY COMPANIES, WITH ASSOCIATED COMPANIES AND WITH INTERCONNECTED PARTIES

Transactions with companies controlled by Datalogic Group

Izumi Datalogic Co. Ltd, a Japanese company in which the Parent company has a 50% shareholding, purchases products and components from Datalogic for resale in the Far East area.

During the first quarter of 2004, the Parent company sold to Izumi products and components for about Euro 335 thousand and, at 31 March 2004, the trade receivables from Izumi amounted to Euro 454 thousand. These transactions were carried out under conditions comparable with those of the other subsidiaries.

The relations with DI Private Ltd., an Indian company in which the Parent company has a 20% shareholding, are not significant.

Transactions with companies controlled by shareholders

Report on Consolidated Quarterly Results at 31 March 2004

The relations with Datasensor Spa, company controlled by the shareholders of reference of the Parent company, mainly refer to component purchases by the Parent Company (Euro 321 thousand), to charges (Euro 53 thousand) and to interest subsidies (Euro 58 thousand) relating to the IMI loan (which after the splitting of 02/01/98 is now co-registered in the name of the Parent Company and of Datasensor Spa), and to the distribution of modest quantities of Datasensor products by some of the Companies of Group.

At 31 March 2004 trade payables to Datasensor amount to Euro 121 thousand.

The relations with the Parent company (Hydra Spa.) during the period were marginal and limited to the mutual recharging of leases.

PREDICTABLE DEVELOPMENT OF THE BUSINESS FOR THE CURRENT FISCAL YEAR

The market situation and the activities planned by the Company should allow to obtain for the current fiscal year proceeds and margins in line with the budget and higher than the final balances of the previous year.

B) ACCOUNTING STANDARDS AND POLICIES

Introduction

Datalogic Group's quarterly report as at 31 March 2004 has been prepared in compliance with Italian Legislative Decree 127/1991. It also takes account of the contents of Consob Regulation 11971 dated 14 May 1999 and subsequent updates thereto and of article 1A.2.4.1 of the Instructions accompanying the Regulations of the New Market, organised and run by Borsa Italiana S.p.A., in effect since 18 February 2002. In compliance with these regulations, the quarterly financial statements are prepared on a consolidated basis only.

The financial statements submitted consist of the consolidated balance sheet, the profit & loss account, and the cash-flow summary. The data included in the first two accounting records are compared with the values shown in the consolidated balance sheet as at 31 December 2003 and in the Quarterly Report as at 31 March 2003. The notes commenting on the balance sheet also include tables showing changes in net equity accounts and the reconciliation of the parent company's net equity and results for the period with the corresponding consolidated amounts.

All amounts presented in the quarterly report are shown in € '000. Amounts shown in the notes commenting on the balance sheet are compared with those as at 31 December 2003, whilst those concerning the profit & loss account are reported in comparison with 31 March 2003.

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

Accounting Standards and Policies

The accounting standards and policies used to prepare the quarterly report as at 31 March 2004 are those envisaged in Italian Legislative Decree 127/1991, supplemented - for aspects not specifically covered by the decree - by the Italian accounting standards published by Italian Chartered Accountants (*Consigli Nazionali e dei Dottori Commercialisti e dei Ragionieri*) and, in their absence, by those of the International Accounting Standards Committee (IASC).

Standards and policies are the same as those used to draw up the consolidated financial statements as at 31 December 2003. Depreciation and amortisation of tangible and intangible fixed assets have been calculated on a straight-line basis, booking one quarter of the full-year charge to reflect the length of the accounting period concerned.

Note also that the profit for the period has been stated before tax, as well as the adjustments and provisions arising exclusively from the application of tax regulations.

Business and structure of the group

The companies forming the Group work in the industrial production and marketing of products relating to the automatic identification sector; the offer is mainly divided in four product lines:

USS: Unattended Scanning System

HHR: Hand Held Readers

PDC: Portable Data Collection

RFID: Radio Frequency Identification Devices

The consolidated balance sheet includes the balance sheet of the Parent Company and those of the companies in which it holds, directly or indirectly, the majority of the voting rights, or those on which it exercises a prevailing influence, if important.

The companies consolidated on a line-by-line basis for the three months ending 31 March 2004 are as follows:

Company Name	Registered offices	Share Capital	Total net equity (€'000)	Result for the period (€ '000)	% ownership
Datalogic Spa (parent company)	Lippo di Calderara di Reno (Bo) – Italy	Euro 24,759,280	100,843	2.125	
Datasud SRL	Castiglione Messer Raimondo (TE) – Italy	Euro 1,820,000	8,341	1.358	100%
Datalogic Holding AB	Malmö – Sweden	KRS 1,400,000	1,203	-58	100%
EMS, Inc	Scotts Valley (California) – USA	\$USA 465,000	1,323	13	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	Euro 2,227,040	3,615	-32	100%
Datalogic Optik elektronik GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	Euro 1,025,000	7,482	320	100%
Datalogic Optic Electronics B.V.	Maarssen – Holland	Euro 18,150	148	52	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	Euro 72,670	1,415	140	100%
Datalogic PTY LTD	Mount Waverley (Melbourne)-Australia	\$AUS 2,300,000	1,019	-6	100%
Datalogic UK LTD	Redbourn (London) – Great Britain	GBP 3,500,000	3,582	53	100%
Datalogic INC	Hebron (Kentucky) – USA	\$USA 1	1,376	-101	100%
DL Iberia	Madrid – Spain	Euro 61,000	444	110	100%
Datalogic AB	Stockholm – Sweden	KRS 200,000	885	-30	100%
Minec System Holding	Stockholm – Sweden	KRS 100,000	1,195	-6	100%

The company valued on a net equity basis is as follows:

Company Name	Registered offices	Share Capital	Total net equity (€'000)	Result for the period (€ '000)	% ownership
Izumi Datalogic Co. Ltd.	Kobe – Japan	JPY 300,000,000	732	52	50%

The associated companies, valued at cost are as follows:

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

Changes in consolidation area

No variations in the consolidation area have been made in the first 2004 quarter.

C) BALANCE-SHEET INFORMATION

INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets are shown below:

	Start-up costs	Industrial patents and intellectual properties	Concessions, licences, trademarks and similar items	Goodwill	Difference arising on consolidation	Others	Intangible assets in process and payments on account	Total
<u>Opening value</u>								
Historical cost	75	10,503	296	10,437	1,678	1,653	980	25,622
(Amortisation)	(73)	(6,958)	(280)	(7,057)	(284)	(1,268)		(15,920)
Revaluations (Write-downs)		(120)						(120)
Total	2	3,425	16	3,380	1,394	385	980	9,582
<u>Increases</u>								
Increases		101	1			900	76	1,078
Amortisation reversal								
Other changes								
Total		101	1			900	76	1,078
<u>Decreases</u>								
Decreases							(900)	(900)
Amortisation	(1)	(363)	(3)	(261)	(41)	(82)		(751)
Other changes		4				3		7
Total	(1)	(359)	(3)	(261)	(41)	(79)	(900)	(1,644)
<u>Closing value</u>	1	3,167	14	3,119	1,353	1,206	156	9,016

"Start-up costs" consist of expenses and fees incurred for the merger by incorporation of IdWare Srl in 1998.

The main items under the "Industrial patents" heading - totalling Euro 3,167 thousand - consists of:

- Euro 2636 thousand relating to the parent company, of which Euro 1,596 thousand for software licences, Euro 268 thousand for patent registration, Euro 751 thousand for licences on third-party patents and Euro 21 for the purchase of know-how.
- Euro 185 thousand relating to EMS, of which Euro 139 thousand for development of know-how concerning an RFID project and Euro 46 thousand for patent registration charges.
- Euro 326 thousand relating to Datasud, most of which refers to software development costs for the new management information system.

- This item has increased by Euro 101 thousand. This increase is attributable to the Parent Company and it consists of patent registration expenses (Euro 56 thousand) and software purchase for CAD and Autocad (Euro 46 thousand).

"Goodwill", amounting to Euro 3,119 thousand, refers to the merger deficit and share-swap loss arising on the merger by incorporation of IdWare Srl during 1998.

The "Difference arising on consolidation" - totalling Euro 1,353 thousand - has been generated following the consolidation of the Minec group, in which a 100% interest was acquired on 15 July 2002 by Datalogic AB, a wholly-owned subsidiary of the parent company.

The breakdown of "Others", totalling Euro 1,206 thousand, is as follows:

- Euro 259 thousand in development costs of commercial software (carried out by external suppliers) attributable to the parent company;
- Euro 934 thousand in deferred costs relating to rented buildings, of which Euro 883 thousand relates to the parent company and Euro 51 thousand to EMS;
- Euro 13 thousand in other items.

The increase of this item, equal to Euro 900 thousand, is attributable to the parent company and refers to leasehold multiyear costs of the new factory in Quinto (TV).

"Intangible assets in process and payments on account" refer to the parent company.

The decreases of the "Intangible assets in process and payments on account" item consist of transfers to the respective category for amortization of Euro 900 thousand related to leasehold multiyear costs of the new factory of Quinto (TV).

TANGIBLE FIXED ASSETS

Changes in tangible fixed assets are shown below:

	Land and Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in process and payments on account	Total
<u>Opening value</u>						
Historical cost	23,822	5,913	12,391	13,665	287	56,078
(Depreciation)	(6,258)	(4,251)	(9,530)	(11,360)		(31,399)
Revaluations	675		15	8		698
(Write-downs)	(246)			(160)		(406)
Exchange-rate differences	(165)		(25)	(81)	2	(269)
Total	17,828	1,662	2,851	2,072	289	24,702
<u>Increases</u>						
Investments	123	12	345	272	178	930
Depreciation reversal	7	40	112	134		293
Total	130	52	457	406	178	1,223
<u>Decreases</u>						
Disposals	(12)	(40)	(124)	(152)	(305)	(633)
Depreciation	(203)	(151)	(328)	(238)		(920)
Write-downs						-
Total	(215)	(191)	(452)	(390)	(305)	(1,553)
<u>Reclassifications and other changes</u>						
Positive reversal						-
(Negative reversal)						-
Changes in consolidation area						-
Exchange-rate differences	124		2	8	1	135
Closing value	17,867	1,523	2,858	2,096	163	24,507

The "Land and buildings" item equal to Euro 17,867 thousand is attributable to the Parent Company for Euro 8,696 thousand, to Datalogic UK for Euro 2,590 thousand, to Datasud for Euro 1,941 thousand, to the GMBH branch for Euro 1,707 thousand, to DL France for Euro 1,519 thousand, to Datalogic Holding AB for Euro 1,310 thousand and to the DL INC branch for Euro 103 thousand.

The increase in this item regards the Parent Company and essentially the heating/air conditioning system installed in the Quinto plant.

"Industrial and commercial equipment" has increased by Euro 345 thousand, mostly due to:

- the parent company's purchase of Euro 204 thousand in moulds and Euro 97 thousand in electronic instruments for the production area and the R&D laboratories;

"Other assets" have increased by Euro 272 thousand, mostly due to the parent company's purchase of Euro 45 thousand in electronic office machinery and Euro 68 thousand in new furnishings.

The decrease of Euro 152 thousand in this item was mainly caused by the Parent Company and particularly reflects the sale of a server for Euro 82 thousand.

As at 31 March 2004 the main components of "Other assets" were: office furniture and fittings (Euro 641 thousand), office machinery (Euro 1,033 thousand), motor vehicles (Euro 155 thousand) and trade-fair equipment (Euro 203 thousand).

The balance of the "Assets in process and payments on account" item is mainly attributable (Euro 154 thousand) to the Parent Company and consists of advance payments for equipment, instruments and moulds;

We also draw attention to the fact that in the past Datasud Srl has received capital grants of €2,056 thousand (received in three instalments: one in 1993 and two in 1997), that have been booked under Other Reserves, and interest subsidies totalling €1,756 thousand (issued in two instalments in 1995 and 1996).

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

- a special lien pursuant to article 46 of Italian Legislative Decree no. 385 dated 01.09.1993 of Euro 2,970 thousand on plant and machinery installed in the factory;
- a mortgage for the same amount over properties.

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

Pursuant to article 10 law no. 72/1983, we state the following tangible fixed assets entered in the balance sheet of the company as at 31/12/2003 on which monetary and economic revaluations were performed deviating from the civil-law accounting standards.

Revaluation amount	Law no. 576 02.12.75	Law no. 72 19.03.83	Law no. 413 30.12.91	Economic revaluation	Total
Land and buildings	34	137	144	361	676
Plant and machinery	-	-	-	-	-
Industrial and commercial equipment	5	10	-	-	15
Other assets	3	5	-	-	8
Total	41	152	144	361	698

The economic revaluation carried out in 1992 refers to one of the factories in which the company's business is carried on.

LONG-TERM FINANCIAL ASSETS**Shareholdings**

The changes in investments during the period are shown below:

	Balance as at 31/12/03	Increases	Difference in the exchange rate	Write-ups (Write-downs)	Change	Balance as at 31/03/04
a) Subsidiary companies						
- Valued on net equity basis:						
Minec Group	0				0	0
Total subsidiary companies	0	0	0	0	0	0
b) Associated companies						
- Valued on net equity basis:						
Izumi DL Co. Ltd	318	26	22			366
- Valued at cost						
DL PRIVATE India	8					8
Total associated companies	326	26	22	0	0	374
d) Other companies						
NOMISMA SpA Italy	7					7
Conai	0					0
Caaf Ind. Emilia Romagna Italy	4					4
Crit srl	51					51
Alien technologies		1,042				1,042
Total other companies	62	0	0	0	0	1,104

The change in Associated companies relative to 31 December 2003 is the result of valuing Izumi Datalogic Co. Ltd on a net equity basis.

The change compared to 31 December 2003 in the item "Shareholdings in other companies" reflects the purchase by the Holding, through a private international placement, of a minority stake (below 1%) in the American company "Alien Technology Corporation".

Financial receivables – long-term financial assets

The changes in the period are shown below:

	31/12/03	Increases	(Decreases)	31/04/2004
With subsidiary companies				
With associated companies				
With others	59		(11)	48
Total	59		(11)	48

The “Others” item mainly consists of tax credits of the Parent Company (Euro 17 thousand) for advance payment on deductions regarding severance indemnities including payments made during the year and the revaluation of the existing credit, as well as at a guarantee deposit made by the Parent Company for Euro 25 thousand.

Other securities

	31/12/03	Increases	(Decreases)	31/03/04
Securities as guarantee	2,856			2,856
(Write-down provision)				-
Total	2,856			2,856

The item mainly consists of securities held in guarantee of the loan existing with San Paolo IMI S.p.A. obtained by the Parent Company for applied research financing. portfolio securities of the Parent Company amount to Euro 2,849 thousand and consist for Euro 1,681 thousand of Government securities (BTP and CCT), for Euro 457 thousand of bank bonds and for Euro 711 thousand of bond funds.

A table summarising the “Other securities” item as at 31/03/2004 of the Parent Company is indicated below:

LISTED SECURITIES (in EURO)

Security type	purchasing value	quota value	nominal value	quota value as at 31/03/04	market value as at 31/03/04
Bond fund	443,045.30	5.931		6.67	498,547.35
Bond fund	134,950.19	5.284		6.37	162,762.59
Bond fund	132,936.01	5.762		7.06	162,859.30
	710,931.50				824,169.24

Security type	purchasing value	purchase price	nominal value	market price as at 31/03/04	market value as at 31/03/04
Bonds	40,560.00	100	40,560	100	40,560.00
Bonds	144,644.68	97.09	148,980	105.48	157,144.10
Government securities	811,364.03	100.71	805,740	100.17	807,013.56
Government securities	506,500.18	100.52	503,880	100.62	507,004.06
Government securities	362,808.00	100.78	360,000	100.62	362,232.00
	1,865,876.89		1,859,160.00		1,873,953.72

NON-LISTED SECURITIES (in EURO)

Security type	purchasing value	purchase price	nominal value	market price as at 31/03/04	market value as at 31/03/04
Bonds	272,220.00	100		100	272,220.00

Company's own shares

	31/12/03	Increases	(Decreases)	31/03/04
Datalogic S.p.A.'s shares	-	2,389	(462)	1,927
Total		2,389	(462)	1,927

During an Ordinary Shareholders Meeting held on 25 October 2001, the parent company's shareholders approved a buy-back plan for a maximum of 650,000 shares.

The parent company's Ordinary Shareholders Meeting held on 22 April 2004 voted to extend the buy-back plan to purchase up to 1,150,000 shares, to be implemented within the next ordinary meeting to be called to approve the 2004 financial statements or within 18 months from the date of the resolution. There were various, detailed reasons for proposing this plan to shareholders:

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

As at 31/03/2004 a total of 131,186 own shares had been bought back for a figure of Euro 1,927 thousand, corresponding to at an average unit price of Euro 14.69 thousand. The value of these shares at 31/03/2004 was Euro 1,931 thousand.

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

CURRENT ASSETS**Inventories**

The detailed breakdown of inventories is as follows:

	31/03/04	31/12/03	Change
1) Raw and ancillary materials and consumables	11,851	10,707	1,144
2) Work in process and semi-finished goods	2,743	2,143	600
3) Work to order in process			
4) Finished products and goods	10,315	9,442	873
5) Payments on account			
Total	24,909	22,292	2,617

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

Receivables

	31/03/04	31/12/03	Change	Due after 5 years
To customers				
For goods and services	34,471	33,071	1,400	
(Doubtful debt provision)	(721)	(850)	129	
Total	33,750	32,221	1,529	-
To associated companies				
Izumi Datalogic	454	482	(28)	-
Total	454	482	(28)	-
To parent companies				
Hydra Spa	6	-	6	-
Total	6	-	6	-
To others				
Tax authorities for VAT	4,351	6,774	(2,423)	
Other tax receivables	6,383	6,357	26	
Commercial paper	1,997	1,497	500	
Advances and pre-paid invoices from suppliers	327	526	(199)	
Tax credits on dividends	1,563	1,563	-	
Sundry receivables	329	611	(282)	
Total	14,950	17,328	(2,378)	-
Total receivables	49,160	50,031	(871)	-

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

"Tax authorities for VAT" item is mainly attributable to the Parent Company (Euro 4,037 thousand), the decrease compared to 31 December 2003 reflects the partial reimbursement of the VAT interannual credit by the Inland Revenue for Euro 3,180 thousand.

Other tax receivables - mainly relating to the parent company (Euro 2,858 thousand), Datasud Srl (Euro 905 thousand) and Datalogic Handelsgesellschaft (Euro 869 thousand) - refer to Euro 2,852 thousand in payments on account, Euro 138 thousand in taxes withheld on interest income, and Euro 3,376 thousand in deferred tax assets, of which Euro 1,178 thousand recoverable over the long term.

This amount is detailed below:

Due from the revenue for deferred taxes receivable	31/03/04	31/12/03	change
Datalogic Spa	924	924	-
Datasud	143	143	-
DL AB Holding	215	213	2
DL INC	144	139	5
EMS	11	8	3
DL UK	-	16	(16)
Total due from the revenue for short-term deferred taxes receivable	1,437	1,443	(6)
Handel	794	794	-
Bv	-	-	-
Pty	43	41	2
Uk	338	320	18
Datasud	3	3	-
Total due from the revenue for long-term deferred taxes receivable	1,178	1,158	20
Deferred taxes recorded due to the consolidation entries	761	761	-
Total due from the revenue for deferred taxes receivable	3,376	3,362	14

Receivables for commercial paper existing at the end of march 2004 (Euro 1,997 thousand) represent investments realised in order to optimise the utilisation of company liquid assets by the Parent Company.

Tax credits on dividends (equal to Euro 1,563 thousand) derives from the distribution of dividends by Datasud in 2003.

"Sundry receivables" item includes: Euro 110 thousand, attributable to the Parent company for the sale of Datalex, whose collection is expected at 31/12/2004.

The decrease in this item mainly reflects the use by Datasud of the INPS credit granted in 2003 after the flood.

Financial assets that do not consist of fixed assets

Own shares

	31/12/03	Increases	(Decreases)	31/03/04
Datalogic S.p.A. Shares	5,381	0	(5,381)	-
Total	5,381	0	(5,381)	0

The company's own shares reclassified by long-term investments as at 31/Dec/03 have been sold in the course of January and February 2004 causing capital gains for Euro 1,159 thousand, booked in the item "Financial proceeds from securities booked in the current assets different from stakes".

Other securities

	31/12/03	Increases	(Decreases)	31/03/04
Other securities	1,422	7,122	(2,007)	6,537
Total	1,422	7,122	(2,007)	6,537

The "Other securities" item, equal to Euro 6,537 thousand consists for Euro 1,843 thousand of monetary fund, for Euro 4,694 thousand of Government securities.

The movements of this item during the fiscal year are detailed below:

- increase by Euro 7,122 thousand detailed as follows:
 - for Euro 2,430 thousand of monetary funds;
 - for Euro 4,692 thousand of Government securities;
- decrease by Euro 2,007 thousand detailed as follows:
 - Euro 348 thousand for maturity of Government securities
 - Euro 1,659 thousand for fund discharge.

Security type	purchasing value	purchase price	nominal value	market price as at 31/03/04	market value as at 31/03/04
Fund	1,842,689.23	8.125	-	8.14	1,846,091.03
Treasury bills 15/06/04	497,305.00	99.461	500,000.00	99.622	498,110.00
Treasury bills 15/06/04	332,173.02	99.453	334,000.00	99.622	332,737.48
Treasury bills 15/06/04	165,091.98	99.453	166,000.00	99.622	165,372.52
Treasury bills 15/06/04	328,191.60	99.452	330,000.00	99.622	328,752.60
Treasury bills 15/06/04	497,265.00	99.453	500,000.00	99.622	498,110.00
Treasury bills 15/06/04	1,989,080.00	99.454	2,000,000.00	99.622	1,992,440.00
Treasury bills 15/06/04	497,340.00	99.468	500,000.00	99.622	498,110.00
Treasury bills 15/07/04	387,445.50	99.345	390,000.00	99.473	387,944.70

Cash and cash equivalents

	31/03/04	31/12/03	Change
1) bank and post office deposits	37,909	35,751	2,158
2) cheques	-	-	-
3) cash on hand	22	25	(3)
Total cash and cash equivalents	37,931	35,776	2,155

The important increase in this item is mainly caused by the VAT credit reimbursement cashed in March for a total amount of Euro 3,197 thousand (including interests accrued).

Accrued income and prepayments

	31/03/04	31/12/03	Change
a) Accrued income			
sundry interests receivable	205	3	202
Differences in the exchange rate	255	597	(342)
other	24	38	(14)
Total accrued income	484	638	(154)
b) Prepayments			
insurance	245	91	154
associate contributions	-	4	(4)
rentals and maintenance	145	185	(40)
leasing contracts	2	2	-
surety costs	74	100	(26)
fairs and sponsoring	33	40	(7)
substitute tax	417	417	-
other	205	112	93
Total prepayments	1,121	951	170
Total accrued income and prepayments	1,605	1,589	16

The "Differences in the exchange rate" item of the accrued income includes Euro 231 thousand generated by the adjustment at the end of period exchange rate of the financial operations and Euro 24 thousand generated from the calculation of the pertaining premium as at 31/03/04.

The most important item of the pre-paid expenses is represented by the substitute tax on the goodwill entered in the balance sheet of the Parent Company for Euro 417 thousand that pertains to the 1998-2007 fiscal years, since it is related to the amortisation period of the goodwill.

NET EQUITY

Changes in net equity during the period are shown below:

	Balance as at 31/12/02	Allocation of profits	Increase in share capital	Other movements	Profit(loss) for the period	Balance as at 31/03/04
Share capital	24,759					24,759
Share premium reserve	54,424					54,424
Revaluation reserves	258					258
Legal reserve	617					617
Own-shares reserve	5,381			(3,454)		1,927
Demerger capital reserve	4,439					4,439
Consolidation reserve	1,878					1,878
Translation reserve	(943)			358		(585)
Profits/losses from previous years	8,020	7,180		3,455		18,655
Profit (loss) for the period	7,180	(7,180)			3,960	3,960
Total	106,013	0	0	359	3,960	110,332
Minority interests	0					0
Minority interests in net equity	0					0
Total	106,013	0	0	359	3,960	110,332

The “Revaluation reserves” contain the revaluations of assets (equal to Euro 258 thousand) carried out according to the following laws:

- Law 413/91

- Law 72/83 (the so-called “Visentini” law).

The demerger capital reserve is the result of splitting of the Parent Company, occurred on 2 January 1998, in I.E.S. S.p.A (demerged company, now Datasensor) and Datalogic S.p.A. (beneficiary company).

The “Own-share reserve” was set up by the Parent Company, following the buy-back operations, as provided for by the Civil Code; and in compliance with the Law provision as at 31/03/04 this reserve was operated upon for an amount equal to the “Own shares” item.

At 31/03/2004 the share capital consists of:

Shares/quotas	Number	Nominal value in Euro	Total in Euro
Ordinary shares	11,903,500	2.08	24,759,280

The “Profits/losses from previous years” item includes the net equity changes of the consolidated companies occurred after the acquisition date apart from the effect of the consolidation procedures.

The relation between the net equity and the result of the Parent Company and the corresponding consolidated data is the following (the comparison with the previous period is shown):

	31 March 2004		31 December 2003	
	Total assets	Operating result	Total assets	Operating result
Net equity and profit	100,843	2,125	98,718	4,913
Differences between the net equity of the consolidated shareholdings and their value in the balance sheet of the Parent Company and equity method valuation effect	11,941	1,876	9,711	5,818
Dividend reversal	0	0	0	(3,373)
Consolidation difference amortisation	(280)	(41)	(239)	(161)
Cancellation of capital gains from transfer of company branch	(255)	18	(278)	(276)
Effect on cancellations of relations within the group	16	(2)	18	(7)
Writing off of profits within the group	(2,745)	(9)	(2,736)	441
Effect of leasing registration	(16)	(7)	(9)	(93)
Deferred taxes	828	0	828	(82)
Group net equity	110,332	3,960	106,013	7,180
Minority interests in net equity	0		0	
Total net equity	110,332	3,960	106,013	7,180

PROVISIONS FOR RISKS AND CHARGES

	31/12/03	Increases (Utilisation)	Difference in the exchange rate	31/03/04
Retirement benefits and similar obligations	-			-
Taxes	216		(5)	211
Other funds	761	21	(6)	776
Total provisions for risks and charges	977	21	(11)	987

The tax fund consists mainly:

- of Euro 20 thousand for deferred taxes deriving from consolidation entries,
- of Euro 53 thousand for deferred taxes appropriated by the subsidiary Datalogic GmbH against the different amortisation charges used for the consolidated,
- of Euro 132 thousand for deferred taxes relating to the Datalogic AB company.

The other provisions for risks and charges are as follows:

	31/03/04	31/12/03	Change
Product guarantee fund	740	727	13
Legal dispute fund	17	17	-
Other	19	17	2
Total	776	761	15

The product guarantee fund represents the estimate of the costs to be borne for servicing intervention on the sold products covered by periodical guarantee; it amounts to Euro 740 thousand and is considered suited for facing the specific risk to which it refers.

EMPLOYEES' TERMINATION INDEMNITY

Changes during the period are shown below:

	31/12/03	Provision	(Utilisation)	31/03/04
Employees' termination indemnity	4,970	293	(90)	5,173

The utilisation is attributable to the Parent Company for Euro 73 thousand, including Euro 23 thousand for advances and Euro 50 thousand for resignation.

Employees detailed by category

	31/03/04	31/12/03
Executives	30	30
Managers	73	70
Employees	555	526
Workers	125	149
TOTAL	783	775

PAYABLES**Due to banks**

Due to banks are broken down as follows:

	within 12 months	over 12 months	over 5 years	Total
Due to banks				
ordinary current accounts	688			688
bank financing and loans	683	1.920	183	2.786
Total	1.371	1.920	183	3.474

The "Ordinary current accounts" item includes Euro 485 thousand pertaining to the Parent Company and Euro 203 thousand pertaining to Datasud.

Due to other financial institutions

	within 12 months	over 12 months	over 5 years	Total
<i>due to other financial institutions</i>				
San Paolo IMI Spa	1,324	1,773	625	3,722
Other financing bodies	70	322	658	1,050
Total	1,394	2,095	1,283	4,772

Due to other financial institutions mainly refers to a loan disbursed by San Paolo I.M.I. Spa to Datasud S.r.l. and to the Parent Company, and to a loan received from Datalogic UK LTD and rescheduled in the year 2000 with the Barclays bank.

In particular, we point out that in the month of March the Parent Company issued two new portions of the L.46 Murst financing operation, for a total amount of Euro 179 thousand.

Tax payables

The "Tax payables" item includes only liabilities for certain and measurable taxes, since the liabilities for potential or uncertain taxes in the amount or on the date they arise, or for deferred taxes, are stated under the Item B.2 on the debit side (Tax fund). At 31 March 2004, tax payables amount to Euro 8,446 thousand and are attributable for Euro 4,894 thousand to the Parent Company. The breakdown of the main items is set below:

Euro 2,142 thousand for IRPEG (Corporate income tax);

Euro 1,013 007 thousand for IRAP (Regional tax on productive assets);

Euro 1,080 thousand for personal income tax (IRPEF) withheld from employees;

Euro 652 thousand for VAT;

Euro 13 thousand for withholding taxes for professionals and suppliers of services.

Other important tax payables were recorded in Datasud for Euro 1,724 thousand, Datalogic GMBH for Euro 761 thousand, Datalogic UK for Euro 349 thousand and Datalogic France for Euro 219 thousand.

Other payables

Other payables	31/03/04	31/12/03	Change
due to personnel	3,923	4,339	(416)
directors' fee	125	475	(350)
insurance	163	69	94
sundry payables	2,218	328	1,890
Total	6,429	5,211	1,218

Due to personnel represents salaries and holidays due to the personnel at the balance sheet date.

The increase in "Sundry payables" mainly reflects the purchase of a company branch by the Parent Company (for Euro 1,900 thousand), an operation that will be concluded in the course of the second quarter.

ACCRUED LIABILITIES AND DEFERRED INCOME

	31/03/04	31/12/03	Change
a) accrued liabilities			
interests payable on mortgages	67	10	57
consultancy	60	61	(1)
bonus and commissions			-
other	67	144	(77)
Total accrued liabilities	194	215	(21)
b) deferred income			
maintenance contracts	232	9	223
transactions within the group	78	46	32
Extended guarantee	367	311	56
other	92	35	57
Total deferred income	769	401	368
Total accrued liabilities and deferred income	963	616	347

The increase of the Deferred income defined as "maintenance contracts", equalling Euro 177 thousand, is mainly attributable to the DL UK company following the suspension of the portion of revenues not accrued in the year of maintenance contracts signed with customers.

The "Transactions within the group" item refers to the cancellation of the stock margin for the Izumi company that is valued using the net equity method.

D) INFORMATION ON THE PROFIT AND LOSS ACCOUNT

VALUE OF PRODUCTION

	31/03/04	31/03/03	Change
Revenues from sales and services	32,307	30,906	1,401
Changes in inventories of products in progress, semi-finished and finished products	1,161	1,238	(77)
Increases of fixed assets for internal works	30	25	5
Sundry revenues	403	252	151
Operating grants	103	0	103
Total value of production	34,004	32,421	1,583

Revenues from sales and services are 4.5% higher than in the corresponding period of last year. For further details, refer to the comments contained under paragraph "Revenue trend and key factors that have affected the management of the fiscal year" included in the Report on the management.

The "Sundry revenues" item consists mainly of the following:

Euro 79 thousand for rentals;

Euro 134 thousand for contingent and non-existent assets;

Euro 52 thousand of other sundry income and revenues;

Euro 26 thousand for capital gains on transfers of assets;

Euro 15 thousand for recovery of canteen refund.

Operating grants refer for Euro 90 thousand to contributions granted by the Ministry of University and Scientific Research (MURST) for research and development projects and for Euro 13 thousand to employment bonus ex. Law 388/00 art. 7.

Breakdown of revenues by geographic area, in percentage:

	31/03/04	31/03/03	Change
Revenues Italy	16%	14%	2%
Foreign Revenues – EU	62%	56%	6%
Foreign Revenues - outside the EU	22%	30%	-8%

The increase of the EU sales percentage is mainly attributable to the important increase in revenues in Germany (+19%) and in the United Kingdom (+16%).

COST OF PRODUCTION

	31/03/04	31/03/03	Change
Costs for raw materials, stock, consumables and goods	14,119	15,574	(1,455)
for services	5,309	4,800	509
for the use of third party assets	611	571	40
for personnel:			-
wages and salaries	7,713	7,504	209
social security contributions	1,922	1,724	198
Termination indemnity	293	263	30
Retirement benefits and similar obligations	35		35
Other costs	195	340	(145)
<i>Total personnel costs</i>	10,158	9,831	327
Amortisation/depreciation and write-off/write-down:			
amortisation of intangible fixed assets	751	784	(33)
depreciation of tangible fixed assets	920	890	30
Write-downs of receivables included in current assets	28	49	(21)
<i>total amortisation/depreciation and write-off/write-down</i>	1,699	1,723	(24)
changes in inventories of raw materials, stock, consumables and goods	(1,289)	(3,252)	1,963
provisions for risks	21	27	(6)
other provisions			-
other operating expenses	299	330	(31)
Total cost of production	30,927	29,604	1,323

The decrease in the item "Costs for raw materials, stock, consumables and goods" (- 9%) is in line with raw material and goods stock reduction activities carried out in the warehouse, which, in the first quarter of the year, led to a smaller increase compared to the same period of the previous year (Euro 1,289 thousand compared to Euro 3,252 thousand). If we compare the sum of the items "Costs for raw materials, stock, consumables and goods" and "Inventories", as at 31/03/04, the resulting 5% increase compared to the same sum of items as at 31/Mar/03 is in line with the increase in the item "Revenues from sales and services".

The increase in personnel cost is mainly attributable to the increase in the average number of employees observed by the Parent Company (+26 units) compared with the first quarter of 2003.

The breakdown of costs for services is set below:

	31/03/04	31/03/03	Change
external works	722	785	(63)
reception and shipment of goods	440	371	69
technical, legal and fiscal consultancy	369	382	(13)
trips and stays	438	512	(74)
power, lighting and heating	159	156	3
maintenance operations	192	125	67
repairs and technical interventions	370	297	73
fairs, advertising and agency	606	479	127
commissions	15	56	(41)
corporate body fees	262	274	(12)
services for personnel	228	135	93
meeting	496	308	188
telephone and postal	208	229	(21)
EDP services	115	99	16
costs for cars	50	20	30
cleaning costs	85	75	10
insurance	136	116	20
other	418	381	37
Total	5,309	4,800	509

The increase of the “reception and shipment of goods” item is mainly due to the increase in direct sales.

The decrease in the “Trips and stays” item for Euro 74 thousand includes Euro 52 thousand regarding the Parent Company.

The increase in the “Fairs, advertising and agency” item (for Euro 127 thousand) compared to the previous period reflects expenses sustained by GMBH and UK in the course of the first quarter 2004 for participating in trade fairs that had not been considered the previous year, and an increase in advertising investments by the Group.

The corporate body fees item includes the directors' fees for Euro 243 thousand and the auditors' fees for Euro 19 thousand.

The breakdown of the costs for the use of third party assets is as follows:

	31/03/04	31/03/03	Change
rental of real assets	265	258	7
rental of other assets	236	183	53
leasing instalments	-	30	(30)
maintenance of third-party assets	6	11	(5)
royalties payable	77	63	14
Other	27	26	1
Total	611	571	40

The breakdown of the other operating expenses is the following:

	31/03/04	31/03/03	Change
non-income taxes	58	58	-
car duties	5	7	(2)
loss on credits	-	2	(2)
non-deductible sundry costs	-	-	-
costs with recourse towards third parties	40	1	39
membership fees	66	95	(29)
sponsoring and advertising	37	26	11
gifts/donations	29	1	28
contingent liabilities	4	38	(34)
capital losses on ordinary assets	25	-	25
other	35	102	(68)
Total	299	330	(32)

Financial income and charges**Other financial income**

This item is analysed as follows:

	31/03/04	31/03/03	Change
a) Income booked in fixed assets	5	-	5
b) Securities booked in non-current assets not consisting in equity investments	11	17	(6)
c) Securities booked in current assets not consisting in equity investments:	1,175	15	1,160
d) Income other than above			-
- subsidiary companies	-	-	-
associated companies	-	-	-
- others	593	728	(135)
Total	1,784	760	1,019

The increase in the item "Income from securities booked in current assets not consisting in equity investments" reflects the proceed cashed in by the Parent Company (Euro 1,175 thousand) for the sale of 517,207 company's own shares, 484,420 of which, as at 31 December 2003, were booked in the current assets.

Item d) "Income other than above" is further detailed below:

	31/03/04	31/03/03	Change
bank current account interests	160	177	(17)
positive differences in the exchange rate	425	515	(90)

interests receivable on commercial paper	7	36	(29)
other	1	-	1
total income other than the above	593	728	(135)

The “Positive differences in the exchange rate” item is attributable to the Parent Company for Euro 348 thousand and consists of:

- Euro 245 thousand for positive differences in the rate of exchange relating to transactions including Euro 131 thousand for adjustment to the period-end exchange rate.
- Euro 90 thousand for positive differences in the rate of exchange relating to currency loans and current accounts including Euro 89 thousand for adjustment to the period-end exchange rate.
- Euro 13 thousand relating to financial operations, including Euro 11 thousand created by the calculation of the pertaining premium as at 31/03/04.

Interests and other financial costs

	31/03/04	31/03/03	Change
- to subsidiary companies			
- to associated companies			
- to parent companies			
- to others			
bank current account interests/financing	59	70	(11)
negative differences in the exchange rate	431	511	(80)
interests on loans from other financing institutions	42	82	(40)
contributions for operating expenses	(58)	(58)	-
other	69	53	16
Total interests and financial costs	543	658	(115)

The “Negative differences in the exchange rate” item is attributable to the Parent Company for Euro 322 thousand and it consists of:

- Euro 66 thousand for negative differences in the exchange rate relating to transactions including Euro 18 thousand for adjustment to the period-end exchange rate.

- Euro 33 thousand for negative differences in the exchange rate relating to currency loans and current accounts, including Euro 20 thousand for adjustment to the period-end exchange rate.
- Euro 223 thousand relating to financial operations, including Euro 171 thousand created by the adjustment to the year-end exchange rate of the forward cover transactions net of adjustments as at 31/12/03.

Value adjustment of financial assets

The revaluation refers to the valuation based on the net equity method of Izumi Datalogic Co. LTD

Extraordinary income and charges

	31/03/04	31/03/03	Change
20) income			
a) capital gains from transfers	-	-	-
b) other extraordinary income			-
contingent assets	25	20	5
other		20	(20)
	-		
Total income	25	40	(15)
21) charges			
a) capital losses on transfers			
other	-	-	-
b) other extraordinary charges			
contingent liabilities	95	123	(28)
tax amnesty		244	(244)
	-		
Previous years' taxes	303		303
		-	
other	11	9	2
Total charges	409	376	33

The item "Previous years' taxes" reflect Euro 277 thousand paid to Datalogic GMBH for wrong calculations made and Euro 76 thousand paid to the Parent Company for the effect of the change (published on 1 April) of the ordinary remuneration coefficient for the enforcement of the DIT on 2003 income, which has passed from 5.7% to 5%.

Chairman of the Board of Directors

Romano Volta

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	31-mar-04 Euro/000	in 31-dic-03 in Euro/000	31-mar-03 in Euro/000
A) SUBSCRIBED CAPITAL UNPAID			
1) Part called up			
2) Part not called up			
Total subscribed capital unpaid (A)			
B) FIXED ASSETS			
I - Intangible fixed assets:			
1) Start up and expansion costs	1	2	2
2) Research & Development and advertising costs	-	-	-
3) Industrial patent rights and rights for use of intellectual properties	3.167	3.425	4.168
4) Concessions, licenses, trademarks and similar rights	14	16	65
5) Goodwill	3.119	3.380	4.163
6) Consolidation difference	1.353	1.394	1.558
7) Intangible Assets in progress and advances	156	980	56
8) Other intangible assets	1.206	385	529
Total intangible fixed assets (I)	9.016	9.582	10.541
II - Tangible fixed assets:			
1) Land and buildings	17.867	17.828	18.380
2) Plant and machinery	1.523	1.662	1.381
3) Industrial and commercial equipment	2.858	2.851	2.350
4) Other tangible fixed assets	2.096	2.072	2.350
5) Assets in progress and advances	163	289	100
Total tangible fixed assets (II)	24.507	24.702	24.561
III - Long term financial assets:			
1) Investments in:			
a) Subsidiaries valued on the net equity basis		-	
b) Associated companies valued on the net equity basis	374	326	303
c) Parent companies			
d) Other companies	1.104	62	62
2) Accounts receivable from:			
a) Subsidiaries			
within 12 months			
after 12 months			
Total accounts receivable from subsidiaries (a)	-	-	-
b) Associated companies			
within 12 months			
after 12 months			
Total accounts receivable from associated companies (b)	-	-	-
c) Parent companies			
within 12 months			
after 12 months			
Total accounts receivable from parent companies (c)			
d) Other companies			
within 12 months			
after 12 months	48	59	77
Total accounts receivable from other companies (d)	48	59	77
3) Other securities:	2.856	2.856	2.466
4) Own shares	1.927	-	5.919
Total long term financial assets (III)	6.309	3.303	8.827
Total fixed assets (B= I + II + III)	39.832	37.587	43.929

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	31-mar-04 Euro/000	in 31-dic-03 in Euro/000	31-mar-03 in Euro/000
C) CURRENT ASSETS			
I - Inventories:			
1) Raw and auxiliary materials, and consumables	11.851	10.707	12.802
2) Work in progress and semifinished goods	2.743	2.143	2.835
3) Work to order in progress			-
4) Finished goods and goods for resale	10.315	9.442	10.649
5) Payments on account			
Total inventories (I)	24.909	22.292	26.286
II - Accounts receivable:			
1) From customers within 12 months	33.750	32.221	31.601
after 12 months	-	-	-
Total accounts receivable from customers (1)	33.750	32.221	31.601
2) From subsidiaries within 12 months		-	-
after 12 months			
Total accounts receivable from subsidiaries (2)	-	-	-
3) From associated companies within 12 months	454	482	290
after 12 months			
Total accounts receivable from associated companies (3)	454	482	290
4) From parent companies within 12 months	6		6
after 12 months			
Total accounts receivable from parent companies (4)	6	-	6
5) From others within 12 months	13.732	16.128	14.534
after 12 months	1.218	1.200	1.125
Total accounts receivable from others (5)	14.950	17.328	15.659
Totale accounts receivable (II)	49.160	50.031	47.556
III - Current Financial assets			
1) Investments in subsidiaries			
2) Investments in associated companies			
3) Investments in parent companies			
4) Other investments			
5) Own shares	-	5.381	
6) Other securities	6.537	1.422	4.000
Total current financial assets (III)	6.537	6.803	4.000
IV - Bank deposit and cash on hand			
1) Bank and postal deposits	37.909	35.751	29.360
2) Cheques			4
3) Cash and cash equivalent	22	25	22
Total bank deposit and cash on hand (IV)	37.931	35.776	29.386
Total current assets (C = I + II + III + IV)	118.537	114.902	107.228
D) ACCRUED INCOME AND PREPAYMENTS			
a) Accrued income	484	638	534
b) Prepayments	1.121	951	1.190
c) Discounts on loans			
Total accrued income and prepayments (D)	1.605	1.589	1.724
TOTAL ASSETS (A + B+ C+ D)	159.974	154.078	152.881

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY	31-mar-04 in Euro/000	31-dic-03 in Euro/000	31-mar-03 in Euro/000
A) NET EQUITY			
<i>I Share Capital</i>	24.759	24.759	24.759
<i>II Share premium reserve</i>	54.424	54.424	54.424
<i>III Revaluation reserves</i>	258	258	258
<i>IV Legal reserve</i>	617	617	464
<i>V Own-share reserve</i>	1.927	5.381	5.919
<i>VI Statutory reserves</i>	0	0	0
<i>VII Demerger capital reserve</i>	4.439	4.439	4.439
<i>VIII Other reserves</i>			
<i>IX Consolidation reserve</i>	1.878	1.878	1.878
<i>X Translation reserve/(loss)</i>	-585	(943)	(360)
<i>XI Retained earnings/(losses) carried forward</i>	18.655	8.020	9.641
<i>XIII Net profit/(loss) for the year</i>	3.960	7.180	3.026
	110.332	106.013	104.448
Net equity pertaining to minorities	0	0	226
Total net equity (A)	110.332	106.013	104.674
B) PROVISIONS FOR RISKS AND CHARGES:			
1) Provision for retirement benefits and similar obligations	0	0	11
2) Provision for taxation	211	216	197
3) Others	776	761	718
Total provisions for risks and charges (B = 1 + 2+ 3)	987	977	926
C) Employees' severance indemnity provision	5.173	4.970	4.334
D) PAYABLES			
1) Debentures			
within 12 months			
after 12 months			
Total debentures (1)	0	-	-
2) Convertible bonds			
within 12 months			
after 12 months			
Total convertible bonds (2)	0	-	-
3) Bank borrowing			
within 12 months	1.371	682	633
after 12 months	2.103	2.177	2.771
Total bank borrowing (3)	3.474	2.859	3.404
4) Accounts payable to other financial institutions			
within 12 months	1.394	1.372	1.182
after 12 months	3.378	3.147	3.970
Total accounts payable to other financial institutions (4)	4.772	4.519	5.152
5) Advances received			
within 12 months	155	125	19
after 12 months			-
Total advances received (5)	155	125	19
6) Trade payables			
within 12 months	17.746	19.437	21.404
after 12 months			
Total trade payables (6)	17.746	19.437	21.404
7) Bill payable			
within 12 months			-
after 12 months			-
Total bill payable (7)		-	-

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY		31-mar-04 in Euro/000	31-dic-03 in Euro/000	31-mar-03 in Euro/000
8) Accounts payable to subsidiaries				
	within 12 months		1	-
	after 12 months			-
	Total accounts payable to subsidiaries (8)	-	1	-
9) Accounts payable to associated companies				
	within 12 months			
	after 12 months			
	Total accounts payable to associated companies (9)	-	-	-
10) Accounts payable to parent companies				
	within 12 months	1		
	after 12 months			-
	Total accounts payable to parent companies (10)	1	-	-
11) Tax authorities payable				
	within 12 months	8.446	7.273	6.041
	after 12 months			183
	Total tax authorities payable (11)	8.446	7.273	6.224
12) Social security institutions payable				
	within 12 months	1.496	2.077	1.174
	after 12 months			
	Total social security institutions payable (12)	1.496	2.077	1.174
13) Other payables				
	within 12 months	6.356	5.146	3.808
	after 12 months	73	65	36
	Total other payables (13)	6.429	5.211	3.844
Total accounts payable (D)		42.519	41.502	41.221
E) ACCRUED EXPENSES AND DEFERRED INCOME				
a) Accrued expenses		194	215	571
b) Deferred income		769	401	1.155
c) Premium on loans				
Total accrued expenses and deferred income (E)		963	616	1.726
TOTAL LIABILITIES AND EQUITY (A+B+C+D+E)		159.974	154.078	152.881

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31-mar-04 Euro/000	in 31-dic-03 Euro/000	in 31-mar-03 in Euro/000
A) PRODUCTION VALUE:			
1) Revenues from sales and services	32.307	130.071	30.906
2) Changes in inventories of work in progress, semifinished and finished goods	1.161	(441)	1.238
3) Changes in contract work in progress			
4) Increases in fixed assets from internal work	30	266	25
5) Other revenue and income			
a) Sundry revenues	403	899	252
b) Income from grants	103	538	-
Total other revenue and income(5)	506	1.437	252
Total production value(A)	34.004	131.333	32.421
B) PRODUCTION COSTS:			
6) Raw and auxiliary materials, consumables and goods for resale	14.119	52.041	15.574
7) Services	5.309	19.675	4.800
8) Use of third parties asset	611	2.599	571
9) Personnel costs:			
a) Salaries and wages	7.713	30.189	7.504
b) Social contributions	1.922	7.187	1.724
c) Employees' severance indemnity	293	1.076	263
d) Provision for retirement benefits and similar costs	35	123	
e) Other personnel costs	195	795	340
Total personnel costs (9)	10.158	39.370	9.831
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets	751	3.352	784
b) Depreciation of tangible fixed assets	920	3.936	890
c) Other write-downs of fixed assets		19	
d) Write-downs of receivables entered in current assets and in cash at bank and on hand	28	447	49
Total amortisation, depreciation and write-downs (10)	1.699	7.754	1.723
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	(1.289)	(2.170)	(3.252)
12) Risk provisions	21	197	27
13) Other provisions			
14) Sundry operating costs	299	987	330
Total production costs (B)	30.927	120.453	29.604
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)	3.077	10.880	2.817
C) FINANCIAL INCOME AND CHARGES:			
15) Income from investments in:			
a) Subsidiaries			
b) Associated companies			
c) Other companies			438
Total income from investments (15)	-	-	438
16) Other financial income from:			
a) Receivables entered in long term financial assets from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Others	5	14	
Total (a)	5	14	-
b) Securities entered in long term financial assets that are not investments	11	318	17
c) Securities entered in current assets that are not investments	1.175	101	15
d) Income other than the above from:			
- Subsidiaries			

CONSOLIDATED PROFIT & LOSS ACCOUNTS

	31-mar-04 Euro/000	in 31-dic-03 Euro/000	in 31-mar-03 in Euro/000
- Associated companies			
- Parent companies			
- Other companies	593	3.038	728
Total (d)	593	3.038	728
Total other financial income (16)	1.784	3.471	760
17) Interest and other financial costs from:			
- Subsidiaries			
- Associated companies			
- Parent companies			
- Others	543	2.586	658
Total interest and other financial costs (17)	543	2.586	658
Total financial income and charges (15+16-17)	1.241	885	540
D) ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS:			
18) Revaluation of:			
a) investments	26	82	45
b) long term financial assets that are not investments			
c) Securities entered in current assets that are not investments			
Total revaluations (18)	26	82	45
19) Write-downs of:			
a) investments			
b) long term financial assets that are not investments			
c) Securities entered in current assets that are not equity investments			
Total write-downs (19)	-	-	-
Net adjustment to the value of financial assets (D =18-19)	26	82	45
E) EXTRAORDINARY INCOME AND CHARGES:			
20) Extraordinary income			
a) Capital gains on disposals of fixed assets			
b) Other extraordinary income	25	227	40
Total extraordinary income (20)	25	227	40
21) Extraordinary charges			
a) Capital losses on disposals of fixed assets			
b) Other extraordinary charges	409	1.746	376
Total extraordinary charges (21)	409	1.746	376
Total extraordinary income/(charges) (20-21)	(384)	(1.519)	(336)
PROFIT/(LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	3.960	10.328	3.066
22) Current income taxes		(3.768)	
Deferred taxes		620	
PROFIT/(LOSS) FOR THE YEAR	3.960	7.180	3.066
Profit/(Loss) pertaining to minorities			(40)
NET PROFIT/(LOSS) FOR THE YEAR	3.960	7.180	3.026

The President of the Board of Directors
(Romano Volta)

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

	<i>31-mar-04 in Euro/000</i>	<i>31-dic-03 in Euro/000</i>
NET SHORT TERM FINANCIAL POSITION AT THE BEGINNING OF THE YEAR	42.022	33.802
NET PROFIT/(LOSS) FOR THE YEAR	3.960	7.180
Amortisation and depreciation	1.671	7.288
Increase of the provision for employees' severance indemnity	293	1.076
Revaluations/write-downs of financial assets	-26	-82
CASH FLOW FROM CURRENT OPERATIONS	5.898	15.462
Effect of changes in operating assets and liabilities		
Trade receivables	-1.507	71
Inventories	-2.617	-1.019
Other current assets	2.880	-5.846
Other long term assets	-7	-32
Trade payables	-1.661	2.696
Tax payables	1.173	1.901
Other current liabilities	976	477
Other long term liabilities	8	32
Provisions for risks and charges	10	81
Decrease of the provision for employees' severance indemnity	-90	-323
Changes in operating assets and liabilities	-835	-1.962
CASH FLOW FROM OPERATING ACTIVITIES	5.063	13.500
Effect of changes in investment activities		
(Increase)/decrease in intangible fixed assets	-185	-1.741
(Increase)/decrease in tangible fixed assets	-725	-3.575
(Increase)/decrease in long term financial assets	-1.927	4.535
CASH FLOW FROM INVESTMENT ACTIVITIES	-2.837	-781
Effect of changes in financial activities		
Change in long term financial position	157	-2.446
Change in net equity pertaining to minorities	0	-429
Impact of exchange-rate changes on foreign companies' consolidation	359	-930
Other net equity changes	0	-453
Dividend distribution	0	-1.698
Change in unconsolidated investments	-1.064	1.457
CASH FLOW FROM FINANCIAL ACTIVITIES	-548	-4.499
CHANGE IN NET FINANCIAL POSITION	1.678	8.220
NET SHORT TERM FINANCIAL POSITION AT YEAR-END	43.700	42.022