



Consolidated Financial

Report at

March 31st, 2005



DATALOGIC GROUP

Consolidated financial statements and report for the first quarter of 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 CONSOLIDATED QUARTERLY REPORT AS AT MARCH 31st 2005

To Our Shareholders

A) INFORMATION ON PERFORMANCE

The quarterly report for the quarter ending on March 31st 2005, that we herewith submit to you for review, has been prepared in compliance with the requirements indicated in the instructions accompanying the Nuovo Mercato (New Market) Regulation.

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.

In the first 3 months of the year (1Q05), the **Datalogic Group achieved revenues of € 36,618 thousand (of which € 35,072 thousand from sales of products and € 1,546 thousand from services), with growth of some +13% over the same period in previous year** (revenues in 1Q04 = € 32,409 thousand).

The following table summarises the Datalogic Group's key operating and financial highlights in 1Q05 (i.e. as up to March 31st 2005) comparing them with 1Q04:

Datalogic Group	1Q05	1Q04	YoY Change	
	€ '000	€ '000	€ '000	%
Total revenues	36,618	32,409	4,209	13.0%
EBITDA	6,124	4,782	1,342	28.1%
<i>% on total revenues</i>	16.7%	14.8%		
EBT (earnings before tax)	4,687	3,545	1,142	32.2%
<i>% on total revenues</i>	12.8%	10.9%		
Net financial position (NFP) (*)	24,929	41,462	-16,533	-39.9%

(*) NFP is shown net of the debt of Informatics Inc. (amounting to € 9,256 thousand), acquired in March and not consolidated in 1Q05.

We point out that earnings for the period are shown before tax and before depreciation and provisions stemming solely from application of tax regulations.

EBITDA, i.e. earnings calculated before depreciation & amortisation, amounted to €6,124 thousand, with a 16.7% margin on total revenues. There was an outright increase over 1Q04 of €1,342 thousand (+28.1% vs. €4,782 thousand as up to March 31st 2004).

The following table shows the main EBITDA components and the comparison with 1Q04.

	1Q05		1Q04		YoY Change	
					Amount	%
Total revenues	36,618	100.0%	32,409	100.0%	4,209	13.0%
Cost of goods sold and operating costs	-30,494	-83.3%	-27,627	-85.2%	-2,867	10.4%
EBITDA	6,124	16.7%	4,782	14.8%	1,342	28.1%
Depreciation of tangible fixed assets	-903	-2.5%	-820	-2.5%	-83	10.1%
Amortisation of intangible fixed assets	-873	-2.4%	-544	-1.7%	-329	60.5%
EBIT	4,348	11.9%	3,418	10.5%	930	27.2%
Net financial income/(costs) and income from associated companies	339	0.9%	127	0.4%	212	166.9%
EBT	4,687	12.8%	3,545	10.9%	1,142	32.2%
Income tax	-1,851	-5.1%				
NET PROFIT	2,836	7.7%				

(*) 1Q04 data have been reclassified in order to make them comparable with 1Q05 results, which have been calculated according to IAS/IFRS.

(1) Income tax has been calculated only for 1Q05 and therefore comparison with 1Q04 net profit is not available.

EBIT amounted to €4,348 thousand (11.9% on revenues), with a +27.2% increase over the result achieved in 1Q04.

As up to March 31st 2005 earnings before tax for the period amounted to €4,687 thousand, up by +32.2% over the same quarter in 2004.

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

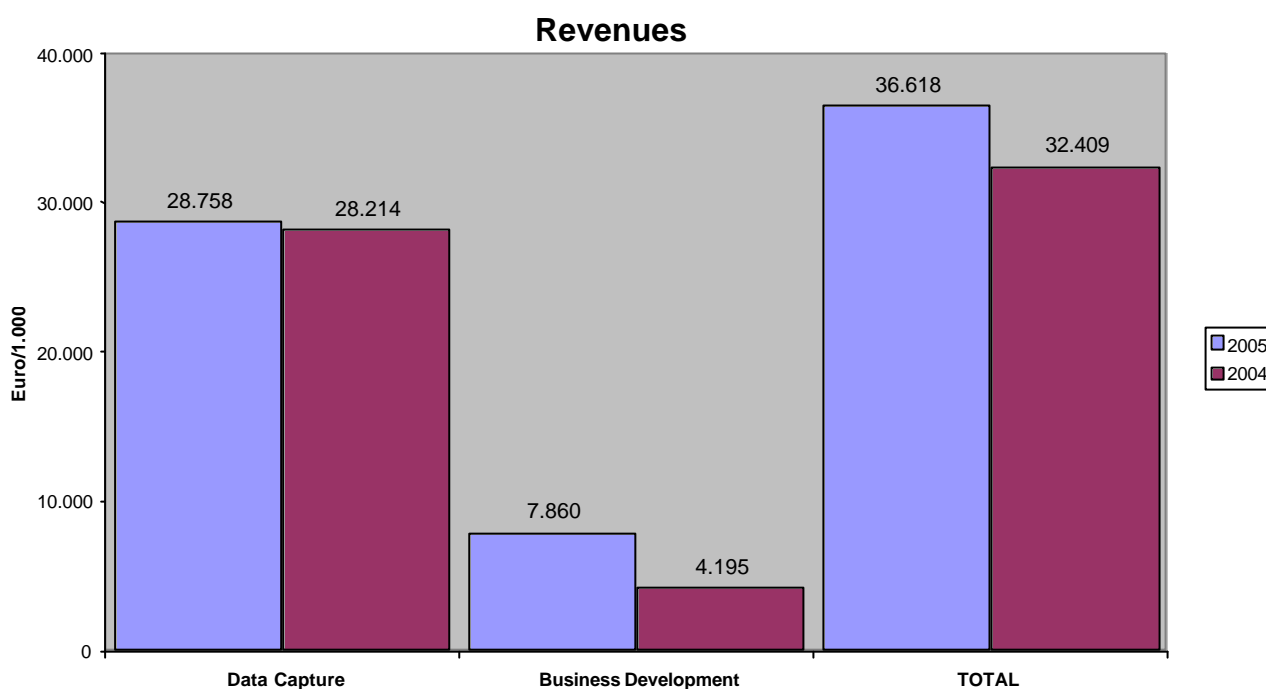
IMPACT ON P&L AS AT 31/03/2005 OF EURO APPRECIATION VS. USD	TOTAL REVENUES	COSTS OF GOODS SOLD & TOTAL OPERATING COSTS	EBIT	NET FINANCIAL INCOME/(COSTS)	EBT
	€ '000	€ '000	€ '000	€ '000	€ '000
Effect of conversion into euro of accounts of the group's US companies (translation effect) (1)	-289	175	-114	1	-113
Effect of conversion into euro of Italian companies' USD sales/costs (1)	-83	100	17		17
Effect of hedging operations and exchange-rate alignment			0	154	154
TOTAL IMPACT	-372	275	-97	155	58

(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, 1Q05 revenues would have been € 372 thousand higher (+1% vs. reported revenues) and EBT € 58 thousand lower (-1.2% vs. reported EBT) and therefore substantially the same as reported figures.

REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS IN THE FIRST QUARTER

The table below highlights sales revenue by product category reported in 1Q05 and the comparison with 1Q04.



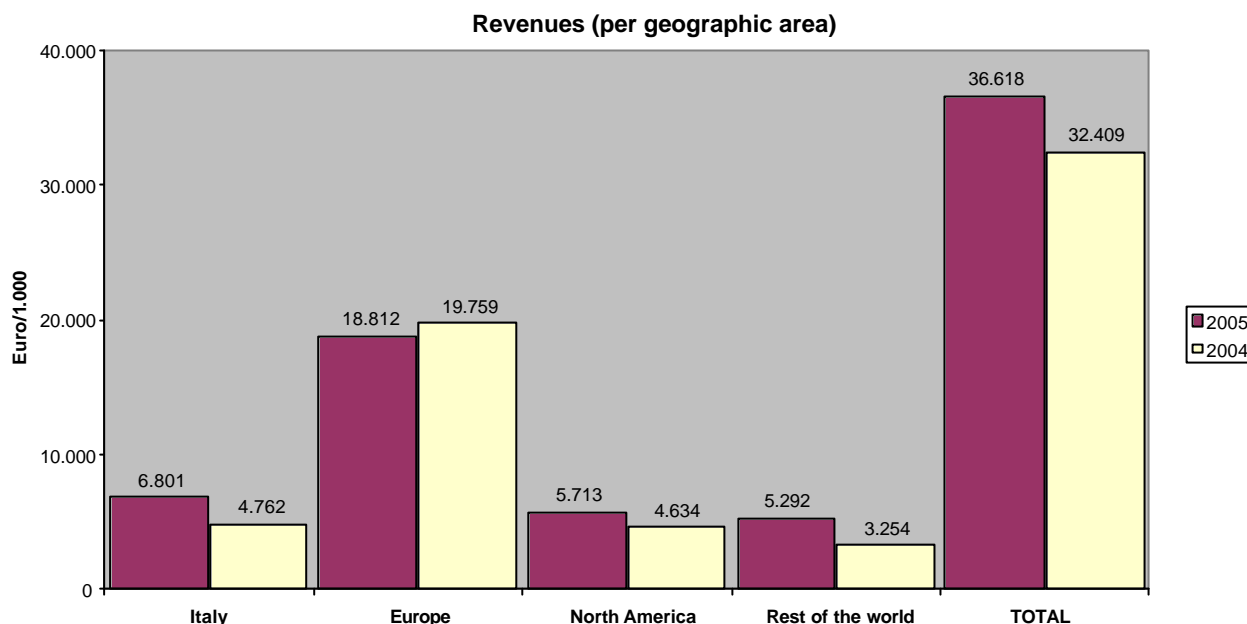
Due to reorganisation of group activities, classification of revenues is different to that used in the previous report. The segmentation is now between “Data Capture” (which comprises HHR (hand-held readers, USS (unattended scanning systems) and MC or mobile computers) and “Business Development” (which includes RFID (radio-frequency identification devices), ShopEvolution (Datalogic’s self-scanning solution), and industrial marking products – which pertain to Laservall, a company acquired in the 2nd half of 2004).

The Data Capture division reported revenues of € 28,758 thousand, with an increase of about 2% vs. 1Q04. This result reflected a general slowdown of business in the European market, which in 1Q05 shrank by some –5% vs. 1Q04. One of the facts undoubtedly influencing this performance was reorganisation of the Group’s two business areas, which led to numerous management role changes in the Group’s commercial units. In Europe six of the eight main commercial branches changed their Country Manager in the first three months of the year. This reorganisation has undoubtedly strengthened the Group’s commercial set-up but, in the quarter that has just ended, it absorbed resources as to blunt the incisiveness of near-term sales and marketing efforts.

North American and Asian countries showed very substantial growth over 1Q04. **North American sales grew, in euro, by 23% (by 29% in USD), whilst Asian countries’ sales grew by 63%, in euro (and by over 71% in USD)**

The brilliant performance of the Business Development division (sales of € 7,860 thousand, +87% vs. 1Q04) was ascribable to consolidation of the Laservall company, acquired as from June 2004.

In the first quarter of 2005 the various geographical areas' contribution to sales was as follows:



As at March 31st, our net financial position was positive by € 24,929 thousand and featured the following breakdown:

Datalogic Group	31/03/05	31/12/04	31/03/04
Non-current financial assets	4,488	2,979	2,977
M-/L-term bank debt and amounts payable to other financial institutions	-5,450	-5,500	-5,481
M-/L-term net financial debt	-962	-2,521	-2,504
Short-term bank debt and amounts payable to other financial institutions	-11,505	-2,660	-2,765
Financial receivables	20,886	3,407	6,548
Hedging transactions	128	239	255
Commercial paper	0	0	1,997
Cash and banks	25,638	37,413	37,931
Short-term net financial surplus	35,147	38,399	43,966
NFP including Informatics Inc. debt	34,185		
Informatics Inc. debt	-9,256	0	0
Net financial position	24,929	35,878	41,462

NFP structure for the three periods shown has been restated following adoption of international accounting standards.

Our net financial position as at March 31st 2005 decreased both vs. December 31st 2004 (€ -10,949 thousand) and vs. March 31st 2004 (€ -16,533 thousand). This was mainly due to the acquisition of Laservall SpA and of Informatics Inc., which generated total outlays of some €21,011 thousand (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 31/3/2005 the company Informatics Inc. had net financial debt of € -9,256 thousand, which we have included in the Group's net financial debt at the end of the first quarter, even although Informatics Inc. was not consolidated.

Net working capital amounted to € 34,551 thousand, with an increase of € 3,539 thousand vs. December 31st 2004.

FINANCIAL INCOME

Net financial income totalled € 339 thousand. Going into greater detail, this result was attributable to income of € 33 thousand generated by financial management in the strict sense of the terms, earnings of € 140 thousand from companies consolidated at equity, and foreign exchange gains of € 166 thousand.

PERFORMANCE OF GROUP COMPANIES

The business performance of group companies as up to March 31st 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 31/03/05	31/03/2005	31/03/2004	CHANGES
Datalogic SpA (direct parent company) *		25,180	24,598	3%
Laservall SpA	100%	4,924	0	0.0%
Datalogic AB	100%	2,036	2793	
Minec System Holding (2)	100%	0	0	
Datalogic Holding AB (2)	100%	0	0	0.0%
EMS, Inc	100%	2,007	2,665	-24.7%
Datalogic France SA (1)	100%	35	2,212	-98.4%
Datalogic Optik Elektronik GmbH	100%	8,469	9,361	-9.5%
Datalogic Optic Electronics BV (1)	100%	0	0	0.0%
Datalogic Handelsgesellschaft mbH (1)	100%	0	0	0.0%
Datalogic Pty. Ltd.	100%	1,047	1,196	-12.5%
Datalogic UK Ltd.(1)	100%	411	2,273	-81.9%
Datalogic Inc.	100%	3,865	3,088	25.2%
DL Iberia (1)	100%	34	59	-42.4%

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

EARNINGS BEFORE TAX (€ '000):

COMPANY NAME	% OWNERSHIP as at 31/03/05	31/03/2005	31/03/2004	CHANGES
Datalogic SpA (direct parent company) *		2,961	2,966	- 5
Laservall SpA	100%	1,581	0	1,581
Datalogic AB	100%	-257	-30	
Minec System Holding	100%	-1	-6	
Datalogic Holding AB	100%	-48	-53	5
EMS, Inc.	100%	-217	74	- 291
Datalogic France SA	100%	36	-24	60
Datalogic Optik Elektronik GmbH	100%	381	326	55
Datalogic Optic Electronics BV	100%	-15	53	- 68
Datalogic Handelsgesellschaft mbH	100%	35	141	- 106
Datalogic Pty. Ltd.	100%	-109	-6	- 103
Datalogic UK Ltd.	100%	60	53	7
Datalogic Inc.	100%	70	-101	171
DL Iberia	100%	61	111	- 50

* 2004 EBT include reclassified EBT of the Datasud company, which was merged by incorporation during 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 1Q05 the ultimate parent company sold Izumi products and components totalling about € 731,000. As at March 31st 2005, trade amounts receivable from Izumi totalled € 646 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 (€ 403 thousand), financial charges (€ -28 thousand), and contributions to interest payments (€ 58 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 March 31st 2005 trade amounts payable to Datasensor totalled € 356 thousand.

Transactions with the indirect parent company (Hydra SpA) during 1Q05 were marginal, being limited to reciprocal debiting of rents.

FORESEEABLE BUSINESS PROGRESS FOR THE CURRENT YEAR

The market situation and the actions planned by the company 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***Introduction***

The Datalogic Group's quarterly report for the period ending on March 31st 2005 has been prepared in compliance with Italian Legislative Decree 127/1999 and also taking into account the requirements of CONSOB (Italian securities & exchange commission) Regulation no. 11971 of May 14th 1999 and subsequent amendments, and of Article IA.2.4.1 of the instructions accompanying the Regulation for the Nuovo Mercato (= new market) Organised and Managed by Borsa Italiana SpA, in force since February 18th 2002. As per the provisions of these regulations, the report is prepared solely in consolidated form.

More specifically, as per Article no. 82, as modified by Resolution 14990, the company has prepared:

- Consolidated financial statements applying the format envisaged by international accounting standards (IAS/IFRS) introduced by European Regulation 1725/2003 of September 29th 2003. This regulation envisages application of international accounting standards for the consolidated financial statements for all companies with shares listed in the EU for the financial years starting on January 1st 2005
- Comments as per the requirements indicated in Attachment 3D of CONSOB (Italian securities & exchange commission) reconciliation no. 11971 of 14/05/1999 and subsequent updates.

In addition, as required by Article 82/2, we also attach the reconciliations envisaged by paragraphs 39 and 40 of the international financial reporting standard IFRS 1.

The financial statements presented consist of the consolidated balance sheet, profit & loss account, and cash-flow summary. The data shown in the first two statements are compared with those shown in consolidated year-end financial statements as at December 31st 2004 and in the quarterly interim report as at March 31st 2004 drawn as per IAS/IFRS (reconciliations with corresponding statutory financial statements are attached. The notes commenting on the balance sheet also include tables showing changes in net equity accounts and the reconciliation of the direct parent company's quarterly result and net equity with the corresponding consolidated items.

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 December 31st 2004, whilst those concerning the profit & loss account are compared with data as at March 31st 2004.

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

Consolidation policies and methods

For consolidated companies' financial statements we have used 100% line-by-line consolidation, which permits incorporation of all accounting items in their entirety. The main consolidation policies applied are as follows:

- The carrying amount of consolidated equity investments has been eliminated against relevant net shareholders' equity as at the time of acquisition. Any negative differences have been allocated to a specific net equity item called "Consolidation reserve".
- Positive differences versus current asset and liability value have been posted in a specific asset item called "Goodwill". This is not amortised but is subject to impairment testing in order to show any permanent impairment of value.
- Results achieved subsequent to acquisition are allocated to consolidated net equity items called "Previous years' profits/losses".
- Reciprocal payables and receivables, and costs and revenues occurring between consolidated companies and the effects of all transactions of significant entity occurring between them have been eliminated. Specifically, profits not yet realised with third parties stemming from intercompany transactions and included, as at quarter-end, in inventory valuation, have been eliminated.
- Foreign companies' financial statements have been converted into euro applying, for all assets and liabilities, the exchange rate in force on March 31st 2005 and for P&L items the period's average exchange rate. Translation differences emerging both (a) from conversion of initial net equity at conventional quarter-end exchange rates and those in force at the end of the previous year and (b) between average exchange rates and year-end rates for the P&L account, have been posted in the

item "Previous years' profits/losses". The following exchange rates (foreign currency/euro) have been used:

EXCHANGE RATES AS AT 31/03/2005	Quarter-end exchange rate	Average exchange rate
US dollar (USD)	1.2964	1.3115
British pound sterling (GBP)	0.6885	0.6936
Australian dollar (AUD)	1.6763	1.6873
Japanese yen (JPY)	138.4400	137.0559
Swedish krona (SEK)	9.1430	9.0740
Chinese renminbi yuan (CNY)	10.7341	10.8594
Swiss franc (CHF)	1.5486	1.5488
Hong Kong dollar (HKD)	10.1110	10.2276

Accounting standards and policies

The accounting policies applied in drawing up financial statements for the quarter ending on March 31st 2005 are as defined by international accounting standards (IAS/IFRS), which came into force on January 1st 2005 based on European Regulation no. 1725 of September 29th 2003.

As regards tangible and intangible fixed and non-current assets, we point out that, during the previous financial year (FY2004), we analysed fixed assets' residual possibility of utilisation in order to determine depreciation and amortisation rates better representing assets' residual useful working life. Following this analysis – and also for the purposes of adoption of the new IAS – useful working lives were redefined for some asset categories. This means that depreciation and amortisation, appropriately recalculated in 2004, did not change in 1Q05 as regards the percentage rates applied.

The most significant accounting policies adopted by the Group for preparation of consolidated financial statements, and based on which individual consolidated companies' financial statements have been adjusted, when necessary, are as shown below.

Intangible non-current assets

Costs featuring long-term usefulness have been booked in accounts at purchase or production cost, inclusive of accessory costs, and directly amortised for the portion reasonably attributable to the accounting period in relation to their residual possibility of business utilisation.

The useful life [in years] for each asset category is detailed below:

IAS	ITALIAN GAAP	31/03/05
Goodwill	Goodwill	(*)
Development costs	Research and development	5
Other intangible assets	Intellectual properties	3-5
Other intangible assets	Concessions, licenses, and trademarks	3-8
Other intangible assets	SAP licenses	10
Other intangible assets	Miscellaneous deferred costs	5
Other intangible assets	Licenses for use, multiannual costs	(**)

(*) No longer amortised but subjected to impairment testing.

(**) Amortised according to contract duration.

Start-up and expansion costs are no longer capitalised but directly expensed in the P&L account.

Goodwill is no longer subject to amortisation but is now mandatorily subjected to impairment testing – an analysis necessary to reveal any permanent impairment of value. In the case of permanent losses of value, write-down is performed in the P&L account so as to align goodwill with presumed realisable value.

Development costs for innovative products or processes are capitalised when the following requisites for posting among intangible non-current assets are met:

- The products or processes are clearly defined
- Expenses refer to feasible and controllable projects
- Expenses are recoverable via revenues that will be generated in future.

More specifically, a development project is capitalised when it represents a breakthrough in terms of creation of a new business segment. Projects not having these features but that are maintenance projects for the existing product portfolio (so-called restyling projects) are appropriately expensed in the P&L account.

Tangible fixed assets

Tangible fixed assets, excluding buildings and land, are posted at purchased or production cost, inclusive of accessory charges.

Buildings and land – considered separately in line with the requirements of IAS 16 – have been valued at market value, obtained by means of appraisals performed by 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 unlimited life and therefore is not subjected to depreciation.

Maintenance costs of the preservative type are charged to the P&L account of the accounting period when they are incurred. Those of an incremental nature, because they significantly increase assets' production capacity or useful working life, are capitalised.

Tangible fixed assets are depreciated on a straight-line basis each year according to economic/technical rates determined based on 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	31/03/2005
<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%

If, regardless of depreciation already entered in accounts, a permanent loss 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.

In line with IAS 17 assets used on the basis of financial lease contracts have been shown in consolidated financial statements according to the so-called "financial method". Based on this criterion –

which considers such transaction to be similar to borrowing – the original cost of the assets financially leased is posted among tangible fixed assets and subjected to depreciation according to the percent rates indicated previous, whilst the remaining debt in terms of principal, of instalments that have yet to fall due, is shown among liabilities.

Available-for-sale financial assets

Equity investments in other companies are accounted for at purchase or subscription cost, reduced by any losses of value considered to be of a permanent nature.

Fixed-income securities and other securities included in available-for-sale financial assets have been valued at market value and not at purchase cost, corresponding to nominal repayment value, as envisaged by Italian accounting standards.

Treasury stock, acquired on the basis of a shareholders' resolution as envisaged by the Italian Civil Code, and within the limits specified therein, has been entered as a reduction of share capital, since it is not considered to be an investment.

Equity investments in foreign companies have been converted into euro at the exchange rates in force at the time of acquisition or in relation to the book value of assets conferred.

Inventories

Inventories have been posted at the lowest out of purchase or production cost – determined according to the method of weighted average cost in the accounting period – and presumed realisable value, deduced from market trends.

Obsolete and slow-moving stocks have been written down to their possibility of use or disposal.

Positive tax effects (prepaid taxes) emerging from reversal of intragroup inventory profits are posted in accounts only in the presence of taxes provisioned in statutory financial statements in order to have the objective certainty of realisation.

Receivables and payables

Receivables are posted at their presumed realisable value, obtained via entry of specific doubtful debt provision.

Payables are accounted for at face value.

Accruals and deferrals are shown according to accrual accounting of costs and revenues common to several financial years.

Provisions for risks and charges

Provisions for risks and charges are made against losses or liabilities that are certain or likely to occur, but whose amount or date of materialisation could not be determined as at the end of the accounting period.

Accrued employee severance indemnity provision

Accrued employee severance indemnity provision is a defined benefit plan that is definite in terms of existence and amount but uncertain as regards the timing of materialisation. It is financially discounted in order to cover the liability effectively accruing vis-à-vis employees as at the end of the accounting period.

Recognition of revenues and costs

Revenues from the sale of products are recognised when the following conditions occur:

- The company has transferred the significant risks and rewards of ownership – an event that does not always coincide with transfer of ownership title
- The company has retained neither involvement in management of the asset of the type generally associated with ownership, nor effective control of the asset sold
- Costs incurred or to be incurred in relation to the transaction can be reliably measured
- Revenue amount can be reliably estimated
- It is probable that economic benefits will be achieved.

Financial and service revenues and costs are recognised and shown in accounts on an accrual accounting basis.

Income taxes

Current taxes are provisioned according to applicability are provisions for taxes paid or to be paid for the year, determined according to current tax rates and regulations.

As indicated by relevant accounting standards, the company records deferred-tax liabilities and assets (prepaid taxes) stemming from temporary timing differences between financial reporting of costs and income and their taxability.

Translation of foreign currency items

Receivables and payables have been translated at the quarter-end exchange rate, showing translation gains and losses in the P&L account, as per the criteria applied for conversion of current and non-current foreign currency receivables and payables.

Forward foreign currency contracts have been set up to hedge specific foreign currency payables or receivables and specific contractual sales commitments, and also against budgeted sales forecasts.

Group business and structure

The companies forming the group are active in the industrial production and marketing of products relating to the automatic identification and laser-marking sector. In addition, as already highlighted earlier, in March 2005 we acquired the company Informatics Inc., which is specialised in barcode readers and RFID. The offering principally consists of five product ranges, i.e.

USS: Unattended Scanning Systems

HHR: Hand-Held Readers

PDC: Portable Data Collection

RFID: Radio Frequency Identification Devices

Industrial laser-marking products.

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 stock, or in which it exercises a dominant influence, if the companies concerned are significant.

The companies consolidated on a 100% line-by-line basis for the period ending on March 31st 2005 were as follows:

Company name	Registered location	Share capital	Total net equity (€ '0000)	1Q05 result (€ '000)	% ownership
Datalogic SpA (direct parent company)	Lippo di Calderara di Reno (BO) - Italy	EUR 83,599,625	131,106	1,803	
Laservall SpA	Donnas (AO) - Italy	EUR 900,000	4,727	1,005	100%
Datalogic Holding AB	Malmö -Sweden	SEK 1,400,000	1,439	-35	100%
EMS Inc.	Scotts Valley (California) - USA	USD 1,949,084	1,509	-218	100%
Datalogic France SA	Villebon Sur Yvette (Paris) - France	EUR 2,227,588	4,025	22	100%
Datalogic Optik Elektronik GmbH	Erkenbrechtsweiler (Stuttgart) - Germany	EUR 1,025,000	6,062	252	100%
Datalogic Optic Electronics BV	Maarssen - The Netherlands	EUR 17,800	51	-10	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) - Austria	EUR 72,673	1,075	23	100%
Datalogic Pty. Ltd.	Mount Waverley (Melbourne)- Australia	AUD 2,300,000	880	-74	100%
Datalogic UK Ltd.	Redbourn (London) - UK	GBP 3,500,000	4,243	42	100%
Datalogic Inc.	Hebron (Kentucky) - USA	USD 1,847,000	1,335	46	100%
DL Iberia	Madrid - Spain	EUR 60,500	666	41	100%
Datalogic AB	Stockholm - Sweden	SEK 200,000	704	-185	100%
Minec System Holding	Stockholm - Sweden	SEK 100,000	1,215	-1	100%

The companies booked at equity were as follows:

Company name	Registered location	Share capital	Total net equity (€ '0000)	1Q05 result (€ '000)	% direct and indirect ownership
Izumi Datalogic Co. Ltd.	Osaka- Japan	JPY 300, 00,000	1,062	100	50%
Laservall Asia Co. Ltd.	Hong Kong - China	HKD 460,000	148	n.a.	50%
Laservall China Co. Ltd	Shenzhen - China	USD 400,000	570	n.a.	45%
Ixla SA	Avry - Switzerland	CHF 100,000	145	41	97%

Associate companies, posted at cost, were as follows:

Company name	Registered location	Share capital	% ownership
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Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	INR	1,000,000	20%
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Changes in consolidation area

On March 2nd 2005 Datalogic SpA acquired 90% of the company Informatics Inc., which is based in Dallas in Texas. As at March 31st 2005 this company was posted at costs since the March result was considered to be insignificant in relation to the Group's total figures. In the first-half interim report as at June 30th 2005, we will consolidate the US company on a 100% line-by-line basis.

C) BALANCE SHEET INFORMATION**NON-CURRENT ASSETS****TANGIBLE FIXED ASSETS**

Below we show the changes occurring in tangible fixed assets:

	31/03/2005	31/12/2004	Change
Land	5,860	5,833	27
Buildings	17,195	17,232	(37)
Plant & equipment	2,586	2,590	(4)
Other tangible assets	11,435	11,469	(34)
Assets in progress and payments on account	140	199	(59)
Total	37,216	37,323	(107)

The "Land" item of € 5,860 thousand was attributable to the direct parent company (€ 3,722 thousand), Datalogic UK (€ 1,257 thousand), Datalogic France (€ 514 thousand), Datalogic Optik Elektronik GmbH (€ 277 thousand), and Datalogic Holding AB (€ 140 thousand).

The "Buildings" item of € 17,195 thousand was attributable to the direct parent company (€ 11,518 thousand), Datalogic UK (€ 1,592 thousand), Datalogic Optik Elektronik GmbH (€ 1,608 thousand), Datalogic France (€ 1,156 thousand), and Datalogic Holding AB (€ 1,321 thousand).

The "Plant & equipment" item was mainly attributable to the direct parent company (€ 2,242 thousand) and Laservall SpA (€ 306 thousand).

The "Other tangible assets" item totalled € 11,435 thousand, detailed as follows:

- Industrial & commercial equipment = € 3,991 thousand
- EDP hardware = € 165 thousand
- Office furniture & fittings = € 3,205 thousand
- Cars = € 307 thousand
- Maintenance of 3rd-party assets = € 1,927 thousand
- Generic plant pertaining to buildings plus lightweight constructions = € 1,722 thousand
- Others = € 118 thousand.

INTANGIBLE NON-CURRENT ASSETS

Below we show the changes occurring in intangible non-current assets:

	31/03/2005	31/12/2004	Change
Goodwill	9,893	9,893	0
Development costs	4,026	4,032	(6)
Other intangible assets	13,796	14,348	(552)
Total	27,715	28,273	(558)

“Goodwill”, totalling € 9,893 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 15th 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 (for a total amount of € 14,036 thousand inclusive of accessory expenses). We believe the conditions exist for posting the difference between purchase cost and net equity as goodwill, since it represents the acquired company's future profit-generation capacity.

The “Development costs” item, which amounted to € 4,026 thousand, pertained to the direct parent company and consisted of development projects capitalised because they meet IAS 38 requirements.

“Other intangible assets”, totalling € 13,796 thousand, mainly consisted of the following sub-items:

- Know-how amounting to € 5,329 thousand, 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 business life of this intangible non-current asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to € 4,085 thousand, 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 (Hong Kong and the rest of China) featuring strong economic growth. The useful business life of this intangible non-current asset has been defined as being 10 years.
- € 4,382 thousand for other intangible non-current assets ascribable to the direct parent company and mainly relating to software licenses (€ 3,167 thousand).

EQUITY INVESTMENTS IN SUBSIDIARY/ASSOCIATE COMPANIES

The following changes took place in equity investments during the period in question:

	Balance as at 31/12/04	Increases	Forex differences	Write- ups/(write- downs)	Other changes	Balance as at 31/03/05
a) Subsidiary companies						
- Accounted for at cost:						
Informatics Inc	0	10,975			0	10,975
Total subsidiary companies	0	10,975	0	0	0	10,975
b) Associate companies						
- Posted at equity :						
Izumi DL Co. Ltd	429		2	100		531
Laservall Asia Co. Ltd	85					85
Laservall China Co. Ltd	228					228
Ixla SA	101			40		141
- Posted at cost:	0					0
DL Private Ltd. - India	8					8
Total associate companies	851	0	2	140	0	993

The change vs. December 31st 2004 of the item "Equity investments in subsidiary companies" was due to the direct parent company's acquisition of a 90% equity interest in the US company Informatics, a company active in barcode reads and RFID. This equity investment was posted on a cost basis for the reasons highlighted earlier.

The breakdown of the € 142-thousand change vs. December 31st 2004 of the item "Equity investments in associate companies" was as follows:

- € 140 thousand = result of posting at equity of the companies Izumi DL Co. Ltd. and Ixla SA
- € 2 thousand = forex gain on posting at equity of Izumi DL Co. Ltd

NON-CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS**Equity investments in other companies**

	Balance as at 31/12/04	Increases	Forex differences	Write- ups/(write- downs)	Other changes	Balance as at 31/03/05
d) Other companies						
Nomisma SpA - Italy	7					7
Conai	0					0
Caaf Ind. Emilia Romagna - Italy	4					4
Crit Srl	51					51
Alien Technology Corporation	8					8
Total other companies	1,042					1,042
Total other companies	1,112	0	0	0	0	1,112

Securities

	31/03/2005	31/12/2004	Changes
Securities as surety	4,488	2,979	1,509
(Write-down provision)		-	-
Total	4,488	2,979	1,509

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 amount to € 4,488 thousand, of which € 3,222 thousand in Italian medium- and long-term treasury notes (BTP and CCT), € 428 thousand in banking bonds, and € 838 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.

We highlight the fact that IAS introduction has led to valuation of securities at fair value, where previously, based on Italian GAAP, they were valued at cost.

In the following table we summarise the direct parent company's "Other securities" as at March 31st 2005:

LISTED SECURITIES (in euro)

Type of security	Total purchase value	Value of fund share	Nominal value	Value of fund share as at 31/05/2005	Market value as at 31/03/2005
Bond fund	443,045.30	5.931		6.738	503,413.03
Bond fund	134,950.19	5.284		5.425	168,034.44
Bond fund	132,936.01	5.762		7.103	167,001.76
	710,931.50				838,449.22

Type of security	Total purchase value	Unitary purchase price	Total nominal value	Unitary market price as at 31/03/05	Total market value as at 31/03/05
Government bonds	39,986.86	100.52	39,780.00	100.38	39,931.16
Corporate bonds	144,644.68	97.09	148,980.00	104.83	156,175.73
Government bonds	808,654.36	100.36	805,740.00	100.21	807,445.73
Government bonds	506,500.18	100.52	503,880.00	100.21	504,938.15
Government bonds	362,808.00	100.78	360,000.00	100.21	360,756.00
Government bonds	1,509,300.00	100.62	1,500,000.00	100.54	1,508,100.00
	3,371,894.07		3,358,380.00		3,377,346.78

UNLISTED SECURITIES (in euro)

Type of security	Purchase value	Unitary purchase price	Nominal value	Unitary market price as at 31/03/2005	Total market value as at 31/03/2005
Corporate bonds	272,220.00	100		100	272,220.00

DEFERRED-TAX ASSETS

Contrary to what is required by Italian GAAP, under IAS deferred tax credits are posted among non-current assets.

	31/03/2005	31/12/2004	Change
Deferred-tax credits	3,548	3,802	(254)
Total	3,548	3,802	(254)

Deferred-tax credits consisted mainly of € 1,578 thousand for the direct parent company, € 327 thousand for Datalogic UK, and € 463 thousand for Datalogic Handelsgesellschaft mbH

CURRENT ASSETS**INVENTORIES**

The detailed breakdown of inventories was as follows:

	31/03/2005	31/12/2004	Change
1) Raw & auxiliary materials, plus consumables	16,226	12,147	4,079
2) Work in progress and semiprocessed goods	806	3,498	(2,692)
4) Finished products and goods for resale	8,964	7,109	1,855
Total	25,996	22,754	3,242

Inventories as at March 31st 2005 increased by 14% vs. December 31st 2004, with an outright increase of € 3,242 thousand.

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

TRADE AND OTHER RECEIVABLES

	31/03/2005	31/12/2004	Change
Total trade and other receivables	43,043	44,546	(1,503)
Trade receivables	40,874	42,845	(1,971)
Trade receivables due within and after 12 months	39,462	40,789	(1,327)
Amounts receivable from associate companies:	1,272	1,930	(658)
<i>Izumi Datalogic</i>	<i>646</i>	<i>1,353</i>	<i>(707)</i>
<i>Ixla SA</i>	<i>243</i>	<i>1</i>	<i>242</i>
<i>Laservall Asia</i>	<i>383</i>	<i>576</i>	<i>(193)</i>
<i>Alitec</i>			-
<i>Datalex SA</i>			-
Amounts receivable from related parties	140	126	14
Other current receivables	1,049	900	149
Accrued income and prepayments	1,120	801	319

“Trade receivables” as at March 31st 2005 totalled € 40,874 thousand, down by –4.6% vs. the relevant figure in December 2004.

Amounts receivable from related parties stemmed from trade dealings concluded at normal market conditions.

The item “Other current receivables” included € 222 thousand, paid by the direct parent company to the Inland Revenue against a tax assessment received on 22/10/2002 and against which the company has filed an appeal, and € 326 thousands for advance payments to suppliers.

The “Prepayments” item (€ 870 thousand) consisted mainly of substitute tax on goodwill of € 313 thousand entered in the direct parent company’s accounts and referring to the period 1998-2007 (included), since it is commensurate with the length of amortisation of goodwill posted in accounts following merger by incorporation of the company IdWare Srl in 1998.

Of the “Accrued income” item (€ 250 thousand), €136 thousand related to interest income on securities held and loans made by the direct parent company.

TAX RECEIVABLES

	31/03/2005	31/12/2004	Change
Tax receivables	8,971	7,818	1,153
Total	8,971	7,818	1,153

Tax receivables were mainly ascribable to the direct parent company (€7,527 thousand) and featured the following breakdown:

- €3,152 thousand = credits for income-tax payments on account
- €4,168 thousand = VAT credits
- €188 thousand = credits for compensation account
- €19 thousand = tax credits.

CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS**Other securities – loans to subsidiaries**

	31/03/2005	31/12/2004	Change
Other securities	10,811	3,407	7,404
Loans to subsidiaries	10,075		10,075
Total	20,886	3,407	17,479

The breakdown of the item “Other securities” as at March 31st 2005 was as follows:

- €259 thousand from money market funds
- €10,552 thousand from government bonds

We highlight the fact that IAS introduction has led to valuation of securities at fair value, where previously, based on Italian GAAP, they were valued at cost.

In the following table we summarise the direct parent company's "Other securities" as at 31/03/05:

Type of security	Purchase value	Unitary purchase price	Nominal value	Unitary market price as at 31/03/2005	Total market value as at 31/03/2005
Fund	258,169.46	8.249	-	8.267	258,732.81
Government bonds	8,046,320.00	100.579	8,000,000.00	100.23	8,018,400.00
Government bonds	137,176.14	99.403	138,000.00	99.77	137,682.60
Government bonds	2,240,617.50	99.583	2,250,000.00	99.77	2,244,825.00
Government bonds	151,478.64	99.657	152,000.00	99.77	151,650.40
Total	10,833,761.74				10,811,290.81

CASH AND CASH EQUIVALENTS

	31/03/2005	31/12/2004	Change
1) Bank and post-office deposits	25,534	37,201	(11,667)
3) Cash and valuables in hand	104	212	(108)
Total cash and cash equivalents	25,638	37,413	(11,775)

The decrease in this item was mainly due to acquisition of the equity interest in Informatics Inc. (€ 10,975 thousand).

NET EQUITY

Changes occurring in net equity as up to March 31st 2005 were as follows:

	Balance as at 31/12/04	Profit Allocation	Capital Increases	Other Changes	Profit/(loss) in period	Balance as at 31/03/05
1) Total equity:	76,875	0	751	10,413	0	88,039
Share capital	25,073		135			25,208
Treasury stock	(8,480)			10,413		1,933
Share premium reserve	55,843		616			56,459
Demerger capital reserve	4,439					4,439
2) Total reserves:	83	0	0	(23)	0	60
Fair value reserve	83			(23)		60
3) Total retained earnings:	28,020	11,211	0	233	0	39,464
Legal reserve	862	537				1,399
Treasury stock reserve	9,673			(9,673)		0
Gain on Datasud cancellation	4,432					4,432
Untaxed capital grant reserve	256					256
IAS reserve	9,045			(21)		9,024
Retained earnings/(losses carried forward)	3,752	10,674		9,927		24,353
4) Profit/(loss) for period	11,211	(11,211)			2,836	2,836
Total (1+2+3+4)	116,189	0	751	10,623	2,836	130,399
Minority interest earnings	0					0
Minority interest net equity	0					0
Total	116,189	0	751	10,623	2,836	130,399

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

- € 537 thousand = increase of legal reserve
- € 10,196 = 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).

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

The "Cancellation gain" and "Untaxed capital grants" reserves were a consequence of the merger of Datalogic SpA and Datasud in 2004.

The € 751-thousand increase in share capital was due to exercise of part of the stock options assigned to the company's directors and employees.

The increase of € 10,413 thousand in the item "Other changes" of total capital (treasury stock) was due to sale of treasury stock (held on 31/12/04) in the early months of 2005, of which € 740 thousand consisting of the capital gain made on the transaction (net of tax effect) and reversed from the P&L account, as envisaged by IAS 32 and by SIC 16 (SIC = Standing Interpretation Committee).

As at March 31st the composition of our share capital was as follows:

Shares/quotas	Number	Nominal value per share (€)	Total (€)
Ordinary	12,119,500	2.08	25,208,560

The fair value reserve includes revaluation to fair value of securities until the latter's sale and is net of the tax effect.

The IAS reserve is the reserve created upon restatement of consolidated financial statements for the year ending on 31/12/2003, as per IFRS 1.

The Item "Retained earnings/losses carried forward" includes equity changes occurring in consolidated companies after acquisition date and absorbs the translation reserve generated by consolidation of foreign companies.

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

	Share capital and reserves	1Q05 result 31/03/05	Total net equity as at 31/03/05
Datalogic SpA net equity and profit net of tax effect – as per IAS	123,931	1,803	125,734
Differences between consolidated companies' net equity and their carrying value in the parent co.'s statement and effect of the equity-based valuation	5,989	1,027	7,016
Amortisation of consolidation difference	(239)		(239)
Laservall acquisition	(647)	(323)	(970)
Deferred taxes – Laservall acquisition	241	120	361
Elimination of intercompany profits	(2,333)	338	(1,995)
Effect on elimination of intercompany transactions	(61)		(61)
Effect of posting of financial leases	(73)	(3)	(76)
Deferred taxes – financial leases	91		91
Deferred taxes - inventory	869	(126)	743
Elimination of capital gain on sale of company division	(205)		(205)
Group net equity	127,563	2,836	130,399
Minority interest net equity			0
Total net equity	127,563	2,836	130,399

NON-CURRENT LIABILITIES

BORROWING

Reference should be made to the later table detailing short-term borrowing.

DEFERRED TAX LIABILITIES

	31/03/2005	31/12/2004	Change
Deferred tax liabilities	10,754	10,635	119
Total	10,754	10,635	119

Tax provisioning consisted mainly of:

- € 1,270 thousand = deferred taxes provisioned by the direct parent company for depreciation and provisions deducted solely for tax purposes
- € 41 thousand = deferred taxes provisioned by Laservall SpA
- € 50 thousand = deferred taxes provisioned by the subsidiary Datalogic GmbH
- € 116 thousand = deferred taxes relating to the company Datalogic AB
- € 9,272 thousand = deferred tax liabilities calculated on adjustments made for the purposes of adoption of IAS/IFRS and the deferred tax provision of € 3,506 thousand ascribable to the Laservall subsidiary's intangible non-current assets (know-how and Far East Window), which is released with the parallel amortisation process.

EMPLOYEE SEVERANCE INDEMNITY AND RETIREMENT PROVISION

The following table shows changes occurring in the period:

	31/03/2005	31/12/2004	Change
Employee severance indemnity provision	5,803	5,697	106
Total	5,803	5,697	106

We have calculated accrued employee severance indemnity provision based on IAS rules concerning the actualisation concept, with the aim of representing effective liability vis-à-vis employees.

The item was mainly attributable to the direct parent company (€ 5,410 thousand) and to Laservall (€ 376 thousand).

PROVISIONS FOR RISKS AND CHARGES

	31/03/2005	31/12/2004	Change
Provisions for risks and charges	2,363	2,775	(412)
Total	2,363	2,775	(412)

Provisions for risks and charges decreased mainly because of release (€ 341 thousand) to the P&L account of corporate restructuring provision posted in the direct parent company's accounts following acquisition of a business division during 2004, against training and skills conversion costs borne for the staff involved in the acquisition concerned.

Provisions for risks and charges consist of provisions for product warranty (€ 910 thousand) and restructuring (€ 812 thousand), plus other provisions (€ 641 thousand).

CURRENT LIABILITIES**TRADE AND OTHER PAYABLES**

Below we show the details of trade and other payables:

	31/03/2005	31/12/2004	Change
Trade and other payables	31,123	34,209	(3,086)
Trade payables	19,444	19,999	(555)
Trade payables due within and after 12 months	19,077	19,593	(516)
Amounts payable to associate companies:	11	7	4
<i>Izumi Datalogic</i>	11	7	4
<i>Isla SA</i>			-
<i>Laservall Asia</i>			-
<i>Alitec</i>			-
<i>Datalex SA</i>			-
Amounts payable to related parties	356	399	(43)
Other short-term payables	9,253	12,186	(2,933)
Accrued liabilities and deferred income	2,426	2,024	402

The item "Other short-term payables" consisted mainly of € 5,999 thousand owed to employees, representing debt for employee salaries and holidays accruing as at the date of this report, and € 2,000 thousand owed by the direct parent company for the acquisition of Laservall SpA.

The item "Accrued liabilities and deferred income", totalling € 2,426 thousand, included € 2,020 thousand of deferred income consisting mainly of:

- € 684 thousand for reclassification of capital government grants for assets, 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.
- € 518 thousand for warranty extensions
- € 314 thousand concerning elimination of inventory margin for the companies Izumi, Laservall China, and Laservall Asia, which are booked at equity.

TAXES PAYABLE

	31/03/2005	31/12/2004	Change
Taxes payable	12,336	9,897	2,439
Total	12,336	9,897	2,439

The item "Taxes payable" includes only liabilities for certain or definite taxes, since liabilities for taxes probable or uncertain as regards amount and materialisation, or for deferred taxes, are entered as a non-current liability item (tax provision). As at March 31st 2005, taxes payable amounted to € 12,336 thousand, of which € 7,797 thousand relating to the direct parent company and detailed below by key item:

- € 5,905 thousand for income tax
- € 1,142 thousand for personal income tax (IRE) withheld for employees

Other significant tax debts were reported by Datalogic GmbH (€ 1,275 thousand), Datalogic AB (€ 192 thousand), and by Laservall (€ 2,593 thousand).

SHORT-TERM BORROWING

	Within 12 months	After 12 months	Total
Amounts payable to banks	557	3,818	4,375
Amounts payable to other financial institutions	10,948	1,632	12,580
TOTAL	11,505	5,450	16,955

Amounts payable to banks consisted of € 12 thousand current account overdrafts for the direct parent company and of € 4,363 thousand for secured and unsecured bank loans.

Amounts payable to other financial institutions mainly consisted of:

- A loan of € 9,256 thousand issued to the direct parent company in connection with the acquisition of Informatics Inc.
- A secured medium-term loan issued by San Paolo IMI SpA to the direct parent company
- A loan received by Datalogic UK Ltd. and renegotiated in 2000 with Barclays Bank
- Low-rate financing received by Laservall SpA.

D) INFORMATION ON PROFIT & LOSS ACCOUNT

REVENUES

	31/03/2005	31/03/2004	Change
Revenues from sale of products	35,072	31,360	3,712
Revenues for services	1,546	1,049	497
Total revenues	36,618	32,409	4,209

Total revenues increased by 13% YoY and consisted of € 35,072 thousand of revenues for product sales and € 1,546 thousand for services. For greater detail, reference should be made to the comments contained in the earlier paragraph "Revenue trends and key factors affecting operations in the first quarter".

The percent geographical breakdown of revenues was as follows:

	31/03/2005	31/03/2004	Change
Revenues - Italy	19%	16%	3%
Foreign revenues – Rest of EU	51%	62%	-11%
Foreign revenues – Rest of World	30%	22%	8%

COSTS AND OTHER REVENUES

	31/03/2005	31/03/2004	Change
TOTAL COST OF GOODS SOLD (1)	17,916	15,489	2,427
Other operating revenues (2)	(506)	(423)	(83)
Operating costs (3)	14,563	13,402	1,161
R&D expenses	3,268	2,583	685
Distribution expenses	5,904	6,143	(239)
Administrative expenses	5,391	4,676	715
Other operating costs (4)	297	523	(226)
TOTAL NET COSTS (1-2+3+4)	32,270	28,991	3,279

(1) **"Total cost of goods sold"**: the 15.6% increase in this item vs. 1Q04 was entirely due to the acquisition of Laservall SpA (costs of goods sold = € 2,421 thousand).

(2) **“Other operating revenues”:** This item mainly consisted of:

- Rental income (€ 61 thousand)
- Incidental income or cancellation of costs (€ 19 thousand)
- Sundry income and revenue of € 426 thousand, of which € 341 thousand relating to release of corporate restructuring provision posted in the direct parent company's accounts following acquisition of a business division during 2004, against training and skills conversion costs borne for the staff involved in the acquisition concerned.

(3) **“Operating costs”:**

“R&D expenses”, which amounted to € 3,268 thousand as up to 31/03/05, were equivalent to 8.9% of revenues and were up by 26% vs. 1Q04.

“Distribution expenses” totalled € 5,904 thousand and were down by € 239 thousand, mainly because of the company convention, which was held in February 2004 and not in the current year.

(4) **“Other operating costs”:** This item amounted to € 297 thousand and mainly consisted of:

- € 63 thousand = taxes other than income tax
- € 35 thousand = quality certification
- € 35 thousand = doubtful debt provision and write-downs
- € 118 thousand = incidental costs
- € 46 thousand = other sundry costs.

Cost Detail:

In the following table we detail total costs (cost of goods sold + other operating costs) by nature:

	Payroll Cost	Depreciation & Amortisation	Other Costs and Cost of Goods Sold	Other Revenues	TOTAL
March 31-05	11,633	1,777	19,366	(506)	32,270
March 31-04	10,583	1,364	17,467	(423)	28,991
Total	1,050	413	1,899	(83)	3,279

The increase in payroll cost (about +10%) was substantially aligned with the increase in headcount (+13% vs. 1Q04)

FINANCIAL INCOME

	31/03/2005	31/03/2004	Change
Financial expenses	195	192	3
Foreign exchange losses	479	424	55
TOTAL FINANCIAL COSTS	674	616	58
Financial income	228	538	(310)
Foreign exchange gains	645	179	466
TOTAL FINANCIAL INCOME	873	717	156
NET FINANCIAL INCOME	199	101	98

Of "Foreign exchange losses" totalling € 479 thousand, € 429 thousand related to the direct parent company.

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

- € 120 thousand = foreign exchange losses relating to commercial transactions, of which € 47 thousand for alignment with the quarter-end exchange rate
- € 176 thousand = foreign exchange losses relating to foreign currency loans and current accounts due to alignment with the quarter-end exchange rate
- € 133 thousand = financial transactions, of which € 99 thousand caused by alignment with quarter-end exchange rate of forward hedging transactions net of alignment performed as at 31/12/2004.

"Foreign exchange gains" totalling € 654 thousand were mainly attributable to the direct parent company (€ 602 thousand).

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

- € 286 thousand = foreign exchange gains relating to commercial transactions, of which € 81 thousand for alignment with the quarter-end exchange rate
- € 310 thousand = foreign exchange gains relating to foreign currency loans and current accounts due to alignment with the quarter-end exchange rate
- € 6 thousand = financial transactions, of which € 5 thousand from alignment with the quarter-end exchange rate.

EARNINGS FROM ASSOCIATE COMPANIES

The write-up of € 140 thousand was due to booking at equity of:

- Izumi Datalogic Co. Ltd. (€ 100 thousand)
- Ixla SA (€ 40 thousand).

OTHER INFORMATION

Total headcount as at March 31st 2005 numbered 884 employees, with an increase of 101 heads vs. 1Q04 (783 employees as at March 31st 2004). This was mainly due to inclusion of Laservall's 75 employees.

Romano Volta

Chairman of the Board of Directors

DATALOGIC SpA
CONSOLIDATED BALANCE SHEET

	31-03-05 Euro/000	31-12-04 Euro/000	31-03-04 Euro/000
ASSETS			
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7)	86.165	74.443	55.680
1) Tangible non-current assets	37.216	37.323	34.360
Land	5.860	5.833	5.861
Buildings	17.195	17.232	16.318
Plant & machinery	2.586	2.590	1.780
Other tangible assets	11.435	11.469	10.238
Assets in progress and payments on account	140	199	163
2) Investment property	0	0	0
3) Intangible non-current assets	27.715	28.273	13.402
Goodwill	9.893	9.893	4.774
Development costs	4.026	4.032	3.604
Other intangible assets	13.796	14.348	5.024
4) Equity interests in associate companies	11.968	851	374
5) Available-for-sale financial assets (non-current)	5.600	4.091	4.081
Equity investments	1.112	1.112	1.104
Treasury stock	0	0	
Securities	4.488	2.979	2.977
6) Trade and other receivables	118	103	87
7) Deferred tax credits	3.548	3.802	3.376
B) CURRENT ASSETS (8+9+10+11+12+13+14)	124.662	116.177	116.738
8) Inventories	25.996	22.754	24.909
Raw & auxiliary materials plus consumables	16.226	12.147	11.851
Work in progress and semiprocessed goods	806	3.498	2.743
Finished products and goods for resale	8.964	7.109	10.315
9) Job-order work in progress	0	0	0
10) Trade and other receivables	43.043	44.546	36.177
Trade receivables	40.874	42.845	34.210
Within 12 months	39.462	40.742	33.750
After 12 months		47	
Amounts receivable from associates	1.272	1.930	460
Amounts receivable from related parties	140	126	
Other receivables	1.049	900	617
Accrued income and prepaid expenses	1.120	801	1.350
11) Tax receivables	8.971	7.818	8.921
12) Available-for-sale financial assets (current)	20.886	3.407	6.548
Securities	10.811	3.407	6.548
Loans to subsidiaries	10.075		
13) Hedging instruments	128	239	255
14) Cash & cash equivalents	25.638	37.413	39.928
TOTAL ASSETS (A+B)	210.827	190.620	172.418

DATALOGIC SpA
CONSOLIDATED BALANCE SHEET

LIABILITIES	31-03-05	31-12-04	31-03-04
	Euro/000	Euro/000	Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	130.399	116.189	117.169
1) Share capital	88.039	76.875	82.695
Share capital	25.208	25.073	24.759
Treasury stock	1.933	-8.480	-927
Share premium reserve	56.459	55.843	54.424
Demerger capital reserve	4.439	4.439	4.439
2) Reserves	60	83	1.967
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	60	83	89
3) Retained earnings/(losses carried forward)	42.300	39.231	32.507
Previous years' earnings/(losses)	24.353	3.752	17.112
Reserve for gain on Datasud cancellation	4.432	4.432	0
Untaxed capital grant reserve	256	256	256
Legal reserve	1.399	862	617
Treasury stock reserve		9.673	1.927
IAS transition reserve	9.024	9.045	9.050
4) Profit/(loss) for period	2.836	11.211	3.545
5) Minority interests		0	
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)	25.464	27.665	16.621
6) Borrowing	5.450	5.500	5.481
7) Tax payables	27	0	0
8) Deferred tax liabilities	10.754	10.635	5703
9) Employee severance indemnity and retirement provision	5.803	5.697	4588
10) Long-term provisions for risks and expenses	2.363	2.775	776
11) Other non-current liabilities	1.067	3.058	73
C) CURRENT LIABILITIES (12+13+14)	54.964	46.766	38.628
12) Trade and other payables	31.123	34.209	27.417
Trade payables	19.444	19.999	17.902
Within 12 months	19.077	19.593	17.780
After 12 months		0	
Amounts payable to associates	11	7	1
Amounts payable to related parties	356	399	121
Accrued liabilities and deferred income	2.426	2.024	1.663
Other current payables	9.253	12.186	7.852
13) Taxes payable	12.336	9.897	8.446
14) Short-term borrowing	11.505	2.660	2.765
TOTAL LIABILITIES (A+B+C)	210.827	190.620	172.418

DATALOGIC SpA**CONSOLIDATED PROFIT & LOSS ACCOUNT**

	31-03-05	31-03-04	31-12-04
	Euro/000	Euro/000	Euro/000
1) TOTAL REVENUES	36.618	32.409	146.267
Revenues from sale of products	35.072	31.360	139.589
Revenues from services	1.546	1.049	6.678
2) Cost of goods sold	17.916	15.489	72.759
GROSS PROFIT (1-2)	18.702	16.920	73.508
3) Other operating revenues	506	423	2.705
4) R&D expenses	3.268	2.583	11.395
5) Distribution expenses	5.904	6.143	23.432
6) General & administrative expenses	5.391	4.676	20.839
7) Other operating expenses	297	523	2.316
Total operating costs (4+5+6+7)	14.860	13.925	57.982
OPERATING PROFIT	4.348	3.418	18.231
8) Financial income	199	101	95
9) Share of associate companies' profits	140	26	351
PRE-TAX PROFIT/(LOSS)	4.687	3.545	18.677
Taxes	1.851		7.466
NET PROFIT FOR PERIOD	2.836		11.211
Minority interests' share of net profit	0		0
GROUP NET PROFIT	2.836		11.211

DATALOGIC SpA
CONSOLIDATED CASH FLOW STATEMENT

	31-03-05 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	2.836	11.211
Depreciation & amortisation	1.776	5.909
Employee severance indemnity provision	405	1.467
Write-down of financial assets	-140	-351
Current cash flow	4.877	18.236
Effect of changes in operating assets and liabilities:		
Trade receivables	1.971	-10.142
Inventories	-3.242	-462
Other current assets	-1.621	3.942
Other medium-/long-term assets	239	-484
Trade payables	-555	436
Taxes payable	2.439	7.634
Other current liabilities	-1.531	5.669
Other medium-/long-term liabilities	-2.845	2.993
Provisions for risks and expenses	-412	2.014
Employee severance indemnities paid out	-299	-155
Net change in operating assets and liabilities	-5.856	11.445
Operating cash flow/(absorption)	-979	29.681
Cash flow/(absorption) from investment activities:		
(Increase)/decrease in intangible non-current assets	-315	-17.493
(Increase)/decrease in tangible non-current assets	-796	-6.162
(Increase)/decrease in unconsolidated equity investments	-10.977	-174
Investment cash flow/(absorption)	-12.088	-23.829
Cash flow/(absorption) from financing activities:		
Medium-/long-term loans taken out net of portions repaid in the period	-50	176
Minority interests' net equity	0	0
Effect of exchange-rate changes on consolidation of foreign companies		
Other changes in net equity	11.374	-3.807
Dividend distribution		
(Increase)/decrease in non-current financial assets	-1.509	-1.065
Finance cash flow/(absorption)	9.815	-4.696
Change in net financial position	-3.252	1.156
Short-term net financial position at end of period	35.147	38.399

DATALOGIC SpA
BALANCE SHEET

		31/12/03			
	Notes	Italian accounts	Reclassifications	Adjustments	IAS-compliant accounts
ASSETS					
Non-current assets		37.587	3.362	13.674	54.623
Tangible non-current assets		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 & machinery	c	1.662		236	1.898
Other tangible assets	e	4.923	1.565	2.841	9.329
Assets in progress and payments on account	d	289	877		1.166
Investment properties		0			0
Intangible non-current assets		9.582	-935	4.744	13.391
Goodwill		4.774			4.774
Development costs	e			3.394	3.394
Other intangible non-current assets	f	4.808	-935	1.350	5.223
Equity interests 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 credits	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					
Amounts receivable from associates		482			482
Amounts receivable from related parties		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
Hedging 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
NET EQUITY AND LIABILITIES					
Share capital		83.622	0	-5.381	78.241
Share capital		24.759			24.759
Treasury stock		54.424			54.424
Share premium reserve		4.439			4.439
Demerger capital reserve	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/(loss)	q	-943	943		0
Cash-flow hedge reserve		0			0
Fair-value reserve from available-for-sale financial assets	r	0		71	71
...		0			0
Retained earnings/(losses carried forward)		21.198	-943	8.340	28.595
Previous years' earnings/(losses)	s	8.020	-943	-702	6.375
Legal reserve		617			617
Treasury stock reserve		5.381			5.381
...		0			0
IAS 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
Employee severance indemnity & retirement provision	v	4.970		-585	4.385
Risk provisions		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
Amounts payable to associates		1			1
Amounts payable to related parties		299			299
Accrued liabilities and 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 for risks and provisions		0			0
TOTAL LIABILITIES		154.078	0	8.298	162.376

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

The following comments concern adjustments made to the **balance sheet** following initial transition to IAS/IFRS as at January 1st 2004 (the official transition date).

a. Land

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

Land was reclassified from Buildings (€ 2,260 thousand) since Italian financial reporting format envisages just one item called "Land & buildings", which is not envisaged in IAS/IFRS format for financial statements.

During 2004 top management commissioned expert technical appraisals in all Group companies in order to post these assets at their effective market value as envisaged by IAS 16. The detail of these revaluations is as follows:

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

b. Buildings

The following decreases occurred:

Reclassification to Land	(2,260)
Reclassification to "Other tangible assets" of generic plant for buildings	<u>(1,507)</u>
Total Decrease	(3,767)

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

The reclassification of € 1,507 thousand consists of:

Generic plant for buildings	1,473
Lightweight constructions	<u>34</u>
Total	1,507

Increases totalling € 3,470 thousand instead consist of:

- € 3,728 thousand stemming from the company's decision to use fair value as the deemed cost of buildings, as per the indications of IFRS 1. This new value, net of plant, was determined by the expert technical appraisals mentioned earlier. The detail of adjustments made is as follows:

Subsidiary	Net book value as at 31/12/2003 – Italian year- end accounts	Adjustments	Net book value as at 1/01/2004 IAS/IFRS
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 SpA	7,143	1,894	9,037
Datasud Srl	1,767	1,074	2,840
Datalogic Inc	101	-	101
TOTAL	14,061	3,728	17,789

- Elimination of the reserve of € 258 thousand for revaluation of the direct parent company's buildings performed for legal purposes and no longer recognised for the purposes of IAS 16.

c. Other tangible assets

The detail of the € 1,565-thousand reclassification was as follows:

Generic plant for buildings	1,473
Lightweight constructions	34
Enhancement of rented/leased assets	<u>58</u>
Total	1.565

We have already commented on this item in the previous point. Enhancement of rented/leased assets totalling € 58 thousand and concerning the building leased by the US subsidiary EMS has been reclassified among tangible fixed assets as per IAS 16 rules.

The upward adjustment of € 3,077 thousand (of which € 2,841 thousand ascribable to other assets and € 236 thousand to plant & equipment) refers to redefinition of assets' residual useful working life by the company's own engineers in order to use a depreciation process representing assets' effective business/technical duration. The detail of this figure is as follows:

Subsidiary	Net book value as at 31/12/2003 – Italian year-end accounts	Adjustment for alignment of depreciation with IAS/IFRS	Net book value as at 1/01/2004 IAS/IFRS
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
Datalogic SpA	5,433	2,445	7,878
Datasud Srl	1,327	239	1,566
TOTAL	8,016	3,077	11,093

d. Assets in progress and payments on account

Reclassification of € 877 thousand refers to enhancement of the leased building at the headquarters in Quinto (Treviso) undertaken during 2003.

e. Research and development costs

The item concerns capitalisation of R&D 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 incurred	Cost	Amortisation	Amount to be capitalised
Project costs in 2002	1,411	(565)	846
Patent costs in 2002	66	(26)	39
Projects completed in 2003	1,225	(245)	980
Projects underway in 2003	1,529	-	1,529
Total	4,230	(836)	3,394

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 research activities concerned.

f. Other intangible assets

Adjustments relate to reclassification of costs for enhancement of rented/leased assets (€ -935 thousand), commented upon earlier in points c) and d).

The detail of the net upward adjustment of € 1,350 thousand is as follows:

Recalculation of amortisation	1,957
Decrease of multiannual costs	(607)
Total	1.350

Recalculation of amortisation involved various categories, headed by software with € 1,257 thousand and know-how with € 572 thousand, both pertaining to the direct parent company. These adjustments were made based on redefinition of assets' useful lives. Here the

predominant item consists of costs borne in the software category to implement the SAP information system – mostly capitalised in 2002 and for which 10-year utilisation is envisaged.

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

g. Securities

The adjustment of € 108 thousand refers to alignment of market value as at December 31st 2003 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 credits

The amount of € 3,362 thousand relates to deferred tax credits posted in individual companies' accounts and stemming from consolidation entries. These taxes have been entered in accounts based on the requirements of IAS 12.

i. Other receivables

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

Tax receivables	11,332
Commercial paper	1,497
Prepaid-tax credits	3,362
Total	16,191

Tax receivables have been reclassified from this item to Tax credits as per IAS 1 rules.

Commercial paper maturing within 3 months has been classified among Cash & cash equivalents as per IAS 39.

Prepaid-tax credits are instead considered by international accounting standards – in compliance with IAS 1 – as non-current assets.

j. Accrued income and prepayments

Reclassification of € 597 thousand refers to the fair value of forward forex sale transactions. This figure has in fact been reclassified in the Hedging transactions item as per IAS 39.

k. Tax credits

This is the reclassification already discussed in the earlier point i).

l. Available-for-sale (AFS) financial assets

The decrease of € 5,376 thousand is mainly due to annulment of the direct parent company's treasury stock for an amount of € 5,381 thousand in the form of a reduction of share capital, as per IAS 1 rules.

m. Hedging transactions

This is the reclassification concerning fair-value valuation of the forward sales transactions discussed in note j) – accrued income and prepayments.

n. Cash and cash equivalents

This consists of reclassification of commercial paper (€ 1,497 thousand) as discussed in the earlier point i).

o. Share capital

The adjustment of € 5,381 thousand refers to reclassification of treasury stock, 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 IFRS 1 indications, the translation reserve has been cleared with related use of retained 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	<u>(42)</u>
Total reserve	71

s. Retained earnings

The adjustment made consists of:

- m. Use of € 943 thousand following clearance of the translation reserve, as envisaged by IFRS 1
- n. A reduction of € 702 thousand relating to government capital grants for assets, 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. IAS transition reserve

As envisaged by IFRS 1, this reserve comprises the arithmetical total of all adjustments, net of related tax effect, made for initial transition to IAS/IFRS.

u. Deferred-tax liabilities

The adjustment – totalling € 5,409 thousand – relates to the tax effect on adjustments made, based on a tax rate of 37.25% (33% for Italian corporate income tax (IRES) + 4.25% for Italian regional business tax (IRAP)).

v. Employee severance indemnity & retirement provision

The negative adjustment of € 585 thousand refers to adjustment of accrued employee severance indemnity provision applying an actuarial method of calculation as established by IAS 19.

DATALOGIC SpA
BALANCE SHEET

		31/12/2004			
	Notes	Italian accounts	Reclassifications	Adjust- ments	IAS-compliant accounts
ASSETS					
Non-current assets		55.925	0	18.518	74.443
Tangible non-current assets		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 & machinery	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 properties		0			0
Intangible non-current 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 non-current assets	f	4.845	-1.294	10.797	14.348
Equity interests in associate companies		851			851
Available-for-sale financial assets (non-current)		3.961	0	130	4.091
Equity investments		1.112			1.112
Treasury stock					0
Securities	g	2.849		130	2.979
Trade and other receivables		103			103
Deferred tax credits		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
Amounts receivable from associates		1.930			1.930
Amounts receivable from related parties		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
Hedging instruments	i	0	239	0	239
Cash & cash equivalents		37.413			37.413
TOTAL ASSETS		181.770	0	8.850	190.620
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 stock	j	0		-8.480	-8.480
Reserves		-986	1.244	-175	83
Revaluation reserves	k	258		-258	0
Consolidation reserve		0			0
Translation reserve/(loss)	l	-1.244	1.244		0
Cash-flow hedge reserve		0			0
Fair-value reserve from available-for-sale financial assets	m	0		83	83
...		0			
Retained earnings/(losses carries forward)		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 stock reserve		9.673			9.673
...					0
IAS 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
Employee severance indemnity & retirement provision	r	6.513		-816	5.697
Risk provisions		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
Amounts payable to associates		7			7
Amounts payable to related parties		399			399
Accrued liabilities and 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 for risks and expenses		0			0
TOTAL LIABILITIES		181.770	0	8.850	190.620

DATALOGIC SpA **PROFIT & LOSS ACCOUNT**

	Notes	Italian accounts 31/12/04 Euro/000	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
UTILE OPERATIVO		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

**Information concerning effects of transition to IAS/IFRS -
December 31st 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	2,260
Increase due to purchase of land	1,297
Revaluation of land based on expert technical appraisals	<u>2,276</u>
Total Increase	5,833

Land was reclassified from Buildings (€ 2,260 thousand) since Italian financial reporting format envisages just one item called "Land & buildings", which is not envisaged in IAS/IFRS format for financial statements.

We also note an increase in land value following purchase during 2004 by the direct parent company of a plot of land for a value of € 1,297 thousand.

During 2004 top management commissioned expert technical appraisals in all Group companies in order to post these assets at their effective market value as envisaged by IAS 16. The detail of these revaluations is shown in the comments on reconciliation of figures as at January 1st 2004, to which reference should be made.

b. Buildings

The following decreases occurred:

Reclassification to Land	(3,357)
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Reclassification to "Other tangible assets" of generic plant for buildings	<u>(1,581)</u>
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Total Decrease	(5,138)
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As regards reclassification to Land, we refer readers to the comment made earlier in point a).

The reclassification of € 1,581 thousand consists of:

Generic plant for buildings	1,549
Lightweight constructions	<u>32</u>
Total	1,581

The increases totalling €3,511 thousand instead consist of:

Revaluation of buildings	3,728
Elimination of revaluation reserve	(258)
Depreciation of buildings	<u>41</u>
Total	3,511

We have already commented on revaluation of buildings and elimination of the revaluation reserve in the comments on IAS/IFRS reconciliation as at January 1st 2004, to which reference should be made.

As regards depreciation cost in FY2004 – amounting to €41 thousand – we specify that duration has been defined as being 50 years by the expert technical appraisals mentioned in IAS/IFRS reconciliation as at January 1st 2004. Buildings' value is depreciated net of presumed realisable at the end of the assets' useful life actualised 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	<u>1,294</u>
Total	2,875

This item has already been discussed as regards generic plant for buildings and lightweight constructions. Enhancements to rented/leased assets, totalling € 1,294 thousand and relating to the direct parent company and to the US subsidiary EMS, have been reclassified among tangible fixed assets as per IAS 16 rules.

The upward adjustment of €2,211 thousand was originated as follows:

Revaluation of assets as at 2003	3,077
Reclassification to plant & equipment	(236)
Foreign exchange difference	(18)
Depreciation for the year	<u>(612)</u>
Total	2,211

Revaluation of assets as at 2003 has already been commented upon in reconciliation as at January 1st 2004, with an adverse foreign exchange difference to alignment of foreign subsidiaries' asset amounts as at December 31st 2004. Depreciation for FY2004 also appears, based on new definition of useful life. Depreciation rates have been applied to assets' historical cost, as established by IAS 16.

Reclassification of € 236 thousand to plant & machinery – already present in initial transition as at January 1st 2004 – is also present, augmented by € 47 thousand due to positive depreciation stemming from related assets' useful life.

d. Goodwill

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

Reinstatement of IdWare goodwill	1,044
Reinstatement of Minec goodwill	164
Laservall goodwill	<u>(5,930)</u>
Total	(4,722)

The acquisitions of IdWare and New Datalogic AB (ex-Minec) - which took place before the translation date - have been treated applying the exemption from IFRS 3 envisaged by IFRS 1. We have thus maintained the amounts of goodwill present in year-end accounts as per Italian GAAP as at December 31st 2003. These amounts have been subjected to impairment testing, which did not show any need for write-downs – and we have therefore reversed amortisation applied as per Italian GAAP.

As regards the Laservall company, we recall the fact that it was acquired in the second half of 2004. The goodwill relating to this acquisition has therefore been accounted for in compliance with IFRS 3. The details of this treatment are as follows:

Reversal of Laservall goodwill (Italian accounts)	(11,636)	1)
Reinstatement of amortisation (Italian accounts)	587	2)
New goodwill	<u>5,119</u>	3)
Net total	(5,930)	

- 1) This is the adjustment made as per IFRS 3 to eliminate the consolidation difference stemming from the Laservall acquisition as the difference between the price paid and the value of net equity as at acquisition date.
- 2) This is the adjustment made to reinstate amortisation in the last six months of 2004 of the consolidation difference mentioned above.
- 3) This is residual Net Asset Value as established by IFRS 3, i.e. the residual portion of goodwill after allocation of the same to the acquired company's individual assets.

e. Research and development costs

The item concerns capitalisation of R&D 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	<u>(666)</u>
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 research 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
Reverse of multiannual costs	(588)
Laservall intangible assets	10,385
Amortisation	<u>(647)</u>
Total	10,797

The figure of € 1,647 thousand originates from recalculation of amortisation - as discussed in initial IAS/IFRS reconciliation as at January 1st 2004 – totalling € 1,957 thousand. The latter decreased by € 310 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 €260 thousand of costs borne for patents.

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 consist of laser-marking technological know-how (€ 5,968 thousand) and the Far East Window (€ 4,085 thousand) 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.

g. Securities

The adjustment of € 130 thousand refers to alignment of market value as at December 31st 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 prepayments

Reclassification of € 239 thousand refers to the fair value of forward forex sale transactions. This figure has in fact been reclassified in the Hedging transactions item as per IAS 39.

i. Hedging transactions

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

j. Share capital

The adjustment of € 8,480 thousand refers to reclassification of treasury stock present as at December 31st 2004, which, based on IAS 1, 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 stock during 2004.

The adjustment is as follows:

Treasury stock as at January 1st 2004	(9,673)
Cash-in from sale net of tax effect	<u>1,193</u>
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

As per IFRS 1 rules, the translation reserve has been cleared with related use of retained 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	<u>(50)</u>
Total reserve	83

n. Retained earnings

The adjustment made consists of:

- a. Use of € 1,244 thousand following clearance of the translation reserve, as envisaged by IFRS 1
- b. A reduction of € 702 thousand relating to government capital grants for assets, 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.

o. IAS transition reserve

As envisaged by IFRS 1, this reserve comprises the arithmetical total of all adjustments, net of related tax effect, made for initial transition to IAS/IFRS.

p. Profit/loss for year

Reference should be made to subsequent comments concerning adjustments to the P&L account.

q. Deferred-tax liabilities

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

- The tax effect on adjustments made, based on a tax rate of 37.25% (33% for Italian corporate income tax (IRES) + 4.25% for Italian regional business tax (IRAP)).
- 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. Employee severance indemnity and retirement provision

The negative adjustment of € 816 thousand refers to adjustment of accrued employee severance indemnity provision applying an actuarial method of calculation as established by IAS 19. The impact on P&L of this adjustments is positive for €231 thousand.

PROFIT & LOSS ACCOUNT**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 employee severance indemnity 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. Research and development expenses

The decrease of € 695 thousand in this item mainly relates to (a) capitalisation of research and development expenses net of amortisation for the year by virtue of application of IAS 38 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 accrued employee severance indemnity provision based on application of IAS 19.

D. General & 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 for other intangible assets (€ 328 thousand).

E. Financial income

The adjustment is ascribable to adjustment of financial income stemming from sale of treasury stock during 2004, following application of IAS 32 and SIC 16.

F. Income tax

This is the tax effect on the various economic adjustments made with application of a rate of 33% for corporate income tax (IRES) and of 4.25% for regional business tax (IRAP).

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