

Investor Conference Call

A conference call to discuss the Company's Fourth Quarter financial results will be held this afternoon at 5:00pm ET. The conference call, followed by the question and answer period, will be broadcast live and open to anyone interested in listening at <http://events.onlinebroadcasting.com/dalsa/012606/index.php>. The phone numbers for those who wish to participate in the question and answer period are as follows:

Live Conference Access Information:

Local / International Number: 416-850-9150
North American Toll-Free Number: 1-866-809-4939

Instant Replay Access information:

Local Dial-In Number: 402-220-7735
Toll-Free Dial-In Number: 1-800-766-3735
Passcode: 4254668
Expiry: February 9, 2006

About DALSA Corporation

DALSA is an international high performance semiconductor and electronics company that designs, develops, manufactures, and markets digital imaging products and solutions, in addition to providing semiconductor products and services. DALSA's core competencies are in specialized integrated circuit and electronics technology, software, and highly engineered semiconductor wafer processing. Products and services include image sensor components; electronic digital cameras; vision processors; image processing software; and semiconductor wafer foundry services for use in MEMS, high-voltage semiconductors, image sensors and mixed-signal CMOS chips. DALSA is listed on the Toronto Stock Exchange under the symbol "DSA". The Company has its corporate offices in Waterloo, ON and approximately 1000 employees world-wide.

This press release contains forward looking statements based on assumptions, uncertainties and management's best estimates of future events. Actual results may differ materially from those currently anticipated. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements are detailed from time to time in DALSA's periodic reports filed with the Ontario Securities Commission and other regulatory authorities. DALSA has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For more information, please contact:

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DALSA CORPORATION
Additional Segmented Information Schedule
(Canadian Dollars in Thousands)
Unaudited

	Fiscal 2005				
	Twelve Months Ended 31-Dec-05	Three Months Ended 31-Dec-05	Three Months Ended 30-Sep-05	Three Months Ended 30-Jun-05	Three Months Ended 31-Mar-05
REVENUE	\$ 166,694	\$ 41,801	\$ 43,932	\$ 44,074	\$ 36,887
REVENUE BREAKDOWN BY DIVISION					
<i>Digital Imaging (includes Digital Cinema)</i>	70%	71%	72%	70%	65%
<i>Semiconductor</i>	30%	29%	28%	30%	35%
<i>Total</i>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
DIGITAL IMAGING BUSINESS ***					
Revenue Breakdown by Geography					
<i>North America</i>	42%	45%	39%	47%	35%
<i>Europe/Middle East</i>	31%	25%	34%	31%	35%
<i>Asia/Pacific</i>	27%	30%	27%	22%	30%
<i>Total</i>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Revenue Breakdown by End Market					
<i>Semiconductor Inspection</i>	27%	27%	24%	31%	26%
<i>Electronics Inspection</i>	8%	9%	9%	8%	4%
<i>Postal/Parcel/Document Scanning</i>	8%	8%	7%	7%	11%
<i>Life Sciences Imaging</i>	10%	11%	11%	11%	7%
<i>Professional Digital Photography/Broadcast</i>	14%	7%	13%	10%	29%
<i>Machine Vision/Industrial</i>	25%	27%	26%	27%	17%
<i>Other</i>	8%	11%	10%	6%	6%
<i>Total</i>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
SEMICONDUCTOR BUSINESS					
Revenue Breakdown by Geography (External)					
<i>North America</i>	98%	98%	98%	98%	99%
<i>Europe/Middle East</i>	2%	2%	2%	2%	1%
<i>Asia/Pacific</i>	0%	0%	0%	0%	0%
<i>Total</i>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Revenue Breakdown by End Market (External)					
<i>CCD</i>	3%	4%	3%	2%	5%
<i>CMOS</i>	44%	43%	48%	43%	41%
<i>High Voltage</i>	17%	14%	18%	18%	17%
<i>MEMS</i>	35%	37%	30%	37%	36%
<i>Masks/Other</i>	1%	2%	1%	0%	1%
<i>Total</i>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*** Includes the results of DALSA Coreco for the period April 26, 2005 to December 31, 2005

DALSA CORPORATION

Unaudited Consolidated Financial Statements

For the three and twelve months ended December 31, 2005

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations"
Part 3.3(3) (a).

The attached consolidated financial statements have been prepared by Management of
DALSA Corporation and have not been reviewed by an auditor.

DALSA CORPORATION
CONSOLIDATED BALANCE SHEET
(thousands of dollars)
Unaudited

As at	December 31 2005 \$	December 31 2004 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,573	9,436
Marketable securities	-	5,950
Accounts receivable	23,256	25,802
Accrued revenue	1,089	1,432
Income tax credits recoverable	5,388	523
Inventory	30,030	30,518
Future tax asset	3,246	975
Other current assets	4,359	4,787
Total current assets	69,941	79,423
Property and equipment	68,736	59,322
Deferred development costs	7,071	7,452
Intangible assets	19,325	9,096
Goodwill	51,308	-
Future tax asset	2,346	1,768
Other assets	1,872	1,408
Total assets	220,599	158,469
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	-	618
Accounts payable and accrued liabilities	13,881	22,761
Income taxes payable	2,041	892
Future tax liability	563	451
Deferred revenue	1,336	898
Long-term debt due within one year	3,650	361
Total current liabilities	21,471	25,981
Future tax liability	8,641	7,493
Long-term debt	18,641	405
Non-controlling interest	355	576
Total liabilities	49,108	34,455
Shareholders' equity		
Share capital (note 4)	115,393	76,213
Contributed surplus	560	181
Cumulative translation adjustment	(990)	(264)
Retained earnings	56,528	47,884
Total shareholders' equity	171,491	124,014
Total liabilities and shareholders' equity	220,599	158,469

DALSA CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(thousands of dollars, except per share amounts)
Unaudited

	Three months ended		Twelve months ended	
	December 31		December 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue				
Standard product sales	39,406	45,802	156,737	159,012
Application specific contracts	2,395	2,066	9,957	9,594
Total revenue	41,801	47,868	166,694	168,606
Expenses				
Cost of standard products sold	22,582	24,764	90,978	88,411
Research and development, net (note 6)	7,686	5,901	29,669	22,721
Selling, general and administrative	9,728	7,160	34,155	26,882
Amortization of intangibles	557	240	1,832	873
Foreign exchange loss (gain)	484	520	(755)	566
Total expenses	41,037	38,585	155,879	139,453
Income from operations	764	9,283	10,815	29,153
Interest expense (income), net	269	(84)	646	(117)
Income before provision for income taxes and non-controlling interest	495	9,367	10,169	29,270
Provision for income taxes	(361)	3,020	1,829	9,449
Income before non-controlling interest	856	6,347	8,340	19,821
Non-controlling interest	(82)	11	(304)	48
Net income	938	6,336	8,644	19,773
Retained earnings, beginning of period	55,590	41,548	47,884	28,111
Retained earnings, end of period	56,528	47,884	56,528	47,884
Earnings per share (note 2)				
Basic	0.05	0.38	0.48	1.19
Diluted	0.05	0.37	0.47	1.16

DALSA CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of dollars)
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2005 \$	2004 \$	2005 \$	2004 \$
OPERATING ACTIVITIES				
Net income	938	6,336	8,644	19,773
Add non-cash items				
Depreciation	3,796	2,664	13,616	9,899
Loss on disposal of property and equipment	-	(21)	-	274
Impairment loss on property and equipment	-	26	-	226
Amortization of intangibles	557	240	1,832	873
Future income taxes	(1,623)	1,229	(3,852)	5,172
Stock based compensation	131	62	379	181
Non-controlling interest	(82)	11	(304)	48
Other	23	-	25	-
Changes in operating assets and liabilities	938	(740)	(1,377)	(2,133)
Cash provided by operating activities	4,678	9,807	18,963	34,313
INVESTMENT ACTIVITIES				
Decrease in marketable securities	-	-	5,950	(5,950)
Property and equipment additions	(3,593)	(7,829)	(22,322)	(19,021)
Intangible asset additions	-	-	(754)	-
Proceeds on sale of assets	-	81	-	205
Deferred development costs	-	(763)	381	(3,532)
Acquisitions, net of cash acquired (note 8)	-	(662)	(30,710)	(1,647)
Cash (used in) investment activities	(3,593)	(9,173)	(47,455)	(29,945)
FINANCING ACTIVITIES				
(Decrease) increase in bank indebtedness	(4,941)	618	(618)	618
Issuance of share capital	-	219	1,110	1,860
Share issue costs	-	-	(380)	-
(Decrease) increase in long term debt	(910)	(36)	21,525	(448)
Cash (used in) provided by financing activities	(5,851)	801	21,637	2,030
Effect of exchange rate changes on cash	(6)	-	(8)	-
Net (decrease) increase in cash resources	(4,772)	1,435	(6,863)	6,398
Cash and cash equivalents, beginning of period	7,345	8,001	9,436	3,038
Cash and cash equivalents, end of period	2,573	9,436	2,573	9,436
Supplementary Information				
Cash outflows from income taxes	998	190	1,846	830
Cash interest paid	268	9	922	82

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles except that certain disclosures required for annual financial statements have not been included. The significant accounting policies are consistent with the policies outlined in DALSA Corporation's ("the Company") audited consolidated financial statements for the year ended December 31, 2004, except for the adoption of the accounting policy disclosed below. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2004 as set out in the 2004 Annual Report.

Consolidation of Variable Interest Entities

Effective January 1, 2005, the Company adopted AcG-15 "Consolidation of Variable Interest Entities" ("VIE") which requires that consolidation principles be applied to those entities which are subject to control on a basis other than voting interests. A VIE is defined as any legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. Where the Company is considered the primary beneficiary of a VIE, consolidation is required. The adoption of the accounting policy had no impact on the Company's financial condition or results of operation.

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

2. EARNINGS PER SHARE

In thousands (except per share amounts)	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Earnings for basic and diluted earnings per share	\$938	\$6,336	\$8,644	\$19,773
Weighted average common shares	18,695	16,634	18,050	16,576
Incremental shares from assumed conversion of employee stock options	162	384	243	398
Adjusted weighted average common shares	18,857	17,018	18,293	16,974
Earnings per share				
Basic	\$0.05	\$0.38	\$0.48	\$1.19
Diluted	\$0.05	\$0.37	\$0.47	\$1.16

3. SEGMENTED INFORMATION

The Company operates in three reportable segments: Digital Imaging Products and Solutions ["Digital Imaging"], Semiconductor Products and Services ["Semiconductor Business"] and Digital Cinema ["Digital Cinema"]. These reportable segments involve different products, different processes and different marketing strategies. The Digital Imaging Products and Solutions segment designs, develops and manufactures imaging products and solutions for a wide customer base. The Semiconductor Products and Services segment manufactures semiconductor wafers and components for the electronics industry. The Digital Cinema segment rents camera systems and related products to the professional motion picture production market. The Company accounts for inter-segment sales at current market rates.

DALSA Corporation**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

3. SEGMENTED INFORMATION cont'd

For the three months ended December 31 In thousands	2005			Consolidated \$
	Digital Imaging \$	Semiconductor Business \$	Digital Cinema \$	
Total revenue	29,722	11,953	448	42,123
Inter-segment sales	322	--	--	322
Total revenue	29,400	11,953	448	41,801
Net income				
Before non-controlling interest	2,457	(485)	(1,116)	856
Non-controlling interest	2	--	(84)	(82)
After non-controlling interest	2,455	(485)	(1,032)	938
Identifiable assets without goodwill	97,268	49,208	22,815	169,291
Goodwill	51,308	--	--	51,308
Total identifiable assets	148,576	49,208	22,815	220,599
Property and equipment acquired during the quarter	809	1,771	1,013	3,593
Depreciation of property and equipment	1,795	1,596	405	3,796
Amortization of intangible assets	486	34	37	557
For the three months ended December 31 In thousands	2004			Consolidated \$
	Digital Imaging \$	Semiconductor Business \$	Digital Cinema \$	
Total revenue	31,603	16,179	86	47,868
Net income				
Before non-controlling interest	4,662	1,855	(170)	6,347
Non-controlling interest	19	--	(8)	11
After non-controlling interest	4,643	1,855	(162)	6,336
Identifiable assets	94,397	53,945	10,127	158,469
Property and equipment acquired during the quarter	1,197	5,172	1,460	7,829
Depreciation of property and equipment	1,421	1,231	12	2,664
Amortization of intangible assets	188	36	16	240

DALSA Corporation**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

3. SEGMENTED INFORMATION cont'd

For the twelve months ended December 31 In thousands	2005			Consolidated \$
	Digital Imaging \$	Semiconductor Business \$	Digital Cinema \$	
Total revenue	116,336	50,090	1,324	167,750
Inter-segment sales	1,056	--	--	1,056
Total revenue	115,280	50,090	1,324	166,694
Net income				
Before non-controlling interest	11,479	1,003	(4,142)	8,340
Non-controlling interest	6	--	(310)	(304)
After non-controlling interest	11,473	1,003	(3,832)	8,644
Identifiable assets without goodwill	97,268	49,208	22,815	169,291
Goodwill	51,308	--	--	51,308
Total identifiable assets	148,576	49,208	22,815	220,599
Property and equipment acquired during the year	6,020	7,585	8,717	22,322
Depreciation of property and equipment	6,482	5,916	1,218	13,616
Amortization of intangible assets	1,555	131	146	1,832
For the twelve months ended December 31 In thousands	2004			Consolidated \$
	Digital Imaging \$	Semiconductor Business \$	Digital Cinema \$	
Total revenue	102,681	65,839	86	168,606
Net income				
Before non-controlling interest	10,902	9,199	(280)	19,821
Non-controlling interest	56	--	(8)	48
After non-controlling interest	10,846	9,199	(272)	19,773
Identifiable assets	94,397	53,945	10,127	158,469
Property and equipment acquired during the year	4,643	11,785	2,593	19,021
Depreciation of property and equipment	5,242	4,644	13	9,899
Amortization of intangible assets	716	141	16	873

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

4. SHARE CAPITAL

Authorized

Unlimited common shares
Unlimited preferred shares, issuable in a series.

Preferred shares are non-voting, may be used in series with rights, privileges, restrictions and conditions thereon fixed by the Board of Directors of the Company at the time of issuance.

Issued

In thousands	Common Shares	
	#	\$
Balance, December 31, 2004	16,648	76,213
Issued under employee stock option plan	103	686
Issued under employee stock purchase plan	32	378
Issued to directors as consideration for directors' fees	2	46
Issued for shares of Coreco Inc.	1,910	38,070
Balance, December 31, 2005	18,695	115,393

On April 26, 2005 the Company issued 1,910,317 shares as part of the consideration for all of the issued and outstanding shares of Coreco Inc. ("Coreco"). These shares were valued at \$20.06 using the average share price five days prior to and five days after the announcement of the transaction. The shares were recorded at a gross value of \$38,321,000 less issue expenses of \$380,000 net of a future tax recovery in the amount of \$129,000.

The number of common stock options outstanding as at December 31, 2005 was 813,844 of which 461,657 were exercisable. Options outstanding as of January 25, 2006 are 804,844. As at January 25, 2006 the number of common shares outstanding remained unchanged.

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

5. STOCK-BASED COMPENSATION

The Company employs a fair value based method of accounting for all options issued to employees or directors on or after January 1, 2003. The Company recognizes compensation cost for all stock options granted to employees and directors under its stock option plan. For the twelve months period ended December 31, 2005, the company issued 191,500 options. For the twelve month period ended December 31, 2004, 140,500 options were granted.

The fair value of options issued in the quarter was estimated at the date of grant, using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 3.33%; dividend yield of 0%; a volatility of 0.38; and a weighted-average expected life of the options of 4.5 years. The weighted average fair value of the 191,500 options granted in the twelve months ended December 31, 2005 was \$6.06 per option. The weighted average fair value of the 140,500 options granted in the twelve months ended December 31, 2004 was \$7.22 per option.

The estimated fair value of the options is amortized to expense over the vesting period of the options. The Company's net income was reduced by \$132,000 and \$379,000 for the three and twelve month periods ended December 31, 2005 (\$62,000 and \$181,000 for the three and twelve month periods ended December 31, 2004). The amortization is recorded in Selling, general and administrative expenses.

Pro forma information

Pro forma information regarding net income is required and has been determined as if the Company had accounted for its employee stock options granted after December 31, 2001 and prior to January 1, 2003, under the fair value method. The fair value of these options was estimated at the date of grant using a Black-Scholes Option Pricing Model. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. The weighted average fair value of stock options granted during the year ended December 31, 2002 was \$4.21 per option.

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

5. STOCK-BASED COMPENSATION cont'd

Proforma earnings per share computation

In thousands	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Earnings for basic and diluted earnings per share	\$938	\$6,336	\$8,644	\$19,773
Less estimated stock based compensation costs for the period	63	63	252	261
Net income - proforma	\$875	\$6,273	\$8,392	\$19,512
Earnings per share				
Basic	\$0.05	\$0.38	\$0.47	\$1.18
Diluted	\$0.05	\$0.37	\$0.46	\$1.15

6. RESEARCH AND DEVELOPMENT

Research and development costs are presented net of related government funding and investment tax credits as follows:

In thousands	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Total research and development expenditures	\$9,574	\$7,091	\$36,840	\$26,291
Government funding	(546)	(388)	(1,348)	(796)
Investment tax credits	(1,342)	(802)	(5,823)	(2,774)
Net research and development expenditures	\$7,686	\$5,901	\$29,669	\$22,721

DALSA Corporation

NOTES TO CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

December 31, 2005

7. PENSION OBLIGATIONS

The Company sponsors defined contribution pension plans for most of its employees. The Company sponsors a multi-employer defined benefit pension plan for its employees in the Netherlands. Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan. The cost of defined contribution pensions is expensed as earned by employees.

In thousands	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Defined Contribution Plans	\$230	\$194	\$910	\$785
Multi-employer plan	284	214	1,596	883
Total Pension Expense	\$514	\$408	\$2,506	\$1,668

8. ACQUISITION

On April 26, 2005, the Company acquired all of the issued and outstanding securities of Coreco, a technology company which designs, develops, manufactures and markets machine vision hardware and software that help enhance the productivity, quality and cost competitiveness of manufacturing processes for customers throughout the world.

The acquisition has been accounted for using the purchase method and the Company has included the results of operations in its consolidated financial statements from April 26, 2005.

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

8. ACQUISITION cont'd

The purchase price is summarized as follows:

<u>In Thousands</u>	<u>\$</u>
Cash consideration paid	35,000
Acquisition costs	1,077
<u>DALSA common share consideration</u>	<u>38,321</u>
	<u>74,398</u>

The cash consideration was financed through a drawdown under the Company's capital expenditure and acquisition facilities of \$24.8 million and a drawdown under the operating facility of \$10.2 million. In addition, the Company issued 1,910,317 common shares valued at \$20.06 per share.

The purchase price is allocated as follows based on fair market values at the date of acquisition:

<u>In Thousands</u>	<u>\$</u>
Cash and cash equivalents	5,367
Other current assets	12,521
Long-term assets	1,345
Future tax asset	2,112
Technology	5,063
Customer lists and other intangibles	6,302
<u>Goodwill</u>	<u>51,308</u>
	84,018
Current liabilities	(5,422)
<u>Future tax liability</u>	<u>(4,198)</u>
	<u>74,398</u>

Intangibles assets will be amortized over their estimated useful lives of 2 to 12 years. Goodwill was assigned to the Company's Digital Imaging Business Segment and is not deductible for tax purposes.

DALSA Corporation

**NOTES TO CONSOLIDATED UNAUDITED INTERIM
FINANCIAL STATEMENTS**

December 31, 2005

9. COMMITMENTS

The Company has entered into operating leases for equipment, vehicles and premises. As of December 31, 2005, the Company had commitments for minimum annual payments under these leases for as follows:

<u>In Thousands</u>	<u>Leases</u>	<u>SubLease Rentals</u>	<u>Net</u>
2006	3,630	(162)	3,468
2007	2,523	—	2,523
2008	1,422	—	1,422
2009	829	—	829
2010	426	—	426
<u>Thereafter</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$8,830</u>	<u>\$(162)</u>	<u>\$8,668</u>

The Company has committed to purchase certain fixed assets totaling \$2.2 million. In addition, the Company has committed to purchase land in Waterloo, Ontario in the first quarter of 2006 for \$2.4 million.

Operating leases include \$1.0 million in payment obligations to the General Manager of the DALSA Digital Cinema Center for the lease of facilities in Woodland Hills, California to October 31, 2009.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

2005 FOURTH QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of DALSA Corporation's ("the Company") consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's unaudited consolidated financial statements including the notes thereto for the three and twelve months ended December 31, 2005 ("the Unaudited Consolidated Financial Statements") and should also be read in conjunction with the audited consolidated financial statements ("the Consolidated Financial Statements") and Management's Discussion and Analysis for the fiscal year ended December 31, 2004 as set out in the Company's 2004 Annual Report. The Consolidated Financial Statements and the Unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. The information contained herein is dated as of January 26, 2005.

Certain statements contained in this report contain forward-looking statements, including (without limitation) statements concerning possible or assumed future results of operations of the Company preceded by, followed by or that include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Company's actual results may differ materially from those anticipated in these forward-looking statements. Additional information relating to the Company and the risks inherent in its business is provided in the Company's Annual Information Form for the year ended December 31, 2004 and other documents available on SEDAR at www.sedar.com and on the Company's website at www.dalsa.com.

In this document, "we", "us", "our", "Company" and "DALSA" all refer to DALSA Corporation and its business units and subsidiaries. The content of this MD&A was approved by Board of Directors, on the recommendation of its Audit Committee.

Overview

DALSA is an international high performance semiconductor and electronics company that designs, develops, manufactures, and markets digital imaging products and solutions, in addition to providing semiconductor products and services. DALSA's core competencies are in specialized integrated circuit and electronics technology, software, and highly engineered semiconductor wafer processing. Products and services include image sensor components; electronic digital cameras; vision processors; image processing software; and semiconductor wafer foundry services for use in MEMS, high-voltage semiconductors, image sensors and mixed-signal CMOS chips. We have our corporate offices in Waterloo, Ontario, Canada and approximately 1,000 employees world-wide.

The Company continues to have good fundamentals and to generate cash; however, the revenue and earnings results in the fourth quarter were below our expectations. Specific events in the fourth quarter affecting these results are described in **Results of Operations** below.

