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Consolidated Annual Report & Accounts

as at 31 December 2007

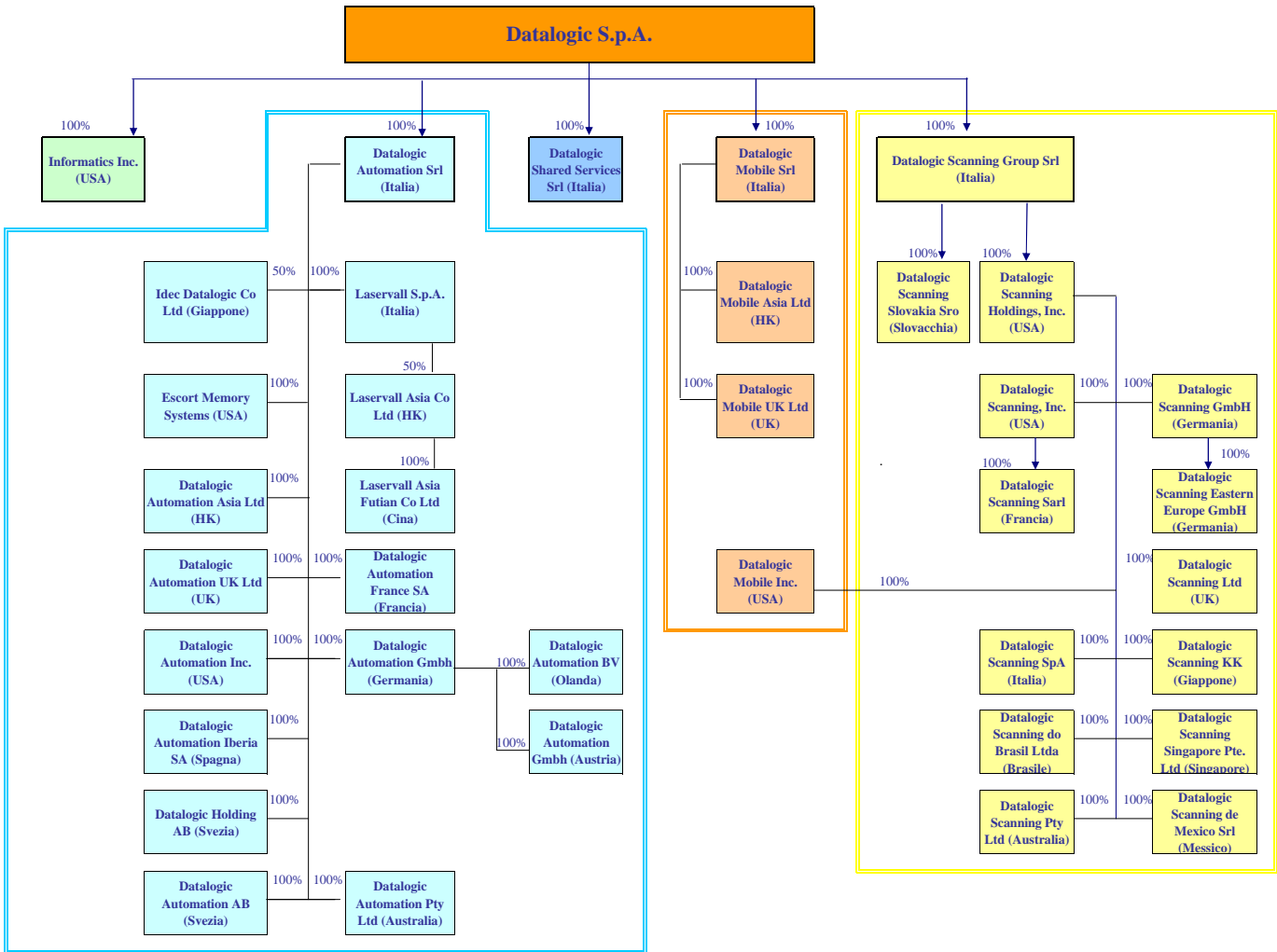


DATALOGIC GROUP

Consolidated Financial Report as at December 31, 2007

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GROUP STRUCTURE



COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta
Chairman (2)

Roberto Tunio
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

Giovanni Tamburi
Director

Lodovico Floriani
Director

Board of Statutory Auditors (4)

Stefano Romani
President

Massimo Saracino
Standing auditor

Mario Stefano Luigi Ravaccia
Standing auditor

Patrizia Passerini
Alternate auditor

Stefano Biordi
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 2008

(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 2009

DATALOGIC GROUP – MANAGEMENT REPORT AT 31 DECEMBER 2007**REPORT ON OPERATIONS**

To Our Shareholders,

The annual report for the year ending on 31 December 2007, which we herewith submit to you for review, has been prepared in compliance with the requirements indicated in the instructions accompanying the Regulation issued by Borsa Italiana SpA.

More specifically, consolidated financial statements apply the approach envisaged by international accounting standards (IAS/IFRS) adopted by the European Union.

Note that based on the provisions of the CONSOB resolution 15519 of 27 July 2006 and subsequent circular dem/6064293 of 28 July 2006, the company did not conduct specific accounting audits on the performance indicators contained in the report.

OPERATING AND FINANCIAL RESULTS

The following table summarises the Datalogic Group's key operating and financial highlights in FY2007 (i.e. as at 31 December 2007) comparing them with FY2006:

Datalogic Group	31/12/07	31/12/06	YoY Change	change %
(€'000)				
TOTAL REVENUES	404,027	381,614	22,413	5.9%
EBITDA	50,094	38,237	11,857	31.0%
<i>% of total revenues</i>	<i>12.4%</i>	<i>10.0%</i>		
Group net profit/loss	18,083	4,125	13,958	338.4%
<i>% of total revenues</i>	<i>4.5%</i>	<i>1.1%</i>		
Net financial position (NFP)	-62,544	-58,357	-4,187	7.2%

(*) **EBITDA** is a performance indicator not defined under IFRS. However, Datalogic's management uses it to monitor and assess the company's operating performance as it is not influenced by the volatility due to the various valuation criteria used to determine taxable income, by the total amount and nature of the capital involved or by the related depreciation and amortization policies. We define it as **Profit/loss for the period before amortization of tangible and intangible assets, non-recurring costs, financial income and expenses and income taxes.**

As up to 31 December 2007 the **Datalogic Group recorded revenues of €404,027 thousand (vs. €381,614 thousand in FY2006)**, detailed as follows:

- €389,561 thousand of revenues from the sale of products;
- €14,466 thousand of revenues from services.

These revenues increased by 6% over the same period of the previous year. At constant Euro/Dollar exchange rates, growth would have been 9%.

Group EBITDA was €50,094 thousand, with a margin on total revenues of 12.4%. The increase compared to the same period in the previous year amounted to €11,857 thousand (+ 31% vs. €38,237 thousand at 31 December 2006).

Net profit for the group as at 31 December 2007, came to €18,083 thousand.

The results for the year confirm a significant recovery compared to the same period of the previous year. In particular, it is worth noting the increase in profitability which (expressed in terms of Gross Operating Margin, an expression of the result characteristic of the Company) is around 2.5% higher than FY2006.

EVENTS CHARACTERIZING 2007

On 2 April 2007, the company began work on an important reorganization project involving the creation of three divisions as follows:

- **Datalogic Scanning**, headquartered in USA, is comprised of two business units – Hand Held Readers and Stationary Readers - Retail. This results in the consolidation of the two hand held reader product lines of the Group, which will be harmonized into a cohesive offering. The current line of stationary readers for retail applications will continue as a core offering.

- **Datalogic Automation**, headquartered in Italy, is comprised of three business units – Unattended Scanning Systems, Marking and RFID. This allows Datalogic to leverage its infrastructure for three businesses which share a common market and customer focus.

- **Datalogic Mobile**, with registered office in Italy, includes a business unit - Mobile Computers - leading to consolidation of the two product lines of Mobile Computers of the Group into a single offer.

The three strategic operating divisions are coupled with a Business Development Unit that will continue to be responsible for the organic development of new business platforms in the Group and assessment of merger and acquisition opportunities.

The parent company, Datalogic S.p.A., maintained its offices in Bologna and responsibility for defining the vision and strategy, values and policies and for ensuring the coordination and control of the Group and its companies.

The company Datalogic Share Service Srl, headquartered in Italy, provides administration, human resources, and IT services primarily to Datalogic Automation Srl and Datalogic Mobile Srl.

ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA

The following table shows the main income statement items for the Datalogic Group compared with the same period in the previous year:

(€'000)	31/12/07		31/12/06		change	change %
Total revenues	404,027	100.0%	381,614	100.0%	22,413	5.9%
Cost of sales	(224,298)	-55.5%	(214,544)	-56.2%	(9,754)	4.5%
Gross profit	179,729	44.5%	167,070	43.8%	12,659	7.6%
Other revenues	2,733	0.7%	2,513	0.7%	220	8.8%
Research and development expenses	(24,992)	-6.2%	(26,313)	-6.9%	1,321	-5.0%
Distribution expenses	(77,503)	-19.2%	(83,915)	-22.0%	6,412	-7.6%
General & administrative expenses (*)	(36,746)	-9.1%	(28,752)	-7.5%	(7,994)	27.8%
Other operating costs (*)	(5,428)	-1.3%	(4,569)	-1.2%	(859)	18.8%
EBITANR	37,793	9.4%	26,034	6.8%	11,759	45.2%
Non-recurring costs and revenues	(2,622)	-0.6%	(6,315)	-1.7%	3,693	-58.5%
Depreciation & amortization due to acquisitions	(4,087)	-1.0%	(4,345)	-1.1%	258	-5.9%
EBIT	31,084	7.7%	15,374	4.0%	15,710	102.2%
Net financial income (expenses)	(4,608)	-1.1%	(5,160)	-1.8%	2,086	-31.2%
Subsidiaries' earnings/(losses)	396	0.1%	(53)	0.0%	449	n.a.
Foreign exchange earnings/(losses)	(253)	0.1%	(1,128)	0.1%	(659)	n.a.
Pre-tax profit/(loss)	26,619	6.6%	9,033	2.4%	17,586	194.7%
Taxes	(8,536)	-2.1%	(4,767)	-1.2%	(3,769)	79.1%
Net profit/(loss) for period	18,083	4.5%	4,266	1.1%	13,817	323.9%
Minority interests' share of net profit		0.0%	(141)	0.0%	(141)	-100.0%
GROUP NET PROFIT/LOSS	18,083	4.5%	4,125	1.1%	13,958	338.4%
Depreciation of tangible assets	(7,655)	-1.9%	(8,309)	-2.2%	654	-7.9%
Amortization of intangible assets	(4,646)	-1.1%	(3,894)	-1.0%	(752)	19.3%
EBITDA	50,094	12.4%	38,237	10.0%	11,857	31.0%

(*) These items include a long-term incentive plan for the Management of the Group companies amounting to 6,853 thousand at 31 December 2007 (€1,627 thousand at 31 December 2006).

In order to assure better representation of the Group's ordinary profitability, we have preferred – in all tables in this section concerning information on operating performance – to show an operating result before the impact of non-recurring costs/income and of depreciation and amortization due to acquisitions, which we have called EBITANR (Earnings before interests, taxes, acquisition and not recurring). To permit comparability with detailed official accounting statements, we have in any case included a further intermediate profit margin (called "Operating profit") that includes non-recurring costs/income and depreciation and amortization due to acquisitions and matches figure reported in year-end financial statements.

Following the introduction of IASs/IFRSs, non-recurrent or extraordinary costs are no longer shown separately in financial statements below the operating line but are included in ordinary operating figures.

As at 31 December 2007, non-recurring costs (€2,622 thousand) consisted of the following items:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(51)	Transformation plan
Total	(51)	
4) R&D expenses	(12)	Transformation plan
Total	(12)	
5) Distribution expenses	(408)	Transformation plan
5) Distribution expenses	(659)	Leaving incentives
Total	(1,067)	
6) General & administrative expenses	(1,273)	Transformation plan
6) General & administrative expenses	(10)	Leaving incentives
6) General & administrative expenses	(111)	Recharging expenses incurred for legal action
6) General & administrative expenses	483	Curtailement
Total	(911)	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Recharging expenses incurred for legal action
7) Other operating expenses	(790)	Restructuring costs for EMS company
Total	(969)	
TOTAL NON-RECURRING COSTS	(3,010)	
3) Other operating revenues	288	Recharging expenses incurred for legal action
3) Other operating revenues	100	Gain on sale of assets
Total	388	
TOTAL NON-RECURRING COSTS AND REVENUES	388	
NON-RECURRING COSTS AND REVENUES	(2,622)	

The costs relating to the Transformation Plan (€1,746) are costs borne for the study, commencement and implementation of the major reorganization of the Datalogic Group, which came into operation in April. They mainly consist of advice (€1,146 thousand), travel (€193 thousand) and meetings (€177 thousand).

The "Restructuring costs for EMS company" are costs borne for the reorganization of the RFID product lines, whose production and planning, currently carried out in California, will be transferred to Italy. Sales activities and technical support for the local market will remain in USA.

This reorganization will allow the Company to recover further financial resources to be apportioned to the development of radiofrequency products.

Depreciation & amortization due to acquisitions (€4,087 thousand), included under "General & administrative expenses", is made up as follows:

1. €1,295 thousand pertaining to Laservall;
2. €584 thousand pertaining to Informatics;
3. €2,208 thousand pertaining to the PSC Group.

At 31 December, a non-recurrent income of €483 thousand ("curtailement") was entered in the accounts, following the recalculation of the severance indemnity provision, which now excludes the component relating

to future salary increases from the actuarial calculation, owing to the social security reform which changed the nature of severance indemnity.

EBIT came to €31,084 thousand, for a margin on sales of 7.7%, up 102% over the same period of the previous year.

The next 2 tables compare the main operating results achieved in the last quarter of 2007 (4Q07) with, respectively, 4Q06 and the third quarter of 2007 (3Q07).

	4Q 2007		4Q 2006		change	change %
TOTAL REVENUES	106,491	100.0%	101,120	100.0%	5,371	5.3%
EBITDA	13,172	12.4%	11,758	11.6%	1,414	12.0%
EBITANR	9,925	9.3%	8,497	8.4%	1,428	16.8%
EBIT	8,435	7.9%	6,697	6.6%	1,738	26.0%

	4Q 2007		3Q 2007		change	change %
TOTAL REVENUES	106,491	100.0%	98,574	100.0%	7,917	8.0%
EBITDA	13,172	12.4%	11,106	11.3%	2,066	18.6%
EBITANR	9,925	9.3%	8,106	8.2%	1,819	22.4%
EBIT	8,435	7.9%	6,802	6.9%	1,633	24.0%

PERFORMANCE BY BUSINESS

Segment information

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

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

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

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

Business segments

The aforesaid reorganization of the Group led to the restructuring of Datalogic's business sectors, among other things. Up to 31 March this year, the business segments of significance for information purposes were as follows:

Data Capture: this is Datalogic's traditional business and includes the development, production and sale of the following products: HHR (handheld readers), USS (unattended scanning systems) for the industrial market, MC (mobile computers), and checkout scanners for the retail market.

Business Development: this division includes the business areas with high development potential within the scope of Datalogic's traditional offer (radio frequency scanners or RFID and self scanning solutions) or those representing adjacent areas to the Group's traditional areas consisting of industrial marking products and the distribution of products for automatic identification. These latter two activities are operated by the subsidiaries Laservall Spa and Informatics Inc.

As from April, following the conclusion of the Group restructuring plan described in the note "Events characterizing 2007", the business sectors are as follows:

Mobile – includes the Mobile Computers (MC) product lines

Automation – includes the product lines relating to: fixed scanners for the industrial market (USS), industrial marking products and radio frequency scanners or RFID.

Scanning – includes the product lines relating to handheld readers (HHR) and fixed scanners for the "retail" market.

Business Development – includes the remaining product lines, i.e. the self scanning solutions and the distribution of products for automatic identification.

These business segments correspond to the Group's new operating divisions. Following the significant impact resulting from the restructuring, it has not been possible to make a reliable classification of the final figures for the first quarter 2007 and the previous period based on the new business segments.

Consequently, sectoral information with reference to the business sector segment has been divided as follows:

- the economic data for the new Mobile, Automation, Scanning and Business Development business segments is provided for the period April-December 2007;
- in addition, the data for 2007 is provided, reclassified based on the previous structure (Data Capture and Business Development) and compared to the results achieved in 2006 (as they are uniform), in order to ensure the principle of comparability.

The economic results for the primary sector, revised based on the new business structure, for the period April - December are as follows:

	Unallocated expenses	BUSINESS DEVELOPMENT	MOBILE	AUTOMATION	SCANNING	Adjustments	CONSOLIDATED TOTAL
(€'000)	April-December	April-December	April-December	April-December	April-December	April-December	April-December
External sales	31	34,051	65,934	56,072	143,973	(99)	299,962
Intersegment sales	4,416	-	(27)	(77)	1,972	(6,284)	-
Total revenues	4,447	34,051	65,907	55,995	145,945	(6,383)	299,962
Cost of goods sold	94	14,472	36,906	27,725	86,828	222	166,247
Intersegment cost of goods sold	28	5,031	2,219	118	174	(7,334)	-
Gross profit	4,325	14,548	26,782	28,388	58,943	729	133,715
% of revenues	97.3%	42.7%	40.6%	50.7%	40.4%	11.4%	-44.6%
Other attributable revenues	403	22	727	804	(1)	75	2,030
Other intersegment revenues	522	-	5,007	1,030	1,570	(8,104)	25
Allocable operating costs:	3,676	11,051	24,840	26,873	49,423	(6,943)	108,920
% of revenues	82.7%	32.5%	37.7%	48.0%	33.9%	108.8%	36.3%
R&D expenses	441	624	3,349	5,130	8,439	-	17,983
Intersegment R&D expenses	-	3	81	-	-	(82)	2
Distribution expenses	22	7,529	12,818	11,824	25,463	-	57,656
Distribution expenses attributable to brand	-	146	1,040	825	2,417	(4,412)	16
Distribution expenses (intersegment)	65	(144)	857	(22)	-	(787)	(31)
Allocable G&A costs	1,122	2,570	1,871	4,949	10,342	88	20,942
Allocated general expenses corp+share	-	441	2,568	3,173	2,355	-	8,537
Intersegment general expenses	(16)	(254)	1,746	117	108	(1,737)	(36)
Other allocable operating costs	2,042	136	510	877	281	5	3,851
Other intersegment operating costs	-	-	-	-	18	(18)	-
EBITANR	1,574	3,519	7,676	3,349	11,089	(357)	26,850
% of revenues	35.39%	10.33%	11.65%	5.98%	7.60%	5.59%	8.95%
Allocable non-recurring costs/revenues	(208)	-	(173)	1,171	(9)	(2,178)	(1,397)
Unallocable non-recurring costs/revenues	-	-	-	-	-	-	-
Amortization due to acquisitions	-	(431)	(289)	(971)	(1,342)	-	(3,033)
OPERATING RESULT (EBIT)	1,366	3,088	7,214	3,549	9,738	(2,535)	22,420
% of revenues	30.72%	9.07%	10.95%	6.34%	6.67%	39.71%	7.47%
Net financial income (expenses)							(3,367)
Share of associates' profit part.							40
Income taxes							(5,868)
NET PROFIT/LOSS							13,225
% of revenues							4.35%

A few comments on the general management trend for the main primary sectors are given below:

DATALOGIC MOBILE

The Datalogic Mobile Division was created in 2 April 2007, following the Transformation Project of the Datalogic Group. Datalogic Mobile incorporated the activities of Datalogic's Mobile Computers and PSC's Mobile & Wireless business units.

The year 2007 therefore saw the Datalogic Mobile Division committed to major integration between two units very similar in size but geographically and culturally remote.

Datalogic Mobile in fact has its own "headquarters" in Lippo, Calderara di Reno, in Italy, where all the central functions are established, and a large office in Eugene, Oregon, where the American team resides.

Consequently, the Division has two groups of designers, in the two offices, and two production establishments: in Quinto di Treviso and in Eugene.

With regard to the distribution structure, Datalogic Mobile has a direct presence in 20 countries, with a structure of subsidiaries and branches that also have pre- and post-sales technical support.

In the year 2007, sales of the Datalogic Mobile Division amounted to €91.55 million (pro-forma figures over 12 months), a growth of 11% compared to the previous year, which would have been 13% with Euro-US dollar exchange parity.

The EMEA area contributed €61.6 million to the result, equal to 67% of total sales and a growth of more than 12% compared to 2006. Particularly significant was the growth in Scandinavia, France, Germany and Eastern Europe and the confirmation of Italy.

Sales in America amounted to €22.16 million, equal to 24% of total sales, with a growth of 6% over 2006, which would have been 16% with Euro-Dollar exchange parity.

The Asia-Pacific area contributed €7.2 million, equal to 8% of the total, with a growth of 10% over the previous year, which was also negatively affected by the exchange rate.

Overall, all the regions made a positive contribution to the growth of the Division.

With regard to products, it should be noted that all the main product lines showed major growth, many in double figures, confirming the success of the investments made in past years.

Particularly positive were the results of the product lines dedicated to the large distribution channels, particularly the new MemorTM, the SkorpioTM line and the FalconTM 44xx line.

The largest projects carried out during the course of the year relate to warehouse and data collection applications at the point of sale, in the large distribution sector.

DATALOGIC AUTOMATION

Industrial marking products

The year 2007 was a record year for Laservall (the company in the Datalogic Group that manages this product line), both in terms of growth in sales (+ 23% vs. the previous year) and in terms of profitability.

A significant contribution was made by the electronic documents and data-handling security market (ID & Security), thanks to a substantial project won in Spain (for the provision of anti-counterfeiting identity documents) and many similar but smaller projects, in Europe and Asia.

Europe saw a major growth in sales, while a certain slowdown was recorded in USA.

Its presence in Asia continued to develop, however, particularly in China, where, through the associate Laservall Asia, 3 new commercial offices were opened in the main industrial areas of the country.

In the first part of the year, large investments were made in the Sesto Calende office, which enabled Laservall's production capacity to almost double.

Fixed scanners for the industrial market (USS)

2007 was a particularly demanding year for this business unit. Sales suffered significantly from the unfavourable currency trend over the course of the year and, after a first quarter characterized by a good growth in relation to the same period of the previous year, subsequent periods recorded less brilliant results.

The geographical areas that suffered most were the USA (over 12 months, sales in euros were down 16% on the previous year) and Asia (- 28%).

North-East Europe (Germany, Benelux, Scandinavia and Eastern Europe), which represents the main market for the business unit, recorded good growth compared to 2006 (+ 6%), however, confirming Datalogic's strong competitive positioning in the fixed industrial scanners sector. The main initiatives taken in 2007, both in the product development area and in the production area (see "Research and development activities" below), should allow a stronger growth in sales of this business unit as from 2008.

At the start of 2008, the proposed restructuring of the sales area for the European market was also launched, with the aim, among others, of having a more streamlined and consequently more flexible and faster structure for taking market opportunities.

Radiofrequency scanners (RFID)

For the RFID business unit, 2007 was a major transition period as the organizational structure was completely revised during the second six months: the R&D and production activities previously carried out in the Californian Scotts Valley office were transferred to Datalogic Automation Srl in Bologna.

The company EMS (as from 01/01/08) merged with Datalogic Automation Inc. The existing commercial structure in EMS was therefore transferred to that Company, to ensure service continuity for clients in the USA (main outlet for RFID readers).

The main aim of this thorough reorganization was to resume a vigorous development path which had suffered a slowdown in recent years, both owing to the economic difficulties of one of our main markets (the automotive market) and owing to the significant changes taking place in this market, which require “strong” strategic choices in a competitive scenario that is not yet well defined. During the course of 2007 significant successes were achieved, however, in the electronics and semiconductors market, where EMS was awarded major projects.

DATALOGIC SCANNING

On 2 April 2007, the Datalogic Group Divisions completed the Transformation Project, which led to the reorganization of the business units previously belonging to PSC Inc and Datalogic Spa. The merger of the two business units “Mobile Computers” and “Portable Data Terminals” belonging to PSC Inc. and Datalogic’s “Mobile Computers” business unit led to the formation of the new company Datalogic Mobile. The “HHR” (handheld readers) business units of both companies were assigned to the new company Datalogic Scanning, however. Finally, the fixed scanners for PSC’s retail market were assigned to the company Datalogic Scanning, which today includes the two business units, handheld readers and fixed scanners.

Datalogic Scanning’s technology, products and services support many industries from the supply chain to the distribution channel, with the following products:

- High-performance fixed scanners (POS) for the retail market
- Handheld readers for the retail market, healthcare sector, post offices and small industries
- Industrial handheld readers for production establishments, warehouses and the “transportation and logistic” sector (i.e. couriers)

Datalogic Scanning, with offices in Eugene, Oregon (USA), is the world leader in fixed scanners for the retail market (Point-of-Sale) and second in the world in handheld readers, with a presence in over 120 countries.

During the course of 2007, fixed scanners for the retail market and the handheld readers recorded modest growth rates in the more mature markets, and two-figure growth in the emerging markets.

In the handheld readers market, Datalogic Scanning was recognized, for the fifth year running, by Venture Development Corporation (VDC), an independent consultancy company which conducts market research, as the leading supplier of handheld readers in the EMEA area. With the Dragon™, Gryphon™, Heron™, FireScan™, Lynx™, PowerScan®, QuickScan®, and Touch™ products, Datalogic Scanning has the widest range of handheld readers available on the market, providing a complete line of corded and cordless products, with laser and imaging technology for the industrial and retail market.

In the fixed scanners retail market, the Datalogic Scanning Magellan® product is the leader in the world market thanks to its high performance and reliability. In 2007, for the third year running, Datalogic Scanning was recognized by VDC as the world leader in fixed scanner supplies.

The market has grown by around 8% overall, but the growth rate corresponding to the various models of scanners changes considerably. The growth rates in laser scanners are lower than those using linear (monodimensional or 1D) scanners. The growth rate for bidimensional (or 2D) scanners is much higher (around 20%), but this is a rather small market segment. The emerging markets (Asia, Latin America and Eastern Europe) have had a modest effect on company sales, but decidedly above-average market growth is expected in the future.

Within the segment of scanners for the retail and industrial market, cordless scanners are growing at a higher rate than corded. This is due to the growing use of radiofrequency (RF) systems and to the reduction in costs due to the use of the Bluetooth® wireless technology.

Use of the bidimensional (2D) barcode is spreading a little in all the main sectors of our market: in retail, health, industry, post offices and pharmacies and with couriers. This trend is expected to continue and is even destined to grow in the future.

BUSINESS DEVELOPMENT

2007 was a very positive year for both the business units forming part of the Business Development Division: Shop Evolution (Datalogic's self-scanning solution) and the distribution of products for automatic identification.

During the year, Shop Evolution recorded an increase in sales of more than 85% compared to the previous year, thanks to the success recorded in Italy and in other major European countries (France in particular). At 31 December, there were 212 points of sale using the Shop Evolution solution to improve customer service.

Informatics (an American company which runs the "distribution of products for automatic identification" business unit), also recorded very positive sales results (in euros, +6% on the previous year; +16% if measured in US dollars), confirming the success that has continued uninterruptedly since the company was acquired by Datalogic (first quarter 2005).

Primary segment results as up to 31/12/07, compared with those as up to 31/12/06 were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
(€'000)								
External sales	320,146	309,313	83,881	72,301			404,027	381,614
Intersegment sales	660	900	310		(970)	(900)	-	-
Total revenues	320,806	310,213	84,191	72,301	(970)	(900)	404,027	381,614
Cost of goods sold	184,237	179,991	40,061	34,553			224,298	214,544
Intersegment cost of goods sold	393		5,181	900	(5,574)	(900)	-	-
Gross profit	136,176	130,222	38,949	36,848	4,604	-	179,729	167,070
% of revenues	42.4%	42.0%	46.3%	51.0%	-474.6%	0.0%	44.5%	43.8%
Other attributable revenues	2,090	2,198	643	315			2,733	2,513
Other intersegment revenues	5,212	248	83		(5,295)	(248)	-	-
Allocable operating costs:	110,596	113,851	26,719	24,070	(691)	(291)	136,624	137,630
% of revenues	34.5%	36.7%	31.7%	33.3%	71.2%	32.3%	33.8%	36.1%
R&D expenses	20,763	22,162	4,229	4,160		(9)	24,992	26,313
Distribution expenses	63,098	70,143	14,841	13,811	(436)	(39)	77,503	83,915
Allocable G&A costs	23,198	18,353	7,369	5,779	(255)	(243)	30,312	23,889
Other allocable operating costs	3,537	3,193	280	320			3,817	3,513
SEGMENT RESULT	32,882	18,817	12,956	13,093	-	43	45,838	31,953
% of revenues	10.2%	6.1%	15.4%	18.1%	0.0%	-4.8%	11.3%	8.4%
Unallocable G&A costs	-	-					6,434	4,863
Other unallocable operating costs	-	-					1,611	1,056
EBITANR	32,882	18,817	12,956	13,093	-	43	37,793	26,034
% of revenues	10.25%	6.07%	15.39%	18.11%	0.00%	-4.78%	9.35%	6.82%
Allocable non-recurring costs/revenues	(1,832)	(6,315)	(790)				(2,622)	(6,315)
Amortization due to acquisitions	(2,208)	(2,412)	(1,879)	(1,933)			(4,087)	(4,345)
OPERATING RESULT (EBIT)	28,842	10,090	10,287	11,160	-	43	31,084	15,374
% of revenues	8.99%	3.25%	12.22%	15.44%	0.00%	-4.78%	7.69%	4.03%
Net financial income (expenses)							(4,861)	(6,288)
Share of associates' profit							396	(53)
Income taxes							(8,536)	(4,767)
NET PROFIT/LOSS							18,083	4,266
% of revenues							4.48%	1.12%
Minority interests' share of net profit/loss							-	(141)
GROUP NET PROFIT/LOSS							18,083	4,125
% of revenues							4.48%	1.08%

The total cost of goods sold decreased from 56.2% of sales in the same period of 2006 to 55.5%. The decrease recorded is the result of a fall in the percentage of the cost of goods sold for the Data Capture Division (from 58.02% of sales to 57.55%) and an increase in the cost of goods sold for the Business Development Division (from 49.04% of sales to 53.74%).

Gross profit went from €167,070 thousand at 31 December 2006 to €179,729 thousand at 31 December 2007, for an increase of 7.58%.

The operating costs attributable to the Division amounted to €136,624 thousand at 31 December 2007 (down 0.73% compared to €137,630 thousand recorded during the same period of 2006), of which €110,596 thousand were borne by the Data Capture Division (-2.86% on 2006) and €26,719 thousand relate to the Business Development Division (+11.01% compared to €24,070 thousand recorded in 2006), gross of "interdivisional" operating costs (- €691 thousand).

In greater detail, the Data Capture division featured:

- a 6.31% decrease in research and development costs, which totalled €20,763 thousand at 31 December 2007, equal to 6.47% of total sales for the division; this decrease is attributable to the exchange-rate effect regarding companies whose accounts are based in dollars;
- a decrease of 10.04% in distribution expenses, equal to €63,098 at 31 December 2007, compared to €70,143 thousand recorded during the same period of 2006. This decrease is partly attributable to the parent company (at 30 June 2006, €532 thousand had been borne for the business convention, not held in 2007) and partly to Datalogic Scanning INC (reduction in royalty expenses by €3,700 thousand and reduction in payroll and employee benefit costs due to the implementation of the restructuring and development plan over the course of 2006);
- A 26.40% increase in allocable G&A costs, which amounted to € 23,198 thousand in FY2005 vs. € 18,353 thousand reported in FY2004. This increase is mainly attributable to the entry, in payroll and employee benefit costs and directors' remuneration, of the short-term portion of the long-term Incentive Plan in favour of the Management of the Group Companies. The costs relating to this Plan had so far been entered as an apportionment to the provision for risks, as the amount could not be determined with any certainty.

Other operating costs (of €3,537 thousand) were up by 10.77% compared to 2006.

The Business Development division featured:

- a slight increase in research and development costs, which totalled €4,229 thousand at 31 December 2007, equal to 5.02% of total sales for the division;
- an increase in distribution expenses from €13,811 thousand as at 31 December 2006 to €14,841 thousand as at 31 December 2007.
- an increase of 27.51% in attributable general expenses, amounting to €7,369 thousand during the period under review, compared to €5,779 thousand recorded in the previous period.

The sector result (without considering general expenses and other non-attributable operating costs), amounts to €32,882 thousand for the Data Capture Division, an increase compared to the €18,817 thousand recorded in 2006.

The Business Development division's segment result totalled €12,956 thousand, which is essentially in line with the €13,093 thousand recorded in 2006.

The segment result does not include €6,434 thousand in G&A costs or €1,611 thousand for other operating costs, neither of which are allocable.

BALANCE SHEET BY BUSINESS SEGMENT

The financial situation by asset presented according to the old structure, in order to make a comparison with the same figures at 31 December 2007, is as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
(€'000)								
Segment assets	266,828	286,175	58,480	54,416	(694)	(327)	324,614	340,264
Interests in subsidiaries booked at equity	690	683	782	427			1,472	1,110
Unallocable assets							80,426	62,328
Total assets	267,518	286,858	59,262	54,843	(694)	(327)	406,512	403,702
Segment liabilities	71,007	74,638	14,145	12,018	(688)	(320)	84,464	86,336
Unallocable liabilities							148,566	130,756
Equity							173,482	186,610
Total liabilities	71,007	74,638	14,145	12,018	(688)	(320)	406,512	403,702
Allocable D&A (including D&A due to acquisitions)	10,695	10,451	1,059	1,129			11,754	11,580
Unallocable D&A	-	-					547	623

BUSINESS SECTOR BY GEOGRAPHICAL AREA

	31/12/07	31/12/06	Adjustments 31/12/07	Adjustments 31/12/06	Consolidated 31/12/07	Consolidated 31/12/06	YoY Change
REVENUES BY GEOGRAPHIC AREA							
Italy	39,653	37,973			39,653	37,973	4%
Europe	168,219	153,694			168,219	153,694	9%
North America	116,442	124,504			116,442	124,504	-6%
Rest of the world	<u>79,713</u>	<u>65,443</u>			79,713	65,443	22%
Total	404,027	381,614	-	-	404,027	381,614	6%
ASSET VALUES BY GEOGRAPHIC AREA							
Italy	170,654	79,432		16,736	170,654	96,168	77%
Europe	57,611	35,281		949	57,611	36,230	59%
North America	198,427	205,004		927	198,427	205,931	-4%
Rest of the world	6,351	2,289		<u>(354)</u>	6,351	1,935	228%
ELIMINATIONS AND CORRECTIONS			<u>(108,428)</u>		108,428		
Total	433,043	322,006	108,428	18,258	324,615	340,264	-5%
COST FOR ACQUISITION OF THE ASSETS							
Italy	8,606	16,366			8,606	16,366	-47%
Europe	243	3,057			243	3,057	-92%
North America	8,222	22,607			8,222	22,607	-64%
Rest of the world	630	100			630	100	
Total	17,701	42,130	-	-	17,701	42,130	-58%

RESEARCH AND DEVELOPMENT ACTIVITIES

DATALOGIC MOBILE

During the course of the year, three new major product lines were introduced, to complete a product range that had been considerably enriched in the last two years:

- During the first part of the year, the Skorpio™ Gun was launched, which represents a new compact Windows product for warehouse applications. This product completes the Skorpio family dedicated to the large distribution channels;
- In the second half of the year, the new Kyman™ was launched, a leading product for applications in “hostile” environments, requiring greater robustness and strength. This product is also available in a gun grip version, specifically dedicated to warehouse applications, owing to its robustness and flexibility. The new Kyman™ also comes in a version dedicated to favour the mobility of operators, with the new EDGE-standard radio.
- Finally, the new Pegaso™ industrial PDA was launched, with a full-VGA screen, high-capacity battery and innovative solutions allowing high modularity and flexibility.

The Falcon 44XX range has also been greatly renewed, with the increase in memory capacity, introduction of the *Bluetooth* radio option and improvement in the radio connection with WiFi procedures.

During the course of the year, major investments continued in fundamental accessories for connection and information exchange between devices and clients' information systems. All the main product lines then switched to the new 802.11 b/g-standard WiFi radio, which allows greater performance and a greater level of security.

Finally, the proposed integration of Windows Mobile 6.0 into the Datalogic Jet™ product was launched, which, with the launch planned for the first quarter 2008, will be the first business mobile computer in the world having this operating system and the very first Windows Mobile 6.0 device in Italy.

This operating system will later be installed on other leading products such as Pegaso™ and the new Kyman™.

DATALOGIC AUTOMATION

Industrial marking products

During the course of 2007 Laservall considerably developed its research and development structure in order to introduce new technological platforms and new products.

In 2007, a completely new marking system (the Ulyxe) was completed, positioned as an entry level product in the existing range.

Many other products were also developed, representing either a reinforcement of the existing range (Violino family) or innovative solutions for industrial applications (the new Green Intracavity laser) or for the “ID & Security” market (new release of the DC60 product).

Finally, it should be noted that, during the course of the year, major laser technology collaborations began with universities and research institutes, the main ones being with the Polytechnics of Milan and Turin, the Department of Physics of the University of Pavia and the Fraunhofer Institute of Jena, Germany, a centre of excellence for the development of one of the emerging technologies in our market the "fiber laser".

Fixed scanners for the industrial market (USS)

During the course of 2007 the Business Unit USS (Unattended Scanning System) concentrated on three strategic topics: the renewal of the product range, an improvement in the "total quality" of its products and services and the reorganization of production.

In 2007 research and development activities focused on applications for the industrial market. The complete renovation of the range of intermediate beam scanners (for both laser and imaging technology models) began, to increase the overall competitiveness of the USS supply in this strategic market.

In detail:

- In the first quarter, the new compact DS2100N and DS2400N laser scanners were presented, which anticipate several new features we will find in all new products using this beam: new ID-NET connectivity, new X-Press interface. These new features aim to considerably increase ease of installation and use by final users and integrating clients.
- In the third quarter, the new Matrix 400 product was presented. This is a compact smart camera that completes the new USS range for the industrial market and that boasts excellent performance, adopting the new standards of connectivity and operator interface of the laser scanners.

During 2007 other projects were completed for the development of new products for industrial applications; of these, the DS4800 should be mentioned, a new laser scanner characterized by high performance and flexibility, and the new CBX modular connection system and interface compatible with all new products and all the main standards of industrial connectivity. In general, the whole new product line for the industrial sector is characterized by modularity, standardization, ease of use and "connectivity" to attain a higher level of competitiveness and quality perceived by clients.

In the first quarter 2007 the USS production lines were transferred from the Lippo office to the Castiglion Messer Raimondo establishment (Teramo), now completely dedicated to this business unit. This has involved a major production reorganization because it has laid down the bases for the rationalization of production, aimed both at reducing costs and at improving quality and customer service. The initial results of this activity were already reported in the second half of the year.

Another major initiative has been the launch of a fundamental programme for improving the "*Hinshitsu*" quality, aimed at a permanent introduction into the USS organization of design-for-quality techniques and practices in the research and development area and a constant improvement (*kaizen*) in production. This important programme has involved all the functions of the business unit and, among other things, has made it possible to start up a new procedure for managing projects for the development of new products, intended to considerably improve the time-to-market, and the quality and costs both of the project and of the product.

Radiofrequency scanners (RFID)

During the course of 2007 the new product family known as Cobalt was completed, consisting of a series of products produced ad hoc for the industrial market, for trackability applications and the management/control of products in the course of manufacture in particular.

A compact RFID portable terminal with a USB and Bluetooth interface known as Element was also introduced into the market.

Finally, many new RFID tags were also developed for specific applications.

DATALOGIC SCANNING

Datalogic Scanning made significant investments in research and development during the course of 2007. With regard to the handheld readers sector, considerable progress was made in the integration of the two R&D divisions, in Oregon and in Italy. This activity has brought numerous benefits, as it has made it possible to enhance the specific strengths of each of the two development units and, above all, it will allow a more global approach to the development of the product.

New technological platforms have been developed, both for handheld readers and for fixed scanners for the retail market, which will allow interesting new products to be developed for Datalogic Scanning's clients. In particular, the company is continuing to invest in imaging technology, both for fixed scanners and for handheld readers, with hugely encouraging results in terms of performance.

In general, Datalogic Scanning is continuing to invest in the development of optimum quality products, which are both reliable and durable, particularly for the more "demanding" (industrial) applications, and which minimize the total cost of ownership for clients overall.

To conclude, not only has it invested in new technologies, but it has also worked to reduce the design times, aware that a reduction in the time to market represents not only an important factor for the reduction in costs, but also an important factor of success in a competitive technological market such as that in which the Company operates.

The main new products introduced during the course of 2007 are as follows:

- In August, the Magellan® 8300 and the Magellan® 8400 were launched, high-performance fixed scanners for the retail market intended for large/very large points of sale.
- In November, the new QuickScan® handheld reader was launched for the retail market, which is perfect for point-of-sale (POS) applications, but also suitable for the warehouse, price control in the point of sale and for restocking shelves. This product uses Datalogic's STAR-System™ radio technology, the most efficient and secure system available on the market today for narrowband radio communications. QuickScan is a product particularly suitable for medium/small points of sale, where it is fundamental to have a scanner able to perform many different activities.
- At the beginning of 2006, the new PowerScan 8000 will be made available, a product in which the experience and knowledge of Datalogic/PSC have been combined highly effectively. It is a robust and reliable product (it satisfies the most stringent criteria for measuring robustness), well-designed and suitable for the industrial market. The client has numerous options to choose from (cordless or corded, laser or imaging technology, 1D and 2D, to mention just a few).

SOCIAL, POLITICAL, AND TRADE UNION CLIMATE

Economic growth in Europe stood at 2.6%, confirming the positive growth of 2006. Inflation stood at around 2.1% in the EU area, even though at the end of the year a few signs of a rise in inflation were recorded, which should rise at least in the first part of 2008. The downward trend in the unemployment rate continues, which is now down to 6.4%.

In this context, 2007 has experienced a consolidation of growth of the Italian economy of around 1.8%, although this is still well below the European average. The increase in tax revenues and the simultaneous reduction in the deficit meant that the year was positive overall.

The unemployment rate, which has been falling for some years, also crossed the 6% threshold and is now at 5.9%, with the known differences between the various regions of Italy.

Inflation rose over the course of the year, standing at 2.6%; the gradual increase in prices and taxation and the delay in the renewal of national contracts accentuated the difficulties in the less prosperous bands and favoured a generalized feeling of impoverishment combined with a not very optimistic vision of the future.

In the USA, the unemployment rate remained substantially in line with the previous year, at around 4.7%. 2007 was again a year of growth, but many operators are now anticipating a recession in the near future.

With regard to the Datalogic Group, over the course of 2007, the internal climate was affected by the transformation process which has led to the current organization and shareholding structure.

This process has taken place without any particular repercussions, in terms of employment or internal climate, with the collaboration of all, including corporate parties.

The organizational transformation has given a considerable impetus to Datalogic's internationalization process, regarding not only the commercial functions (which the group has been performing for some time) but also the production, research and development and product marketing structures. Datalogic has in fact become a multicentre company, with units of excellence throughout the world, particularly in Europe, and primarily in Italy, and in the USA.

This development has encouraged the introduction of much international mobility, around a dozen cases to date, which will favour efficient integration in time.

At the end of 2007 the reorganization of the RFID business unit took place, which led to the merger of EMS with Datalogic Automation Inc, and the resulting transfer of the research and development and operation management activities to Bologna. This operation led to the loss of around 30 jobs in USA and the simultaneous creation of a small dedicated core in Bologna, consisting of personnel seconded from USA, internal job rotations and a few appointments.

2007 also saw major investments in training, with particular attention being paid to programmes supporting the transformation, training and managerial incentive programmes and to English-language training initiatives.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

As at 31 December 2007, the net financial position was negative by €62,544 thousand and featured the following breakdown:

Datalogic Group	31/12/06	31/12/07
(€'000)		
A. Cash and bank deposits	30,139	54,669
B. Other liquidity	2,811	70
<i>b1. Restricted cash (*)</i>	2,811	70
C. Securities held for trading	370	368
<i>c1. Current</i>	0	0
<i>c2. Non-current</i>	370	368
D. Cash & Cash equivalents (A) + (B) + (C)	33,320	55,107
E. Current financial receivables	206	206
F. Other current financial receivables	0	171
<i>f1. hedging transactions</i>	0	171
G. Bank current accounts payable	0	0
H. Current portion of non-current debt	9,856	26,006
I. Other current financial liabilities	0	686
<i>i1. hedging transactions</i>	0	686
J. Current financial debt (G)+(H)+(I)	9,856	26,692
K. Current financial debt, net (I)-(D)-(E)-(F)	(23,670)	(28,792)
L. Non-current bank borrowing	79,539	87,845
M. Bonds issued	0	0
N. Other non-current liabilities	2,488	3,491
<i>n1. Financial liabilities vs BoD member</i>	2,488	3,491
O. Non-current financial debt (L)+(M)+(N)	82,027	91,336
P. Net financial debt (K) + (O)	58,357	62,544

The net financial position at 31 December 2007 amounted to - €62,544 thousand and was worse than at 31 December 2006 (- €58,357 thousand). This decrease is mainly attributable to the fact that the operating cashflow generated by the management is more than offset by the negative cashflow connected with investment activities (€12,564 thousand) and by the following specific cases which occurred during the course of the year:

- Treasury shares were acquired for €28,862 thousand and sold for €8,916 thousand; portfolio Treasury shares, amounting to €28,229 thousand at 31 December, are not included in the net financial position (€8,283 thousand at 31/12/06);
- repaid the residual payable to the seller of PSC Holding for the acquisition of the PSC Group in the amount of €2,494 thousand.
- paid out dividends totalling €3,805 thousand

Net working capital as at 31 December 2007 totalled €67,430 thousand and increased by €2,550 thousand from 31 December 2006 (€64,880 thousand).

The reconciliation between the parent company's net equity and profit and the corresponding consolidated amounts is shown below:

	31 December 2007		31 December 2006	
	Total net equity	Net profit (loss) for the period	Total net equity	Net profit (loss) for the period
Datalogic SpA net equity and profit	171,704	7,840	183,690	(310)
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	9,962	23,555	8,017	11,733
Reversal of dividends	0	(9,017)	0	5,379
Laservall acquisition	(4,532)	(1,295)	(3,237)	(1,295)
Amortization of new Datalogic AB consolidation difference	(239)		(239)	
Elimination of capital gain on sale of business branch	(2,199)	(1,980)	(208)	
Effect of eliminating intercompany transactions	(2,405)	(560)	(3,519)	(1,116)
Other	(275)	117	(413)	(340)
Transfer of Know How	(2,749)	(2,749)		
Minec goodwill impairment	(203)	(203)		
Deferred taxes	4,418	2,375	2,043	832
Group portion of net equity	173,482	18,083	186,134	4,125
Minority interests in net equity	0	0	476	141
Total net equity	173,482	18,083	186,610	4,266

FINANCIAL INCOME AND EXPENSES

Net financial expenses totalled €4,861 thousand. The drivers of this result were as follows:

(€'000)	31/12/07
Financial income/expenses	(3,808)
Net foreign exchange losses	(253)
Bank charges	(425)
Other	(375)
Total net financial expenses	(4,861)

In addition, we note that earnings of € 396 thousand made by companies consolidated at equity were also reported.

EQUITY INVESTMENTS OWNED BY THE PARENT COMPANY'S DIRECTORS AND STATUTORY AUDITORS

In compliance with the requirements of CONSOB (Italian securities & exchange commission) Resolution 11520 of 1 July 1998,, below we show the equity interests owned by the direct parent company's directors and statutory auditors in the direct company and its subsidiaries, either directly or via companies controlled.

FULL NAME	TYPE OF OWNERSHIP	INVESTEE COMPANY	NUMBER OF SHARES OWNED AT END OF 2006	NUMBER OF SHARES ACQUIRED IN 2007	NUMBER OF SHARES SOLD IN 2007	NUMBER OF SHARES OWNED AT END OF 2007
Romano Volta	Indirect via Hydra SpA	Datalogic S.p.A.	18,862,250	0	0	18,862,250
Romano Volta	Indirect via wife (Lucia Fantini)	Datalogic S.p.A.	18,903,850	0	0	18,903,850
Romano Volta	Direct	Datalogic S.p.A.	589,160	290,740	0	879,900
Roberto Tuniola	Direct	Datalogic S.p.A.	790,012		190,000	600,012
Roberto Tuniola	Direct	Datalogic Ltd.	1			1
Roberto Tuniola	Direct	Datalogic France	1			1
Giancarlo Micheletti	Direct	Datalogic S.p.A.	64,000			64,000
Pier Paolo Caruso	Direct	Datalogic France	1			1
Gabriele Volta	Direct	Datalogic S.p.A.	115,200			115,200
Valentina Volta	Direct	Datalogic S.p.A.	133,760			133,760
Angelo Manaresi	Direct	Datalogic S.p.A.	10,240		4,000	6,240
Stefano Romani	Direct	Datalogic S.p.A.	2,400			2,400

PREPARATION OF OFFICIAL DATA SECURITY PLAN

In compliance with the requirements of Article 19 of Annex B (Technical rules concerning minimum security measures) of Italian Legislative Decree 196 of 30 June 2003 (Code concerning protection of personal data) the company approved and adopted, with the resolution passed by the Board of Directors on November 11th 2005, the Official Data Security Plan, prepared in collaboration with specialist consultants, certified as BS7799 lead auditors by the British Standards Institute.

During the FY2007, the Company maintained its security measures up to date, confirming sector best practices. With particular reference to the IT security protocols, these were adapted to keep up with innovations introduced by the technological evolution underway.

INFORMATION ON THE STRUCTURE OF OWNERS

In accordance with the requirements of art. 123-bis of Decree Law No. 58 of 24 February 1998, the following information is provided:

- a) The share capital of Datalogic Spa consists of 59,348,688 ordinary shares (net of 4,507,784 Treasury shares owned by the Company). All the shares issued are fully subscribed and there are no other classes of shares.
- b) There is no restriction on the transfer of securities.
- c) At 31 December 2007, significant interests in the capital, based on the declarations made pursuant to art. 120 of the Single Consolidated Act, are as follows: Hydra S.p.A. 59.077%, Tamburi Investment Partners S.p.A. 5.64% and Assicurazioni Generali S.p.A. 3.093%.
- d) There are no securities conferring special rights of control.
- e) No special voting systems are planned in the event of employee shareholding.
- f) There are no restrictions on voting rights.
- g) With regard to resolutions passed in accordance with art. 122 of Decree Law No. 58/1998, on 03 March 2007, a shareholders' agreement was signed between Hydra S.p.A., the engineer Romano Volta, Dr Lucia Fantini and the accountant Roberto Tuniola, relating to shares in the company Hydra S.p.A. which, pursuant to art. 93 of Legislative Decree 58/1998, controls Datalogic S.p.A. This shareholders' agreement lays down several restrictions on the transfer of shares and the establishment of several obligations of prior consultation for the exercise of voting rights.
- h) There are no rules applicable to the appointment and replacement of directors or to the amendment to the articles of association other than those applicable in addition.
- i) On 19 April 2007, the Company's Board of Directors was authorized to acquire up to 6,000,000 Treasury shares at a price of €2 to €20.
- l) The main resolutions providing for the possibility of renegotiating contractual conditions in the event of a change of control of the Company are the medium/long-term bank financing contracts arranged by Datalogic S.p.A. (see the Explanatory Notes for further details).
- j) Pursuant to art. 5.2 of the aforesaid shareholders' agreement (see point g), the Managing Director is entitled to compensation equal to 18 monthly instalments if he is dismissed with or without just cause.

CORPORATE GOVERNANCE REPORT

In accordance with the statutory obligations of Borsa Italiana Spa and Consob, Datalogic Spa has prepared the 2007 Corporate Governance Report, which can be consulted at www.datalogic.com in the Investor Relations section.

BUSINESS FORECAST FOR CURRENT YEAR AND SUBSEQUENT EVENTS

No events occurred after the 2007 year end that are significant for the purposes of this document.

The expected results for 2008, based on the final figures available today and the management estimates, anticipate a growth in Group income and profits compared to the year just ended.

SECONDARY LOCATIONS

As of April, due to the aforementioned reorganization, the parent company will no longer have secondary locations.

ALLOCATION OF THE YEAR'S EARNINGS

To Our Shareholders,

We believe that the Management Report, which accompany the statutory year-end accounts of the company and the Datalogic Group's consolidated year-end accounts, provide exhaustive illustration of their trend and of the results achieved in FY2007.

Since the financial statements of Datalogic Spa show a net operating profit of €7,840,164, the Board of Directors proposes to:

- allocate 5% of earnings (i.e. €392,008) to the legal reserve;
- distribute an ordinary unit dividend to Shareholders, gross of legal withholdings, of 7 cents per share with coupon detachment on 28 April 2008 and payment on 2 May 2008, for a maximum amount of €4,469,953;
- carry forward the remainder of the year's earnings.

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

	Note	31-12-07 Euro/000	31-12-06 Euro/000
ASSETS			
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		204.401	227.624
1) Tangible non-current assets		49.244	50.380
Land	1	6.482	6.660
Buildings	1	18.605	18.238
Other tangible assets	1	22.662	23.672
Assets in progress and payments on account	1	1.495	1.810
2) Investment property		0	0
3) Intangible non-current assets		137.270	153.652
Goodwill	2	84.813	89.907
Development costs	2	2.023	3.010
Other intangible assets	2	50.434	60.735
4) Equity interests in associate companies	3	1.472	1.110
5) Available-for-sale financial assets (non-current)		1.298	1.241
Equity investments	5	930	871
Treasury stock			
Securities	5	368	370
6) Trade and other receivables	7	345	503
7) Deferred tax credits	13	14.772	20.738
from parent company			
8) Crediti tributari		0	0
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		207.991	176.078
9) Inventories	8	51.158	52.005
Raw & auxiliary materials plus consumables	8	26.577	30.936
Work in progress and semiprocessed goods	8	5.791	6.116
Finished products and goods for resale	8	18.790	14.953
10) Job-order work in progress		0	0
11) Trade and other receivables	6	92.844	83.724
Trade receivables	7	82.681	77.723
Within 12 months	7	81.512	75.998
After 12 months	7	32	
Amounts receivable from associates	7	1.116	1.725
Amounts receivable from subsidiaries	7		0
Amounts receivable from parent company	7		0
Amounts receivable from related parties	7	21	
Other receivables - Accrued income/prepaid expenses	7	10.163	6.001
12) Tax credits	9	8.873	7.193
from parent company		4.076	3.810
13) Available-for-sale financial assets (current)	5	206	206
Securities		0	0
Loans to subsidiaries		206	206
14) Hedging instruments	6	171	
15) Cash & cash equivalents	10	54.739	32.950
TOTAL ASSETS (A+B)		412.392	403.702

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	31-12-07 Euro/000	31-12-06 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	173.482	186.610
1) Share capital	11	140.347	159.098
Share capital	11	33.205	33.072
Tresury shares	11	-6.999	-6.301
Share premium reserve	11	114.141	127.888
Demerger capital reserve			4.439
2) Reserves	11	-19.236	-11.057
Revaluation reserves	11		
Consolidation reserve	11		
Translation reserve/(loss)	11	-18.721	-8.555
Cash-flow hedge reserve	11	-515	
Reserve for financial liabilities			-2.502
3) Retained earnings/(losses carried forward)	11	34.288	33.968
Previous years' earnings/(losses)	11	13.300	10.311
Reserve for gain on Datasud cancellation	11	0	3.730
Untaxed capital grant reserve	11	958	958
Legal reserve	11	1.870	1.870
Treasury stock reserve	11	9.440	8.283
IAS transition reserve	11	8.720	8.816
4) Profit/(loss) for period		18.083	4.125
5) Minority interests		0	476
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		121.911	122.630
6) Borrowing	12	91.336	82.027
from related parties		3.491	2.488
7) Tax payables		0	0
8) Deferred tax liabilities	13	18.010	26.468
9) Employee severance indemnity and retirement provision	14	6.565	7.624
10) Long-term provisions for risks and expenses	15	5.924	6.433
11) Other non-current liabilities		76	78
C) CURRENT LIABILITIES (12+13+14+15+16)		116.999	94.462
12) Trade and other payables	16	76.333	74.146
Trade payables	16	45.923	49.204
Within 12 months	16	45.392	48.760
After 12 months	16		
Amounts payable to associates	16	39	21
Amounts payable to parent company	16		0
Amounts payable to related parties	16	492	423
Accrued liabilities and deferred income			
Other current payables	16	30.410	24.942
13) Taxes payable		9.080	6.390
from parent company		2.702	11
14) Short-term provisions for risks and expenses	15	4.894	4.070
15) Hedging instruments	6	686	
16) Short-term borrowing	12	26.006	9.856
TOTAL LIABILITIES (A+B+C)		412.392	403.702

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

	Note	31-12-07 Euro/000	31-12-06 Euro/000
1) TOTAL REVENUES	17	404.027	381.614
Revenues from sale of products		389.561	368.193
Revenues from services		14.466	13.421
2) Cost of goods sold	18	224.349	215.738
<i>of which non-recurring (*)</i>	18	51	1.194
GROSS PROFIT (1-2)		179.678	165.876
3) Other operating revenues	19	3.121	3.865
<i>of which non-recurring (*)</i>	19	388	1.352
4) R&D expenses	18	25.004	26.354
<i>of which non-recurring (*)</i>	18	12	41
5) Distribution expenses	18	78.570	84.103
<i>of which non-recurring (*)</i>	18	1.067	188
6) General & administrative expenses	18	41.744	35.610
<i>of which non-recurring (*)</i>	18	911	2.513
<i>of which amort. pertaining to acquisitions (*)</i>	18	4.087	4.345
7) Other operating expenses	18	6.397	8.300
<i>of which non-recurring (*)</i>	18	969	3.731
Total operating costs (4+5+6+7)		151.715	154.367
OPERATING PROFIT		31.084	15.374
8) Financial income	20	-4.861	-6.288
9) Share of associate companies' profits	3	396	-53
PRE-TAX PROFIT/(LOSS)		26.619	9.033
Taxes	21	8.536	4.767
NET PROFIT FOR PERIOD		18.083	4.266
Minority interests' share of net profit		0	141
GROUP NET PROFIT		18.083	4.125
Earning per share (Euro)	22	0,2938	0,0668
Diluted earning per share (Euro)	22	0,2938	0,0666

(*) see the management report for the details of non- recurring costs and amort. pertaining to acquisitions

DATALOGIC S.p.A.
CONSOLIDATED CASH FLOW STATEMENT

	31-12-07 Euro/000	31-12-06 Euro/000
Pre-tax profit	26.619	9.033
Depreciation & amortisation	16.388	16.548
Employee severance indemnity provision	-1.059	730
Bad debt provisions	289	792
Net financial costs/revenues included foreign exchange	4.861	6.789
Write-down of financial assets	-396	-448
Cash flow from operating before change in working capital	46.702	33.444
Trade receivables	-5.247	1.402
Inventories	847	-493
Other current assets	-4.161	-380
Other medium-/long-term assets	158	298
Trade payables	-3.281	4.562
Other current liabilities	5.468	-13.030
Other medium-/long-term liabilities	-2	-1.165
Provisions for risks and expenses	315	1.584
Trade foreign exchange	-9	-466
	40.790	25.756
Taxes	-10.018	-5.165
Interests and bank expenses	-4.608	-5.661
Operating cash flow (A)	26.164	14.930
(Increase)/decrease in intangible non-current assets net of exchange rate	-4.743	-9.124
(Increase)/decrease in tangible non-current assets net of exchange rate	-7.821	-9.369
Unconsolidated equity investments	-25	139
Investment cash flow (B)	-12.589	-18.354
LT/ST financial receivables	2.743	12.794
LT/ST financial payables and derivatives	25.459	-69.749
Financial exchange rate	-244	-662
Purchase treasury share	-19.946	-8.283
Reserves	6.012	5.736
Capital increase with exercise stock options	736	646
Capital increase with issue of new shares		76.596
Dividend distribution	-3.805	-3.489
Finance cash flow (C)	10.955	13.589
Change in net financial position (A+B+C)	24.530	10.165
Short term net financial position at beginning of period	30.139	19.974
Short-term net financial position at end of period	54.669	30.139

DATALOGIC S.p.A.
STATEMENT OF CHANGES IN NET EQUITY

Description	Share capital	Other reserves				Net profit for previous years							Net profit for period	Net equity	Minority Equity	
		cash flow hedge reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Consolidation reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve				Total
01.01.2006	90.556	79	1.548		1.627	-	9.216	4.432	256	1.399	-	9.043	24.346	12.997	129.526	335
Profit allocation					-		9.037			471			9.508	-12.997	-3.489	
Capital increase	77.243				-								-		77.243	
Translation reserve			-10.103		-10.103								-		-10.103	
Increase in IFRS reserve					-							-227	-227		-227	
Sale of treasury shares	-8.182				-		-8.283				8.283		-		-8.182	
Fair value adjustment		-79			-79								-		-79	
Capital increase charges	-519				-								-		-519	
Extraordinary dividend					-								-		-	
Other changes				-2.502	-2.502		341	-702	702				341		-2.161	335
Net profit as at 31.12.06					-								-	4.125	4.125	141
01.01.2007	159.098	-	-8.555	-2.502	-11.057	-	10.311	3.730	958	1.870	8.283	8.816	33.968	4.125	186.134	476
Profit allocation	-				-		320						320	-4.125	-3.805	
Capital increase	736				-								-		736	
Translation reserve	-		-10.166		-10.166								-		-10.166	
Increase in IFRS reserve	-				-							-96	-96		-96	
Sale of treasury shares	-19.487				-		2.573	-3.730			1.157		-		-19.487	
Fair value adjustment	-				-								-		-	
Capital increase charges	-				-								-		-	
Extraordinary dividend	-				-								-		-	
Other changes	-	-515		2.502	1.987		96						96		2.083	
Net profit as at 31.12.07	-				-								-	18.083	18.083	-476
31.12.2007	140.347	-515	-18.721	-	-19.236	-	13.300	-	958	1.870	9.440	8.720	34.288	18.083	173.482	-

Foreword

Datalogic Group SpA (hereinafter “Datalogic”, the “parent company” or the “company”) is an Italian corporation. Consolidated year-end financial statements as at 31 December 2007 comprise Datalogic SpA and its subsidiaries (hereinafter defined as “the Group”) and the relevant share of associate companies’ profits.

The Group deals with the production and marketing of handheld barcode readers, fixed scanners for the industrial market, mobile computers and fixed scanners for the retail market. The company also deals with radiofrequency scanners (RFID), self scanning solutions and products for industrial marking and for the distribution of products for automatic identification.

The parent company is a joint-stock company listed in the Star segment of Borsa Italiana having its registered office at via Candini, 2 Lippo di Calderara (Bo), Italy.

The parent company is a subsidiary of Hydra SpA, also based in Bologna, which is in turn controlled by the Volta family.

These consolidated financial statements were prepared by the Board of Directors on 14 February 2008.

ACCOUNTING STANDARDS AND POLICIES

(a) Accounting standards

Pursuant to entry into force of Regulation 1606/2002 of the European Parliament and Council 19 July 2002, commencing from the financial year 2005, the consolidated financial statements were drafted according to international accounting principles (IAS/IFRS) adopted by the European Union in accordance with European Regulation 1725/2003 and subsequent updates and in compliance with the provisions foreseen by CONSOB regulations 11971 of 14/05/1999 as amended.

In preparing the consolidated financial statements, the historic cost principle was adopted for all assets and liabilities except for some tangible fixed assets which were revalued on transition to IFRS as described below and some financial assets available for sale for which the principle of fair value is applied.

(b) Preparation criteria

Accounting standards and policies have been uniformly applied in all Group companies and for all periods presented.

The preparation of financial statements in accordance with IFRS requires the use of some estimates. We refer you to the section of these consolidated financial statements where the main estimates made are described.

The following table shows the new documents or amendments to existing documents as from FY 2007 or subsequent years and their impact on the company’s financial statements as required by IAS 8:

Document	Title	Description and impact on the company	Effective date	Date of application by the company
IFRS 8	<i>Operating Segments</i>	Replaces IAS 14 – <i>Sectoral information</i> . Requires the company to base sectoral information on the items used by the management to make its operating decisions (internal reporting for performance analyses).	30 November 2006	1 January 2009
IAS 23	<i>Financial charges</i>	The option whereby companies may record in the income statement immediately the financial charges borne for assets for which a specific period of time normally elapses to render the asset ready for use or sale has been removed.	29 March 2007	1 January 2009
IFRIC 7	Application of the recalculation method pursuant to IAS 29 Accounting information in hyperinflationary economies	IFRIC 7 provides a guide on how this is applied, as required by IAS 29.	1 March 2006	Not applicable to the Group
IFRIC 8	Scope of application of IFRS 2	IFRIC 8 provides clarification and guidelines on the scope of application of IFRS 2	1 May 2006	Not applicable to the Group
IFRIC 9	Revaluation of derivatives incorporated	IFRIC 9 requires an assessment as to whether a derivative incorporated has to be separate from the host contract and entered as a derivative at the time the company enters into the contract itself and prohibits subsequent revaluation, unless significant changes in the contract arise.	1 June 2006	Not applicable to the Group
IFRIC 13	Customer loyalty programme	IFRIC 13 prohibits the entry of a provision for risks and charges for the loyalty programme. Only in cases in which the cost of extinguishing the obligation exceeds the deferred income does the company have a contract for consideration for which it should enter an additional liability based on IAS 37	1 July 2008	Not applicable to the Group
IFRIC 14	Pension plan assets with defined benefits, existence of minimum payments and their interaction	IFRIC 14 defines the circumstances in which companies may record pension plan assets; it specifies those cases in which a minimum payment obligation may reduce the pension plan assets; it indicates those cases in which a minimum payment obligation requires the entry of a liability and how this liability should be recorded.	1 January 2008	1 January 2008

(c) Consolidation standards and policies*(i) Subsidiaries*

Companies are defined as controlled when the parent company has the power, as defined by IAS 27 – *Consolidated financial statements and separate financial statements*, directly or indirectly, to exercise management in such a way as to obtain benefits connected with the practice of such business. In general, control is presumed to exist when the Group owns the majority of voting rights. The definition of control also takes into consideration potential voting rights which, on the date of preparing the financial statements, may be exercised or converted. The accounts of subsidiaries are consolidated on a 100% line-by-line basis from the start of exercise of control until the date of its cessation.

The subsidiaries acquired by the Group are carried using the purchase method, according to which (see IFRS 3):

- cost is taken to be the fair value of the assets sold, considering any equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any costs directly attributable to the acquisition;
- the assets and liabilities of the acquired company are recognized at fair value at their acquisition date;
- the excess of acquisition cost over the fair value of the Group's share of net assets is recognized as goodwill;
- if the acquisition cost is less than the fair value of the Group's holding in the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Reciprocal payables and receivables and cost and revenue transactions between consolidated companies and the effects of all significant transactions between them have been eliminated.

More specifically, profits not yet realised with third parties, stemming from intragroup transactions and those included, as at reporting date, in the measurement of inventories have been eliminated.

The criteria for preparing the financial statements of subsidiary companies have been amended to bring them into line with the accounting standards adopted by the group.

(ii) Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. Our consolidated annual accounts as at 31 December 2007 includes our share of the profits and losses of associate companies, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same. The Group's investments in associated companies include the goodwill identified on acquisition net of any loss deriving from impairment.

The Group's share of associates' post-acquisition profits or losses is recognized in the income statement and its post-acquisition share of changes in reserves is recognized in reserves. Cumulative post-acquisition changes are included in the investment's carrying value.

Unrealized profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealized losses are also eliminated unless the loss is considered to be representative of an impairment of the assets transferred. Accounting standards adopted by associates have been modified when necessary to assure consistency with the policies adopted by the Group.

(d) Segment Reporting

A business segment is a group of activities that provides goods or services subject to risks and benefits substantially different from those supplied by other segments. A "geographical" segment supplies goods or services in a particular economic environment whose risks and benefits are substantially different from those of segments operating in other economic environments.

Refer to the notes on Segment Information for the relevant details.

(d) Treatment of foreign currency items

(i) Currency of presentation

The items shown in the financial statements of each company in the Group are shown in the currency of the economic environment in which the company operates, called the functional currency. The consolidated financial statements are presented in euros, the euro being the Group's functional currency of presentation.

(i) Foreign currency transactions

Foreign currency transactions are converted to euros at the exchange rate existing on the transaction date. Profits and losses on exchange rates deriving from the collection or payment of receivables or payables in foreign currency and those deriving from the conversion of assets and liabilities stated in foreign currency at the exchange rate existing on the date of the financial statements are shown in the income statement.

(ii) Translation of foreign currency financial statements

The assets and liabilities of subsidiaries resident in countries other than those of the Eurozone, including consolidation adjustments, goodwill, and fair-value alignment, are converted at the exchange rates in force on the balance sheet date. The same companies' revenues and costs are translated at the period's average exchange rate, which approximates exchange rates in force on individual transaction dates. Exchange

differences emerging from the translation process are directly classified in a specific equity reserve called "Translation reserve". As permitted by IFRS 1, the translation reserve existing in the consolidated financial statements prepared according to Italian accounting standards at the transition date has been set at zero.

The goodwill and adjustments to fair value of the assets and liabilities acquired within the scope of a business combination on foreign companies are deemed to be assets and liabilities converted to euros at the year-end exchange date.

(e) Property, plant, and equipment

(i) Owned assets

Land and buildings, considered separately, in line with the provisions of IAS 16, have been valued at fair value (market value) at 1 January 2004 (date of transition to IFRS), and this value has been used as the deemed cost. As from that date as permitted by IFRS 1, the fair value has been determined based on valuations made by independent external advisors. The cost of the buildings is depreciated net of the residual value estimated as the realization value which may be obtained on sale at the end of the useful life of the building.

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

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

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

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

The Group applies the following depreciation rates:

Asset Category	Annual Depreciation Rates
Property:	
Buildings	2% - 3.3%

Land	0%
<u>Plant & equipment:</u>	
Automated machinery	20% - 14.29%
Furnaces and appurtenances	14.29%
Generic/specific production plant	20% - 10%
<u>Other tangible 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%
Leasehold improvements	According to contract duration

Assets are written down in the case of permanent impairment of value, regardless of the depreciation that has already been booked; their original value is written back in subsequent periods if the reasons for the writedown no longer apply. The residual value and the useful life of assets are reviewed at least on every year-end date in order to evaluate any significant changes in value.

For the purchase of fixed assets by means of financing, with deferment of payment by normal credit deferment periods, the difference in relation to the cash price equivalent is recorded as interest over the deferment period.

Financial charges directly attributable to the acquisition, construction or production of a tangible fixed asset are recorded in the income statement at the time they are incurred as provided for by IAS 23.

Proceeds and losses on asset disposals are determined by comparing the selling price and carrying value. The figure so determined is recognized in the income statement.

(ii) Assets held under finance lease contracts

Assets held under finance lease contracts are those assets for which the Group has taken on all risks and benefits associated with ownership of the goods.

Such assets are measured at the lower of fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Financial lease instalments are recorded as described in IAS 17; in particular, each instalment is subdivided into principal and interest. The sum of the portions of principal payable on the date of the financial statements is recorded as a financial liability; the portions of interest are recorded in the income statement each year up to full repayment of the liability.

(g) Intangible fixed assets*(i) Goodwill*

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

For acquisitions completed prior to the transition date, goodwill is posted according to the accounting standards adopted by the Italian National Council of Chartered & Registered Accountants, using the optional exemption granted by IFRS 1.

Goodwill is entered at cost, net of accumulated impairment losses.

As from 1 January 2004 goodwill is allocated to cash generating units corresponding to the acquired companies, and is no longer amortized. Carrying value is reviewed at least annually to check the absence of impairment in accordance with IAS 36. Goodwill relating to unconsolidated subsidiaries, associates or other companies is included in the equity investment's value.

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

(ii) Research and development costs

Research expenses are recognized in the income statement at the time when the cost is borne as required by IAS 38. Project costs for the development of innovative products or processes are recognized as intangible assets when it is believed that the project will be successful, considering the product's commercial and technological opportunities, on condition that costs can be reliably measured and appropriate analyses demonstrate that they will generate future economic benefits for the Group.

Other development costs are recognized in the income statement at the time they are incurred.

Development costs previously recognized as costs are not recognized as assets in subsequent accounting periods. Development costs have a finite useful life and have been capitalized and amortized from the start of commercial production of the products concerned, on a straight-line basis, for a period equal to the useful life of the products to which they refer (IAS 38) – normally 5 years.

(iii) Other intangible assets

Other intangible assets are comprised:

- of software used under licence, valued at purchase cost

- of specific intangible assets acquired as part of recent acquisitions (PSC, Laservall, Informatics) that have been identified and recognized at fair value as of the acquisition date in the context of purchase method accounting.
- of a licence agreement arranged during the course of the fourth quarter 2006.

These assets are amortized over their presumed useful life (see section (v) below)

(IV) Subsequent costs

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

(v) Amortization

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

The useful life for each category is detailed below:

Description	Useful life - years
Goodwill	Indefinite useful life
Development costs	5
Other intangible assets:	
- Software licenses (other than SAP licenses)	3/5
- Patents (PSC)	20
- Customer portfolio (PSC)	10
- Brands (PSC)	10
- "Service agreement" (PSC)	4
- Know how (Laservall)	7
- Commercial structure (Laservall)	10
- Commercial structure (Informatics)	10
- SAP licenses	10
- User licenses	According to contract duration

(h) Impairment

Goodwill and other financial assets with an indefinite useful life are not subject to amortization and are tested at least annually, in order to establish the presence of any impairment.

The other non-financial assets, except for unsold stocks, deferred tax receivables (IAS 12) and non-current assets intended for sale governed by IFRS 5, are subject to valuation on each financial statement date, in order to identify the existence of any impairment indicators. If this analysis reveals the presence of such indications, it is necessary to calculate the asset's presumed recoverable value following the approach indicated below in point (i). The aim of this inspection is to ensure that the tangible and intangible fixed assets are not entered at a value exceeding their recoverable value, represented by the higher of the net sale price and the value in use.

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

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

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

Goodwill entered in the financial statements at 31 December 2007 was subjected to the impairment test at 31 December 2007 (as in previous years as from the transition date to IFRS), which did not reveal any impairment, except for the goodwill relating to the Minec Group which showed a loss of €203 thousand, which has been entered in the income statement for this year.

(i) Calculation of presumed recoverable value

The presumed recoverable value of assets other than goodwill is the higher of net disposal price and value in use. The value in use is determined based on future cashflows originating from the assets or from the cash generating unit to which the asset belongs. Expected cashflows are discounted using a rate that takes into account the market value of interest rates and the specific risks of the asset or cash generating unit to which the presumed realization value refers.

(ii) Reversal of impairment losses

If the effects giving rise to impairment cease to apply, impairment is reversed, within the limits of the amount corresponding to the book value that would have been determined, net of amortizations calculated on the historic cost, if no impairment had ever been recorded.

Any reversals of value are recorded in the income statement. In the case of goodwill, its impairment is never reversed.

(i) Financial assets

The group classifies its financial assets into the following categories:

- *Financial assets at fair value with contra entry in the income statement:* financial assets mainly acquired with the intention of making a profit from short-term price fluctuations or designated as such from the outset;
- *Loans and receivables:* financing and receivables are financial assets other than derivatives with a payment flow that is fixed or possible to determine, not listed on an operating market. Trade receivables, other receivables and cash are included within the scope of the group.
- *Financial assets available for sale:* these are financial assets other than derivatives, which are not classified in the other categories. They include investments in other companies and some securities.

Financial assets valued at fair value with contra entry in the income statement are entered at fair value and the relevant changes in the period are shown in the income statement.

Loans and receivables are entered according to the amortized cost criterion using the actual interest rate method.

Financial assets available for sale are valued at fair value and the relevant changes are entered in an equity reserve.

The fair value of listed securities is based on current market prices. If the market of a financial asset is not active, the Group sets its fair value by using transactions taking place in proximity to the reporting date, by referring to other instruments of essentially the same nature, or by using discounted cash flow models.

Under some circumstances, the Group may not have enough information to determine the fair value of these financial assets; in which case they are maintained at cost.

Financial derivatives

Financial derivatives are only used as hedging, in order to reduce the exchange risk or rate. In accordance with IAS 39, financial derivatives may only be entered according to the procedure established for hedge accounting when, on commencement of hedging, the formal designation and documentation on the hedging relationship exists, hedging is presumed to be highly effective, the efficacy can be reliably measured and hedging itself is highly effective during the different accounting periods for which it is designated.

All financial derivatives are measured at fair value, in accordance with IAS 39.

When the financial instruments have the characteristics to be entered in hedge accounting, the following accounting treatment applies:

Fair value hedge – If a financial derivative is designated as a hedge for exposure to the changes in fair value of a financial statement asset or liability attributable to a particular risk that may affect the income statement, the profit or loss deriving from the subsequent valuations of the fair value of the hedge is entered in the income statement. The profit or loss on the item hedged, attributable to the risk covered, changes the carrying value of that item and is entered in the income statement.

Cash flow hedge – If a financial derivative is designated as a hedge for exposure to the variability of future cashflows of an asset or liability entered in the financial statement or for a transaction considered to be highly likely that may affect the income statement, the effective portion of the profits or losses on the financial derivative is entered in the equity. The accumulated profit or loss is transferred from the equity to the income statement during the same period as that in which the associated economic effect of the transaction hedged is recorded. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedge instrument or a hedging relationship is closed but the transaction hedged has not yet been realized, the profits and losses accumulated up to that time and entered in the equity are recorded in the income statement at the time at which the relevant transaction is realized. If the transaction hedged is no longer considered likely, the profits or losses not yet realized and outstanding in the equity are recorded immediately in the income statement.

If hedge accounting cannot be applied, the profits or losses deriving from the valuation at fair value of the financial derivative are entered immediately in the income statement.

(j) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method. Finished product, semi-finished product and raw material cost includes the cost of raw materials, direct manpower, and other production costs that are directly and indirectly allocable (in this case on the basis of normal production capacity). Net realizable value is the estimated selling price in the normal course of business, less any selling costs.

(k) Receivables

Receivables, with due dates consistent with normal terms of trade in the sector in which the Group is active, or that earn interest at market rates, are not discounted to present value. They are recognized at cost (identified as face value), net of provisions for doubtful accounts, which are shown as a direct deduction from such receivables in order to align them with their fair value. Receivables whose due date exceeds normal terms of trade (i.e. due dates longer than one year) are initially recognized at fair value and subsequently at amortized cost – using the effective interest rate method – net of related impairment losses.

The estimated impairment of receivables is entered at the time at which it becomes evident that the receivable cannot be recovered, established by the client's financial difficulties which might lead to bankruptcy or financial restructuring.

Financial assets valued at fair value, with a contra entry in the income statement, are entered at fair value and the changes in fair value from one period to the next are entered in the income statement.

Loans and receivables are entered according to the amortized cost criterion, using the actual interest rate method.

Financial assets available for sale are valued at fair value and changes in fair value are entered in an equity reserve.

(l) Cash & cash equivalents

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

(m) Share capital

The share capital consists of ordinary shares in circulation.

Costs relating to the issue of new shares or options are classified in equity (net of associated tax benefit relating to the same) as a deduction from the proceeds from issuance of such instruments.

In the case of buyback of own shares ("treasury shares"), the price paid, inclusive of any directly attributable accessory costs, is deducted from the Group's equity until such shares are cancelled, re-issued, or sold, as required by IAS 32. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as group equity i.e. equity of the direct parent company's shareholders).

Consequently, no profit or loss is entered in the consolidated income statement at the time of purchase, sale or cancellation of treasury shares.

(n) Stock options

On February 28 2001 the Extraordinary Shareholder Meeting of Datalogic SpA gave the Board of Directors full powers to develop a stock-option incentive scheme for executive directors and for some employees. At the same time shareholders approved a capital increase (of up to a maximum of 600,000 shares, or some 4.8% of share capital) reserved for implementation of the stock option plan. As permitted by IFRS 1, this stock option plan has not been treated in the manner laid down in IFRS 2.

(o) Interest-bearing financial liabilities

Interest-bearing financial liabilities are initially recorded at fair value, net of accessory costs.

Following the original entry, interest-bearing financial liabilities are valued at amortized cost using the actual interest rate method.

(p) Liabilities for employee benefits*(i) Defined contributions plan and defined benefits plan*

Group employees benefit from defined contributions pension plans based on which the Group pays fixed contributions to an external body. The Group has no legal or constructive obligation as regards payment of further contributions if the scheme were to have insufficient funds to pay all employees the benefits relating to their period of service.

The Group also has defined benefit pension plans, based on the working life of employees and on the remuneration received by the employee over a predetermined period of service.

Employees' obligations to contribute to the aforesaid plans are entered in the income statement when they are incurred.

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

Actuarial gains and losses at 1 January 2004, the transition date to IFRS, have been posted to a separate equity reserve. Actuarial gains and losses subsequent to that date are recognised in the income statement of the relevant period, therefore not adopting the "corridor" technique envisaged by IAS 19.

Employee severance indemnities

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

Effects of the reform of severance indemnities (Finance Act 2007 and implementing decrees)

With regard to the Provision for Severance Indemnities, recorded as a defined benefits plan up to 31 December 2006, Law No. 296 of 27 December 2006 ("Finance Act 2007") and subsequent Decrees and Regulations issued during the course of 2007 introduced significant changes in the intended use of contributions to the Provision for Severance Indemnities falling due, within the scope of the reform of social security system.

In particular, the new severance indemnity flows may be assigned by the worker to supplementary pension forms or they may be kept in the company (for companies with fewer than 50 employees) or transferred to the INPS (in companies with more than 50 employees).

Based on these rules, also basing itself on the generally accepted interpretation, the Group maintained that:

- For severance indemnity contributions due at 31 December 2006, the provision in question constitutes a defined benefits plan, to be valued according to the actuarial rules, but no longer including the component relating to future salary increases. The difference resulting from the new calculation in relation to the previous one has been treated as curtailment as defined by section 109 of IAS 19 and, consequently, entered in the income statement;
- Subsequent severance pay contributions, both in the case of opting for a supplementary benefit and in the case of apportionment to the Treasury fund at the INPS, are attributable to defined contribution plans, excluding components forming the subject of an actuarial estimate in determining the relevant cost.

(q) Provisions

In cases in which the Group has a legal or implicit obligation to third parties resulting from a past event and it is likely that losses of economic benefits will have to be borne to fulfil that obligation and a reliable estimate can be made, a provision for risks and charges is entered. The provision is determined based on the estimated cash outlay required to pay off the obligation.

If the time factor is significant, the amount of future cash outlays is discounted to present value at an interest rate that allows for market interest rates and for the specific risk of the liability concerned.

Changes in estimates are shown in the income statement during the period in which the change occurs.

(i) Product warranty provision

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

(ii) Other provisions

The Group has made a provision for a lawsuit against an ex-employee. The amount has been calculated based on estimates made by the Group, together with its legal advisors, to determine likelihood, timing, amounts involved and probable outlay of resources. The provision made is adjusted according to progress with the restructuring plan. Upon conclusion of the dispute, the amount differing from the balance sheet provision will be recognized in the income statement.

(r) Trade and other payables

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

(s) Recognition of revenues

Revenues include the fair value of the amount collected or collectable from the sale of goods or supply of services within the scope of the company's characteristic activities. Revenues are shown net of VAT, returns, discounts and reductions and after eliminating sales with Group companies.

Revenues from sales of goods are recognized in the income statement when the risks and benefits associated with ownership of the goods have been substantially transferred to the purchaser. This usually coincides with delivery or shipment of the goods. Revenues for services rendered are recognized in the income statement according to percentage of completion at the balance sheet date.

(t) Costs

(i) Rental and operating lease costs

Lease agreements in which the lessor substantially maintains all risks and benefits of ownership are classified as operating leases and the relevant rents are posted in the income statement as constant amounts distributed over the lifetime of the agreement.

(iii) Financial income and expenses

Financial income and expenses are posted in the income statement based on the principle of accrual, taking the actual rate applicable into account.

(iii) Dividends

Dividends for distribution to group shareholders are entered as an equity movement during the year in which they are approved by the shareholders' meeting.

(u) Income taxes

Income taxes shown in the income statement include current and deferred taxes. Income taxes are generally shown in the income statement, except when they relate to items entered directly in equity, in which case the tax effect is recognized directly on equity.

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

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

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

(v) Earnings per share

Basic

Basic earnings per share is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Diluted

Diluted earnings per share is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. The weighted average number of shares is determined assuming conversion of all potential shares with a dilutive effect, and the Group's net profit is adjusted for the post-tax effects of the conversion.

RISK MANAGEMENT

a) Risk factors

In conducting its activities, the Datalogic Group is exposed to various financial risks: market risk, credit risk and liquidity risk. The market risk relates to the Group's exposure to the effects deriving from the variation in interest rates and transactions generating flows in currencies other than the euro.

The Group controls each of the financial risks mentioned, duly intervening in order to minimize them, sometimes even with hedging derivatives. The management of the market and liquidity risks takes place within the Corporate division, essentially consisting of Datalogic SpA, while credit risks are managed by the Group's operating units. The sensitivity analysis is subsequently used to indicate the potential impact on the final results deriving from hypothetical fluctuations in the reference parameters. As provided for by IFRS7,

the analyses are based on simplified scenarios applied to the final figures and, owing to their nature, they cannot be considered indicative of the actual effects of future changes.

b) Market risk

(i) Exchange risk

The Group operates at international level and is exposed to the exchange risk associated with different currencies, mainly including the US dollar (for Group companies situated in Europe) and the euro (for companies with offices in USA). The exchange risk in the Datalogic Group is based on transactions (direct risk connected with commercial operations for flows within the group and to third parties) and translations associated with the conversion to euros on consolidation of financial statement items shown in the currency of the legal entity not stated in euros, as the functional currency of the company.

As from April 2007 the company reorganization progress began which saw the creation of three separate divisions: Datalogic Automation, Datalogic Mobile and Datalogic Scanning. The change of structure of the Datalogic Group and the former PSC, which led to the formation of three divisions, has made it necessary to start careful cashflow mapping and analysis, on the basis of which a formalized exchange risk control process will be established, based on the new organizational structure and Corporate Governance, in order to guarantee a risk governance system in line with the best market practice.

The parent company has covered receivables connected with intercompany loans in currency with forward contracts arranged with financial counterparts of primary standing, for an overall notional value of USD 3.7 million. The cashflow hedging transactions are valued at fair value at 31/12 as provided for by IAS 39 and treated according to hedge accounting.

For the purposes of the sensitivity analysis, the potential repercussions of the exchange-rate fluctuation with regard to the following currencies have been analysed:

- 1) Euro/US dollar (USD);
- 2) Euro/Slovak koruna (SKK);
- 3) Euro/British pound (GBP)

on the consolidated value at 31 December 2007 of several financial statement items considered significant with that sign: cash and cash equivalents; trade receivables and payables; sundry receivables and payables; loans and exchange and rate derivatives. Different changes have been assumed owing to the different currencies based on currency fluctuations over 2007.

1) Euro/US dollar (USD)

A weakening/appreciation of 5% of the US dollar in relation to the Euro, with all other variables remaining equal, would have had an impact on the income statement before tax of less than (more than) €531

thousand, particularly attributable to the exchange-rate profit (loss) on trade payables. Following the recent acquisitions made in the USA, the Group has considerable investments in dollars, for which the variation in that currency is shown in the equity translation reserve. With regard to this exposure, considering a 5% variation in the dollar, the impact on the translation reserve, or on the equity, would be (less than) more than around €6,800 thousand.

2) Euro/ Slovak koruna (SKK)

A weakening/appreciation of 1% of the Slovak koruna in relation to the Euro, with all other variables remaining equal, would be reflected as a lesser/greater profit before tax of €300 thousand, mainly attributable to the greater/lesser profits (losses) on the translation of the loan into euros (and net of the effect of the relative IRS hedge) held by the subsidiary Datalogic Scanning Slovachia SKO, whose functional currency is net of the effect of the Slovak koruna.

3) Euro/British pound (GBP)

Finally, a weakening/appreciation of 1% of the British pound, with all other variables remaining equal, would be reflected as an insignificant impact.

(ii) Price risk

The Group is not exposed to any price risk, as it does not hold significant quantities of listed securities in portfolio, nor is it otherwise exposed to the risk deriving from the trend of raw materials traded on the financial markets; consequently, it is not considered necessary to conduct any sensitivity analyses connected with this risk.

(iii) Interest rate risk

The Group is exposed to an interest rate risk associated with the availability of cash and long-term loans. Exposure mainly concerns the Euro area and the Dollar area (on the Euribor and Libor/USD, respectively). The consolidated management of the rate risk aims to reduce the risks of volatility of interest rates connected with loans, in order to reduce financial charges.

With regard to medium/long-term loans, at 31 December 2007 Datalogic has conducted interest rate swaps with financial counterparts of primary standing for a notional total of €54.5 million. These derivatives have the economic effect of transforming around 50% of the variable rate loans into fixed rate loans.

Exposure to the risk has been "stressed" with dynamic market scenarios and hedging transactions cover the company against market rises.

The rate risks were measured by means of the sensitivity analysis and the potential effects of a fluctuation in the Euribor, Libor USD and Libor GBP interest rates on the consolidated financial statements at 31 December 2007 were analysed with particular reference to the following financial statement items: cash and other assets, loans and rate derivatives. The assumed changes of 10 basis points on the Euribor and on the Libor GBP have not had any significant impact on the income statement or on the equity. However, an

increase/decrease of 50 basis points on the Libor USD with all other variables remaining equal would have produced a decrease/increase of €265 thousand in the profit for the year before tax, mainly attributable to the loans (and net of the relevant IRS hedges) in US dollars of the American subsidiaries.

(c) Credit risk

The Group is exposed to a credit risk associated with commercial transactions. The three operating divisions have therefore planned risk protection measures in order to keep the amounts outstanding to a minimum: a specific check on receivables due, management of client credit-line limits and collecting financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, for whom no problems connected with credit recoverability are encountered; in any event, there are no significant concentrations of the risk and it is therefore not considered relevant to provide detailed, quantitative information. Clients requesting deferred conditions of payment are subjected to inspection procedures connected with their creditworthiness (degree of solvency) and an analysis of the specific deal. Trade receivables are subject to impairment on an individual basis, if significant.

(d) Liquidity risk

The Datalogic Group's liquidity risk is minimized by specific central management by the parent company. Bank indebtedness and the management of liquidity are managed centrally by the Group Treasury which has a series of instruments used to optimize the management of financial resources. Firstly, there are automatic mechanisms such as cash pooling (subsidiary companies are in the process of being integrated into existing ones) with the resulting easier maintenance of levels of availability. The central Treasury manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. In this specific case, the subholdings of each division have operating lines for short-term requirements (revolving credit lines and credit portfolio) while Datalogic SpA, as the parent company, has cash credit lines for future requirements in favour of the Group. The centralized negotiation of credit lines and loans on the one hand and the management of the Group's liquid resources on the other have made it possible to reduce the costs of short-term indebtedness and higher interest receivable. Datalogic has various banking partners; each group company has relations with a local bank for ordinary domestic activities; the parent company mainly operates with historic banks of primary standing, some of which are international, which has allowed substantial support from foreign investments.

It is noted, however, that the Group's liquidity reserve at 31 December 2007 amounts to €120 million and is considered to be fully sufficient to meet the commitments existing at the financial statement date.

The following table analyses financial liabilities and derivative financial liabilities regulated on the Group's net basis, grouping them based on the residual period of the contract in relation to the financial statement date. The amounts shown are the non-discounted contractual cashflows.

The following table analyses the financial liabilities:

At 31 December 2007	0 - 1 year	1 - 5 years	> 5 years
Loans	26,006	71,728	19,608
Financial derivatives (IRS)	515		
Trade and other payables	76,333	-	-

At 31 December 2006	0 - 1 year	1 - 5 years	> 5 years
Loans	10,996	52,138	28,749
Financial derivatives (IRS)	-	-	-
Trade and other payables	74,146	-	-

Capital risk management

The Group manages the capital with the intention of protecting its own continuity, in order to ensure a return for shareholders and benefits for stakeholders and maintain an optimum capital structure by reducing its cost.

In line with sectoral practice, the Group monitors the capital based on the gearing ratio. This index is calculated as a ratio between net indebtedness and equity. Net indebtedness is calculated by subtracting cash and cash equivalents calculated for cashflow purposes from the remaining financial assets and liabilities shown in the financial statements. The total capital corresponds to the "equity", as shown in the consolidated financial statements plus the net indebtedness, as determined above.

In 2006 and again in 2007, the Group maintained the gearing ratio between 20-30%, as shown in the following table:

	2007	2006
Financial assets / liabilities	117,213	88,496
Minus: cash and cash equivalents	- 54,669	- 30,139
Net indebtedness (A)	62,544	58,357
Equity (B)	173,482	186,610
Total capital [(A)+(B)]=C	236,026	244,967
Gearing ratio (A)/(C)	26.50%	23.82%

USE OF ESTIMATES

The preparation of the consolidated financial statements and the relevant notes implementing the IFRS require directors to apply accounting principles and methodologies which, in some cases, are based on valuations and estimates based on historic experience and assumptions considered reasonable and realistic

based on the relevant circumstances from time to time. The application of such estimates and assumptions affects the amounts reported in financial statements, i.e. the balance sheet, income statement, and cash flow statement, plus the information disclosed. The ultimate amounts of accounting items for which the aforesaid estimates and assumptions have been used might be different to those reported in financial statements due to the uncertainty characterizing assumptions and the conditions on which estimates are based.

Below we list the accounting items that, more than others, require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumption could have a significant impact on the Group's consolidated financial statements.

- Goodwill;
- Impairment of non-current assets;
- Development costs;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Employee benefits;
- Provisions for risks and charges.

We review estimates and assumptions regularly and the effects of every change are immediately reflected in the income statement.

EXEMPTIONS AND EXCEPTIONS ENVISAGED BY IFRS 1

For the purposes of preparation of the present report and relevant comparative data, the accounting standards illustrated in the previous paragraphs have been applied retrospectively except in the case of optional exemptions to retrospective application allowed by IFRS 1 and adopted by the Group as described in the following table.

Optional exemption	Choice
Business combinations: aggregations of companies, acquisitions of equity interests in associates and joint ventures	The Group has decided to avail itself of exemption as regards retrospective application of IFRS 3 for business combinations and acquisitions of equity interests in associates and joint ventures taking place prior to 1 January 2004.
Opening value of tangible and intangible assets	The Group has decided to apply "deemed cost" for property assets. It has applied revalued cost based on specific appraisals performed by independent expert valuers. As regards intangible assets, given the absence of active markets, the Group has been unable to benefit from use of the "deemed cost" method.
Employee benefits	As regards accounting treatment of defined-benefit plans (= employee severance indemnities in Italy) the Group has decided not to avail itself of the corridor approach and therefore, disregarding the exemption granted under IFRS 1, the actuarial gain/loss has been fully recognized at the transition date and duly reflected in net equity.

Optional exemption	Choice
Cumulative translation differences	The Group has decided to opt for exemption from retrospective application of IAS 21. Gains/(losses) arising from translation of foreign investee companies' financial statements have been cleared, set against the "Retained earnings" reserve.
Compound financial instruments	The Group does not have any compound financial instruments.
Transition of subsidiaries, associates and joint ventures	Not applicable to consolidated financial statements
Alignment of comparative information concerning financial assets and liabilities	The Group has decided to apply IAS 32 and IAS 39 as from the transition date.
Designation of financial instruments already recognized	The Group has decided to apply IAS 32 and IAS 39 as from the transition date. The exemption has been taken as from this date.
Stock options	The Group has a stock option plan that it has not accounted for in the manner envisaged by IFRS 2, as it meets the conditions for exemption offered by IFRS 1.
Insurance contracts	Not applicable to the Group
Changes in liabilities booked for decommissioning, restoration and similar liabilities	The Group did not have any liabilities for decommissioning, restoration and similar liabilities.

The accounting standards applied to the opening balance sheet at 1 January 2004 have been uniformly applied to the balance sheet and income statement at 31 December 2006 and to comparative 2005 figures, including those concerning the recognition, classification and measurement of financial assets and liabilities (IAS 32 and IAS 39).

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

Segment information

Segment information

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

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

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

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

Business segments

Last April, the Group concluded a restructuring project which, among other things, involved the reorganization of Datalogic's sectors of activity. Up to 31 March this year, the business segments, indicated for information purposes, were as follows:

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

Business Development: this division includes the business areas with high development potential within the scope of Datalogic's traditional offer (radio frequency scanners or RFID and self scanning solutions) or those representing adjacent areas to the Group's traditional areas consisting of industrial marking products and the distribution of products for automatic identification. These latter two activities are operated by the subsidiaries Laservall Spa and Informatics Inc.

As from April, following the conclusion of the Group restructuring plan described in the note "Events characterizing 2007" in Management Report, the business sectors are as follows:

Mobile – includes the Mobile Computers (MC) product lines

Automation – includes the product lines relating to: fixed scanners for the industrial market (USS), industrial marking products and radio frequency scanners or RFID.

Scanning – includes the product lines relating to handheld readers (HHR) and fixed scanners for the "retail" market.

Business Development – includes the remaining product lines, i.e. the self scanning solutions and the distribution of products for automatic identification.

These business segments correspond to the Group's new operating divisions. Following the significant impact resulting from the restructuring, it has not been possible to make a reliable classification of the final figures for the first quarter 2007 and the previous period based on the new business segments.

Consequently, sectoral information with reference to the business sector segment has been divided as follows:

- the economic data for the new Mobile, Automation, Scanning and Business Development business segments is provided for the period April-December 2007;
- in addition, the data at 31 December 2007 is provided, reclassified based on the previous structure (Data Capture and Business Development) and compared to the results achieved during the same period in 2006 (as they are uniform), in order to ensure the principle of comparability.

The economic results for the primary sector, revised based on the new business structure, for the period April - December 2007 are as follows:

	Unallocated costs	BUSINESS DEVELOPMENT	MOBILE	AUTOMATION	SCANNING	Adjustments	CONSOLIDATED TOTAL
(€'000)	April-December	April-December	April-December	April-December	April-December	April-December	April-December
External sales	31	34,051	65,934	56,072	143,973	(99)	299,962
Intersegment sales	4,416	-	(27)	(77)	1,972	(6,284)	-
Total revenues	4,447	34,051	65,907	55,995	145,945	(6,383)	299,962
Cost of goods sold	94	14,472	36,906	27,725	86,828	222	166,247
Intersegment cost of goods sold	28	5,031	2,219	(118)	174	(7,334)	-
Gross profit	4,325	14,548	26,782	28,388	58,943	729	133,715
% of revenues	97.3%	42.7%	40.6%	50.7%	40.4%	-11.4%	44.6%
Other attributable revenues	403	22	727	804	(1)	75	2,030
Other intersegment revenues	522	-	5,007	1,030	1,570	(8,104)	25
Allocable operating costs:	3,676	11,051	24,840	26,873	49,423	(6,943)	108,920
% of revenues	82.7%	32.5%	37.7%	48.0%	33.9%	108.8%	36.3%
R&D expenses	441	624	3,349	5,130	8,439	-	17,983
Intersegment R&D expenses	-	3	81	-	-	(82)	2
Distribution expenses	22	7,529	12,818	11,824	25,463	-	57,656
Distribution expenses attributable to brand	-	146	1,040	825	2,417	(4,412)	16
Intersegment distribution expenses	65	(144)	857	(22)	-	(787)	(31)
Allocable G&A costs	1,122	2,570	1,871	4,949	10,342	88	20,942
Allocated general expenses corp+share	-	441	2,568	3,173	2,355	-	8,537
Intersegment general expenses	(16)	(254)	1,746	117	108	(1,737)	(36)
Other allocable operating costs	2,042	136	510	877	281	5	3,851
Other intersegment operating costs	-	-	-	-	18	(18)	-
EBITANR	1,574	3,519	7,676	3,349	11,089	(357)	26,850
% of revenues	35.39%	10.33%	11.65%	5.98%	7.60%	5.59%	8.95%
Allocable non-recurring costs/revenues	(208)	-	(173)	1,171	(9)	(2,178)	(1,397)
Unallocable non-recurring costs/revenues	-	-	-	-	-	-	-
Amortization due to acquisitions	-	(431)	(289)	(971)	(1,342)	-	(3,033)
OPERATING RESULT (EBIT)	1,366	3,088	7,214	3,549	9,738	(2,535)	22,420
% of revenues	30.72%	9.07%	10.95%	6.34%	6.67%	39.71%	7.47%
Net financial income (expenses)							(3,367)
Share of associates' profit							40
Income taxes							(5,868)
NET PROFIT/LOSS							13,225
% of revenues							4.35%

Primary sector results as up to 31 December 2007, presented in accordance with the previous structure, compared with those as up to 31 December 2006 were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
(€'000)								
External sales	320,146	309,313	83,881	72,301			404,027	381,614
Intersegment sales	660	900	310		(970)	(900)	-	-
Total revenues	<u>320,806</u>	<u>310,213</u>	<u>84,191</u>	<u>72,301</u>	<u>(970)</u>	<u>(900)</u>	<u>404,027</u>	<u>381,614</u>
Cost of goods sold	184,237	179,991	40,061	34,553	-		224,298	214,544
Intersegment cost of goods sold	393		5,181	900	(5,574)	(900)	-	-
Gross profit	<u>136,176</u>	<u>130,222</u>	<u>38,949</u>	<u>36,848</u>	<u>4,604</u>	<u>-</u>	<u>179,729</u>	<u>167,070</u>
% of revenues	42.4%	42.0%	46.3%	51.0%	-474.6%	0.0%	44.5%	43.8%
Other attributable revenues	2,090	2,198	643	315			2,733	2,513
Other intersegment revenues	5,212	248	83		(5,295)	(248)	-	-
Allocable operating costs:	<u>110,596</u>	<u>113,851</u>	<u>26,719</u>	<u>24,070</u>	<u>(691)</u>	<u>(291)</u>	<u>136,624</u>	<u>137,630</u>
% of revenues	34.5%	36.7%	31.7%	33.3%	71.2%	32.3%	33.8%	36.1%
R&D expenses	20,763	22,162	4,229	4,160		(9)	24,992	26,313
Distribution expenses	63,098	70,143	14,841	13,811	(436)	(39)	77,503	83,915
Allocable G&A costs	23,198	18,353	7,369	5,779	(255)	(243)	30,312	23,889
Other allocable operating costs	3,537	3,193	280	320	-		3,817	3,513
					-			
SEGMENT RESULT	<u>32,882</u>	<u>18,817</u>	<u>12,956</u>	<u>13,093</u>	<u>-</u>	<u>43</u>	<u>45,838</u>	<u>31,953</u>
% of revenues	10.2%	6.1%	15.4%	18.1%	0.0%	-4.8%	11.3%	8.4%
Unallocable G&A costs	-	-					6,434	4,863
Other unallocable operating costs	-	-					1,611	1,056
EBITANR	<u>32,882</u>	<u>18,817</u>	<u>12,956</u>	<u>13,093</u>	<u>-</u>	<u>43</u>	<u>37,793</u>	<u>26,034</u>
% of revenues	10.25%	6.07%	15.39%	18.11%	0.00%	-4.78%	9.35%	6.82%
Allocable non-recurring costs/revenues	(1,832)	(6,315)	(790)				(2,622)	(6,315)
Amortization due to acquisitions	(2,208)	(2,412)	(1,879)	(1,933)			(4,087)	(4,345)
OPERATING RESULT (EBIT)	<u>28,842</u>	<u>10,090</u>	<u>10,287</u>	<u>11,160</u>	<u>-</u>	<u>43</u>	<u>31,084</u>	<u>15,374</u>
% of revenues	8.99%	3.25%	12.22%	15.44%	0.00%	-4.78%	7.69%	4.03%
Net financial income (expenses)							(4,861)	(6,288)
Share of associates' profit	-	-					(396)	(53)
Income taxes							8,536	(4,767)
NET PROFIT/LOSS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,083</u>	<u>4,266</u>
% of revenues							4.48%	1.12%
Minority interests' share of net profit/loss	-	-					-	141
GROUP NET PROFIT/LOSS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,083</u>	<u>4,125</u>
% of revenues							4.48%	1.08%

The financial situation by asset presented according to the old structure, in order to make a comparison with the same figures at 31 December 2006, is as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
(€'000)								
Segment assets	266,828	286,175	58,480	54,416	(694)	(327)	324,614	340,264
Interests in subsidiaries booked at equity	690	683	782	427			1,472	1,110
Unallocable assets							80,426	62,328
Total assets	<u>267,518</u>	<u>286,858</u>	<u>59,262</u>	<u>54,843</u>	<u>(694)</u>	<u>(327)</u>	<u>406,512</u>	<u>403,702</u>
Segment liabilities	71,007	74,638	14,145	12,018	(688)	(320)	84,464	86,336
Unallocable liabilities							148,566	130,756
Equity							173,482	186,610
Total liabilities	<u>71,007</u>	<u>74,638</u>	<u>14,145</u>	<u>12,018</u>	<u>(688)</u>	<u>(320)</u>	<u>406,512</u>	<u>403,702</u>
Allocable D&A (net of D&A due to acquisitions)	10,695	10,451	1,059	1,129			11,754	11,580
Unallocable D&A	-	-					547	623

The breakdown of the second sector is as follows:

	31/12/07	31/12/06	Adjustments 31/12/07	Adjustments 31/12/06	Consolidated 31/12/07	Consolidated 31/12/06	YoY Change
REVENUES BY GEOGRAPHIC AREA							
Italy	39,653	37,973			39,653	37,973	4%
Europe	168,219	153,694			168,219	153,694	9%
North America	116,442	124,504			116,442	124,504	-6%
Rest of the world	79,713	65,443			79,713	65,443	22%
TOTAL	404,027	381,614	-	-	404,027	381,614	6%
ASSET VALUES BY GEOGRAPHIC AREA							
Italy							77%
Europe	170,654	79,432		16,736	170,654	96,168	59%
North America	57,611	35,281		949	57,611	36,230	-4%
Rest of the world	198,427	205,004		927	198,427	205,931	228%
ELIMINATIONS AND CORRECTIONS	6,351	2,289		(354)	6,351	1,935	
TOTAL	433,043	322,006	108,428	18,258	324,615	340,264	-5%
COST FOR ACQUISITION OF THE ASSETS							
Italy							-47%
Europe	8,606	16,366			8,606	16,366	-92%
North America	243	3,057			243	3,057	-64%
Rest of the world	8,222	22,607			8,222	22,607	
	630	100			630	100	
TOTAL	17,701	42,130	-	-	17,701	42,130	58%

GROUP STRUCTURE

Consolidated financial statements include the statements of the direct parent company and of the companies in which the former directly or indirectly holds the majority of voting rights.

The companies consolidated on a 100% line-by-line basis as at 31 December 2007 were the following:

Company name	Registered location		Share capital	Total equity (€ '000)	Profit/loss for the period (€'000)	% ownership
Datalogic SPA holding	Bologna – Italy	Euro	33,205,000	171,704	7,840	
Datalogic Shared Services srl	Bologna – Italy	€	20,000	2,579	239	100%
Informatics	Plano Texas - USA	USD	15,100,000	14,695	1,930	100%
Datalogic Automation srl	Bologna – Italy	€	10,000,000	27,541	(3,913)	100%
Datalogic Automation France	Paris – France	Euro	2,227,500	3,368	(10)	100%
Datalogic Automation Iberia	Madrid – Spain	Euro	60,500	677	(15)	100%
Datalogic Automation Germany GMBH	Erkenbrechtsweiler-Germany	Euro	1,025,000	4,224	476	100%
Datalogic Automation Austria GMBH	Guntramsdorf-Austria	Euro	72,673	1,087	650	100%
Datalogic Automation UK Limited	Redbourn- England	GBP	3,500,000	4,840	577	100%
Datalogic Holding AB	Malmö, Sweden	KRS	1,400,000	1,098	(12)	100%
Datalogic Automation AB	Malmö, Sweden	KRS	200,000	(226)	(742)	100%
Datalogic Automation INC	Hebron, KY-USA	USD	1,847,000	1,471	(139)	100%
EMS	Scotts Valley (California) – USA	USD	463,812	2,663	1,970	100%
Datalogic Automation PTY LTD	Mount Waverley (Melbourne) - Australia	AUD	2,300,000	393	(297)	100%
Datalogic Automation BV	Nieuwegein-Netherlands	Euro	18,150	(186)	(61)	100%
Laservall Spa	Donnas (AO) - Italy	Euro	900,000	14,816	5,270	100%
Datalogic Asia Limited	Hong Kong - China	HKD	10,000	(274)	(295)	100%
Datalogic Mobile srl	Bologna – Italy	Euro	10,000,000	18,073	3,639	100%
Datalogic GMBH Mobile (branch)	Darmstadt - Germany	Euro	0	(340)	(75)	100%
Datalogic Sweden Mobile (branch)	Malmö –Sweden	KRS	0	(67)	(67)	100%
Datalogic France Mobile (branch)	Paris – France	Euro	0	178	287	100%
Datalogic Spagna Mobile (branch)	Madrid – Spain	Euro	0	(110)	(110)	100%

Datalogic Austria Mobile (branch)	Wiener Neudorf (Vienna) – Austria	Euro	0	(72)	(72)	100%
Datalogic Denmark Mobile (branch)	Hørsholm- Denmark	Euro	0	(34)	(34)	100%
Datalogic Mobile Asia	Hong Kong - China	HKD	100,000	183	37	100%
Datalogic Mobile UK	Redbourn-England	GBP	15,000	(269)	(311)	100%
Datalogic Mobile INC	Eugene OR - USA	USD	0,10	7,449	2,034	100%
Datalogic Scanning Group srl	Bologna – Italy	Euro	10,000,000	91,330	301	100%
Datalogic Scanning Slovakia	Trnava - Slovakia	SKK	2,000,000	9,977	9,790	100%
Datalogic Scanning Holdings Inc.	Eugene OR - USA	USD	100	74,386	607	100%
Datalogic Scanning Inc.	Eugene OR - USA	USD	10	30,553	(3,045)	100%
Datalogic Scanning do Brasil	Sao Paulo - Brazil	R\$	159,525	10	(33)	100%
Datalogic Scanning Mexico	Colonia Cuauhtemoc - Mexico	Euro	0	(178)	(190)	100%
Datalogic Scanning UK Ltd	Watford - England	GBP	191,510	(763)	131	100%
Datalogic Scanning Sarl	Paris - France	Euro	653,015	11	657	100%
Datalogic Scanning Belgium	Brussels - Belgium	Euro	0	250	0	100%
Datalogic Scanning GMBH	Darmstadt - Germany	Euro	306,775	1,631	721	100%
Datalogic Scanning IBERIA (branch)	Madrid-Spain	Euro	0	641	109	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt - Germany	Euro	30,000	212	76	100%
Datalogic Scanning SpA	Milan - Italy	Euro	110,000	751	44	100%
Datalogic Scanning PTY	Sydney -Australia	AUD	2	489	102	100%
Datalogic Scanning Japan	Tokyo - Japan	JPY	151,437.000	17	(140)	100%
Datalogic Scanning Singapore	Singapore	SGD	100,000	15	20	100%

The companies booked at equity as at 31 December 2007 were as follows:

Company	Registered location	Share capital	Total equity (€ '000)	Total profit/loss for the period (€'000)	% ownership Direct and indirect
Idec DatalogicCo. Ltd.	Osaka – Japan	Yen 300,000,000	1,380	82	50%
Laservall Asia Co. Ltd.	Hong Kong - China	Hong- Kong 460,000 \$	1,564	710	50%

BALANCE SHEET INFORMATION - ASSETS

1. Tangible non-current assets

	31/12/07	31/12/06	YoY Change
Land	6,482	6,660	(178)
Buildings	18,605	18,238	367
Other tangible assets	22,662	23,672	(1,010)
Assets in prog. and payments on account	1,495	1,810	(315)
Total	49,244	50,380	(1,136)

Details of movements at 31 December 2006 and at 31 December 2007 are as follows:

	Land	Buildings	Other tangible assets	Assets in prog. and payments on account	Total
Historical cost	6,457	24,355	52,876	1,837	85,525
Accumulated depreciation	-	(5,427)	(29,637)	-	(35,064)
Opening value as at 01/01/06	6,457	18,928	23,239	1,837	50,461
Increases 31/12/06					
investments	384	1,034	6,822	2,570	10,810
amortization reversal	-	531	2,643	-	3,174
Net closing value	384	1,565	9,465	2,570	13,984
Decreases 31/12/06					
divestments	(142)	(1,847)	(3,208)	(2,427)	(7,624)
depreciation	-	(308)	(8,001)	-	8,309
Net closing value	(142)	(2,155)	(11,209)	(2,427)	(15,933)
Reclass. & other changes 31/12/06					
incoming transfers	-	12	627	-	639
Change in consolidation area - Slovakia historical cost	-	-	2,370	-	2,370
Forex differences historical cost	(39)	(100)	(1,176)	(170)	(1,485)
Forex differences accum. depreciation	-	(12)	356	-	344
historical cost	6,660	23,454	58,311	1,810	90,235
Accumulated depreciation	-	(5,216)	(34,639)	-	(39,855)
Opening value as at 01/01/07	6,660	18,238	23,672	1,810	50,380
Increases 31/12/07					
Investments	41	1,330	8,046	3,449	12,866
Net closing value	41	1,330	8,046	3,449	12,866
Decreases 31/12/07					
divestments	(46)	(253)	(1,344)	(3,520)	(5,163)
depreciation	-	(398)	(7,257)	-	(7,655)
Net closing value	(46)	(651)	(8,601)	(3,520)	(12,818)
Reclass. & other changes 31/12/07					
incoming transfers	-	-	1,184	(111)	1,073
(outgoing transfers)	-	-	(955)	-	(955)
Forex differences historical cost	(173)	(337)	(1,410)	(133)	(2,053)
Forex differences accum. depreciation	-	25	726	-	751
Historical cost	6,482	24,194	63,832	1,495	96,003
Accumulated depreciation	-	(5,589)	(41,170)	-	(46,759)
Closing value as at 31/12/07	6,482	18,605	22,662	1,495	49,244

In relation to 31 December 2006, €1,117 thousand of the increase in “Buildings” is attributable to the capitalization of work carried out by the company Laservall SpA on the building in Sesto Calende, of which €539 thousand was entered in assets under construction at 31 December 2006.

The decrease in “buildings” is attributable to the sale of a flat used as guest-rooms by the company Datalogic Automation France; this sale generated a gain of €100 thousand entered as other revenues in the income statement.

The item “Other assets” at 31 December 2007 mainly includes the following categories: Plant and machinery (€7,925 thousand), Industrial and commercial equipment (€5,544 thousand), Office furniture and equipment (€4,977 thousand), Generic plant (€3,117 thousand) and Maintenance of third party property (€1,291 thousand). In relation to 31 December 2006, the increase in this item is mainly attributable to the category “Plant and machinery” for €3,363 thousand, to the category “Industrial and commercial equipment” for €2,057 thousand and for €2,203 thousand to the category “Office furniture and electronic equipment”.

The balance of the item “Assets under construction and down payments” is mainly attributable to the subsidiaries Datalogic Scanning Inc (€903 thousand) and Datalogic Mobile Inc (€333 thousand) and mainly refers to down payments on equipment, instruments and moulds relating to the normal production activities.

2. Intangible assets

	31/12/07	31/12/06	YoY Change
Goodwill	84,813	89,907	(5,094)
Development costs	2,023	3,010	(987)
Other intangible assets	50,434	60,735	(10,301)
Total	137,270	153,652	(16,382)

Details of movements at 31 December 2006 and at 31 December 2007 are as follows:

	Goodwill	Development costs	Other intangible assets	Total
historical cost	110,701	6,440	98,861	216,002
(cumulative amortisation)	(7,341)	(2,532)	(9,309)	(19,182)
Opening value as at 01/01/06	103,360	3,908	89,552	196,820
Increases 31/12/06				
increases	19,403	424	10,374	30,201
other changes	37	(29)		8
Total	19,440	395	10,374	30,209
Decreases 31/12/06				
decreases	(23,179)		(24,368)	(47,547)
depreciation		(1,272)	(6,967)	(8,239)
other changes		(5)	(8)	(13)
Total	(23,179)	(1,277)	(31,343)	(55,799)
delta change historical cost	(9,714)	(21)	(8,200)	(17,935)
delta change allowance for depreciation		5	352	357
historical cost	97,248	6,809	76,659	180,716
(Cumulative amortisation)	(7,341)	(3,799)	(15,924)	(27,064)
Opening value as at 01/01/07	89,907	3,010	60,735	153,652
Increases 31/12/07				
increases	3,118	60	1,446	4,624
other changes	211			211
Total	3,329	60	1,446	4,835
Decreases 31/12/07				
decreases			(92)	(92)
depreciation		(1,039)	(7,491)	(8,530)
Impairment	(203)			(203)
Total	(203)	(1,039)	(7,583)	(8,825)
delta change historical cost	(8,220)	(16)	(4,863)	(13,099)
delta change allowance for depreciation		8	699	707
historical cost	92,154	6,853	73,150	172,157
(cumulative amortisation)	(7,341)	(4,830)	(22,716)	(34,887)
Closing value as at 31/12/08	84,813	2,023	50,434	137,270

Goodwill, totalling €84,813 thousand, consisted of the following items:

- €1,191 thousand resulting from the consolidation of the Minec Group, whose investment was wholly acquired on 15 July 2002 by Datalogic AB, in turn wholly controlled by the parent company; during the course of 2007 this goodwill was impaired by €203 thousand based on the result of the impairment test, debiting the item “administrative and general expenses”. In the classification by nature, the impairment is included in the “Amortizations and impairment”.
- €3,380 thousand, ascribable to the parent company, consisting of the merger loss originated by the merger of IdWare Srl in 1998;
- € 5,119 thousand caused by consolidation of Laservall SpA, an interest acquired during 3Q04 by the direct parent company.

- €11,296 thousand determined by the consolidation of the company Informatics Inc.; the variation in relation to 31/12/06 (€9,141 thousand) is partly due (€ 963 thousand) to the exchange rate effect and partly (€3,118 thousand) to the entry of the PUT option held by a minority shareholder on 10% of the subsidiary's shares. In 2007, following changes made in the valuation of the estimate, the risks and benefits were deemed to be transferred to the Group and, consequently, the minority shareholders' equity was transferred and the relevant goodwill entered.
- €63,827 thousand, determined by the consolidation of the former PSC Group (for the purposes of the impairment, this goodwill has been allocated to two different cash generating units: Datalogic Scanning Inc and Datalogic Mobile Inc), the variation in relation to 31/12/06 (€70,873 thousand) is partly due (€7,257 thousand) to the exchange rate effect and partly (€211 thousand) to the capitalization of the legal expenses relating to the price adjustment established on 10/02/07 (and already included at 31 December 2006).

The goodwill has been allocated to the cash generating units corresponding to the individual companies and/or sub-groups to which it pertains. As shown in the relevant section included in the valuation criteria, goodwill has not been subjected to amortization since 1 January 2004 in accordance with IFRS3 and is subjected to an annual impairment test unless substantial impairment indicators require more frequent testing.

The economic value of the CGUs associated with each goodwill item assessed has been calculated using the Discounted Cash Flow financial model based on the cash flows shown in the Business Plans drawn up for each CGU, discounted at a rate known as the WACC - Weighted average cost of capital - which represents the return required by company financiers, both in terms of venture capital and in terms of debt capital.

The WACC used, between 7.8% and 8.7% depending on the goodwill to be assessed, therefore reflects the return, or the opportunity for all capital contributions, however it is made.

In accordance with the procedures defined in principle IAS 36, the impairment test conducted with reference to 31 December 2007 did not indicate any need for impairment, except for the goodwill of the Minec Group.

Development costs, amounting to €2,023 thousand, are attributable to:

- €801 thousand to Datalogic Mobile Srl;
- €569 thousand to Datalogic Automation Srl;
- €605 thousand to Datalogic Scanning Group Srl;
- €48 thousand to Informatics;

and consist of specific development projects capitalized in the presence of the requirements laid down by IAS 38 and in accordance with the Group policies which provide for capitalization only of the projects relating to the development of products characterized by significant innovation.

The heading "Other", at €50,434 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. Details are shown in the following table:

€/000	31/12/07	31/12/06	USEFUL LIFE (YEARS)
INTANGIBLE ASSETS ACQUIRED WITHIN THE SCOPE OF BUSINESS COMBINATION TRANSACTIONS			
Acquisition of the PSC group (on 30 November 2006)	29,216	34,955	
PATENTS	24,737	29,186	20
SERVICE AGREEMENT	323	542	4
TRADE MARK	2,111	2,655	10
CLIENT PORTFOLIO	2,045	2,572	10
Acquisition of Laservall SPA (on 27 August 2004)	5,855	7,148	
UNPATENTED TECHNOLOGY	2,984	3,836	7
COMMERCIAL STRUCTURE	2,871	3,312	10
Acquisition of Informatics Inc (on 28 February 2005)	3,894	4,961	
COMMERCIAL STRUCTURE	3,894	4,961	10
LICENCE AGREEMENT	5,423	6,805	5
Others	6,046	6,866	
TOTAL OTHER INTANGIBLE ASSETS	50,434	60,735	

The item "Others" mainly consists of software licences. The change in relation to 31 December 2006 is mainly attributable to amortizations over the period.

3. Equity investments

Equity investments owned by the Group as at 31 December 2007 were as follows:

	Balance at 01/01/07	Increases	Forex differences	Share of profit	Balance at 31/12/07
Idec Datalogic CO.Ltd	683		(34)	41	690
Laservall Asia Co. Ltd.	427			355	782
Total associates	1,110	0	(34)	396	1,472

The change in associates is explained by the Group's share of the earnings of Idec Datalogic Co. Ltd. and Laservall Asia Co. Ltd.

4a. Financial instruments by category

The main entries relating to the financial instruments relate to the following financial statement items:

31-Dec-06	Loans and receivables	Derivatives used for hedging transactions	Availability for sale	Total
Non-current financial assets	503	-	1,241	1,744
Financial assets available for sale			1,241	1,241
Trade receivables				-
Other receivables – accrued income and prepaid expenses	503			503
Current financial assets	116,674	-	206	116,880
Trade receivables	77,723			77,723
Other receivables – accrued income and prepaid expenses	6,001			6,001
Financial assets available for sale			206	206
Derivatives				-
Cash and cash equivalents	32,950			32,950
TOTAL	117,177	-	1,447	118,624

31-Dec-07	Loans and receivables	Derivatives used for hedging transactions	Availability for sale	Total
Non-current financial assets	377	-	1,298	1,675
Financial assets available for sale			1,298	1,298
Trade receivables	32			32
Other receivables – accrued income and prepaid expenses	345			345
Current financial assets	147,551	171	206	147,928
Trade receivables	82,649			82,649
Other receivables – accrued income and prepaid expenses	10,163			10,163
Financial assets available for sale			206	206
Derivatives		171		171
Cash and cash equivalents	54,739			54,739
TOTAL	147,928	171	1,504	149,603

31-Dec-06	Hedge derivatives	Other financial liabilities	Total
Non-current financial liabilities		82,027	82,027
Financial liabilities		82,027	82,027
Current financial liabilities		84,002	84,002
Trade payables		49,204	49,204
Other payables		24,942	24,942
Derivatives		-	-
Short-term financial liabilities		9,856	9,856
Total financial liabilities		166,029	166,029

31-Dec-07	Hedge derivatives	Other financial liabilities	Total
Non-current financial liabilities		91,336	82,027
Financial liabilities		91,336	82,027
Current financial liabilities	686	102,400	84,002
Trade payables		45,923	49,204
Other payables		30,471	24,942
Derivatives	686	-	-
Short-term financial liabilities		26,006	9,856
Total financial liabilities	686	193,736	166,029

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

	2007	2006
Start of year	1,447	6,996
Foreign exchange differences		-
Increases	59	1,471
Decreases	- 2	- 7.021
Equity fair value		1
Profits/(losses) transferred to equity		
End of year	1,504	1,447
Minus: non-current portion	1,298	1,241
Current portion	206	206

In 2007 and 2006, the transfers were not apportioned owing to a reduction in value on financial assets available for sale.

The financial assets available for sale include the following:

	2007	2006
Loans to subsidiaries	206	206
Securities	368	370
<i>Government bonds</i>	360	360
<i>Other securities</i>	8	10
Other equity investments	930	871
Available-for-sale (AFS) financial assets	1504	1447

As at 31 December 2007 the Group owned the following equity interests in other companies:

	Balance at 01/01/07	Increases	Forex differences	Share of profit	Dividends	Changes	Balance at 31/12/07
<i>d) Other companies</i>							
<i>Nomisma SpA - Italy</i>	7						7
<i>Caaf Ind. Emilia Romagna - Italy</i>	4						4
<i>Crit srl</i>	51						51
<i>Consorzio T3 Lab</i>	8						8
<i>Mandarin Capital Management SA</i>	0	59					59
<i>Alien technology</i>	801						801
Total other equity investments	871	59	0	0	0	0	930

The amount of other equity investments consists mainly of the parent company's investment in Alien Technology Corporation, a US company active in RFID (radio-frequency identification devices). This investment is valued at cost even though losses were recorded in recent years as the company directors do not consider there are any requirements for the impairment of this investment as this company operates in a sector considered to be highly promising for the future.

The increase in the period is attributable to the subscription to Fondo Mandarin Capital Management SA, a company in which a member of the Board of Directors holds an investment.

The financial assets available for sale are represented by the investment in Alien Technology Corporation, whose original investment amounts to USD 1,000 thousand, stated at cost converted at the historic exchange rate; the remaining investments are stated in euros.

The maximum exposure to the credit risk at the financial statement reference date is the fair value of the securities classified as available for sale.

No financial assets have expired or sustained any impairment.

6. Financial derivatives

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - (on loans in euros)	171		-	-
Interest rate swaps - (on loans in USD)		- 686	-	-
Futures contracts	-	-	-	-
Total	171	- 686	-	-

The interest rate swap contracts are connected with medium/long-term loans and have the same repayment plan as the underlying asset hedged. The fair value of these contracts is entered in a suitable Equity reserve as provided for by IAS 39 as these are instruments hedging future cash flows and as all the requirements laid down by the aforesaid principle for the application of hedge accounting are observed.

The fair value hedges have proved effective and so nothing is entered in the income statement.

(a) Futures contracts

The notional capital of the futures contracts existing at 31 December 2007 was USD 3,700 thousand (vs. USD 1,000 thousand in 2006).

The planned and highly probable transactions stated in foreign currency that are hedged will be realized in the next twelve months. The profits and losses entered in the equity hedge reserve for futures contracts at 31 December 2007 are entered in the income statement in the year or years in which the planned transactions take place. This generally happens within twelve months of the financial statement reference date.

(b) Interest rate swaps

At 31 December 2007 the notional capital of the interest rate swaps was €32,000 thousand and USD 33,250 thousand (vs. €20,000 thousand and USD 35,000 thousand in 2006).

At the financial statement reference date, maximum exposure to the credit risk is equal to the fair value of the derivative assets described in the balance sheet.

7. Trade and other receivables

Trade and other receivables - current

	2007	2006	YoY Change
Third party trade receivables	83,090	77,822	5,268
Minus doubtful debt provision	1,546	1,824	- 278
Net third party trade receivables	81,544	75,998	5,546
Amounts receivable from associates	1,116	1,725	- 609
Idec Datalogic CO.Ltd	268	588	- 320
Laservall Asia	848	1,137	- 289
Receivables from parent company:	21	-	21
Hydra	21		21
Other receivables – accrued income and prepaid expenses	10,508	6,504	4,004
Total	93,189	84,227	8,962
Minus non-current portion	377	503	- 126
Current portion	92,812	83,724	9,088

Trade receivables

The “trade receivables within 12 months” at 31 December 2007 amount to €82,681 thousand, an increase of 0.6% compared to the figure at 31 December 2006.

Associate receivables stem from trade transactions concluded under arm’s length conditions.

Other receivables – accrued income and prepaid expenses

The item “Other receivables – accrued income and prepaid expenses” also includes the VAT credits; for uniformity, this reclassification has also been made for the year 2006 (€1,818 thousand), decreasing the item “Tax receivables” in which they were classified at 31 December 2006.

Details of the item “Other receivables – accrued income and prepaid expenses” are as follows:

	31/12/07	31/12/06	YoY Change
Other current receivables	1,662	1,611	51
Other long-term receivables	345	503	(158)
VAT tax credit	6,245	1,818	4,427
Accrued liabilities and deferred income	2,256	2,572	(316)
Total	10,508	6,504	4,004

Composition by due dates of the trade receivables is as follows:

	2007	2006
Not due	57,471	57,866
Within 30 days	18,304	15,664
30 - 60 days	3,989	2,523
More than 60 days	2,917	1,670
Total	82,681	77,723

At 31 December 2007 the doubtful debt provision amounted to €1,546 thousand (€1,824 thousand at 31 December 2006) and, as in 2006, relates to receivables falling due after 60 days.

Movement of the provision is as follows:

	2007	2006
At 1 January	1,909	1,093
Doubtful-debt provision	289	812
Receivables reversed as not due during the course of the year	(303)	(67)
Unused and reversed amounts	(349)	(14)
At 31 December	1,546	1,824

The book values of trade receivables are stated in the following currencies:

Currency	2,007	2,006
€	53,900	45,482
USD	20,897	26,673
GBP	3,948	2,647
AUD	2,731	2,502
JPY	1,082	417
sek	25	
dkk	3	2
HKD	15	
SKK	80	
TOTAL	82,681	77,723

The other categories of assets included in trade and other receivables have not sustained any reductions in value.

At the financial statement reference date, maximum exposure to the credit risk is equal to the fair value of each category of the receivables indicated above.

8. Inventories

	31/12/07	31/12/06	YoY Change
Raw & auxiliary materials plus consumables	26,577	30,936	(4,359)
Work in progress and semiprocessed goods	5,791	6,116	(325)
Finished products and goods for resale	18,790	14,953	3,837
Total	51,158	52,005	(847)

Inventories are shown net of an obsolescence provision which at 31 December 2007 amounts to €7,045 thousand (€10,453 thousand at 31 December 2006).

The movement is shown below:

€'000	2007	2006
Inventory write-down provision at 01/01	10,453	7,651
Foreign exchange difference	(611)	(734)
Change post-PSC acquisition		1,413
Provisions	4,266	2,123
Release for scrap and other utilizations	(7,063)	
Inventory write-down provision at 31/12/05	7,045	10,453

9. Tax receivables

This item includes the amount receivable from the controlling company Hydra relating to the IRES [*tax on operating income*] credit on acceptance of the tax consolidation. At 31 December 2007 this credit amounts to €4,076 thousand (€3,810 thousand at 31 December 2006).

10. Cash & cash equivalents

For the purposes of the financial statement, the cash and cash equivalents are detailed below:

	31/12/07	31/12/06	YoY Change
Cash and cash equivalents shown on financial statements	54,739	32,950	21,789
Restricted cash	(70)	(2,811)	2,741
Cash and cash equivalents for statement	54,669	30,139	24,530

Based on the requirements of Consob Communication No. 15519 of 28 July 2006, the financial position relating to the Group is as follows:

Datalogic Group	31/12/06	31/12/07
(€'000)		
A. Cash and bank deposits	30,139	54,669
B. Other liquidity	2,811	70
<i>b1. Restricted cash (*)</i>	2,811	70
C. Securities held for trading	370	368
<i>c1. Current</i>	0	0
<i>c2. Non-current</i>	370	368
D. Cash & Cash equivalents (A) + (B) + (C)	33,320	55,107
E. Current financial receivables	206	206
F. Other current financial receivables	0	171
<i>f1. hedging transactions</i>	0	171
G. Bank current accounts payable		
H. Current portion of non-current debt	9,856	26,006
I. Other current financial liabilities	0	686
<i>i1. hedging transactions</i>	0	686
J. Current financial debt (G) + (H) + (I)	9,856	26,692
K. Current financial debt, net (I) - (D) - (E) - (F)	(23,670)	(28,792)
L. Non-current bank borrowing	79,539	87,845
M. Bonds issued	0	
N. Other non-current liabilities	2,488	3,491
<i>n1. Financial liabilities vs BoD member</i>	2,488	3,491
O. Non-current financial debt (L) + (M) + (N)	82,027	91,336
P. Net financial debt (K) + (O)	58,357	62,544

The net financial position at 31 December 2007 is equal to - €62,544 thousand, worse than at 31 December 2006 (- €58,357 thousand). This decrease is mainly attributable to the fact that the operating cashflow generated by the management is more than offset by the negative cashflow connected with investment activities (€12,564 thousand) and by the following specific cases arising during the course of the year:

- treasury shares were purchased for €28,862 thousand and sold for €8,916 thousand; the treasury shares in portfolio, equal to €28,229 thousand, at 31 December, are not included in the net financial position (€8,283 thousand at 31 December 2006);
- the residual amount payable to the seller of PSC Holding for the acquisition of the PSC Group for €2,494 thousand was repaid;
- dividends of €3,805 thousand were distributed.

INFORMATION ON THE BALANCE SHEET - NET EQUITY AND LIABILITIES

11. Equity

Details of net equity are shown below; movements during the period are presented in a separate table.

(€'000)	31/12/07	31/12/06
Share capital	33,205	33,072
Share premium reserve	115,064	127,888
Demerger reserve	0	4,439
Reserve for the purchase of treasury shares	(26,711)	(6,301)
Share capital	121,558	159,098
Cash-flow hedge reserve	515	0
Translation reserve	(18,721)	(8,555)
Reserve for financial liabilities	0	(2,502)
Other reserves	(19,236)	(11,057)
Retained earnings	53,077	33,968
Net profit (loss) for the period	18,083	4,125
Earnings carried forward	71,160	38,093
Total Group net equity	173,482	186,134
Total minority interests in net equity	0	476

a) **Share capital**

Movements in share capital during FY2007 are reported below (in €'000):

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Treasury share reserve	Total
01/01/07	62,193,472	33,072	127,888	(6,301)	4,439		159,098
Capital increase for exercise of stock options	255,800	133	603				736
Purchase of treasury shares	(4,600,584)		(14,350)	(28,862)	(4,439)	18,789	(28,862)
Sale of treasury shares	1,500,000			9,514			9,514
Costs for the purchase of treasury shares	-			(139)			(139)
31/01/07	59,348,688	33,205	114,141	(25,788)	0	18,789	140,347

It is noted that the share premium reserve of €14,350 thousand and the demerger reserve of €4,439 thousand were used to comply with the requirements of article 2357-ter of the civil code.

On 17 May 2001 the Board of Directors implemented a stock option plan which will allow the following:

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

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

The options' vesting period started on 1 January 2004 and ended on 31 December 2007.

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

On 14 November 2002, the Board of Directors voted to grant 67% of the attributed options to the beneficiaries of the stock option plan; on 17 December 2003 the Board approved assignment of the remaining 33%. At 31 December 2003, all options relating to the 600,000 shares of the increase approved on 28 February 2001 had been assigned.

The following table summarises the plan's status as at 31 December 2007.

	Number of shares	Average exercise price (EUR)	Market price (EUR)	% of share capital
Rights existing as at 01/01/07	276,800	2,875	6,741	0.43 %
of which exercisable at that date	276,800			
New options granted during the period	-	-	-	-
(Options exercised during the year)	(255,800)	2,875	5,827	0.40 %
(Rights not exercisable owing to forfeiture of right)	(21,000)			
Total rights existing as at 31/12/07	0			

The company has not applied IFRS 2 (Share-based Payment) to the stock option plan described above, availing itself of the exemption offered by IFRS 1.

Ordinary shares

At 31 December 2007 the total number of ordinary shares amounts to 63,856,472 of which 4,507,784 are owned as treasury shares, on which account there were 59,348,688 shares in circulation at that date. The shares have a unit nominal value of €0.52 and are fully subscribed.

Treasury shares

At 31 December 2007 the Group purchased 4,600,584 treasury shares and sold 1,500,000 of them, making a gain, net of the tax effect, of €598 thousand which was entered as an equity movement.

On 15 January 2008 the Board of Directors of the parent company resolved to propose to the Shareholders' Meeting called to an extraordinary session on 20 February 2008 that the shares in portfolio be cancelled. The total number of treasury shares to be cancelled will be between a minimum of 4,407,784 and a maximum of 6,000,000 shares. This cancellation will give rise to a reduction in the nominal share capital of between €2,344,047.68 and €3,120,000, as provided for by article 2445 of the civil code. The proposed reduction in share capital aims to optimize the company's capital structure, reduce the average cost of capital and maximize the "return on own resources" for shareholders and the value of the company shares.

Demerger reserve

This resulted from the demerger of the parent company which took place on 2 January 1998 from I.E.S. SpA (the company demerged, now Datasensor) and Datalogic SpA (the beneficiary company) and at 31 December 2007 has been completely used, in order to set up the "portfolio treasury shares reserve".

b) Other reserves**Financial liabilities reserve**

A member of the Board of Directors has signed a put option with the parent company (which therefore has a call option) on a 10% interest in Informatics Inc., held by the parent company at 90%.

Based on IAS 32.23, this transaction had been entered as a financial liability estimated as the fair value at the strike date (2009) and discounting the amount on the date of initial entry. In the contra entry in the financial liabilities and since it was considered that the risks and benefits common to that minority interest were not transferred to the parent company, a specific equity reserve had been debited in the consolidated financial statements for 2006 and the relevant minority interest had been maintained in accordance with the so-called "two credit approach". In this financial statement, the parent company has reviewed its valuations of the foregoing, concluding that the "*one credit approach*" is more appropriate for representing this particular case. Consequently, in the contra entry in the financial liabilities, higher goodwill of €3,118 has been entered and the minority interest reversed. In substance, given the characteristics of the put option, the risks and benefits are considered to be transferred to the parent company and so the transaction has been entered as a minority acquisition, applying the "parent company" criterion as provided for by Assirevi OPI 3.

Translation reserve

The translation reserve is generated from the translation into euros of foreign companies' financial statements. It is negative following the significant depreciation of the US dollar in relation to the Euro. This also explains the change during the period.

Cash-flow hedge reserve

The reserve includes the "fair value" of the derivatives used by the Group to hedge its exposure in currency or on rates net of the deferred tax effects, up to the time at which the underlying asset hedged is entered in the income statement. When this requirement is satisfied, the reserve is repaid to the income statement, to offset the effects generated by the economic entry of the transaction hedged.

c) Profits carried forward**Reserve for treasury shares**

This was set up by the parent company as a result of the buy-back transactions by using reserves for gains. As required by the Italian Civil Code, the reserve shows movements corresponding to the purchase and sale of treasury shares during the period.

Reserve for gain on cancellation and untaxed capital grant reserve

These are reserves for gains set up following the merger into Datalogic Spa of Datasud in 2004 and have been used to set up the “portfolio treasury shares reserve”, as required by Italian law, for €3,730 thousand.

IFRS transition reserve

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

Retained earnings/ (losses carried forward)

This item includes the equity changes of consolidated companies taking place subsequent to their acquisition.

Dividends

During the course of the first six months, with regard to apportionment of the profit for the period, dividends of €3,805 thousand were paid, equal to €0.06 per share.

d) Minority interests

The minority interests have been cancelled, as explained above.

The reconciliation between the parent company's net equity and profit and the corresponding consolidated amounts is shown below:

	31 December 2007		31 December 2006	
	Total net equity	Net profit (loss) for the period	Total net equity	Net profit (loss) for the period
Datalogic SpA net equity and profit	171,704	7,840	183,690	(310)
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	9,962	23,555	8,017	11,733
Reversal of dividends	0	(9,017)	0	(5,379)
Laservall acquisition	(4,532)	(1,295)	(3,237)	(1,295)
Amortization of new Datalogic AB consolidation difference	(239)		(239)	
Elimination of capital gain on sale of business branch	(2,199)	(1,980)	(208)	
Effect of eliminating intercompany transactions	(2,405)	(560)	(3,519)	(1,116)
Other	(275)	117	(413)	(340)
Transfer of Know How	(2,749)	(2,749)		
Minec goodwill impairment	(203)	(203)		
Deferred taxes	4,418	2,375	2,043	832
Group portion of net equity	173,482	18,083	186,134	4,125
Minority interests in net equity	0	0	476	141
Total net equity	173,482	18,083	186,610	4,266

12. Short-/long-term financial payables

	2007	2006
Non-current		
Bank financing and loans and other financiers	87,845	79,539
Financial liabilities	3,491	2,488
<i>of which amount to associated parties</i>	3,491	2,488
Total	91,336	82,027
Current		
Bank overdrafts (ordinary current accounts)		
Bank financing	26,006	9,856
Total financial liabilities	26,006	9,856
Total financial liabilities	117,342	91,883

Bank financing

Bank financing is arranged with maturities up to 2014 and annual average interest of around 5.6%.

The guarantees provided by banks in favour of the group amount to €1,690 thousand. The parent company has also granted sureties of €78,995 thousand and letters of patronage of €1,698 thousand against the use of a credit line by associates.

The main changes with respect to 31 December 2006 are as follows:

Parent company: arrangement, on 28 March 2007, of a short-term “stand-by” loan for €20 million which, at 31 December 2007, has been partially paid off and amounts to €14 million.

Datalogic Slovakia: a medium to long-term stand-by loan on 28 March 2007 in the amount of €20 million.

Datalogic Mobile Srl: a medium to long-term stand-by loan on 23 October 2007 in the amount of €8 million.

With regard to the loan for USD 70 million arranged by Datalogic Scanning Holdings Inc, currently in the process of renegotiation, the company has been asked to respect several financial covenants represented by economic and financial parameters and consisting of:

- DCR – *Debit cover ratio*, an indicator of indebtedness calculated by the ratio between net indebtedness and Ebitda;
- ICR – *Interest cover ratio*, an indicator of the effect of costs on interest payable, calculated by the ratio between Ebitda and interest payable;
- DSCR – *Debt service cover ratio*, an indicator of the effect of financial liabilities, calculated by the ratio between cash flow and total financial liabilities (total interest payable and total portion of principal repaid);
- Capex – *Capital expenditure*, value of investments.

Failure to observe these covenants would enable the bank to revoke the loan or to renegotiate its terms and conditions. As at 31 December 2007, all of these covenants have been observed.

At the financial statement reference date, the exposure of the Group loans to interest rate variations and the price revision dates are as follows:

	2007	2006
Variable rate	110,852	86,130
<i>Due < 1 year</i>	25,406	10,388
<i>Due > 1 year</i>	66,086	47,465
<i>Due > 5 years</i>	19,360	28,277
Fixed rate	2,999	3,265
<i>Due < 1 year</i>	600	609
<i>Due > 1 year</i>	2,151	2,184
<i>Due > 5 years</i>	248	472
Total	113,851	89,395

The fair value of the loans (current and non-current) coincides substantially with their book value.

The book values of the Group loans are stated in the following currencies:

Currency	2007	2006
Euro	62,963	25,447
USD	72,361	82,576
AUD	42	

Financial liabilities

The item "miscellaneous" relates to the put option on a minority interest in Informatics held by a director of the parent company, as mentioned in section 11 (Other reserves).

With regard to the credit lines / financial facilities, refer to the explanation given in the accounting principles "liquidity risk section".

13. Deferred taxes

Deferred tax assets and liabilities stem from both (a) positive items already recognised in the income statement and subject to deferred taxation under current tax regulations and (b) temporary differences between consolidated balance-sheet assets and liabilities and their relevant taxable value,

The detail of deferred tax assets is shown below:

Deferred tax assets	31/12/07	31/12/06	YoY Change
Datalogic Spa	1,345	2,655	(1,310)
Datalogic Share Service	4	-	4
Informatics	438	492	(54)
Datalogic Automation srl	393		393
Laservall Spa	226	242	(16)
DL Automation INC	225	167	58
DL AutomationHandels	-	364	(364)
Datalogic Automation France	47		47
DL Automation Pty	299	168	131
DL AutomationUK	237	329	(92)
Datalogic Mobile srl	566		566
Datalogic Scanning Group	1	-	1
Datalogic Scanning Slovakia	142	-	142
Datalogic scanning Inc Holding Mobile Inc	8,843	15,529	(6,686)
Datalogic Scanning SPA	126	-	126
Datalogic Scanning PTY	32	-	32
Datalogic Scanning UK Ltd	14	-	14
Total long-term deferred tax assets	12,938	19,946	(7,008)
Deferred taxes recognized due to effect of consolidation adjustments	1,834	792	1,042
Total deferred tax assets	14,772	20,738	(5,966)

The item “deferred taxes owing to the effect of the consolidation instruments” are mainly attributable to the elimination of the inventory margin and to a temporary difference relating to the amortization, which is significant for tax purposes, of an intangible asset forming the subject of a transaction between Group companies and duly eliminated.

Details of deferred tax liabilities are as follows:

Deferred tax liabilities	31/12/07	31/12/06	YoY Change
Datalogic Spa	3,125	6,753	(3,628)
Datalogic Share Service	13		13
Informatics	1,524	1,898	(374)
Datalogic Automation srl	1,069		1.069
DL France	60	106	(46)
DL Automation GMBH	148	154	(6)
DL Automation Uk	149	149	-
DL Ab Nordic	12	12	-
DL Automation INC	6	6	-
EMS	15	15	-
DL Automation Pty	11	15	(4)
Laservall SpA	241	149	92
Datalogic Mobile srl	1,395		1.395
DL Mobile Asia	2	-	2
Datalogic Scanning Group srl	411		411
Datalogic Scanning Slovakia	32		32
Datalogic Scanning Inc, Holding Inc and Mobile Inc	7,861	14,491	(6,630)
Total deferred tax liabilities	16,074	23,748	(7,674)
Deferred taxes recognized due to effect of consolidation adjustments	97	57	40
Deferred tax liabilities due to effect of Laservall consolidation adjustments	1,839	2,663	(824)
Total deferred tax liabilities	18,010	26,468	(8,458)

The item "Deferred tax liabilities due to effect of Laservall SpA consolidation adjustments" includes the deferred taxation provision (€3,868 thousand upon initial recognition) created as part of the accounting protocol for the acquisition of Laservall SpA. Certain intangible assets from the acquisition ("know-how" and "Far East window") were specifically identified and valued at fair value, and against those assets, which were posted to the balance sheet but not recognized for tax purposes, a provision was made for the relative deferred tax liabilities. This provision is released in parallel with the process of amortization. This provision has been recalculated to take into account the portion that will come into force next year, giving a benefit of €418 thousand.

In the same way, a portion of the deferred tax liabilities for Informatics (€1,470 thousand) and Datalogic Scanning Inc and Mobile INC (€7,496 thousand) are the result of the fair value measurement of certain intangible assets identified when recognizing the acquisition of these two firms.

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

Deferred tax liabilities	Depreciation & amortization	Operations deriving from acquisitions	Reserve for prior year losses	Provisions	Other	IFRS reserves	Deferred taxes recognized due to effect of consolidation adjustments	Total
31/12/07	5,026	8,966	0	96	1,671	315	1,936	18,010
31/12/06	3,734	14,955	-	-	629	4,430	2,720	26,468

Deferred tax assets	Prior years' losses	Exchange rate adjustment	Operations deriving from acquisitions	Provisions	Asset write-downs	Other	Deferred taxes recognized due to effect of consolidation adjustments	Total
31/12/07	526	108	3,364	2,984	2,226	3,731	1,834	14,772
31/12/06	5,227	158	5,087	2,961	4,459	2,054	792	20,738

14. Post-employment benefit obligations

Changes in this liability during the period were as follows

€'000	2007	2006
01/01	7,624	6,894
Amount provisioned in period	1,527	1,506
Utilisation	-1,028	(786)
Curtailment	-483	
Credito v/Inps per fondo TFR	-1,075	
Foreign exchange difference	0	10
31/12	(6,565)	7,624

Utilization mainly consists of €190 thousand for advance payments and €838 thousand for dismissals.

The book effects deriving from the changes made to the regulations of the severance indemnity provision by the Finance Act 2007 are shown, as analysed in "Accounting standards and policies", point p.

In particular, for companies with more than 50 employees, the provision accrued at 31 December 2006 (which maintains the nature of a "defined benefit plan") has been recalculated, excluding the component relating to future salary increases, and the resulting curtailment effect, shown in the income statement pursuant to section 109 of IAS 19 (revenues of €483 thousand). Moreover, the portion of cost accrued has been shown according to the rules defined for the defined contribution plans, without any actuarial valuation.

15. Provisions

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

	31/12/07	31/12/06	YoY Change
Short-term provisions	4,894	4,070	824
Long-term provisions	5,924	6,433	(509)
Total provisions	10,818	10,503	315

Below we show the changes occurring in the item:

	31/12/06	Increases	(Utilisation)	Forex differences	Other changes	31/12/07
Product warranty provision	4,488	871	(46)	(396)	-	4,917
Provision for legal disputes	114	-	(114)	-	-	-
Restructuring provision	446	283	(382)	(28)	8	327
Provision for management incentive scheme	2,797	1,628	(229)	11	(180)	4,005
Other	2,658	1,654	2,537	(206)	0	1,569
Total provisions	10,503	4,436	(3,308)	(641)	(172)	10,818

The product warranty provision covers the estimated cost of repairing products sold under warranty; it amounts to €4,917 thousand and is considered sufficient in relation to the specific risk it covers. It is mainly attributable for €2,917 thousand (of which €1,746 thousand is long-term) to the Scanning group, €1,415 thousand to the Mobile Group and €585 thousand to the Automation Group.

The increase in the item “restructuring charges provision” relates to the company EMS, which underwent a major reorganization in the third quarter of the current year (for further details, refer to the Management Report, “Performance by business” section).

The LT Management Incentive Plan provision is mainly attributable (€3,472 thousand) to the parent company and the item “Other changes” is attributable to the company Informatics (€180 thousand) owing to transfer to the item “Amounts payable to employees” as it will be distributed in the first quarter 2008.

The heading "Other" mainly consists of:

- €1,046 thousand for “stock rotation” risk provision relating to the Scanning, Mobile Inc and Informatics Group;
- €173 thousand attributable to the Scanning Group and apportioned for the adaptation to the “Directive 2002/95/EC on the restriction on the use of certain hazardous substances in electric and electronic equipment” incorporated in Italy by Legislative Decree No. 151 of 25/7/2005.
- €350 thousand for apportionment to a tax dispute made at 31 December 2006 relating to the parent company. This apportionment refers to a dispute existing over the ten-year ILOR [*local income tax*] exemption laid down by Presidential Decree 218/78 (Consolidated Act of Law on Measures in Southern Italy), relating to the former Datasud, for the financial year 2006. It is noted that, at the date of preparing this report, no updates had emerged in this respect. For further details, refer to the comments provided in the explanatory notes to the consolidated financial statements at 31 December 2006.

16. Trade and other payables

These are the details of trade and other payables:

	2007	2006	YoY Change
Trade payables due within 12 months	45,392	48,760	(3,368)
Trade payables due after 12 months	-	-	-
Third party trade payables	45,392	48,760	- 3,368
Due to associates	39	21	18
Idec Datalogic CO.Ltd	39	18	21
Laservall Asia	0	3	-3
Payables to associates	492	423	69
Datasensor	492	423	69
Other payables – accrued liabilities and deferred income	30,486	25,020	5,466
Total	76,409	74,224	2,185
Minus: non-current portion	76	78	- 2
Current portion	76,333	74,146	2,187

Trade payables

Related-party payables are due to Datasensor.

Other payables – accrued liabilities and deferred income

The item “Other payables – accrued liabilities and deferred income” also includes VAT liabilities. For uniformity, this reclassification has also been made for the year 2006 (€1,300 thousand), decreasing the item “tax liabilities” where it was classified at 31 December 2006.

The detailed breakdown of this item is as follows:

	31/12/07	31/12/06	YoY Change
Other current payables	19,250	16,782	2,468
Other long-term payables	76	78	(2)
VAT liabilities	3,430	1,300	2,130
Accrued liabilities and deferred income	7,730	6,860	870
Total	30,486	25,020	5,466

Details of the sundry payables are as follows:

Other current payables	31/12/07	31/12/06	YoY Change
Due to pension and social security agencies	3,388	2,693	695
Due to employees	13,351	8,377	4,974
Security deposits received	40	2,526	(2,486)
Directors’ remuneration due	1,683	600	1,083
Royalty costs yet to be paid	272	355	(83)
Other payables	516	2,231	(1,715)
Total	19,250	16,782	2,468

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees at period end. The increase in this amount is mainly attributable to the cost of the managerial incentive plan which will be distributed during the course of 2008 amounting to €3,968 thousand.

Security deposits declined following the repayment of the residual payable to the seller of PSC Holding for the acquisition of the PSC Group (€2,494 thousand).

The increase in the "Amounts payable for directors' remuneration" is attributable to the managerial incentive plan which will be distributed in 2008 amounting to €948 thousand.

INFORMATION ON THE INCOME STATEMENT

17. Revenues

	31/12/07	31/12/06	YoY Change
Revenues from sale of products	389,561	368,193	21,368
Revenues for services	14,466	13,421	1,045
Total revenues	404,027	381,614	22,413

Total revenues increased by 6% YoY.

For greater detail, see the section “Revenue trends and key factors affecting operations” in the Management Report.

The percent geographical breakdown of revenues was as follows:

	31/12/07	31/12/06	YoY Change
Italy	10%	10%	0%
Elsewhere - EU	41%	40%	1%
Elsewhere - non-EU	49%	50%	-1%

18. Cost of goods sold and operating costs

The table below shows the non-recurring costs and amortizations resulting from acquisitions, given that, following the application of the IFRSs, extraordinary items are no longer shown separately, but are included among operating items.

	31/12/07	31/12/06	YoY Change
TOTAL COST OF GOODS SOLD (1)	224,349	215,738	8,611
<i>of which non-recurring</i>	51	1,194	(1,143)
TOTAL OPERATING COSTS (2)	151,715	154,367	(2,652)
R&D expenses	25,004	26,354	(1,350)
<i>of which non-recurring</i>	12	41	(29)
Distribution expenses	78,570	84,103	(5,533)
<i>of which non-recurring</i>	1,067	188	879
General & administrative expenses	41,744	35,610	6,134
<i>of which non-recurring</i>	911	2,513	(1,602)
<i>of which amortization pertaining to acquisitions</i>	4,087	4,345	(258)
Other operating costs	6,397	8,300	1,903
<i>of which non-recurring</i>	969	3,731	(2,762)
TOTAL (1+2)	376,064	370,105	5,959
<i>of which non-recurring</i>	3,010	7,667	(4,657)
<i>of which amortization pertaining to acquisitions</i>	4,087	4,345	(258)

Below is a detail of the non-recurring costs and revenues:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(51)	Transformation plan
Total	(51)	
4) R&D expenses	(12)	Transformation plan
Total	(12)	
5) Distribution expenses	(408)	Transformation plan
5) Distribution expenses	(659)	Leaving incentives
Total	(1,067)	
6) General & administrative expenses	(1,273)	Transformation plan
6) General & administrative expenses	(10)	Leaving incentives
6) General & administrative expenses	(111)	Recharging expenses incurred for legal action
6) General & administrative expenses	483	<i>Curtailment</i>
Total	(911)	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Recharging expenses incurred for legal action
7) Other operating expenses	(790)	Restructuring costs for EMS company
Total	(969)	
TOTAL NON-RECURRING COSTS	(3,010)	
3) Other operating revenues	288	Recharging expenses incurred for legal action
3) Other operating revenues	100	Gain on sale of assets
Total	388	
TOTAL NON-RECURRING REVENUES	388	
NON-RECURRING COSTS AND REVENUES	(2,622)	

For comments on the transformation plan implemented by the Group, refer to the section "GROUP STRUCTURE".

Total cost of goods sold (1)

This item increased by 4% in relation to the same period of 2006, so the effect on revenues fell by more than 1%.

Total operating costs (2)

The operating costs, net of non-recurrent items and amortization and depreciation of acquisitions, rose from €143,549 thousand to €144,669 thousand.

The "research and development costs", which represent a major company investment, fell from €26,354 thousand to €25,004 thousand at 31 December 2007. This substantial fall is mainly due to a foreign exchange effect relating to the companies using the dollar as the functional currency, i.e. Datalogic Scanning INC, Datalogic Mobile USA and EMS (equal to around €1,700 thousand).

Distribution costs totalled €78,570 thousand, for a decrease of €5,533 thousand from the same period of 2006. This decrease is attributable:

- to the decrease in the royalty expenses for Datalogic Scanning INC (€3,424 thousand), owing to the redefinition of the contract with a major supplier;
- to the convention held in February 2006 (€532 thousand), which did not take place in 2007.
- to the decrease in employee costs, particularly owing to the implementation of the restructuring and development plan for the Scannino Group, which took place during the course of 2006.

"General and administrative expenses" amounted to €41,744 thousand. This item shows an increase of €6,134 thousand in relation to the same period of 2006. This increase is mainly attributable to the inclusion in payroll and employee benefit costs and in directors' remuneration of the short-term portion of the Long-Term Incentive Plan in favour of the Management of the Group Companies. The long-term portion is apportioned to the provision for risks.

The increase is also due to the expenses borne by Datalogic Scanning INC owing to a dispute over a patent, for €2,523 thousand.

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

	31/12/07	31/12/06	YoY Change
Capital losses on assets	84	229	(145)
Incidental costs and cancellation of income items	116	168	(52)
Provisions for doubtful accounts	295	838	(543)
Other provisions	2,401	3,826	(1,425)
Non-income taxes	789	1,099	(310)
Expense reimbursals	2,680	2,100	580
Other	32	40	(8)
TOTAL OTHER OPERATING COSTS	6,397	8,300	(1,903)

Of the apportionment to the provision for risks, amounting to €2,401 thousand, €1,611 thousand is attributable to a Long-Term Incentive Plan in favour of the Management of Datalogic Spa and €790 thousand to the aforesaid restructuring plan relating to EMS.

The item "Expense reimbursals" amounting to €2,680 thousand includes the expenses which, owing to the reorganization in April, are invoiced between the Group companies for services (mainly administrative and commercial) provided by certain companies in favour of others; in accordance with the accounting standards, these reimbursals are classified in the item "Other operating costs". They mainly relate to the parent company for €1,105 thousand, Datalogic Automation GMBH for €743 thousand, Datalogic Mobile GMBH for €336 and Datalogic Automation AB per €173 thousand.

Breakdown of costs by nature

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

	31/12/07	31/12/06	YoY Change
Payroll & employee benefits	106,202	100,171	6,031
Depreciation & amortization	16,388	16,548	(160)
Inventory change	(2,442)	(3,364)	922
Purchases	171,042	174,053	(3,011)
Subcontracted work	4,959	2,274	2,685
Repairs	4,571	4,787	(216)
Marketing	5,862	6,884	(1,022)
Directors' remuneration	4,676	3,986	690
Travel & accommodation	5,774	5,465	309
Technical, legal, and tax advisory services	10,391	7,750	2,641
Goods receipt & shipment	12,321	12,331	(10)
Meetings	895	1,148	(253)
Other payroll costs	35,425	38,072	(2,647)
Total (COGS + operating costs)	376,064	370,105	5,959

"Marketing" totalled €5,862 thousand. The main items are as follows: €2,956 thousand for advertising and sponsorship expenses, €1,486 thousand for a share of the marketing expenses borne by commercial partners and €985 thousand for exhibition expenses.

The advisory expenses amount to €10,391 thousand and include €1,146 thousand of expenses borne for the transformation plan and €2,523 thousand of expenses borne by Datalogic Scanning INC for a dispute over a patent.

Goods receipt and shipment expenses totalled €12,321 thousand, which is in line with the same period of 2006.

The subcontracted work expenses of €4,959 thousand rose by €2,685 thousand in relation to the same period of 2006. The increase is mainly due to Datalogic Mobile srl.

The detailed breakdown of payroll and employee benefit costs is as follows:

	31/12/07	31/12/06	YoY Change
Wages and salaries	83,815	77,105	6,710
Social security charges	16,663	17,245	(582)
Post-employment benefits	1,527	1,506	21
Retirement and similar benefits	887	490	397
Curtailement	-483	0	(483)
Other payroll costs	3,793	3,825	(32)
Total	106,202	100,171	6,031

The increase in the Wages and salaries item is mainly attributable to the entry in payroll and employee benefit costs of the short-term portion of the Long-Term Incentive Plan in favour of the Management of the Group Companies.

For comments on Curtailement, refer to the section on "Accounting Standards and Policies" and to section 14 "Post-employment benefit obligations".

19. Other operating revenues

The detailed breakdown of this item is as follows:

	31/12/07	31/12/06	YoY Change
Miscellaneous income and revenue	1,515	780	735
Rent income	253	251	2
Charge-back of miscellaneous costs	633	1,352	(719)
Royalties	19	-	19
Capital gains on asset disposals	50	325	(275)
Operating grants	10	654	(644)
Incidental income and cost cancellation	641	280	361
Other	-	223	(223)
TOTAL OTHER REVENUES	3,121	3,865	(744)

€284 thousand of the item Miscellaneous income and revenue is attributable to the parent company and includes €184 thousand for a request for a VAT refund made by the parent company owing to the limited deductibility of VAT on vehicles.

20. Net financial income (expenses)

	31/12/07	31/12/06	YoY Change
Interest expenses on bank current accounts/loans	6,393	4,981	1,412
Foreign exchange losses	5,604	6,959	(1,355)
Bank charges	425	597	(172)
Other	186	500	(314)
TOTAL FINANCIAL EXPENSES	12,608	13,037	(429)
Interest income on bank current accounts/loans	2,369	522	1,847
Foreign exchange gains	5,351	5,831	(480)
Other	27	396	(369)
TOTAL FINANCIAL INCOME	7,747	6,749	998
NET FINANCIAL INCOME (EXPENSES)	(4,861)	(6,288)	1,427

Total financial expenses

The item "Interest expenses on bank current accounts/loans" equal to €6,393 thousand is mainly attributable to the Scanning group for €4,549 thousand, to the parent company for €1,658 thousand, to Informatics for €325 thousand, to Datalogic Mobile srl for €80 thousand and to Laservall Spa for €58 thousand.

The item "Foreign exchange losses" equal to €5,604 thousand is mainly attributable to the Scanning Group (€3,221 thousand, of which €1,867 thousand is attributable to Datalogic Scanning Slovakia), to the parent company (€1,383 thousand), to the Automation Group (€477 thousand, of which €191 thousand is attributable to Datalogic Automation srl and €175 thousand to Datalogic Automation AB) and to the Mobile Group (€512 thousand, of which €393 thousand is attributable to Mobile srl).

The item "Bank charges", equal to €425 thousand, includes €218 thousand attributable to the Scanning Group, €57 thousand to the parent company, €102 thousand to the Automation Group and €46 thousand to the Mobile Group.

The item "Other", amounting to €186 thousand, includes €173 thousand attributable to the parent company relating to charges for the discounting of the financial debt relating to the PUT option, commented on in section 2 "Intangible fixed assets" in the goodwill item and in section 11 "Equity" point b) Other reserves.

Total financial income

Interest income on bank current accounts/loans, in the amount of €2,369 thousand, is mainly attributable to the Scanning Group (€840 thousand) and to the direct parent company (€1,214 thousand).

The item "foreign exchange gains", equal to €5,351 thousand, is mainly attributable to the Scanning Group (€2,803 thousand, of which €1,086 thousand is attributable to Datalogic Slovakia), the parent company (€982 thousand), the Automation Group (€556 thousand, of which €140 thousand is attributable to Datalogic Automation UK, €141 thousand to Datalogic Automation AB and €96 thousand to Datalogic Automation srl) and to the Mobile Group (€852 thousand, of which €613 thousand is attributable to Mobile srl).

21. Taxes

	31/12/07	31/12/06
Income taxes	13,020	8,474
Deferred taxes	(4,484)	(3,707)
	8,536	4,767

The average percentage applied is 32.07%.

Since the entry into force of the Finance Act 2008 (Law No. 244 of 24/12/07), the percentages of direct taxes have been changed, as from 2008, as follows:

- IRES [tax on operating income] from 33% to 27.5%;
- IRAP [regional business tax] from 4.25% to 3.9%.

This change has had a positive impact on the income statement, with regard to the Italian companies in the Group, of around €678 thousand.

It is noted that, on the date of preparing the financial statements, no updates had emerged regarding the dispute over the ten-year ILOR exemption laid down by Presidential Decree 218/78 (Consolidated Act of the Law on Measures in Southern Italy), relating to the former Datasud, for the financial year 2006. For further details, refer to the comments provided in the explanatory notes to the consolidated financial statements at 31 December 2006.

22. Earnings/loss per share

Basic earnings/loss per share

The basic earnings per share at 31 December 2007 are calculated based on a net group profit of €18,083 thousand (€4,125 thousand being the net profit at 31 December 2006) divided by the weighted average number of ordinary shares at 31 December 2007 equal to 61,548,730 (61,768,442 at 31 December 2006).

	31/12/07	31/12/06
Group profit/(loss) for period	18,083,000	4,125,000
Average number of shares as at 31 December	61,548,730	61,768,442
Basic earnings/loss per share	0.2938	0.0668

Diluted earnings/loss per share

The diluted earnings per share at 31 December 2007 are calculated based on a net profit of €18,083 thousand (€4,125 thousand being the net profit at 31 December 2006) divided by the weighted average number of ordinary shares at 31 December 2007 equal to 61,548,730 (61,918,522 at 31 December 2006), also taking the effect of future dilutions into consideration:

	31/12/07	31/12/06
Group profit/(loss) for period	18,083,000	4,125,000
Average number of shares as at 31 December	61,548,730	61,768,442
Effect of future exercise of stock options	0	150,080
Diluted average number of shares as at 31 December	61,548,730	61,918,522
Diluted earnings/loss per share	0.2938	0.0666

NOTICE OF AUDITING FIRM'S FEES

Pursuant to article 149-duodecies of the Issuers' Regulations, implementing Legislative Decree No. 58 of 24 February 1998, the following table shows the fees payable for the financial year 2007 supplied by the auditing firm.

The following table shows the fees for auditing and other services, which mainly include fees for tax advice.

	2007
Fees for services supplied by the Auditing Firm to the Company and to the Italian subsidiaries	
<i>Auditing services</i>	287,445
<i>Non-auditing services</i>	39,700
Fees for services supplied by companies belonging to the auditing network for foreign subsidiaries	
<i>Auditing services</i>	717,177
<i>Non-auditing services</i>	89,569
Total	1,133,891

TRANSACTIONS WITH SUBSIDIARIES NOT CONSOLIDATED LINE-BY-LINE, WITH ASSOCIATES, AND WITH RELATED PARTIES

For the definition of "Related Parties", see both IAS 24, approved by European Commission Regulation No. 1725/2003, and the internal policy approved by the board of directors on 11 November 2005.

€'000	31 December 2007								Total
	Idec DI Co. Ltd.	Hydra	Datasensor	Nebulaxis Inc. *	Fondo Mandarin *	John O'Brien	Studio associato Caruso *	Laservall Asia	
Equity investments					59				59
DL SpA					59				59
Trade receivables	268	21	1	0	0	0	6	849	1,145
DL SpA		4							4
DI Automation Srl	268								268
DI Mobile Srl			1				6		7
DI Shared Services Srl		17							17
Laservall								849	849
Tax consolidation credit	0	4,076	0	0	0	0	0	0	4,076
DL SpA		3,135							3,135
DI Automation Srl		941							941
Tax consolidation charges	0	2,784	0	0	0	0	0	0	2,784
DI Mobile Srl		2,190							2,190
DI Shared Services Srl		138							138
Laservall		359							359
DL SpA		82							82
DI Scanning Group Srl		15							15
Trade payables	39	0	473	0	0	0	179	0	691
DL SpA	10						145		155
DI Automation Srl	29		452				11		492
DI Scanning Group Srl			20				12		32
DI Mobile Srl			1				6		7
DI Shared Services Srl							5		5
Financial payables	0	0	0	0	0	3,490	0	0	3,490
DL SpA						3,490			3,490
Distribution/service expenses	39	2	1,111	76	0	0	452	0	1,680
DL SpA	10	2	216	76			371		675
DI Automation Srl	29		877				16		922
DI Shared Services Srl			11				8		19
DI Scanning Group Srl			7				18		25
DI Mobile Srl							10		10
Laservall							29		29
Commercial revenues	1,684	65	9	0	0	0	0	0	1,758
DL SpA	701	23	2						726
DI Automation Srl	983		1						984
DI Mobile Srl			6						6
DI Shared Services Srl		42							42

*) Transactions with companies belonging to members of the Board of Directors

Transactions with Datalogic Group companies

Idec Datalogic Co. Idec Datalogic Co. Ltd, a Japanese company in which DL Automation Srl owns a 50% stake, purchases products and components from Datalogic for resale in the Far Eastern region.

At 31 December 2007, the Controlling Company sold to Idec products and components for around €701 thousand. Moreover, DL Automation srl sold to Idec products and components for around €983 thousand and holds trade receivables in its respect of €268 thousand. These transactions were executed at conditions comparable to those of other affiliates.

Laservall Spa has trade receivables equal to €849 thousand from Laservall Asia and consolidated tax liabilities from Hydra of €359 thousand.

Transactions with companies belonging to shareholders

Relations with Datasensor Spa, a company controlled by the Controlling Company's reference shareholders, mainly relate to the purchase of components by the parent company (€216 thousand), DL Automation Srl (€877 thousand), DL Shared Services Srl (€11 thousand) and DL Scanning Group Srl (€7 thousand) and to the distribution by some Group Companies of small quantities of Datasensor products.

Relations with Datasensor Spa also relate to trade payables by DL Automation Srl (€452 thousand) and DL Scanning Group (€20 thousand) and small amounts of trade revenues from DL Spa, DL Mobile Srl and DL Automation Srl.

The parent company's relations with the subsidiary (Hydra Spa) mainly relate to the IRES credit of €3,135 thousand and €941 thousand resulting from the IRES credit held by DL Automation Srl in respect of Hydra Spa.

The company joined the fiscal consolidation, as a consolidated company (Hydra is the consolidator).

The following companies owe IRES to Hydra Spa: DL Mobile Srl (€2,190 thousand), Laservall (€359 thousand), DL Shared Services Srl (€138 thousand), DL Spa (€82 thousand) and DL Scanning Group Srl (€15 thousand).

Transactions with companies belonging to members of the Board of Directors

The company Nebulaxis (belonging to board member John O'Brien) has not had significant relations with the parent company.

Based on the requirements of IAS 23.23, the item "financial liabilities" includes €3,490 thousand relating to a PUT option signed by the Director John O'Brien with the parent company (Call option). For further details on this transaction, refer to section 2 "Intangible fixed assets" in the goodwill item and to section 11 "Equity" point b) Other reserves.

The parent company has an interest of €59 thousand in Fondo Mandarin Capital Management SA (a company controlled by a member of the Board of Directors).

Relations with Studio associato Caruso (headed by the director Pier Paolo Caruso) mainly concern advice. DL Spa has service expenses amounting to €371 thousand and payables of €145 thousand, Laservall has service expenses amounting to €29 thousand, DL Scanning Group Srl has trade costs of €18 thousand and payables of €12 thousand, DL Automation Srl has trade expenses of €16 thousand and payables of €11 thousand, DL Mobile Srl has trade expenses of €10 thousand and payables of €6 thousand, and DL Shared Services Srl has trade expenses of €8 thousand and payables of €5 thousand.

NUMBER OF EMPLOYEES

	31/12/07	31/12/06	YoY Change
Automation Group	455	351	104
Mobile Group	393	0	393
Shared Services srl	57	0	57
DL SpA	18	532	(514)
Scanning Group	877	907	(30)
Informatics	106	107	(1)
	1906	1897	9

DIRECTORS' AND AUDITORS' REMUNERATION

Pursuant to CONSOB resolution no. 11520 of 01/01/1998, we show the total remuneration payable to directors and members of the Board of Statutory Auditors for FY2007:

INDIVIDUAL FULL NAME	DESCRIPTION OF OFFICE		REMUNERATION		
	OFFICE HELD	PERIOD OF OFFICE	EMOLUMENTS FOR THE POSITION	OTHER EMOLUMENTS	BONUS AND OTHER INCENTIVES
R. Volta	Chairman	31/12/08	261	12	
R. Tuniola	Vice Chairman and Chief Executive Officer	31/12/08	1370	54	1,200
A. Forchielli	Director	31/12/08	12		
G. Micheletti	Director	31/12/08	16	* 165	65
U. Paolucci	Director	31/12/08	21		
E. Piol	Director	31/12/08	27		
P. Caruso	Director	31/12/08	12		
G. Volta	Director	31/12/08	12		
V. Volta	Director	31/12/08	12		
J. O'Brien	Director	31/12/08	12		
A. Manaresi	Director	31/12/08	18		
L. Floriani	Director	31/12/08	12		
G. Tamburi	Director	31/12/08	12		
M. Saracino	Secretary ** Pres. of Board of Statutory Auditors	31/12/06	2		
S. Romani	Statutory auditor	31/12/09	37		
M. Saracino	Statutory auditor	31/12/09	25		
M. Ravaccia	Statutory auditor	31/12/09	25		

* Remuneration relating to his employment as a manager of Datalogic SpA.

** Position held up to approval of the Financial Statements at 31 December 2006

Chairman of the Board of Directors

Romano Volta

Attestazione del bilancio consolidato ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche

I sottoscritti Rag. Roberto Tunioi, Amministratore Delegato e Dott. Marco Rondelli, Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione,

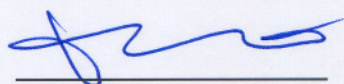
delle procedure amministrative e contabili per la formazione del bilancio consolidato, nel corso del periodo gennaio - dicembre 2007.

Si attesta, inoltre, che il bilancio consolidato:

- a) corrisponde alle risultanze dei libri e delle scritture contabili;
- b) è redatto in conformità ai Principi Contabili Internazionali IFRS – International Financial Reporting Standards – adottati dalla Comunità Europea con regolamento 1725/2003 e successive modifiche e, a quanto consta, è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'impresa.

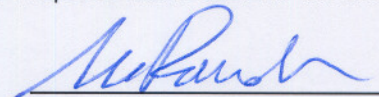
Lippo di Calderara di Reno (BO), 14 febbraio 2008

L'Amministratore Delegato



(Roberto Tunioi)

Il Dirigente Preposto alla redazione dei documenti contabili



(Marco Rondelli)

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Gruppo Hydra S.p.A. – art. 2497 Cod. Civ.
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www.datalogic.com

R.E.A. Bologna 391717
Registro Imprese Bologna 96/1998
Capitale sociale 33.045.413,44 euro i.v.
Codice Fiscale e Partita I.V.A. 01835711209
E.E.C. id. Code IT01835711209

DATALOGIC S.p.A.**CONSOLIDATED BALANCE SHEET**

ASSETS	31-12-06 Euro/000	Riclassifiche Euro/000	31-12-06 Euro/000
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)	227.624	0 0	227.624
1) Tangible non-current assets	50.380	0	50.380
Land	6.660		6.660
Buildings	18.238		18.238
Other tangible assets	23.672		23.672
Assets in progress and payments on account	1.810		1.810
2) Investment property	0	0	0
3) Intangible non-current assets	153.652	0	153.652
Goodwill	89.907		89.907
Development costs	3.010		3.010
Other intangible assets	60.735		60.735
4) Equity interests in associate companies	1.110		1.110
5) Available-for-sale financial assets (non-current)	1.241	0	1.241
Equity investments	871		871
Treasury stock			
Securities	370		370
6) Trade and other receivables	503		503
7) Deferred tax credits	20.738		20.738
8) Tax credits	0		0
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)	176.078	0	176.078
9) Inventories	52.005	0	52.005
Raw & auxiliary materials plus consumables	30.936		30.936
Work in progress and semiprocessed goods	6.116		6.116
Finished products and goods for resale	14.953		14.953
10) Job-order work in progress	0	0	0
11) Trade and other receivables	85.716	-1.992	83.724
Trade receivables	81.533	-3.810	77.723
Within 12 months	75.998		75.998
After 12 months		0	0
Amounts receivable from associates	1.725		1.725
Amounts receivable from subsidiaries	0		0
Amounts receivable from parent company	3.810	-3.810	0
Amounts receivable from related parties			0
Other receivables	1.611	4.390	6.001
Accrued income/prepaid expenses	2.572	-2.572	0
12) Tax credits	5.201	1.992	7.193
13) Available-for-sale financial assets (current)	206	0	206
Securities	0		0
Loans to subsidiaries	206		206
14) Hedging instruments			
15) Cash & cash equivalents	32.950		32.950
TOTAL ASSETS (A+B)	403.702	0	403.702

DATALOGIC S.p.A.**CONSOLIDATED BALANCE SHEET**

LIABILITIES	31-12-06 Euro/000	Riclassifiche Euro/000	31-12-06 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	186.610	0	186.610
1) Share capital	159.098	0	159.098
2) Reserves	-11.057		-11.057
3) Retained earnings/(losses carried forward)	33.968	0	33.968
4) Profit/(loss) for period	4.125		4.125
5) Minority interests	476		476
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)	122.630	0	122.630
6) Borrowing	82.027		82.027
7) Tax payables	0		0
8) Deferred tax liabilities	26.468		26.468
9) Employee severance indemnity and retirement provision	7.624		7.624
10) Long-term provisions for risks and expenses	5.786	647	6.433
11) Other non-current liabilities	725	-647	78
C) CURRENT LIABILITIES (12+13+14+15+16)	94.462	0	94.462
12) Trade and other payables	72.857	1.289	74.146
Trade payables	49.215	-11	49.204
Within 12 months	48.760		48.760
After 12 months		0	0
Amounts payable to associates	21		21
Amounts payable to parent company	11	-11	0
Amounts payable to related parties	423		423
Accrued liabilities and deferred income	6.860	18.082	24.942
Other current payables	16.782	-16.782	0
13) Taxes payable	7.679	-1.289	6.390
14) Short-term provisions for risks and expenses	4.070		4.070
15) Hedging instruments			0
16) Short-term borrowing	9.856		9.856
TOTAL LIABILITIES (A+B+C)	403.702	0	403.702

ANNEX 3**HYDRA S.P.A.**

Sede in via D'Azeglio n. 57 - 40100 Bologna (Bo)
 Capitale sociale Euro 31.200.000 i.v.
 Codice Fiscale e iscrizione Registro Imprese di Bologna n° 00445970379
 R.E.A. di Bologna n° 202001

Balance Sheet as of 31st Dec. 2006

ASSETS	31/12/2006
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A) SUBSCRIBED CAPITAL UNPAID	
B) FIXED ASSETS	132.391.365
C) CURRENT ASSETS	6.308.270
D) ACCRUED INCOME AND PREPAYMENTS	738
TOTAL ASSETS	138.700.373

LIABILITIES AND EQUITY	31/12/2006
-------------------------------	------------

A) NET EQUITY	50.639.926
Share Capital	31.200.000
Reserves	14.767.360
Net Profit	4.672.566
B) PROVISIONS FOR RISKS AND CHARGES	
C) EMPLOYEES' SEVERANCE INDEMNITY PROVISION	17.233
D) PAYABLES	87.964.899
E) ACCRUED EXPENSES AND DEFERRED INCOME	78.315
TOTAL LIABILITIES AND EQUITY	138.700.373

MEMORANDUM ACCOUNTS	258.228
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PROFIT & LOSS ACCOUNTS	31/12/2006
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A) PRODUCTION VALUE	864.679
B) PRODUCTION COSTS	-1.215.502
C) FINANCIAL INCOME AND CHARGES	3.937.765
D) Rettifiche di valore di attività finanziarie	
E) EXTRAORDINARY INCOME AND CHARGES	197.261
Current income and deferred taxes	888.363
PROFIT/(LOSS) FOR THE YEAR	4.672.566

ANNEX 4**HYDRA S.P.A.**

Sede in via D'Azeglio n. 57 - 40100 Bologna (Bo)
 Capitale sociale Euro 31.200.000 i.v.
 Codice Fiscale e iscrizione Registro Imprese di Bologna n° 00445970379
 R.E.A. di Bologna n° 202001

CONSOLIDATED BALANCE SHEET as of 31/12/2006

Euro /000

ASSETS	31/12/2006
NON-CURRENT ASSETS	330.625
FIXED ASSETS	194.443
TOTAL ASSETS	525.068

LIABILITIES AND EQUITY	31/12/2006
A) NET EQUITY	
<i>Share Capital</i>	31.200
<i>Reserves</i>	3.994
<i>Net profit/(loss) for the year</i>	168.277
TOTAL NET EQUITY	203.471
NON-CURRENT LIABILITIES	220.935
CURRENT LIABILITIES	100.662
TOTAL LIABILITIES AND EQUITY	525.068

CONSOLIDATED PROFIT & LOSS ACCOUNTS	31/12/2006
PRODUCTION VALUE	411.375
PRODUCTION COSTS	(231.288)
GROSS PROFIT	180.087
OTHER REVENUES	23.002
TOTAL OPERATING EXPENSES	(167.346)
NET FINANCIAL INCOME	(8.439)
PRE-TAX PROFIT/(LOSS)	27.304
TAXES	(4.996)
NET PROFIT/(LOSS) FOR THE PERIOD	22.308
Profit/(Loss) pertaining to minorities	(1.754)
GROUP NET PROFIT/(LOSS) FOR THE YEAR	20.554

ANNEX 5

TAX RECONCILIATION 31/12/2007

	DL SPA	Shared Services Srl	Informatics	DLAutomation srl	DLAutomation PTY	DLAutomation France	DLAutomation GmbH	DLAutomation Austria	DLAutomation Benelux	DLAutomation UK	DLAutomation AB Holding	DLAutomation AB	DLAutomation INC	EMIS	DLAutomation Spain	Laservall Spa	DLAutomation ASIA	Scanning Group and Mobile Inc. Fiscal Consolidated (1)	DLScanning Group Srl	DLScanning Slovakia	DLMobile Srl e branches (2)	DLMobile Asia	DLMobile UK	Adj.	Consolidated	
Pre-tax profit/(loss)	8.258	301	3.059	-4.426	-436	-23	632	1.014	-95	689	-10	-742	-170	2.024	-15	8.875	-295	2.206	376	12.148	6.047	37	-311	-12.524	26.619	
Local rate	37,25%	37,25%	35,00%	4,25%	30,00%	34,33%	37,00%	25,00%	31,00%	30,00%	28,00%	28,00%	40,00%		30% primi 60 Euro /1000-	33%ires+ 4,25% irap		38,00%	37,25%	19,00%	37,25%		30,00%			
Taxes calculated applying local statutory tax rate to IRAP	-2.680	-99	-1.071	1.461	0	8	-234	-254	29	-207	3	0	68	0		-2.993		-777	-124	-2.308	-1.996	0			-11.174	
Tax effect (downward changes)	4.826	21	129	873		5	91			163			3			160		543	183		434				7.431	
Tax effect (upward changes)	-2.228	-59	-10	-1.392			-14									-112		-227	-75	-117	-787			0	-5.021	
Deferred taxes	205	170	-177	-348	139			-110	4	-68	-5		-40			-108		-389	7	67	364			2.416	2.126	
Others	-135		0		0					0		0		-54	0			0				0		0		-189
Total taxes	-416	-62	-1.129	512	139	13	-157	-364	33	-112	-2	0	31	-54	0	-3.605	0	-912	-75	-2.358	-2.435	0	0	2.416	-8.536	
Net profit/(loss)	7.842	239	1.930	-3.914	-297	-10	475	651	-62	577	-12	-742	-139	1.970	-15	5.270	-295	1.294	301	9.790	3.612	37	-311	-10.108	18.083	
Average tax rate	5,04%	20,71%	36,90%	11,58%	31,83%	56,07%	24,87%	35,85%	35,21%	16,24%	-22,00%	-0,03%	18,24%	2,67%	0,00%	40,62%	0,00%	41,33%	19,97%	19,41%	40,27%	0,00%	0,00%	19,29%	32,07%	

(1) Scanning Slovakia and Scanning group srl not included

(2) The Branches included are: Datalogic GMBH mobile, Datalogic France Mobile, Datalogic Spain Mobile, Datalogic Austria Mobile, Datalogic Denmark Mobile, Datalogic Sweden Mobile