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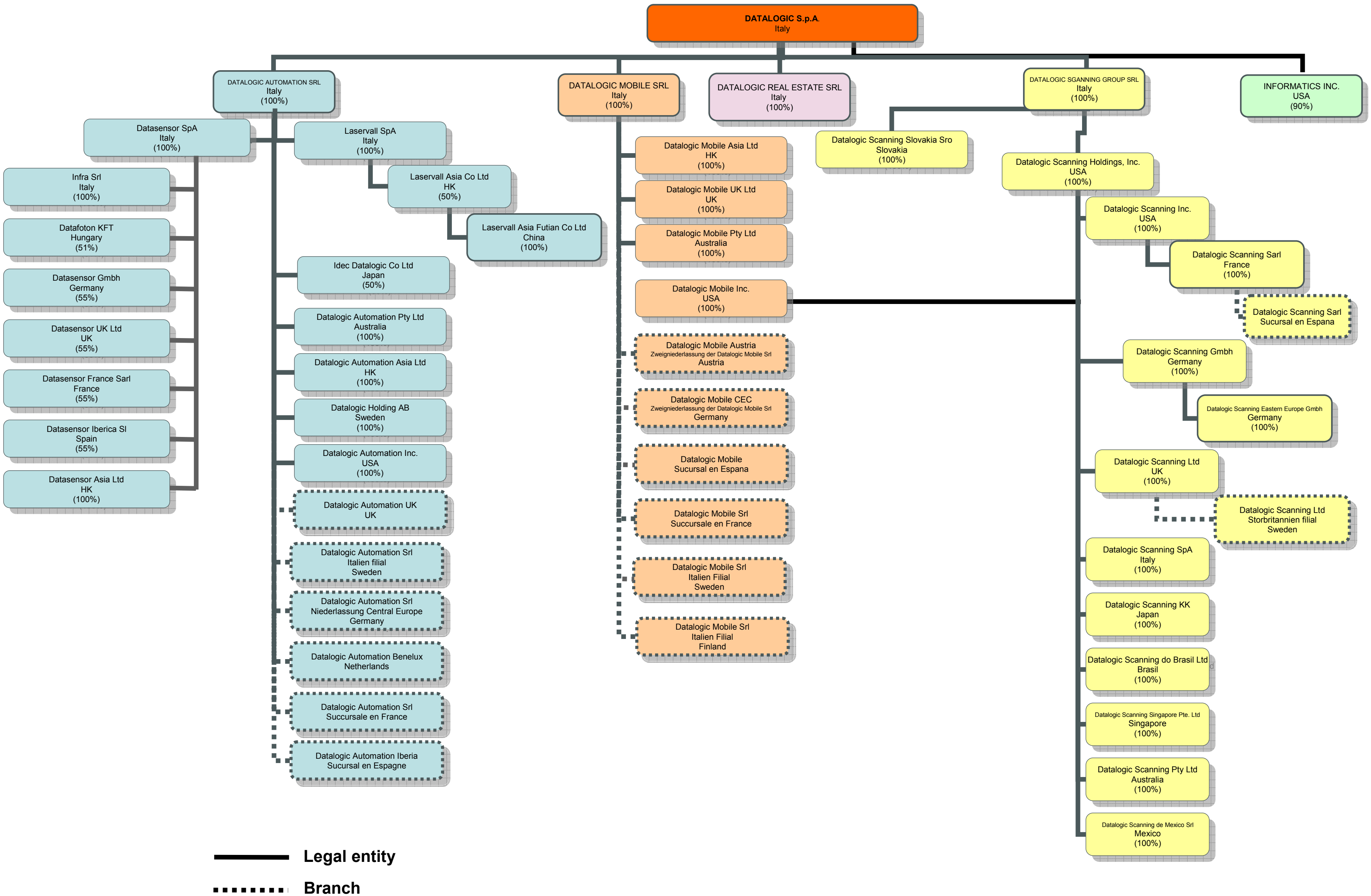
Consolidated Annual Report & Accounts

as at 31 December 2008

DATALOGIC GROUP

Consolidated Financial Report as at December 31, 2008


DATALOGIC S.p.A.
Italy
DATALOGIC AUTOMATION SRL
Italy
(100%)
DATALOGIC MOBILE SRL
Italy
(100%)
DATALOGIC REAL ESTATE SRL
Italy
(100%)
DATALOGIC SCANNING GROUP SRL
Italy
(100%)
INFORMATICS INC.
USA
(90%)
Datasensor SpA
Italy
(100%)
Infra Srl
Italy
(100%)
Datafoton KFT
Hungary
(51%)
Datasensor Gmbh
Germany
(55%)
Datasensor UK Ltd
UK
(55%)
Datasensor France Sarl
France
(55%)
Datasensor Iberica Sl
Spain
(55%)
Datasensor Asia Ltd
HK
(100%)
Laservall SpA
Italy
(100%)
Laservall Asia Co Ltd
HK
(50%)
Laservall Asia Futian Co Ltd
China
(100%)
Idec Datalogic Co Ltd
Japan
(50%)
Datalogic Automation Pty Ltd
Australia
(100%)
Datalogic Automation Asia Ltd
HK
(100%)
Datalogic Holding AB
Sweden
(100%)
Datalogic Automation Inc.
USA
(100%)
Datalogic Automation UK
UK
Datalogic Automation Srl
Italien filial
Sweden
Datalogic Automation Srl
Niederlassung Central Europe
Germany
Datalogic Automation Benelux
Netherlands
Datalogic Automation Srl
Succursale en France
Datalogic Automation Iberia
Sucursal en Espagne
Datalogic Mobile Asia Ltd
HK
(100%)
Datalogic Mobile UK Ltd
UK
(100%)
Datalogic Mobile Pty Ltd
Australia
(100%)
Datalogic Mobile Inc.
USA
(100%)
Datalogic Mobile Austria
Zweigniederlassung der Datalogic Mobile Srl
Austria
Datalogic Mobile CEC
Zweigniederlassung der Datalogic Mobile Srl
Germany
Datalogic Mobile
Sucursal en Espana
Datalogic Mobile Srl
Succursale en France
Datalogic Mobile Srl
Italien Filial
Sweden
Datalogic Mobile Srl
Italien Filial
Finland
Datalogic Scanning Slovakia Sro
Slovakia
(100%)
Datalogic Scanning Holdings, Inc.
USA
(100%)
Datalogic Scanning Inc.
USA
(100%)
Datalogic Scanning Sarl
France
(100%)
Datalogic Scanning Sarl
Sucursal en Espana
Datalogic Scanning Gmbh
Germany
(100%)
Datalogic Scanning Eastern Europe Gmbh
Germany
(100%)
Datalogic Scanning Ltd
UK
(100%)
Datalogic Scanning Ltd
Storbritannien filial
Sweden
Datalogic Scanning SpA
Italy
(100%)
Datalogic Scanning KK
Japan
(100%)
Datalogic Scanning do Brasil Ltd
Brasil
(100%)
Datalogic Scanning Singapore Pte. Ltd
Singapore
(100%)
Datalogic Scanning Pty Ltd
Australia
(100%)
Datalogic Scanning de Mexico Srl
Mexico
(100%)
Legal entity
Branch

COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta
Chairman (2)

Roberto Tunioli
Vice Chairman and C.E.O. (3)

Pier Paolo Caruso
Director

Alberto Forchielli
Director

Giancarlo Micheletti
Director

Umberto Paolucci
Director

Elserino Piol
Director

Gabriele Volta
Director

Valentina Volta
Director

John O'Brien
Director

Angelo Manaresi
Director

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

Indipendent 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 AS AT 31 DECEMBER 2008

REPORT ON OPERATIONS

To our shareholders,

The annual report for the year ending on 31 December 2008, 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 set forth by international accounting standards (IASs/IFRSs) adopted by the European Union.

OPERATING AND FINANCIAL RESULTS

The following table summarizes the Datalogic Group's key operating and financial highlights at 31 December 2008, comparing them with the previous period a year earlier:

Datalogic Group	***31/12/2008***	***31/12/2007***	**Change**	**% Change**
(€'000)				
Total revenue	379,820	404,027	-24,207	*-6.0%*
EBITDA	47,762	50,094	-2,332	*-4.7%*
% of total revenue	*12.6%*	*12.4%*		
Group net profit/loss	17,844	18,083	-239	*-1.3%*
% of total revenue	*4.7%*	*4.5%*		
Net financial position (NFP) (**)	-106,944	-62,544	-44,400	*71.0%*

(*) **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 depreciation and amortization of tangible and intangible assets, non-recurring costs, financial income and expenses and income taxes.***

(**) For the criteria defining the net financial position please see Page 20.

At 31 December 2008 the **Datalogic Group recorded revenue of € 379,820 thousand (vs. € 404,027 thousand in 2007),** detailed as follows:

- € 365,752 thousand in revenue from the sale of products;
- € 14,068 thousand in revenue from services.

These revenue decreased by 6% over the same period of the previous year. At constant Euro/Dollar exchange rates, the decrease would have been 3%.

Group EBITDA was € 47,762 thousand, with a margin on total revenue of 12.6%. The decrease over the same period of the previous year totals € 2,332 thousand in revenue (-4.7% over the € 50,094 thousand in revenue at 31 December 2007).

Net profit for the group at 31 December 2008, amounted to € 17,844 thousand.

Income taxes were slightly lower and decreased from 32.07% of pre-tax income at 31 December 2007 to 31.13% of pretax income at 31 December 2008. Below we outiline two actions involving the Italian companies of the Group which have had a significant impact on income taxes.

- Recognition under "Other revenue" of € 1,234 thousand of tax credits for research and development costs (for the period 1 January to 31 December 2007). This contribution was booked based on the provisions of the 2007 Finance Act (Law 296 of 27 December 2006) which introduced the possibility of using a tax credit calculated on research and development expenses incurred in 2007/2009. Following transformation of the incentive in question from an "automatic" benefit to a "selective" benefit (contingent on the availability of public funds), the Company prudently decided not to report the amount related to the expenses incurred in 2008 (€ 1,400 thousand) while awaiting the funds to be actually assigned (expected within the first half of 2009). At 30 September 2008, the Italian companies of the Group reported the contribution relating to the 2008 financial year in their financial statements, since the changes in the incentive (from "automatic" to "selective") was introduced in 29 November 2008 (Decree law 185) but became effective retroactively for the year in progress at that date.
- The redemption of the difference between accounting and tax values due to the option (available until 31 December 2007) to make non-accounting tax deductions. For more information, see the Explanatory notes (note 21); we point out that the overall net benefit of this transaction is estimated to be € 1,427 thousand.

The scope of consolidation of the Group at 31 December 2008 has changed versus a year earlier since on 3 October 2008, Hydra SpA (the ultimate parent company of the Datalogic Group) acquired Datasensor SpA, a company operating in the industrial sensors market, for € 45 million.

The contribution of Datasensor to performance of the Datalogic Group was as follows:

(€'000)	**31/12/2008**	**Group Datasensor 4th quarter**	**Disposals**	**Non-capitalized acquisition costs**	**31/12/2008 without Datasensor**
Total revenue	***379,820***	***6,835***	***492***		***373,477***
Cost of sales	(211,765)	(3,843)	(544)		(208,466)
Gross profit	***168,055***	***2,992***	***(52)***	***0***	***165,011***
Other revenue (*)	**10,473**	**142**	**52**		**10,383**
Research and development expenses	(25,306)	(424)			(24,882)
Distribution expenses	(77,246)	(1,043)			(76,203)
General & administrative expenses (*)	(38,792)	(872)		(176)	(37,744)
Other operating costs (*)	(1,846)	(2)			(1,844)
Total operating cost and other costs	**(143,190)**	**(2,341)**	**0**	**(176)**	**(140,673)**
Ordinary operating result before non-recurring costs/revenue and depr. and amort. arising from acquisitions (EBITANR)	**35,338**	**793**	**0**	**(176)**	**34,721**
Non-recurring costs and revenue	(729)				(729)
Depreciation & amortization due to acquisitions (**)	(3,896)				(3,896)
Operating result (EBIT)	**30,713**	**793**	**0**	**(176)**	**30,096**
Net financial income (expenses)	(5,626)	(32)			(5,594)
Subsidiaries' earnings/(losses)	(34)				(34)
Foreign exchange earnings/(losses)	860	(153)			1,013
Pre-tax profit/(loss)	**25,913**	**608**	**0**	**(176)**	**25,481**
Taxes	(8,069)	(214)			(7,855)
Net profit/(loss) for period	**17,844**	**394**	**0**	**(176)**	**17,626**
Minority interests' share of net profit	0				0
GROUP NET PROFIT/LOSS	**17,844**	**394**	**0**	**(176)**	**17,626**

Amortization and depreciation and write downs Property plant and equipment	**(8,193)**	**(309)**			**(7,884)**
Amortization and depreciation and write downs Intangible assets	**(4,231)**	**(75)**			**(4,156)**
EBITDA	**47,762**	**1,177**	**0**	**(176)**	**46,761**

EVENTS IN 2008

The year 2008 was a year run at two speeds: the growth trend of the Group continued in the first half (revenue in the first six months, at constant exchange rates, was up by 3% year on year) while in the third and fourth quarters, sales were negatively influenced by the abrupt slowdown in the global economy (-6% of revenue in the second half of 2008). Earnings in the second half of the year have held (EBITDA was € 22,401 thousand versus € 25,361 thousand reported in the first six months of 2008) as the Group promptly launched measures at the first signs of deterioration of the macroeconomic picture to contain operating costs. While safeguarding strategic investments (especially product development and commercial presence on the main markets for our products), these measures made it possible to maintain good earnings levels despite the downturn in demand.

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)	31/12/2008		31/12/2007		change	% Change
Total revenue	***379,820***	**100.0%**	***404,027***	**100.0%**	***(24,207)***	**-6.0%**
Cost of sales	(211,765)	-55.8%	(224,298)	-55.5%	12,533	-5.6%
Gross profit	***168,055***	**44.2%**	***179,729***	**44.5%**	***(11,674)***	**-6.5%**
Other revenue (*)	10,473	2.8%	2,277	0.6%	8,196	359.9%
Research and development expenses	(25,306)	-6.7%	(24,992)	-6.2%	(314)	1.3%
Distribution expenses	(77,246)	-20.3%	(77,503)	-19.2%	257	-0.3%
General & administrative expenses (*)	(38,792)	-10.2%	(38,357)	-9.5%	(435)	1.1%
Other operating costs (*)	(1,846)	-0.5%	(3,361)	-0.8%	1,515	-45.1%
Total operating cost and other costs	(143,190)	-37.7%	(144,213)	-35.7%	1,023	-0.7%
Ordinary operating result before non-recurring costs/revenue and depr. and amort. arising from acquisitions (EBITANR)	**35,338**	**9.3%**	**37,793**	**9.4%**	**(2,455)**	**-6.5%**
Non-recurring costs and revenue	(729)	-0.2%	(2,622)	-0.6%	1,893	-72.2%
Depreciation & amortization due to acquisitions (**)	(3,896)	-1.0%	(4,087)	-1.0%	191	-4.7%
Operating result (EBIT)	**30,713**	**8.1%**	**31,084**	**7.7%**	**(371)**	**-1.2%**
Net financial income (expenses)	(5,626)	-1.5%	(4,608)	-1.1%	(1,018)	22.1%
Subsidiaries' earnings/(losses)	(34)	0.0%	396	0.1%	(430)	n.a.
Foreign exchange earnings/(losses)	860	0.2%	(253)	-0.1%	1,113	n.a.
Pre-tax profit/(loss)	**25,913**	**6.8%**	**26,619**	**6.6%**	**(706)**	**-2.7%**
Taxes	(8,069)	-2.1%	(8,536)	-2.1%	467	-5.5%
Net profit/(loss) for period	**17,844**	**4.7%**	**18,083**	**4.5%**	**(239)**	**-1.3%**
Minority interests' share of net profit	0	0.0%	0	0.0%	0	n.a.
GROUP NET PROFIT/LOSS	**17,844**	**4.7%**	**18,083**	4.5%	**(239)**	**-1.3%**
Depreciation and write-downs of Property plant and equipment	(8,193)	-2.2%	(7,655)	-1.9%	**(538)**	7.0%
Amortization and write-downs of Intangible assets	(4,231)	-1.1%	(4,646)	-1.1%	**415**	-8.9%
EBITDA	**47,762**	**12.6%**	**50,094**	**12.4%**	**(2,332)**	**-4.7%**

(*) The item "Other revenue" and "Other operating costs" at 31/12/07 have been reclassified to make them uniform at 31/12/08. The detail of these classifications was included in the attachment.

(**) This item includes extraordinary costs for amortization arising from acquisitions of the companies Laservall, Informatics, Datalogic Scanning Inc, and Datalogic Mobile Inc. In order to assure better represent ation 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 result") that includes non-recurring costs/income and depreciation and amortization due to acquisitions and matches figures reported in year-end financial statements.

Following the introduction of IASs, non-recurring 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 2008, non-recurring costs (€ 729 thousand) consisted of the following items:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2)" Cost of goods sold"	(9)	Early retirement incentives, under the restructuring plan
5) Distribution expenses	(55)	Early retirement incentives, under the restructuring plan
7) Other operating expenses	(665)	Tax disputes
TOTAL NON-RECURRING COSTS	**(729)**	

Costs relating to the tax dispute (€ 665 thousand) refer to a provision made further to tax assessments by the Inland Revenue for the 1999 and 2000 tax years (regarding Datasud Srl, incorporated by Datalogic SpA in 2004).

Depreciation and amortization due to acquisitions (€ 3,896 thousand), included under "General & administrative expenses", is comprised as follows:

1. € 1,295 thousand pertaining to Laservall,
2. € 544 housand pertaining to Informatics;
3. € 1,698 thousand pertaining to Datalogic Scanning Inc
4. € 359 thousand pertaining to Mobile Inc

At 31 December 2008, operating costs include € 993 thousand of leaving incentives which were not classified in the item "non-recurring costs" as the result of the normal movement of managers and not to extraordinary reorganization/restructuring operations.

EBITANR of € 35,338 thousand, corresponding to 9.3% of revenue and decreasing in absolute terms versus the value earned in the same period a year earlier (€ 37,793 thousand) but is essentially in line in percentage terms on revenue (9.4% at 31 December 2007).

The next two tables compare the main operating results achieved in the fourth quarter of 2008 and respectively, the same period in 2007 and the third quarter 2008.

	4Q 2008		4Q 2007		change	% change
TOTAL REVENUE	95,478	100.0%	106,491	100.0%	-11,013	-10.3%
EBITDA	10,317	10.8%	13,172	12.4%	-2,855	-21.7%
EBITANR	6,501	6.8%	9,925	9.3%	-3,424	-34.5%
EBIT	4,735	5.0%	8,435	7.9%	-3,700	-43.9%

	4Q 2008		3Q 2008		change	% change
TOTAL REVENUE	95,478	100.0%	90,784	100.0%	4,694	5.2%
EBITDA	10,317	10.8%	12,084	13.3%	-1,767	-14.6%
EBITANR	6,501	6.8%	9,180	10.1%	-2,679	-29.2%
EBIT	4,735	5.0%	8,219	9.1%	-3,484	-42.4%

PERFORMANCE BY BUSINESS SEGMENT

Segment information

A business segment is a group of assets and operations that provides products or services 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 in a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.
We consider business segments to be primary (see IAS 14), while geographical segments have been considered secondary. Our segment reporting 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
In April 2007, the Group completed a restructuring project that, among other things, led to a revision of Datalogic's business segments. Up to 31 March 2007 this year, the business segments of significance for disclosure purposes were as follows:
Data Capture: This is Datalogic's traditional business and includes the development, production and sale of the following products: hand-held readers (HHRs), unattended scanning systems (USSs) for the industrial market, mobile computers (MCs), and checkout scanners for the retail market.
Business Development: This division includes the business areas with high growth potential within Datalogic's traditional proposition (radio frequency readers or RFID and self-scanning solutions) or those areas adjacent to the Group's traditional areas, consisting of products for industrial marking and distribution of automatic identification products. These latter two business segments are handled by the subsidiaries Laservall SpA and Informatics Inc.

As from April 2008, following conclusion of the Group reorganisation plan, as highlighted above, the business segments are as follows:
Mobile – includes the Mobile Computers (MC) product lines;
Automation – includes the product lines related to unattended scanning systems (USSs) for the industrial market, products for industrial marking, and radio frequency readers (RFID);
Scanning – includes the product lines related to hand-held readers (HHRs) and checkout scanners for the retail market;
Business Development – includes the remaining product lines, i.e. the self-scanning solutions and distribution of automatic identification products.
These company segments correspond to the Group's new operating divisions. Following the significant impact of 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.
As a result, operating data of the new Mobile, Automation, Scanning and Business Development company segments are provided for April to December of the year in progress, compared with figures for the same period 2007 (since uniform).

Intersegment sales transactions are executed at arm's length conditions, based on the Group transfer pricing policies.

The operating results of the primary sector reviewed based on the new company structure for the period from April to December 2008 compared with the period from April to December 2007 were as follows:

	Mobile		Automation		Business Development		Scanning		Datalogic SpA (*)		Adj.		Total Group	
€ '000	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales	62,471	65,934	50,348	56,072	31,296	34,051	139,673	143,973	15	31	0	(99)	283,803	299,962
Intersegment sales	2,923	(27)	87	(77)	0		112	1,972	10,404	4,416	(13,526)	(6,284)	0	0
Total revenue	**65,394**	**65,907**	**50,435**	**55,995**	**31,296**	**34,051**	**139,785**	**145,945**	**10,419**	**4,447**	**(13,526)**	**(6,383)**	**283,803**	**299,962**
Cost of goods sold (I)	(36,551)	(39,125)	(26,992)	(27,607)	(17,193)	(19,503)	(81,880)	(87,002)	(1)	(122)	3,060	7,112	(159,557)	(166,247)
Gross profit	**28,843**	**26,782**	**23,443**	**28,388**	**14,103**	**14,548**	**57,905**	**58,943**	**10,418**	**4,325**	**(10,466)**	**729**	**124,246**	**133,715**
% of revenue	*44.1%*	*40.6%*	*46.5%*	*50.7%*	*45.1%*	*42.7%*	*41.4%*	*40.4%*	*100.0%*	*97.3%*	*77.4%*	*-11.4%*	*43.8%*	*44.6%*
Other revenue	776	5,734	2,946	1,834	79	22	5,922	1,569	1,748	925	(1,397)	(8,029)	10,074	2,055
R&D expenses	(3,501)	(3,430)	(5,404)	(5,130)	(1,197)	(627)	(8,978)	(8,439)	(342)	(441)	197	82	(19,225)	(17,985)
Distribution expenses (I)	(15,325)	(14,715)	(15,050)	(12,627)	(6,530)	(7,531)	(28,107)	(27,880)	(9)	(87)	6,956	5,199	(58,065)	(57,641)
Overheads (I)	(4,762)	(6,185)	(6,950)	(8,239)	(1,430)	(2,757)	(8,787)	(12,805)	(11,178)	(1,106)	4,017	1,649	(29,090)	(29,443)
Other operating costs	(302)	(510)	(780)	(877)	15	(136)	(804)	(299)	(156)	(2,042)	751	13	(1,276)	(3,851)
Total operating costs	**(23,890)**	**(24,840)**	**(28,184)**	**(26,873)**	**(9,142)**	**(11,051)**	**(46,676)**	**(49,423)**	**(11,685)**	**(3,676)**	**11,921**	**6,943**	**(107,656)**	**(108,920)**
% of revenue	*-36.5%*	*-37.7%*	*-55.9%*	*-48.0%*	*-29.2%*	*-32.5%*	*-33.4%*	*-33.9%*	*-112.2%*	*-82.7%*	*-88.1%*	*-108.8%*	*-37.9%*	*-36.3%*
Ordinary operating income (EBITANR)	**5,729**	**7,676**	**(1,795)**	**3,349**	**5,040**	**3,519**	**17,151**	**11,089**	**481**	**1,574**	**58**	**(357)**	**26,664**	**26,850**
% of revenue	*8.8%*	*11.6%*	*-3.6%*	*6.0%*	*16.1%*	*10.3%*	*12.3%*	*7.6%*	*4.6%*	*35.4%*	*-0.4%*	*5.6%*	*9.4%*	*9.0%*
Non-recurring costs and revenue	0	(173)	(413)	1,171	0		0	(9)	(665)	(208)	349	(2,178)	(729)	(1,397)
Amortization due to acquisitions	(271)	(289)	(971)	(971)	(410)	(431)	(1,282)	(1,342)	0		0		(2,934)	(3,033)
Operating result (EBIT)	**5,458**	**7,214**	**(3,179)**	**3,549**	**4,630**	**3,088**	**15,869**	**9,738**	**(184)**	**1,366**	**407**	**(2,535)**	**23,001**	**22,420**
% of revenue	*8.3%*	*10.9%*	*-6.3%*	*6.3%*	*14.8%*	*9.1%*	*11.4%*	*6.7%*	*-1.8%*	*30.7%*	*-3.0%*	*39.7%*	*8.1%*	*7.5%*
Net financial income (expenses)													(3,585)	(3,367)
Net profits of associated companies													(160)	40
Income taxes													(5,708)	(5,868)
Net profit/loss													**13,548**	**13,225**
% of revenue													*4.8%*	*4.4%*
Amortization and depreciation	(2,077)	(2,085)	(2,940)	(2,170)	(243)	(275)	(3,315)	(3,619)	(923)	(1,071)	(19)	(18)	(9,517)	(9,238)
EBITDA	**7,806**	**9,761**	**1,145**	**5,519**	**5,283**	**3,794**	**20,466**	**14,708**	**1,404**	**2,645**	**77**	**(339)**	**36,181**	**36,088**
% of revenue	*11.9%*	*14.8%*	*2.3%*	*9.9%*	*16.9%*	*11.1%*	*14.6%*	*10.1%*	*13.5%*	*59.5%*	*-0.6%*	*5.3%*	*12.7%*	*12.0%*

Below, we comment on the general operating performance of the main business segments:

DATALOGIC MOBILE

Considering the April-December period for FYs 2008 and 2007, revenue decreased by 6% YoY (3.6% net of the forex effect). This was mainly due to market slowdown during the fourth quarter. Europe accounted for 70% of revenue and Rest-of-World markets for 30%. In particular, the Italian market stood out, confirming its position as the main outlet market for Mobile products.

According to estimates published by VDC (Venture Development Corporation, a company active in market research in our industry), in the first half of 2008 the estimated total value of the market of smaller-form factor mobile computers (reference markets for Datalogic Mobile) was approximately USD 3 billion, slightly up vs. 2007.

Conversely, according to the latest estimate available, 2008 decreased overall by about 2% YoY. We also believe that the market contraction intensified in the second half of 2008. Through its commercial performance, Datalogic Mobile confirmed its No. 4 global ranking in the hand-held and PDA segments of the rugged mobile computers market, with a market share of some 5%, preceded by Motorola-Symbol, Intermec and Psion Teklogix.

Falcon™, Memor™ and Skorpio™ - used in major projects concerning applications in the mass-market retail sector and for inventory management – were once again the best-selling products. The Shopevolution™ product family and the new product Joya™ - for self-reading of barcodes and optimisation of retailer/customer interaction – also did well, achieving extremely positive results in the retail sector and confirming Datalogic Mobile as one of the world leaders in the self-shopping segment.

DATALOGIC AUTOMATION

The Datalogic Automation Division began operations on 2 April 2007 and is active in the following businesses:

- Unattended scanners (USS) for the industrial market
- Radio frequency readers (RFID)
- Industrial marking products

At the beginning of October 2008 a major deal was completed, i.e. acquisition of Datasensor SpA, a company previously 100% owned by Hydra SpA, the controlling shareholder of Datalogic SpA.
This acquisition now enables the Automation Division to complete its product offering in the industrial automation segment with the Datasensor products, consisting of photoelectric sensors and devices.

In the fourth quarter 2008, the Automation Division's management designed and started to implement (with the aid of an outside consulting firm) a major reorganisation plan. This mainly involved the Division's distribution set-up and the objective is to optimise exploitation of size (now larger) and complete the product portfolio resulting from acquisition of Datasensor SpA. Completion of the plan is scheduled for the first quarter of 2009.

During the year an important novelty was introduced in the Division's distribution model for the European market. In countries where the Division is present with its own sales & marketing facilities (Spain, France, Germany, the UK, Sweden and Holland) set up as private limited liability companies, during 2008 there was a switch to a branch-based organisation. This move has made it possible to have leaner facilities in those countries, as the branches figure as branches of the parent company, thereby permitting significant administration cost savings without any adverse impact on the standard of customer service.
The previously existing legal entities, now no longer operational, will all be wound up, except for three of them (DLA France, DLA UK, and DLA Gmbh) which have been sold (in December 2008/January 2009) to Datalogic Real Estate Srl, a subsidiary of Datalogic SpA.

A brief comment on the results achieved by the Automation Division's main business units:

Industrial marking products

FY2008 featured a sharp downturn in sales vs. the previous year, when Laservall achieved an all-time record in terms both of sales and of growth.
Two main factors contributed to the 2008 result:

- Against intensive development and testing for the various products in the sector of electronic documents and security in data management (ID & Security), none of the larger projects was concluded in the period and all of them remained frozen until year-end.
- The Asian market, which had enjoyed high growth rates in the last two years, featured an abrupt slowdown in demand the second part of the year.

In addition, in the last quarter, in 4Q08 all supplies to the automotive market suffered major slowdowns.

A direct presence in the American market was established, as from September. Work continued on revision of the internal processes with a view to improving efficiency and reducing operating costs.

Unattended scanners (USS) for the industrial market

The USS business unit ended 2008 with total revenue at the same level as in 2007, despite a particularly negative result in 4Q08 – a consequence of the global financial and economic crisis, which severely affected the business unit's year-end result.

In the EMEA area, after three very positive quarters, the fourth quarter featured sharp reversal of the growth trend.

In the USA the year-end result was down vs. 2007 but was heavily affected by USD weakness and by a disappointing first half. In the second half of the year the US affiliate instead showed signs of recovery, which enabled it to achieve an outstanding result in the very last month of the year, December.

In the two largest mainland European markets the USS business unit benefited from reorganisation of the sales & marketing set-up, which took place during the year.

In Japan, postponement to 2009 of many projects caused a result falling short of expectations and down vs. 2007. In the rest of Asia (mainly China), the USS business instead grew vigorously, although in outright terms China continues to be a secondary market. It has nevertheless confirmed its ability to grow extremely fast and will continue to be a strategic objective for the USS unit.

Results in Australia, after an excellent first quarter, were very disappointing due to an adverse economic situation and to few alternatives to direct sales and to transportation & logistics projects.

During 2008 the USS business unit worked hard to improve its operational efficiency in terms of productivity, reduction of materials purchase cost (increasing the Asian share of purchases to a double-digit percentage), delivery reliability, and inventory reduction.

Radiofrequency readers (RFID)

In FY2008 the RFID business unit (whose activities were managed by the Californian company EMS until the end of 2007, after which they were largely transferred to Datalogic Automation Srl) completed the process of transformation and of repositioning inside the Datalogic Automation division.

After the first quarter the business unit was fully operational, with a lean and more efficient organisation.

The year's commercial results were just slightly lower than those of 2007. Order inflow, confirming the business unit's post-reorganisation recovery, was positive in the USA and Asia and remained very steady in Europe. Results were dampened by the EUR/USD exchange rate as most sales of RFID products take place in USD.

During the year, direct sales & marketing presence was initiated in Hong Kong to support the attractive Asian market and, in particular, some major clients in the electronics industry.

Photoelectric sensors and devices

For this business unit too, 2008 was a two-speed year. The first six months featured sales growth of 15% YoY whereas the second part of the year was heavily affected by the global crisis, with marked slowing down of sales in 4Q08.

As regards sales results, a point to note is that vision sensors, launched at the end of 2007 and in which the business unit has decided to invest significantly, achieved important results, reaching first place among the best-selling products. Also important is the 4.1% global market share (source: VDC) achieved in the security barriers market segment, in which the business unit has been active for only a few years.

As regards market/channel, greater difficulty in the domestic market – also relating to some clients working on the projects – was set against growth in foreign markets, particularly in countries where we are directly present (headed by Spain and France).

DATALOGIC SCANNING

In the period April-December 2008, the Scanning Division’s revenue amounted to € 139,673 thousand, down vs. € 143,973 thousand achieved in the same period in FY2007. This result was due to depreciation of the USD vs. the Euro (about half the Division’s sales are in USD) and to the sales shrinkage experienced in 4Q08 (sales of € 46,455 thousand in October-December 2008 vs. € 51,125 thousand in the same period in 2007).

BALANCE SHEET BY BUSINESS SEGMENT

The balance sheet by business segment, presented according to the new segmentation and compared with the same data as at 31 December 2007, is as shown below:

	Mobile Division		Automation Division		Business Dev. Division		Scanning Division		Datalogic SpA (*)		Adjustments		Datalogic Group	
€ ‘000	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**
Assets allocated	41,702	62,009	73,382	61,701	20,834	20,893	173,295	169,987	26,996	52,309	(5,990)	(42,285)	330,219	324,614
Equity investments in subsidiary and associates	-	-	1,947	1,472		-	4,131	3,905	153,294	153,861	(157,425)	(157,766)	1,947	1,472
Unallocable assets	-	-											89,335	89,259
Total assets	**41,702**	**62,009**	**75,329**	**63,173**	**20,834**	**20,893**	**177,426**	**173,892**	**180,290**	**206,170**	**(163,415)**	**(200,051)**	**421,501**	**415,345**
Liabilities allocated	20,421	22,363	25,163	24,918	2,434	9,427	37,347	55,375	14,748	13,018	(3,393)	(34,736)	96,720	90,365
Unallocable liabilities	-												188,963	151,498
Equity	25,054	29,335	4,695	40,352	18,283	9,372	95,482	77,223	149,461	174,283	(157,157)	(157,083)	135,818	173,482
Total liabilities	**45,475**	**51,698**	**29,858**	**65,270**	**20,717**	**18,799**	**132,829**	**132,598**	**164,209**	**187,301**	**(160,550)**	**(191,819)**	**421,501**	**412,345**
Amortization and depreciation (net of amortization arising from acquisitions)	2,714	N.A.	3,670	N.A.	324	N.A.	4,501	N.A.	1,191	N.A.	24	N.A.	12,424	12,301

BUSINESS SEGMENTS BY GEOGRAPHICAL AREA

	31/12/2008	31/12/2007	Adjustments 31/12/2008	Adjustments 31/12/2007	Consolidated 31/12/2008	Consolidated 31/12/2007	YoY Change
REVENUE BY GEOGRAPHICAL AREA							
Italy	38,948	39,653			38,948	39,653	-2%
Europe	159,304	168,219			159,304	168,219	-5%
North America	99,851	116,442			99,851	116,442	-14%
Rest of the World	81,717	79,713			81,717	79,713	3%
TOTAL	**379,820**	**404,027**	**-**	**-**	**379,820**	**404,027**	**-6%**
ASSET VALUES BY GEOGRAPHICAL AREA							
Italy	142,484	170,654			142,484	170,654	-17%
Europe	65,115	57,611			65,115	57,611	13%
North America	182,365	198,427			182,365	198,427	-8%
Rest of the World	6,057	6,351			6,057	6,351	-5%
ELIMINATIONS AND CORRECTIONS			(65,802)	(108,428)	-65,802	-108,428	-39%
TOTAL TAXES	**396,021**	**433,043**	**- 65,802**	**- 108,428**	**330,219**	**324,615**	**2%**
COST FOR PURCHASE OF ASSETS (not including the purchase cost of DS)							
Italy	10,238	8,606			10,238	8,606	19%
Europe	738	243			738	243	204%
North America	3,163	8,222			3,163	8,222	-62%
Rest of the World	53	630			53	630	-92%
TOTAL	**14,192**	**17,701**	**-**	**-**	**14,192**	**17,701**	**-20%**

RESEARCH AND DEVELOPMENT ACTIVITIES DATALOGIC MOBILE

Several new products were launched in 2008 and major innovations were made to products in the Datalogic Mobile offering. The initiatives aim to widen Datalogic Mobile's offering of solutions for applications in retail, warehouse, and field force automation. Below are the key areas of research and development that have been finalized in the year just ended.

The Datalogic JET™ PDA was enhanced with the integrated Global Positioning System (GPS) technology, making it an increasingly full-featured solution. This new feature is provided together with Bluetooth, 802.11 b/g Cisco CCX V4 certified and GSM/GPRS module, miniaturized laser as engine option.

Datalogic Mobile also further expanded the Kyman product line, its most rugged mobile computer series, with the availability of two new handled models, featuring Windows Mobile 6 and Extra Long Range (XLR) laser. The Kyman-GUN™ Extra Long Range (XLR) laser option is capable of reading barcodes at distances from 15 to 380 cm.

The Pegaso™ PDA by Datalogic Mobile's was made available with Windows Mobile 6 and E-GPRS communications, to provide the market with a truly advanced product for applications in retail, warehouse, and field force automation, where constant access to the enterprise network is essential.

During 2008, Datalogic Mobile launched the new Formula™, the perfect choice for entry-level applications in retail environments, such as inventory, shelf replenishment, price management etc. thanks to its small size and significant ruggedness.

2008 also saw the completion and launch on the market of the new Joya, an advanced version of the self-shopping pod for large-scale retailers. This product has an exclusive, lightweight and ergonomic design and allows customers to scan purchased items themselves. After launching the new solution, on 16 October in London Datalogic Mobile was presented the prestigious "2008 Product innovation award" of Frost & Sullivan for Joya™ and Shopevolution™, Datalogic's integrated self-shopping solution. This important award demonstrates yet again the company's ability to excel in its sector by proposing a new range of innovative products and technologies and its insight into market expectations.

In the year just ended, Datalogic initiated a series of projects intended to launch a new generation of Datalogic Mobile products. These products will be introduced onto the market in the 2009 and 2010 financial years and will enable the company to acquire a competitive technology advantage compared with the key solutions available today on the market and will support the growth of Datalogic Mobile in the near future.

DATALOGIC AUTOMATION

Industrial marking products

In 2008, Datalogic Automation continued its research and development activities, with a view to overhauling the current product lines, which has led to introduction of three new products and the start up of a major project, which involves fibre laser technology, in partnership with leading research centres and Italian universities.

Unattended scanners (USS) for the industrial market

In the past two years, the USS business unit focused its product development projects on the manufacturing market, and especially on imaging technology and connectivity. Six new products/product lines were slated for launch in 2007-2008, five of which were completely new. Five projects were aimed at the manufacturing market and one was aimed at transportation & logistics applications. In 2008, the USS business unit completed the plan with launch of four new products, whose potential, in terms of sales, is expected to be seen in 2009-2010.

Radiofrequency readers (RFID)

During 2008, the research and development activities for the RFID business continued on several fronts. A new model for the Cobalt product family (the most recent RFID controller family) was developed. The Cobalt line was expanded to another important range of frequencies, UHF, one of the most promising frequencies for a number of RFID applications.

Furthermore, Datalogic Automation established a partnership with the University of Bologna, for joint development of a new electronic tag that is resistant to high temperatures (for automotive market applications).

Finally, the company developed a new portable RFID reader with Bluetooth interface and ergonomic and performance features which are ideal for the library market.

Photoelectric sensors and devices

The business unit continued in its constant policy of investment in research, an activity to which it allocated over than 7% of its sales.

During the year, the company developed a new generation of miniaturized, high-performance photoelectric safety barriers.

Also in the field of photoelectric sensors, the company launched development of a new family of extra large sensors which will become available next month.

Development was intensive in the intelligent vision sensors area, where several proprietary algorithms were developed thus reinforcing the state of the art of technology. Special investments were made in developing the programming interface of the Easy-To-Use sensor, which is user-friendly and effective in all possible applications.

DATALOGIC SCANNING

Hand-held readers (HHRs)

In 2008, the company enjoyed the results of the investments made in 2007, in particular as regards incorporation of the Italian and American development centres. Ten new products were launched, an unprecedented event in the history of the company.

The Scanning Division significantly increased investments in new imaging technology and the Gryphon D423+ is the first step in this direction. The Division also confirmed its strong commitment to research and development of new solutions, through the launch of new products with linear imaging, two-dimensional (2D), cordless technology, paying extra attention to the product's quality, ergonomics and environmental impact.

Some of the key products launched in 2008:

January – PowerScan 8300: industrial hand-held reader. The new product family includes the cordless and corded versions, standard and auto range.

March – Launch of the new QuickScan L: entry level product with a quality/price/performance ratio well-received by the market. The QuickScan Mobile model was also made available with IBM interface.

August – PowerScan PD7100: for the industrial market, rugged, and reliable, its scanning speed and its positioning on the market are its strengths.

October – Gryphon 2D D432+ Imager: the new version of the old and highly successful Gryphon, upgraded with a new sensor, processor and software.

December – Gryphon I GD4100: the evolution of the Gryphon Desk, recognized as the best corded reader for the retail market. QuickScan I QD2100: product with Imager technology completes the QuickScan range.

Fixed scanners (POS)

The new bi-optic scanners and launch of the Magellan 8400 and 1000i, introduced in 2007, have consolidated their leadership in 2008. The most important groups in large-scale retail and post office segment have chosen the Magellan 8400 and/or 1000i for their sales outlets.

Some of the key products launched in 2008:

The Division introduced the new versions of the single plate scanner; the Magellan VS2000 (horizontal version) and the Magellan HS2300 (vertical version) have been re-engineered to obtain 10% better scanning performance than previous versions.

Also, a new software was introduced in the presentation products (Magellan 1000i & 1400i), which makes it possible to read two-dimensional codes (2D). The symbols become increasingly important in the retail market, especially in the American market, where alcohol and tobacco retailers can check the age of the buyer by scanning the 2D code on the identity document. In the European market, pharmaceutical companies are applying 2D codes to trace drugs; with this new software release, the Division is ready to embrace this new market opportunity.

SOCIAL, POLITICAL, AND TRADE UNION CLIMATE

The staff of the Datalogic Group increased slightly in the year. Excluding Datasensor, there were 1,931 employees at 31 December 2008, versus 1,906 staff members at the end of the previous year. As from the month of October 2008, the acquisition of Datasensor increased the number of employees by 288 (data at 31 December 2008) of which more than half (151 units) in production. In 2008, after a constructive meeting with employee representatives, the Company renewed the complementary company-level agreement for Italian employees.

The macroeconomic scenario appears to be characterized by discontinuity and unpredictability. In addition, the past few months have seen the start of an unprecedented world-wide recession, the likes of which have not been seen at least since World War II. Against virtually zero inflation, significantly negative growth rates are being reported in the key world economies, especially in the industrial sector. The consequences of this crisis on employment have already been quite serious, especially in countries (such as the United States) which do not have tools to help companies and protect jobs.

In Italy, the use of partial unemployment is consistent across all key industrial sectors. For the time being, this has made it possible to curb the "official" unemployment rate, compared with the real risk of unemployment.

In this context, the objective of Datalogic - a solid company but which inevitably can be affected by a decrease in demand - is to safeguard core investments for medium-term development knowing that the drivers that support growth of our market have not been structurally weakened. Human resources are an essential element for the success of Datalogic and therefore, the company will put in place all the measures necessary so as not to waste the wealth of experience and skills of its employees and, once the storm has passed, to use them to reach new, challenging growth targets.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

At 31 December 2008, the net financial position was € -106,944 thousand and reported the following breakdown:

Datalogic Group	*31/12/2007*	*31/12/2008*
(Euro/000)		
A. Cash and bank deposits	54,669	51,729
B. Other liquidities	70	379
b1. Time cash deposit	*70*	*379*
C. Securities held for trading	368	367
c1. Current	*0*	6
c2. Non-current	*368*	*361*
D. Cash & Cash equivalents (A) + (B) + (C)	***55,107***	***52,475***
E. Current financial receivables	206	
F. Other current financial receivables	171	0
f1. hedging transactions	*171*	*0*
G. Bank overdrafts	0	162
H. Current portion of non-current debt	26,006	61,451
I. Other current financial liabilities	686	5,552
I1. Financial liabilities vs BoD member		*3,401*
I2. hedging transactions	*686*	*2,151*
J. Current financial debt (G) + (H) +(I)	***26,692***	***67,165***
K. Current financial debt, net (J) - (D) - (E) - (F)	***(28,792)***	***14,690***
L. Non-current bank borrowing	87,845	92,458
M. Other non-current financial receivables	0	204
no. Other non-current liabilities	3,491	0
n1. Financial liabilities vs BoD member	*3,491*	*0*
O. Non-current financial debt (L) + (M) + (N)	***91,336***	***92,254***
P. Net financial debt (K) + (O)	***62,544***	***106,944***

The net financial position as at 31 December 2008 shows net debt of € -106,744 thousand and deterioration vs. 31 December 2007 (€ -62,544 thousand).
The key transactions that have impacted the net financial position are as follows:

- Acquisition of the investment in Datasensor SpA for € 43,885 thousand (including accessory expenses);
- Purchase of treasury shares for € 23,221 thousand (treasury shares owned as at 31 December 2008, amounting to € 18,009 thousand, are not included in the net financial position);
- Payment of the first tranche of the management incentive plan for € 4,900 thousand;
- payment of dividends for € 4,063 thousand.

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

	31 December 2008		31 December 2007	
	Total net equity	**Period result**	**Total net equity**	**Period result**
Datalogic SpA net equity and profit	**147,392**	**3,355**	**171,704**	**7,840**
Differences between consolidated companies' net equity and their carrying value in the parent company's statement and effect of the equity-based valuation	24,027	39,782	9,723	23,555
Reversal of dividends	0	(26,659)	0	(9,017)
Amortization of intangible assets *"business combination"*	(5,827)	(1,295)	(4,532)	(1,295)
Effect of acquisition *under common control*	(31,733)	0		
Elimination of capital gain on sale of business branch	(3,302)	(1,119)	(2,199)	(1,980)
Effect of eliminating intercompany transactions	(2,168)	237	(2,405)	(560)
Reversal of write-downs and capital gains on equity investments	5,075	2,326	(275)	117
Transfer of Know How	(1,321)	1,428	(2,749)	(2,749)
Impairment goodwill	(501)	(298)	(203)	(203)
Other	(236)	93	4,418	2,375
Taxes	4,412	(6)		
Group portion of net equity	**135,818**	**17,844**	**173,482**	**18,083**
Minority interests in net equity	**0**	**0**	**0**	**0**
Total net equity	**135,818**	**17,844**	**173,482**	**18,083**

Treasury shares

The treasury share account, negative by € 15,605 thousand, includes purchases of treasury shares in the amount of € 18,009 thousand, which have been recognised net of gains and charges realised following the sale of treasury shares and related tax effects (€ 2,422 thousand positive). In 2008 the Group bought 3,966,574 treasury shares and cancelled 5,409,981.

For these purchases, in accordance with the requirements of Article 2453 of the Italian Civil Code, equity reserves (via the treasury share reserve) amounting to Euro 18,009 thousand have been made unavailable.

FINANCE INCOME AND EXPENSES

The account shows finance expenses for € 4,766 thousand and is broken down as follows:

(€'000)	*31/12/2008*	*31/12/2007*
Financial income/expenses	(4,823)	(3,808)
Forex losses	860	(253)
Bank expenses	(438)	(425)
Other	(365)	(375)
Total net financial expenses	**(4,766)**	**(4,861)**

In addition, we note that earnings of € 34 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 Resolution 11520 of 1 July 1998, the schedule below details 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 controlled companies.

FULL NAME	TYPE OF OWNERSHIP	INVESTEE COMPANY	NUM. NO. OF SHARES OWNED AT YEAR END 2007	NUM. SHARES PURCHASED 2008	NUM. SHARES SOLD 2008	NUM. NO. OF SHARES OWNED AT END 2008
Romano Volta	Indirect via Hydra SpA	Datalogic SpA	18,862,250	692,216	0	19,554,466
Romano Volta	Indirect via wife (Lucia Fantini)	Datalogic SpA	18,903,850	692,216	41,600	19,554,466
Romano Volta	Direct	Datalogic SpA	879,900	0	290,740	589,160
Roberto Tunioli	Direct	Datalogic SpA	600,012	71,000	600,012	71,000
Roberto Tunioli	Direct	Datalogic Ltd.	1	0	0	1
Roberto Tunioli	Direct	Datalogic France	1	0	0	1
Giancarlo Micheletti	Direct	Datalogic SpA	64,000	0	0	64,000
Pier Paolo Caruso	Direct	Datalogic France	1	0	0	1
Gabriele Volta	Direct	Datalogic SpA	115,200	0	115,200	0
Valentina Volta	Direct	Datalogic SpA	133,760	0	133,760	0
Angelo Manaresi	Direct	Datalogic SpA	6,240	0	0	6,240
Stefano Romani	Direct	Datalogic SpA	2,400	0	0	2,400

EXPOSURE TO VARIOUS TYPES OF RISK

The Datalogic Group is exposed to a variety of types of company risks in carrying out its business. Financial risks (market risk, credit risk and liquidity risks) will be discussed in-depth later on. The key company risks that impact the financial and economic situation of the Group are as follows:

a) Personnel Skills: The Group's business is closely related to the technical skills of its employees, especially in areas of research and development. To limit these risks, the Group carries out actions with a view to increasing its ability to attract and maintain highly qualified personnel, such as, implementation of advanced human resources management tools (such as managerial training programmes) and a positive work environment.

b) Protection of technology: The Group reference market is characterized by the design and production of high tech products, with the resulting risk that the technologies adopted might be copied and used by other operators in the industry. As regards this risk, the Group has made considerable investments in the area of intellectual property, and today holds more than 700 patents (including patents granted and patents for which an application was filed)

c) Procurement risk: The Group is exposed to a low procurement risk thanks to a strategy whereby every component is sourced from several suppliers. In the few cases when components are sourced from a single supplier, the Group maintains adequate inventories of the critical components, in order to minimize the risks related to this situation;

d) Competitive situation: The Datalogic Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than ours (Motorola and Honeywell have recently entered our market). To mitigate the risk associated with these events, the company maintains a high level of investment in Research & Development (6.5% of revenue in the past two years) and a large portfolio of patents which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In performing its business, the Datalogic Group is exposed to various types of financial risks: market risk, credit risk, and liquidity risk.

Market risk relates to the Group's exposure to the effects of changes in interest rates and transactions generating flows in currencies other than the euro.

The Group monitors each of the financial risks mentioned, duly intervening in order to minimize them, sometimes even with hedging derivatives.

Datalogic SpA manages the market and liquidity risks, whereas credit risks are managed by the Group's operating units.

For more information on financials risks, please refer to relevant section in the Explanatory Notes, which includes disclosure in accordance with IFRS 7.

INFORMATION ON COMPANY OWNERSHIP/ CORPORATE GOVERNANCE REPORT

In accordance with the statutory obligations of Borsa Italiana SpA and Consob, Datalogic SpA has drawn up the 2008 Corporate Governance Report, which is available in the Investor Relations section at www.datalogic.com. The report provides information on the ownership structure, in accordance with the requirements of art. 123-bis of Decree Law no. 58 of 24 February 1998.

OUTLOOK FOR CURRENT YEAR AND SUBSEQUENT EVENTS

Economists have predicted a serious recession for 2009; as a result, the company is using all the instruments it has available to limit costs, without sacrificing investments in company development.

All the Group operating divisions are solid and have an exceptional product portfolio and a strong presence on the market. We are thus confident in the ability of our company to weather the crisis and profit from the market as soon as it recovers.

In the short term and while the general conditions of the economy remain difficult, the Group may report lower sales and profits compared with the previous year.

SECONDARY LOCATIONS

The parent company has no secondary locations.

ALLOCATION OF THE YEAR’S EARNINGS

To Our Shareholders,

We believe that the Management Report, which accompanies the statutory year-end accounts of the company and the Datalogic Group’s consolidated year-end financial statements, provide exhaustive illustration of the performance and results achieved in 2008.

Since the financial statements of Datalogic SpA. show a net operating profit of €3,355,380.54, the Board of Directors proposes to:

- Allocate 5% of earnings (i.e. € 167,769) to the legal reserve
- Distribute an ordinary unit dividend to Shareholders, gross of legal withholdings, of 3.5 cents per share with coupon detachment on 4 May 2009 and payment on 7 May 2009, for a maximum amount of 2,077,204,
- Carry forward the remainder of the year’s earnings.

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

ASSETS	Note	31-12-08 Euro/000	31-12-07 Euro/000
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		**217.029**	**207.354**
1) Tangible non-current assets		**52.594**	**49.244**
Land	1	4.929	6.482
Buildings	1	20.325	18.605
Other tangible assets	1	26.401	22.662
Assets in progress and payments on account	1	939	1.495
2) Investment property		**0**	**0**
3) Intangible non-current assets		**138.690**	**137.270**
Goodwill	2	89.679	84.813
Development costs	2	1.164	2.023
Other intangible assets	2	47.847	50.434
4) Equity interests in associate companies	3	**1.947**	**1.472**
5) Available-for-sale financial assets (non-current)		**1.940**	**1.298**
Equity investments	5	1.375	930
Loans to subsidiaries	5	204	
Securities	5	361	368
6) Trade and other receivables	7	**2.438**	**345**
7) Deferred tax credits	13	**19.420**	**17.725**
8) Fiscal credits	9		**0**
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		**204.472**	**207.991**
9) Inventories	8	**52.138**	**51.158**
Raw & auxiliary materials plus consumables	8	26.547	26.577
Work in progress and semiprocessed goods	8	6.891	5.791
Finished products and goods for resale	8	18.700	18.790
10) Job-order work in progress		**0**	**0**
11) Trade and other receivables	7	**91.851**	**92.844**
Trade receivables	7	**78.046**	**82.681**
Within 12 months	7	76.231	81.512
After 12 months	7		32
Amounts receivable from associates	7	1.798	1.116
Receivable from parent company	7	14	
Amounts receivable form subsidiaries	7	3	
Amounts receivable from related parties	7		21
Other receivables - Accrued income/prepaid expenses	7	**13.805**	**10.163**
di cui verso consociate		11	
12) Tax credits	9	**8.369**	**8.873**
from parent company		581	4.076
13) Available-for-sale financial assets (current)	5	**6**	**206**
Securities		6	0
Loans to subsidiaries			206
14) Hedging instruments	6		**171**
15) Cash & cash equivalents	10	**52.108**	**54.739**
TOTAL ASSETS (A+B)		**421.501**	**415.345**

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	31-12-08 Euro/000	31-12-07 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	**11**	**135.818**	**173.482**
1) Share capital (**)	11	126.567	140.347
2) Reserves	11	-13.696	-19.236
3) Retained earnings/(losses carried forward) (**)	11	5.103	34.288
4) Profit/(loss) for period		17.844	18.083
5) Minority interests		0	0
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		**125.831**	**124.870**
6) Borrowing	12	92.458	91.336
from related parties			3.491
7) Tax payables		71	0
8) Deferred tax liabilities	13	18.479	20.969
9) Employee severance indemnity and retirement provision	14	8.392	6.565
10) Long-term provisions for risks and expenses	15	5.518	5.924
11) Other non-current liabilities	16	913	76
C) CURRENT LIABILITIES (12+13+14+15+16)		**159.852**	**116.993**
12) Trade and other payables	16	74.657	76.333
Trade payables	16	47.800	45.923
Within 12 months	16	47.686	45.392
After 12 months	16		
Amounts payable to associates	16	47	39
Amounts payable to parent company	16	67	
Amounts payable to related parties	16		492
Accrued liabilities and deferred income			
Other current payables	16	26.857	30.410
13) Taxes payable		8.243	9.074
from parent company		2.145	2.702
14) Short-term provisions for risks and expenses	15	9.787	4.894
15) Hedging instruments	6	2.151	686
16) Short-term borrowing	12	65.014	26.006
from related parties		3.401	
TOTAL LIABILITIES (A+B+C)		**421.501**	**415.345**

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNT

	Note	31-12-08 Euro/000	31-12-07 Euro/000
1) TOTAL REVENUES	**17**	**379.820**	**404.027**
Revenues from sale of products		365.752	389.561
Revenues from services		14.068	14.466
2) Cost of goods sold	**18**	**211.774**	**224.349**
of which non-recurring	**18**	***9***	***51***
GROSS PROFIT (1-2)		**168.046**	**179.678**
3) Other operating revenues (*)	**19**	10.473	2.488
of which non-recurring	**19**	*0*	211
4) R&D expenses	**18**	25.306	25.004
of which non-recurring	**18**	*0*	12
5) Distribution expenses	**18**	77.301	78.570
of which non-recurring	**18**	*55*	1.067
6) General & administrative expenses	**18**	42.688	43.355
of which non-recurring	**18**	*0*	911
of which amort. pertaining to acquisitions	**18**	*3.896*	4.087
7) Other operating expenses	**18**	2.511	4.153
of which non-recurring	**18**	*665*	792
Total operating costs (4+5+6+7)		**147.806**	**151.082**
OPERATING PROFIT		**30.713**	**31.084**
8) Financial revenues	**20**	15.085	7.753
9) Financial costs	**20**	19.851	12.615
Financial income (8-9)	**20**	**-4.766**	**-4.862**
10) Share of associate companies' profits	**3**	-34	396
PRE-TAX PROFIT/(LOSS)		**25.913**	**26.618**
Taxes	**21**	8.069	8.536
NET PROFIT FOR PERIOD		**17.844**	**18.082**
Minority interests' share of net profit		0	0
GROUP NET PROFIT		**17.844**	**18.082**
Earning per share (Euro)	**22**	**0,3114**	**0,2938**
Diluted earning per share (Euro)	**22**	**0,3114**	**0,2938**

DATALOGIC S.p.A.

CONSOLIDATED CASH FLOW STATEMENT

	31-12-08 Euro/000	31-12-07 Euro/000
Pre-tax profit	25.913	26.619
Depreciation & amortisation	16.320	16.388
Employee severance indemnity provision	-457	-1.059
Bad debt provisions	634	289
Net financial costs/revenues included foreign exchange	4.766	4.861
Write-down of financial assets	34	-396
Cash flow from operating before change in working capital	**47.210**	**46.702**
Trade receivables	13.776	-5.247
Inventories	4.776	847
Other current assets	-3.257	-4.161
Other medium-/long-term assets	-2.085	158
Trade payables	-2.835	-3.281
Other current liabilities	-5.988	5.468
Other medium-/long-term liabilities	834	-2
Provisions for risks and expenses	4.245	315
Trade foreign exchange	-214	-9
Net working capital exchange rate	-634	
	55.828	**40.790**
Taxes	-12.213	-10.018
Taxes exchange rate	11	
Interests and bank expenses	-5.626	-4.608
Operating cash flow (A)	**38.000**	**26.164**
(Increase)/decrease in intangible non-current assets without exchange rate effect	-1.731	-4.743
(Increase)/decrease in tangible non-current assets without exchange rate effect	-9.200	-7.821
Datasensor Equity Acquisition	-42.702	
Unconsolidated equity investments	-786	-25
Equity exchange rate effect	195	
Investment cash flow (B)	**-54.224**	**-12.589**
LT/ST financial receivables	2.883	2.743
LT/ST financial payables	38.591	25.459
Financial exchange rate	1.074	-244
Purchase tresury share	-23.221	-19.946
Reserves	-876	6.748
Dividend distribution	-4.063	-3.805
Financial cash flow exchange rate	-1.266	
Finance cash flow (C)	**13.122**	**10.955**
Change in net financial position (A+B+C)	**-3.102**	**24.530**
Short term net financial position at beginning of period	**54.669**	**30.139**
Short-term net financial position at end of period	**51.567**	**54.669**

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

Description	Share Capital	Other reserves				Net profit for previous years							
	Share Capital	cash flow hedge reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Retained earnings	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total	Net profit for period	Net equity
01.01.2007	**159.098**	**-**	**-8.555**	**-2.502**	**-11.057**	**10.311**	**958**	**1.870**	**8.283**	**8.816**	**33.968**	**4.125**	**186.134**
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			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**
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**

Description	Share Capital	Other reserves				Net profit for previous years							
	Share Capital	cash flow hedge reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Retained earnings	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total	Net profit for period	Net equity
01.01.2008	**140.347**	**-515**	**-18.721**	**-**	**-19.236**	**13.300**	**958**	**1.870**	**9.440**	**8.720**	**34.288**	**18.083**	**173.482**
Profit allocation	**-**				**-**	13.628		392			**14.020**	**-14.020**	**-**
Dividends											**-**	**-4.063**	**-4.063**
Translation reserve	**-**		4.427		**4.427**						**-**		**4.427**
Increase in IFRS reserve	**-**				**-**						**-**		**-**
Sale of treasury shares	**-23.221**				**-**	-			-		**-**		**-23.221**
Cash flow hedge adjustment	**-**	-1.021			**-1.021**						**-**		**-1.021**
Cash Flow hedge reserve transfered to P&L		102			**102**								**102**
Capital reduction by means of treasury shares cancellation	**-2.813**				**-**						**-**		**-2.813**
Treasury shares cancellation	**12.254**								-9.440		**-9.440**		**2.814**
Datasensor acquisition						-31.733					**-31.733**		**-31.733**
Reserves reclassification	**-**		2.032		**2.032**	-2.032					**-2.032**		**-**
Net profit as at 31.12.08	**-**				**-**						**-**	**17.844**	**17.844**
31.12.2008	**126.567**	**-1.434**	**-12.262**	**-**	**-13.696**	**-6.837**	**958**	**2.262**	**-**	**8.720**	**5.103**	**17.844**	**135.818**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Datalogic Group SpA (hereinafter “Datalogic”, “parent company” OR “company”) is an Italian corporation. Consolidated year-end financial statements as at 31 December 2008 comprise Datalogic SpA and its subsidiaries (hereinafter defined as “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 readers (RFID), self-scanning solutions and products for industrial marking and for the distribution of products for automatic identification. As from 1 October 2008 it acquired Datasensor SpA, a company producing photoelectric sensors and devices.
The parent company is a joint-stock company listed in the STAR segment of the Milan Bourse (Borsa Italiana) with its registered office at Via Candini, 2 Lippo di Calderara (Bologna), Italy.
The parent company is a subsidiary of Hydra SpA, also based in Bologna, which is in turn is controlled by the Volta family.
These consolidated financial statements were prepared by the Board of Directors on 6 March 2009.

CONTENT AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In compliance with European Regulation 1606/2002, since the financial year (FY) 2005, consolidated financial statements have been prepared in accordance with the international accounting standards (IASs/IFRSs) issued by the IASB (International Accounting Standard Board) and endorsed by the European Union pursuant to European Regulation 1725/2003 as subsequently amended and in accordance with the requirements of the CONSOB (Italian securities & exchange commission) Regulation 11971 of 14/05/1999 as subsequently amended.
Consolidated financial statements as at 31 December 2008 consist of the balance sheet, income statement, statement of changes in equity, the cash flow statement, and the explanatory notes.
We specify that, in the balance sheet, assets and liabilities are classified according to the “current/non-current” criterion, with specific separation of assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the company’s normal operational cycle or in the 12 months following balance sheet date. Current liabilities are those whose extinction is envisaged during the company’s normal operating cycle or in the 12 months after balance sheet date.
The income statement reflects analysis of costs grouped by function as this classification was deemed more meaningful for comprehension of the Group’s business result.
The cash flow statement is presented using the indirect method.

The statement of changes in equity analytically details the changes occurring in FY2008 and in the previous FY.

Some amounts presented for comparative purposes have been reclassified to align them with the FY2008 presentation. The main reclassifications are explained in the notes and in the annexes to the financial statements.

In preparing the consolidated financial statements, the historic cost principle has been adopted for all assets and liabilities except for some tangible non-current assets in the "Land & buildings" category which were revalued on transition to IFRS, as described later on, and some financial assets available for sale (AFS) for which the fair-value principle is applied.

Preparation of IFRS-compliant financial statements requires the use of some estimates. Reference should be made to the section describing the main estimates made in this set of consolidated financial statements.

These financial statements are drawn up in thousands of euro, which is the Group's "functional" and "presentation" currency as envisaged by IAS 21, unless otherwise indicated.

ACCOUNTING POLICIES AND STANDARDS APPLIED

Below we indicate the policies adopted for preparation of the Datalogic Group's consolidated financial statements as at 31 December 2008- The accounting standards described below have been consistently applied by all Group entities.

Property, plant and equipment (IAS 16)

Owned tangible assets are initially recognised at the cost of contribution, purchase, or in-house construction. The cost comprises all directly attributable costs necessary to make the asset available for use (including, when significant and in the presence of effective obligations, the present value of the estimated costs for decommissioning and removal of the asset and for reinstatement of the location), net of trade discounts and allowances.

Some tangible assets belonging to the Land and Buildings categories, in line with IAS 16 provisions, were measured at fair value as at 1 January 2004 (IFRS transition date) and this value was used as the deemed cost. As from that date, as allowed by IFRS 1, fair value has been calculated on the basis of valuation appraisals performed by independent outside advisors. Buildings' cost is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

Finance expenses directly attributable to the purchase, construction or production of a tangible asset are recognised in the income statement when they are incurred.

Costs subsequently incurred after purchase (maintenance & repair costs and replacement costs) are recognised in the asset's carrying value, or are recognised as a separate asset, only if it is thought likely that 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 recognised in the income statement in the year when they are borne.

Tangible assets are depreciated on a straight-line basis each year - starting from the time when the asset is available for use, or when it is potentially able to provide the economic benefits associated with it - 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.

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

The depreciation rates applied by the Group are as follows:

Asset Category	Annual Depreciation Rates
Property:	
Buildings	2%-3.3%
Land	0%
Plant & equipment:	
Automatic operating machines	20% - 14.29%
Furnaces and appurtenances	14.29%
Generic/specific production plant	20% - 10%
Other assets:	
Plant pertaining to buildings	8.33% - 10% - 6.67%
Lightweight constructions	6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20%- 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14.29%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	According to contract duration

If, regardless of the depreciation already posted, enduring impairment of value emerges, the asset is written down. If the reasons for devaluation disappear in later years, the original value is reinstated. The residual value and useful life of assets are renewed at least at each year-end in order to assess any significant changes in value.

Gains and losses on disposals are calculated by comparing the selling price with net carrying value. The amount thus determined is recognised in the income statement.

Assets held by under finance lease contracts (IAS 17)

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 as at balance sheet date 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.

Intangible non-current assets (IAS 38)

Intangible assets are recognised among balance sheet assets when it is likely that use of the asset will generate future economic benefits and when the asset's costs can be reliably calculated. They are initially recognised at the value of contribution or at acquisition or production cost, inclusive of any ancillary costs.

Goodwill

Acquisitions completed prior to transition date have been recorded according to the accounting standards issued by the Italian National Council of Chartered & Registered Accountants, using the exemption allowed by IFRS 1.

For acquisitions made after 1 January 2004 (transition date), goodwill represents, as at purchase date, the part of the acquisition cost that exceeds the Group's interest in the fair value of the assets, liabilities and contingent liabilities acquired that can be precisely identified and recognised separately. It is an intangible asset with an indefinite life.

After initial recognition, goodwill is measured at cost less any cumulative impairment losses.

Goodwill stemming from acquisitions made after 1 January 2004 is no longer amortised, while goodwill already recognised prior to that date has no longer been amortised since 1 January 2004.

Goodwill is allocated to the cash generating units (CGUs) and annually, or more frequently if certain events or changes in circumstances suggest possible loss of value, is tested for impairment as envisaged by IAS 36 – "Asset Impairment"

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

Research and development costs

As required by IAS 38, research costs are expensed in the income statement when the cost is incurred.

Develop costs for projects concerning significantly innovative products or processes are capitalised only if it is possible to demonstrate:

- The technical possibility of completing the intangible asset in such a way as to make it available for use or sale
- The intention of completing the intangible assets for use or sale
- The ability to use or sell the intangible asset
- The ability to measure the cost attributable to the intangible asset during its development reliably

- The availability of adequate technical, financial or other resources to complete the intangible asset's development and for its use or sale
- How the intangible asset will generate probable future economic benefits.

In the absence even of just one of the above requirements the costs in question are fully recognised in the income statement when they are borne.

Development costs have a finite useful life and are capitalised and amortised on a straight-line basis from the start of the product's commercial production for a period equal to the useful life of the products to which they refer, estimated to be 5 years.

Other intangible assets

Other intangible assets consist of:

- Software used under licence, valued at purchase cost
- Specific intangible assets acquired as part of recent acquisitions (PSC, Laservall, and Informatics) that have been identified and recognised at fair value as of the acquisition date according to the purchase-method accounting method mentioned above
- A licence agreement concluded during the fourth quarter of 2006.

These assets are considered to be intangible assets of finite duration and are amortised over their presumable useful life (see the next table).

Amortisation

Intangible assets of finite duration are systematically amortised according to their projected future usefulness, so that the net value at balance sheet date corresponds to their residual usefulness or to the amount recoverable according to corporate business plans. Amortisation starts when the asset is available for use.

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
- Trademarks (PSC)	10
- "Service agreement" (PSC)	4
- Know-how (Laservall)	7
- Commercial organisation (Laservall)	10
- Commercial organisation (Informatics)	10
- SAP licenses	10
- User licenses	Contract duration

Intangible assets with an indefinite useful life are not amortised but tested to identify any impairment of value annually, or more frequently when there is evidence that the asset may have suffered impairment.

Impairment (IAS 36)

In the presence of specific indicators of loss of value, and at least annually for intangible assets with an indefinite life, intangible assets and property, plant and equipment are tested for impairment.
The aim of this impairment test is to ensure that tangible and intangible assets are not carried at a value exceeding their recoverable value, consisting of the higher between their net selling price and value in use.
Value in use is calculated based on the future cash flows that are expected to originate from the asset or CGU (cash generating unit) to which the asset belongs. Cash flows are discounted to present value using a discount rate reflecting the market's current estimate of the time value of money and of the risks specific to the asset or CGU to which presumable realisation value refers.
Given their autonomous ability to generate cash flows, the Group's CGUs are defined as being the individual consolidated companies.

If the recoverable value of the asset or CGU to which it belongs is less than net carrying value, the asset in question is written down to reflect its impairment, with recognition of the latter in the period's income statement.

Impairment costs relating to CGUs are allocated firstly to goodwill and, for the remainder, to the other assets on a proportional basis.

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount corresponding to what would have been the book value net of amortisation of the historical cost, if no impairment had been recognised.
Any reinstatements of value are recognised in the income statement. In the case of goodwill, its impairment value is never reversed.

Financial assets (IAS 39)

In accordance with IAS 39, the Group classifies its financial assets in the following categories:

- ***Financial assets at fair value through profit and loss (FVTPL):*** these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset. They are recognised at fair value and any changes during the period are recognised in the income statement. As at 31 December 2008 the Group did not own any financial assets in this category.

- ***Loans & receivables:*** loans and receivables are financial assets other than derivatives with a fixed or calculable payment flow and that are not listed in an active market. They are accounted for according to the amortised cost criterion using the effective interest rate method. Within the Group this category includes trade receivables, other receivables and cash.

- ***Financial assets available for sale (AFS):*** these are financial assets other than derivatives and not classified in other countries. They are measured at fair value and any changes are posted in an equity reserve. Within the Group this category includes investments in other companies and securities.

  The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Group establishes fair value by using recent transactions taking place close to balance sheet date or by referring to other instruments of substantially the same kind or using discounted cash-flow (DCF) models.

  In some circumstances, the Group does not have sufficient information to calculate the fair value of these financial assets. In this case, they are maintained at cost.

- ***Hedging instruments***: the Group holds derivative financial instruments to hedge exposure to foreign exchange or interest rate risk. In accordance with the rules of the Risk Policy approved by the Board of Directors, the Group does not have any speculative financial instruments. Consistently with the approach established by IAS 39, hedging instruments are accounted for using the hedge-accounting approach if all the following conditions are met:
  - At the inception of a hedge, there is formal documentation of the hedging relationship, of the entity's risk management objectives, and of the strategy for undertaking the hedge
  - The hedge is expected to be highly effective in offsetting changes in fair value (fair value hedge) or in cash flows (cash flow hedge) attributable to the risk hedged
  - For cash flow hedges, a forecast transaction that is hedged must be highly probable and feature exposure to changes in cash flows that could ultimately affect profit or loss
  - The hedge's effectiveness can be reliably assessed, i.e. the fair value or cash values of the item hedged and the hedging instrument's fair value can be reliably measured
  - The hedge has been assessed on the basis of a recurrent criterion and is considered highly effective throughout the derivative's life.

The basis of measurement of hedging instruments is their fair value on the designated date.

The fair value of currency derivatives is calculated in relation to their intrinsic value and their time value.

At each balance sheet date, hedging instruments are tested for effectiveness to see whether or the hedge qualifies as an effective hedge and is therefore eligible for hedge accounting.

When financial instruments qualify for hedge accounting, the following accounting treatment is applied:

- ***Fair value hedge*** – If a financial derivative is designated as a hedge for exposure to the changes in fair value of a balance sheet asset or liability attributable to a particular risk that may affect the income statement, the profit or loss deriving from subsequent valuations of the hedge's fair value is recognised 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 recognised in the income statement.

- ***Cash flow hedge –*** If a financial derivative is designated as a hedge for exposure to the variability of the future cash flows of a balance sheet asset or liability, or of a forecast, high probable transaction that may effect profit and loss, the changes in the hedge's fair value are recognised in equity for the effective portion of the hedge (intrinsic value) while the part relating to time value and any ineffective portion (over-hedging) is recognised in the income statement.
  If a hedge or hedging relationship has ended but the transaction hedged has not yet taken place, cumulative profits and losses recognised thus far in equity are recognised in the income place when the related transaction takes place. If the transaction hedged is no longer considered probable, the still unrealised profits and losses suspended in equity are immediately recognised in the income statement.

If hedge accounting cannot be applied, gains and losses arising from fair-value measurement of the financial derivative are immediately recognised in the income statement.

Inventories (IAS 2)

Inventories are measured at the lower between cost and net realizable value. Cost is calculated using the weighted average cost method. Finished product, semi-finished product and raw material costs include the cost of raw materials, direct labour, 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.

Trade and other receivables (IAS 32 and 39)

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 recognised 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 recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses.
The estimated impairment of receivables is recognised when it becomes evident that the past-due receivable cannot be recovered, due to financial difficulties of the customer that might lead to its bankruptcy or financial restructuring.

Cash & cash equivalents (IAS 32 and 39)

Cash and cash equivalents comprise cash in hand, bank and post office balances, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.
Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the cash flow statement.

Share capital

Share capital consists of the ordinary shares outstanding, which are posted at par value.
Costs relating to the issue of new shares or options are classified in equity (net of associated tax benefit relating to them) 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.

Interesting-bearing financial liabilities (IAS 32 and 39)

Interest-bearing financial liabilities are initially recorded at fair value, net of accessory costs.
After initial recognition, interesting-bearing financial liabilities are measured at amortised cost using the effective interest rate method.

Liabilities for employee benefits (IAS 19)

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either "defined-contribution" programmes or "defined-benefit" programmes.
Employee benefits substantially consist of accrued provision for severance indemnities of the Group's Italian companies and of retirement provisions.
Italian Law no. 296 of 27 December 2006 ("2007 National Budget Law") and subsequent decrees and regulations enacted during 2007 introduced – as part of overall reform of the Italian pension system - significant changes regarding the ultimate use of the portions of severance-indemnity provision accruing.

Until 31 December 2006, severance indemnity provision came within the scope of post-employment "defined-benefit" plans and was measured in accordance with IAS 19, by independent actuaries, using the projected unit credit method.
Actuarial gains and losses as at 1 January 2004 – the date of transition to IFRSs – were recognised in a specific equity reserved. Actuarial gains and losses after that date are recognised in the income statement on an accrual accounting basis, i.e. not using the "corridor" technique envisaged by IAS 19.
Following the reform of supplemental pensions, employees can allocate the new severance-indemnity provision accruing to supplemental pension systems, or opt to keep it in the company (in the case of companies with less than 50 employees) or to transfer them to the INPS – the state pension and welfare agency (in the case of companies with more than 50 employees).
Based on these rules, and also basing itself on the generally accepted interpretation, the Group decided that:

- For the portion of severance indemnities accruing up tot 31 December 2006, the provision in question constituted a defined-benefit 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 was treated as curtailment as defined by IAS 19.109 and consequently entered in the income statement for the year ended on 31 December 2007
- Subsequent portions of severance indemnities accruing, both in the case of opting for supplemental pension planning and in the case of allocation to the central treasury fund c/o the INPS, come within the scope of defined-contribution plans, thus excluding – in calculating the cost for the year – components relating to actuarial estimates.

Provisions (IAS 37)

Provisions for liabilities and contingencies are made to cover liabilities of an uncertain amount or date that have to be recognised in financial statements when the following simultaneous conditions exist:

- The entity has a present obligation (legal or constructive), i.e. underway as at balance sheet date, arising from a past event
- It is probable that economic resources will have to be used to fulfil the obligation
- The amount needed to fulfil the obligation can be reliably estimated.

Risks for which materialisation of a liability is only contingent are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.
In the case of events that are only remote, i.e. events that have very little likelihood of occurrence, no provision made and no additional or supplementary disclosure is provided.
Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, as at balance sheet date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time.
When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as finance expense.

Income taxes (IAS 12)

Income taxes include current and deferred taxes. Income taxes are generally recognised in the income statement, except when they relate to items entered directly in equity, in which case the tax effect is recognised directly in equity.
Current income taxes are the taxes that are expected to be paid, calculated by applying to taxable income the tax rate in force 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 at the tax rate expected to be in force at the time when the asset is used or the liability is discharged.

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

The direct parent company Datalogic SpA and numerous Italian subsidiaries take part in the domestic tax consolidation of Hydra SpA. This permits transfer of total net income or the tax loss of individual participant companies to the ultimate parent company, which calculates a single taxable income for the Group or a single tax loss carried forward, as the algebraical sum of the incomes and/or losses, and therefore posts a single tax liability or credit vis-à-vis the tax authorities.

Trade and other payables (IAS 32 and 39)

Trade and other receivables are measured at cost, which represents their discharge value.

Revenue recognition (IAS 18)

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

Sale of goods

Revenues for sales of goods are recognised only when all the following conditions are met:

- Most of the risks and rewards of ownership of the goods have been transferred to the buyer
- Effective control over the goods sold and continuing managerial involvement to the degree usually associated with ownership have ceased
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue arising from a transaction for the rendering of services is recognised only when the results of the transaction can be reliably estimated, based on the stage of completion of the transaction at the balance sheet date, The results of a transaction can be reliably be measured when all the following conditions are met:

- The amount of revenue can be measured reliably
- It is probable that the economic benefits of the transaction will flow to the entity
- The stage of completion at balance sheet date can be measured reliably
- The costs incurred, or to be incurred, to complete the transaction can be measured reliably.

Revenues relating to dividends, interest and royalties are respectively recognised as follows:

- **Dividends** – when the right is established to receive dividend payment (with a receivable recognised in the balance sheet when distribution is resolved)
- **Interest** – with application of the effective interest rate method (IAS 39)
- **Royalties** – on an accruals basis in accordance with the underlying contractual agreement.

Government grants (IAS 20)

Government grants are recognised - regardless of the existence of a formal grant resolution - when there is reasonable certainty that the company will comply with any conditions attached to the grant and therefore that the grant will be received.
Government grants receivable as compensation for costs already incurred or to provide immediate financial support to the recipient company with no future related costs, are recognised as income in the period in which they become receivable.

Rental and operating lease costs (IAS 17)

Lease contracts in which the lessor substantially preserves all the risks and rewards of ownership are classified as operating leases and related fees are charged to the income statement on a straight-line basis according to the contract's duration.

Dividends distributed (IAS 1 and 10)

Dividends are recognised when shareholders have the right to receive payment. This normally corresponds to the date of the annual general shareholder meeting that approves dividend distribution.
The dividends distributable to Group shareholders are recognised as an equity movement in the year when they are approved by the shareholders' meeting.

Earnings per share - EPS (IAS 33)

Basic

Basic EPS is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

Diluted

Diluted EPS is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculation of diluted EPS, the weighted average number o 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 conversion.

Treatment of foreign currency items (IAS 21)

Functional presentation currency

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

Transactions and balances

Foreign currency transactions are initially converted to euros at the exchange rate existing on the transaction date.
On balance sheet date foreign-currency monetary assets and liabilities are converted at the exchange rate in force on that date.
Foreign-currency non-monetary items measured at cost are converted using the exchange rate in force on transaction date.
Non-monetary items recognised at fair value are converted using the exchange rate in force when carrying value is calculated.
Foreign exchange gains and losses arising from the collection of foreign currency receivables or payment of foreign currency payables are recognised in the income statement.

Translation of foreign currency financial statements

The assets and liabilities of Group companies with functional currencies other than the Euro are calculated as follows:

- Assets and liabilities are converted using the exchange rate in force on balance sheet date
- Costs and revenues are converted using the period's average exchange date.

Foreign exchange differences are recognised directly in equity in a specific reserve.
In the event of disposal of a foreign equity investment, cumulative foreign exchange differences recognised in the equity reserve are recycled to the income statement.
As permitted by IFRS 1, the translation reserve existing in the consolidated financial statements prepared according to Italian GAAPs at IFRS transition date has been cleared.

Goodwill and fair-value adjustment of assets and liabilities acquired as part of a foreign business combination are considered as assets and liabilities converted into euros at the exchange rate in force on balance sheet.
The exchange rates recorded by the Italian Foreign Exchange Bureau and used for conversion into euros of the foreign companies' financial statements are as follows;

Currency (ISO code)	Quantity of currency/1 Euro			
	2008 EOP exchange rate at 31.12	2008 Average exchange rate	2007 EOP exchange rate at 31.12	2007 Average exchange rate
US dollar (USD)	1.3917	1.4707	1.4721	1.3705
British pound sterling (GBP)	0.9525	0.7963	0.7333	0.6843
Swedish krona (SEK)	10.8700	9.6152	9.4415	9.2501
Singapore dollar (SGD)	2.0040	2.0762	2.1163	2.0630
Japanese yen (JPY)	126.14	152.45	164.93	161.25
Australian dollar (AUD)	2.0274	1.74162	1.6757	1.63484
Hong Kong dollar (HKD)	10.7858	11.4541	11.4800	10.6912
Chinese renmimbi (CNY)	9.4956	10.2236	10.7524	10.4178
Slovak koruna (SK)	30.126	31.267	33.583	33.7745
Hungarian forint (HUF)	266.7	263.5 (*)	-	-

(*) Exchange rate in last quarter of year

Segment reporting (IAS 14)

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.
Reference should be made to the Segment Information note for the relevant details.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE AS OF 2008 BUT NOT APPLICABLE FOR THE GROUP

Document	Title	Description
IFRIC 11 - IFRS 2 (Amendment)	Group and treasury share transactions	IFRIC 11 regulates application of IFRS 2 “Share-based payments” to certain types of plans involving several group entities
IAS 39 and IFRS 7 (Amendment):	Reclassification of financial instruments	

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP

As required by IAS 8 “Accounting polices, changes in accounting estimates and errors”, below we indicate and briefly illustrate new standards or interpretations that have been endorsed but have not yet come into force.
The Group has not adopted any of these standards and interpretations early.

Document	Title	Description and impact on company	Entry into force as of FYs starting on or after:
IFRS 8	*“”Operating segments”*	It requires the entity to present segment disclosure based on the elements used by top management for its operating decisions. Operating segments are identified on the basis of internal reporting. The Group does not see any potential impact from the adoption of IFRS 8.	1 January 2009
IAS 23 (Amendment)	*“Borrowing costs”*	The amended version of the standard eliminates the option whereby entities were immediately able to recognise as an expense, when incurred, borrowing costs borne for assets that normally take a certain amount of time to ready for use or sale. At present the standard is not applicable for the Group.	1 January 2009
IAS 1 (Revised	*“Presentation of financial statements”*	The revised version of the standard requires the company to present in a statement of changes in equity all changes caused by transactions with shareholders. All transactions generated with third parties (“comprehensive income”) must instead be shown in a single statement of comprehensive income or in two separate statements (income and comprehensive income). Future application of the changes to the standard are not expected to have any quantitative impact on financial statements.	1 January 2009
IFRS 2 (Amendment)	*“Share-based payment: vesting conditions and cancellations””*	The amendments to IFRS 2 aim to clarify the following aspects, not explicitly regulated by the present standard: • Vesting conditions: these comprise solely service conditions (i.e. a third party must complete a given period of service) and performance conditions (i.e. the need to achieve certain objectives. Other conditions not explicitly covered by the standard are non-vesting conditions • Cancellations: all cancellations, whether by the entity or other parties, must receive the same accounting treatment. The present IFRS 2 describes accounting treatment in the case of cancellation by the entity but provides no indication for cancellations by parties other than the entity. At present the standard is not applicable for the Group..	1 January 2009
IFRIC 13	*Customer loyalty programmes*	IFRIC 13 defines the accounting treatment to be adopted by entities that grant their customers awards linked to loyalty programmes connected with the purchase of goods or services. It establishes that the fair value of the obligations relating to granting of such awards must be	1 January 2009

		separated from sales revenue and deferred until time when the obligation to the customer has been discharged. At present the standard is not applicable for the Group.	
IFRIC 14	*The limit on a defined-benefit pension fund asset, minimum funding requirements and their interaction*	IFRIC 14 defines in which circumstances entities can recognise a pension fund asset. It specifies in which cases a minimum funding requirement can reduce a pension fund asset. It indicates in which cases a minimum funding requirement requires posting of a liability and how this liability should be recognised. At present the standard is not applicable for the Group.	1 January 2009

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED

The Group has also considered the effects of other accounting standards, interpretations and amendments – listed below – that have been approved but not yet endorsed by the EU legislator. We do not believe that they have any potentially significant impact on the Group's balance sheet, income statement and financial position.

- IFRS 1 "First Time Adoption of IFRS"
- IFRS 3 "Business Combinations"
- IAS 27 "Consolidated and Separate Financial Statements"
- IAS 39 "Reclassification of Financial Assets: Effective Date and Transition"
- IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items"
- IFRIC 12 "Service concession arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

USE OF ESTIMATES

Preparation of IFRS-compliant consolidated financial statements and of the relevant notes require directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic based on circumstances at any given 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 actual amounts of accounting items for which these 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 assumptions made could have a significant impact on the Group's consolidated financial statements.

- Goodwill;
- Impairment of non-current assets;
- Development costs;
- Inventory write-down;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Employee benefits;
- Provisions for liabilities and contingencies.

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

FINANCIAL RISK MANAGEMENT

Risk factors

In performing its business, the Group is exposed to various types of financial risks, including:

- **Credit risk** deriving from trade transactions or from financing activities
- **Liquidity risk** relating to availability of financial resources and access to the credit market
- **Market risk,** specifically:

a) ***Foreign exchange risk***, relating to operations in currency areas other than that of the functional currency;

b) ***Interest rate risk***, relating to the Group's exposure to financial instruments that generate interest.

The Group is not exposed to any price risk, as it does not hold significant quantities of listed securities in its portfolio, nor is it otherwise exposed to the risk deriving from the trend of commodties traded on the financial markets.

Financial risk management is an integral part of management of the Datalogic Group's business activities. Market and liquidity risk is managed on a centralised basis by the parent company.
Based on the latter's directives, the Group uses derivative contracts relating to underlying financial assets or liabilities or future transactions. More specifically, management of these risks is centralised in the Central Treasury Dept., which has the task of assessing risks and performing related hedging. The Central Treasury Dept. operates directly on the market on behalf of subsidiary and investee companies. Credit risk is instead managed by the Group's operating units.

Market risk

Foreign exchange risk

Datalogic operates in the international environment and is exposed to translation and transaction exchange risk:

- **Translation risk** relates to the conversion into euros during consolidation of items of the individual financial statements of companies outside the Eurozone. In this case the key currency is the USD
- **Transaction risk** relates to trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) of Group companies in currencies other than their functional currency.
  The most important currencies are the USD and GBP (for Eurozone companies) and the EUR (for non-Eurozone companies). Following Slovakia's adoption of the Euro as from 1 January 2009, the risk relating to the Slovakian koruna has ceased to exist.

The Group's foreign exchange policy is set out in an official document approved by the Boards of Directors. Consistently with this policy – which is applied to the companies that feature significant exposure to foreign exchange risk – the Group hedges (mainly with forward contracts) between 40% and 90% of future cash flows, depending on whether they are generated by:

- Projected budgeted flows
- Flows from the backlog of sales and purchase orders
- Flows for trade receivables and payables.

These cash flows are considered certain or highly probable. In the first two cases, the Group applies the cash flow hedging approach as part of hedge accounting (as per IAS 39). This means that changes in the hedging instrument's fair value fuel the cash flow hedge reserve (for the part relating to intrinsic value) and impact profit and loss (for the part concerning time value). In the case of hedging of flows originated by receivables and payables, the accounting approach is the fair value hedge, once again as part of hedge accounting.

If the flows hedged are between Group entities for intercompany transactions, care is taken to check that these flows subsequently emerge vis-à-vis a third party.

The hedge's effectiveness is tested at least on every year-end balance sheet date, or on interim reporting dates, via both prospective and retrospective statistical and mathematical tests. Only after the test has been passed does the Group decide to implement the cash flow hedge. Otherwise the derivatives' fair value is immediately reflected in the income statement.

Hedges of foreign exchange risk are set up centrally by the parent company's Treasury with banks of premier standing, also on behalf of other Group companies exposed to significant foreign exchange risk. In such cases, to assure proper attribution of positions to the Group's companies, the parent company has introduced an internal contract system ("Internal Deal"). This envisages that, for each hedging transaction set up by the parent company, an internal deal is set up between the parent company and the division originating the risk exposure.

To permit full understanding of the foreign exchange risk on the Group's consolidated financial statements (income-statement impact), we have analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the exchange rate changes considered reasonably possible, with all other variables remaining equal.

The following tables show the results of this sensitivity analysis:

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rate		1.3917	1.5309	1.4613	1.4056	1.3778	1.3221	1.2525
Financial assets								
Cash and cash equivalents	52,108	2,727	(248)	(130)	(27)	28	144	303
Trade and other receivables	94,289	3,706	(337)	(176)	(37)	37	195	412
Equity investments in other companies	1,375	719	(65)	(34)	(7)	7	38	80
Income-statement impact			(650)	(341)	(71)	72	376	795
Miscellaneous								
Loans	157,472	3,401	309	162	34	(34)	(179)	(378)
Trade and other payables	75,570	5,011	456	239	50	(51)	(264)	(557)
Derivative instruments	2,151	36	(104)	(54)	(11)	12	60	127
Income-statement impact			661	346	72	(73)	(383)	(808)
Income-statement impact			11	6	1	(1)	(6)	(13)

GBP	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rate		0.9525	*1.0478*	*1.0001*	*0.9620*	*0.9430*	*0.9049*	*0.8573*
Financial assets								
Cash and cash equivalents	52,108	1,298	(118)	(62)	(13)	13	68	144
Trade and other receivables	94,289	278	(25)	(13)	(3)	3	15	31
Income-statement impact			**(143)**	**(75)**	**(16)**	**16**	**83**	**175**
Financial liabilities								
Loans	157,472	173	16	8	2	(2)	(9)	(19)
Trade and other payables	75,570	75	7	4	1	(1)	(4)	(8)
Income-statement impact			**23**	**12**	**2**	**(3)**	**(13)**	**(28)**
Income-statement impact, net			**(121)**	**(63)**	**(13)**	**13**	**70**	**148**

The impact of derivatives on equity is as shown below:

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rate		1.3917	1.5309	1.4613	1.4056	1.3778	1.3221	1.2525
Financial liabilities								
Derivative instruments	2,151	36	(198)	(104)	(22)	22	115	242

EUR verso USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rate		0.7185	*0.6532*	*0.6843*	*0.7114*	*0.7258*	*0.7564*	*0.7984*
Financial assets								
Cash and cash equivalents	52,108	2.733	(248)	(130)	(27)	28	144	304
Income-statement impact	**-**		**(248)**	**(130)**	**(27)**	**28**	**144**	**304**
Financial liabilities	-							
Income-statement impact	**-**		**-**	**-**	**-**	**-**	**-**	**-**
Income-statement impact, net			**(248)**	**(130)**	**(27)**	**28**	**144**	**304**

Interest rate risk

The Datalogic Group is exposed to interest rate risk associated both with the availability of cash and with borrowings. The aim of interest rate risk management is to limit and stabilise payable flows caused by interest paid mainly on medium-term debt in order to achieve a tight match between the underlier and the hedging instrument.

With regard to medium/long-term loans, as at 31 December 2008 Datalogic has interest rate swaps in place with financial counterparties of premier standing for a notional total of € 49.9 million. These derivatives permit hedging about 32% of total bank borrowings (45% of medium-/long-term debt) against the risk of a rise in interest rates, transforming variable-rate loans into fixed-rate loans.

Bank borrowings, mortgages and other short-/long-term loans	Amount	%
Variable rate	**100,232**	64%
Fixed rate	**3,862**	2%
Variable rate hedged through derivative instruments	**49,977**	32%
Financial liabilities	**3,401**	2%
Total	**157,472**	100%

The Group is exposed, we analysed the accounting items most at risk, assuming a change 10 basis points in the Euribor and of 50 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2008.

Items exposed to interest rate risk with impact on the income statement:

Euribor	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
			Profit (loss)	*Profit (loss)*
Financial assets				
Cash and cash equivalents	52,108	36,642	36	(36)
Trade and other receivables	-	-	-	-
Derivative instruments	-	-	-	-
			36	**(36)**
Financial liabilities				
Loans	157,472	78,903	(79)	79
Trade and other payables	-	-	-	-
			(79)	**79**
Total increases (decreases)			**(43)**	**43**

USD Libor	Carrying value	Portion exposed to interest rate risk	50bp	-50bp
			Profit (loss)	*Profit (loss)*
Financial assets				
Cash and cash equivalents	52,108	12,726	64	(64)
Trade and other receivables	-	-	-	-
Derivative instruments	-	-	-	-
			64	**(64)**
Financial liabilities				
Loans	157,472	21,129	(106)	106
Trade and other payables	-	-	-	-
			(106)	**106**
Total increases (decreases)			**(42)**	**42**

Items exposed to interest rate risk with impact on equity:

USD Libor	Carrying value	Portion exposed to interest rate risk	50bp	-50bp
Financial liabilities				
Derivative instruments	2,151	1,378	114	(114)

Euribor	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
Financial liabilities				
Derivative instruments	2,151	738	27	(27)

Credit risk

The Group is exposed to a credit risk associated with trade transactions. The three operating divisions have therefore planned risk protection measures in order to keep the amounts outstanding to a minimum, i.e. a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, with whom, statistically, no problems connected with credit recoverability have been encountered. In any case, 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 screening procedures concerning their creditworthiness grade (degree of solvency) and an analysis of the specific deal. If they are significant, trade receivables are subjected to individual impairment testing.

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 handled centrally via 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 arrangements) with consequently easier maintenance of levels of availability.

The parent company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, each division's subholding company has of operating lines for short-term requirements (revolving credit lines and on the receivables book) while Datalogic SpA, as the parent company, has cash credit lines for future requirements in favour of the Group. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Group's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income.

We also report that, as at 31 December 2008, the Group's liquidity reserve – which includes committed but undrawn credit line of € 100 million – is considered amply sufficient to meet commitments existing as at balance sheet date.

The following table details the financial liabilities and derivative financial liabilities settled on a net basis by the Group, grouping them according to residual contractual maturity as at balance sheet date. The amounts shown are contractual cash flows not discounted to present value.

Financial liabilities by maturity:

31 December 2008	0-1 year	1-5 years	over 5 years
Bank loans & mortgages	61,451	89,986	2,472
financial liabilities	3,401		
Bank overdrafts	162		
Derivative financial instruments (IRS)	2,151		
Trade and other payables	74,657	913	-
TOTAL	141,822	90,899	2,472

31 December 2007	0-1 year	1-5 years	over 5 years
Loans	26,006	68,237	19,608
Financial liabilities		3,491	
Derivative financial instruments (IRS)	515		
Trade and other payables	76,333	-	-
TOTAL	102,854	71,728	19,608

CAPITAL RISK MANAGEMENT

The Group manages capital with the intention of protecting its own continuity and optimise shareholder value, maintaining an optimum capital structure while reducing its cost.

In line with sector practice, the Group monitors capital based on the gearing ratio. This indicator is calculated as a ratio between net indebtedness (see Note 10) and equity.

	2008	2007
Net debt (A)	106,944	62,544
Net equity (B)	135,818	173,482
Total capital [(A)+(B)]=C	242,762	236,026
"gearing ratio" (A)/(C)	44.05%	26.50%

The significant increase in this indicator was primarily due to a decrease of € 31,733 thousand in equity due to (a) the accounting treatment of the Datasensor acquisition, as described in the section “Change in consolidation area”, and (b) the increase in indebtedness, in turn mainly due to the financial outlay for this deal and also to the purchase of treasury shares.

FAIR VALUE

Comparison of the carrying value of financial instruments held by the Group and their fair value did not reveal any significant differences in value.

For information on the methods used to calculate fair value, reference should be made to the explanation given in the notes.

CONSOLIDATION STANDARDS AND POLICIES

Subsidiaries

Companies are defined as controlled, i.e. subsidiaries, when the parent company has the power, as defined by IAS 27 (Consolidated and separate financial statements), directly or indirectly, to govern the company in such a way as to obtain benefits connected with its 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 that, on the date of preparing the financial statements, can 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 initially recognised in accounts using the purchase method, according to which (see IFRS 3 – Business Combinations):

- Purchase cost is 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 measured at their fair value as at acquisition date;
- The excess of acquisition cost over the fair value of the Group's share of net assets is recognised 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 recognised 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 infragroup transactions and those included, as at reporting date, in the measurement of inventories have been eliminated.
The criteria for preparation of subsidiary companies' financial statements have been amended to make them consistent with the accounting standards adopted by the group.

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 2008 include 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 associate companies include the goodwill identified on acquisition net of any impairment losses.

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

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also eliminated unless the loss is considered to represent 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.

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 segments 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

In April 2007, the Group concluded a restructuring project that, among other things, led to revision of Datalogic's business segments. Until 31 March 2007, for the purposes of disclosure, the business segments were as follows:

- **Data Capture:** This is Datalogic's traditional business and includes the development, production and sale of the following products: hand-held readers (HHRs), unattended scanning systems (USSs) for the industrial market, mobile computers (MCs), and checkout scanners for the retail market.
- **Business Development:** This division includes the business areas with particularly high growth potential within the traditional Datalogic proposition (radio frequency readers or RFID and self-scanning solutions) or those areas adjacent to the Group's traditional areas, consisting of products for industrial marking and distribution of automatic identification products. These two latter business segments are handled by the subsidiaries Laservall SpA and Informatics Inc.

As from April 2007, following conclusion of Group reorganisation as highlighted above, the business segments are as follows:

- **Mobile** – includes the Mobile Computers (MC) product lines;
- **Automation** – includes the product lines related to unattended scanning systems (USSs) for the industrial market, products for industrial marking, and radio frequency readers (RFID);
- **Scanning** – includes the product lines related to hand-held readers (HHRs) and checkout scanners for the retail market;
- **Business Development** – includes the remaining product lines, which take in self-scanning and distribution of automatic identification products.

These company segments correspond to the new operating divisions of the Group. Following the significant impact of reorganisation, it has not been possible to reclassify reliably the actual figures relating to the first quarter of 2007 based on the new business segments.
Intersegment transfers take place at market prices based on the Group's transfer pricing policies.

As a result of all the above, we have organised segment information as follows:

- For the period April-December 2008 we provide financial data for the new Mobile, Automation, Scanning, and Business Development business segments compared with the same period in 2007 (as the data are comparable)

- Additionally, data are provided for the full year as at 31 December 2008, reclassified on the basis of the previous structure (Data Capture and Business Development) and compared with the results of the same period on 2007 (since they are comparable).

Operating results by business segment, with segmentation revised according to the new business structure, for the period April-December 2008, compared with April-December 2007 were as follows:

	Mobile		Automation		Business Development		Scanning		Datalogic Spa (*)		Adj.		Total Group	
€ '000	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales	62,471	65,934	50,348	56,072	31,296	34,051	139,673	143,973	15	31	0	(99)	283,803	299,962
Intersegment sales	2,923	(27)	87	(77)	0		112	1,972	10,404	4,416	(13,526)	(6,284)	0	0
Total revenues	**65,394**	**65,907**	**50,435**	**55,995**	**31,296**	**34,051**	**139,785**	**145,945**	**10,419**	**4,447**	**(13,526)**	**(6,383)**	**283,803**	**299,962**
Cost of goods sold (I)	(36,551)	(39,125)	(26,992)	(27,607)	(17,193)	(19,503)	(81,880)	(87,002)	(1)	(122)	3,060	7,112	(159,557)	(166,247)
Gross profit	**28,843**	**26,782**	**23,443**	**28,388**	**14,103**	**14,548**	**57,905**	**58,943**	**10,418**	**4,325**	**(10,466)**	**729**	**124,246**	**133,715**
% of revenues	*44.1%*	*40.6%*	*46.5%*	*50.7%*	*45.1%*	*42.7%*	*41.4%*	*40.4%*	*100.0%*	*97.3%*	*77.4%*	*-11.4%*	*43.8%*	*44.6%*
Other revenues	776	5,734	2,946	1,834	79	22	5,922	1,569	1,748	925	(1,397)	(8,029)	10,074	2,055
R&D expenses	(3,501)	(3,430)	(5,404)	(5,130)	(1,197)	(627)	(8,978)	(8,439)	(342)	(441)	197	82	(19,225)	(17,985)
Distribution expenses (I)	(15,325)	(14,715)	(15,050)	(12,627)	(6,530)	(7,531)	(28,107)	(27,880)	(9)	(87)	6,956	5,199	(58,065)	(57,641)
General expenses (I)	(4,762)	(6,185)	(6,950)	(8,239)	(1,430)	(2,757)	(8,787)	(12,805)	(11,178)	(1,106)	4,017	1,649	(29,090)	(29,443)
Other operating costs	(302)	(510)	(780)	(877)	15	(136)	(804)	(299)	(156)	(2,042)	751	13	(1,276)	(3,851)
Total operating costs	**(23,890)**	**(24,840)**	**(28,184)**	**(26,873)**	**(9,142)**	**(11,051)**	**(46,676)**	**(49,423)**	**(11,685)**	**(3,676)**	**11,921**	**6,943**	**(107,656)**	**(108,920)**
% of revenues	*-36.5%*	*-37.7%*	*-55.9%*	*-48.0%*	*-29.2%*	*-32.5%*	*-33.4%*	*-33.9%*	*-112.2%*	*-82.7%*	*-88.1%*	*-108.8%*	*-37.9%*	*-36.3%*
EBITANR	**5,729**	**7,676**	**(1,795)**	**3,349**	**5,040**	**3,519**	**17,151**	**11,089**	**481**	**1,574**	**58**	**(357)**	**26,664**	**26,850**
% of revenues	*8.8%*	*11.6%*	*-3.6%*	*6.0%*	*16.1%*	*10.3%*	*12.3%*	*7.6%*	*4.6%*	*35.4%*	*-0.4%*	*5.6%*	*9.4%*	*9.0%*
Non-recurring costs/revenues	0	(173)	(413)	1,171	0		0	(9)	(665)	(208)	349	(2,178)	(729)	(1,397)
Amortisation due to acquisitions	(271)	(289)	(971)	(971)	(410)	(431)	(1,282)	(1,342)	0		0		(2,934)	(3,033)
EBIT	**5,458**	**7,214**	**(3,179)**	**3,549**	**4,630**	**3,088**	**15,869**	**9,738**	**(184)**	**1,366**	**407**	**(2,535)**	**23,001**	**22,420**
% of revenues	*8.3%*	*10.9%*	*-6.3%*	*6.3%*	*14.8%*	*9.1%*	*11.4%*	*6.7%*	*-1.8%*	*30.7%*	*-3.0%*	*39.7%*	*8.1%*	*7.5%*
Net financial income (expenses)													(3,585)	(3,367)
Net profits/losses of associates													(160)	40
Income taxes													(5,708)	(5,868)
Net profit/loss													**13,548**	**13,225**
% of revenues													*4.8%*	*4.4%*
Depreciation & amortisation	(2,077)	(2,085)	(2,940)	(2,170)	(243)	(275)	(3,315)	(3,619)	(923)	(1,071)	(19)	(18)	(9,517)	(9,238)
EBITDA	**7,806**	**9,761**	**1,145**	**5,519**	**5,283**	**3,794**	**20,466**	**14,708**	**1,404**	**2,645**	**77**	**(339)**	**36,181**	**36,088**
% of revenues	*11.9%*	*14.8%*	*2.3%*	*9.9%*	*16.9%*	*11.1%*	*14.6%*	*10.1%*	*13.5%*	*59.5%*	*-0.6%*	*5.3%*	*12.7%*	*12.0%*

Below, we comment on the general operating performance of the main business segments:

DATALOGIC MOBILE

Considering the April-December period for FYs 2007 and 2008, revenue decreased by -6% YoY (-3.6% net of the forex effect). This was mainly due to market slowdown during the fourth quarter (4Q08). Europe accounted for 70% of revenue and Rest-of-World markets for 30%. The Italian market in particular stood out, confirming its standing, together with America, as the main outlet market for Mobile products.

According to estimates published by VDC (Venture Development Corporation, a company active in market research in our industry), in the first half of 2008 the estimated total value of the market for smaller-form factor mobile computers (the market of reference for Datalogic Mobile) was approximately USD 3 billion, slightly up vs. 2007.

Conversely, according to the latest estimate available, 2008 decreased overall by about -2% YoY. We also believe that market shrinkage intensified during the second half of 2008. By virtue of its trading performance Datalogic Mobile confirmed its No. 4 global ranking in the hand-held and PDA segments of the rugged mobile computers market, with a market share of some 5%, preceded by Motorola-Symbol, Intermec, and Psion Teklogix.

Falcon™, Memor™ and Skorpio™ - used in major projects concerning applications in the mass-market retail sector and for inventory management – were once again the best-selling products. The Shopevolution™ product family and the new product Joya™ - for self-reading of barcodes and optimisation of retailer/customer interaction – also did well, achieving extremely positive results in the retail sector and confirming Datalogic Mobile as one of the world leaders in the self-shopping segment.

DATALOGIC AUTOMATION

The Datalogic Automation Division started its activity on 2 April 2007 and is active in the following businesses:

- Unattended scanners (USS) for the industrial market
- Radio frequency readers (RFID)
- Industrial marking products.

At the beginning of October 2008 a major deal was completed, i.e. acquisition of Datasensor SpA, a company previously 100% owned by Hydra SpA, the controlling shareholder of Datalogic SpA.

This acquisition now enables the Automation Division to complete its product offering in the industrial automation segment with the Datasensor products, consisting of photoelectric sensors and devices.

During 4Q08, the Automation Division’s management started to implement (with the aid of an outside consulting firm) a major reorganisation plan. This mainly involved the Division’s distribution set-up and the objective is to optimise exploitation of size (now larger) and complete the product portfolio following the acquisition of Datasensor SpA. Completion of the plan is scheduled for the first quarter of 2009.

During the year an important novelty was introduced in the Division’s distribution model for the European market. In countries where the Division is present with its own sales & marketing facilities (Spain, France, Germany, the UK, Sweden and Holland) set up as private limited liability companies, during 2008 there was a switch to a branch-based organisation. This move has made it possible to have leaner facilities in those countries, as the branches figure as branches of the parent company,

thereby permitting significant administration cost savings without any adverse impact on the standard of customer service.
The previously existing legal entities, now no longer operational, will all be wound up, except for three of them (DLA France, DLA UK, and DLA Gmbh) which have been sold (in December 2008/January 2009) to Datalogic Real Estate Srl, a subsidiary of Datalogic SpA.

A brief comment on the results achieved by the Automation Division’s main business units:

Industrial marking products

FY2008 featured a sharp downturn in sales vs. the previous year, when Laservall achieved an all-time record in terms both of sales and of growth.
Two main factors contributed to the 2008 result:

- Against intensive development and testing for various products in the sector of electronic documents and data security management, (ID & Security), none of the larger projects was concluded in the period and all of them remained frozen until year-end
- The Asian market, which had enjoyed high growth rates in the last two years, featured an abrupt slowdown in demand in the second part of the year.

In addition, in 4Q08 all supplies to the automotive market suffered major slowdowns.
A direct presence in the American market was established, as from September. Work continued on revision of internal processes with the aim of improving efficiency and reducing operating costs.

Unattended scanners for the industrial market (USS)

The USS business unit ended 2008 with total revenue at the same level as in 2007, despite a particularly negative result in 4Q08 – a consequence of the global financial and economic crisis, which severely affected the business unit’s year-end result.

In the EMEA region, after three highly positive quarters, the fourth quarter featured sharp reversal of the growth trend.

In the USA the year-end result was down vs. 2007 but was heavily affected by USD weakness and by a disappointing first half. In the second half of the year the US affiliate instead showed signs of recovery, which enabled it to achieve an outstanding result in the very last month of the year, December.

In the two largest mainland European markets the USS business unit benefited from reorganisation of the sales & marketing set-up, which took place during the year.

In Japan, postponement to 2009 of many projects caused a result falling short of expectations and down vs. 2007. In the rest of Asia (mainly China), the USS business instead grew vigorously, although in outright terms China continues to be a secondary market. It has nevertheless confirmed its ability to grow extremely fast and will continue to be a strategic objective for the USS unit.

Results in Australia, after an excellent first quarter, were very disappointing due to an adverse economic situation and to few alternatives to direct sales and to transportation & logistics projects.

During 2008 the USS business unit worked hard to improve its operational efficiency in terms of productivity, reduction of materials purchase cost (increasing the Asian share of purchases to a double-digit percentage), delivery reliability, and inventory reduction.

Radio frequency readers (RFID)

In FY2008 the RFID business unit (whose activities were managed by the Californian company EMS until the end of 2007, after which they were largely transferred to Datalogic Automation Srl) completed the process of transformation and of repositioning inside the Datalogic Automation division.
After the first quarter the business unit was fully operational, with a lean and more efficient organisation.
The year's commercial results were just slightly lower than those of 2007. Order inflow, confirming the business unit's post-reorganisation recovery, was positive in the USA and Asia and remained very steady in Europe. Results were dampened by the EUR/USD exchange rate as most sales of RFID products take place in USD.
During the year, direct sales & marketing presence was initiated in Hong Kong to support the attractive Asian market and, in particular, some major clients in the electronics industry.

Photoelectric sensors and devices

For this business unit too, 2008 was a two-speed year. The first six months featured sales growth of 15% YoY whereas the second part of the year was heavily affected by the global crisis, with marked slowing down of sales in 4Q08.
As regards sales results, a point to note is that vision sensors, launched at the end of 2007 and in which the business unit has decided to invest significantly, achieved important results, reaching first place among the best-selling products. Also important is the 4.1% global market share (source: VDC) achieved in the security barriers market segment, in which the business unit has been active for only a few years.
As regards market/channel, greater difficulty in the domestic market – also relating to some clients working on the projects – was set against growth in foreign markets, particularly in countries where we are directly present (headed by Spain and France).

DATALOGIC SCANNING

In the period April-December 2008, the Scanning Division's revenue amounted to € 139,673 thousand, down vs. € 143,973 thousand achieved in the same period in FY2007. This result was due to depreciation of the USD vs. the Euro (about half the Division's sales are in USD) and to the sales shrinkage experienced in 4Q08 (sales of € 46,455 thousand in October-December 2008 vs. € 51,125 thousand in the same period in 2007).

Operating results by business segment as at 31 December 2008, presented according to the previous segmentation and compared with results as at 31 December 2007, were as follows:

	Data Capture		Business Development		Unallocated expenses/revenues		Adjustments		Consolidated Segment	
	31/12/08	**31/12/07**	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**	**31/12/08**	**31/12/07**
External sales	311,109	320,146	68,711	83,881			0	0	379,820	404,027
Intersegment sales	5,035	660	81	310			(5,116)	(970)	0	0
Total revenues	**316,144**	**320,806**	**68,792**	**84,191**	**0**	**0**	**(5,116)**	**(970)**	**379,820**	**404,027**
Cost of goods sold	(177,908)	(184,237)	(33,857)	(40,061)			0	0	(211,765)	(224,298)
Intersegment cost of goods sold	(81)	(393)	(4,653)	(5,181)			4,734	5,574	0	0
Gross profit	**138,155**	**136,176**	**30,282**	**38,949**	**0**	**0**	**(382)**	**4,604**	**168,055**	**179,729**
% of revenues	*43.7%*	*42.4%*	*44.0%*	*46.3%*			*7.5%*	*-474.6%*	*44.2%*	*44.5%*
Other revenues	9,382	6,846	1,457	726			(366)	(5,295)	10,473	2,277
R&D expenses	(22,112)	(20,763)	(3,194)	(4,229)			0	0	(25,306)	(24,992)
Distribution expenses	(67,422)	(63,098)	(10,120)	(14,841)			296	436	(77,246)	(77,503)
General expenses	(23,726)	(23,198)	(5,172)	(7,369)	(10,346)	(8,045)	452	255	(38,792)	(38,357)
Other operating costs	(1,246)	(3,081)	(600)	(280)		0	0	0	(1,846)	(3,361)
Total operating costs	**(114,506)**	**(110,140)**	**(19,086)**	**(26,719)**	**(10,346)**	**(8,045)**	**748**	**691**	**(143,190)**	**(144,213)**
% of revenues	*-36.2%*	*-34.3%*	*-27.7%*	*-31.7%*			*-14.6%*	*-71.2%*	*-37.7%*	*-35.7%*
EBITANR (*)	**33,031**	**32,882**	**12,653**	**12,956**	**(10,346)**	**(8,045)**	**0**	**0**	**35,338**	**37,793**
% of revenues	*10.4%*	*10.2%*	*18.4%*	*15.4%*			*0.0%*	*0.0%*	*9.3%*	*9.4%*
Allocable non-recurring costs/revenues	(705)	(1,832)	(24)	(790)	0		0	0	(729)	(2,622)
Amortisation due to acquisitions	(2,057)	(2,208)	(1,839)	(1,879)	0		0		(3,896)	(4,087)
OPERATING RESULT (EBIT)	**30,269**	**28,842**	**10,790**	**10,287**	**(10,346)**	**(8,045)**	**0**	**0**	**30,713**	**31,084**
% of revenues	*9.6%*	*9.0%*	*15.7%*	*12.2%*			*0.0%*	*0.0%*	*8.1%*	*7.7%*
Net financial income (expenses)					(4,766)	(4,862)			(4,766)	(4,862)
Share of associates' profit					(34)	396			(34)	396
Income taxes					(8,069)	(8,536)			(8,069)	(8,536)
NET PROFIT/LOSS					**(23,215)**	**(21,047)**	**0**	**0**	**17,844**	**18,082**
% of revenues							*0.0%*	*0.0%*	*4.7%*	*4.5%*
Minority interests' share of net profit/loss									0	0
GROUP NET PROFIT/LOSS					**(23,215)**	**(21,047)**	**0**	**0**	**17,844**	**18,082**
% of revenues							*0.0%*	*0.0%*	*4.7%*	*4.5%*

The balance sheet by business segment, presented according to the new segmentation and compared with the same data as at 31 December 2007, is as shown below:

	Mobile		Automation		Business Dev.		Scanning		Datalogic Spa (*)		Adjustments		Datalogic Group	
€ '000	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**	**Dec-08**	**Dec-07**
Assets allocated	41,702	62,009	73,382	61,701	20,834	20,893	173,295	169,987	26,996	52,309	(5,990)	(42,285)	330,219	324,614
Equity investments in subsidiaries and associates	-	-	1,947	1,472		-	4,131	3,905	153,294	153,861	(157,425)	(157,766)	1,947	1,472
Unallocable assets	-	-											89,335	89,259
Total assets	**41,702**	**62,009**	**75,329**	**63,173**	**20,834**	**20,893**	**177,426**	**173,892**	**180,290**	**206,170**	**(163,415)**	**(200,051)**	**421,501**	**415,345**
Liabilities allocated	20,421	22,363	25,163	24,918	2,434	9,427	37,347	55,375	14,748	13,018	(3,393)	(34,736)	96,720	90,365
Unallocable liabilities	-												188,963	151,498
Equity	25,054	29,335	4,695	40,352	18,283	9,372	95,482	77,223	149,461	174,283	(157,157)	(157,083)	135,818	173,482
Total liabilities	**45,475**	**51,698**	**29,858**	**65,270**	**20,717**	**18,799**	**132,829**	**132,598**	**164,209**	**187,301**	**(160,550)**	**(191,819)**	**421,501**	**412,345**
D&A (net of D&A due to acquisitions)	2,714	N.A.	3,670	N.A.	324	N.A.	4,501	N.A.	1,191	N.A.	24	N.A.	12,424	12,301

The breakdown according to geographical segmentation was as follows:

	31/12/2008	31/12/2007	Adjustments 31/12/08	Adjustments 31/12/07	Consolidated 31/12/08	Consolidated 31/12/07	YoY Change
REVENUE BY GEOGRAPHICAL AREA							
Italy	38,948	39,653			38,948	39,653	-2%
Europe	159,304	168,219			159,304	168,219	-5%
North America	99,851	116,442			99,851	116,442	-14%
Rest of the World	81,717	79,713			81,717	79,713	3%
TOTAL	**379,820**	**404,027**	**-**	**-**	**379,820**	**404,027**	**-6%**
ASSET VALUES BY GEOGRAPHICAL AREA							
Italy	142,484	170,654			142,484	170,654	-17%
Europe	65,115	57,611			65,115	57,611	13%
North America	182,365	198,427			182,365	198,427	-8%
Rest of the World	6,057	6,351			6,057	6,351	-5%
ADJUSTMENTS AND ELIMINATIONS			(65,802)	(108,428)	-65,802	-108,428	-39%
TOTAL	**396,021**	**433,043**	**- 65,802**	**- 108,428**	**330,219**	**324,615**	**2%**
COST FOR ACQUISITION OF THE ASSETS (excluding DS acquisition cost)							
Italy	10,238	8,606			10,238	8,606	19%
Europe	738	243			738	243	204%
North America	3,163	8,222			3,163	8,222	-62%
Rest of the World	53	630			53	630	
TOTAL	**14,192**	**17,701**	**-**	**-**	**14,192**	**17,701**	**-20%**

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 2008 were the following:

Company	Registered location	Share capital		Total equity (€'000) 31/12/08	Profit/loss for the period (€'000) 31/12/08	% ownership
Datalogic SPA holding	Bologna – Italy	Euro	30,392,175	147,392	3,355	
Datalogic Real Estate srl	Bologna – Italy	Euro	20,000	2,565	-13	100%
Datalogic France Real Estate	Parigi – Francia	Euro	2,227,500	3,416	47	100%
Informatics	Plano Texas - USA	US$	15,100,000	17,043	1,805	100%
Datalogic Automation Srl,	Bologna – Italy	Euro	10,000,000	38,913	11,372	100%
Datalogic Automation France	Paris – France	Euro	0	00	55	100%
Datalogic Automation Iberia	Madrid – Spain	Euro	60,500	548	-130	100%
Datalogic Automation Germany GMBH	Erkenbrechtsweiler - Germany	Euro	1,025,000	2,149	994	100%
Datalogic Automation UK Limited	Redbourn - England	Euro	3,500,000	3,825	119	100%
Datalogic Automation BV	Nieuwegein - Netherlands	Euro	18,160	3	189	100%
Datalogic Automation Austria GMBH	Guntramsdorf - Austria	Euro	72,673	48	-9	100%
Datalogic Automation UK Limited	Redbourn - England	GBP	3,500,000	4,700	212	100%
Datalogic Holding AB	Malmö - Sweden	KRS	1,400,000	155	0	100%
Datalogic Automation AB	Malmö - Sweden	KRS	200,000	-77	134	100%
Datalogic Automation INC	Hebron, KY - USA	US$	463,812	3,026	-1,279	100%
Datalogic Automation PTY LTD	Mount Waverley (Melbourne) - Australia	$AUD	2,300,000	-275	-6981	100%
Datalogic Automation BV	Nieuwegein - Netherlands	Euro	18,160	3	189	100%
Laservall Spa	Donnas (AO) - Italy	Euro	900,000	7,446	1,130	100%
Datalogic Asia Limited	Hong Kong - China	HKD	10,000	-796	-464	100%
Datasensor Spa	Monte San Pietro (Bo) Italy	Euro	9,000,000	13,269	442	100%
Infra srl	Vicenza - Italy	Euro	20,660	1,462	-55	100%
Datafoton kft	Fonyod-Ungheria	Huf	3,000,000	16	7	100%
Datalogic Mobile srl	Bologna – Italia	Euro	10,000,000	21,265	6,748	100%
Datalogic Mobile Asia	Hong-Kong -Cina	HKD	100,000	2	-176	100%
Datalogic Mobile UK	Redbourn- England	GBP	15,000	89	355	100%
Datalogic Mobile INC	Eugene OR-Usa	$USA	0	5,048	-516	100%
Datalogic Mobile PTY	Mount Waverley (Melbourne)-Australia	$AUS		-402	-468	100%
Datalogic Scanning Group srl	Bologna – Italia	Euro	10,000,000	102,841	11,512	100%
Datalogic Scanning Slovakia	Tvrn-Slovacchia	SKK	2,000,000	7,394	7,356	100%
Datalogic Scanning Holdings Inc.	Eugene OR-Usa	$USA	100	76,810	-1,629	100%
Datalogic Scanning Inc.	Eugene OR-Usa	$USA	10	39,839	3,194	100%
Datalogic Scanning do Brasil	Sao Paulo - Brazil	R$	159,525	37	17	100%
Datalogic Scanning Mexico	Colonia Cuauhtemoc-Mexico	$USA	-	-370	-171	100%
Datalogic Scanning UK Ltd	Watford-England	GBP	191,510	-682	400	100%
Datalogic Scanning Sarl	Paris-France	Euro	653,015	344	739	100%
Datalogic Scanning GMBH	Darmstadt-Germany	Euro	306,775	2,245	719	100%
Datalogic Scanning Eastern Europe Gmbh	Darmstadt-Germany	Euro	30,000	165	-12	100%
Datalogic Scanning SpA	Milano-Italia	Euro	110,000	1,102	415	100%
Datalogic Scanning PTY	Sidney-Australia	$ AUD	2	306	78	100%
Datalogic Scanning Japan	Tokyo-Japan	JPY	151,437,000	4	-39	100%
Datalogic Scanning Singapore	Singapore	SGD	100,000	30	14	100%

The companies booked at equity as at 31 December 2008 were as follows:

Company	Registered location	Share capital		Total equity (€'000)	Profit/loss for the period (€'000)	% ownership
Datasensor France Sarl	Lione - Francia	Eur	25,000	36	-38	100%
Datasensor Iberica SA	Barcelona - Spagna	Eur	30,000	10	-26	100%
Datasensor Asia Ltd	Honk-Kong	Hkd	10,000	23	13	100%
Datasensor Uk Ltd	Oxfordshire - Inghilterra	Gbp	70,000	381	20	35%
Datasensor Gmbh	Otterfing - Germania	Eur	150,000	209	-13	30%
Datasensor India Ltd	India	Inr	900,000	51	-	20%
Specialvideo Srl	Imola - Italy	Eur	10,000	133	80	40%
Idec DatalogicCo. Ltd	Osaka– Giappone	Yen	300,000,000	1,604	-167	50%
Laservall Asia Co. Ltd	Hong-Kong – Cina	HK $	460,000	1,862	-32	50%

Changes in consolidation area

During 2008 the following changes took place in the consolidation area:

1. On 3 October 2008, the Group concluded a contract with the ultimate parent company Hydra SpA to acquire 100% of Datasensor SpA, a producer of photoelectric sensors and devices.
   This deal, which took place between entities controlled by the same parties, thus figures as a deal between entities under common control, as part of corporate reorganisation in which the participant companies are controlled by the same entity, both before and after the combination, and such control is not temporary. At present, the accounting treatment of such deals is not regulated by IFRSs. Given this, consistently with IFRS provisions in this respect, reference has been made a "similar" body of accounting standards. In this specific case, we have referred to market practice and to the document issued by the Italian auditors' association – "Preliminary Interpretation Orientations no. 1" – concerning IFRSs. Based on these criteria, the acquisition has been recognised maintaining historical values. Consequently, the amount in excess of historical values paid for the acquisition, has been recognised as a decrease of € 31,733 thousand in "Retained earnings".
   As at 31 December 2008 the company was consolidated on a line-by-line basis and the earnings result considered relates to the period 3 October 2008-31 December 2008. It showed a net profit of € 394 thousand.
2. The company Datalogic Mobile PTY became operational and therefore was consolidated on a 100% line-by-line basis.
3. The company DL Automation Handels initiated the liquidation process.

BALANCE SHEET INFORMATION - ASSETS

1. Property, plant and equipment

	31/12/2008	31/12/2007	YoY Change
Land	4,929	6,482	(1,553)
Buildings	20,325	18,605	1,720
Other tangible assets	26,401	22,662	3,739
Assets in progress and payments on account	939	1,495	(556)
Total	**52,594**	**49,244**	**3,350**

Details of movements as at 31 December 2007 and 31 December 2008 are as follows:

	Land	Buildings	Other tangible assets	Assets in progress and payments on account	Total
Historical cost	6,660	23,454	58,311	1,810	90,235
Accumulated depreciation	-	(5,216)	(34,639)	-	(39,855)
Initial value at 01/01/07 total	**6,660**	**18,238**	**23,672**	**1,810**	**50,380**
Increases 31/12/07					
investments	41	1,330	8,046	3,449	12,866
total	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)
total	(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)
Net initial value at 01/01/08	**6,482**	**18,605**	**22,662**	**1,495**	**49,244**
Increases 31/12/08					
investments		2,130	7,514	2,117	11,761
Datasensor acquisition			16,778		16,778
total	-	2,130	24,292	2,117	28,539
Decreases 31/12/08					
divestments	(1,313)		(165)		(1,478)
depreciation		(363)	(7,457)		(7,820)
Datasensor acquisition			(13,237)		(13,237)
Net closing value	(1,313)	(363)	(20,859)	-	(22,535)
Reclass. & other changes 31/12/08					
incoming transfers		470			470
(outgoing transfers)		(5)	(239)	(2,715)	(2,959)
Forex differences historical cost	(240)	(168)	961	42	595
Forex differences accum. depreciation		29	(416)		(387)
Write-downs		(373)			(373)
Historical cost	4,929	26,248	88,681	939	120,797
Accumulated depreciation	-	(5,923)	(62,280)	-	(68,203)
Net closing value at 31/12/08 total	**4,929**	**20,325**	**26,401**	**939**	**52,594**

The decrease in **"Land"** is mainly due to transfer, as an exchange, to the indirect parent company Hydra SpA of a plot of agricultural land for acquisition of the investment in Datasensor SpA.
Of the increase in **"Buildings"**, € 2,130 thousand is due to capitalisation of the refurbishment work on the Bologna building. The write-down was due to the building of Datalogic UK.
The item **"Other assets"** at 31 December 2008 mainly includes the following categories: Plant and machinery (€ 10,904 thousand), Industrial and commercial equipment (€ 6,648 thousand), Office furniture and equipment (€ 5,551 thousand), Generic plant (€ 1,963 thousand), Freight vehicles (€ 196 thousand) and Maintenance of third party property (€ 1,113 thousand). Compared with 31 December 2007, the increase in this caption is mainly attributable to the category "Plant and machinery" for € 3,314 thousand, to the category "Industrial and commercial equipment" for € 2,256 thousand and for € 1,728 thousand to the category "Office furniture and electronic equipment".

The balance of **''Assets under construction and down payments"** is attributable to down payments for equipment, instruments and moulds relating to normal production activities.

2. Intangible assets

	31/12/2008	31/12/2007	YoY Change
Goodwill	89,679	84,813	4,866
Development costs	1,164	2,023	(859)
Other intangible assets	47,847	50,434	(2,587)
Total	**138,690**	**137,270**	**1,420**

Details of movements as at 31 December 2007 and 31 December 2008 are as follows:

	Goodwill	Development costs	Other intangible assets	Total
Historical cost	97,248	6,809	76,659	180,716
(accumulated amortisation)	(7,341)	(3,799)	(15,924)	(27,064)
Initial value 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)
amortisation		(1,039)	(7,491)	(8,530)
Write-downs	(203)			(203)
total	(203)	(1,039)	(7,583)	**(8,825)**
exchange-rate change historical cost	(8,220)	(16)	(4,863)	(13,099)
exchange-rate change accum. amortisation		8	699	707
Historical cost	92,154	6,853	73,150	172,157
(accumulated amortisation)	(7,341)	(4,830)	(22,716)	(34,887)
Net initial value at 01/01/08	**84,813**	**2,023**	**50,434**	**137,270**
Increases 31/12/08				
Increases			2,431	2,431
Datasensor acquisition	1,682	38	119	1,839
total	1,682	38	2,550	**4,270**
Decreases 31/12/08				
Decreases	(566)		(28)	(594)
amortisation		(897)	(6,932)	(7,829)
Datasensor acquisition				
Write-downs	(298)			(298)
total	(864)	(897)	(6,960)	**(8,721)**
exchange-rate change historical cost	4,048	12	2,413	6,473
exchange-rate change accum. amortisation		(12)	(590)	(602)
Closing value as at 31/12/08				
Historical cost	97,020	6,903	78,085	182,008
(accumulated amortisation)	(7,341)	(5,739)	(30,238)	(43,318)
Net closing value as at 31/12/08	**89,679**	**1,164**	**47,847**	**138,690**

The breakdown of "**Goodwill"** totalling € 89,679 thousand is as shown below:

€ '000	31/12/2008	31/12/2007	YoY Change
Former PSC Group – Acquisition occurred on 30 November 2005	**67,404**	**63,827**	**3,577**
Informatics Inc. - Acquisition occurred on 28 February 2005	**11,201**	**11,296**	**(95)**
Laservall SPA - Acquisition occurred on 27 August 2004	**5,119**	**5,119**	**-**
Idware srl – Incorporated in 2008	**3,380**	**3,380**	**-**
Infra – Goodwill recognised following the acquisition of Datasensor	**1,682**	**-**	**1,682**
Gruppo Minec - Acquisition occurred on 15 July 2007	**893**	**1,191**	**(298)**
TOTAL GOODWILL	**89,679**	**84,813**	**4,866**

The detailed changes in "Goodwill" vs. 31 December 2007 are as follows:

- Translation differences, positive by € 4,048 thousand, generated by valuation at the spot exchange rate on balance sheet date of goodwill relating to the acquisitions "Ex-PSC Group" (€ 3,577 thousand) and Informatics Inc. (€ 471 thousand)
- An increase of € 1,682 thousand relating to the goodwill of INFRA, a subsidiary of Datasensor SpA
- A decrease of € 566 thousand generated by adjustment of the Informatics investment
- A write-down of € 298 thousand on goodwill relating to the "Minec Group" acquisition based on the result of impairment testing, charging this to "General & administrative expenses". This joined the write-down of € 203 thousand already posted in 2007. In the classification by nature, the write-down is included in "Depreciation & amortisation and impairment"

Goodwill has been allocated to the CGUs (cash generating units) corresponding to the individual companies and/or sub-groups to which they pertain. In particular, we point out that, for the purposes of impairment, goodwill relating to the acquisition of the PSC Group has been allocated to two different CGUs, i.e. Datalogic Scanning Inc. (for about USD 78.5 million) and Datalogic Mobile Inc. (for about USD 12.5 million).

As highlighted in the paragraph included in the section on accounting standards and policies, in compliance with IFRS 3 goodwill has no longer been amortised since 1 January 2004 but is tested for impairment each year unless loss indicators suggest the need for more frequent impairment testing.

The recoverable value of each CGU, associated with each goodwill measured, consists of its corresponding value in use.

Value in use is calculated by discounting the future cash flows generated by the CGU – during production and at the time of its retirement – to present value using a certain discount rate, based on the DCF (discounted cash flow) method.

Individual CGUs' cash flows have been taken from their respective 2009 budgets and forward-looking plans prepared by management. These plans have been devised based on the P&L trend in previous FYs, also projecting premier analysts' assumptions concerning the relevant markets' trend, as well as, more generally, evolution of the sector as a whole.

Based on use of an unlevered approach, we have used unlevered free cash flows from operations (FCFO) as detailed below:

= EBIT
- taxes on EBIT
= NOPLAT (Net operating profit less adjusted taxes)
+ depreciation and amortization
- capital expenditures
+/- change in provisions
+/- change in working capital
= Unlevered free cash flows from operations

To expected flows for the period 2009-2013, which are explicitly forecast, the flow relating to perpetuity – representing terminal value – is added.

This is calculated using a long-term growth rate (g) of 2%, which represents the long-term expectations for the industrial sector to which we belong.

This growth is lower than the forecasts made by the US market research company VDC (Venture Development Corporate) in its 2008 survey of the growth outlook for the automatic data capture market, for which it is the main reference source.

The discount rate, consisting of the weighted average cost of invested capital (WACC) is estimated before tax and based on the financial structure of the sector to which the Datalogic Group belongs.

The WACC used – ranging from 7.3% to 9.6% depending on the goodwill measured – reflects the return opportunity for all capital contributions, for whichever reason they are made.

The following table details the growth assumptions of the forecast plans and the discount rates applied:

IMPAIRMENT TEST - 31.12.2008 Euro/000	DATALOGIC CONSOLIDATED GOODWILL						
	PSC		INFORMATICS	LASERVALL	IDWARE	INFRA	MINEC
	CGU DLS	CGU DLM					
Goodwill *Total Datalogic Group > 89.679*	**58.128**	**9.276**	**11.201**	**5.119**	**3.380**	**1.682**	**893**
WACC	**7,47%**	**7,47%**	**7,47%**	**9,59%**	**9,59%**	**9,59%**	**7,30%**
Long-term growth rate (G)	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**
CAGR 2009 - 2013 Sales	**5%**	**5%**	**5%**	**8%**	**5%**	**8%**	**5%**

In accordance with the procedures established in IAS 26, following the impairment test performed as at 31 December 2008 no impairment emerged, with the exception of the Minec Group's goodwill, which was written down by € 298 thousand.

To assure the appropriateness of the impairment-testing process, a specific sensitivity analysis was performed to measure the change in results achieved caused by changes in the growth assumptions used.

If the growth rate assumed for sales in the initial forward-looking is halved, or reduced to zero if it less than 3%, this confirms a positive impairment result.

In the above hypothesis, it is in any case likely that management would decide on actions to reduce overhead costs with respect to the plan used for impairment testing (not quantifiable at present) in order to underpin profitability.

We also highlight the fact that the 2009 trend in the yield of medium-/long-term Italian government securities – lower than the levels considered for the purposes of 2008 impairment testing – which represents the risk-free rate used to calculate WACC, i.e. risk-free remuneration of equity, translates into a positive effect in terms of value in use.

The result of the impairment test, achieved in a globally negative economic situation, confirms the fairness of the premium recognised at the time of acquisition of the individual businesses valued, as well as the future recoverability of related goodwill.

The **"Development costs"** item, which amounts to € 1,164 thousand, consists of specific development projects capitalised when they meet IAS 38 requirements and in compliance with Group policies, which envisage capitalisation only of projects relating to development of products featuring significant innovation.

The **"Other intangible assets"** item, which amounts to € 47,847 thousand, mainly consists of intangible assets acquired as part of the business combinations completed by the Group in 2004 and 2005 and specifically identified and valued in purchase accounting of the deals. The details are shown in the following table:

€ '000	31/12/2008	31/12/2007	USEFUL LIFE (YEARS)
Acquisition of PSC Group (occurred on 30 November 2006)	**28,730**	**29,216**	
PATENTS	24,712	24,737	20
SERVICE AGREEMENT	171	323	4
TRADEMARK	1,954	2,111	10
CUSTOMER PORTFOLIO	1,893	2,045	10
Acquisition of Laservall SPA (occurred on 27 August 2004)	**4,560**	**5,855**	
UNPATENTED TECHNOLOGIES	2,131	2,984	7
COMMERCIAL STRUCTURE	2,429	2,871	10
Acquisition of Informatics Inc. (occurred on 28 February 2005)	**3,545**	**3,894**	
COMMERCIAL STRUCTURE	3,545	3,894	10
LICENSE AGREEMENT	**4,059**	**5,423**	5
Assets in progress and payments on account	**1,051**	**16**	
Other	**5,902**	**6,030**	
TOTAL OTHER INTANGIBLE ASSETS	**47,847**	**50,434**	

The increase of € 1,034 thousand in "Intangible assets in progress and down payments" is mainly attributable to:

- Acquisition of a total of 3,000 sqm of buildability capacity for € 630 thousand
- Capitalisation of € 630 thousand of costs relating to a project possessing the features required by IAS 38 and Group policies and still being completed.

The "Others" item mainly consisted of software licenses. The change vs. 31 December 2007 was mainly due to amortisation relating to the period.

3. Investments in subsidiary and associate companies

Equity investments owned by the Group as at 31 December 2008 were as follows:

	31/12/2007	Increases	Datasensor acquisition	Forex differences	Share of profit /loss	31/12/08
Subsidiary companies						
Datasensor Francia	0		49			49
Datasensor Iberia	0		37			37
Datasensor Asia	0		2			2
Total subsidiaries	**0**	**0**	**88**	**0**	**0**	**88**
Associate companies						
Idec Datalogic CO.Ltd	690			195	(83)	802
Laservall Asia Co. Ltd	782	100			49	931
Datasensor UK	0		42			42
Special Video	0		29			29
Datasensor Gmbh	0		45			45
DL PRIVATE India	0		10			10
Total associates	**1,472**	**100**	**126**	**195**	**(34)**	**1,859**
TOTAL	**1,472**	**100**	**214**	**195**	**(34)**	**1,947**

The increase in "Subsidiaries" relates to the equity investments owned by Datasensor SpA. Although wholly owned, they have not been consolidated line by line as they will be wound up in 2009 and are not significant.

The change in "Associates" is due to the Group's share of the results achieved by the associates Idec Datalogic Co. Ltd. and Laservall Asia Co. and to exchange-rate adjustment.

Below we summarise the salient data of the above companies' financial statements as at 31 December 2008 (in € '000):

	Assets	Liabilities	Revenues	Net profit/(loss)
Subsidiary companies				
Datasensor Francia	105	70	495	-38
Datasensor Iberia	49	59	436	-26
Datasensor Asia	56	32	105	13
Associate companies				
Datasensor UK	638	255	1,497	20
Special Video	595	462	808	80
Datasensor Gmbh	793	584	2,131	-13
DL PRIVATE India	n.a.	n.a.	n.a.	n.a.
Idec Datalogic Co. Ltd	2,830	1,180	3,474	-167
Laservall Asia Co. Ltd	3,315	1,712	7,845	-32
Laservall China CO. Ltd	900	808	790	-282
Laservall Asia Co. Ltd. Ltd	908	3	2.363	411

4. Financial instruments by category

The balance sheet items coming within the scope of "financial instruments" as defined by IFRSs are as follows:

31-Des-07	Loans and receivables	Derivatives used for hedging transactions	Available for sale	Total
Non-current financial assets	***377***	***-***	***1,298***	***1,675***
Financial assets available for sale (5)			1,298	1,298
Trade receivables (7)	32			32
Other receivables - accrued income and prepayments (7)	345			345
Current financial assets	***146,414***	***171***	***-***	***146,585***
Trade receivables from third parties (7)	81,512			81,512
Other receivables - accrued income and prepayments (7)	10,163			10,163
Derivatives (6)		171		171
Cash & cash equivalents (10)	54,739			54,739
TOTAL	**146,791**	**171**	**1,298**	**148,260**

31-Dec-08	Loans and receivables	Available for sale	Total
Non-current financial assets	***2,438***	***1,736***	***4,174***
Financial assets available for sale / third parties (5)		1,736	1,736
Other receivables - accrued income and prepayments (7)	2,438		2,438
Current financial assets	***142,133***	***6***	***142,139***
Trade receivables from third parties (7)	76,231		76,231
Other receivables - accrued income and prepayments (7)	13,794		13,794
Financial assets available for sale (5)		6	6
Cash & cash equivalents (10)	52,108		52,108
TOTAL	**144,571**	**1,742**	**146,313**

31-Dec-07	**Derivatives used for hedging transactions**	**Other financial liabilities**	**Total**
Non-current financial liabilities	0	***91,412***	***91,412***
Financial payables		91,336	91,336
Other payables		76	***76***
Current financial liabilities	***686***	***101,808***	***102,494***
Trade payables to third parties		45,392	45,392
Other payables		30,410	30,410
Derivatives	686	-	686
Short-term financial payables		26,006	26,006
Total financial liabilities	**686**	**193,220**	***193,906***

31-Dec-08	**Derivatives used for hedging transactions**	**Other financial liabilities**	**Total**
Non-current financial liabilities	0	***93,371***	***93,371***
Financial payables (12)		92,458	92,458
Other payables (16)		913	913
Current financial liabilities	***2,151***	***139,557***	***141,708***
Trade payables to third parties (16)		47,686	47,686
Other payables (16)		26,857	26,857
Derivatives (6)	2,151		2,151
Short-term financial payables (12)		65,014	65,014
Total financial liabilities	**2,151**	**232,928**	**235,079**

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

AFS financial assets include the following items:

	31-Dec-08	**31-Dec-07**
Securities	**367**	**368**
Government bonds	*361*	*360*
Other securities	*6*	*8*
Other equity investments	**1,375**	**930**
Total	**1,742**	**1,298**

The item **"Loans to subsidiaries"** consists of an interest-earning loan in HKD granted to Laservall Asia and is adjusted to the end-of-period exchange rate.

The item "**Government securities"** (€ 361 thousand) consists of Italian treasury certificates (CCT). Their fair value consists of the official value quoted on 30 December 2008.

As at the Group owned the following "**Other equity investments"**:

	31/12/2007	Increases	31/12/2008
Nomisma SpA - Italy	7		7
Caaf Ind. Emilia Romagna - Italy	4		4
Crit srl	51		51
Consorzio T3 Lab	8		8
Mandarin Capital Management SA	59	445	504
Alien technology	801		801
Total other equity investments	**930**	**445**	**1,375**

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, which today represents the best estimate of fair value. The original investment amounts to USD 1,000 thousand, stated at cost converted at the historical exchange rate.

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. This investment is measured at purchase cost.

Changes occurring in current and non-current AFS financial assets are as follows:

	2008	2007
Balance at 01/01	**1,298**	**1,241**
Forex differences		
Increases	445	59
Disposals	- 1	(2)
Balance at 31/12	***1,742***	***1,298***
Minus: non-current portion	1,736	1,298
Current portion	***6***	**-**

The carrying values of AFS financial assets are expressed in the following currencies:

Currency	2008	2007
US dollar	801	801
Euro	941	497
Total	**1,742**	**1,298**

6. Financial derivatives

	31-Dec-08		31-Dec-07	
Interest rate derivatives - € '000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - (on financings in Euro)	-	737	171	
Interest rate swaps - (on financings in USD)	-	1,378		686
Total	**-**	**2,115**	**171**	**686**
Currency derivatives - € '000	**Assets**	**Liabilities**	**Assets**	**Liabilities**

Forward contracts - (hedging movements in USD)		36		
Total	-	**36**	-	-
TOTAL	**-**	**2,151**	**171**	**686**

Interest rate derivatives

The Group sets up interest rate derivatives to manage the risk stemming from changes in rates of interest on bank borrowings, converting them from variable to fixed rate via interest rate swaps having the same amortisation plan as the underlier hedged. As envisaged by IAS 39, the fair value of these contracts, totalling € 2,115 thousand, is recognised in a specific equity reserve net of the tax effect because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 31 December 2008, the notional principal of interest swaps totalled € 27,091 thousand and USD 31,850 thousand.

Currency derivatives

The forward contracts in place are linked to the foreign exchange risk on the USD for a total notional amount of USD 4,650 thousand and feature the same amount and due date of the underlier hedged. The items hedged are outward cash flows.

As at 31 December 2008, the amount of € 36 thousand in liabilities represented the fair value of the above derivative contracts. Since the requirements for application of hedge accounting are met, the change in the hedging instrument's fair value is recognised in equity for the effective part of the hedge (€ -17 thousand) while the ineffective part (€ -19 thousand) is recognised in the income statement.

7. Trade and other receivables

Trade and other receivables

	31/12/2008	31/12/2007	YoY Change
Trade receivables from third parties	77,937	83,090	- 5,153
Minus: doubtful debt provision	*1,706*	*1,546*	*160*
Trade receivables from third parties, net	**76,231**	**81,544**	**- 5,313**
Trade receivables from associates	***1,798***	***1,116***	***682***
Idec Datalogic CO.Ltd	*365*	*268*	*97*
Laservall Asia	*833*	*848*	*- 15*
Datasensor UK	*162*		*162*
Datasensor Gmbh	*380*		*380*
Special Video	*1*		*1*

Private	*57*	-	*57*
Trade receivables from parent company	***14***	**-**	***14***
Hydra	*14*		
Trade receivables from subsidiaries	***3***	**-**	***3***
Datasensor Iberia	*3*		*3*
Trade receivables from affiliates	**-**	***21***	***- 21***
Datasensor		*21*	*- 21*
Total trade receivables	***78,046***	***82,681***	***- 4,635***
Other receivables - accrued income and prepayments	***16,243***	***10,508***	***5,735***
Total	***94,289***	***93,189***	***1,100***
Minus: non-current portion	2,438	377	2,061
Current portion	**91,851**	**92,812**	**- 961**

Trade receivables

As at 31 December 2008 "Trade receivables due within 12 months" amounted to € 78,046 thousand and were down by 5.6% vs. the comparative figure as at 31 December 2007. This reduction was due both to the downturn in sales occurring, in particular, in the last quarter of the year and to tight management of credit accorded to customers.

Receivables from affiliates stem from trading transactions concluded at normal market conditions. Customer trade receivables are posted net of doubtful debt provision totalling € 1,706 thousand (€ 1,546 thousand as at 31 December 2007).

Changes in accrued doubtful debt provision during the period were as follows:

	2008	2007
At 1 January	**1,546**	**1,909**
Exchange-rate change	- 4	
Datasensor acquisition	282	
Doubtful debt provision	634	289
Receivables reversed as unrecoverable during the year	(619)	(303)
Amounts unused and reversed	(133)	(349)
At 31 December	**1,706**	**1,546**

The breakdown of the item by due and past-due dates is as follows:

	2008	2007
Non-overdue	56,770	57,471
Due within 30 days	15,147	18,304
Due within 30 - 60 days	2,942	3,989
Due after more than 60 days	3,187	2,917
Total	**78,046**	**82,681**

The high credit standing of our customers, mostly consisting of known customers/distributors, and the absence of significant credit risk – both by type and geographical area – reduce credit risk and mean that accrued doubtful debt provision is adequate.

The following table shows the breakdown of trade receivables by currency:

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Currency	2008	2007
Euro	51,008	53,900
US Dollar (USD))	21,341	20,897
British Pound Sterling (GBP)	2,805	3,948
Australian Dollar (AUD)	1,796	2,731
Japanese Yen (JPY)	1,083	1,082
Swedish Krona (SEK)	11	25
Danish Krona (DKK)	1	3
Hong Kong Dollar (HKD)	-	15
Slovak Koruna (SKK)	1	80
TOTAL	**78,046**	**82,681**

Other receivables – accrued income and prepaid expenses

The detail of the item "Other receivables, accrued income prepaid expenses" us as shown below:

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	31/12/2008	31/12/2007	YoY Change
Other current receivables	3,791	1,662	2,129
Other non-current receivables	2,438	345	2,093
VAT Tax Credit	7,490	6,245	1,245
Accrued income and prepaid expenses	2,524	2,256	268
Total	**16,243**	**10,508**	**5,735**

The item **"Other current receivables"** consists mainly of:

- A receivable (due within the year) relating to an amount receivable for a license contract concluded with a major competitor (€ 898 thousand)
- Government grants (€ 745 thousand)
- Down payments to suppliers (€ 539 thousand)

- A payment made by the direct parent company to the Inland Revenue against a reassessment received in January 2008 and against which the Company has filed an appeal (€ 530 thousand).

The increase in **"Other non-current receivables"** consists mainly of the portions due in 2010 and 2011 of the amount receivable for the license contract concluded with a major competitor (€ 1,796 thousand). This receivable has been discounted to present value.

8. Inventories

	31/12/2008	31/12/2007	YoY Change
Raw and ancillary materials and consumables	26,547	26,577	(30)
Work in progress and semi-finished products	6,891	5,791	1,100
Finished products and goods	18,700	18,790	(90)
Total	**52,138**	**51,158**	**980**

Inventories are shown net of obsolescence provision that, as at 31 December 2008, amounted to € 8,756 thousand (€ 7,045 thousand as at 31 December 2007).

Changes in such provision are shown below:

€ '000	2008	2007
1 January	**7,045**	**10,453**
Exchange-rate change	321	(611)
Datasensor S.p.A acquisition	150	
Provisions	5,875	4,266
Release for dumping and other uses	(4,635)	(7,063)
31 December	**8,756**	**7,045**

9. Tax receivables

This item includes the amount receivable from the ultimate parent company Hydra relating to the IRES (corporate tax) credit arising from participation in tax consolidation. At 31 December 2008 this credit amounted to € 581 thousand (€ 4,076 thousand at 31 December 2007).

10. Cash & cash equivalents

The breakdown of the "Cash & cash equivalents" item used for the purposes of the cash flow statement is detailed below:

	31/12/2008	31/12/2007	change
Cash & cash equivalents as per balance sheet	52,108	54,739	(2,631)
Time cash deposit	(379)	(70)	(309)
Current accounts	(162)	-	(162)
Cash & cash equivalents for reporting	**51,567**	**54,669**	**(3,102)**

Based on the requirements of CONSOB (Italian securities & exchange commission) memorandum no. 15519 of 28 July 2006, below we present the Group's financial position.

Datalogic Group	***31/12/2008***	***31/12/2007***
€ '000		
A. Cash and bank deposits	51,729	54,669
B. Other liquidity	379	70
b1. Restricted cash	*379*	*70*
C Securities held for trading	367	368
c1. Current	*6*	*0*
c2. Non-current	*361*	*368*
D. Cash & Cash equivalents (A) + (B) + (C)	***52,475***	***55,107***
E. Current financial receivables	0	206
F. Other current financial receivables	0	171
f1. hedging transactions		*171*
G. Bank current accounts payable	162	0
H. Current portion of non-current debt	61,451	26,006
I. Other current financial liabilities	5,552	686
I1. Financial liabilities vs BoD member	*3,401*	
I2. hedging transactions	*2,151*	*686*
J. Current financial debt (G) + (H) +(I)	***67,165***	***26,692***
K. Current financial debt, net (J) - (D) - (E) - (F)	***14,690***	***(28,792)***
L. Non-current bank borrowing	92,458	87,845
M. Other current financial receivables	204	0
N. Other non-current liabilities	0	3,491
n1. Financial liabilities vs BoD member		*3,491*
O. Non-current financial debt (L) - (M) + (N)	***92,254***	***91,336***
P. Net financial debt (K) + (O)	***106,944***	***62,544***

The net financial position as at 31 December 2008 shows net debt of € -106,944 thousand and deterioration vs. 31 December 2007 (€ -62,544 thousand).

This deterioration was primarily due to the fact that operating cash flow generated was more than offset by the following uses:

- € 43,885 thousand = acquisition of the investment in Datasensor SpA
- € 23,221 thousand = purchase of treasury shares (treasury shares owned as at 31 December 2008, amounting to € 18,009 thousand, are not included in the net financial position)
- € 4,900 thousand = payment of the first tranche of the management incentive plan
- € 4,063 thousand = payment of dividends.

BALANCE SHEET INFORMATION – EQUITY AND LIABILITIES

11. Equity

The detail of equity accounts is shown below, while changes in equity are reported in the specific statement:

(€'000)	31/12/2008	31/12/2007
Share capital	30,392	33,205
Share premium reserve	90,958	114,141
Extraordinary share-cancellation reserve	2,813	0
Treasury shares held	(15,605)	(25,788)
Treasury share reserve	18,009	18,789
Share capital	**126,567**	**140,347**
Cash-flow hedge reserve	(1,434)	(515)
Translation reserve	(12,262)	(18,721)
Other reserves	**(13,696)**	**(19,236)**
Retained earnings	**5,103**	**34,288**
Earnings carried forward	(6,837)	13,300
Capital grant reserve	958	958
Legal reserve	2,262	1,870
Treasury share reserve	0	9,440
IFRS transition reserve	8,720	8,720
Net profit (loss) for the period	**17,844**	**18,083**
Earnings carried forward	**22,947**	**52,371**
Total Group net equity	**135,818**	**173,482**

Share capital

Changes in share capital (fully subscribed and paid in), as at 31 December 2008, are shown below:

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Treasury share reserve	Total
01-Jan-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-Dec-07	**59,348,688**	**33,205**	**114,141**	**(25,788)**	**0**	**18,789**	**140,347**

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01-Jan-08	**59,348,688**	**33,205**	**0**	**114,141**	**(25,788)**	**18,789**	**140,347**
Reduction in capital due to cancellation of treasure shares	(5,409,981)	(2,813)					(2,813)
Purchase of treasury shares	(3,966,574)			(23,183)	(23,183)	23,183	(23,183)
Sale of treasury shares							0
Cancellation of treasury shares	5,409,981		2,813	0	33,403	(23,963)	12,253
Costs for the purchase of treasury shares					(37)		(37)
Capital increase expenses							0
31-Dec-08	**55,382,114**	**30,392**	**2,813**	**90,958**	**(15,605)**	**18,009**	**126,567**

On 20 February, the shareholders of Datalogic SpA met in an extraordinary session to approve a reduction in share capital via cancellation of 5,409,981 treasury shares (accounting for 8.472% of share capital) held by the Company.

This transaction, which was executed on 27 May 2008, reduced share capital by a par value of € 2,813,190.12 and freed up unavailable treasury share reserves in the amount of € 33,403,391.87.

The reserves made available and used for the purpose of this cancellation totalled € 23,963 thousand in equity reserves and € 9,440 thousand in earnings reserves. The transaction was executed in compliance with the aforementioned shareholder resolution.

In conjunction with the cancellation, as approved by the shareholders, an extraordinary share-cancellation reserve in the amount of € 2,813 thousand was established by using the share premium reserve, thereby remaining classified within "Share capital".

Ordinary shares

As at 31 December 2007 ordinary shares totalled 58,446,491 in number, of which 3,064,377 held as treasury shares, meaning that the shares in circulation on that date numbered 55,382,114. The shares have a unit par value of € 0.52 and have been fully subscribed.

Treasury shares

The treasury share account, negative by € 15,605 thousand, includes purchases of treasury shares in the amount of € 18,009 thousand, which have been recognised net of gains and charges realised following the sale of treasury shares and related tax effects (€ 2,422 thousand positive). In 2008 the Group bought 3,966,574 treasury shares and cancelled 5,409,981.

For these purchases, in accordance with the requirements of Article 2453 of the Italian Civil Code, equity reserves (via the treasury share reserve) amounting to Euro 18,009 thousand have been made unavailable.

Other reserves

Translation reserve

In compliance with IAS 21, translation differences arising from translation into accounting currency of the foreign currency financial statements of consolidated companies are classified as a separate equity component. We point out that € 2,032 thousand, which in the previous year was classified as retained earnings, has been reclassified in the translation reserve following adjustment at historical exchange rates of equity of the Scanning subsidiaries.

Cash-flow hedge reserve

Following adoption of IAS 39, changes in the fair value of derivative contracts designated as effective hedging instruments are recognised in accounts directly in equity, in the cash-flow hedge reserve. These contracts have been concluded to hedge exposure to the risk of oscillation of rates of interest on variable-rate loans (negative by € 2,115 thousand) and to hedge currency exposure (negative by € 17 thousand) and amounts are shown net of the tax effect (€ 698 thousand).

Cumulative retained earnings

Treasury share reserve

This reserve has been fully used for cancellation of treasury shares.

IFRS transition reserve

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

Retained earnings

This item includes equity changes occurring in consolidated companies after acquisition date.

The significant decrease of this account is due to recognition of acquisition of Datasensor SpA, as highlighted in the section **“Change in consolidation area”.**

Dividends

On 28 April 2008 the Annual General Meeting of Datalogic SpA shares approved distribution of the ordinary dividend of € 0.07 per share (€ 0.06 in 2007). The total dividend of € 4,063 thousand will be paid out as from 2 May 2008.

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

	31 December 2008		31 December 2007	
	Total net equity	Period result	Total net equity	Period result
Datalogic SpA net equity and profit	**147,392**	**3,355**	**171,704**	**7,840**
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	24,027	39,782	9,723	23,555
Reversal of dividends	0	(26,659)	0	(9,017)
Amortisation of intangible assets acquired in business combination	(5,827)	(1,295)	(4,532)	(1,295)
Effect of acquisition under common control	(31,733)	0		
Elimination of capital gain on sale of business branch	(3,302)	(1,119)	(2,199)	(1,980)
Effect of eliminating intercompany transactions	(2,168)	237	(2,405)	(560)
Reversal of write-downs and gains on sale of equity investments i	5,075	2,326	(275)	117
Sale of know-how	(1,321)	1,428	(2,749)	(2,749)
Impairment of goodwill	(501)	(298)	(203)	(203)
Other	(236)	93	4,418	2,375
Taxes	4,412	(6)		
Group portion of net equity	**135,818**	**17,844**	**173,482**	**18,083**
Minority interests in net equity	**0**	**0**	**0**	**0**
Total net equity	**135,818**	**17,844**	**173,482**	**18,083**

12. Short- and long-term borrowings and financial liabilities

The breakdown of this item is as detailed below:

	31/12/2008	31/12/2007
Bank loans	153,909	113,851
Bank overdrafts (ordinary current accounts)	162	
Financial liabilities	3,401	3,491
of which with related parties	*3,401*	*3,491*
Total financial payables	**157,472**	**117,342**

The following table shows the current and non-current split:

	31/12/2008	31/12/2007
Non-current		
Bank loans & mortgages	92,458	87,845
Financial liabilities	0	3,491
of which with related parties	*0*	*3,491*
Total	**92,458**	**91,336**
Current		
Bank overdrafts (ordinary current accounts)	162	
Bank loans & mortgages	61,451	26,006
Financial liabilities	3,401	
of which with related parties	*3,401*	
Total	**65,014**	**26,006**
Total financial payables	**157,472**	**117,342**

Bank borrowings

Below we detail the changes in “Bank loans and other lenders” as at 31 December 2008:

	2008
1 January	**113,851**
Forex differences	2,784
Datasensor acquisition	2,842
Increases for new mortgages	66,012
Early repayment	(19,757)
Decreases for loan payments	(11,824)
31 December	**153,909**

Increases vs. 31 December 2007 are as detailed below:

Datalogic Automation Srl:

Taking out, on 24/01/08, of a medium-/long-term loan of € 5,000 thousand.

Laservall SpA:

Taking out:

- On 29/01/08, of a medium-/long-term loan of € 5,000 thousand;
- Of a facilitated low-rate loan of € 1,109 thousand.

Datalogic SpA:

Taking out of the following loans:

- € 10,000 thousand as a medium-/long-term loan.
- Some loans and credit lines for a total of € 43,000 thousand, used to buy Datasensor. These loans were replaced in the first quarter of 2009 by medium-/long-term loans

Scanning Holding Inc: taking out of a revolving loan of € 1,903 thousand, then repaid.

The decrease due to early repayment is due to:

- Early repayment of the capital portions of the medium-/long-term loan taken out by Datalogic Scanning Holding and renegotiated in April 2008. This repayment was executed using the funds received from the legal dispute with the seller of PSC (see the explanatory notes for December 2007)

- Repayment of a stand-by loan (€ 14,000 thousand) by Datalogic SpA
- Repayment, on 2 July, of the revolving credit facility taken out by Scanning Holding Inc.

Bank borrowings have maturities until 2014 and approximate annual average interest rates of 3.7%. As regards lines of credit/financial facilitations, reference should be made to what is described in the "Liquidity risk" paragraph of the accounting policies section.

The fair value of current and non-current borrowing is substantially equivalent to their carrying value.

Guarantees given by banks in the group's favour total € 1,690 thousand. In addition, the direct parent company has issued suretyships totalling € 83,274 thousand and letters of patronage totalling € 29,718 thousand for subsidiaries' borrowings.

The split of "bank loans and other lenders" by maturity date is as follows:

	2008	2007
Variable rate	**150,047**	**110,852**
within 1 year	60,749	25,406
beyond 1 year	86,915	66,086
beyond 5 years	2,383	19,360
Fixed rate	**3,862**	**2,999**
within 1 year	702	600
beyond 1 year	3,071	2,151
beyond 5 years	89	248
Total	**153,909**	**113,851**

The breakdown of "bank loans and other lenders" by currency is as shown below:

Currency	2008	2007
Euro	109,879	64,685
USD	44,015	49,141
$AUD	15	25
Total	**153,909**	**113,851**

With regard to the loan for USD 70 million (today outstanding for USD 58-6 million) taken out by Datalogic Scanning Holdings Inc, the company has been asked to comply with – on a 6-monthly basis – a number of financial covenants in the form of 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 expense;
- 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 expense and total portion of principal repaid);
- Capex – *Capital expenditure*, value of investments.

As regards the other four loans (Datalogic SpA € 24,000 thousand, Laservall SpA € 5,000 thousand, and Datalogic Automation Srl € 5,000 thousand), the companies have been asked to respect some financial covenants linked to Datalogic SpA's accounts and calculated on gross financial debt and equity or, if levels are exceeded, by the ratio of the two.

Failure to comply with these covenants would enable the bank to revoke the loan or renegotiate conditions. As at 31 December 2008 all the financial covenants indicated above had been respected.

Financial liabilities

The item "Financial liabilities" has been set up to accommodate the put option on a minority interest in Informatics held by a member of the parent company's Board. In practice, given the option's characteristics, its risks and benefits have been deemed to have been transferred to the parent company. The transaction has therefore been recognised as an acquisition of a minority interest, and the parent-company criterion has been applied (in accordance with OPI 3, the preliminary interpretation of the Italian association of auditors Assirevi) as a contra-account to goodwill. It includes all interest accrued and foreign exchange adjustment.

13. Deferred taxes

Deferred tax assets and liabilities stem both from (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,

Below we show the main items forming deferred tax assets and deferred tax liabilities and changes occurring in them during FY2008:

Deferred tax assets	Prior years' losses	Forex adjust.	Asset write-downs	Provisions	Other	Deferred taxes recognised due to effect of consolidation adjustments	Total
At 01 January 2008	**4,304**	**76**	**675**	**9,934**	**903**	**1,833**	**17,725**
							0
DS acquisition			**41**	**41**	**69**		**151**
Provisioned in (released from) income statement	**1,378**	**66**	**812**	**-70**	**-655**	**-1,213**	**318**
							0
Provisioned in (released from) equity					**42**	**656**	**698**
							0
Foreign currency differences	**208**	**3**	**2**	**373**	**-3**		**583**
							0
Other changes					**-55**	**0**	**-55**
							0
At 31 December 2008	**5,890**	**145**	**1,530**	**10,278**	**301**	**1,276**	**19,420**

Deferred tax liabilities	Deprec & Amort	Reserve for prevision losses	Operations deriving from acquisitions	Provisions	IFRS Reserve	Other	Deferred taxes recognised due to effect of consolidation adjustments	Total
At 01 January 2008	**6,010**		**12,499**	**-160**	**315**	**382**	**1,923**	**20,969**
								0
Provisioned in (released from) income statement	**-2,623**	**8**	**-1,003**	**1,130**		**290**	**-609**	**-2,807**
								0
Provisioned in (released from) equity								**0**
								0
Foreign currency differences	**9**		**666**	**56**		**-7**		**724**
								0
Other changes	**-81**						**-326**	**-407**
								0
At 31 December 2008	**3,315**	**8**	**12,162**	**1,026**	**315**	**665**	**988**	**18,479**

We point out that there was reclassification between deferred tax assets and liabilities as at 31 December 2007, as highlighted in Annex 2.

The decline in deferred tax liabilities is attributable primarily to redemption, via substitute taxation, of the difference between accounting and tax values resulting from the option, available until 31 December 2007, to make non-accounting tax deductions, which resulted in a release of deferred tax liabilities in the amount of € 2,310 thousand.

14. Post-employment benefits

The changes in liabilities were as shown below:

	2008	2007
1 January	**6,565**	**7,624**
Change in the scope of consolidation (Datasensor acquisition)	2,284	
Amount provisioned in period	1,530	155
Utilisation	(883)	(855)
Curtailment		(483)
Receivable vis-à-vis state pension and welfare agency (INPS) relating to post-employment benefit provision	-1,104	0
31 December	**8,392**	**6,441**

The main demographical assumptions used by the actuary to measure accrued severance-indemnity liabilities as up to 31 December 2006 were as follows:

Actuarial assumptions	2008
Discount rate	5%
Inflation rate	2%
Probability of accrued benefits being requested in advance	3%
Percentage of accrued benefits being requested in advance	70%
Turnover	5%

15. Provisions

The breakdown of accrued provision is as shown below:

	31/12/2008	31/12/2007	change
Short-term provisions	9,787	4,894	4,893
Long-term provisions	5,518	5,924	(406)
Total provisions	**15,305**	**10,818**	**4,487**

Below we show the detailed breakdown of and changes in this item:

	31/12/2007	Increases	(Utilisation)	Forex differences	Datasensor acquisition	Other changes	31/12/2008
Product warranty provision	**4,917**	**737**	**(982)**	**201**		**(35)**	**4,914**
Provision for legal disputes	**-**	**-**	**-**	**-**		**-**	**-**
Restructuring provision	**327**	**94**	**(314)**	**(8)**		**-**	**99**
Provision for management incentive scheme	**4,005**	**3,442**	**-**	**48**		**(66)**	**7,429**
Other provisions	**1,569**	**1,524**	**(445)**	**49**	**166**	**-**	**2,863**
Total provisions	**10,818**	**5,797**	**(1,741)**	**290**		**(101)**	**15,305**

The product warranty provision covers the estimated cost of repairing products sold as up to 31 December 2008 and covered by periodical warranty; it amounts to € 4,914 thousand (of which € 2,717 thousand long-term) and is considered sufficient in relation to the specific risk it covers

The increase in the item "restructuring provision" consists of provisions made for the estimated liabilities relating to corporate reorganisation processes. It is of a short-term nature.

The "Other provisions" item consists mainly of:

- € 1,272 thousand (of which € 223 thousand long-term) for a stock rotation provision for the Scanning division, Mobile Inc and Informatics;
- € 173 thousand attributable to the Scanning division and provisioned for compliance with Directive
- 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment, as enacted in Italian law by Legislative Decree no. 151 of 25 May 2005
- € 1,108 thousand against tax assessments by the Inland Revenue. Of this provision, € 350 thousand relates to existing litigation on the ten-year ILOR (local income tax) exemption, as provided by Italian Presidential Decree no. 218/78 (the consolidated act on government grants in Southern Italy) concerning Datasud, for FY1996.
- Further provision of € 758 thousand was made during 2008 against a tax assessment, once again concerning the ex-Datasud, for FYs 1888 and 2000. As regards this latter assessment, against which the Company had appealed. The Aquila Regional Tax Tribunal, on 14 December 2006 upheld the position of the Inland Revenue, notwithstanding the fact that the assessment in question was flawed by a gross and evident error in the calculation of one of the items (the main one) performed by the Inland Revenue. The Company intends to file a further appeal, in the

appropriate institutional forum, to get its reasoning upheld. It has nevertheless prudently made provision in 2008 year-end accounts for the higher taxes and fines relating to the assessment in question.

- € 193 thousand for agent termination indemnities
- € 117 thousand provisioned against compensation to be paid to a supplier in the eventuality of non-performance of a contractual clause.

16. Trade and other payables

This table shows the details of trade and other payables:

	31/12/2008	31/12/2007	YoY Change
Trade payables due within 12 months	47,686	45,392	2,294
Trade payables due after 12 months	-	-	-
Third party trade payables	**47,686**	**45,392**	**2,294**
Payables to associates	***47***	***39***	**8**
Idec Datalogic CO.Ltd	35	39	(4)
Specialvideo	12	0	12
Payables to subsidiaries	**67**	**0**	**67**
Datasensor Francia	44		44
Datasensor Iberia	19		19
Datasensor Asia	4		4
Payables to affiliates	***-***	***492***	***- 492***
Datasensor		492	-492
Other payables - accrued liabilities and deferred income	***27,770***	***30,486***	***(2,716)***
Total	***75,570***	***76,409***	***(839)***
Minus: non-current portion	913	76	837
Current portion	**74,657**	**76,333**	**- 1,676**

Other payables – accrued liabilities and deferred income

The details of this item are as follows:

	31/12/2008	31/12/2007	YoY Change
Other current payables	16,373	19,250	(2,877)
Other non-current payables	913	76	837
VAT payables	2,535	3,430	(895)
Accrued liabilities and deferred income	7,949	7,730	219
Total	**27,770**	**30,486**	**(2,716)**

The detailed breakdown of other payables is as follows:

Other current payables	**31/12/2008**	**31/12/2007**	**YoY Change**
Due to pension and social security agencies	3,091	3,388	(297)
Due to employees	9,271	13,351	(4,080)
Security deposits received	-	40	(40)
Directors' remuneration due	2,546	1,683	863
Royalty costs yet to be paid	31	272	(241)
Other payables	1,434	516	918
Total	**16,373**	**19,250**	**(2,877)**

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at balance sheet date.

The decline in “amounts due to employees” and in “directors’ remuneration due” is primarily attributable to the payout of management incentives.

Of the increase in “Other payables”, € 630 thousand refer to the amount payable for the purchase of build ability capacity by the direct parent company.

The increase in accrued liabilities and deferred income refers primarily to deferral of the income referring to future periods related to a maintenance contract.

INFORMATION ON THE INCOME STATEMENT

17. Revenue

	31/12/2008	31/12/2007	Change
Revenue from sale of products	365,752	389,561	(23,809)
Revenue for services	14,068	14,466	(398)
Total revenue	**379,820**	**404,027**	**(24,207)**

Revenue earned from services decreased by 6% year on year (-3.2% at constant exchange rates).
The acquisition of Datasensor contributed € 6,343 thousand to sales revenue at 31 December 2008.

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

Below is the geographical breakdown of revenue in percentage terms:

	31/12/2008	31/12/2007	Change
Revenue - Italy	10%	10%	0%
Revenue – EU	42%	41%	1%
Revenue – Rest of World	48%	49%	-1%

18. Cost of goods sold and operating costs

The following schedule highlights non-recurring costs and amortization arising from acquisitions, as the extraordinary components pursuant to introduction of IAS principles are no longer listed separately, but are included in ordinary operations.

	31/12/2008	31/12/2007	Change
TOTAL COST OF GOODS SOLD (1)	**211,774**	**224,349**	**(12,575)**
of which non-recurring	*9*	*51*	*(42)*
TOTAL OPERATING COSTS (2)	**147,806**	**151,082**	**(3,276)**
R&D expenses	25,306	25,004	302
of which non-recurring	-	*12*	*(12)*
Distribution expenses	77,301	78,570	(1,269)
of which non-recurring	*55*	*1,067*	*(1,012)*
General & administrative expenses	42,688	43,355	(667)
of which non-recurring	-	*911*	*(911)*
of which amortization pertaining to acquisitions	*3,896*	*4,087*	*(191)*
Other operating costs	2,511	4,153	(1,642)
of which non-recurring	*665*	*792*	*(127)*
TOTAL (1+2)	**359,580**	**375,431**	**(15,851)**
of which non-recurring	***729***	***2,833***	***(2,104)***
of which amortization pertaining to acquisitions	***3,896***	***4,087***	***(191)***

The cost of goods sold and operating costs of Datasensor amounted to € 3,843 thousand and € 2,341 thousand, respectively, in 2008.

Below is the breakdown of non-recurring costs and revenue:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2)Cost of goods sold	(9)	Early retirement incentives, under the restructuring plan
5) Distribution expenses	(55)	Early retirement incentives, under the restructuring plan
7) Other operating expenses	(665)	Tax disputes
TOTAL NON-RECURRING COSTS	**(729)**	

Amortization arising from acquisitions (equal to € 3,896 thousand), included in the item "General and Administrative expenses", are comprised as follows:

1. € 1,295 thousand pertaining to Laservall,
2. € 544 thousand pertaining to Informatics;
3. € 1,698 thousand pertaining to Datalogic Scanning Inc,
4. € 359 thousand attributed to Datalogic Mobile Inc.

It should also be noted that, as at 31 December 2008, operating costs include € 993 thousand in early retirement incentives, which have not been classified among non-recurring costs and revenue in that they are related to normal operations of company management and not to extraordinary events such as corporate reorganization.

Total cost of goods sold (1)

This item fell by 6% vs. the same period in 2007, which is essentially in line with the decline in revenue.

Total operating costs (2)

Operating costs, net of non-recurring items and amortization and depreciation of acquisitions, fell slightly from € 144,213 thousand to €143,190 thousand. More specifically,

- “R&D expenses” were essentially in line with the previous year.

- “Distribution expenses” totalled € 77,301 thousand, net of non-recurring costs which were in line with last year. At constant average exchange rates and net of non-recurring costs, these would have been higher by € 2,600 thousand versus 31 December 2007; this increase pertains mainly to early retirement incentives (+ € 596 thousand) and shipping costs (+ € 986 thousand).

- "General and administrative expenses” amounted to €42,688 thousand. This item, net of extraordinary items and at constant exchange rates, reported an increase of € 800 thousand year-on-year due to early retirement incentives and compensation paid to directors. Considering the exchange rate at December 2008, these expenses were in line with the 2007 financial year.

The detailed breakdown of “Other operating costs” is as follows:

	31/12/2008	**31/12/2007**	**Change**
Capital losses on assets	119	84	35
Contingent liabilities	77	116	(39)
Provision for doubtful accounts	634	295	339
Other provisions	831	790	41
Non-income taxes	822	789	33
Costs charge backs	-	2,047	(2,047)
Other	28	32	(4)
TOTAL OTHER OPERATING COSTS	**2,511**	**4,153**	**(1,642)**

The “Provision for doubtful accounts” is € 634 thousand, higher than 2007, and refers to higher provisions made by the Automation and Scanning divisions.

“Other provisions” came to € 831 thousand as at December 2008 and is attributable for € 665 thousand to the provision made following audits conducted by the Italian Internal Revenue Service relating to the financial years 1999 and 2000 (for Datasud srl, incorporated into Datalogic SpA in 2004). For more details, see the note 15 of the Balance Sheet.

Breakdown of costs by type

The following table provides the details of total costs (cost of goods sold + operating costs) by type, for the main items:

	31/12/2008	31/12/2007	Change
Payroll & employee benefits	103,999	106,202	(2,203)
Amortization and depreciation and impairment	16,320	16,388	(68)
Inventory change	5,943	(2,442)	8,385
Purchases	145,618	171,042	(25,424)
Subcontracted work	7,502	4,959	2,543
Repairs	4,277	4,571	(294)
Marketing	6,402	5,862	540
Directors' remuneration	6,466	6,287	179
Travel & accommodation	5,514	5,774	(260)
Technical, legal, and tax advisory services	8,607	10,391	(1,784)
Goods receipt & shipment	13,055	12,321	734
Meeting	823	895	(72)
Building expenses	4,693	4,702	(9)
Other payroll costs	30,361	28,479	1,882
Total (COGS + operating costs)	**359,580**	**375,431**	**-15,851**

Marketing expenses totalled € 6,402 thousand. The main items are as follows: € 3,054 thousand for advertising and sponsorship expenses, € 1,533 thousand for the company's share of the marketing expenses incurred by commercial partners, and € 1,162 thousand for trade event costs.

Expenses for Directors' compensation at 31 December 2008 include the long-term incentive of € 2,209 thousand and the end-of-service bonus of € 2,160 thousand.

Technical, legal and tax advisory services amounted to € 8,607 thousand. The decrease versus the same period of 2007 is largely due to costs incurred during the first six months of last year for significant Group reorganization efforts (i.e. the "Transformation Plan") in the amount of €1,146 thousand.

The subcontracted work expenses of € 7,502 thousand increased by € 2,543 thousand compared with the same period of 2007. This increase was due primarily to the creation of a product whose production was assigned to an external supplier after 31 March 2007.

Expenses for receiving and shipping merchandise amounted to € 13,055 thousand, posting a 6% increase versus a year earlier.

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

	31/12/2008	31/12/2007	Change
Wages and salaries	78,694	78,573	121
Social security charges	16,302	16,663	(361)
Staff leaving indemnities	1,530	1,044	486
Retirement and similar benefits	838	887	(49)
Medium to long-term managerial incentive plan	1,277	5,242	(3,965)
Other payroll costs	5,358	3,793	1,565
Of which early retirement incentives	*1,057*	*74*	*983*
Total	**103,999**	**106,202**	**(2,203)**

The item "wages and salaries" includes bonus and incentive payments for € 2,455 thousand and Commissions on sales of € 5,483 thousand.

The decrease in the item "Managerial incentive plan" is attributable to the lower provision made as a result of lower revenue compared with 2007.

The increase in the item "Other payroll costs" is comprised of € 1,057 thousand in early retirement incentives of which the amount of € 64 thousand was classified under the item "non-recurring costs and revenue" since it was part of a reorganization/restructuring plan.

19. Other operating revenue

The detailed breakdown of this item is as follows:

	31/12/2008	31/12/2007	Change
Miscellaneous income and revenue	7,327	882	6,445
Rental income	288	253	35
Royalty fees	-	19	(19)
Capital gains on asset disposals	40	50	(10)
Incidental income and cost cancellation	586	641	(55)
Grants to Research and development expenses	2,080	-	2,080
Other	152	-	152
TOTAL OTHER REVENUE	**10,473**	**2,488**	**7,985**

The item "Miscellaneous income and revenue", equal to € 7,327 thousand, includes € 5,176 thousand in revenue received following the signing of a license contract with a major competitor.

The item "Grants to Research and development expenses", amounting to € 2,080 thousand, is comprised as follows:

- € 1,234 thousand relating to costs incurred between 1 January and 31 December 2007; this amount was reported based on the amounts set forth by the Italian Finance Act 2007 (Law 296/2006, Art. 1, sections 280-284) which introduced the possibility of using a tax credit calculated on the research and development expenses incurred in 2007/2009. Following transformation of the incentive in question from an "automatic" benefit to a "selective" benefit (contingent on the availability of public funds), the

Company prudently decided to not report the portion related to the expenses incurred in 2008 (equal to € 1,400 thousand) while waiting for the funds to actually be assigned (expected within the first half of 2009). At 30 September 2008, the Italian companies of the Group reported the contribution relating to the 2008 financial year in their financial statements, since the changes in the incentive (from "automatic" to "selective") were introduced in 29 November 2008 (Decree Law 185) but became effective retroactively for the year in progress at that date.

- € 846 thousand for other operating grants.

20. Net financial income (expenses)

	31/12/2008	31/12/2007	Change
Interest expenses on bank current accounts/loans	6,244	6,393	(149)
Foreign exchange losses	12,606	5,604	7,002
Bank expenses	438	425	13
Other	563	186	377
TOTAL FINANCIAL EXPENSES	**19,851**	**12,608**	**7,243**
Interest income on bank current accounts/loans	1,421	2,369	(948)
Foreign exchange gains	13,466	5,351	8,115
Other	198	27	171
TOTAL FINANCIAL INCOME	**15,085**	**7,747**	**7,338**
NET FINANCIAL INCOME (EXPENSES)	**(4,766)**	**(4,861)**	**95**

Total financial expenses

The item “Foreign exchange losses” amounted to € 12,606 thousand and refers mainly to the Scanning Group (€ 8,471 thousand), the parent company (€ 1,041 thousand), the Automation Group (€ 1,057 thousand) and the Mobile Group (€ 1,810 thousand).

The item “Others”, amounting to € 563 thousand, is attributed largely to discounting of financial liabilities for € 276 thousand (see note 12) and the write-down of equity investments that will be liquidated next year (€ 152 thousand).

Total financial income

The item “Foreign exchange gains” amounts to € 13,466 thousand and is attributed mainly to the Scanning Group (€ 9,334 thousand), the parent company (€ 1,193 thousand), the Automation Group (€ 1,438 thousand) and the Mobile Group (€ 1,501 thousand).

The “Others” item, amounting to € 198 thousand, is related to discounting of the non-current portion of an amount receivable for a license contract concluded with a major competitor.

21. Taxes

	31/12/2008	31/12/2007
Income tax	10,311	10,662
Substitute tax	883	
Deferred income tax	(3,125)	(2,126)
	8,069	**8,536**

The average tax rate was 31.14% (32.07% at 31 December 2007), slightly better than a year before.
Below are some operations which have had an important impact on the tax rate in 2008:

- contributions to research and development expenses in the amount of €1,234 thousand, which are not included in taxable income;
- the redemption of the difference between accounting and fiscal values resulting from the option, available until 31 December 2007, to make non-accounting tax deductions. Effective as of 2008, Article 1 of the Finance Act 2008 (Law no. 244 of 24 December 2007) has abolished the ability to make tax deductions for depreciation, provisions and other costs not shown on the income statement by indicating them in a specific section (box EC) of the Italian tax return form. This law also introduced the possibility to eliminate any misalignment between accounting and fiscal values related to such deductions, providing the option to subject such differences to a substitute tax in place of corporate income tax and the Italian regional business tax (i.e. IRAP), without awaiting the natural recovery of accounting-based depreciation in future periods. In other words, by paying the substitute tax, it is possible to deduct again the greater values already deducted for tax purposes through these non-accounting deductions. All companies of the Datalogic Group that were able to take advantage of this option (essentially the Italian firms) did so, and the differences that were redeemed totalled € 7,357 thousand. The decision to redeem such differences resulted in deferred taxes, given that the negative components of income deducted for tax purposes in years prior to that in which they appear on the income statement lead to temporary differences in taxable income (given that they result in different amounts of taxable income in the future periods) and, therefore, are equivalent to deferred tax liabilities. Following this redemption, the provision for deferred taxes accumulated in prior years increased, and the difference was recognized as an adjustment to income tax expense.

As a result, the benefit recognized on the income statement as at 31 December 2008 comes from the difference between the elimination of the provision for deferred taxes (in the amount of € 2,310 thousand) and the substitute tax expense (€ 883 thousand), i.e. € 1,427 thousand.

In short, the contribution just described is as follows:

€ '000	31/12/2008 A	Contribution to R&D expenses B	Substitute tax C	Deferred taxes released for redemption	31/12/08 "normalized" E=A+B+C+D	31/12/07
Pre-tax profit/loss	**25,913**	**(1,234)**			**24,679**	**26,618**
Taxes	**8,069**		**(883)**	**2,310**	**9,496**	**8,536**
Average effective tax rate	**31.14%**				**38.48%**	**32.07%**

The increase in the average tax rate is due largely to release deferred tax assets (€ 298 thousand) posted in previous years but which are no longer considered recoverable and the failure to book deferred tax assets against losses realized in the year by some Group companies, for the same reason.

22. Earnings/loss Per Share

Basic Earnings/loss Per Share

The basic earnings per share at 31 December 2008 are calculated based on a net group profit of € 17,844 thousand (€ 18,083 thousand being the net profit at 31 December 2007) divided by the weighted average number of ordinary shares at 31 December 2008 equal to 57,300,109 (61,548,730 at 31 December 2007).

	31/12/2008	31/12/2007
Group profit/(loss) for period	17,844,000	18,083,000
Average number of shares as at 31 December	57,300,109	61,548,730
Basic earnings/loss per share	0.3114	0.2938

23. Business Combination

On 3 October 2008, the Group concluded a contract with the ultimate parent company Hydra SpA to acquire 100% of Datasensor SpA, a producer of photoelectric sensors and devices.
This deal took place between entities controlled by the same parties, and is thus configured as a deal between entities under common control
Below are the main values of the assets and liabilities (€ '000) calculated in accordance with IFRSs by the Datasensor Group at 30 September 2008, the date on which the valuation of acquired company was carried out:

	Amounts as in the Datasensor Group accounts:	*Adjustments to fair value*	Carrying value (€/000)
Tangible and intangible assets	5,380		5,380
Non- consolidated equity investments	168		168
Inventories	5,756		5,756
Trade and other receivables	10,923		10,923
Financial receivables and interest-bearing loans	3,000		3,000
Cash & cash equivalents	1,273		1,273
Interest-bearing financial liabilities	-2,842		-2,842
Employee severance indemnity and provisions for liabilities	-2,526		-2,526
Trade and other payables	-7,590		-7,590
NET ASSETS AT FAIR VALUE	**13,542**	**0**	13,542
% pertaining to Group			100%
GROUP'S SHARE OF NET ASSETS AT FAIR VALUE			**13,542**
Consideration in cash			43,700
Land swap			1,300
Accessory expenses			275
ACQUISITION COST			**45,275**
VALUE USED AS A REDUCTION TO SHAREHOLDERS' EQUITY			**31,733**

Consideration in cash			43,975
Cash & cash equivalents			1,273
CASH OUTLAYS FOR THE ACQUISITION			**42,702**

The Datasensor Group was consolidated for the period from October to December 2008; sales revenue for that period was € 6,343 thousand and profit was € 393 thousand.
Sales revenue of the Datasensor Group for the 2008 amounted to € 32,143 thousand and profit to € 2,018 thousand.

NOTICE OF AUDITING FIRM'S FEES

According to the provisions set forth by Article 149-duodecies of the Issuers' Regulation, in implementation of Legislative Decree 58 of 24 February 1998, below is the schedule containing the considerations pertaining to the year 2007 provided by the independent auditors.
The following schedule shows the fees for auditing and other services, which mainly include fees for tax advice

	2008
Fees for services supplied by the Auditing Firm to the Company and to the Italian subsidiaries Auditing services	1,140
Non-auditing services	242

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 RELATED PARTIES	Idec Dl Co. Ltd. Ltd.	Hydra	Non-consolidated Datasensor companies	Datasensor	MSP Imm	Nebulaxis Inc. *	Fondo Mandarin *	John O'Brien	Studio associato Caruso *	Tamburi Investment Partners SpA	Laservall Asia	TOTAL 31/12/2008
Equity investments							**504**					**504**
Dl Spa							504					504
Real estate sales	**0**	**1,300**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,300**
Dl Spa		1,300										1,300
Capitalized costs	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**42**	**75**	**0**	**117**
Dl Automation Srl									42	75		117
Trade receivables	**365**	**14**	**603**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**833**	**1,815**
Dl Spa		14										14
Dl Automation Srl	365											365
Laservall											833	833
Datasensor			603									603
Receivables pursuant to tax consolidation	**0**	**581**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**581**
Real Estate		150										150
Dl Automation Srl		150										150
Dl Scanning Group Srl		23										23
Datasensor		258										258
Dl Mobile Srl												0
Financial receivables	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**204**	**204**
Laservall											204	204
Liabilities pursuant to tax consolidation	**0**	**2,146**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,146**
Dl Mobile Srl		211										211
Dl Spa		1,324										1,324
Dl Scanning Group Srl		611										611
Trade payables	**35**	**0**	**79**	**0**	**0**	**19**	**0**	**0**	**128**	**0**	**0**	**261**
Dl Spa						19			45			64
Dl Automation Srl	35								49			84
Dl Mobile Srl									4			4
Datasensor			79						17			96
Laservall									13			13
Financial payables	**0**	**0**		**0**	**0**	**0**	**0**	**3,401**	**0**	**0**	**0**	**3,401**
Dl Spa								3,401				3,401
Distribution/service expenses	**56**	**0**	**0**	**1,410**	**18**	**115**	**0**	**0**	**287**	**58**	**220**	**2,123**
Dl Spa					18	115			181	58		372
Real Estate									3			3
Dl Automation Srl	56			1,376					14			1,446
Dl Scanning Group Srl				15					12			27
Dl Mobile Srl				1					9			10
Laservall				18					27		220	265
Datasensor									41			
Commercial revenue	**1,539**	**62**		**30**	**0**	**0**	**0**	**0**	**0**	**0**	**4,430**	**6,061**
Dl Spa		62		15								77
Dl Automation Srl	1,539			13								1,552
Dl Mobile Srl				2								2
Laservall											4,430	4,430

(*) companies controlled by members of the Board of Directors

Transactions with Datalogic Group companies

Idec Datalogic Co. Ltd, a Japanese company in which Datalogic Automation Srl owns a 50% stake, purchases products and components from Datalogic for resale in the Far East.
At 31 December 2007, DL Automation srl sold products and components to Idec for around € 1,539 thousand and had trade receivables from Idec of € 365 thousand. These transactions were executed at conditions comparable to those granted to other affiliates.
Laservall Spa had trade receivables of € 833 thousand from Laservall Asia (its 50% subsidiary), financial receivables of € 204 thousand, sold products and components to Laservall Asia for a total of € 4,430 thousand and had costs of € 220 thousand.

Transactions with companies controlled by shareholders

The transactions with Datasensor SpA, a company controlled by the reference shareholders of the parent company up until 30 September and part of the Group since 1 October, mainly refer to purchase of components from Datalogic Automation Srl (€ 1,376), Laservall (€ 18 thousand), DL Scanning Group Srl (€ 15 thousand) and distribution of modest quantities of Datasensor products by some Group companies.
The transactions with Datasensor SpA refer to trade payables of Laservall of € 4 thousand.

The companies take part in the tax consolidation as consolidated companies (Hydra SpA is the consolidator). It should be noted that, as of 2008, Laservall SpA no longer participate in the tax consolidation.
DL Automation Srl has €150 thousand of tax-consolidation receivables vis-à-vis Hydra.
Datasensor SpA has € 258 thousand of tax-consolidation receivables vis-à-vis Hydra
Real Estate srl has € 150 thousand of tax-consolidation receivables vis-à-vis Hydra.
DL Mobile Srl has € 211 thousand of tax-consolidation payables vis-à-vis Hydra.
DL Scanning Group Srl has € 61 thousand of tax-consolidation payables vis-à-vis Hydra and € 23 thousand of tax-consolidation receivables.

The parent company's transactions with its own ultimate parent company (Hydra SpA) are primarily related to tax-consolidation payables of €1,324 thousand and to rental income (€14 thousand).

Transactions with companies controlled by members of the Board of Directors

The company Nebulaxis (owned by the board member John O'Brien) has not had significant transactions with the parent company.
In accordance with IAS 32.23, the item "financial liabilities" includes €3,401 thousand relating to a put option held by the Director John O'Brien with the parent company (call option).

The parent company has an equity investment of € 504 thousand in Fondo Mandarin Capital Management SA (a company controlled by a member of the Board of Directors).

Transactions with Studio Associato Caruso (headed by the director Pier Paolo Caruso) mainly concern advisory services. Datalogic SpA has incurred costs for services in the amount of € 181 thousand and has payables in the amount of € 45 thousand; Laservall has incurred service costs in the amount of € 13 thousand; Dl Scanning Group Srl has incurred costs equal to € 12 thousand and DL Automation Srl has incurred commercial costs equal to € 14 thousand and payables for € 49 thousand; DL Mobile Srl has incurred costs equal to € 9 thousand and payables for € 4 thousand and Datasensor SpA has incurred commercial costs equal to € 41 thousand and payables for € 17 thousand

NUMBER OF EMPLOYEES

	31/12/2008	31/12/2007	Change
Automation Group	732	455	277
Mobile Group (*)	416	393	23
DL SpA	54	18	36
Scanning Group	891	877	14
Informatics	120	106	14
DL Shared Service	0	57	(57)
	2,213	**1,906**	**307**

(*) including personnel in the "Shopevolution" business line.

Mr. Romano Volta
Chairman of the Board of Directors

ALLEGATO 1

DATALOGIC™

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

1. I sottoscritti Rag. Roberto Tunioli, 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 dell'esercizio 2008.

2. Si attesta, inoltre, che:

2.1 il bilancio consolidato:

a) è redatto in conformità ai Principi Contabili Internazionali applicabili riconosciuti nella Comunità Europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento Europeo e del Consiglio, del 19 luglio 2002;

b) corrisponde alle risultanze dei libri e delle scritture contabili;

c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

2.2 la relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Lippo di Calderara di Reno (BO), 6 marzo 2009

L'Amministratore Delegato
Roberto Tunioli

Il Dirigente Preposto alla redazione dei documenti contabili
Marco Rondelli

Datalogic S.p.A.
Gruppo Hydra S.p.A. – art. 2497 Cod. Civ.
Via Candini, 2
40012 Lippo di Calderara di Reno
Bologna - Italy
Tel. +39 051 3147011 - Fax +39 051 3147205
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

ANNEX 2

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31-12-07 Euro/000	Riclassifiche Euro/000	31-12-07 Euro/000
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		**204.401**	**2.953**	**207.354**
1) Tangible non-current assets		**49.244**	**0**	**49.244**
Land	1	6.482		6.482
Buildings	1	18.605		18.605
Other tangible assets	1	22.662		22.662
Assets in progress and payments on account	1	1.495		1.495
2) Investment property		**0**		**0**
3) Intangible non-current assets		**137.270**	**0**	**137.270**
Goodwill	2	84.813		84.813
Development costs	2	2.023		2.023
Other intangible assets	2	50.434		50.434
4) Equity interests in associate companies	3	**1.472**		**1.472**
5) Available-for-sale financial assets (non-current)		**1.298**	**0**	**1.298**
Equity investments	5	930		930
Treasury stock				
Securities	5	368		368
6) Trade and other receivables	7	**345**		**345**
7) Deferred tax credits	13	**14.772**	**2.953**	**17.725**
from parent company				
8) Tax credits		**0**		**0**
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		**207.991**	**0**	**207.991**
9) Inventories	8	**51.158**		**51.158**
Raw & auxiliary materials plus consumables	8	26.577		26.577
Work in progress and semiprocessed goods	8	5.791		5.791
Finished products and goods for resale	8	18.790		18.790
10) Job-order work in progress		**0**		**0**
11) Trade and other receivables	6	**92.844**		**92.844**
Trade receivables	7	**82.681**		**82.681**
Within 12 months	7	81.512		81.512
After 12 months	7	32		32
Amounts receivable from associates	7	1.116		1.116
Amounts receivable from subsidiaries	7			0
Amounts receivable from parent company	7			0
Amounts receivable from related parties	7	21		21
Other receivables - Accrued income/prepaid expenses	7	**10.163**		**10.163**
12) Tax credits	9	**8.873**		**8.873**
from parent company		4.076		4.076
13) Available-for-sale financial assets (current)	5	**206**		**206**
Securities		0		0
Loans to subsidiaries		206		206
14) Hedging instruments	6	**171**		**171**
15) Cash & cash equivalents	10	**54.739**		**54.739**
TOTAL ASSETS (A+B)		**412.392**	**2.953**	**415.345**

ANNEX 2

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	31-12-07 Euro/000	Riclassifiche Euro/000	31-12-06 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	173.482	0	173.482
1) Share capital	11	140.347		140.347
2) Reserves	11	-19.236		-19.236
3) Retained earnings/(losses carried forward)	11	34.288		34.288
4) Profit/(loss) for period		18.083		18.083
5) Minority interests		0		0
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		121.911	2.959	124.870
6) Borrowing	12	91.336		91.336
from related parties		3.491		3.491
7) Tax payables		0		0
8) Deferred tax liabilities	13	18.010	2.959	20.969
9) Employee severance indemnity and retirement provision	14	6.565		6.565
10) Long-term provisions for risks and expenses	15	5.924		5.924
11) Other non-current liabilities		76		76
C) CURRENT LIABILITIES (12+13+14+15+16)		116.999	-6	116.993
12) Trade and other payables	16	76.333		76.333
Trade payables	16	45.923		45.923
Within 12 months	16	45.392		45.392
After 12 months	16			
Amounts payable to associates	16	39		39
Amounts payable to parent company	16			0
Amounts payable to related parties	16	492		492
Accrued liabilities and deferred income				
Other current payables	16	30.410		30.410
13) Taxes payable		9.080	-6	9.074
from parent company		2.702		2.702
14) Short-term provisions for risks and expenses	15	4.894		4.894
15) Hedging instruments	6	686		686
16) Short-term borrowing	12	26.006		26.006
TOTAL LIABILITIES (A+B+C)		412.392	2.953	415.345

ANNEX 2

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNT

	Note	31-12-07 Euro/000	Riclassifiche Euro/000	31-12-07 Euro/000
1) TOTAL REVENUES	**17**	**404.027**		**404.027**
Revenues from sale of products		389.561		389.561
Revenues from services		14.466		14.466
2) Cost of goods sold	**18**	**224.349**		**224.349**
of which non-recurring	**18**	***51***		***51***
GROSS PROFIT (1-2)		**179.678**		**179.678**
3) Other operating revenues	**19**	3.121	-633	2.488
of which non-recurring	**19**	388	-177	211
4) R&D expenses	**18**	25.004		25.004
of which non-recurring	**18**	*12*		12
5) Distribution expenses	**18**	78.570		78.570
of which non-recurring	**18**	*1.067*		1.067
6) General & administrative expenses	**18**	41.744	1.611	43.355
of which non-recurring	**18**	*911*		911
of which amort. pertaining to acquisitions	**18**	*4.087*		4.087
7) Other operating expenses	**18**	6.397	-2.244	4.153
of which non-recurring	**18**	969	-177	792
Total operating costs (4+5+6+7)		151.715	-633	151.082
OPERATING PROFIT		**31.084**		**31.084**
8) Financial income	**20**	-4.861		-4.861
9) Share of associate companies' profits	**3**	396		396
PRE-TAX PROFIT/(LOSS)		**26.619**		**26.619**
Taxes	**21**	8.536		8.536
NET PROFIT FOR PERIOD		**18.083**		**18.083**
Minority interests' share of net profit		0		0
GROUP NET PROFIT		**18.083**	**0**	**18.083**
Earning per share (Euro)	**22**	**0,2938**		**0,2938**
Diluted earning per share (Euro)	**22**	**0,2938**		**0,2938**

HYDRA SpA

Registered HQ: Via D'Azeglio 57 - 40100 Bologna (BO), Italy
Share capital: EUR 31,200,000 fully paid in
Tax code and Bologna Companies Register no. 00445970379
Bologna REA no. 202001

Annual Financial Statements as at 31/12/2007

Balance sheet - Assets		31/12/2007	31/12/2006
A) Unpaid subscribed capital			
(of which already called up)			
B) Non-current assets			
I. Intangible			
1) Start-up and expansion costs			42,261
2) Research, development and advertising costs			
3) Industrial patents and intellectual property rights			
4) Concessions, licenses, trademarks and similar rights		500	1,269
5) Goodwill			
6) Assets being developed and advance payments			
7) Other intangible assets			
		500	43,530
II. Tangible			
1) Land and buildings		18,102,234	18,453,011
2) Plant and machinery			
3) Industrial and commercial equipment			
4) Other tangible assets		42,215	46,037
5) Assets under construction and advance payments			
		18,144,449	18,499,048
III. Financial			
1) Equity investments in:			
a) Subsidiary companies	60,306,860		59,000,621
b) Associate companies			
c) Parent companies			
d) Other companies	1,218,027		2,036,017
		61,524,887	61,036,638
2) Receivables			
a) Due from subsidiaries			
- within 12 months	147		
- after more than 12 months	46,980,000		52,800,000
		46,980,147	52,800,000
b) Due from associates			
- within 12 months			
- after more than 12 months			
c) Due from parent companies			
- within 12 months			
- after more than 12 months			
d) Others			
- within 12 months			

- after more than 12 months	12,149		12,149
		12,149	12,149
		46,992,296	52,812,149
3) Other securities			
4) Treasury shares (total par value)			
		108,517,183	113,848,787
Total non-current assets		**126,662,132**	**132,391,365**
C) Current assets			
I. Inventories			
1) Raw & ancillary materials and consumables			
2) Work in progress and semi-finished products			
3) Commissioned work in progress			
4) Finished products and goods			
5) Advance payments			
II. Receivables			
1) Due from customers			
- within 12 months	53,052		90,625
- after more than 12 months	6,000		28,000
		59,052	118,625
2) Due from subsidiaries			
- within 12 months	3,058,326		23,597
- after more than 12 months			
		3,058,326	23,597
3) Due from associates			
- within 12 months			
- after more than 12 months			
4) Due from parent companies			
- within 12 months			
- after more than 12 months			
4-bis) Tax receivables			
- within 12 months			3,917,175
- after more than 12 months	424,011		424,011
		424,011	4,341,186
4-ter) Advance taxes [deferred tax assets]			
- within 12 months			
- after more than 12 months			
5) Others			
- within 12 months	36,052		35,652
- after more than 12 months	3,848		3,075
		39,900	38,727
		3,581,289	4,522,135
III. Current financial assets			
1) Equity investments in subsidiaries			

2) Equity investments in associates				
3) Equity investments in parent companies				
4) Other equity investments				
5) Treasury shares (total par value)				
6) Other securities				
IV. Cash & cash equivalents				
1) Bank and post office balances		2,912,476		1,785,288
2) Cheques				
3) Cash and similar items on hand		1,380		847
		2,913,856		1,786,135
Total current assets		**6,495,145**		**6,308,270**
D) Accrued income and prepaid expenses				
- Discount on loans	8,897		738	
- Miscellaneous				
		8,897		738
Total assets		**133,166,174**		**138,700,373**

Balance sheet - Liabilities		**31/12/2007**		**31/12/2006**
A) Shareholders' equity				
I. Share capital		31,200,000		31,200,000
II. Share premium reserve				
III. Revaluation reserve		282,871		282,871
IV. Legal reserves		6,240,000		6,240,000
V. Statutory reserves				
VI. Treasury share reserve				
VII. Other reserves				
Translation and rounding reserve	1		(1)	
Other reserves				
		1		(1)
VIII. Retained earnings		12,917,056		8,244,490
IX. Profit (loss) for the year		(2,743,426)		4,672,566
Total shareholders' equity		**47,896,502**		**50,639,926**
B) Provisions for risks and liabilities				
1) End-of-service indemnities and similar obligations				
2) Provision for taxes (including deferred taxes)				
3) Other provisions		384,165		
Total provisions for risks and liabilities		**384,165**		
C) Provision for post-employment benefits		**20,724**		**17,233**
D) Payables				

1) Bonds			
- within 12 months			
- after more than 12 months	38,650,000		38,650,000
		38,650,000	38,650,000
2) Convertible bonds			
- within 12 months			
- after more than 12 months			
3) Due to shareholders for loans			
- within 12 months			
- after more than 12 months	19,600,000		19,600,000
		19,600,000	19,600,000
4) Due to banks			
- within 12 months			
- after more than 12 months	20,000,000		23,416,736
		20,000,000	23,416,736
5) Due to other lenders			
- within 12 months			
- after more than 12 months			
6) Advance payments received			
- within 12 months	15,671		11,071
- after more than 12 months			
		15,671	11,071
7) Trade payables			
- within 12 months	126,987		289,736
- after more than 12 months			
		126,987	289,736
8) Payables consisting of paper credit			
- within 12 months			
- after more than 12 months			
9) Due to subsidiaries			
- within 12 months	4,546,016		4,534,403
- after more than 12 months			104,841
		4,546,016	4,639,244
10) Due to associates			
- within 12 months			
- after more than 12 months			
11) Due to parent companies			
- within 12 months			
- after more than 12 months			
12) Tax liabilities			
- within 12 months	515,585		14,988
- after more than 12 months			
		515,585	14,988
13) Due to pension and social security agencies			
- within 12 months	3,674		7,645

- after more than 12 months			
		3,674	7,645
14) Other payables			
- within 12 months	1,293,866		1,322,309
- after more than 12 months	5,423		13,170
		1,299,289	1,335,479
Total payables		**84,757,222**	**87,964,899**
E) Accrued liabilities and deferred inform			
- Premium on loans			
- Miscellaneous	107,548		78,315
		107,548	78,315
Total liabilities		**133,166,174**	**138,700,373**

Memorandum accounts		**31/12/2007**	**31/12/2006**
1) Third-party asses lodged c/o our company			
2) Commitments to third parties			
3) Risks vis-à-vis third parties		258,228	258,228
4) Reconciliation between accounting and tax rules			
Total memorandum accounts		**258,228**	**258,228**

Income Statement		**31/12/2007**	**31/12/2006**
A) Production value			
1) Revenues from sales of products and services		801,982	850,480
2) Change in inventories of work in progress and of semi-finished and finished products			
3) Change in inventory of commissioned work in progress			
4) In-house enhancement of tangible assets			
5) Other revenues and income			
- Miscellaneous	20.100		14,199
- Revenue grants			
- Investment grants (year's portion)			
		20,100	14,199
Total production value		**822,082**	**864,679**
B) Production costs			
6) Raw & ancillary materials, consumables and goods		2,289	1,950
7) Services		691,867	568,851
8) Rental, hire, leasing and royalties		6,197	6,197
9) Payroll costs			
a) Wages & salaries	43,602		43,664
b) Social security charges	13,285		13,174
c) Post-employment benefits	3,772		3,497
d) End-of-service indemnities and similar items			
e) Other costs	1,010		
		61,669	60,335
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible assets	43,029		43,029
b) Depreciation of tangible assets	368,018		422,418

c) Other write-downs of non-current assets			
d) Write-downs of current receivables and of cash equivalents			
		411,047	465,447
11) Changes in inventories of raw & ancillary materials, consumables and goods			
12) Risk provisioning		384,165	
13) Other provisioning			
14) Miscellaneous operating expenses		133,249	112,722
Total production costs		**1,690,483**	**1,215,502**
Difference between production value and costs (A-B)		**(868,401)**	**(350,823)**
C) Finance income and expense			
15) Income from equity investments:			
- from subsidiaries	2,368,457		5,574,848
- from associates			
- from others	41,738		207,538
		2,410,195	5,782,386
16) Other finance income:			
a) From non-current receivables			
- from subsidiaries	113,480		467,693
- from associates			
- from parent companies			
- from others			
b) from securities held as non-current assets			
c) from securities held as current assets			
d) income other than the above			
- from subsidiaries			
- from associates			
- from parent companies			
- from others	47,828		50,902
		161,308	518,595
		2,571,503	6,300,981
17) Interest and other finance expense			
- from subsidiaries			
- from associates			
- from parent companies			
- from others	2,351,453		2,363,216
		2,351,453	2,363,216
17-bis) Foreign exchange gains and losses			
Net finance income (expense)		**220,050**	**3,937,765**
D) Adjustments to value of financial assets			
18) Write-ups:			
a) of equity investments			
b) of non-current financial assets			
c) of securities held as current assets			

19) Write-downs			
a) of equity investments	2,715,357		
b) of non-current financial assets			
c) of securities held as current assets			
		2,715,357	
Net adjustments to value of financial assets		**(2,715,357)**	
E) Extraordinary income and charges			
20) Extraordinary income:			
- Capital gains on asset disposals	10		
- Miscellaneous	52		216,091
		62	216,091
21) Extraordinary charges:			
- Capital losses on asset disposals			
- Previous years' taxes			
- Miscellaneous	67,548		18,830
		67,548	18,830
Net extraordinary income (charges)		**(67,486)**	**197,261**
Pre-tax profit A-B±C±D±E)		**(3,431,194)**	**3,784,203**
22) Income tax for the year – current, deferred and advance			
a) Current income tax	(687,768)		
b) Deferred (advance) income tax			(888,363)
		(687,768)	(888,363)
23) Profit (loss) for the year		**(2,743,426)**	**4,672,566**

Romano Volta
Chairman of the Board of Directors

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 31/12/2007

Euro /000

ASSETS	31/12/2007
NON-CURRENT ASSETS	303.708
FIXED ASSETS	229.097
TOTAL ASSETS	532.805

LIABILITIES AND EQUITY	31/12/2007
A) NET EQUITY	
Share Capital	*31.200*
Reserves	*3.994*
Net profit/(loss) for the year	*155.912*
TOTAL NET EQUITY	191.106
NON-CURRENT LIABILITIES	210.825
CURRENT LIABILITIES	130.874
TOTAL LIABILITIES AND EQUITY	532.805

CONSOLIDATED PROFIT & LOSS ACCOUNTS	31/12/2007
PRODUCTION VALUE	435.206
PRODUCTION COSTS	(241.601)
GROSS PROFIT	193.605
OTHER REVENUES	3.497
TOTAL OPERATING EXPENSES	(165.339)
NET FINANCIAL INCOME	(7.611)
PRE-TAX PROFIT/(LOSS)	24.152
TAXES	(7.563)
NET PROFIT/(LOSS) FOR THE PERIOD	16.589
Profit/(Loss) pertaining to minorities	(6.584)
GROUP NET PROFIT/(LOSS) FOR THE YEAR	10.005

ANNEX 5

DATALOGIC GROUP
TAX RECONCILIATION 31/12/2008

	Datalogic Spa	Real Estate srl	Informatics	DLS GROUP Srl	DLS Slovacchia	DLS Holding Inc	DLS Inc	DLS Brazil	DLS Mexico	DLS UK LTD	DLS SARL - France	DLS Gmbh Germany	DLS Spain
Pre-tax profit/(loss)	**3396**	**-37**	**3564**	**11.998**	**9.139**	**-1.629**	**4.030**	**22**	**-171**	**300**	**1.013**	**1.059**	**165**
Local rate	27,50%	27,50%	35,00%	27,50%	19,00%		34,00%	34,00%	0,00%	28,50%	33,00%	15,00%	30,00%
Taxes calculated applying local statutory tax rate to pre-tax result without IAS/IFRS	-934	10	-1247	-3.299	-1.736		-1.370	-7		-85	-334	-159	-50
IRAP	-443			-99									
Tax effect (downward changes)	1339		157	2.778			2.648	2		6		79	
Tax effect (upward changes)	-1837			-83	-192		-1.239			-31	-16	-23	-39
Deferred taxes	2020	8	118	312	145		-875					-124	
Others	-186			-96								-113	
Total taxes	**-41**	**18**	**-972**	**-487**	**-1.783**	**0**	**-837**	**-5**	**0**	**-110**	**-350**	**-340**	**-89**
Net profit/(loss)	**3.355**	**-19**	**2.592**	**11.511**	**7.356**	**-1.629**	**3.193**	**17**	**-171**	**190**	**663**	**719**	**76**
Average tax rate	**1,20%**	**49,12%**	**27,28%**	**4,06%**	**19,51%**	**0,00%**	**20,76%**	**24,91%**	**0,00%**	**36,67%**	**34,59%**	**32,10%**	**53,70%**

	DLS Gmbh Germany EE	DLS Spa - Italia	DLS Pty Ltd	DLS Japan	DLS Singapore	DLS Skandinavia	DL Automation S.r.L. e Branches	DL Automation Uk Ltd	DL Automation Gmbh + Austria	DL Automation France	DL Automation Iberia	DL Automation AB	DL Automation BV
Pre-tax profit/(loss)	**2**	**680**	**166**	**48**	**15**	**273**	**7.129**	**213**	**991**	**83**	**-192**	**187**	**286**
Local rate	15,00%	27,50%	30,00%	47,32%	18,00%	23,34%	31,40%	40,00%	37,50%	33,30%	32,50%	28,00%	34,50%
Taxes calculated applying local statutory tax rate to pre-tax result without IAS/IFRS	0	-187	-51	-24	-4	-65	-1.960	-85	-372	-28		-52	-99
IRAP		-73					-183						
Tax effect (downward changes)		35		21	4		3.485		364				
Tax effect (upward changes)	-9	-40	-71	-85			-1.370	-24					
Deferred taxes			33				1.458	15	6		62		
Others	-5						-288						
Total taxes	**-14**	**-266**	**-89**	**-88**	**0**	**-65**	**1.142**	**-94**	**-2**	**-28**	**62**	**-52**	**-99**
Net profit/(loss)	**-12**	**415**	**77**	**-40**	**15**	**208**	**8.271**	**119**	**989**	**55**	**-130**	**135**	**187**
Average tax rate	**784,11%**	**39,04%**	**53,33%**	**183,60%**	**-1,99%**	**23,71%**	**-16,02%**	**44,14%**	**0,23%**	**33,73%**	**32,29%**	**27,81%**	**34,62%**

	DL Automation Inc	DL Automation Pty	DL Automation Asia	Laservall Spa	Datasensor Spa (1)	DL Mobile S.r.L. e Branches	DL Mobile Pty	DL Mobile Inc	DLMobile Asia	DLMobile UK	rettifiche	Consolidato
Pre-tax profit/(loss)	**-1.335**	**-415**	**-464**	**1.578**	**608**	**9.690**	**-468**	**-903**	**-176**	**391**	**-25.323**	**25.913**
Local rate	34,00%	30,00%		31,40%	31,40%	31,40%	30,00%	34,00%	16,50%	28,00%		
Taxes calculated applying local statutory tax rate to pre-tax result without IAS/IFRS				-434	-167	-2.664	0			-36	605	-14.834
IRAP				-194	-62	-555						-1.609
Tax effect (downward changes)				328	126	601						11.973
Tax effect (upward changes)				-226	-46	-608						-5.939
Deferred taxes	-55	-271	0	174	-65	370	0	375	0	0	-581	3.125
Others	110	-15		-96		-87		13	0		-21	-784
Total taxes	**55**	**-286**	**0**	**-448**	**-214**	**-2.943**	**0**	**388**	**0**	**-36**	**3**	**-8.069**
Net profit/(loss)	**-1.280**	**-701**	**-464**	**1.130**	**394**	**6.747**	**-468**	**-515**	**-176**	**355**	**-25.320**	**17.844**
Average tax rate	**4,12%**	**-68,92%**	**0,00%**	**28,36%**	**35,20%**	**30,37%**	**0,00%**	**42,97%**	**0,00%**	**9,21%**	**0,01%**	**31,14%**