



DATALOGIC GROUP

Consolidated financial statements and report for the first half of 2006

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ANNEXES

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

Gianluca Cristofori

Standing auditor

Roberto Feverati

Standing auditor

Patrizia Passerini

Alternate auditor

Giorgio Delli

Alternate auditor

Independent auditing firm

PricewaterhouseCoopers SpA

(1) The Board of Directors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2006

(2) Powers of legal representation of the company vis-à-vis third parties

(3) Powers of legal representation of the company vis-à-vis third parties

(4) The Board of Statutory Auditors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2006

DATALOGIC GROUP - NOTES ON THE CONSOLIDATED HALF-YEAR REPORT AT 30 JUNE 2006

A) REPORT ON OPERATIONS

Shareholders,

The report for the period ending 30 June 2006, which we herewith submit to you for review, has been prepared in compliance with the instructions accompanying the Regulations issued by Borsa Italiana SpA.

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

Compared with the first half of 2005, the scope of consolidation has changed due to the acquisition, on 30 November 2005, of the American company PSC which has been consolidated since December 2005.

The bottom line for the first half of 2006 shows an improvement with respect to the first quarter, but is still a loss in the amount of €2,070 thousand. Much of the loss was caused by the negative performance of PSC during the period, due in large part to non-recurring expenses as described in detail below. Key figures for PSC are shown below, including costs for the acquisition and interdivisional revenues of €470 thousand:

30 June 2006: PSC	
	€1,000
Total revenues	87,344
EBITDA	1,632
% of total revenues	1.9%
Net profit/loss	-5,947
% of total revenues	-6.8%

The following table shows PSC's non-recurring costs for the first half of the year, which relate primarily to its acquisition by Datalogic:

	30/06/06 PSC	30/06/06 costs relating to the acquisition	30/06/06 provision for restructuring	30/06/06 PSC net of costs for the acquisition
	€1,000	€1,000	€1,000	€1,000
Total revenues	87,344			87,344
EBITDA	1,632			1,632
% of total revenues	1.9%			1.9%
EBIT	-729			-729
% of total revenues	-0.8%			-0.8%
Non-recurring costs and revenues	-5,086	3,488	1,543	-55
% of total revenues	-5.8%			-0.1%
Amortization from the acquisition	-1,226	1,226		0
% of total revenues	-1.4%			0.0%
EBIT	-7,041	4,714	1,543	-784
% of total revenues	-8.1%			-0.9%

On the whole, Datalogic's expenses for the acquisition came to €4,714 thousand, as follows:

- adjustment of inventories to market value as of the acquisition date (€992 thousand);
- amortization of intangible assets due to the allocation of the differences between PSC's purchase price and net equity (€1,226 thousand gross of taxes);
- other expenses related to the PSC acquisition (€2,496 thousand).

In addition, a restructuring provision of €1,543 thousand was made to help pay for a restructuring and development plan, one effect of which is that 49 staff members have been cut for eventual savings of over 4.4 million dollars per year.

Making PSC more profitable is one of Datalogic's top priorities. During the second quarter some important cost-cutting projects were launched, which in subsequent periods should allow the company to resume its growth trend and make significant efficiency gains.

Below, a more realistic picture of PSC's ordinary profitability during the half-year is provided in the form of an adjusted income statement, which factors out the effects of the restructuring on the assumption that the savings in operating costs (4.4 million dollars per year) already applied to the first quarter of the year:

ADJUSTED INCOME STATEMENT

	30/06/06 PSC net of costs for the acquisition	30/06/06 adjustment	30/06/06 PSC adjusted
	€1,000	€1,000	€1,000
Total revenues	87,344		87,344
EBITDA	1,632	1,194	2,826
% of total revenues	1.9%		3.2%
EBIT	-729	1,194	465
% of total revenues	-0.8%		0.5%
Non-recurring costs and revenues	-55		-55
% of total revenues	-0.1%		-0.1%
Amortization from the acquisition	0		0
% of total revenues	0.0%		0.0%
Net operating profit (loss)	-784	1,194	410
% of total revenues	-0.9%		0.5%

In the first half of 2006 the **Datalogic Group earned revenues of €188,939 thousand (€86,567 thousand in 1H05), as follows:**

- €181,961 thousand in revenues from the sale of products (PSC Group: €84,158 thousand);
- €6,978 thousand in revenues from services (PSC Group: €3,186 thousand).

These revenues showed growth of 118.3% YoY (vs. revenues of €86,567 thousand for the first half of 2005), or 17.4% net of the PSC Group.

The following table summarizes the Datalogic Group's key operating and financial highlights in 1H06 (i.e. up to 30 June 2006), in comparison with 1H05:

Datalogic Group	30/06/06	30/06/05	Change	% change
	€1,000	€1,000	€1,000	
Total revenues	188,939	86,567	102,372	118.26%
EBITDA	15,866	14,498	1,368	9.4%
% of total revenues	8.4%	16.7%		
Group net profit/loss	-2,070	5,596	-7,666	-
% of total revenues	-1.1%	6.5%		
Net financial position (NFP)	-63,023	27,975	-90,998	-

Group EBITDA was €15,866 thousand (of which: PSC Group €1,632 thousand), with an 8.4% margin on total revenues (14% net of the PSC Group). The outright increase over 1H05 totalled €1,368 thousand (+9.4% vs. €14,498 thousand at 30 June 2005, -1.8% net of the PSC Group).

The following table reports the main components of EBITDA for the first six months of 2006 and 2005:

	30/06/06		30/06/05		change		% change
	€1,000		€1,000				
TOTAL REVENUES	188,939	100.0%	86,567	100.0%	102,372		118.3%
COST OF PRODUCTS SOLD AND OPERATING EXPENSES	-173,073	-91.6%	-72,069	-83.3%	-101,004		140.1%
EBITDA	15,866	8.4%	14,498	16.7%	1,368		9.4%
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	-4,243	-2.2%	-2,034	-2.3%	-2,209		108.6%
AMORTIZATION OF INTANGIBLE ASSETS	-1,827	-1.0%	-1,012	-1.2%	-815		80.5%
OPERATING RESULT (EBIT)	9,796	5.2%	11,452	13.2%	-1,656		-14.5%
NON-RECURRING COSTS AND REVENUES	-5,195	-2.7%	-993	-1.1%	-4,202		423.2%
AMORTIZATION DUE TO ACQUISITIONS	-2,198	-1.2%	-648	-0.7%	-1,550		239.2%
Net operating profit (loss)	2,403	1.3%	9,811	11.3%	-7,408		-75.5%
NET FINANCIAL INCOME/(COSTS) AND INCOME FROM ASSOCIATES	-3,901	-2.1%	489	0.6%	-4,390		-
PROFIT (LOSS) BEFORE TAX	-1,498	-0.8%	10,300	11.9%	-11,798		-
INCOME TAXES	-487	-0.3%	-4,601	-5.3%	4,114		-89.4%
NET PROFIT (LOSS) FOR THE PERIOD	-1,985	-1.1%	5,699	6.6%	-7,684		-
MINORITY INTERESTS	85	0.0%	103	0.1%	-18		-17.5%
GROUP NET PROFIT (LOSS)	-2,070	-1.1%	5,596	6.5%	-7,666		-

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

In order to assure better representation of the Group's ordinary profitability, we have preferred—in all tables in this report—to show an operating result before the impact of non-recurring costs/income and amortization due to acquisitions, referred to as the "operating result (EBIT)". For the sake of comparison with the financial statements, we have provided an additional intermediate profit margin (the "net operating profit"), which includes non-recurring costs/income and amortization due to acquisitions.

For the first half of 2006, non-recurring costs/income (€5,195 thousand) were made up as follows:

1. €2,000 thousand for a non-recurring payment to the CEO of the parent company (included under "general & administrative expenses"),

2. €496 thousand for consulting, in connection with the PSC acquisition (included under "general & administrative expenses"),
3. €1,543 thousand for a restructuring provision by PSC (in detail: €89 thousand included under "cost of sales", €146 thousand under "research & development costs", €1,195 thousand under "distribution expenses", and €113 thousand under "general & administrative expenses"),
4. €992 thousand for the adjustment to market value of PSC's assets and liabilities as of the acquisition date (included under "cost of sales"),
5. €164 thousand in leaving incentives (of which: €11 thousand under "cost of sales", €22 thousand under "research & development costs", €80 thousand under "distribution expenses", and €51 thousand under "general & administrative expenses").

Amortization due to acquisitions (€2,198 thousand), included under "general & administrative expenses", is made up as follows:

1. €647 thousand pertaining to Laservall,
2. €325 thousand pertaining to Informatics,
3. €1,226 thousand pertaining to the PSC Group.

EBIT (i.e. before non-recurring items) amounted to €9,796 thousand (of which: €729 thousand for the PSC Group) with a 5.2% margin on revenues (10.4% net of the PSC Group), showing a 14.5% decline with respect to 1H05 (-8.1% net of the PSC Group).

At 30 June 2006, the Group net loss amounted to €2,070 thousand (of which -€5,947 thousand for the PSC Group), compared with a profit of €5,596 thousand for 1H05, but showing considerable improvement with respect to the loss for the first quarter of this year (€3,627 thousand).

Since the result was influenced so heavily by non-recurring costs/income and by amortization from acquisitions, we attach an income statement cleansed of all effects produced by the acquisitions and restructuring in order to provide a better representation of ordinary profitability in 1H06:

	30/06/06	30/06/06 Effect of acquisitions/ restructuring	30/06/06
	€1,000	€1,000	€1,000
TOTAL REVENUES	188,939		188,939
COST OF PRODUCTS SOLD AND OPERATING EXPENSES	-173,073		-173,073
EBITDA	15,866	0	15,866
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	-4,243		-4,243
AMORTIZATION OF INTANGIBLE ASSETS	-1,827		-1,827
OPERATING RESULT (EBIT)	9,796	0	9,796
NON-RECURRING COSTS AND REVENUES	-5,195	5,030	-165
AMORTIZATION DUE TO ACQUISITIONS	-2,198	2,198	0
Net operating profit (loss)	2,403	7,228	9,631

The next two tables compare key operating results achieved in the second quarter of 2006 with, respectively, 2Q05 and 1Q06.

	2nd quarter 2006		2nd quarter 2005		change	% change
TOTAL REVENUES	93,691	100.0%	49,949	100.0%	43,742	87.6%
EBITDA	7,880	8.4%	8,374	16.8%	-494	-5.9%
OPERATING RESULT (EBIT)	4,763	5.1%	6,781	13.6%	-2,018	-29.8%

It should be noted that figures for the second quarter of 2006 include the results of the PSC Group , while those for 2Q05 do not.

	2nd quarter 2006		1st quarter 2006		change	% change
TOTAL REVENUES	93,691	100.0%	95,248	100.0%	-1,557	-1.6%
EBITDA	7,880	8.4%	7,986	8.4%	-106	-1.3%
OPERATING RESULT (EBIT)	4,763	5.1%	5,033	5.3%	-270	-5.4%

Net of PSC, which, as already highlighted, in 2Q06 did not make a contribution in line with the Datalogic Group's average profitability, EBITDA and EBIT would have respectively been €6,598 thousand (13.1% margin on revenues of €50,506 thousand) and €4,666 thousand (9.2% of sales).

REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS IN THE PERIOD

Segment information

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

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

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

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

Business segments by division

The Group consists of the following business segments:

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

Business Development: this division includes businesses featuring high growth potential within Datalogic's traditional offering (RFID [radio-frequency identification devices] and self-scanning solutions) or those adjacent to the Group's traditional business areas. They consist of:

- Industrial marking products
- Distribution of automatic identification products.

These last two activities relate to two companies recently acquired by Datalogic SpA (respectively Laservall SpA and Informatics).

Primary segment results in 1H06, compared with those in 1H05, were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	30/06/06	30/06/05	30/06/06	30/06/05	30/06/06	30/06/05	30/06/06	30/06/05
REVENUES								
External sales	151,794	60,193	37,145	26,374			188,939	86,567
Intersegment sales	485	34		20	(485)	(54)	-	-
Total revenues	<u>152,279</u>	<u>60,227</u>	<u>37,145</u>	<u>26,394</u>	<u>(485)</u>	<u>(54)</u>	<u>188,939</u>	<u>86,567</u>
Cost of goods sold	88,494	30,021	17,012	13,102			105,506	43,123
Intersegment cost of goods sold	-	21	485	34	(485)	(55)	-	-
Gross profit	<u>63,785</u>	<u>30,185</u>	<u>19,648</u>	<u>13,258</u>	-	1	<u>83,433</u>	<u>43,444</u>
Other attributable revenues	829	1,100	189	111			1,018	1,211
Other intersegment revenues	192	175	-	-	(192)	(175)	-	-
Operating costs:								
R&D expenses	11,741	5,076	2,126	1,708			13,867	6,784
Distribution expenses	37,102	13,221	6,924	4,771	(189)	(170)	43,837	17,822
Allocable G&A costs	8,022	3,198	3,186	1,929	(3)		11,205	5,127
Other allocable operating costs	1,372	647	218	227			1,590	874
Other unallocable operating costs	-			-			600	
SEGMENT RESULT	<u>6,569</u>	<u>9,318</u>	<u>7,383</u>	<u>4,734</u>	-	(4)	<u>13,352</u>	<u>14,048</u>
Unallocable G&A costs	-			-			3,556	2,596
EBIT	<u>6,569</u>	<u>9,318</u>	<u>7,383</u>	<u>4,734</u>	-	(4)	<u>9,796</u>	<u>11,452</u>
Allocable non-recurring costs/revenues	(2,700)	(35)		-			(2,700)	(35)
Unallocable non-recurring costs/revenues	-			-			(2,495)	(958)
Amortization due to acquisitions	(1,226)		(972)	(648)			(2,198)	(648)
Net financial income (expenses)	-			-			(3,669)	348
Share of associates' profit	(370)	64	138	77			(232)	141
Income taxes	-			-			(487)	4,601
NET PROFIT/LOSS	<u>3,499</u>	<u>9,347</u>	<u>7,521</u>	<u>4,163</u>	-	(4)	<u>(1,985)</u>	<u>5,699</u>
Minority interests in net profit/loss			85	103			85	103
GROUP NET PROFIT/LOSS	<u>3,499</u>	<u>9,347</u>	<u>7,436</u>	<u>4,060</u>	-	(4)	<u>(2,070)</u>	<u>5,596</u>
OTHER INFORMATION								
Segment assets	288,852	119,444	52,864	37,054	(427)		341,289	156,498
Interests in subsidiaries booked at equity	638	513	303	512			941	1,025
Unallocable assets	-						53,620	54,962

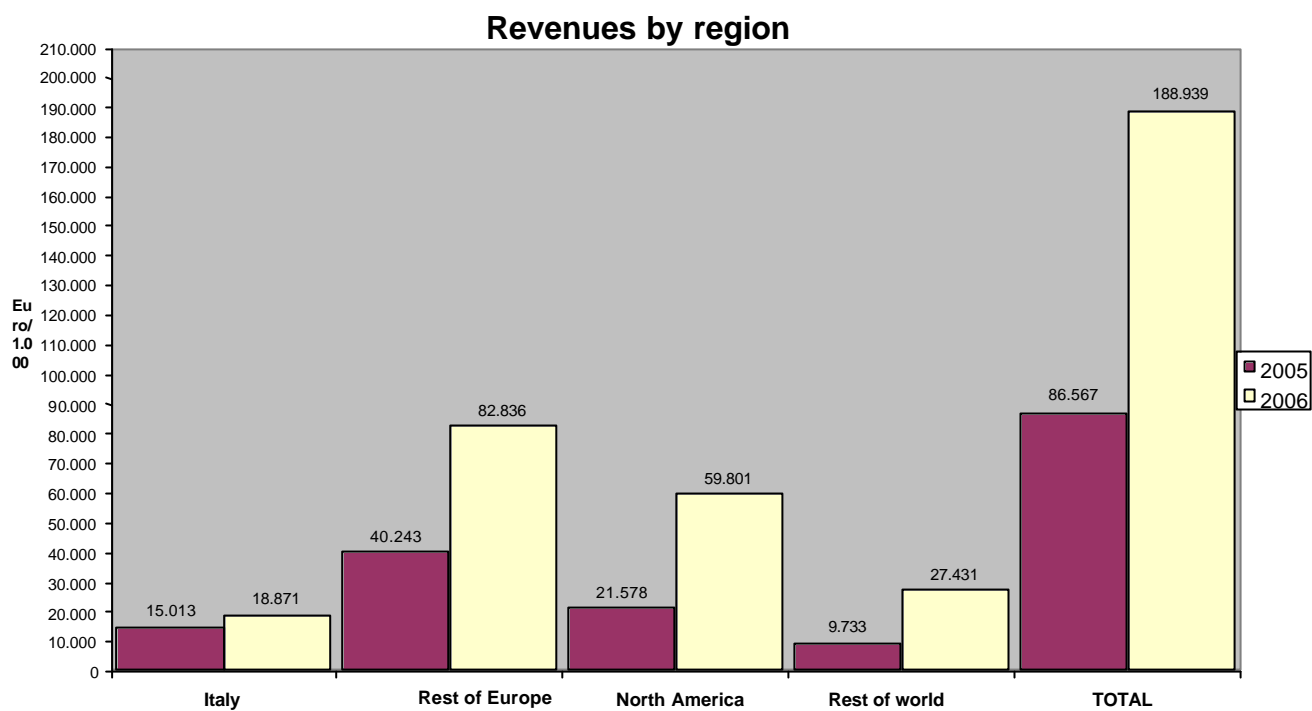
Total assets	<u>289,490</u>	<u>119,957</u>	<u>53,167</u>	<u>37,566</u>	<u>(427)</u>	<u>-</u>	<u>395,850</u>	<u>212,485</u>
Segment liabilities	74,062	37,754	10,673	7,327	(430)	(937)	84,305	44,144
Unallocable liabilities	-	-	-	-	-	-	124,684	35,270
Equity	-	-	-	-	-	-	186,861	133,071
Total liabilities	<u>74,062</u>	<u>37,754</u>	<u>10,673</u>	<u>7,327</u>	<u>(430)</u>	<u>(937)</u>	<u>395,850</u>	<u>212,485</u>
Depreciation & amortization (including amort. due to acquisitions)	7,103	2,101	863	1,003	-	-	7,966	3,104
Unallocable D&A	-	-	-	-	-	-	302	590

As regards sales performance, some charts provided as annexes offer further information (by division and geographical segment) about the results achieved. Please note that Data Capture revenues include PSC's sales (€87,344 thousand).

The Data Capture Division's sales for the first half of 2006 totalled €151,794 thousand, growing by 152% over 1H05.

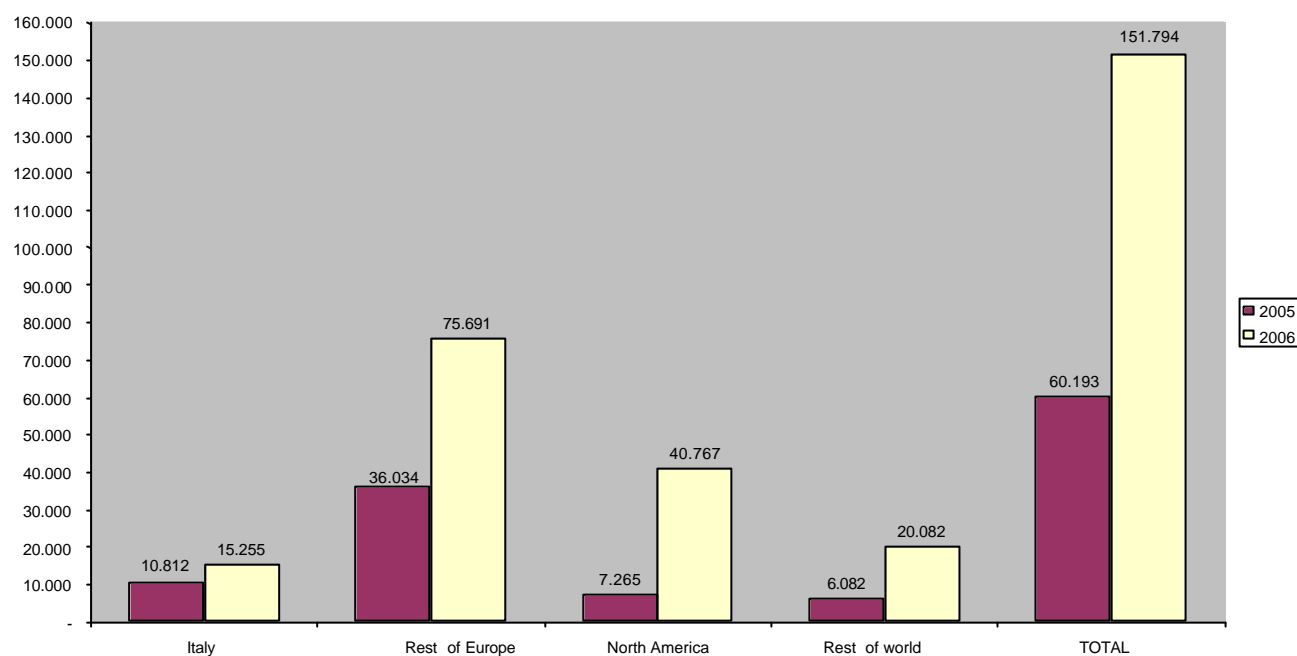
Net of the contribution of PSC, the Data Capture Division's growth was about 7% YoY.

Revenues of the Business Development Division amounted to €37,145 thousand (19.6% of the total), rising by over 41% vs. €26,374 thousand reported in 1H05. Growth was achieved in all geographical areas, as detailed below:

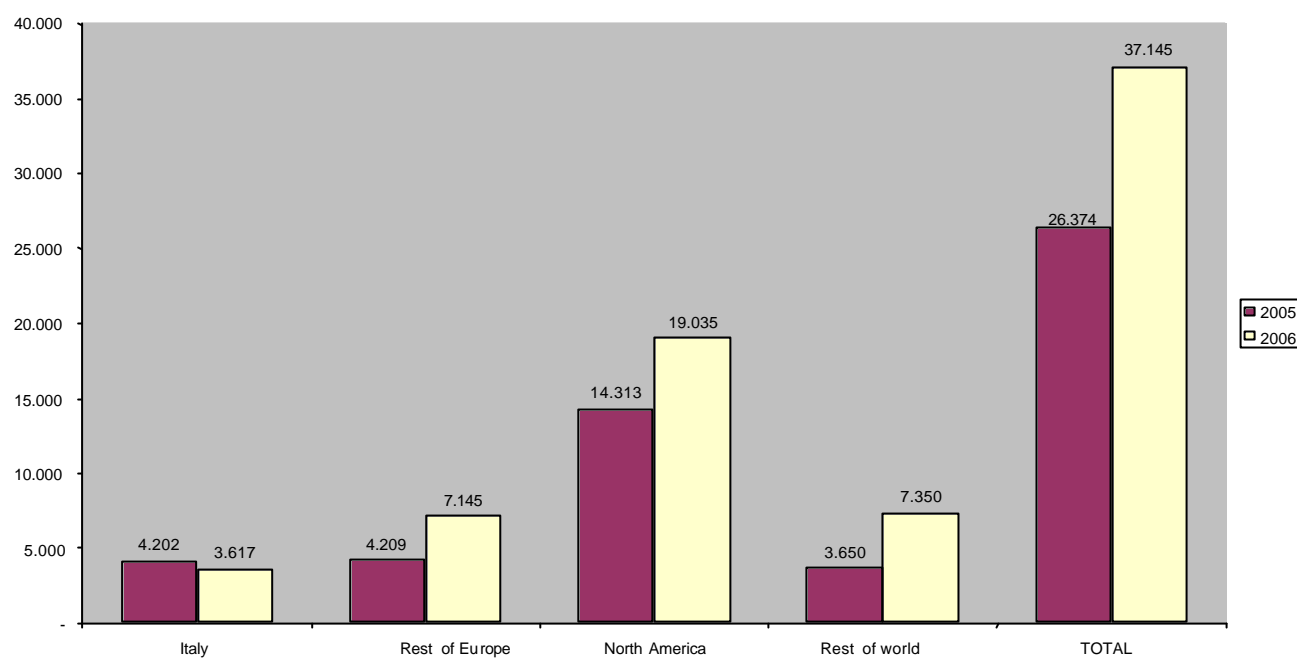


The following charts provide the geographical breakdown of sales by the Data Capture and Business Development divisions.

Data Capture sales by region



Business Development sales by region



The cost of goods sold increased from 49.8% of sales in 1H05 to 55.8%. The main reason for this trend is the consolidation of PSC, which has a higher cost of goods sold than the rest of the division (63.1% of PSC's revenues for the first half of 2006).

The gross profit rose from €43,444 thousand at 30 June 2005 to €83,433 thousand in 1H06 (+92%); the Business Development division (+48.2%) and, especially, the Data Capture division (+111.3%) both made a significant contribution to this growth.

Operating costs attributable to the divisions amounted to €70,499 thousand in the first half of 2006 (+130.3% vs. €30,607 thousand reported in 1H05). Of this total, €58,237 thousand related to the Data Capture division (+163% vs. 2005) and €12,454 thousand to the Business Development division (+44.2%), gross of €192 thousand in "interdivisional" operating costs.

In greater detail, the Data Capture division featured:

- an increase in research & development costs, which in 1H06 totalled €11,741 thousand (of which €6,046 thousand pertaining to the PSC Group) or 7.7% of the division's total revenues, for a rise of 131.3% on the previous year (+12.1% net of PSC);
- a 150.8% increase in allocable general & administrative costs (-5.2% net of PSC), which came to €8,022 thousand for the period (including €4,993 thousand for the PSC Group) compared with €3,198 thousand in 1H05;
- an increase of 180.6% in distribution expenses (+17.2% net of PSC), to €37,102 thousand for the first half of the year (€13,221 thousand in 1H05).

Other operating costs (€1,372 thousand) were up by 112% YoY, due largely to a provision for doubtful accounts of €302 thousand made by DL GmbH.

The other unallocable operating costs are comprised of a €600 thousand provision made by the parent company as the estimated installment for 1H06 of a long-term management incentive plan due to mature in 2008.

The Business Development division featured:

- an increase in R&D costs, which in 1H06 amounted €2,126 thousand (equivalent to 5.7% of the division's total sales and an increase of 24.4% YoY);
- a 65% increase in allocable G&A costs, which amounted to €3,186 thousand for the period vs. €1,929 thousand in 1H05; most of the increase relates to Informatics, due to a rise in payroll and employee benefit costs (€313 thousand) in connection with a bonus plan;
- a 45% increase in distribution expenses, totalling €6,924 thousand for the first half the year, up from €4,771 thousand in 1H05.

The Data Capture division's segment result (i.e. before non-allocable G&A expenses) amounted to €6,569 thousand, down from €9,318 thousand in the first half of 2005. Net of PSC's contribution, the Data Capture division's result would have been €7,298 thousand and therefore down by about 21.7% YoY.

The Business Development division's segment result totalled €7,383 thousand, with strong growth (+56%) vs. the €4,734 thousand reported in 1H05.

Segment results do not include €600 thousand in other unallocable operating costs, and €3,566 thousand in unallocable G&A costs.

At 30 June 2006, the net financial position was a negative €63,023 thousand, as follows:

Datalogic Group	30/06/06	31/12/05	30/06/05
	€1,000	€1,000	€1,000
financial fixed assets	1,872	1,872	4,494
m/l-term debt with banks and other sources of finance	-29,689	-12,283	-13,033
financial liabilities	-2,502		
net medium-/long-term debt	-30,319	-10,411	-8,539
short-term debt with banks and other sources of finance	-58,795	-149,349	-2,617
financial receivables	206	4,012	3,032
hedging transactions	4	-116	-159
commercial paper	0	0	0
cash and cash equivalents	25,881	30,146	36,258
short-term net financial position	-32,704	-115,307	36,514
total net financial position	-63,023	-125,718	27,975

The net financial position improved by €62,695 thousand with respect to 31 December 2005 (- €125,718 thousand), but worsened by €90,998 thousand year-on-year (€27,975 thousand at 30 June 2005). The main cause of the improvement in 1H06 was the capital increase of Datalogic SpA, completed in January, which involved 3,465,868 shares (13,863,472 after the split) for a value of €76.6 million (gross of taxes).

Cash and cash equivalents include €9,439 thousand (€10,172 thousand at 31/12/05) for a security deposit received from PSC Holding (included under "other payables") in connection with the acquisition, which is being kept in a restricted account.

In addition, dividends of €3,489 thousand were paid and treasury shares of €4,123 thousand were purchased.

In January, the second earn-out on the purchase of Laservall SpA was paid in the amount of €2 million.

Net working capital at 30 June 2006 totalled €71,788 thousand and increased by €475 thousand vs. 31 December 2005 (€71,313 thousand).

FINANCIAL INCOME AND EXPENSES

Net financial expenses totalled €3,669 thousand. The drivers of this result were as follows:

True financial income (expenses)	(1,670)
Net foreign exchange losses	(1,068)
Bank charges	(400)
Other	(531)
Total net financial expenses	(3,669)

In addition, earnings of €218 thousand made by companies consolidated at equity were recognized along with a prior-year loss of €450 thousand by DL Slovakia.

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

Transactions with Datalogic Group companies

Idec Datalogic Co. Ltd, a Japanese company in which the indirect (i.e. ultimate) parent company owns a 50% stake, purchases products and components from Datalogic for resale in the Far Eastern region.

In 1H06 the ultimate parent company sold Idec products and components totalling €1,436 thousand. At 30 June 2006, trade receivables from Idec amounted to €733 thousand. These transactions were executed at conditions comparable to those of other affiliates.

Transactions with DL Private Ltd., an Indian company in which the ultimate parent company owns a 20% equity interest, are not significant.

Transactions with companies belonging to shareholders

Transactions with Datasensor SpA, controlled by the key shareholders of the ultimate parent company, refer chiefly to the purchase of components by Datalogic SpA (€727 thousand) and to the distribution by certain Group companies of small quantities of Datasensor products.

At 30 June 2006, trade payables to Datasensor totalled €322 thousand and receivables €35 thousand.

Transactions with the ultimate parent company (Hydra SpA) consist of corporate income tax receivables for €446 thousand claimed by Datalogic SpA and payables of €322 thousand.

BUSINESS FORECAST AND SUBSEQUENT EVENTS

For the rest of 2006, market conditions, the Company's plans, and the acquisitions made over the past 12 months (Informatics and PSC) should allow revenues and margins to improve with respect to 2005.

SECONDARY LOCATIONS

The direct parent company has two secondary locations:

- one in the town of Quinto (province of Treviso) where the MC product line's production unit is located, together with management offices, the design department, and staff functions of the ShopEvolution product line;
- one in the town of Castiglione di Messer Raimondo, where the production unit for the HHR/USS product line is located.

B) VALUATION CRITERIA

Datalogic SpA (hereinafter “Datalogic”, the “parent company” or the “company”), is an Italian corporation. The half-year financial statements at 30 June 2006 comprise Datalogic SpA and its subsidiaries (hereinafter defined as “the Group”) and the relevant share of associates’ profits.

The parent company is a joint-stock corporation listed on the TechStar section of the Milan Stock Exchange and is based in Italy. The address of its registered headquarters is: Via Candini 2, Lippo di Calderara (BO), Italy.

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

These consolidated half-year accounts were prepared for the approval the Board of Directors on 10 August 2006.

(a) Accounting standards

Following the coming into force of EC Regulation no. 1606/2002 of the European Parliament and Commission dated 19 July 2002, as from FY2005 companies with securities listed in a regulated market of European Union member countries prepare consolidated accounts in compliance with the international accounting and financial reporting standards (IAS/IFRS) endorsed by the European Commission. The consolidated half-year accounts at 30 June 2006 have been drawn up in accordance with IAS 34 and with Article 81 of the Regulations for Issuers of Public Stock. In addition, they include all other information deemed useful in the interests of relevant and thorough disclosure.

Assets and liabilities have been valued at cost, with the exception of certain financial assets recognized at fair value, and some property, plant and equipment that has been revalued for the transition to IFRS as described in greater detail below. In addition, these financial statements have been prepared in compliance with the IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective at the time of its preparation.

The accounting principles are described below and have been applied uniformly to all periods for which figures are presented, except where otherwise noted.

(b) Preparation criteria

The consolidated half-year financial statements are presented in thousands of euros (€/000). As mentioned above, they have been prepared on a cost basis, with the exception of certain financial assets, liabilities and

derivatives recognized at fair value, and some property, plant and equipment that has been restated on a fair value basis as of the transition date.

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

(c) Consolidation standards and policies

(i) Subsidiaries

Companies are defined as subsidiaries (i.e. they are "controlled") when the parent company has the power, directly or indirectly, to influence their operations in such a way as to obtain benefits from performance of the activity concerned. In defining control, the potential voting rights are exercisable or convertible as at reporting date are also taken into account. In general, control is presumed to exist when the Group owns the majority of voting rights. The accounts of subsidiaries are consolidated on a 100% line-by-line basis from the start of exercise of control until the date of its cessation.

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

- cost is taken to be the fair value of the assets sold, considering any equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any costs directly attributable to the acquisition;
- the assets and liabilities of the acquired company are recognized at fair value;
- the excess of acquisition cost over the fair value of the Group's share of net assets is recognized as goodwill;
- if acquisition cost is less than the fair value of the Group's share of the subsidiary's net assets, the difference is immediately recognized 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 realized with third parties stemming from intragroup transactions, particularly those deriving from the valuation of inventories at the reporting date, have been eliminated.

(ii) Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. The consolidated half-year accounts at 30 June 2006 include the Group's share of the profits and losses of

associates, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same.

The Group's share of associates' post-acquisition profits or losses is recognized in the income statement and its post-acquisition share of changes in reserves is recognized in reserves. Cumulative post-acquisition changes are included in the investment's carrying value. If the Group's share of an associate's losses equals or exceeds the value of its investment in the associate, including any other receivables, the Group does not recognize any further losses unless it has obligations to make payments on the associate's behalf.

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

(d) Treatment of foreign currency items

(i) Foreign currency transactions

Transactions in foreign currencies are translated into EUR according to the exchange rate in force on the transaction date. Monetary assets and liabilities are translated at the exchange rate in force on the balance sheet date. Exchange differences emerging from translation at the period-end rate compared with the transaction exchange rate are recorded in the income statement. Monetary assets and liabilities carried at fair value are translated into EUR at the exchange rate in force on the date when fair value was determined.

(ii) Translation of foreign currency financial statements

The assets and liabilities of companies resident in countries other than those of the Eurozone, including consolidation adjustments, goodwill, and fair-value alignment, are converted at the exchange rates in force on the balance sheet date. The same companies' revenues and costs are translated at the period's average exchange rate, which approximates exchange rates in force on individual transaction dates. Exchange differences emerging from the translation process are directly classified in a specific equity reserve called "Translation reserve".

(iii) Net foreign currency investments

Exchange differences arising upon translation of net foreign currency investments – basically equity interests in unconsolidated subsidiaries and in associates – and from any hedging of foreign exchange risk are classified in the translation reserve. Such differences are recognized in profit or loss when the Group disposes of the investment.

The exchange differences in relation to points (ii) and (iii) above and which originated before 1 January 2004, the date of transition to IFRS, are presented in an equity reserve in accordance with the exemption granted by IFRS 1.

The exchange rates used are as follows:

EXCHANGE RATES AT 30 JUNE 2006	Period-end exchange rate	Average exchange rate
US dollar	1.2713	1.2286
British pound sterling	0.6921	0.6870
Australian dollar	1.7117	1.6540
Japanese yen	145.7500	142.0944
Swedish krona	9.2385	9.3255
Hong Kong dollar	9.8745	9.5318
Slovak koruna	38.35	37.5667

(e) Property, plant, and equipment

(i) Owned assets

Land and buildings, considered separately in accordance with IAS 16, are recognized at fair value (market value) as of 31 December 2003 (the date of transition to IFRS). Fair value has been obtained through independent appraisal and assumed in place of cost since that date, as permitted by IFRS 1. Buildings are depreciated net of residual value – defined as the realizable value obtainable via disposal at the end of the building's useful working life.

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

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

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

Tangible fixed assets are depreciated each year on a straight-line basis over their estimated useful lives; rates for the first year the assets are used reflect the month they were placed in service.

The Group applies the following depreciation rates:

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

Assets are written down in the case of permanent impairment of value, regardless of the depreciation that has already been booked; their original value is written back in subsequent periods if the reasons for the writedown no longer apply. Assets' residual value and useful life are reviewed on each balance sheet date and, if deemed necessary, appropriate adjustments are made.

Proceeds and losses on asset disposals are determined by comparing the selling price and carrying value. The figure so determined is recognized in the income statement. Costs of borrowing for the purchase of tangible assets are recognized in the income statement.

(ii) Assets held under finance lease contracts

Assets held under finance lease contracts are those assets for which the Group has taken on all risks associated with ownership. 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. Finance lease instalments are recognized according to the approach described in IAS 17.

(f) Intangible assets**(i) Goodwill**

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

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

Goodwill is recognized at cost, less impairment losses.

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

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

(ii) Research and development costs

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

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

(iii) Other intangible assets

Other intangible assets are comprised:

- of software used under licence, valued at purchase cost

- of specific intangible assets acquired as part of recent acquisitions (PSC, Laservall, Informatics) that have been identified and recognized at fair value as of the acquisition date in the context of purchase method accounting.

These assets are amortized over their estimated useful life.

(IV) Subsequent costs

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

(v) Amortization

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

The useful life for each category is detailed below:

Intangible asset category	Useful life - years
Goodwill	Indefinite
Development costs	5
Other intangible assets:	
- Software licenses	3-5
- Patents (PSC)	20
- Customer portfolio (PSC)	10
- Brands (PSC)	10
- Service agreements (PSC)	4
- Know how (Laservall)	7
- Commercial structure (Laservall)	10
- Commercial structure (Informatics)	10
- SAP licenses	10
- User licenses	According to contract duration

(g) Investments in associates

Investments in associates are classified in non-current assets and are measured according to the equity method, as envisaged by IAS 28. The portion of profits or losses stemming from application of this method is indicated in a separate item of the income statement.

(h) Other equity investments and financial assets available for sale

Equity investments in other companies are classified as financial instruments available for sale according to the definition provided in IAS 39, even though the Group has not expressed any plans to sell these investments, and are carried at fair value as of the reporting date.

The fair value of listed securities is based on current market prices. If the market of a financial asset is not active, the Group sets its fair value by using transactions taking place in proximity to the reporting date, by referring to other instruments of essentially the same nature, or by using discounted cash flow models. Under some circumstances, the Group may not have enough information to determine the fair value of these financial assets; in which case they are maintained at cost.

(i) Inventories

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

(j) Receivables

Receivables, with due dates consistent with normal terms of trade in the sector in which the Group is active, or that earn interest at market rates, are not discounted to present value. They are recognized at cost (identified as face value), net of provisions for doubtful accounts, which are shown as a direct deduction from such receivables in order to align them with their fair value. Receivables whose due date exceeds normal terms of trade (i.e. due dates longer than 1 year) are initially recognized at fair value and subsequently at amortized cost – using the effective interest rate method – net of related impairment losses.

(k) Cash & cash equivalents

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

(l) Impairment

The book value of assets – with the exception of inventories, financial assets governed by IAS 39, deferred tax assets (see IAS 12), and non-current assets held for sale governed by IFRS 5 – are reviewed at each balance sheet date to look for any indications of impairment. If this analysis reveals the presence of such indications, it is necessary to calculate the asset's presumed recoverable value following the approach indicated below in point (i).

The presumed recoverable value of goodwill and of intangible assets not yet used is instead estimated at least annually, or more frequently if specific events indicate the possible presence of impairment.

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

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

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

All goodwill recognized in the accounts at 30 June 2006 was subjected to impairment testing as of 1 January 2004 – the IFRS transition date – and as of 31 December 2004 and 31 December 2005. No impairment losses emerged from such tests.

(i) Calculation of presumed recoverable value

The presumed recoverable value of assets other than goodwill is the higher of net disposal price and value in use. Value in use is calculated according to projected future cash flows associated with the asset, discounted to present value at a rate that allows for current market interest rates and for the specific risks inherent in the asset to which presumed recoverable value refers.

For assets that do not generate stand-alone cash flows, presumed recoverable value is determined for the CGU to which the asset belongs.

(ii) Reversal of impairment losses

Impairment loss of assets other than goodwill is reversed when there is a change in the estimate used to determine presumed recoverable value. Goodwill impairment losses are never reversed. Impairment loss is reversed within the limits of the carrying value that would have emerged, net of depreciation and amortization, if no impairment loss had ever been recognized.

(m) Share capital

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

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

(n) Stock options

On 28 February 2001 the Extraordinary Shareholders' Meeting of Datalogic SpA gave the Board of Directors full powers to develop a stock-option incentive scheme for executive directors and for some employees. At the same time shareholders approved a capital increase (of up to a maximum of 600,000 shares, or some 4.8% of share capital) reserved for implementation of the stock option plan.

On 17 May 2001 the Board of Directors implemented the plan in question, making it possible to:

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

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

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

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

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

The following table summarizes the plan's status at 30 June 2006:

	<i>Number of shares</i>	<i>Average exercise price (EUR)</i>	<i>Market price (EUR)</i>	<i>% of share capital</i>
Options granted as of 1 January 2006	125,400	11.5	24.92	1.01%
of which: exercisable as of that date	125,400			
New options granted during the period	-	-	-	-
Options granted as of 1 January 2006 post-split	501,600	2.875		
(Options exercised during the year)	(125,600)	2.875	6.65	0.20%
(Options expired during the year) (1)	-	-	-	-
Total options outstanding as of 30 June 2006	376,000	2.875	5.81	0.59%
of which: exercisable as of that date	376,000			

(1) Expired options are those granted to personnel that have left the company's service.

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

(o) Interest-bearing financial liabilities

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

Subsequent to initial recognition, interest-bearing financial liabilities are measured at amortized cost.

(p) Liabilities for employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension scheme for which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation as regards payment of further contributions if the scheme were to have insufficient funds to pay all employees the benefits relating to their period of service.

Contribution obligations relating to employees for pensions or other types of benefit are posted in the income statement when they are incurred.

(ii) Defined benefit plans

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

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

(iii) Termination benefits

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

(q) Provisions

In cases where the Group has a legal or constructive obligation arising from a past event and will probably have to bear losses of economic benefits to settle the obligation, an appropriate provision is made. If the time factor of the expected loss of benefits is significant, the amount of future cash outlays is discounted to present value at an interest rate that allows for market interest rates and for the specific risk of the liability concerned.

Provisions are not made for possible (as opposed to probable) future operating losses.

Provisions are measured at the fair value of the best estimate made by management of the expense of meeting the current obligation as of the balance sheet date.

(i) Product warranty provision

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

(ii) Other provisions

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

The Group has also made a provision for restructuring by the PSC Group. The amount has been calculated based on estimates made by the Group to determine likelihood, timing, amounts involved, and probable outlay of resources. The provision made will be adjusted according to progress with the restructuring plan. Upon conclusion of the plan, the amount differing from balance sheet provision will be recognized in the income statement.

(r) Trade and other payables

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

(s) Revenues

(i) Revenues from sales of goods and services

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

(ii) Government grants

Government grants are recorded as deferred revenues among other liabilities at the time when it is reasonably certain that they will be given and when the Group has complied with all conditions necessary to obtain them. Grants received against costs borne are systematically posted in the income statement in the same periods when such costs are recorded. Grants received against specific balance sheet assets are

recognized as deferred income and in the income statement as other operating revenues, based on the relevant asset's useful life.

(iii) Dividends

Dividends are recognized in the income statement on the date when the right to receive them matures. In the case of listed companies, this is the coupon detachment date.

(t) Costs

(i) Rental and operating lease costs

Rental and operating lease costs are recorded in the income statement on an accruals basis.

(ii) Finance lease instalments

In the case of finance lease instalments, the capital portion goes to reduce the financial liability, while interest is posted in the income statement.

(iii) Financial income and expenses

Financial income and expenses are recognized on an accruals basis.

(u) Income taxes

Income taxes shown in the income statement include current and deferred taxes. Income taxes are generally posted in the income statement, except when they refer to events recognized 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 recognized for tax purposes. Deferred taxes are calculated according to the expected manner of reversal of temporary differences, using the tax rate in force at the balance sheet date.

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

(v) Segment reporting

A segment is defined as a business activity or geographical area in which the Group does business that features conditions and returns different to those of other segments. In the Group's specific case, business segments are the primary segments and are identified as the Data Capture segment and the Business Development segment. Geographical areas (secondary segments) have been defined as being Italy, the Rest of Europe (including non-EU countries), North America, and the Rest of the World.

(w) Non-current assets held for sale and discontinued operations

Assets held for sale and any assets and liabilities belonging to company divisions or consolidated investments held for sale are measured at the lower of book value at the time of classification of such items as held for sale and their fair value net of selling costs.

Any impairment losses recognized via application of this policy are recognized in the income statement, both in the case of write-down for alignment with fair value and in that of gains and losses stemming from subsequent changes in fair value.

Business divisions are classified as discontinued operations at the time of their disposal or when they meet the requisites for being classified as held for sale, if such requisites existed previously.

(x) Use of estimates

The preparation of consolidated financial statements requires directors to apply accounting standards and methods that, in some cases, are based on complex and subjective evaluations, estimates based on historical experience, and on assumptions that, on each occasion, are deemed reasonable and realistic in relation to the circumstances concerned. The application of such estimates and assumptions affects the amounts reported in financial statements, i.e. the balance sheet, income statement, and cash flow statement, plus the information disclosed. The ultimate amounts of accounting items for which the aforesaid estimates and assumptions have been used might be different to those reported in financial statements due to the uncertainty characterizing assumptions and the conditions on which estimates are based.

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

- Goodwill;
- Impairment of non-current assets;

- Development costs;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Employee benefits;
- Provisions for risks and charges.

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

(y) Financial risks and derivative instruments

The Group is exposed to a variety of commercial and financial risks that are monitored and, in certain cases managed, centrally. It nevertheless does not use financial derivatives to minimize the impact of such risks on its results.

The market risks to which the Group is exposed can be divided into the following categories:

(i) Price risk

The Group buys and sells on a global scale and is therefore exposed to the normal risk of price fluctuations typical of the sector.

(ii) Credit risk

The Group trades only with known and reliable customers. It is Group policy to subject customers requesting extended payment terms to procedures to check their creditworthiness. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. There is no significant concentration of credit risk in the Group.

(iii) Interest rate risks

Risks of changes in interest rates refer to borrowing. Floating-rate loans expose the group to the risk of changes in cash flows due to interest expense. Fixed-rate loans expose the Group to the risk of changes in the loans' fair value.

Despite this, the Group does not use financial derivatives to hedge interest-rate risk.

(z) Earnings per share**Basic**

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

Diluted

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

(aa) Exemptions and exceptions envisaged by IFRS 1

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

Optional exemption	Choice
Business combinations: aggregations of companies, acquisitions of equity interests in associates and joint ventures	The Group has decided to avail itself of exemption as regards retrospective application of IFRS 3 for business combinations and acquisitions of equity interests in associates and joint ventures taking place prior to 1 January 2004.
Opening value of tangible and intangible assets	The Group has decided to apply "deemed cost" for property assets. It has applied revalued cost based on specific appraisals performed by independent expert valuers. As regards intangible assets, given the absence of active markets, the Group has been unable to benefit from use of the "deemed cost" method.
Employee benefits	As regards accounting treatment of defined-benefit plans (= employee severance indemnities in Italy) the Group has decided not to avail itself of the corridor approach and therefore, disregarding the exemption granted under IFRS 1, the actuarial gain/loss has been fully recognized at the transition date and duly reflected in net equity.
Cumulative translation differences	The Group has decided to opt for exemption from retrospective application of IAS 21. Gains/(losses) arising from translation of foreign investee companies' financial statements have been cleared, set against the "Retained earnings" reserve.

Compound financial instruments	The Group does not have any compound financial instruments.
Transition of subsidiaries, associates and joint ventures	Not applicable to the consolidated half-year financial statements.
Alignment of comparative information concerning financial assets and liabilities	The Group has decided to apply IAS 32 and IAS 39 as from the transition date.
Designation of financial instruments already recognized	The Group has decided to apply IAS 32 and IAS 39 as from the transition date. The exemption has been taken as from this date.
Stock options	The Group has a stock option plan that it has not accounted for in the manner envisaged by IFRS 2, as it meets the conditions for exemption offered by IFRS 1.
Insurance contracts	Not applicable to the Group
Changes in liabilities booked for decommissioning, restoration and similar liabilities	The Group did not have any liabilities for decommissioning, restoration and similar liabilities.

The accounting standards applied to the opening balance sheet at 1 January 2004 have been uniformly applied to the balance sheet and income statement at 30 June 2006 and to comparative 2005 figures, including those concerning the recognition, classification and measurement of financial assets and liabilities (IAS 32 and IAS 39).

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

(ab) IFRS and IFRIC interpretations not yet endorsed

During the last few months the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) have published new standards and interpretations. Although, to date, the EU legislator has not yet endorsed such standards and interpretations, the Group has in any case considered their effects, highlighting their potential impact on its balance sheet and income statement, without finding them to have significant effects.

GROUP STRUCTURE

The consolidated half-year financial statements include the statements of the parent company and of the companies in which the former directly or indirectly holds the majority of voting rights.

The companies consolidated on a line-by-line basis for the period ending 30 June 2006 were as follows:

Company name	Registered office	Share capital	Total net equity (€/000)	Profit/loss for the period (€/000)	% ownership
Datalogic SpA (parent company)	Lippo di Calderara di Reno (BO) – Italy	EUR 158,534,656	189,223	1,292	
Laservall SpA	Donnas (AO) – Italy	EUR 900,000	8,581	3,106	100%
Datalogic Holding AB	Malmö – Sweden	KRS 1,400,000	1,376	153	100%
EMS, Inc	Scotts Valley, California – United States	USD 1,949,084	1,318	-161	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR 2,227,588	3,232	-50	100%
Datalogic Optik Elektronik GmbH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR 1,025,000	3,551	111	100%
Datalogic Optic Electronics B.V.	Maarsse – Holland	EUR 17,800	-70	-105	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR 72,673	580	91	100%
Datalogic PTY Ltd.	Mount Waverley (Melbourne) - Australia	AUD 2,300,000	746	-91	100%
Datalogic UK Ltd.	Redbourn (London) – UK	GBP 3,500,000	4,509	75	100%
Datalogic Inc.	Hebron, Kentucky – United States	USD 1,847,000	1,944	394	100%
DL Iberia	Madrid - Spain	EUR 60,500	763	-34	100%
Datalogic AB	Stockholm – Sweden	KRS 200,000	872	35	100%
DL Slovakia	Trvna - Slovakia	SKK 1,999,925	1,600	2,037	100%
PSC Holding	Delaware - United States	USD 117,000,000	88,360	-4,297	100%
DL Asia Limited	Hong Kong - China	HKD 100,000	135	73	100%
Informatics Holding Inc.	Plano, Texas - United States	USD 15,100,000	14,374	854	90%

Below is a summary of the companies consolidated on a line-by-line basis at 30 June 2006 by PSC Holding:

Company name	Registered office	Total net equity (€/000)	Profit/loss for the period (€/000)	% ownership
LJ Scanning Holding, Inc.	Delaware - United States	43,271	0	100%
PSC Inc.	New York - United States	43,360	0	100%
PSC Scanning	Delaware - United States	40,709	-2,618	100%
PSC Belgium, Inc.	Delaware - United States	0	0	100%
PSC Bar Code Ltd.	United Kingdom	-812	-39	100%
PSC GmbH	Germany	927	-129	100%
PSC Eastern Europe GmbH	Germany	0	0	100%
PSC SpA	Italy	592	-40	100%
PSC S.A.R.L.	France	768	29	100%
PSC Asia -Pacific Ltd.	Australia	53	-64	100%
PSC Japan KK	Japan	42	-229	100%
PSC Scandinavia AB	Scandinavia	0	0	100%
PSC do Brasil Ltda	Brazil	54	-5	100%
PSC Singapore Scanning Pte.Ltd.	Singapore	0	0	100%

The companies valued at equity at 30 June 2006 were as follows:

Company name	Registered office	Share capital	Total net equity (€/000)	Profit/loss for the period (€/000)	% ownership Direct and indirect
Idec DatalogicCo. Ltd.	Osaka – Japan	JPY 300,000,000	1,260	160	50%
Laservall Asia Co. Ltd.	Hong Kong - China	HKD 460,000	606	276	50%

Associates measured at cost at 30 June 2006 were the following:

Company name	Registered office	Share capital	% ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	INR 1,000,000	20%
Laservall Asia Futian Co. Ltd	Shenzen - China	CNY 2,070,600	50%

The following table shows the financial data of subsidiaries and associates valued at equity or cost, none of which is listed on a stock exchange:

Company name	Registered office	Currency	Assets €/000	Liabilities €/000	Net equity €/000	Revenues €/000	Profit/loss for the period €/000	% ownership
Idec Datalogic Co. Ltd.	Osaka - Japan	JPY	3,272	2,013	1,260	2,687	160	50%
Laservall Asia Co. Ltd	Hong Kong - China	EUR	2,130	1,524	606	6,800	276	50%
Laservall Asia Futian Co. Ltd	Shenzhen - China	CNY	262	79	183	0	-21	50%
DL Private India	Shankarapuram (Bangalore) – India	INR	n.a			n.a	n.a	20%

Changes in the scope of consolidation

During the second quarter of 2006:

- Datalogic Slovakia was consolidated on a line-by-line basis, while at 31 December 2005 it was carried at cost;
- Laservall Asia Ltd, owned 50% by Laservall SpA, incorporated 100% of the company Laservall Asia Futian Co. Ltd. which has been in production since June 2006. To that end, Laservall SpA granted Laservall Asia a loan of €206 thousand.

C) INFORMATION ON THE BALANCE SHEET - ASSETS

NON-CURRENT ASSETS

1. Property, plant and equipment

	30/06/06	31/12/05	Change
Land	6,259	6,457	(198)
Buildings	17,395	18,928	(1,533)
Plant and machinery	7,925	6,711	1,214
Other tangible assets	15,578	16,528	(950)
Assets in progress and payments on account	2,058	1,837	221
Total	49,215	50,461	(1,246)

Below are details of the movements taking place in 2005 and the first half of 2006:

	Land	Buildings	Plant and machinery	Other tangible assets	Assets in progress and payments on account	Total
Opening value at 31/12/04						
historical cost		25,566	6,881	28,547	199	61,193
IAS adj. of historical cost	5,833	(3,210)		5,038		7,661
(Accumulated depreciation)		(6,707)	(4,574)	(22,164)		(33,445)
IAS adj. of accumulated depreciation		1,583	283	48		1,914
Total	5,833	17,232	2,590	11,469	199	37,323
Increases 31/12/05						
investments	16	142	728	4,012	159	5,057
amortization reversal			756	411		1,167
Total	16	142	1,484	4,423	159	6,224
Decreases 31/12/05						
divestments		(22)	(756)	(453)	(130)	(1,361)
depreciation		(288)	(761)	(3,509)		(4,558)
writedowns	(100)	(162)				(262)
Total	(100)	(472)	(1,517)	(3,962)	(130)	(6,181)
Reclass. and other movements 31/12/05						
incoming transfers				113		113
(outgoing transfers)						-
Change in consolidation area: - PSC						
historical cost	-	-	4,076	4,011	1,609	9,696
- PSC accumulated deprecn.	-	-	(73)	(6)		(79)
- Informatics historical cost	678	2,043	167	525		3,413
- Informatics accumulated deprecn.	-	(15)	(16)	(32)		(63)
Exchange diff.	30	(2)		(13)		15
Closing balance 31/12/05						
historical cost	6,457	24,355	11,096	41,780	1,837	85,525
(Accumulated depreciation)	-	(5,427)	(4,385)	(25,252)	-	(35,064)
Total	6,457	18,928	6,711	16,528	1,837	50,461
Increases 30/06/06						
investments		-	1,082	1,995	831	3,908
depreciation reversal		532	179	1,123		1,834
Total	-	532	1,261	3,118	831	5,742
Decreases 30/06/06						
divestments	(139)	(1,808)	(285)	(1,525)	(504)	(4,261)
depreciation		(159)	(1,366)	(2,717)		(4,242)
writedowns						-
Total	(139)	(1,967)	(1,651)	(4,242)	(504)	(8,503)
Reclass. and other movements 30/06/06						
incoming transfers		35	77	206		318
(outgoing transfers)						-
- Change in consolidation area - Slovakia						
historical cost	-	-	1,790	304	12	2,106
- Slovakia accumulated deprecn.	-	-				-
Forex differences historical cost	(59)	(138)	(296)	(506)	(118)	(1,117)
Forex differences accum. depreciation		5	33	170		208
Closing balance 30/06/06						
historical cost	6,259	22,444	13,464	42,254	2,058	86,479
(Accumulated depreciation)	-	(5,049)	(5,539)	(26,676)	-	(37,264)
Total	6,259	17,395	7,925	15,578	2,058	49,215

The "Land" item of €6,259 thousand is attributable to the parent company (€3,738 thousand), Datalogic UK (€1,250 thousand), Informatics (€630 thousand), Datalogic France (€514 thousand), and Datalogic GmbH (€127 thousand). The decrease of €139 thousand is due to the sale of land by Datalogic Holding AB.

The "Buildings" item of €17,395 thousand is attributable to the parent company (€11,502 thousand), Informatics (€1,819 thousand), Datalogic UK (€1,571 thousand), Datalogic GmbH (€1,376 thousand), and Datalogic France (€1,127 thousand). The decrease is explained by Datalogic Holding AB's sale of a building for €1,255 thousand. The sale of the land and building produced a capital gain of €273 thousand, recorded as "other revenues".

Plant and machinery showed:

- an increase of €2,872 thousand, attributable mostly to Datalogic Slovakia (€ 1,790 thousand) and the PSC Group (€722 thousand);
- an overall decrease of €285 thousand.

The main components of "Other tangible assets" at 30 June 2006 were as follows: industrial and commercial equipment (€4,811 thousand), office furniture and equipment (€5,856 thousand), general plant for buildings (€1,573 thousand), cars (€345 thousand), and leasehold maintenance (€2,439 thousand).

This item showed:

- a total increase of €2,299 thousand, pertaining mostly to the parent company (€745 thousand), the PSC Group (€319 thousand) and Datalogic Slovakia (€304 thousand);
- a total decrease of €1,525 thousand, attributable mainly to the parent company (€1,173 thousand).

The balance of the item "Assets in progress and payments on account" is attributable to the parent company (€518 thousand) and to the PSC Group (€1,518 thousand).

Depreciation and amortization of tangible and intangible assets, totalling €8,268 thousand, was split as follows in the income statement:

- cost of sales: €1,880 thousand (€628 thousand at 30 June 2005);
- research and development: €1,647 thousand (€987 thousand at 30 June 2005);
- distribution expenses: €778 thousand (€437 thousand at 30 June 2005);
- general & administrative expenses: €3,963 thousand (€1,642 thousand at 30 June 2005).

General & administrative expenses include €2,198 thousand in amortization generated with the acquisition of Informatics, Laservall and the PSC Group.

Mortgages on land and buildings amount to € 1,968 thousand (vs. € 2,784 thousand in December 2005) and relate to DI GmbH. The decrease was caused by reimbursement of the mortgage loan on the building owned by Datalogic AB Holding following the building's sale.

2. Intangible assets

	30/06/06	31/12/05	Change
Goodwill	98,100	103,360	(5,260)
Development costs	3,499	3,908	(409)
Other	57,740	89,552	(31,812)
Total	159,339	196,820	(37,481)

Below are details of the movements taking place in 2005 and the first half of 2006:

	Goodwill	Development costs	Other	Total
Opening value at 31/12/04				
historical cost	23,751		14,868	38,619
IAS adj. of historical cost	(6,517)	5,534	5,691	4,708
(accumulated amortization)	(9,136)		(10,023)	(19,159)
IAS adj. of accumulated amortization	1,795	(1,502)	3,812	4,105
Total	9,893	4,032	14,348	28,273
Increases				
additions		851	483	1,334
amortization reversal				
other changes				
Total		851	483	1,334
Decreases				
disposals				
amortization		(1,030)	(2,991)	(4,021)
other changes		(110)	122	12
Total		(1,140)	(2,869)	(4,009)
Changes in consolidation area: PSC				
historical cost	83,262		70,716	153,978
PSC accumulated amortization			(107)	(107)
Informatics historical cost	10,205	165	6,981	17,351
Informatics accumulated amortization				
foreign exchange difference				
Closing balance 31/12/05				
historical cost	110,701	6,440	98,861	216,002
(amortization)	(7,341)	(2,532)	(9,309)	(19,182)
Total	103,360	3,908	89,552	196,820
Increases 30/06/06				
additions	19,562	220	2,254	22,036
amortization reversal				
other changes	26	4	27	57
Total	19,588	224	2,281	22,093
Decreases 30/06/06				
disposals	(18,133)		(25,164)	(43,297)
amortization		(622)	(3,404)	(4,026)
other changes			(46)	(46)
Total	(18,133)	(622)	(28,614)	(47,369)
Changes in consolidation area: DL Slovakia historical cost				
DL Slovakia amortization				
forex difference historical cost	(6,715)	(11)	(5,666)	(12,392)
change in accumulated amortization			187	187
Closing balance 30/06/06				
historical cost	105,441	6,653	70,266	182,360
(amortization)	(7,341)	(3,154)	(12,526)	(23,021)
Total	98,100	3,499	57,740	159,339

Goodwill, totalling €98,100 thousand, consisted of the following items:

- €1,394 thousand for consolidation of the Minec Group, in which a 100% interest was acquired on 15 July 2002 by Datalogic Holding AB, in turn owned 100% by the parent company;

- €3,380 thousand, ascribable to the parent company, consisting of the merger loss and share-swap loss originated by the merger of IdWare Srl in 1998;
- €5,119 thousand for consolidation of Laservall SpA, an interest acquired in 3Q04 by the parent company. We believe the conditions exist for posting as goodwill the difference between purchase cost and fair value of net assets acquired, since it represents the acquired company's future profit-generation capacity;
- €9,470 thousand for the consolidation of Informatics Inc. (the change vs. 31/12/05, €10,205 thousand, is due to the forex effect);
- €78,737 thousand for consolidation of the PSC Group; taking the option allowed by IFRS 3, the Group has revised its calculation of goodwill in light of new information as presented in detail below:

	Amounts as per acquiree's accounts	Adjustments to fair value	Carrying value (USD/000)	Carrying value (€/000) X-rate at 30/11/05
Tangible and intangible assets	16,360	46,160	62,520	53,123
Other non-current receivables	348		348	296
Inventories	30,230	55	30,285	25,733
Trade and other receivables	45,822	86	45,908	39,008
Cash & cash equivalents	4,985		4,985	4,236
Interest-bearing financial liabilities	-43,952		-43,952	-37,346
Trade and other payables	-45,156	-988	-46,144	-39,208
Tax provision from adjustments to fair value		-18,279	-18,279	-15,531
deferred taxes recognized upon purchases accounting		17,846	17,846	15,164
NET ASSETS AT FAIR VALUE	8,637	44,880	53,517	45,472
% pertaining to Group			100%	100%
GROUP'S SHARE OF NET ASSETS AT FAIR VALUE			53,517	45,472
Enterprise value			195,000	165,690
PSC Group's financial liabilities at acquisition date			-45,102	-38,323
Vendor's liability vs. a supplier			-1,500	-1,275
Adjustment to preliminary price			2,780	2,362
Price paid			151,178	128,454
Accessory expenses				1914
ACQUISITION COST			151,178	130,368
GOODWILL AT ACQUISITION DATE			97,660	84,897
Revaluation of goodwill due to forex change				-6,162
GOODWILL AT 30 JUNE 2006			76,819	78,737

More specifically, the opening balance of intangible assets has been revised as described below, and deferred tax assets have been recognized in relation to prior losses.

The goodwill has been allocated to the cash generating units corresponding to the individual companies to which the goodwill pertains. As highlighted in the section on accounting policies, goodwill has no longer been amortized since 1 January 2004 in accordance with IFRS 3, as they have undergone impairment testing.

For the most recent acquisitions – Informatics, Laservall, and PSC – we have used the valuation performed at the time of acquisition, because no significant events had occurred between acquisition date and 31 December 2005 such as to suggest any significant impairment loss.

For the acquisition of Minec and for IdWare we performed impairment testing at 31 December 2005.

The recoverable value of the cash generating units to which goodwill was allocated has been determined according to value in use. The latter, with reference to 31 December 2005, was calculated using the discounted cash flow method of the income projected to be earned by the individual CGUs, which in substance correspond to the Group companies, with the exception of the IdWare goodwill which is allocated to the MC division.

Development costs, amounting to €3,499 thousand, are attributable to:

- the parent company = €3,394 thousand
- Informatics = €104 thousand

and consisted of development projects capitalized because they met IAS 38 requirements.

The heading "Other", at €57,740 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. The main items are as follows :

Intangible assets relating to the acquisition of the PSC Group

- Patents of €31,033 thousand (historical cost USD 40,461 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 20 years. The original value of USD 61,004 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.
- A "Service agreement" of €657 thousand (historical cost USD 951 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 4 years. The original value of USD 1,030 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

- "Brands" of €2,905 thousand (historical cost USD 3,885 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years. The original value of USD 4,800 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.
- The "Customer portfolio" of €2,811 thousand (historical cost USD 3,763 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years. The original value of USD 12,169 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

Intangible assets relating to the acquisition of the Laservall Group

- Know-how amounting to €4,263 thousand (€5,968 thousand at the date of initial recognition), acquired from Laservall SpA and relating to technological expertise in the laser marking sector, in terms of product engineering and industrialization. The useful life of this intangible asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to €3,533 thousand (€4,417 thousand at the date of initial recognition), acquired from Laservall SpA and consisting of its well-established global sales network and customer base, with a direct presence in areas featuring strong economic growth. The useful life of this intangible non-current asset has been defined as being 10 years.

Intangible assets relating to the acquisition of Informatics

- A commercial facility amounting to €5,454 thousand (USD 8,000 thousand at the date of initial recognition) acquired from Informatics and relating to its sales network and customer portfolio. The useful life of this intangible non-current asset has been defined as being 10 years.

The remaining €7,084 thousand of the heading "Other" pertains to the parent company for €5,842 thousand.

3. Equity investments

Equity investments owned by the Group at 30 June 2006 were as follows:

	Balance 31/12/05	Increases	Forex diff.	share of profit	dividends	Change	Balance 30/06/06
a) Subsidiaries							
Datalogic Slovakia s.r.o.	50					(50)	0
Total subsidiaries	50	0	0	0		(50)	0
b) Associates							
Idec Datalogic Co. Ltd.	578		(28)	80			630
Laservall Asia Co. Ltd	165			138			303
DL Private India	8						8
Total associates	751	0	(28)	218	0	0	941

The change in subsidiaries with respect to 31 December 2005 is due to the line-by-line consolidation of Datalogic Slovakia s.r.o., valued at cost the previous year. The consolidation generated a loss, recorded under financial expenses, stemming from the company's performance in 2005.

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

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

Other equity investments

At 30 June 2006 the Group owned the following equity interests in other companies:

	Balance 31/12/05	Increases	Forex diff.	share of profit	dividends	Change	Balance 30/06/06
d) Other companies							
Nomisma SpA - Italy	7						7
Conai	0						0
Caaf Ind. Emilia Romagna Italy	4						4
Crit Srl	51						51
T3 Lab Consortium	8						8
Alien Technology	1,042					(241)	801
Total other equity investments	1,112	0	0	0	0	(241)	871

The amount of other equity investments consists mainly of the parent company's investment (an interest of less than 1%) in Alien Technology Corporation, a US company active in RFID (radio-frequency identification devices). It is recognized at cost, which is substantially aligned with fair value determined on the basis of recent transactions involving the company. The decrease in the company's value is due to the sale of part of this interest.

We nevertheless point out that, in the reporting period as in the previous year, the company reported significant losses. Notwithstanding this, the parent company's directors believe that the requisites do not exist for write-down of this investment as Alien Technology is a start-up active in a very promising segment (RFID).

Securities

	31/12/05	Increases	(Decreases)	Changes in fair value	30/06/06
Securities held as guarantees	1,872				1,872
Total	1,872	-	-	-	1,872

This item consists chiefly of Italian government bonds (BTPs and CCTs) held by the parent company in the amount of €1,864 thousand.

In the following tables we summarize the parent company's "Securities" item at 30 June 2006:

LISTED SECURITIES (in EUR)

type of security	total purchase price	unit purchase price	par value	unit value at 30/06/06	total market value at 30/06/06
Government bonds	361,077.12	100.3	360,000.00	100.21	360,753.12
Government bonds	1,509,300.00	100.62	1,500,000.00	100.21	1,503,150.00
	1,870,377.12		1,860,000.00		1,863,903.12

The government bonds maturing on 1 August 2007 (€1,509 thousand) secure a bank guarantee issued to cover the third earn-out for the acquisition of Laservall SpA, paid in July 2006.

CURRENT ASSETS

5. Inventories

	30/06/06	31/12/05	Change
1) Raw and ancillary materials and consumables	31,915	28,547	3,368
2) Work in progress and semi-finished products	7,097	7,627	(530)
4) Finished products and goods	15,271	15,338	(67)
Total	54,283	51,512	2,771

At 30 June 2006 inventories had increased by 5% vs. 31 December 2005 (€+2,771 thousand). Most of the rise pertains to:

- the consolidation of Datalogic Slovakia (€ 6,845 thousand at 30 June 2006), against a decrease in the parent company's inventories with respect to end-2005 of €2,222 thousand;
- an increase of €941 thousand at Laservall SpA
- a decrease of €2,424 thousand (including €1,826 thousand due to the forex change) at the PSC Group.

Inventories are shown net of an obsolescence provision that, at 30 June 2006, amounted to €9,605 thousand.

Changes in the latter during 1H06 are shown below:

	€/000
Inventory write-down provision at 31/12/05	7,651
Foreign exchange difference	-308
Change post-acquisition	1,395
Provisions made in 1H06	867
Use of surplus during the period	
Inventory write-down provision at 30/06/06	9,605

6. Trade and other receivables

Trade and other receivables - current

	30/06/06	31/12/05	Change
Trade and other receivables	77,919	87,534	(9,615)
Trade receivables	73,915	83,727	(9,812)
Trade receivables due within 12 months	71,870	81,734	(9,864)
Trade receivables due after 12 months	-	-	-
Associate receivables:	1,564	1,236	328
- Idec Datalogic Co. Ltd	742	827	(85)
- Laservall Asia	822	409	413
Subsidiary receivables:	-	150	(150)
- DL Slovakia	-	150	(150)
Receivables from parent company:	446	443	3
- Hydra SpA	446	443	3
Related-party receivables	35	164	(129)
Other current receivables	1,126	1,783	(657)
Accrued income and prepayments	2,878	2,024	854

Trade receivables

Trade receivables due within 12 months at 30 June 2006 totalled €71,870 thousand (net of the provision for doubtful accounts of €1,551 thousand at 30/06/06, up from €1,102 thousand at 31/12/05), a decrease of 12% with respect to December 2005.

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

Amounts receivable from the ultimate parent company Hydra SpA (€446 thousand) relate to the corporate income tax (IRES) credit of Datalogic SpA in connection with the Group tax election.

Related-party receivables (€35 thousand) are due to Datasensor.

Other receivables

	30/06/06	31/12/05	Change
Security deposits	296	41	255
Advances paid to suppliers	276	574	(298)
Receivables for sale of investments	-	700	(700)
Other	554	468	86
Total	1,126	1,783	(657)

The heading "Other" includes €222 thousand paid by the parent company against a tax assessment received on 22 October 2002, which the company has appealed.

Accrued income and prepayments

	30/06/06	31/12/05	Change
a) accrued income			
miscellaneous interest income	22	30	(8)
other	22	25	(3)
total accrued income	44	55	(11)
b) prepayments			
insurance	281	236	45
membership fees	8	22	(14)
rent and maintenance fees	1,305	515	790
leasing contracts	61	32	29
surety costs	25	57	(32)
trade fairs and sponsorships	93	110	(17)
substitute tax	156	208	(52)
other	905	789	116
total prepayments	2,834	1,969	865
Total accrued income and prepayments	2,878	2,024	854

The increase in rent and maintenance fees pertains to Datalogic Slovakia (€288 thousand) and the PSC Group (€477 thousand), for rent.

Trade and other receivables - non-current

	30/06/06	31/12/05	Change
Security deposits	490	772	(282)
Other	43	24	19
Total	533	796	(263)

Security deposits are attributable mainly to the PSC Group (€288 thousand) and Datalogic Slovakia (€123 thousand).

7. Tax receivables

	30/06/06	31/12/05	Change
Short-term tax receivables	8,122	6,948	1,174
VAT credits	2,545	1,332	1,213
Other tax credits	5,577	5,616	(39)
Long-term tax receivables	78	5	73
Other tax credits	78	5	
Total	8,200	6,953	1,247

The VAT credit relates primarily to the parent company (€1,337 thousand), to Laservall SpA (€111 thousand) and to the PSC Group (€218 thousand); the parent company accounts for €856 thousand of the increase.

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

	31/12/05	Increases	Disposals	Fair value	30/06/06
Other securities	3,497		(3,497)		-
Loans to subsidiaries	515	206	(515)		206
Total	4,012	206	(4,012)	-	206

The loan to subsidiaries/associates consists of the loan granted by Laservall SpA to Laservall Asia Co. Ltd. for the purchase of Laservall Asia Futian Co. Ltd.

The decrease in "other securities" with respect to 31 December 2005 is due to the sale of securities held to secure the mortgage loan granted by San Paolo IMI S.p.A., which was reimbursed in full at the close of the year.

9. Financial assets - derivative instruments

Derivative instruments concern the adjustment at period-end exchange rates of financial transactions and the relevant share of the premium for exchange risk hedging transactions (forward sales) in effect at 30 June 2006.

10. Cash and cash equivalents

	30/06/06	31/12/05	change
Bank and post office deposits	25,779	29,970	(4,191)
Cash and valuables on hand	102	176	(74)
Total cash and cash equivalents	25,881	30,146	(4,265)

The item includes €280 thousand stemming from the consolidation of Datalogic Slovakia.

Cash and cash equivalents include €9,439 thousand for a security deposit received from PSC Holding (included under "other payables") in connection with the acquisition, which is being kept in a restricted account.

D) INFORMATION ON THE BALANCE SHEET - NET EQUITY AND LIABILITIES

11. Net equity

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

(in €/000)	30/06/06	31/12/05
Share capital	33,021	25,746
Share premium reserve	127,660	58,490
Demerger reserve	4,439	4,439
Reserve for the purchase of treasury shares	(2,149)	1,881
Share capital	162,971	90,556
Translation reserve	(5,726)	1,548
Fair value reserve	(4)	79
Reserve for financial liabilities	(2,502)	0
Other reserves	(8,232)	1,627
Retained earnings	33,767	24,346
Net profit (loss) for the period	(2,070)	12,997
Earnings carried forward	31,697	37,343
Total Group net equity	186,436	129,526
Total minority interests in net equity	425	335

a) Share capital

Movements in share capital during the first half of 2006 are reported below (in €/000):

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
1 January 2006	12,378,100	25,746	58,490	1,881	4,439	90,556
Number of shares at 31 December 2005 post-split	49,512,400					
Rights issue	13,863,472	7,209	69,387			76,596
Capital increase for exercise of stock options	125,600	66	295			361
Purchase of treasury shares	(704,207)			(4,123)		(4,123)
Sale of treasury shares	0					0
exercise of rejected options and purchase of treasury shares	-			93		93
Capital increase expenses	-		(512)			(512)
30 June 2006	62,797,265	33,021	127,660	(2,149)	4,439	162,971

On 8 May 2006, a share split was carried out at a ratio of 1 to 4, reducing the unit price from €2.08 to €0.52.

Ordinary shares

At 30 June 2006 the total number of ordinary shares was 62,797,265 (net of 704,207 treasury shares) with a par value of €0.52 each; all shares issued are fully paid.

The main change taking place in 1H06 was the rights issue (capital increase) of €76,596 thousand. This was approved by the extraordinary shareholders' meeting of 2 December 2005 and completed in January with the issue of 3,465,868 shares (13,863,472 post-split), at a unit price of €22.10 each.

Treasury shares

In the first half of 2006 the Group purchased 704,207 treasury shares and sold none.

Demerger reserve

This reserve was a consequence of the split of the parent company on 2 January 1998 into IES SpA (demerged company, now Datasensor) and Datalogic SpA (the beneficiary company).

b) Other reserves

The reserve for revaluation of financial assets (fair value reserve) comprises revaluation at fair value of AFS securities until the time when such securities are sold and is net of the tax effect.

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

On the basis of IAS 32.23, a put option on a minority stake of a subsidiary is recognized as a financial liability. The financial liability is offset by a negative equity reserve of €2,502 thousand, since the exercise price of the put option--established according to a formula based on an EBITDA multiple and on the subsidiary's net debt at the close of the period--approximates the fair value of the minority interest in the subsidiary as of the option exercise date (2009). For the same reason, net equity and the minority shareholders' interest in net earnings have been maintained in the financial statements.

The translation reserve is generated from the translation into euro of foreign companies' financial statements.

c) Profits carried forward

Reserve for treasury shares

This was created by the parent company in relation to buy-back transactions. As required by the Italian Civil Code, the reserve shows movements corresponding to the purchase and sale of treasury shares during the period.

Reserve for gain on cancellation and untaxed capital grant reserve

These reserves are a consequence of the merger of Datalogic SpA and Datasud in 2004.

IFRS transition reserve

This is the reserve created upon first-time adoption of international accounting standards at 1 January 2004 (consolidated accounts at 31/12/03) as per IFRS 1.

Retained earnings/ (losses carried forward)

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

Dividends

At 30 June 2006 dividends had been paid in the amount of €3,489 thousand (€15,040 thousand at 31/12/05, including an extraordinary payout of €12,350 thousand).

d) Minority interests

Minority interests amount to €425 thousand and relate to 10% of Informatics Inc.

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

	30 June 2006	
	Total net equity	Net profit (loss) for the period
Datalogic SpA net equity and profit	189,223	1,292
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity -based valuation	904	1,921
Reversal of dividends	0	(3,921)
Laservall acquisition	(2,589)	(647)
Amortization of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(203)	
Effect of eliminating intercompany transactions	(1,940)	(888)
Elimination of intercompany profits	(176)	(115)
Effect of posting leasing transactions	(53)	(10)
Deferred taxes	1,843	632
elimination of Minec brand	(334)	(334)
Group portion of net equity	186,436	(2,070)
Minority interests in net equity	425	85
Total net equity	186,861	(1,985)

NON-CURRENT LIABILITIES

12. Short/long-term financial payables

	30/06/06	31/12/05	change
current account overdrafts	2,635	0	2,635
bank loans & mortgages and other financial institutions	85,849	161,632	(75,783)
financial liabilities	2,502	0	2,502
Total financial payables	90,986	161,632	(70,646)

Financial payables are shown in detail below:

30/06/06	within 12 months	beyond 12 months	beyond 5 years	Total
Due to banks				
current account overdrafts	2,635			2,635
bank loans & mortgages and other financial institutions	56,160	24,827	4,862	85,849
Other financial liabilities				
miscellaneous	2,502			2,502
Total	61,297	24,827	4,862	90,986

The main changes with respect to 31 December 2005 are as follows:

Parent company

- long-term loan of €20 million taken out on 2 May 2006 to finance the capital increase of PSC Holding Inc.;
- closure of a short-term loan of €1,780 thousand contracted in 2005 to finance the PSC operation;
- closure of a bridge loan of €70 million taken out in 2005 to finance the acquisition of the PSC Group.

PSC Group

- closure of a bridge loan of USD 89,669,000 taken out by PSC Holding Inc., subsequently replaced by a bank loan of USD 70 million.

The loans are secured as follows:

- Loan to Datalogic GmbH = real estate mortgage of €1,968 thousand,
- Loan to Informatics = surety issued by the parent company of €9,439 thousand.

The parent company has also granted sureties of €3,162 thousand and letters of patronage of €1,966 thousand against the use of a credit line by associates.

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

13. Deferred taxes

Deferred tax assets and liabilities stem from both (a) positive items already recognized 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 value for tax purposes.

The detail of deferred tax assets is shown below:

Deferred tax assets	30/06/06	31/12/05	change
Datalogic SpA	2,825	1,832	993
Laservall SpA	160	305	(145)
DL AB Holding	-	147	(147)
DL AB	131	-	131
DL Inc.	169	181	(12)
EMS	-	-	-
DL France	21	-	21
DL Iberia	28	-	28
DL Handels	395	416	(21)
DL PTY	129	98	31
Informatics	215	153	62
PSC	11,367	24	11,343
DL UK	338	341	-3
Total long-term deferred tax assets	15,778	3,497	12,281
Deferred taxes recognized due to effect of consolidation adjustments	808	524	284
Total deferred tax assets	16,586	4,021	12,565

The item “deferred tax assets recognized due to effect of consolidation adjustments” is due mainly to elimination of the inventory margin.

Details of deferred tax liabilities are as follows:

Deferred tax liabilities	30/06/06	31/12/05	change
Laservall SpA	105	105	-
Informatics	-	2,386	(2,386)
DL France	61	43	18
elimination of brands - Sweden	25	-	25
Total short-term deferred tax liabilities	191	2,534	(2,368)
Datalogic SpA	7,039	1,925	5,114
DL AB	12	-	12
DL GmbH	149	90	59
Laservall SpA	-	-	-
DL PTY	6	-	6
PSC	9,238	27,064	-17,826
Informatics	1,942	-	1,942
France	62	-	62
Inc	6	-	6
DL UK	149	-	149
EMS	15	-	15
Total long-term deferred tax liabilities	18,618	29,079	(10,461)
Deferred tax liabilities posted due to effect of IFRS transition	-	5,764	(5,764)
Deferred taxes recognized due to effect of consolidation adjustments	100	-	100
Deferred tax liabilities due to effect of Laservall consolidation adjustments	2,904	3,145	(241)
Total deferred tax liabilities	21,813	40,522	(18,834)

The balance at 31 December 2005 of the item "Deferred tax liabilities posted due to effect of IFRS transition" has been reallocated to the individual companies.

The item "Deferred tax liabilities due to effect of Laservall consolidation adjustments" includes the deferred taxation provision (€2,904 thousand upon initial recognition) created as part of the accounting protocol for the acquisition of Laservall SpA. Certain intangible assets from the acquisition ("know-how" and "Far East window") were specifically identified and valued at fair value, and against those assets, which were posted to the balance sheet but not recognized for tax purposes, a provision was made for the relative deferred tax liabilities. This provision is released in parallel with the process of amortization.

The decrease in the PSC Group's deferred tax liabilities is due primarily to the revised goodwill calculation as mentioned above.

The increase in the PSC Group's deferred tax assets relates chiefly to the recognition after 31 December 2005 of deferred tax assets as a result of the purchase accounting method.

Deferred tax assets and liabilities, for the individual Group companies, are summarized below on the basis of the temporary differences that generated them:

Deferred tax assets	Prior years' losses	Exchange rate adjustment	Provisions	Asset write-downs	Other	Total
30/06/06						
DL PTY	129					129
PSC	7,158		2,855	937	418	11,367
DL Handels	395					395
Iberia	28					28
France	21					21
AB	131					131
DL AB Holding	0					0
DL UK	319				19	338
DL Inc.			116		53	169
Informatics			64	87	65	215
Laservall SpA			71	84	5	160
Parent company		534	658	1162	471	2,825
Total Group companies	8,181	534	3,764	2,269	1,030	15,778
Deferred taxes recognized due to effect of consolidation adjustments					808	808
Total deferred tax assets	8,181	534	3,764	2,269	1,838	16,586

Deferred tax liabilities	Amortization	Operations deriving from acquisitions	Reserve for prior year losses	Provisions	Other	IFRS reserves	Total
30/06/06							
PSC		8,067		803	367		9,238
DL GmbH	82					67	149
DL AB			0			12	12
Informatics		1908			34		1,942
DL France	61					60	121
Laservall SpA	105						105
Parent company	6622			146	271		7,039
PTY						6	6
Inc						6	6
UK						149	149
EMS						15	15
Total Group companies	6,870	9,976	0	949	672	315	18,782
Deferred tax liabilities posted due to effect of IFRS transition	-		0	0	100		100
Deferred tax liabilities due to effect of Laservall consolidation adjustments	-	2,904	0	0			2,904
elimination of brands - Sweden	-		0	0	25		25
Total deferred tax liabilities	6,870	12,880	0	949	797	315	21,811

14. Post-employment benefit obligations

Changes in this liability during the period were as follows:

	€/000
31/12/05	6,894
Amount provisioned in period	771
Utilizations	-220
30/06/06	7,445

Of the figure shown for utilizations, €203 thousand is ascribable to the parent company, of which €109 thousand for advances and €94 thousand for resignations.

The effects on the income statement were allocated as follows:

	30 June 2006
	€/000
Cost of sales	236
Research and development	235
Commercial expenses	198
General & administrative expenses	102
Total	771

15. Provisions

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

	30/06/06	31/12/05	change
Short-term provisions	4,111	4,319	(208)
Long-term provisions	5,155	4,600	555
Total provisions	9,266	8,919	347

Below we show the changes occurring in the item:

	31/12/05	Increases	(Utilizations)	Unused amounts	Exchange diff.	30/06/06
Product warranty provision	4,672	353	(181)	(400)	(229)	4,215
Provision for legal disputes	1,371	13	(711)		(82)	591
Restructuring provision	-	1,495	(698)		1	798
Provision for management incentive scheme	1,104	680	(9)		(7)	1,768
Other	1,772	763	(513)		(128)	1,894
Total provisions	8,919	3,304	(2,112)	(400)	(445)	9,266

The product warranty provision covers the estimated cost of repairing products sold under warranty; it amounts to €4,215 thousand and is considered sufficient in relation to the specific risk it covers. It is mainly attributable to the PSC Group (€2,926 thousand, of which €1,859 thousand long-term), to the parent company (€950 thousand) and to Laservall SpA (€290 thousand).

The restructuring provision was set up against the restructuring plan of the PSC Group.

The provision for legal disputes mainly concerns (for €354 thousand) a lawsuit involving the PSC Group, which used €708 thousand in provisions during the first six months of the year.

Of the provision for the management incentive scheme, €1,600 thousand refers to the parent company and €168 thousand to the PSC Group.

The heading "Other" mainly consists of:

- €1,534 thousand for a "stock rotation" provision concerning the PSC Group, showing an increase of €645 thousand vs. 31 December 2005;
- €98 thousand attributable to the PSC Group and provisioned in compliance with directive 2002/95/EC, i.e. the "Directive on restrictions of use of some hazardous substances in electric and electronic equipment", enacted in Italian law by Legislative Decree 151 of 25 July 2005. This provision decreased by €532 thousand with respect to the close of 2005.

16. Other liabilities

Other non-current payables	30/06/06	31/12/05	Change
due for the purchase of equity investments		1,000	(1,000)
due to employees	388	52	336
due to directors		-	-
security deposits from third parties	47	38	9
loans from Group companies		-	-
leasing instalments due	53	116	(63)
Total	488	1,206	(718)

The decrease in this item is explained primarily by the reclassification to short-term payables of a €1 million debt by the parent company for the acquisition of Laservall SpA, corresponding to its share of the third earn-out that was paid in the month of July.

CURRENT LIABILITIES**17. Trade and other payables**

These are the details of trade and other payables:

	30/06/06	31/12/05	Change
Trade and other payables	72,157	81,325	(9,168)
Trade payables	41,293	44,653	(3,360)
Trade payables due within 12 months	38,510	43,263	(4,753)
Trade payables due after 12 months			-
Due to associates	4	15	(11)
Idec Datalogic Co. Ltd.	-	15	(15)
Laservall Asia	4	-	4
Due to ultimate parent company	2,457	998	1,459
Related-party payables	322	377	(55)
Other current payables	24,749	30,906	(6,157)
Accrued liabilities and deferred income	6,115	5,766	349

Trade payables

Trade payables include €4,855 thousand from the consolidation of Datalogic Slovakia.

Related-party payables are due to Datasensor.

Amounts payable to the ultimate parent company consisted of Laservall SpA's debt to Hydra in relation to the Group tax election.

Other payables

The detailed breakdown of other current payables was as follows:

Other current payables	30/06/06	31/12/05	Change
Due for acquisition of equity interest in Laservall SpA	1,000	2,000	(1,000)
Due to pension and social security agencies	1,842	2,555	(713)
Due to employees	9,871	9,401	470
Security deposits received	9,439	10,172	(733)
Directors' remuneration due	435	633	(199)
Due to insurers	-	-	-
Royalty costs yet to be paid	1,815	1,686	129
Other payables	347	4,459	(4,112)
Total	24,749	30,906	(6,157)

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees at period end.

The item "Security deposits received" concerns the residual amount due to the vendor of PSC Holding for the purchase of the PSC Group; the change is due exclusively to the exchange rate effect.

The heading "Other payables" decreased because of the settlement of PSC payables in relation to the acquisition that were outstanding at the close of 2005.

Accrued liabilities and deferred income

The detail of accrued liabilities and deferred income is as follows:

	30/06/06	31/12/05	change
a) accrued liabilities			
interest on mortgage loans	86	85	1
consulting services	312	310	2
advertising and promotion	123	381	(258)
other	462	571	(109)
Total accrued liabilities	983	1,347	(364)
b) deferred income			
maintenance contracts	3,172	2,789	383
intercompany transactions	326	225	101
warranty extension	776	615	161
capital grants	666	666	-
other	192	124	68
Total deferred income	5,132	4,419	713
Total accrued liabilities & deferred income	6,115	5,766	349

The balance of the deferred income heading "maintenance contracts" mainly concerns the PSC Group for €2,793 thousand (€996 thousand long-term) and Datalogic UK Ltd. for €127 thousand, due to suspension of the portion of revenues from maintenance contracts with customers that does not pertain to the period.

The item "intercompany transactions" refers to the elimination of the inventory margin of Idec Datalogic Co. Ltd. (€236 thousand) and Laservall Asia (€90 thousand), which are booked at equity.

The "Capital grants" item of €666 thousand reflects reclassification of government grants for the purchase of assets, obtained in the past by the subsidiary Datasud Srl (now merged with the parent company).

These grants have been reversed from equity reserves as per the requirements of IAS 20 and reallocated to deferred income, in order to match them with effective cost incurred, i.e. with depreciation of the assets to which they refer.

18. Taxes payable

	30/06/06	31/12/05	Change
Short-term taxes payable	6,818	5,528	1,290
Long-term taxes payable	18	7	11
Total	6,836	5,535	1,301

At 30 June 2006, taxes payable amounted to €6,836 thousand. The details by company are as follows:

Short-term taxes payable	30/06/06	31/12/05	change
DL SpA	2,009	2,042	(33)
PSC	922	1,147	(225)
Laservall SpA	432	573	(141)
DL AB Holding	24	19	5
DL AB	161	227	(66)
Informatics	235	9	225
DL GmbH	259	627	(368)
BV	854	34	820
Handelsgesellschaft mbH	4	7	(3)
DL Iberia	495	339	156
DL France	188	31	157
DL UK	363	422	(59)
Inc.	290	52	238
EMS	-	-	-
DL PTY	89	-	89
DL Slovakia	519	-	519
DL Asia	-	-	-
Total	6,842	5,528	1,314
payables recognized due to consolidation adjustments	(25)	-	(25)
Total short-term taxes payable	6,818	5,528	1,290
Long-term taxes payable			
DL UK	18	-	18
DL PTY	-	7	(7)
PSC	-	-	-
Informatics	-	-	-
EMS	-	-	-
Total long-term taxes payable	18	7	11
Total taxes payable	6,836	5,535	1,301

INFORMATION ON THE INCOME STATEMENT

19. Revenues

	30/06/06	30/06/05	Change
Revenues from sale of products	181,961	83,339	98,622
Revenues for services	6,978	3,228	3,750
Total revenues	188,939	86,567	102,372

Total revenues increased by 118% YoY (+17% net of the PSC Group).

For greater detail, see the section “Revenue trends and key factors affecting operations” in the directors' report.

Below is the geographical breakdown of revenues in percentage terms:

	30/06/06	30/06/05	Change
Italy	10%	17%	-7%
Elsewhere - EU	44%	47%	-3%
Elsewhere - non-EU	46%	36%	10%

20. Cost of goods sold and operating costs

To provide a more accurate breakdown by unit, since the first quarter of 2006 the general and administrative expenses of the Group's commercial branches have been treated as “distribution expenses”. Figures at 30 June 2005 have been reclassified for the sake of comparison, as shown in the table below.

	30/06/05	reclassification	30/06/05
TOTAL COST OF GOODS SOLD (1)	43,123		43,123
TOTAL OPERATING COSTS (2)	34,844	-	34,844
R&D expenses	6,784	-	6,784
Distribution expenses	14,674	3,183	17,857
General & administrative expenses	12,512	(3,183)	9,329
Other operating costs	874		874
TOTAL (1+2)	77,967	-	77,967

	30/06/06	30/06/05	Change
TOTAL COST OF GOODS SOLD (1)	106,598	43,123	63,475
TOTAL OPERATING COSTS (2)	80,956	34,844	46,112
R&D expenses	14,035	6,784	7,251
Distribution expenses	45,163	17,857	27,306
General & administrative expenses	19,568	9,329	10,239
Other operating costs	2,190	874	1,316
TOTAL (1+2)	187,554	77,967	109,587

Total cost of goods sold (1)

This item increased by 147% compared with 1H05; without the PSC Group it would have risen by 17%, in line with revenue growth net of PSC.

Total operating costs (2)

R&D expenses, which totalled €14,035 thousand at 30 June 2006 (€7,820 thousand net of the PSC Group) were equivalent to 7.4% of revenues (7.7% net of the PSC Group). They doubled vs. 1H05, due primarily to the consolidation of PSC.

"Distribution expenses" totalled €45,163 thousand. Net of the PSC Group and Datalogic Slovakia, they came to €21,943 thousand, an increase of €4,086 thousand with respect to the first half of 2005. Most of the rise pertains to:

- Informatics (€1,593 thousand) and Datalogic SpA (€781 thousand),
- Datalogic BV (€428 thousand),
- Datalogic Inc. (€428 thousand).

The increase for Informatics was caused mainly by payroll and employee benefit costs and marketing services; note also that the 2005 figure covers four months only since Informatics was acquired on 28 February of that year.

Most of the increase at the parent company is explained by the convention held in February 2006 (€532 thousand), which did not take place in 2005. For the other companies, the rise relates chiefly to costs for the sales force.

"Administrative & general expenses" came to €19,568 thousand. Net of the PSC Group and Datalogic Slovakia, they totalled €12,854 thousand, an increase of €3,525 thousand attributable mainly to:

- the parent company, including €2,496 thousand for the PSC acquisition,

- Informatics, for higher payroll and employee benefit costs (€313 thousand) in connection with a bonus plan and amortization due to the acquisition (€326 thousand).

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

	30/06/06	30/06/05	Change
Capital losses on assets	165	16	149
Incidental costs and cancellation of income items	154	78	76
Provisions for doubtful accounts	511	142	369
Other provisions	687	327	360
Non-income taxes	488	214	274
Other	185	97	88
TOTAL OTHER OPERATING COSTS	2,190	874	1,316

"Other provisions" are comprised of €600 allocated by the parent company as the estimated installment for 1H06 of a long-term management incentive plan (due to mature in 2008), and €87 thousand for tax assessments underway on the parent company's accounts.

The provision for doubtful accounts increased by €369 thousand, due mainly to a provision by DL GmbH (€302 thousand) in relation to the financial problems of one of its distributors.

Non-income taxes pertain mostly to the PSC Group (€254 thousand), the parent company (€71 thousand) and Informatics (€64 thousand).

Incidental costs and cancellation of income items (€154 thousand) and capital losses on assets (€165 thousand) relate mainly to the parent company.

Breakdown of costs by nature

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

	30/06/06	30/06/05	Change
Payroll & employee benefits	52,855	25,114	27,741
Depreciation and amortization	8,268	3,694	4,574
Inventory change	-5,190	-6,293	1,104
Purchases	88,421	37,668	50,753
Subcontracted work	1,516	1,669	(153)
Repairs	2,139	1,024	1,115
Marketing	3,225	1,912	1,313
Directors' remuneration	3,257	1,903	1,354
Travel & accommodation	3,230	1,297	1,933
Technical, legal, and tax advisory services	4,119	1,437	2,682
Goods receipt & shipment	4,196	1,176	3,020
Meetings	788	94	694
Other costs (difference)	20,730	7,272	13,458
Total (COGS + operating costs)	187,554	77,967	109,587

The increase in depreciation & amortization was mainly due to:

- the consolidation of Informatics for €3,587 thousand (of which €1,226 thousand due to amortization of intangible assets generated by the Informatics acquisition);
- the amortization of other intangible assets allocated, in the second half of 2005, upon the definition of goodwill for the Informatics acquisition (€326 thousand);
- the consolidation of Datalogic Slovakia (€ 122 thousand).

The cost of goods sold, i.e. the sum of purchases and the inventory change, amounted to €37,832 thousand net of the PSC Group for an increase of 21%.

Of the rise of €1,115 thousand in repair costs, €883 thousand is due to the consolidation of the PSC Group.

Marketing expenses (€2,159 thousand net of PSC) amounted to €3,225 thousand. They consisted of advertising spending and sponsorships (€1,597 thousand), trade shows (€896 thousand), and contributions to commercial partners' marketing funds (€732 thousand).

Directors' remuneration, at €3,257 thousand, concerns the parent company for €2,966 thousand.

Travel & accommodation, net of the PSC Group, came to €1,577 thousand with no substantial change on 1H05.

Advisory services costs €4,119 thousand. Net of the PSC Group they totalled €2,609 thousand, mostly in relation to the parent company (€1,535 thousand). The increase vs. 1H05, net of PSC, was €1,172 thousand of which €795 thousand for the parent company.

Costs for goods receipt & shipment amounted to €4,196 thousand. Net of the PSC Group, they totalled €1,916 thousand, an increase of €740 thousand YoY. Of the increase, €557 thousand pertains to DL Slovakia, €104 thousand to Informatics and €73 thousand to the parent company.

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

	30/06/06	30/06/05	Change
Wages and salaries	40,175	19,293	20,882
Social security charges	8,674	4,158	4,516
Post-employment benefits	77	578	193
Retirement and similar benefits	146	135	11
Other payroll costs	3,081	950	2,131
Total	52,853	25,114	27,741

The increase in payroll and employee benefit costs was attributable mainly to:

- the consolidation of the PSC Group (€23,424 thousand for 751 employees); the amount includes a restructuring provision of €1,543 thousand to help pay for a restructuring and development plan, one effect of which is that 49 staff members have been cut for eventual savings of over 4.4 million dollars per year;
- Informatics (€3,129 thousand for 105 employees);
- Datalogic Slovakia (€454 thousand for 106 employees);
- the parent company (€894 thousand), primarily for the increased use of temporary labour (+€359 thousand compared with 1H05).

21. Other operating revenues

The detailed breakdown of this item is as follows:

	30/06/06	30/06/05	Change
Miscellaneous income and revenue	378	62	316
Release of restructuring provision		768	(768)
Rent income	102	110	(8)
Capital gains on asset disposals	297	67	230
Operating grants	23	25	(2)
Incidental income and cost cancellation	99	79	20
Other	119	100	19
TOTAL OTHER REVENUES	1,018	1,211	(193)

The reduction in this item is due mainly to the parent company, which at 30 June 2005 had released a restructuring provision recognized in the 2004 financial statements (€768 thousand) as a result of acquiring a business branch.

Capital gains from the disposal of assets include €273 thousand from the sale of the land and building belonging to Datalogic Holding AB (in Sweden).

The heading "miscellaneous income and revenue" includes €124 thousand for the parent company (mainly expense reimbursements), €99 thousand for Laservall and €41 thousand for DI Asia.

Incidental income and cost cancellation include €90 thousand in relation to Laservall.

22. Net financial income (expenses)

	30/06/06	30/06/05	Change
Interest expenses for bank overdrafts/loans	2,218	154	2,064
Foreign exchange losses	4,068	1,099	2,969
Bank charges	400	122	278
Financial component of accrued postemployment benefit provision	-	116	(116)
Other	542	230	312
TOTAL FINANCIAL EXPENSES	7,228	1,721	5,507
Interest income on bank current accounts/loans	259	282	(23)
Foreign exchange gains	3,000	1,517	1,483
Other	300	270	30
TOTAL FINANCIAL INCOME	3,559	2,069	1,490
NET FINANCIAL INCOME (EXPENSES)	(3,669)	348	(4,017)
PROFITS FROM ASSOCIATES	(232)	141	(373)
TOTAL NET FINANCIAL INCOME (EXPENSES)	(3,901)	489	(4,390)

Total financial expenses

Interest on current account overdrafts and loans, at €2,097 thousand, pertains mainly to the PSC Group (€1,486 thousand), the parent company (€326 thousand) and Informatics (€243 thousand).

Foreign exchange losses came to €4,068 thousand and are mostly attributable to the parent company (€1,633 thousand), the PSC Group (€575 thousand), and Datalogic Slovakia (€1,484 thousand).

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

- €418 thousand in exchange losses on commercial transactions, of which €121 thousand refers to retranslation at period-end exchange rates;
- €1,200 thousand in exchange losses on borrowings and current accounts in foreign currency, of which €1,163 thousand refers to the retranslation at period-end exchange rates;
- €15 thousand for forward hedging transactions.

Bank charges totalled €400 thousand, of which €251 thousand for the parent company, including €170 thousand in administrative charges on new loans.

The heading "other" includes €500 thousand attributable to Laservall for the loss on the sale of the company IXLA in 2005.

Total financial income

"Interest income on bank current accounts/loans" totalled €259 thousand, of which €160 thousand pertains to the parent company.

Of the €3,000 thousand in foreign exchange gains, €1,182 thousand refers to Datalogic Slovakia, €979 thousand to the PSC Group, and €500 thousand to the parent company.

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

- €236,000 in exchange gains on commercial transactions, including €115 thousand for adjustment to the year-end exchange rate;
- €54 thousand in exchange gains on borrowings and current accounts in foreign currency;
- €210 thousand for hedging transactions.

The heading "other" includes €196 thousand in income on Datalogic SpA shares and €96 thousand in financial income attributable to the PSC Group.

Profits from associates came to a negative €232 thousand, due to a loss of €450 thousand from the line-by-line consolidation of Datalogic Slovakia (valued at cost the previous year), which was partially offset by €218 thousand in profits from Idec and Laservall Asia (both consolidated under the equity method).

23. Taxes

	30/06/06	30/06/05
Income taxes	4,041	4,849
Deferred taxes	-3,554	-248
	487	4,601

The average tax rate applied was 32% (vs. 44% at June 2005).

The statement of reconciliation for 1H06 between the effective tax burden and the burden that would emerge based on application of the average tax rate to the pre-tax result of individual companies consolidated (on a line-by-line basis) is provided in an annex.

24. Earnings/loss per share

Basic earnings/loss per share

The basic loss per share at 30 June 2006 is calculated by dividing the Group net loss of €2,070 thousand (vs. a net profit of €5,596 thousand for the first half of 2005) by the weighted average number of ordinary shares outstanding during the period (61,004,170, compared with 11,930,399 in 1H05).

Diluted earnings/loss per share

The diluted loss per share for the first half of 2006 is calculated by dividing the net loss of €2,070 thousand (vs. a profit of €5,596 thousand in 1H05) by the weighted average number of ordinary shares outstanding during the period, factoring in the future exercise of stock options (61,217,614 shares, compared with 12,053,099 at 30 June 2005). In detail:

	30/06/05	30/06/06
Group profit/(loss) for period	5,596,000	-2,070,000
Average number of shares at 30 June	11,930,399	61,004,170
Effect of future exercise of stock options	122,700	213,444
Diluted average number of shares at 30 June	12,053,099	61,217,614
Diluted earnings/loss per share	0.4643	-0.0338

SEGMENT REPORTING

Segment information

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

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

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

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

Business segments by division

The Group consists of the following business segments:

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

Business Development: this division includes businesses featuring high growth potential within Datalogic's traditional offering (RFID [radio-frequency identification devices] and self-scanning solutions) or those adjacent to the Group's traditional business areas. They consist of:

- Industrial marking products
- Distribution of automatic identification products.

These last two activities relate to two companies recently acquired by Datalogic SpA (respectively Laservall SpA and Informatics).

	Data Capture		Business Development		Adjustments		Consolidated Total	
	30/06/06	30/06/05	30/06/06	30/06/05	30/06/06	30/06/05	30/06/06	30/06/05
REVENUES								
External sales	151,794	60,193	37,145	26,374			188,939	86,56
Intersegment sales	485	34		20	(485)	(54)		
			-				-	
Total revenues	<u>152,279</u>	<u>60,227</u>	<u>37,145</u>	<u>26,394</u>	<u>(485)</u>	<u>(54)</u>	<u>188,939</u>	<u>86,56</u>
Cost of goods sold	88,494	30,021	17,012	13,102			105,506	43,12
Intersegment cost of goods sold		21	485	34	(485)	(55)		
	-						-	
Gross profit	<u>63,785</u>	<u>30,185</u>	<u>19,648</u>	<u>13,258</u>	-	1	<u>83,433</u>	<u>43,44</u>
Other attributable revenues	829	1,100	189	111			1,018	1,21
Other intersegment revenues	192	175			(192)	(175)		
			-	-			-	
Operating costs:								
	-							
R&D expenses	11,741	5,076	2,126	1,708			13,867	6,78
Distribution expenses	37,102	13,221	6,924	4,771	(189)	(170)	43,837	17,82
Allocable G&A costs	8,022	3,198	3,186	1,929	(3)		11,205	5,12
Other allocable operating costs	1,372	647	218	227			1,590	87
Other unallocable operating costs							600	
	-			-				
SEGMENT RESULT	<u>6,569</u>	<u>9,318</u>	<u>7,383</u>	<u>4,734</u>	-	(4)	<u>13,352</u>	<u>14,04</u>
Unallocable G&A costs							3,556	2,59
	-			-				
EBIT	<u>6,569</u>	<u>9,318</u>	<u>7,383</u>	<u>4,734</u>	-	(4)	<u>9,796</u>	<u>11,45</u>
Allocable non-recurring costs/revenues	(2,700)	(35)					(2,700)	(35)
				-				
Unallocable non-recurring costs/revenues							(2,495)	(958)
	-			-				
Amortization due to acquisitions	(1,226)		(972)	(648)			(2,198)	(648)
Net financial income							(3,669)	34
	-			-				
Share of associates' profit	(370)	64	138	77			(232)	14
Income taxes							(487)	4,60
	-			-				
NET PROFIT/LOSS	<u>3,499</u>	<u>9,347</u>	<u>7,521</u>	<u>4,163</u>	-	(4)	<u>(1,985)</u>	<u>5,69</u>
Minority interests in net profit/loss			85	103			85	10
GROUP NET PROFIT/LOSS	<u>3,499</u>	<u>9,347</u>	<u>7,436</u>	<u>4,060</u>	-	(4)	<u>(2,070)</u>	<u>5,59</u>
OTHER INFORMATION								
	-							
Segment assets	288,852	119,444	52,864	37,054	(427)		341,289	156,49
Interests in subsidiaries booked at equity	638	513	303	512			941	1,02
Unallocable assets							53,620	54,96
	-							
Total assets	<u>289,490</u>	<u>119,957</u>	<u>53,167</u>	<u>37,566</u>	<u>(427)</u>	-	<u>395,850</u>	<u>212,48</u>
Segment liabilities	74,062	37,754	10,673	7,327	(430)	(937)	84,305	44,14
Unallocable liabilities							124,684	35,27
	-							
Equity							186,861	133,07
Total liabilities	<u>74,062</u>	<u>37,754</u>	<u>10,673</u>	<u>7,327</u>	<u>(430)</u>	<u>(937)</u>	<u>395,850</u>	<u>212,48</u>

Depreciation & amortization (including amort. due to acquisitions)	7,103	2,101	863	1,003			7,966	3,101
Unallocable D&A	-						302	591

For comments, please see the “Segment Information” section of the report on operations.

NUMBER OF EMPLOYEES

	30/06/06	30/06/05	Change
DL SpA	560	563	(3)
DL AB	24	34	(10)
DL France	19	18	1
DL Iberia	20	18	2
DL Central Europe	49	49	-
DL Benelux	11	7	4
DL Inc.	47	44	3
DL PTY	14	13	1
DL UK	15	15	-
EMS	61	62	(1)
Informatics	105	89	16
Laservall	90	77	13
PSC Group	751	0	751
Slovakia	106	0	106
Asia	7	2	5
Total	1,879	989	890

Romano Volta
Chairman of the Board of Directors

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

	Note	30-06-06 Euro/000	31-12-05 Euro/000	30-06-05 Euro/000
ASSETS				
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		229.435	255.888	92.800
1) Tangible non-current assets		49.215	50.461	40.609
Land	1	6.259	6.457	6.544
Buildings	1	17.395	18.928	19.057
Plant & machinery	1	7.925	6.711	2.663
Other tangible assets	1	15.578	16.528	12.105
Assets in progress and payments on account	1	2.058	1.837	240
2) Investment property		0	0	0
3) Intangible non-current assets		159.339	196.820	41.142
Goodwill	2	98.100	103.360	23.655
Development costs	2	3.499	3.908	3.806
Other intangible assets	2	57.740	89.552	13.681
4) Equity interests in associate companies	3	941	801	1.046
5) Available-for-sale financial assets (non-current)		2.743	2.984	5.606
Equity investments	4	871	1.112	1.112
Treasury stock				
Securities	4	1.872	1.872	4.494
6) Trade and other receivables		533	796	122
7) Deferred tax credits	13	16.586	4.021	4.236
8) Tax credits	7	78	5	39
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		166.415	180.152	119.685
9) Inventories	5	54.283	51.512	29.531
Raw & auxiliary materials plus consumables	5	31.915	28.547	12.196
Work in progress and semiprocessed goods	5	7.097	7.627	4.816
Finished products and goods for resale	5	15.271	15.338	12.519
10) Job-order work in progress		0	0	0
11) Trade and other receivables	6	77.919	87.534	45.094
Trade receivables	6	73.915	83.727	43.078
Within 12 months		71.870	81.734	41.610
After 12 months		0	0	0
Amounts receivable from associates		1.564	1.236	1.322
Amounts receivable from subsidiaries			150	
Amounts receivable from parent company		446	443	
Amounts receivable from related parties		35	164	146
Other receivables	6	1.126	1.783	990
Accrued income and prepaid expenses	6	2.878	2.024	1.026
12) Tax credits	7	8.122	6.948	5.929
13) Available-for-sale financial assets (current)	8	206	4.012	3.032
Securities			3.497	3.000
Loans to subsidiaries		206	515	32
14) Hedging instruments	9	4		-159
15) Cash & cash equivalents	10	25.881	30.146	36.258
TOTAL ASSETS (A+B)		395.850	436.040	212.485

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	30-06-06 Euro/000	31-12-05 Euro/000	30-06-05 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	186.861	129.861	133.071
1) Share capital		162.971	90.556	89.032
Share capital		33.021	25.746	25.453
Treasury stock		-2.149	1.881	1.576
Share premium reserve		127.660	58.490	57.564
Demerger capital reserve		4.439	4.439	4.439
2) Reserves		-8.232	1.627	85
Revaluation reserves		0	0	
Consolidation reserve		0	0	
Translation reserve/(loss)		-5.726	1.548	
Cash-flow hedge reserve		0	0	
Reserve for financial liabilities		-2.502		
Fair-value reserve from available-for-sale financial assets		-4	79	85
3) Retained earnings/(losses carried forward)		33.767	24.346	38.427
Previous years' earnings/(losses)		14.280	9.216	22.842
Reserve for gain on Datasud cancellation		3.730	4.432	4.432
Untaxed capital grant reserve		958	256	256
Legal reserve		1.870	1.399	1.399
Treasury stock reserve		4.123	0	360
IAS transition reserve		8.806	9.043	9.138
4) Profit/(loss) for period		-2.070	12.997	5.596
5) Minority interests		425	335	-69
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		67.108	65.542	32.884
6) Borrowing	12	32.191	12.283	13.033
7) Tax payables	18	18	7	16
8) Deferred tax liabilities	13	21.811	40.522	10.923
9) Employee severance indemnity and retirement provision	14	7.445	6.894	6.057
10) Long-term provisions for risks and expenses	15	5.155	4.600	1.816
11) Other non-current liabilities	16	488	1.236	1.039
C) CURRENT LIABILITIES (12+13+14+15)		141.881	240.637	46.530
12) Trade and other payables	17	72.157	81.325	36.083
Trade payables		41.293	44.653	22.121
Within 12 months		38.510	43.263	21.759
After 12 months			0	
Amounts payable to associates		4	15	
Amounts payable to parent company		2.457	998	
Amounts payable to related parties		322	377	362
Accrued liabilities and deferred income		6.115	5.766	2.332
Other current payables		24.749	30.906	11.630
13) Taxes payable	18	6.818	5.528	7.701
14) Short-term provisions for risks and expenses	15	4.111	4.319	129
15) Hedging instruments	9		116	
16) Short-term borrowing	12	58.795	149.349	2.617
TOTAL LIABILITIES (A+B+C)		395.850	436.040	212.485

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

	Note	30-06-06 Euro/000	30-06-05 Euro/000	31-12-05 Euro/000
1) TOTAL REVENUES	19	188.939	86.567	205.948
Revenues from sale of products		181.961	83.339	198.460
Revenues from services		6.978	3.228	7.488
2) Cost of goods sold	20	106.598	43.123	106.526
GROSS PROFIT (1-2)		82.341	43.444	99.422
3) Other operating revenues	21	1.018	1.211	2.659
4) R&D expenses	20	14.035	6.784	14.676
5) Distribution expenses	20	45.163	17.857	43.048
6) General & administrative expenses	20	19.568	9.329	21.499
7) Other operating expenses	20	2.190	874	2.579
Total operating costs (4+5+6+7)		80.956	34.844	81.802
OPERATING PROFIT		2.403	9.811	20.279
8) Financial income	22	-3.669	348	2.172
9) Share of associate companies' profits	3	-232	141	229
PRE-TAX PROFIT/(LOSS)		-1.498	10.300	22.680
Taxes	23	487	4.601	9.512
NET PROFIT FOR PERIOD		-1.985	5.699	13.168
Minority interests' share of net profit		85	103	171
GROUP NET PROFIT		-2.070	5.596	12.997
Earning per share (Euro)	24	0,0339	0,4691	1,0733
Diluted earning per share (Euro)	24	0,0338	0,4643	1,0679

DATALOGIC S.p.A.
CONSOLIDATED CASH FLOW STATEMENT

	30-06-06 Euro/000	31-12-05 Euro/000
Short-term net financial position at beginning of period	-115.307	38.399
Net profit/(loss) for period	-2.070	11.558
Depreciation & amortisation	8.268	7.579
Employee severance indemnity provision	771	1.409
Write-down of financial assets	-218	-229
Current cash flow	6.751	20.317
Effect of changes in operating assets and liabilities:		
Trade receivables	9.812	-1.576
Inventories	-2.771	-216
Other current assets	-1.371	3.509
Other medium-/long-term assets	-12.375	-39
Trade payables	-3.360	5.917
Taxes payable	1.301	-5.518
Other current liabilities	-5.808	-2.701
Other medium-/long-term liabilities	-748	-1.964
Deferred taxes	-18.711	2.822
Provisions for risks and expenses	347	49
Other changes in employees' severance indemnity	-220	-457
Employee severance indemnities paid out		
Net change in operating assets and liabilities	-33.904	-174
Operating cash flow/(absorption)	-27.153	20.143
Cash flow/(absorption) from investment activities:		
(Increase)/decrease in intangible non-current assets	21.250	-2.047
(Increase)/decrease in tangible non-current assets	-3.904	-4.740
Exchange rate effect	13.114	
(Increase)/decrease in unconsolidated equity investments	78	279
PSC		-82.224
Short financial position PSC		-72.996
Informatics		-11.265
Short financial position Informatics		752
Investment cash flow/(absorption)	30.538	-172.241
Cash flow/(absorption) from financing activities:		
Medium-/long-term loans taken out net of portions repaid in the period	17.406	-2.119
Financial liabilities	2.502	
Minority interests' net equity	90	335
Effect of exchange-rate changes on consolidation of foreign companies	-7.274	578
Other changes in net equity	-7.215	13.531
Capital increase with issue of new shares	76.957	
Dividend distribution	-3.489	-15.040
(Increase)/decrease in non-current financial assets	241	1.107
Finance cash flow/(absorption)	79.218	-1.608
Change in net financial position	82.603	-153.706
Short-term net financial position at end of period	-32.704	-115.307

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

Description	Share capital	Other reserves				Net profit for previous years								Net profit for period	Net equity	Minority Equity
		Fair value reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Consolid. Reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total			
31.12.03	78.241	71	-		71	1.878	6.375	-	-	617	5.381	9.042	23.293	7.180	108.785	-
Profit allocation					-		4.821			245			5.066	7.180	-2.114	
Capital increase	1.733				-								-		1.733	
Treasury shares	-3.099				-		-4.292				4.292		-		-3.099	
Datasud merger					-	-1.878	-2.810	4.432	256				-		-	
Fair value adjustment		12			12								-		12	
Translation reserve			-301		-301								-		-301	
Other changes					-		-41					3	-38		-38	
Net profit at 31.12.04					-								-	11.211	11.211	
31.12.04	76.875	83	-301		-218	-	4.053	4.432	256	862	9.673	9.045	28.321	11.211	116.189	-
Profit allocation					-		7.984			537			8.521	-11.211	-2.690	
Capital increase	3.725				-								-		3.725	
Translation reserve			1.849		1.849								-		1.849	
Increase in IFRS reserve					-							-2	-2		-2	
Sale of treasury shares	10.361				-		9.673				-9.673		-		10.361	
Fair value adjustment		-4			-4								-		-4	
Capital increase charges	-405				-								-		-405	
Extraordinary dividend					-		-12.350						-12.350		-12.350	
Other changes					-		-144						-144		-144	164
Net profit as at 31.12.05					-								-	12.997	12.997	171
31.12.2005	90.556	79	1.548		1.627	-	9.216	4.432	256	1.399	-	9.043	24.346	12.997	129.526	335
Profit allocation					-		9.037			471			9.508	-12.997	-3.489	
Capital increase	76.957				-								-		76.957	
Translation reserve			-7.274		-7.274								-		-7.274	5
Increase in IFRS reserve					-							-237	-237		-237	
Sale of treasury shares	-4.030				-		-4.123				4.123		-		-4.030	
Fair value adjustment		-83			-83								-		-83	
Capital increase charges	-512				-								-		-512	
Extraordinary dividend					-								-		-	
Other changes				-2.502	-2.502		150	-702	702				150		-2.352	335
Net profit as at 30.06.06					-								-	-2.070	-2.070	85
30.06.2006	162.971	-4	-5.726	-2.502	-8.232	-	14.280	3.730	958	1.870	4.123	8.806	33.767	-2.070	186.436	425

ANNEX 1

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

30-06-05 adjusted considering the "general & administrative expenses" of trade subsidiaries as "distribution expenses"

	Note	30-06-05 Euro/000	Rettifiche	30-06-05 rettificato Euro/000
1) TOTAL REVENUES	20	86.567	0	86.567
Revenues from sale of products		83.339		83.339
Revenues from services		3.228		3.228
2) Cost of goods sold	21	43.123		43.123
GROSS PROFIT (1-2)		43.444	0	43.444
3) Other operating revenues	21	1.211		1.211
4) R&D expenses	21	6.784		6.784
5) Distribution expenses	21	14.674	3.183	17.857
6) General & administrative expenses	21	12.512	-3.183	9.329
7) Other operating expenses	21	874		874
Total operating costs (4+5+6+7)		34.844	0	34.844
OPERATING PROFIT		9.811	0	9.811
8) Financial income	22	348		348
9) Share of associate companies' profits	3	141		141
PRE-TAX PROFIT/(LOSS)		10.300	0	10.300
Taxes	23	4.601		4.601
NET PROFIT FOR PERIOD		5.699	0	5.699
Minority interests' share of net profit		103		103
GROUP NET PROFIT		5.596	0	5.596
Earning per share (Euro)		0,4691		0,4691
Diluted earning per share (Euro)		0,4643		0,4643

ANNEX 2

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

31-12-05 adjusted considering the "general & administrative expenses" of trade subsidiaries as "distribution expenses"

	Note	31-12-05 Euro/000	Rettifiche	31-12-05 rettificato Euro/000
1) TOTAL REVENUES	20	205.948	0	205.948
Revenues from sale of products		198.460		198.460
Revenues from services		7.488		7.488
2) Cost of goods sold	21	106.526		106.526
GROSS PROFIT (1-2)		99.422	0	99.422
3) Other operating revenues	21	2.659		2.659
4) R&D expenses	21	14.676		14.676
5) Distribution expenses	21	36.287	6.761	43.048
6) General & administrative expenses	21	28.260	-6.761	21.499
7) Other operating expenses	21	2.579		2.579
Total operating costs (4+5+6+7)		81.802	0	81.802
OPERATING PROFIT		20.279	0	20.279
8) Financial income	22	2.172		2.172
9) Share of associate companies' profits	3	229		229
PRE-TAX PROFIT/(LOSS)		22.680	0	22.680
Taxes	23	9.512		9.512
NET PROFIT FOR PERIOD		13.168	0	13.168
Minority interests' share of net profit		171		171
GROUP NET PROFIT		12.997	0	12.997
Earning per share (Euro)		1,0733		1,0733
Diluted earning per share (Euro)		1,0679		1,0679

TAX RECONCILIATION 30/06/06

	DL PTY	DL France	DL GMBH	DL AU	DL BV	DL UK	DL AB Holding	DL AB	DL Inc.	EMS	DL Spain	Informatics	PSC	Asia	Laservall SpA	Parent company	Slovakia	Consolidation adjustments	Consolidated Total
Pre-tax profit/loss	-125	-52	16	112	-150	93	300	-94	656	-130	-49	1.344	-6.006	73	5.172	929	2.560	-6.146	-1.498
Local rate	30%	34,33%	37,50%	25%	30%	30%	28%	28%	40%		30% first 60 €/000-35%	35%	38%		33%IRES+ 4.25% IRAP	33%IRES+ 4.25% IRAP	19,00%		
Taxes calculated applying local statutory tax rate to pre-tax result without IAS/IFRS			-13	-28		-28			-262			-470		0	-1.707		-486		-2.995
IRAP															-329	-400			-729
tax effect (downward changes)		12				10						25			318				364
tax effect (upward changes)	-3	-28	108	7						-30		-400			-71	-227	-37	0	-681
Deferred taxes	37	37			45	0	-148	130			15	356	1.708		-277	991		679	3.573
IAS/IFRS effect		-19																	-19
losses for which deferred taxes are not recognized	0		0			0	0	0	0	0	0	0	0	0	0	0		0	0
Total taxes	34	2	95	-21	45	-18	-148	130	-262	-30	15	-490	1.708	0	-2.066	364	-523	679	-487
Net profit(loss)	-91	-50	111	91	-105	75	152	35	393	-161	-34	854	-4.298	73	3.106	1.292	2.037	-5.467	-1.985
Average tax rate	27,28%	3,98%	-587,10%	18,76%	30,00%	19,77%	49,31%	137,71%	40,00%	-23,02%	29,96%	36,44%	28,44%	0,00%	39,95%	-39,19%	20,45%	11,05%	-32,50%

DATALOGIC S.p.A.
BALANCE SHEET

	30-06-06 Euro/000	31-12-05 Euro/000	30-06-05 Euro/000
ASSETS			
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)	187.398	167.566	86.999
1) Tangible non-current assets	26.327	26.704	25.920
Land	3.738	3.738	3.722
Buildings	11.502	11.558	11.456
Plant & machinery	2.292	2.357	2.148
Other tangible assets	8.276	8.844	8.370
Assets in progress and payments on account	518	207	224
2) Investment property	0	0	0
3) Intangible non-current assets	13.408	11.947	12.310
Goodwill	4.175	4.175	4.175
Development costs	3.394	3.771	3.806
Other intangible assets	5.839	4.001	4.329
4) Equity interests in associate companies	142.061	124.238	41.127
5) Available-for-sale financial assets (non-current)	2.737	2.976	5.606
Equity investments	871	1.111	1.111
Treasury stock			
Securities	1.866	1.865	4.494
6) Trade and other receivables	40	42	43
7) Deferred tax credits	2.825	1.659	1.993
8) Tax credits			
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)	76.134	82.065	93.965
9) Inventories	13.927	16.148	18.342
Raw & auxiliary materials plus consumables	7.422	8.026	8.651
Work in progress and semiprocessed goods	3.451	3.251	
Finished products and goods for resale	3.054	4.871	9.691
10) Job-order work in progress	0	0	0
11) Trade and other receivables	38.133	35.689	32.756
Trade receivables	37.181	34.527	31.638
Within 12 months	13.715	17.867	19.846
After 12 months			
Amounts receivable from associates	23.431	16.496	11.650
Amounts receivable from related parties	35	164	142
Other receivables	583	826	652
Other receivable from associates	20.023	18.218	6.350
Accrued income and prepaid expenses	369	336	466
12) Tax credits	2.023	2.111	4.247
13) Available-for-sale financial assets (current)	0	3.497	3.000
Securities		3.497	3.000
14) Hedging instruments	4	-117	-159
15) Cash & cash equivalents	2.024	6.519	29.429
TOTAL ASSETS (A+B)	263.532	249.631	180.964

DATALOGIC S.p.A.
BALANCE SHEET

LIABILITIES	30-06-06 Euro/000	31-12-05 Euro/000	30-06-05 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	189.223	121.640	128.304
1) Share capital	162.974	90.556	89.032
Share capital	33.021	25.746	25.453
Treasury stock	-2.149	1.881	1.576
Share premium reserve	127.663	58.490	57.564
Demerger capital reserve	4.439	4.439	4.439
2) Reserves	-2.506	131	137
Revaluation reserves			
Consolidation reserve			
Translation reserve/(loss)			
Reserve for financial liabilities	-2.502		
Cash-flow hedge reserve			
Fair-value reserve from available-for-sale financial assets	-4	131	137
3) Retained earnings/(losses carried forward)	27.463	21.029	33.166
Previous years' earnings/(losses)	8.425	6.585	18.362
Reserve for gain on Datasud cancellation	3.729	3.729	3.729
Untaxed capital grant reserve	958	958	958
Legal reserve	1.870	1.399	1.399
Treasury stock reserve	4.123		360
IAS transition reserve	8.358	8.358	8.358
4) Profit/(loss) for period	1.292	9.924	5.969
5) Minority interests			
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)	40.570	17.990	16.528
6) Borrowing	24.067	1.728	1.546
7) Tax payables			
8) Deferred tax liabilities	7.039	6.934	6.820
9) Employee severance indemnity and retirement provision	6.619	6.167	5.647
10) Long-term provisions for risks and expenses	2.845	2.161	1.515
11) Other non-current liabilities		1.000	1.000
C) CURRENT LIABILITIES (12+13+14+15)	33.739	110.001	36.132
12) Trade and other payables	26.558	32.035	28.892
Trade payables	18.016	22.307	18.912
Within 12 months	12.730	20.107	15.996
After 12 months			
Amounts payable to associates	4.964	1.823	2.554
Amounts payable to related parties	322	377	362
Accrued liabilities and deferred income	1.060	996	1.018
Other current payables	7.482	8.732	8.962
13) Taxes payable	2.009	2.042	3.954
14) Short-term provisions for risks and expenses			-159
16) Short-term borrowing	5.172	75.924	3.285
TOTAL LIABILITIES (A+B+C)	263.532	249.631	180.964

ANNEX 4

DATALOGIC S.p.A.
PROFIT & LOSS ACCOUNT

	30-06-06 Euro/000	30-06-05 Euro/000	31-12-05 Euro/000
1) TOTAL REVENUES	56.990	52.799	109.712
Revenues from sale of products	55.731	51.646	107.442
Revenues from services	1.259	1.153	2.270
2) Cost of goods sold	39.101	28.537	60.240
A) GROSS PROFIT (1-2)	17.889	24.262	49.472
3) Other operating revenues	2.701	1.109	2.468
4) R&D expenses	6.016	5.453	10.640
5) Distribution expenses	6.168	8.165	15.328
6) General & administrative expenses	8.885	6.587	13.983
7) Other operating expenses	1.153	448	1.716
8) Total operating costs (4+5+6+7)	22.222	20.653	41.667
B) OPERATING PROFIT	-1.632	4.718	10.273
9) Financial income	2.561	3.809	4.812
10) Share of associate companies' profits			
C) PRE-TAX PROFIT/(LOSS) (B+9+10)	929	8.527	15.085
11) Taxes	-363	2.558	5.161
NET PROFIT FOR PERIOD (C-11)	1.292	5.969	9.924

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

Description	Share capital	Other reserves			Net profit for previous years							Net profit for period	Net equity
		Fair value reserve	Financial liabilities reserve	Total Other reserves	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total		
01.01.2005	76.875	85	-	85	2.188	4.432	256	862	9.673	8.408	25.819	10.049	112.828
Profit allocation	3.725 10.361 -405	46		-	6.822			537			7.359	-10.049	-2.690
Capital increase				-					-		3.725		
Increase in IFRS reserve				-					-50	-50	-50		
Sale of treasury shares				-	9.673			-9.673	-		10.361		
Fair value adjustment				46	46				-		46		
Capital increase charges				-					-		-405		
Extraordinary dividend				-	-12.350				-12.350		-12.350		
Other changes				-	251				251		251		
Net profit as at 31.12.05				-					-				9.924
31.12.2005	90.556	131	-	131	6.584	4.432	256	1.399	-	8.358	21.029	9.924	121.640
Profit allocation	76.960 -4.030 -512	-135		-	5.963			471			6.434	-9.924	-3.490
Capital increase				-					-		76.960		
Increase in IFRS reserve				-					-		-		
Sale of treasury shares				-	-4.123			4.123	-		-4.030		
Fair value adjustment				-135	-135				-		-135		
Capital increase charges				-					-		-512		
Extraordinary dividend				-					-		-		
Other changes				-	-2.502	-2.502		-702	702		-		-2.502
Net profit as at 30.06.06				-					-				1.292
30.06.2006	162.974	-4	-2.502	-2.506	8.425	3.729	958	1.870	4.123	8.358	27.463	1.292	189.223