



# **Consolidated financial statements**

**30th September 2007**

Official documents are in Italian

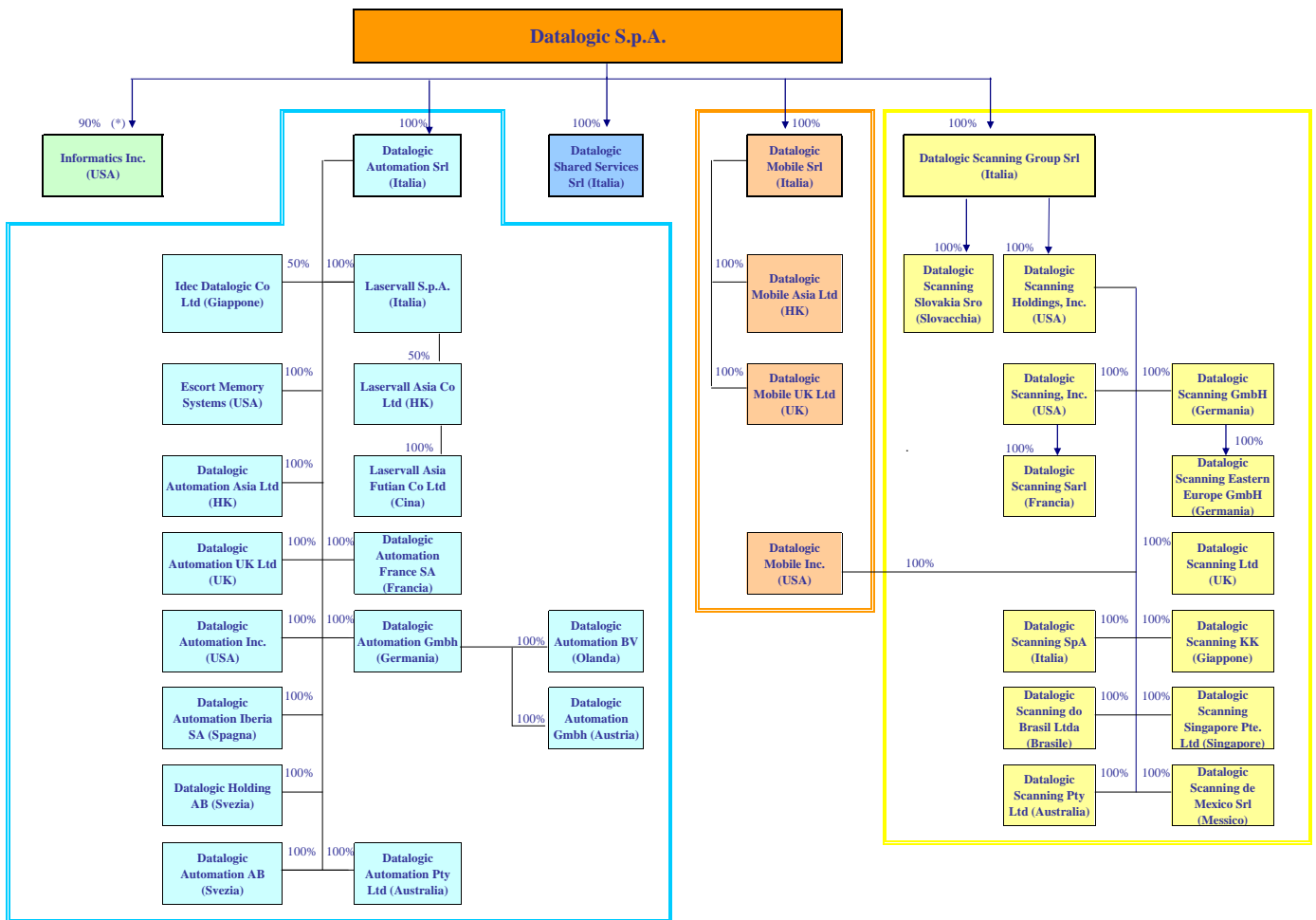


## **DATALOGIC GROUP**

### **Consolidated Financial Report as at September 30, 2007**

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# GROUP STRUCTURE



(\*) NB: We would like to highlight that on the minority share equal to 10% of Informatics Inc., a member of the Board of Directors signed a put option contract (exercise date 15th August 2009 - 15th August 2010) with the parent company (Call option).

## COMPOSITION OF CORPORATE GOVERNANCE BODIES

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### Board of Directors <sup>(1)</sup>

**Romano Volta**

Chairman <sup>(2)</sup>

**Roberto Tunioli**

Vice Chairman and C.E.O. <sup>(3)</sup>

**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

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### Board of Statutory Auditors <sup>(4)</sup>

**Stefano Romani**

President

**Massimo Saracino**

Standing auditor

**Mario Stefano Luigi Ravaccia**

Standing auditor

**Patrizia Passerini**

Alternate auditor

**Stefano Biordi**

Alternate auditor

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### Independent auditing firm

PricewaterhouseCoopers SpA

(1) The Board of Directors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2008

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

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

(4) The Board of Statutory Auditors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2008

# **DATALOGIC GROUP - NOTES ON QUARTERLY INTERIM REPORT AS AT 30 SEPTEMBER 2007**

## **REPORT ON OPERATIONS**

To Our Shareholders,

The report for the period ending 30 September 2007, 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.

## **OPERATING AND FINANCIAL RESULTS**

The following table summarizes the Datalogic Group's key operating and financial highlights in 1H07 (i.e. up to 30 September 2007), in comparison with 1H06:

<b>Datalogic Group</b>	<b>30/09/2007</b>	<b>30/09/2006</b>	<b>YoY Change</b>	<b>% change</b>
<b>(€000)</b>				
Total revenues	297,536	280,494	17,042	6.1%
EBITDA	36,922	26,479	10,443	39.4%
% of total revenues	12.4%	9.4%		
Group net profit/loss	11,487	1,356	10,131	747.1%
% of total revenues	3.9%	0.5%		
Net financial position (NFP)	-67,251	-62,331	-4,920	7.9%

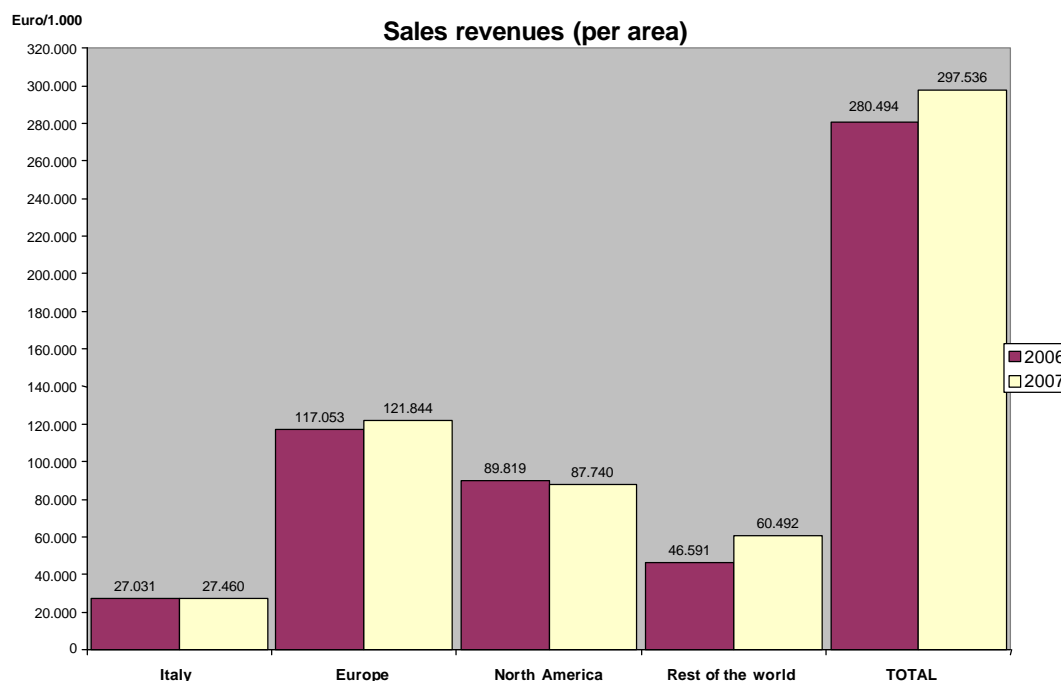
(\*) **EBITDA** is a performance indicator not defined under IFRS. However, Datalogic's management uses it to monitor and assess the company's operating performance as it is not influenced by the volatility due to the various valuation criteria used to determine taxable income, by the total amount and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

As up to 30 September 2007 the **Datalogic Group** recorded revenues of **€297,536 thousand** (vs. **€280,494 thousand** in the first nine months of 2006), detailed as follows :

- €286,798 thousand of revenues from the sale of products;
- €10,738 thousand of revenues from services.

These revenues grew 6% as compared to the same period of prior year. Without the €/USD exchange rate impact, the growth would be 9%.

Following is a detail by region:



Considering the continued revaluation of the euro against the US dollar (8% as compared to the first nine months of the previous year), it is highlighted that all regions contributed to the sales growth; at constant foreign exchange rates, even North-America would report a 5% growth against 30 September 2006. Growth in the Rest of the World region was particularly strong, primarily due to the efforts made in the Asia region which contributed 20% of Datalogic Group's total revenues and it represents one of the most dynamic markets at a global level.

**Group EBITDA was €36,922 thousand, with a margin on total revenues of 12.4%. The increase over the same period of the previous year totals €10,443 thousand (39.4% over the €26,479 thousand at 30 September 2006).**

Net profit as up to 30 September 2007 totalled €11,487 thousand.

The results achieved in the first nine months of the year confirm the significant upswing against the same period of the previous year, despite the unfavourable trend in foreign exchange rates. Specifically, it is worth highlighting the strong profitability improvement in terms of EBITDA, which rose over 3 percentage points as compared to the first nine months of 2006.

#### **EVENTS CHARACTERISING THE FIRST NINE MONTHS OF THE YEAR**

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

- Datalogic Scanning, headquartered in the United States, consists of two business units: "Hand Held Readers" (hand-held readers) and "Stationary Readers – Retail" (checkout scanners for the retail market). This results in the consolidation of the two hand-held reader product lines of the Group, which will be harmonized into a cohesive offering. The current line of stationary readers for retail applications will continue as a core offering.

- Datalogic Automation, headquartered in Italy, consists of three business units: "Unattended Scanning Systems" (fixed mount readers for the industrial market), "Marking" (laser marking systems) and "RFID" (radio-frequency identification devices). This allows Datalogic to leverage its field infrastructure for three businesses which share a common market and customer focus.

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

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

The overriding corporate entity, DL S.p.A., will continue to be headquartered in Bologna, Italy, and will be chartered to provide vision and strategy, values, policies and control of financial assets for the Group and its companies.

The company Datalogic Share Service, headquartered in Italy, was also created in order to provide services (administration, human resources, and IT services) primarily to Datalogic Automation and Datalogic Mobile.

**ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA**

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

(€000)	30/09/2007		30/09/2006		change	% change
<b>Total revenues</b>	<b>297,536</b>	<b>100.0%</b>	<b>280,494</b>	<b>100.0%</b>	<b>17,042</b>	<b>6.1%</b>
Cost of sales	(163,847)	-55.1%	(156,557)	-55.8%	(7,290)	4.7%
<b>Gross profit</b>	<b>133,689</b>	<b>44.9%</b>	<b>123,937</b>	<b>44.2%</b>	<b>9,752</b>	<b>7.9%</b>
Other revenues	1,393	0.5%	1,505	0.5%	(112)	-7.4%
Research and development expenses	(21,316)	-7.2%	(20,314)	-7.2%	(1,002)	4.9%
Distribution expenses	(57,035)	-19.2%	(63,445)	-22.6%	6,410	-10.1%
General & administrative expenses	(21,737)	-7.3%	(21,118)	-7.5%	(619)	2.9%
Other operating costs (*)	(7,126)	-2.4%	(3,028)	-1.1%	(4,098)	135.3%
<b>Operating profit before non-recurring revenues and expenses and before amortisation from acquisitions (EBITANR)</b>	<b>27,868</b>	<b>9.4%</b>	<b>17,537</b>	<b>6.3%</b>	<b>10,331</b>	<b>58.9%</b>
Non-recurring costs and revenues	(2,113)	-0.7%	(5,583)	-2.0%	3,470	-62.2%
Depreciation & amortisation due to acquisitions	(3,106)	-1.0%	(3,277)	-1.2%	171	-5.2%
<b>EBIT</b>	<b>22,649</b>	<b>7.6%</b>	<b>8,677</b>	<b>3.1%</b>	<b>13,972</b>	<b>161.0%</b>
Net financial income (expenses)	(3,417)	-1.1%	(3,653)	-1.3%	236	-6.5%
Subsidiaries' earnings/(losses)	247	0.1%	(84)	0.0%	331	N.A.
Foreign exchange earnings/(losses)	224	0.1%	(918)	-0.3%	1,142	N.A.
<b>Pre-tax profit/(loss)</b>	<b>19,703</b>	<b>6.6%</b>	<b>4,022</b>	<b>1.4%</b>	<b>15,681</b>	<b>389.9%</b>
Taxes	(8,066)	-2.7%	(2,529)	-0.9%	(5,537)	218.9%
<b>Net profit/(loss) for period</b>	<b>11,637</b>	<b>3.9%</b>	<b>1,493</b>	<b>0.5%</b>	<b>10,144</b>	<b>679.4%</b>
Minority interests' share of net profit	(150)	-0.1%	(137)	0.0%	(13)	9.7%
<b>GROUP NET PROFIT/LOSS</b>	<b>11,487</b>	<b>3.9%</b>	<b>1,356</b>	<b>0.5%</b>	<b>10,131</b>	<b>747.1%</b>
Amortisation of fixed assets	(6,098)	-2.0%	(6,236)	-2.2%	138	-2.2%
Amortisation of intangible assets	(2,956)	-1.0%	(2,706)	-1.0%	(250)	9.2%
<b>EBITDA</b>	<b>36,922</b>	<b>12.4%</b>	<b>26,479</b>	<b>9.4%</b>	<b>10,443</b>	<b>39.4%</b>

(\*) The item includes an accrual of €4,344 thousand (as at 30 September 2007) and €1,387 thousand (as at 30 September 2006) for an incentive plan for the Group companies' managers.

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



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

As at 30 September 2007, non-recurring costs/income (€2,113 thousand) were made up as follows:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(51)	Transformation plan
<b>Total</b>	<b>(51)</b>	
4) R&D expenses	(11)	Transformation plan
<b>Total</b>	<b>(11)</b>	
5) Distribution expenses	(413)	Transformation plan
5) Distribution expenses	(74)	Early retirement incentives
<b>Total</b>	<b>(487)</b>	
6) General & administrative expenses	(1,272)	Transformation plan
6) General & administrative expenses	(111)	Rebiling of legal costs incurred
6) General & administrative expenses	483	Curtailment
<b>Total</b>	<b>(900)</b>	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Rebiling of legal costs incurred
7) Other operating expenses	(773)	Restructuring costs for EMS company
<b>Total</b>	<b>(952)</b>	
<b>TOTAL NON-RECURRING COSTS</b>	<b>(2,401)</b>	
3) Other operating revenues	288	Rebiling of legal costs incurred
<b>Total</b>	<b>288</b>	
<b>TOTAL NON-RECURRING COSTS</b>	<b>288</b>	
<b>NON-RECURRING REVENUES/COSTS BALANCE</b>	<b>(2,113)</b>	

Transformation Plan expenses (of €1,749) are related to the study, the start up and the implementation of the reorganisation of Datalogic Group which has been in place since the month of April and resulted in the creation of three Business Divisions: Datalogic Scanning Inc, Datalogic Automation srl and Datalogic Mobile srl. These expenses refer to advisory costs (€1,150 thousand), travel (€195) and meetings (€177 thousand). "EMS restructuring expenses" are due to expenses incurred (and yet to be incurred in the fourth quarter of the financial year) for the RFID product line restructuring process, whose design and production activities will be shifted from California to Italy. Sales and technical support will be left in the United States to assist local markets.

The restructuring activity will allow the Company to collect further resources which will be used to develop radio-frequency products.

Amortisation due to acquisitions (€3,106 thousand), included under "general & administrative expenses", is made up as follows:

1. €971 thousand pertaining to Laservall,

2. €446 thousand pertaining to Informatics;
3. €1,689 thousand pertaining to the PSC Group.

Non-recurring revenues of €483 thousand (curtailment) were posted as at 30 September as a result of the indemnity leave provision restatement, which now excludes future salary increases from actuarial calculations, due to the pension reforms which altered the very nature of the indemnity leave provision.

**EBITANR came to €22,649 thousand, for a margin on sales of 7.6%, up 161% over the same period of the previous year.**

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

	<b>3Q07</b>		<b>3Q06</b>		<b>change</b>	<b>Change %</b>
<b>TOTAL REVENUES</b>	98,574	100.0%	91,555	100.0%	7,019	7.7%
<b>EBITDA (*)</b>	11,106	11.3%	10,613	11.6%	493	4.6%
<b>OPERATING RESULT (EBITANR) (*)</b>	8,106	8.2%	7,741	8.5%	365	4.7%
<b>OPERATING RESULT (EBIT) (*)</b>	6,802	6.9%	6,274	6.9%	528	8.4%

(\*) The item includes €1,803 thousand (third quarter 2007) and €474 thousand (third quarter 2006) pertaining to an accrual against a long-term incentive plan for the Group companies' management.

	<b>3Q07</b>		<b>2Q07</b>		<b>change</b>	<b>Change %</b>
<b>TOTAL REVENUES</b>	98,574	100.0%	94,897	100.0%	3,677	3.9%
<b>EBITDA (*)</b>	11,106	11.3%	11,810	12.4%	-704	-6.0%
<b>OPERATING RESULT (EBITANR) (*)</b>	8,106	8.2%	8,819	9.3%	-713	-8.1%
<b>OPERATING RESULT (EBIT) (*)</b>	6,802	6.9%	7,183	7.6%	-381	-5.3%

(\*) The item includes €1,803 thousand (third quarter 2007) and €1,343 thousand (second quarter 2007) pertaining to an accrual against a long-term incentive plan for the Group companies' management.

**PERFORMANCE BY BUSINESS****Segment information**

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

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

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

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

**Business segments**

The Group completed a restructuring project last April which resulted in a review of Datalogic's business segments. Up until 31 March of the current financial year, business segments for the purpose of corporate disclosure were as follows:

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

**Business Development:** this division includes 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 which consist of industrial marking products and in the distribution of automated identification devices. These activities are developed by Laservall Spa and Informatics Inc.

As from the month of April, following the Group restructuring plan described under the section "events characterising the quarter", the business segments have been identified as follows:

**Mobile** – includes the Mobile Computers (MC) product lines

**Automation** – includes product lines related to: Unattended scanning systems (USS), industrial marking products and radio-frequency identification devices (RFID).

**Scanning** – includes product lines related to: hand-held readers (HHR) and checkout scanners for the retail market.

**Business Development** – includes all remaining product lines, that is all self-scanning solutions and the distribution of automated identification products.

These business segments match the new Group Operating Divisions. As a result of the notable impact of the restructuring plan, we were unable to reliably reclassify actual data for the first quarter of 2007 and for the previous quarter based on the new business segments.

Business segments disclosure was therefore structured as follows:

- financial data pertaining to the new Mobile, Automation, Scanning and Business Development business segments are provided only for the second quarter of this financial year;
- additionally, financial data pertaining to the first nine months of 2007, reclassified on the grounds of the previous structure (Data Capture and Business Development), are provided and compared to the results of the same period of 2006 (since they are comparable) in order to ensure comparability.

The financial results of the core business segment for the period April-September, revised as per the new company structure, are as follows:

	Unallocated expenses	BUSINESS DEVELOPMENT	MOBILE	AUTOMATION	SCANNING	Adjustments	Consolidated Total
(€'000)	April - September	April - September	April - September	April - September	April - September	April - September	April - September
External sales	30	23,074	41,684	35,723	92,965	(5)	193,471
Intersegment sales	1	-	1	(78)	2,010	(1,934)	-
<b>Total revenues</b>	<b>31</b>	<b>23,074</b>	<b>41,685</b>	<b>35,645</b>	<b>94,975</b>	<b>(1,939)</b>	<b>193,471</b>
Cost of goods sold	71	10,046	23,016	17,190	55,397	76	105,796
Intersegment cost of goods sold	31	3,204	1,875	(187)	280	(5,203)	-
<b>Gross profit</b>	<b>(71)</b>	<b>9,824</b>	<b>16,794</b>	<b>18,642</b>	<b>39,298</b>	<b>3,188</b>	<b>87,675</b>
% of revenues	-229.0%	42.6%	40.3%	52.3%	41.4%	-164.4%	45.3%
Other allocable revenues	30	12	362	237	5	69	715
Other intersegment revenues	377	57	3,128	678	1,021	(5,261)	-
<b>Allocable operating costs:</b>	<b>2,958</b>	<b>6,831</b>	<b>15,410</b>	<b>17,180</b>	<b>31,116</b>	<b>(2,031)</b>	<b>71,465</b>
% of revenues	9541.9%	29.6%	37.0%	48.2%	32.8%	104.7%	36.9%
R&D expenses	358	343	2,303	3,441	7,863	1	14,309
Intersegment R&D expenses	-	-	50	-	-	(50)	-
Distribution expenses	34	4,737	8,649	7,889	15,881	(17)	37,173
Distribution expenses (intersegment)	65	-	405	(42)	-	(428)	-
Allocable G&A costs	113	808	909	2,663	4,314	(13)	8,794
Allocated general expenses corp+share	-	307	1,684	2,115	1,534	-	5,640
Intersegment general expenses	(40)	-	1,121	264	107	(1,452)	-
Other allocable operating costs	2,428	631	289	850	1,376	(26)	5,549
Other intersegment operating costs	-	5	-	-	41	(46)	-
<b>EBITANR (EBITANR)</b>	<b>(2,622)</b>	<b>3,062</b>	<b>4,874</b>	<b>2,377</b>	<b>9,208</b>	<b>27</b>	<b>16,925</b>
% of revenues	-8458.06%	13.27%	11.69%	6.67%	9.70%	-1.37%	8.75%
Allocable non-recurring costs/revenues	(198)	-	110	1,478	(156)	(2,122)	(888)
Unallocable non-recurring costs/revenues	-	-	-	-	-	-	-
Amortisation due to acquisitions	-	(294)	(157)	(647)	(955)	1	(2,052)
<b>OPERATING RESULT (EBIT)</b>	<b>(2,820)</b>	<b>2,768</b>	<b>4,827</b>	<b>3,208</b>	<b>8,097</b>	<b>(2,095)</b>	<b>13,985</b>
% of revenues	-9096.77%	12.00%	11.58%	9.00%	8.53%	108.02%	7.23%
Net financial income (expenses)	(364)	(129)	136	27	(1,514)	(5)	(1,849)
Share of associates' profit	-	-	-	-	-	-	(104)
Income taxes	241	(702)	(2,117)	(814)	(1,468)	(1)	(4,861)
<b>NET PROFIT/LOSS</b>	<b>(2,943)</b>	<b>1,937</b>	<b>2,846</b>	<b>2,421</b>	<b>5,115</b>	<b>(2,100)</b>	<b>7,171</b>
% of revenues	-9493.55%	8.39%	6.83%	6.79%	5.39%	108.30%	3.71%

Primary segment results as at 30 September 2007 presented as per the previous corporate structure, compared with those as at 30 September 2006, were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/07	30/09/06	30/09/07	30/09/06	30/09/07	30/09/06	30/09/07	30/09/06
External sales	236,016	224,697	61,520	55,797			297,536	280,494
Intersegment sales	336	755		35	(336)	(790)	-	-
<b>Total revenues</b>	<b>236,352</b>	<b>225,452</b>	<b>61,520</b>	<b>55,832</b>	<b>(336)</b>	<b>(790)</b>	<b>297,536</b>	<b>280,494</b>
Cost of goods sold	134,512	130,257	29,335	26,300			163,847	156,557
Intersegment cost of goods sold	-	35	3,280	755	(3,280)	(790)	-	-
<b>Gross profit</b>	<b>101,840</b>	<b>95,160</b>	<b>28,905</b>	<b>28,777</b>	<b>2,944</b>	<b>-</b>	<b>133,689</b>	<b>123,937</b>
% of revenues	43.1%	42.2%	47.0%	51.5%	-876.2%	0.0%	44.9%	44.2%
Other allocable revenues	1,014	1,279	379	226			1,393	1,505
Other intersegment revenues	3,279	282		-	(3,279)	(282)	-	-
<b>Allocable operating costs:</b>	<b>81,689</b>	<b>86,093</b>	<b>18,764</b>	<b>18,005</b>	<b>(335)</b>	<b>(282)</b>	<b>100,118</b>	<b>103,816</b>
% of revenues	34.6%	38.2%	30.5%	32.2%	99.7%	35.7%	33.6%	37.0%
R&D expenses	18,143	17,262	3,173	3,063		(12)	21,316	20,313
Distribution expenses	46,851	53,707	10,334	10,008	(150)	(270)	57,035	63,445
Allocable G&A costs	12,565	13,249	4,512	4,681	(185)	-	16,892	17,930
Other allocable operating costs	4,130	1,875	745	253			4,875	2,128
<b>SEGMENT RESULT</b>	<b>24,444</b>	<b>10,628</b>	<b>10,520</b>	<b>10,998</b>	<b>-</b>	<b>-</b>	<b>34,964</b>	<b>21,626</b>
% of revenues	10.3%	4.7%	17.1%	19.7%	0.0%	0.0%	11.8%	7.7%
Unallocable G&A costs	-						4,845	3,189
Other unallocable operating costs	-						2,251	900
<b>EBITANR (EBITANR)</b>	<b>24,444</b>	<b>10,628</b>	<b>10,520</b>	<b>10,998</b>	<b>-</b>	<b>-</b>	<b>27,868</b>	<b>17,537</b>
% of revenues	10.34%	4.71%	17.10%	19.70%	0.00%	0.00%	9.37%	6.25%
Allocable non-recurring costs/revenues	(1,340)	(5,583)	(773)				(2,113)	(5,583)
Unallocable non-recurring costs/revenues	-							
Amortisation due to acquisitions	(1,688)	(1,825)	(1,418)	(1,452)			(3,106)	(3,277)
<b>OPERATING RESULT (EBIT)</b>	<b>21,416</b>	<b>3,220</b>	<b>8,329</b>	<b>9,546</b>	<b>-</b>	<b>-</b>	<b>22,649</b>	<b>8,677</b>
% of revenues	9.06%	1.43%	13.54%	17.10%	0.00%	0.00%	7.61%	3.09%
Net financial income (expenses)							(3,193)	(4,571)
Share of associates' profit							247	(84)
Income taxes							(8,066)	(2,529)
<b>NET PROFIT/LOSS</b>							<b>11,637</b>	<b>1,493</b>
% of revenues							3.91%	0.53%
Minority interests' share of net profit/loss							150	137
<b>GROUP NET PROFIT/LOSS</b>							<b>11,487</b>	<b>1,356</b>
% of revenues							3.86%	0.48%

Cost of goods sold as a percentage of total sales improved from 55.8% in the same period of the previous year to 55.1%. The decline was due to a percentage reduction in the cost of goods sold for the Data Capture Division (from 57.79% of sales down to 56.91%) and to an increase in the cost of goods sold in the Business Development Division (up from 48.46% of total sales to 53%).

Gross contribution margin increased from €123,937 thousand (at 30/09/06) to €133,689 thousand at 30 September 2007, with an increase of 7.9%.

Operating costs attributable to the divisions amounted to €100,118 thousand as at 30 September 2007 (down 3.6% from the €103,816 thousand reported for the same period of 2006). Of this total, €81,689 thousand of costs related to the Data Capture division (down 5% vs. 2006) and €18,764 thousand to the Business Development division (up 4.2% from the €18,005 thousand posted in 2006), including "interdivisional" operating costs (a negative €335 thousand).

In greater detail, the Data Capture division featured:

- a 5.1% increase in research and development costs, which totalled €18,143 thousand at 30 September 2007, equal to 7.7% of total sales for the division. The increase was primarily due to a dispute underway related to a patent issue regarding Datalogic Scanning Inc;
- a 12.76% reduction in distribution expenses of €46,851 as at 30 September 2007, as against €53,707 thousand reported in the same period of 2006. This decrease is partially attributable to the parent company (the 30 June 2006 figure included €532 thousand in costs incurred for the company convention) and in part to Datalogic Scanning INC (with a €3,700 thousand reduction in royalties and a reduction in personnel expenses due to the implementation of the restructuring and development plan throughout 2006);
- a 5% decrease in allocable G&A costs (which amounted to €12,565 thousand in the period vs. €13,249 thousand reported in prior year).

Other operating expenses (in the amount of €4,875 thousand) grew by 129% as compared to 2006. The rise stems from increased accruals on a long-term incentive plan for the Group managers.

The other unallocable operating costs are comprised of a €2,251 thousand provision made by the parent company for a long-term management incentive plan due to mature in 2008.

The Business Development division featured:

- a slight increase in research and development costs, which totalled €3,173 thousand at 30 September 2007, equal to 5.1% of total sales for the division;
- an increase in distribution expenses from the €10,008 thousand of the same period of 2006 to €10,334 thousand as at 30 September 2007.
- a 3.6% decrease in allocable G&A costs, which amounted to €4,512 thousand for the period, as compared with the €4,681 thousand recorded for the same period of the previous year;

The business segment's net profit (not including G&A costs and other unallocable operating expenses) for the Data Capture Division was €24,444 thousand, with an increase of €10,628 thousand against 2006.

The Business Development division's segment result totalled €10,520 thousand, which is essentially in line with the €10,998 thousand recorded in 2006.

The segment result does not include €4,845 thousand in G&A costs or €2,251 thousand for other operating costs, neither of which are allocable.

**BALANCE SHEET BY BUSINESS SEGMENT**

The balance sheet reclassification by business segment according to the old business structure, effected in order to compare data with that as at 31 December 2006, is as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/07	31/12/06	30/09/07	31/12/06	30/09/07	31/12/06	30/09/07	31/12/06
Segment assets	282,072	286,175	54,558	54,416	(426)	(327)	336,204	340,264
Interests in subsidiaries booked at equity	673	683	656	427			1,329	1,110
Unallocable assets							84,773	62,328
<b>Total assets</b>	<b>282,745</b>	<b>286,858</b>	<b>55,214</b>	<b>54,843</b>	<b>(426)</b>	<b>(327)</b>	<b>422,306</b>	<b>403,702</b>
Segment liabilities	70,850	74,638	12,947	12,018	(428)	(320)	83,369	86,336
Unallocable liabilities							165,351	130,756
Equity							173,586	186,610
<b>Total liabilities</b>	<b>70,850</b>	<b>74,638</b>	<b>12,947</b>	<b>12,018</b>	<b>(428)</b>	<b>(320)</b>	<b>422,306</b>	<b>403,702</b>
Allocable D&A (net of D&A due to acquisitions)	7,864	10,451	768	1,129			8,632	11,580
Unallocable D&A	-	-					422	623



**ANALYSIS OF FINANCIAL AND CAPITAL DATA**

At 30 September 2007, the net financial position was a negative €67,251 thousand, as follows:

<b>Datalogic Group</b>	<b>30/09/2006</b>	<b>31/12/2006</b>	<b>30/09/2007</b>
€'000			
A. Cash and bank deposits	30,681	30,139	56,274
B. Other liquidity	0	2,811	0
<i>b1. Restricted cash</i>	0	2,811	0
C. Securities held for trading	980	370	366
<i>c1. Current</i>	613	0	
<i>c2. Non-current</i>	367	370	366
<b>D. Cash &amp; Cash equivalents (A) + (B) + (C)</b>	<b>31,661</b>	<b>33,320</b>	<b>56,640</b>
<b>E. Current financial receivables</b>	<b>206</b>	<b>206</b>	<b>206</b>
F. Other current financial receivables			166
<i>f1. hedging transactions</i>			166
G. Bank current accounts payable			874
H. Current portion of non-current debt	6,448	9,856	31,729
I. Other current financial liabilities	13	0	247
<i>i1. hedging transactions</i>	13	0	247
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>6,461</b>	<b>9,856</b>	<b>32,850</b>
<b>K. Current financial debt, net (J) - (D) - (E) - (F)</b>	<b>(25,406)</b>	<b>(23,670)</b>	<b>(24,162)</b>
L. Non-current bank borrowing	87,737	79,539	88,997
M. Notes issued		0	
N. Other non-current liabilities	0	2,488	2,416
<i>n1. Financial liabilities vs BoD member</i>	0	2,488	2,416
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>87,737</b>	<b>82,027</b>	<b>91,413</b>
<b>P. Net financial debt (K) + (O)</b>	<b>62,331</b>	<b>58,357</b>	<b>67,251</b>

Net financial debt as at 30 September 2007 (a negative €67,251 thousand) deteriorated as compared to 31 December 2006 (a negative €58,357 thousand). In the first nine months of the financial year:

- treasury shares were purchased for €23,875 thousand while €8,916 thousand were sold (treasury shares, in the amount of €23,242 thousand are not included in the net financial position, they were €6,330 thousand as at 30 September 2006 and €8,283 as at 31 December 2006);
- the residual payable was repaid to the seller of PSC Holding for the acquisition of the PSC Group in the amount of €2,494 thousand;
- dividends totalling €3,805 thousand were paid out.

Tangible and intangible assets acquired in the period were €7,458 thousand, net of all disposals and of the foreign exchange impact.

Net working capital as at 30 September 2007 totalled €73,484 thousand and increased by €8,604 thousand vs. 31 December 2006 (€64,880 thousand).

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

	<b>30/09/07</b>	
	<b>Total net equity</b>	<b>Period result</b>
<b>Datalogic SpA net equity and profit</b>	<b>171,025</b>	<b>5,035</b>
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	8,274	17,919
Reversal of dividends	0	(9,017)
Laservall acquisition	(4,208)	(971)
Amortisation of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(2,207)	(1,988)
Effect of eliminating intercompany transactions	(2,855)	(1,010)
Other	(192)	200
Deferred taxes	3,362	1,319
<b>Group portion of net equity</b>	<b>172,960</b>	<b>11,487</b>
<b>Minority interests in net equity</b>	<b>626</b>	<b>150</b>
<b>Total net equity</b>	<b>173,586</b>	<b>11,637</b>

#### **FINANCIAL INCOME AND EXPENSES**

Net financial expenses totalled €3,193 thousand. The drivers of this result were as follows:

<b>(€000)</b>	<b>30/09/2007</b>
Financial income/expenses	(3,109)
Net foreign exchange losses	224
Bank charges	(323)
Other	15
<b>Total net financial expenses</b>	<b>(3,193)</b>

In addition, we note that earnings of €247 thousand made by companies consolidated at equity were also reported.

#### **BUSINESS FORECAST FOR CURRENT YEAR AND SUBSEQUENT EVENTS**

In the light of the good performances achieved in the third quarter of the year and of expectations for the coming quarter, the company is able to estimate full year financial results significantly higher than prior year results and in line with company plans.

#### **SECONDARY LOCATIONS**

As of April, due to the aforementioned reorganisation, the parent company no longer has secondary locations.

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

	Note	30-09-07 Euro/000	31-12-06 Euro/000
<b>ASSETS</b>			
<b>A) NON-CURRENT ASSETS</b> (1+2+3+4+5+6+7+8)		<b>211.419</b>	<b>227.624</b>
<b>1) Tangible non-current assets</b>		<b>49.953</b>	<b>50.380</b>
Land	1	6.570	6.660
Buildings	1	19.082	18.238
Other tangible assets	1	22.537	23.672
Assets in progress and payments on account	1	1.764	1.810
<b>2) Investment property</b>		<b>0</b>	<b>0</b>
<b>3) Intangible non-current assets</b>		<b>139.997</b>	<b>153.652</b>
Goodwill	2	84.577	89.907
Development costs	2	2.278	3.010
Other intangible assets	2	53.142	60.735
<b>4) Equity interests in associate companies</b>	3	<b>1.329</b>	<b>1.110</b>
<b>5) Available-for-sale financial assets (non-current)</b>		<b>1.279</b>	<b>1.241</b>
Equity investments	4	913	871
Treasury stock			
Securities	8	366	370
<b>6) Trade and other receivables</b>		<b>515</b>	<b>503</b>
<b>7) Deferred tax credits</b>	11	<b>18.346</b>	<b>20.738</b>
<b>8) Tax credits</b>		<b>0</b>	<b>0</b>
<b>B) CURRENT ASSETS</b> (8+9+10+11+12+13+14+15)		<b>210.887</b>	<b>176.078</b>
<b>9) Inventories</b>	5	<b>57.661</b>	<b>52.005</b>
Raw & auxiliary materials plus consumables	5	29.903	30.936
Work in progress and semiprocessed goods	5	6.847	6.116
Finished products and goods for resale	5	20.911	14.953
<b>10) Job-order work in progress</b>		<b>0</b>	<b>0</b>
<b>11) Trade and other receivables</b>	6	<b>88.078</b>	<b>83.724</b>
Trade receivables	6	<b>77.700</b>	<b>77.723</b>
Within 12 months		76.141	75.998
After 12 months			
Amounts receivable from associates		1.530	1.725
Amounts receivable from subsidiaries			0
Amounts receivable from parent company		2	0
Amounts receivable from related parties		27	
Other receivables - Accrued income/prepaid expenses	6	<b>10.378</b>	<b>6.001</b>
<b>12) Tax credits</b>	7	<b>8.502</b>	<b>7.193</b>
from associates		4.385	3.810
<b>13) Available-for-sale financial assets (current)</b>	8	<b>206</b>	<b>206</b>
Securities		0	0
Loans to subsidiaries		206	206
<b>14) Hedging instruments</b>		<b>166</b>	
<b>15) Cash &amp; cash equivalents</b>	8	<b>56.274</b>	<b>32.950</b>
<b>TOTAL ASSETS (A+B)</b>		<b>422.306</b>	<b>403.702</b>

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

<b>LIABILITIES</b>	<b>Note</b>	<b>30-09-07 Euro/000</b>	<b>31-12-06 Euro/000</b>
<b>A) TOTAL NET EQUITY (1+2+3+4+5)</b>	<b>9</b>	<b>173.586</b>	<b>186.610</b>
1) Share capital		131.175	159.098
2) Reserves		-17.854	-11.057
3) Retained earnings/(losses carried forward)		48.152	33.968
4 ) Profit/(loss) for period		11.487	4.125
5) Minority interests		626	476
<b>B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)</b>		<b>131.963</b>	<b>122.630</b>
6) Borrowing	10	91.413	82.027
from related parties		2.416	2.488
7) Tax payables		0	0
8) Deferred tax liabilities	11	23.072	26.468
9) Employee severance indemnity and retirement provision	12	6.441	7.624
10) Long-term provisions for risks and expenses	13	10.963	6.433
11) Other non-current liabilities		74	78
<b>C) CURRENT LIABILITIES (12+13+14+15+16)</b>		<b>116.757</b>	<b>94.462</b>
12) Trade and other payables	14	71.054	74.146
Trade payables	14	43.775	49.204
Within 12 months		43.521	48.760
After 12 months			
Amounts payable to associates			21
Amounts payable to parent company			0
Amounts payable to related parties		254	423
Accrued liabilities and deferred income			
Other current payables	14	27.279	24.942
13) Taxes payable		9.703	6.390
from subsidiaries		3.677	11
14) Short-term provisions for risks and expenses	13	3.150	4.070
15) Hedging instruments		247	
16) Short-term borrowing	10	32.603	9.856
<b>TOTAL LIABILITIES (A+B+C)</b>		<b>422.306</b>	<b>403.702</b>

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

	Note	30-09-07 Euro/000	30-09-06 Euro/000
<b>1) TOTAL REVENUES</b>	<b>15</b>	<b>297.536</b>	<b>280.494</b>
Revenues from sale of products		286.798	269.959
Revenues from services		10.738	10.535
<b>2) Cost of goods sold</b>	<b>16</b>	<b>163.898</b>	<b>157.547</b>
<i>of which non-recurring (*)</i>	<b>16</b>	<b>51</b>	<b>990</b>
<b>GROSS PROFIT (1-2)</b>		<b>133.638</b>	<b>122.947</b>
<b>3) Other operating revenues</b>	<b>17</b>	1.681	1.505
<i>of which non-recurring (*)</i>	<b>17</b>	288	
<b>4) R&amp;D expenses</b>	<b>16</b>	21.327	20.376
<i>of which non-recurring (*)</i>	<b>16</b>	11	62
<b>5) Distribution expenses</b>	<b>16</b>	57.522	63.573
<i>of which non-recurring (*)</i>	<b>16</b>	487	128
<b>6) General &amp; administrative expenses</b>	<b>16</b>	25.743	26.891
<i>of which non-recurring (*)</i>	<b>16</b>	900	2.496
<i>of which amort. pertaining to acquisitions (*)</i>	<b>16</b>	3.106	3.277
<b>7) Other operating expenses</b>	<b>16</b>	8.078	4.935
<i>of which non-recurring (*)</i>	<b>16</b>	952	1.907
<b>Total operating costs (4+5+6+7)</b>		<b>112.670</b>	<b>115.775</b>
<b>OPERATING PROFIT</b>		<b>22.649</b>	<b>8.677</b>
<b>8) Financial income</b>	<b>18</b>	-3.193	-4.571
<b>9) Share of associate companies' profits</b>	<b>3</b>	247	-84
<b>PRE-TAX PROFIT/(LOSS)</b>		<b>19.703</b>	<b>4.022</b>
<b>Taxes</b>	<b>19</b>	8.066	2.529
<b>NET PROFIT FOR PERIOD</b>		<b>11.637</b>	<b>1.493</b>
<b>Minority interests' share of net profit</b>		150	137
<b>GROUP NET PROFIT</b>		<b>11.487</b>	<b>1.356</b>
<b>Earning per share (Euro)</b>	<b>20</b>	<b>0,1846</b>	<b>0,0220</b>
<b>Diluted earning per share (Euro)</b>	<b>20</b>	<b>0,1844</b>	<b>0,0220</b>

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

**DATALOGIC S.p.A.**  
**CONSOLIDATED CASH FLOW STATEMENT**

	<b>30-09-07</b> <b>Euro/000</b>	<b>31-12-06</b> <b>Euro/000</b>
Pre-tax profit	19.703	9.033
Depreciation & amortisation	12.160	16.548
Employee severance indemnity provision	155	1.506
Employee severance indemnities paid out	-855	-776
"Curtailment"	-483	
Bad debt provisions	73	792
Net financial costs/revenues included foreign exchange	3.193	6.789
Write-down of financial assets	-247	-448
<b>Cash flow from operating before change in working capital</b>	<b>33.699</b>	<b>33.444</b>
Trade receivables	-50	1.402
Inventories	-5.656	-493
Other current assets	-4.379	-380
Other medium-/long-term assets	-12	298
Trade payables	-5.429	4.562
Other current liabilities	2.337	-13.030
Other medium-/long-term liabilities	-4	-1.165
Provisions for risks and expenses	3.610	1.584
Trade foreign exchange	430	-466
<b>Net change in operating assets and liabilities</b>	<b>24.546</b>	<b>25.756</b>
Taxes	-7.066	-31.640
Interests and bank expenses	-3.447	-5.661
<b>Operating cash flow (A)</b>	<b>14.033</b>	<b>-11.545</b>
(Increase)/decrease in intangible non-current assets net of exchange rate	-939	17.351
(Increase)/decrease in tangible non-current assets net of exchange rate	-6.519	-9.369
Unconsolidated equity investments	-14	139
<b>Investment cash flow (B)</b>	<b>-7.472</b>	<b>8.121</b>
Financing activity		
LT/ST financial receivables	4	12.794
LT/ST financial payables and derivatives	34.070	-69.749
Financial exchange rate	-176	-662
Hedging instruments	81	
Reserves	-11.474	-1.901
Capital increase with issue of new shares		76.596
Dividend distribution	-3.805	-3.489
<b>Finance cash flow ( C)</b>	<b>18.700</b>	<b>13.589</b>
<b>Change in net financial position (A+B+C)</b>	<b>25.261</b>	<b>10.165</b>
<b>Short term net financial position at beginning of period</b>	<b>30.139</b>	<b>19.974</b>
<b>Short-term net financial position at end of period</b>	<b>55.400</b>	<b>30.139</b>

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

Description	Share capital	Other reserves				Net profit for previous years								Net profit for period	Net equity	Minority Equity
		cash flow hedge reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Consolidation reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total			
<b>01.01.2007</b>	<b>159.098</b>	-	-8.555	-2.502	-11.057	-	10.311	3.730	958	1.870	8.283	8.816	33.968	4.125	186.134	476
Profit allocation					-		320						320	-4.125	-3.805	
Capital increase	382				-								-		382	
Translation reserve			-6.716		-6.716								-		-6.716	
Increase in IFRS reserve					-							20	20		20	
Sale of treasury shares	-28.305				-		2.573	-3.730			14.959		13.802		-14.503	
Fair value adjustment		-			-								-		-	
Capital increase charges					-								-		-	
Extraordinary dividend													-		-	
Other changes		-81			-81		42						42		-39	
Net profit as at 30.09.07					-								-	11.487	11.487	150
<b>30.09.2007</b>	<b>131.175</b>	<b>-81</b>	<b>-15.271</b>	<b>-2.502</b>	<b>-17.854</b>	<b>-</b>	<b>13.246</b>	<b>-</b>	<b>958</b>	<b>1.870</b>	<b>23.242</b>	<b>8.836</b>	<b>48.152</b>	<b>11.487</b>	<b>172.960</b>	<b>626</b>



## **Foreword**

Datalogic Group S.p.A. (hereinafter "Datalogic", the "parent company" or the "company") is an Italian corporation. The financial statements at 30 September 2007 comprise Datalogic SpA and its subsidiaries (hereinafter defined as "the Group") and the relevant share of associates' profits.

The Group is involved in the production and distribution of handheld barcode scanners, unattended scanning systems for the industrial market, mobile computers and checkout scanners for the retail market.

The Company is also involved in the production of radio frequency identification readers (RFID), self-scanning solutions as well as industrial marking products and in the distribution of automated identification devices.

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 9 November 2007.

## **ACCOUNTING STANDARDS AND POLICIES**

### **(a) Accounting standards**

The summarised interim financial statements as at 30 September 2007 (the "Quarterly Report") were prepared in accordance with IAS 34 "*Interim financial statements*" and include the summary notes required by said international accounting standard plus any attachment deemed necessary in order to provide in-depth analysis if appropriate. Therefore, this Quarterly Report is to be read together with the consolidated reports and related notes presented as at 31 December 2006.

### **(b) Preparation criteria**

The accounting standards applied in this Quarterly Report are compliant with the ones applied in the consolidated financial statements as at 31 December 2006, to which we refer for further details. However, we should consider that the development and approval of the International Accounting Standards in the last months of 2006 and the first nine months of the 2007 financial year brought about a revision of some accounting documents and the introduction of new documents which will be effective as from the interim financial statements as at 30 September 2007 and that were not implemented in this Half-year Report as they were not strictly required by the standards.

The following table illustrates the new documents or the changes to existing documents which occurred in the last months of 2006 and the first nine months of 2007 and their impact on the half-year report in compliance with IASB requirements.

<b>Document</b>	<b>Heading</b>	<b>Description</b>	<b>Effective date</b>	<b>Expected company implementation date</b>
<b>IFRS 7</b>	Financial Instruments: Disclosures	The new accounting standards replaces IAS 30 - Disclosures in Financial Statements of Banks and Similar Financial Institutions and IAS 32 disclosure requirements, which will therefore be named Financial Instruments: Presentation.  It provides for additional disclosure requirements for financial instruments.	01/01/07	1 January 2007
<b>Changes to IAS 1</b>	Share capital disclosures	Introduces additional disclosures related to share capital.	01/01/07	1 January 2007
<b>IFRIC 7</b>	Implementation of the restatement approach complying with IAS 29 Financial Reporting in Hyperinflationary Economies	IFRIC 7 provides guidance on how to implement IAS 29 requirements.	01/03/06	Not applicable
<b>IFRIC 8</b>	Scope IFRS 2	IFRIC 8 provides explanations and guidance concerning the IFRS 2 scope	01/05/06	Not applicable
<b>IFRIC 9</b>	Reassessment of embedded derivatives	IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from the host contract and recognised as a derivative at the time the entity first becomes party to the contract and forbids any eventual reassessment unless significant changes to the contract were made.	01/06/06	Not applicable
<b>IFRIC 10</b>	Interim financial reporting and impairment	IFRIC 10 precludes impairment losses recognised as goodwill or as equity interests recognised at cost in interim financial statements to be reversed in the following financial statements.	01/11/06	1 January 2007
<b>IFRIC 13</b>	Customer loyalty programmes	IFRIC 13 precludes any provision against loyalty programmes. Only in cases where the cost of meeting the obligations is expected to exceed any deferred revenues, the company has an onerous contract and shall recognise an additional liability pursuant to IAS 37.	01/07/08	Not applicable

<b>IFRIC 14</b>	Assets from defined benefit pension plans, minimum funding requirements and their interaction	IFRIC 14 defines the circumstances in which an entity may recognise a pension plan asset; indicates the cases in which a minimum funding obligation may reduce a pension plan asset; it defines how and when a liability should be recognised against a minimum funding requirement.	01/01/08	1 January 2008
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**(c) Impact of changes in accounting standards applied**

***Impact of severance indemnity provision (TFR) reforms (2007 Budget Law and implementation decrees)***

With reference to the severance indemnity provision (TFR Provision), recognised as a defined contribution plan up until 31 December 2006, act no. 296 of 27 December 2006 ("2007 Budget Law") and the implementation Decrees and Regulations issued throughout 2006 as part of the Italian pension system reform efforts introduced significant changes as to the allocation of future TFR share payments.

Specifically, employees are now allowed to pay the new severance indemnity provision (TFR) flows into additional pension schemes or they may choose to keep their TFR payments with the company they have been employed with (this is possible for firms whose number of employees is lower than 50 units), or they may decide to leave those payments with INPS (the government-managed pension scheme) for companies with over 50 employees. Based on such regulations and on their generally accepted interpretations, the Group agreed that:

- TFR shares accrued as at 31 December 2006 shall be paid into a defined benefit pension scheme, to be determined based on actuarial rules, no longer including the future salary increase component. The difference between the new and the old calculation method shall be recognised as a *curtailment* in accordance with the provision set forth in paragraph 109 of IAS 19 and therefore posted to the income statement;
- as for the TFR shares eventually payable, both in case of payment into an additional pension scheme or into the Government-owned INPS Treasury, they can be recognised as a defined contribution pension scheme whose cost should be determined net of any actuarial estimate component.

## **Segment information**

### Segment information

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

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

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

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

### Business segments

The Group completed a restructuring project last April which resulted in a review of Datalogic's business segments. Up until 31 March of the current financial year, business segments for the purpose of corporate disclosure were as follows:

**Data Capture**: this is Datalogic's traditional business and includes the development, production and sale of the following products: HHR (hand-held readers), USS (unattended scanning systems) for the industrial market and MC (mobile computers) and USS 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 which consist of industrial marking products and in the distribution of automated identification devices. These activities are developed by Laservall Spa and Informatics Inc.

As from the month of April, following the Group restructuring plan described under the section "events characterising the first nine months of the year", the business segments have been identified as follows:

**Mobile** – includes the Mobile Computers (MC) product lines

**Automation** – includes product lines related to: unattended scanning systems (USS), industrial marking products and radio-frequency identification devices (RFID).

**Scanning** – includes product lines related to: hand-held readers (HHR) and checkout scanners for the retail market.

**Business Development** – includes all remaining product lines, i.e. all self-scanning solutions and the distribution of automated identification products.

These business segments match the new Group Operating Divisions. As a result of the notable impact of the restructuring plan, we were unable to reliably reclassify actual data for the first quarter of 2007 and for the previous period based on the new business segments.

Business segments disclosure was therefore structured as follows:

- financial data pertaining to the new Mobile, Automation, Scanning and Business Development business segments are provided for the period between April and September of this financial year;
- additionally, financial data pertaining to the first nine months of 2007, reclassified on the grounds of the previous structure (Data Capture and Business Development), are provided and compared to the results of the same period of 2006 (since they are comparable) in order to ensure comparability.

The financial results of the core business segment for the period April-September, revised as per the new company structure, are as follows:

	Unallocated expenses	BUSINESS DEVELOPMENT	MOBILE	AUTOMATION	SCANNING	Adjust.	Consolidated Total
(€'000)	April - September	April - September	April - September	April - September	April - September	April - September	April - September
External sales	30	23,074	41,684	35,723	92,965	(5)	193,471
Intersegment sales	1	-	1	(78)	2,010	(1,934)	-
<b>Total revenues</b>	<b>31</b>	<b>23,074</b>	<b>41,685</b>	<b>35,645</b>	<b>94,975</b>	<b>(1,939)</b>	<b>193,471</b>
Cost of goods sold	71	10,046	23,016	17,190	55,397	76	105,796
Intersegment cost of goods sold	31	3,204	1,875	(187)	280	(5,203)	-
<b>Gross profit</b>	<b>(71)</b>	<b>9,824</b>	<b>16,794</b>	<b>18,642</b>	<b>39,298</b>	<b>3,188</b>	<b>87,675</b>
% of revenues	-229.0%	42.6%	40.3%	52.3%	41.4%	-164.4%	45.3%
Other allocable revenues	30	12	362	237	5	69	715
Other intersegment revenues	377	57	3,128	678	1,021	(5,261)	-
<b>Allocable operating costs:</b>	<b>2,958</b>	<b>6,831</b>	<b>15,410</b>	<b>17,180</b>	<b>31,116</b>	<b>(2,031)</b>	<b>71,465</b>
% of revenues	9541.9%	29.6%	37.0%	48.2%	32.8%	104.7%	36.9%
R&D expenses	358	343	2,303	3,441	7,863	1	14,309
Intersegment R&D expenses	-	-	50	-	-	(50)	-
Distribution expenses	34	4,737	8,649	7,889	15,881	(17)	37,173
Distribution expenses (intersegment)	65	-	405	(42)	-	(428)	-
Allocable G&A costs	113	808	909	2,663	4,314	(13)	8,794
Allocated general expenses corp+share	-	307	1,684	2,115	1,534	-	5,640
Intersegment general expenses	(40)	-	1,121	264	107	(1,452)	-
Other allocable operating costs	2,428	631	289	850	1,376	(26)	5,549
Other intersegment operating costs	-	5	-	-	41	(46)	-
<b>EBITANR (EBITANR)</b>	<b>(2,622)</b>	<b>3,062</b>	<b>4,874</b>	<b>2,377</b>	<b>9,208</b>	<b>27</b>	<b>16,925</b>
% of revenues	-8458.06%	13.27%	11.69%	6.67%	9.70%	-1.37%	8.75%
Allocable non-recurring costs/revenues	(198)	-	110	1,478	(156)	(2,122)	(888)
Amortisation due to acquisitions	-	(294)	(157)	(647)	(955)	1	(2,052)
<b>OPERATING RESULT (EBIT)</b>	<b>(2,820)</b>	<b>2,768</b>	<b>4,827</b>	<b>3,208</b>	<b>8,097</b>	<b>(2,095)</b>	<b>13,985</b>
% of revenues	-9096.77%	12.00%	11.58%	9.00%	8.53%	108.02%	7.23%
Net financial income (expenses)	(364)	(129)	136	27	(1,514)	(5)	(1,849)
Share of associates' profit	-	-	-	-	-	-	(104)
Income taxes	241	(702)	(2,117)	(814)	(1,468)	(1)	(4,861)
<b>NET PROFIT/LOSS</b>	<b>(2,943)</b>	<b>1,937</b>	<b>2,846</b>	<b>2,421</b>	<b>5,115</b>	<b>(2,100)</b>	<b>7,171</b>
% of revenues	-9493.55%	8.39%	6.83%	6.79%	5.39%	108.30%	3.71%

Primary segment results as at 30 September 2007 presented as per the previous corporate structure, compared with those as at 30 September 2006, were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/07	30/09/06	30/09/07	30/09/06	30/09/07	30/09/06	30/09/07	30/09/06
External sales	236,016	224,697	61,520	55,797			297,536	280,494
Intersegment sales	336	755		35	(336)	(790)	-	-
<b>Total revenues</b>	<b>236,352</b>	<b>225,452</b>	<b>61,520</b>	<b>55,832</b>	<b>(336)</b>	<b>(790)</b>	<b>297,536</b>	<b>280,494</b>
Cost of goods sold	134,512	130,257	29,335	26,300			163,847	156,557
Intersegment cost of goods sold	-	35	3,280	755	(3,280)	(790)	-	-
<b>Gross profit</b>	<b>101,840</b>	<b>95,160</b>	<b>28,905</b>	<b>28,777</b>	<b>2,944</b>	<b>-</b>	<b>133,689</b>	<b>123,937</b>
% of revenues	43.1%	42.2%	47.0%	51.5%	-876.2%	0.0%	44.9%	44.2%
Other allocable revenues	1,014	1,279	379	226			1,393	1,505
Other intersegment revenues	3,279	282		-	(3,279)	(282)	-	-
<b>Allocable operating costs:</b>	<b>81,689</b>	<b>86,093</b>	<b>18,764</b>	<b>18,005</b>	<b>(335)</b>	<b>(282)</b>	<b>100,118</b>	<b>103,816</b>
% of revenues	34.6%	38.2%	30.5%	32.2%	99.7%	35.7%	33.6%	37.0%
R&D expenses	18,143	17,262	3,173	3,063		(12)	21,316	20,313
Distribution expenses	46,851	53,707	10,334	10,008	(150)	(270)	57,035	63,445
Allocable G&A costs	12,565	13,249	4,512	4,681	(185)	-	16,892	17,930
Other allocable operating costs	4,130	1,875	745	253			4,875	2,128
<b>SEGMENT RESULT</b>	<b>24,444</b>	<b>10,628</b>	<b>10,520</b>	<b>10,998</b>	<b>-</b>	<b>-</b>	<b>34,964</b>	<b>21,626</b>
% of revenues	10.3%	4.7%	17.1%	19.7%	0.0%	0.0%	11.8%	7.7%
Unallocable G&A costs	-						4,845	3,189
Other unallocable operating costs	-						2,251	900
<b>EBITANR (EBITANR)</b>	<b>24,444</b>	<b>10,628</b>	<b>10,520</b>	<b>10,998</b>	<b>-</b>	<b>-</b>	<b>27,868</b>	<b>17,537</b>
% of revenues	10.34%	4.71%	17.10%	19.70%	0.00%	0.00%	9.37%	6.25%
Allocable non-recurring costs/revenues	(1,340)	(5,583)	(773)				(2,113)	(5,583)
Amortisation due to acquisitions	(1,688)	(1,825)	(1,418)	(1,452)			(3,106)	(3,277)
<b>OPERATING RESULT (EBIT)</b>	<b>21,416</b>	<b>3,220</b>	<b>8,329</b>	<b>9,546</b>	<b>-</b>	<b>-</b>	<b>22,649</b>	<b>8,677</b>
% of revenues	9.06%	1.43%	13.54%	17.10%	0.00%	0.00%	7.61%	3.09%
Net financial income (expenses)							(3,193)	(4,571)
Share of associates' profit							247	(84)
Income taxes							(8,066)	(2,529)
<b>NET PROFIT/LOSS</b>							<b>11,637</b>	<b>1,493</b>
% of revenues							3.91%	0.53%
Minority interests' share of net profit/loss							150	137
<b>GROUP NET PROFIT/LOSS</b>							<b>11,487</b>	<b>1,356</b>
% of revenues							3.86%	0.48%

The balance sheet reclassification by business segment according to the old business structure, effected in order to compare data with that of 31 December 2006, is as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/07	31/12/06	30/09/07	31/12/06	30/09/07	31/12/06	30/09/07	31/12/06
Segment assets	282,072	286,175	54,558	54,416	(426)	(327)	336,204	340,264
Interests in subsidiaries booked at equity	673	683	656	427			1,329	1,110
Unallocable assets							84,773	62,328
<b>Total assets</b>	<b>282,745</b>	<b>286,858</b>	<b>55,214</b>	<b>54,843</b>	<b>(426)</b>	<b>(327)</b>	<b>422,306</b>	<b>403,702</b>
Segment liabilities	70,850	74,638	12,947	12,018	(428)	(320)	83,369	86,336
Unallocable liabilities							165,351	130,756
Equity							173,586	186,610
<b>Total liabilities</b>	<b>70,850</b>	<b>74,638</b>	<b>12,947</b>	<b>12,018</b>	<b>(428)</b>	<b>(320)</b>	<b>422,306</b>	<b>403,702</b>
Allocable D&A (net of D&A due to acquisitions)	7,864	10,451	768	1,129			8,632	11,580
Unallocable D&A	-	-					422	623

## GROUP STRUCTURE

The Company and its Group kept unchanged the structure they had on 31 December 2006 until 2 April 2007, which is the date when they completed their restructuring activities and the following new firms were incorporated:

- Datalogic Automation Srl,
- Datalogic Mobile Srl,
- Datalogic Scanning Group Srl.

These subsidiaries, which are 100% controlled by Datalogic Spa, represent the operating sub-holdings embedding the three divisions created by the Group to perform the following business activities:

**Mobile** – includes the Mobile Computers (MC) product lines

**Automation** – includes product lines related to: unattended scanning systems (USS) for the industrial market, industrial marking products and radio-frequency identification devices (RFID).

**Automation** – includes product lines related to: hand-held readers (HHR) and checkout scanners for the retail market.

In addition to the aforementioned companies, the **Business Development** unit was also created – it includes all remaining product lines, i.e. all self-scanning solutions and the distribution of automated identification products.

In order to complete the corporate restructuring activities, the following companies were also incorporated:

- Datalogic Mobile UK Ltd and Mobile Asia Ltd under the control of Datalogic Mobile Srl;
- Datalogic Mobile Inc, under the control of Datalogic Scanning Holding Inc.

The overriding corporate entity will continue to be headquartered in Bologna, Italy, and will be chartered to provide vision, strategy, values and policies and to co-ordinate and control the Group and its companies.

Datalogic Shared Services Srl, headquartered in Italy and also incorporated by means of a contribution paid by the parent company, provides services (administration, information and human-resources management) primarily to Datalogic Automation Srl and to Datalogic Mobile Srl.



The companies consolidated on a line-by-line basis for the period ending 30 September 2007 were as follows:

Company	Registered location	Currency	Share capital	Total equity (€'000)	Profit/loss for the period (€'000)	% ownership	Type of control
Datalogic SPA holding	Lippo di Calderara di Reno (Bo) – Italy	Euro	131,175,000	171,025	5,035		
Datalogic Shared Services srl	Lippo di Calderara di Reno (Bo) – Italy	Euro	20,000	2,600	260	100%	Direct
Informatics	Plano Texas	US\$	15,100,000	14,817	1,504	90% (*)	Direct
Datalogic Automation Srl,	Lippo di Calderara di Reno (Bo) – Italy	Euro	10,000,000	31,008	-446	100%	Direct
Datalogic Automation France	Villebon Sur Yvette (Paris) – France	Euro	2,228,000	3,363	-16	100%	Indirect
Datalogic Automation Iberia	Madrid – Spain	Euro	61,000	623	-69	100%	Indirect
Datalogic Automation Germany GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	Euro	1,025,000	4,875	1,126	100%	Indirect
Datalogic Automation Austria GMBH	Guntramsdorf – Austria	Euro	73,000	550	114	100%	Indirect
Datalogic Automation UK Limited	Redbourn (London) – United Kingdom	GBP	3,500,000	4,894	378	100%	Indirect
Datalogic Holding AB	Malmö - Sweden	KRS	1,400,000	1,132	-7	100%	Indirect
Datalogic Automation AB	Malmö - Sweden	KRS	200,000	29	-484	100%	Indirect
Datalogic Automation INC	Hebron (Kentucky) – United States	US\$	1,847,000	1,703	44	100%	Indirect
EMS	Scotts Valley (California) – United States	US\$	465,030	-107	-1,022	100%	Indirect
Datalogic Automation PTY LTD	Unit 130/45 Gilby Road Mount Waverley Victoria, 3149 Australia	\$AUS	2,300,000	530	-179	100%	Indirect
Datalogic Automation BV	Coltbaan 25, NG Nieuwegein, 3431, Netherlands	Euro	18,160	-184	-59	100%	Indirect
Laservall Spa	Donnas (AO) - Italy	Euro	900,000	13,246	3,700	100%	Indirect
Datalogic Automation Asia Limited	Hong Kong - China	HKD	10,000	-132	-140	100%	Indirect
Datalogic Mobile Srl,	Lippo di Calderara di Reno (Bo) – Italy	Euro	10,000,000	20,860	6,424	100%	Direct
Datalogic Mobile Asia	Hong Kong - China	HKD	100,000	178	25	100%	Indirect
Datalogic Mobile UK LTD	Redbourn (London) – United Kingdom	GBP	15,000	-306	-337	100%	Indirect
Datalogic Mobile INC	Eugene, OR - USA	US\$	13,141,650	5,891	1,938	100%	Indirect
Datalogic Scanning Group srl	Lippo di Calderara di Reno (Bo) – Italy	Euro	10,000,000	89,532	-1,495	100%	Direct
Datalogic Scanning Slovakia	Zavar - Slovakia	SKK	2,000,000	9,900	9,767	100%	Indirect
Datalogic Scanning Holdings Inc.	Eugene, OR - USA	US\$	116,399,000	76,614	-780	100%	Indirect

Datalogic Scanning Inc.	Eugene, OR - USA	US\$	42,295,980	37,765	1,465	100%	Indirect
Datalogic Scanning do Brasil	Sao Paulo, SP - Brazil	US\$	75,000	18	-27	100%	Indirect
Datalogic Scanning Mexico	Colonia Cuauhtemoc Federal District - Mexico	Euro	0	-125	-132	100%	Indirect
Datalogic Scanning UK Ltd	Watford - England	GBP	191,510	-1,032	-123	100%	Indirect
Datalogic Scanning Sarl	Les Ulis Cedex Paris -France	Euro	464,970	-371	456	100%	Indirect
Datalogic Scanning Belgium	Brussels - Belgium	Euro	0	277	0	100%	Indirect
Datalogic Scanning GMBH	Roentgenstra. Darmstadt - Germany	Euro	706,000	1,026	274	100%	Indirect
Datalogic Scanning IBERIA	Madrid - Spain	Euro	0	616	84	100%	Indirect
Datalogic Scanning Eastern Europe GmbH	Moscow -Russia	Euro	0	281	76	100%	Indirect
Datalogic Scanning SpA	Milan - Italy	Euro	110,000	616	-45	100%	Indirect
Datalogic Scanning PTY	Sydney - Australia	\$AUS	108,000	382	-20	100%	Indirect
Datalogic Scanning Japan	Tokyo - Japan	JPY	151437,000	66	-93	100%	Indirect
Datalogic Scanning Singapore	Singapore	SGD	0	-390	-397	100%	Indirect

(\*) It is worth noting that a member of the Board of Directors signed a *put option* agreement on his 10% minority interest in Informatics (exercise date from 15 August 2009 – 15 August 2010) with the Parent Company (call option).

The companies booked at equity as at 30 September 2007 were as follows:

Company	Registered location	Share capital	Total equity (€'000)	Total profit/loss for the period (€'000)	% ownership Direct and indirect
Idec DatalogicCo. Ltd.	Osaka - Japan	Yen 300,000,000	1,346	36	50%
Laservall Asia Co. Ltd.	Hong-Kong - China	Hong-Kong \$ 460,000	1,312	458	50%

**BALANCE SHEET INFORMATION - ASSETS****NON-CURRENT ASSETS****1. Tangible non-current assets**

	<b>30/09/2007</b>	<b>31/12/2006</b>	<b>YoY Change</b>
Land	6,570	6,660	(90)
Buildings	19,082	18,238	844
Other tangible assets	22,537	23,672	(1,135)
Assets in progress and payments on account	1,764	1,810	(46)
<b>Total</b>	<b>49,953</b>	<b>50,380</b>	<b>(427)</b>

The increase in the "Buildings" item as against 31 December 2006 is owed to capitalisation of amelioration works performed by Laservall Spa at the Sesto Calende premises in the amount of €1,177 thousand, €539 thousand of which had already been recognised as fixed assets in progress as at 31 December 2006.

The "Other tangible assets" line item as at 30 September 2007 primarily includes the following: Plant & equipment (€8,155 thousand), Industrial & commercial equipment (€5,229 thousand), Office furniture and electronic office equipment (€5,075 thousand), Generic/specific production plant (€1,545 thousand), Cars (€361 thousand) and Leasehold improvements (€2,068 thousand). The item increase as compared to 31 December 2006 is mainly ascribable to the "Plant & equipment" line item (in the amount of €1,701 thousand), to "Industrial & commercial equipment" for €1,306 thousand and to €1,476 thousand from "Office furniture and electronic office equipment.

The "Assets in progress and payments on account" line item balance is mainly due to the Datalogic Scanning Inc (€1,129 thousand) and Datalogic Mobile Inc (€447 thousand) subsidiaries and is primarily owed to payments on account for equipments, tools and moulds utilised in the day-to-day production processes.

## 2. Intangible assets

	30/09/2007	31/12/2006	YoY Change
Goodwill	84,577	89,907	(5,330)
Development costs	2,278	3,010	(732)
Other intangible assets	53,142	60,735	(7,593)
<b>Total</b>	<b>139,997</b>	<b>153,652</b>	<b>(13,655)</b>

Goodwill, totalling €84,577 thousand, consisted of the following items:

- €1,394 thousand caused by consolidation of the Minec group, in which a 100% interest was acquired on 15 July 2002 by Datalogic Holding AB, in turn 100% owned by the direct parent company.
- €3,380 thousand, ascribable to the direct parent company, consisting of the merger loss originated by the merger by incorporation of IdWare Srl during 1998;
- €5,119 thousand caused by consolidation of the Laservall company, an interest acquired during 3Q04 by the direct parent company.
- €8,490 thousand for the consolidation of Informatics Inc. (the change of €9,141 thousand vs. 31 December 2006 is due to the forex effect);
- €66,194 thousand from the consolidation of the PSC Group. The change from 31 December 2006 (€70,873 thousand) is the net effect of a €766 thousand decline due to the forex effect and a €227 thousand increase for the capitalisation of legal costs incurred for assessments and related adjustments to the price agreed upon on 10/02/07 and adopted as of 31 December 2006.

The goodwill has been allocated to the cash generating units corresponding to the individual companies and/or sub-groups to which they pertain. As highlighted in the relevant paragraph included in the assessment criteria, goodwill was not amortised as from 1 January 2004 in compliance with IFRS3 and is subject to an impairment test every year unless loss indicators seem to require impairment losses more frequently.

In accordance with the requirements set forth in IAS 36, no write-downs seemed necessary after the impairment test performed at the 31 December 2006 balance sheet and at this Quarterly Report reference date no loss indicators suggest that a new impairment test should be carried out.

"Development costs", amounting to €2,278 thousand, are attributable to:

- €927 thousand to Datalogic Mobile Srl,
- €638 thousand to Datalogic Automation Srl,
- €655 thousand to Datalogic Scanning Group Srl,
- €58 thousand to Informatics

and consisted of specific development projects which were capitalised as they comply with the requirements set forth in IAS 38 and the Group policies which only provide for the capitalisation of significantly innovative product development projects.

The "Other" line item, at €53,142 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. Details are reported in the table below:

€ '000	30/09/2007	31/12/2006	USEFUL LIFE (YEARS)
<b>INTANGIBLE ASSETS ACQUIRED THROUGH BUSINESS COMBINATION TRANSACTIONS</b>			
<i>Acquisition of PSC Group (occurred on 30 November 2006)</i>	<b>30,865</b>	<b>34,955</b>	
PATENTS	26,039	29,186	20
SERVICE AGREEMENT	377	542	4
TRADEMARK	2,260	2,655	10
CUSTOMER PORTFOLIO	2,189	2,572	10
<i>Acquisition of Laservall SPA (occurred on 27 August 2004)</i>	<b>6,178</b>	<b>7,148</b>	
UNPATENTED TECHNOLOGIES	3,197	3,836	7
COMMERCIAL STRUCTURE	2,981	3,312	10
<i>Acquisition of Informatics Inc. (occurred on 28 February 2005)</i>	<b>4,185</b>	<b>4,961</b>	
COMMERCIAL STRUCTURE	4,185	4,961	10
LICENSE AGREEMENT	5,766	6,805	5
Other	6,148	6,866	
<b>TOTAL OTHER INTANGIBLE ASSETS</b>	<b>53,142</b>	<b>60,735</b>	

The "Other" line item mainly consists of software licenses. The change against 31 December 2006 is ascribable to amortisation for the period.

### 3. Equity investments

Equity investments owned by the Group as at 30 September 2007 were as follows:

	Balance at 01/01/07	Increases	Forex differences Share of profit	Share of profit	Balance at 30/09/07
Idec Datalogic CO.Ltd	683		(28)	18	673
Laservall Asia Co. Ltd.	427			229	656
<b>Total associates</b>	<b>1,110</b>	<b>0</b>	<b>(28)</b>	<b>247</b>	<b>1,329</b>

The change in associates is explained by the Group's share of the earnings of Idec Datalogic Co. Ltd. and Laservall Asia CO (earnings of subsidiaries are included).

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

#### Other equity investments

As at 30 September 2007 the Group owned the following equity interests in other companies:

	Balance at 01/01/07	Increases	Forex differences Share of profit	Share of profit	Dividends	Changes	Balance at 30/09/07
d) Other companies							
Nomisma SpA - Italy	7						7
Caaf Ind. Emilia Romagna - Italy	4						4
Crit srl	51						51
Consorzio T3 Lab	8						8
Mandarin Capital Management SA	0	42					42
Alien technology	801						801
<b>Total other equity investments</b>	<b>871</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>913</b>

The amount of other equity investments consists mainly of the parent company's investment in Alien Technology Corporation, a US company active in RFID (radio-frequency identification devices). It is recognised at cost, which is substantially aligned with fair value determined on the basis of recent transactions involving the company.

The increase in the period is due to a subscription by Fondo Mandarin Capital Management SA, in which one member of the Board of Directors holds an equity interest.

**CURRENT ASSETS****5. Inventories**

	30/09/2007	31/12/2006	YoY Change
1) Raw and ancillary materials and consumables	29,903	30,936	(1,033)
2) Work in progress and semi-finished products	6,847	6,116	731
4) Finished products and goods	20,911	14,953	5,958
<b>Total</b>	<b>57,661</b>	<b>52,005</b>	<b>5,656</b>

Inventories are shown net of an obsolescence provision that, at 30 September 2007, amounted to €8,232 thousand (€10,453 thousand as at 31 December 2006).

Changes in the latter are shown below:

€ '000	2006	2007
<b>Inventories write-down allowance as at 01/01</b>	<b>7,651</b>	<b>10,453</b>
Foreign exchange difference	(469)	(435)
Change post-PSC acquisition	1,401	
Provisions	2,018	2,857
Release for dumping and other uses		(4,643)
<b>Inventories write-down allowance as at 30/09</b>	<b>10,601</b>	<b>8,232</b>

**6. Trade and other receivables****Trade and other receivables - current**

	30/09/2007	31/12/2006	YoY Change
<b>Trade and other receivables</b>	<b>88,078</b>	<b>83,724</b>	<b>4,354</b>
<b>Trade receivables</b>	<b>77,700</b>	<b>77,723</b>	<b>(23)</b>
Trade receivables due within 12 months	76,141	75,998	143
Trade receivables due after 12 months	-	-	-
Associate receivables:	1,530	1,725	(195)
- Idec Datalogic CO.Ltd	283	588	(305)
- Laservall Asia	1,247	1,137	110
Receivables from parent company:	2	-	2
- Hydra Spa	2	-	2
Related-party receivables	27		27
<b>Other current receivables</b>	<b>10,378</b>	<b>6,001</b>	<b>4,377</b>

## Trade receivables

"Trade receivables due within 12 months" at 30 September 2007 totalled €76,141 thousand (net of the provision for doubtful accounts of €1,851 thousand at 30 September 2007, basically unchanged from €1,824 thousand at 31 December 2006), an increase of 0.2 % with respect to 31 December 2006.

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

## Other receivables - accrued income and prepayments

The "Other receivables – accrued income and prepayments" line item also includes VAT tax credits; for comparability purposes, such reclassification was also effected on 2006 financial year data (€1,818 thousand) by reducing the "tax credits" item in the general ledger line where it was classified on 31 December 2006.

The detailed breakdown of this item is as follows:

	30/09/2007	31/12/2006	YoY Change
Other receivables	1,997	1,611	386
VAT Tax Credit	5,930	1,818	4,112
Accrued liabilities and deferred income	2,451	2,572	(121)
<b>Total</b>	<b>10,378</b>	<b>6,001</b>	<b>4,377</b>

## 7. Tax receivables

The credit towards parent company Hydra related to corporate income tax IRES as a result of joining the tax consolidation scheme was posted to this line item. Such credit is in the amount of €4,385 thousand as at 30 September 2007 (€3,810 thousand as at 31 December 2006).

## 8. Cash & cash equivalents

	30/09/2007	31/12/2006	change
Bank and post office deposits	56,198	32,918	23,280
Cash and valuables on hand	76	32	44
<b>Cash &amp; cash equivalents</b>	<b>56,274</b>	<b>32,950</b>	<b>23,324</b>

For cash flow statement purposes, cash and cash equivalents are detailed as follows:

	30/09/2007	31/12/2006	change
Cash & cash equivalents	56,274	32,950	23,324
Time cash deposit		(2,811)	2,811
Current accounts	-874	0	(874)
<b>Cash &amp; cash equivalents</b>	<b>55,400</b>	<b>30,139</b>	<b>25,261</b>



According to requirements set forth in Consob Communication no. 15519 of 28 July 2006, the Group's financial position is illustrated in the table that follows:

<b>Datalogic Group</b>	<b>30/09/2006</b>	<b>31/12/2006</b>	<b>30/09/2007</b>
<b>€'000</b>			
A. Cash and bank deposits	30,681	30,139	56,274
B. Other liquidity	0	2,811	0
<i>b1. Restricted cash (*)</i>	0	2,811	0
C. Securities held for trading	980	370	366
<i>c1. Current</i>	613	0	
<i>c2. Non-current</i>	367	370	366
<b>D. Cash &amp; Cash equivalents (A) + (B) + (C)</b>	<b>31,661</b>	<b>33,320</b>	<b>56,640</b>
<b>E. Current financial receivables</b>	<b>206</b>	<b>206</b>	<b>206</b>
F. Other current financial receivables			166
<i>f1. hedging transactions</i>			166
G. Bank current accounts payable			874
H. Current portion of non-current debt	6,448	9,856	31,729
I. Other current financial liabilities	13	0	247
<i>i1. hedging transactions</i>	13	0	247
<b>J. Current financial debt (G) + (H) + (I)</b>	<b>6,461</b>	<b>9,856</b>	<b>32,850</b>
<b>K. Current financial debt, net (I) - (D) - (E) - (F)</b>	<b>(25,406)</b>	<b>(23,670)</b>	<b>(24,162)</b>
L. Non-current bank borrowing	87,737	79,539	88,997
M. Notes issued		0	
N. Other non-current liabilities	0	2,488	2,416
<i>n1. Financial liabilities vs BoD member</i>	0	2,488	2,416
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>87,737</b>	<b>82,027</b>	<b>91,413</b>
<b>P. Net financial debt (K) + (O)</b>	<b>62,331</b>	<b>58,357</b>	<b>67,251</b>

The net financial position as at 30 September 2007 was a negative €67,251 thousand, a deterioration with respect to the -€58,357 thousand reported as at 31 December 2006 as a result of:

- treasury shares which were purchased for €23,875 thousand in the period while €8,916 thousand were sold (treasury shares, in the amount of €23,242 thousand are not included in the net financial position; they were €6,330 thousand as at 30 September 2006 and €8,283 as at 31 December 2006);
- the residual payable was repaid to the seller of PSC Holding for the acquisition of the PSC Group in the amount of €2,494 thousand;
- dividends totalling €3,805 thousand were paid out.

Tangible and intangible assets acquired in the period were €7,458 thousand, net of all disposals and of the foreign exchange impact.

Finally, net working capital as at 30 September 2007 totalled €73,484 thousand and increased by €8,604 thousand vs. 31 December 2006 (€64,880 thousand).

These events more than offset the cash flows generated by operating activities. For further information see the cash flow statement.

## INFORMATION ON THE BALANCE SHEET - NET EQUITY AND LIABILITIES

### 9. Equity

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

(€'000)	30/09/2007	31/12/2006
Share capital	33,141	33,072
Share premium reserve	118,838	127,888
Demerger reserve	0	4,439
Reserve for the purchase of treasury shares	(20,804)	(6,301)
<b>Share capital</b>	<b>131,175</b>	<b>159,098</b>
Cash-flow hedge reserve	(81)	0
Translation reserve	(15,271)	(8,555)
Reserve for financial liabilities	(2,502)	(2,502)
<b>Other reserves</b>	<b>(17,854)</b>	<b>(11,057)</b>
<b>Retained earnings</b>	<b>48,152</b>	<b>33,968</b>
Net profit (loss) for the period	11,487	4,125
<b>Earnings carried forward</b>	<b>59,639</b>	<b>38,093</b>
<b>Total Group net equity</b>	<b>172,960</b>	<b>186,134</b>
<b>Total minority interests in net equity</b>	<b>626</b>	<b>476</b>

#### a) Share capital

Movements in share capital at 30 September 2006 and at 30 September 2007 are reported below (in €000):

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
<b>01/01/05</b>	<b>11,464,220</b>	<b>25,073</b>	<b>55,843</b>	<b>(8,480)</b>	<b>4,439</b>	<b>76,875</b>
Capital increases	323,950	673	3,052			3,725
Purchase of treasury shares	(144,753)			(3,470)		(3,470)
Sale of treasury shares	734,683			13,831		13,831
Capital increase expenses	-		(405)			(405)
<b>Number of shares at 31 December 2005 post-split</b>	<b>49,512,400</b>					
Capital increase from issue of new shares	13,863,472	7,209	69,387			76,596
Capital increase for exercise of stock options	169,000	89	397			486
Purchase of treasury shares	(1,119,104)			(6,440)		(6,440)
Sale of treasury shares	19,104			110		110
Exercise of rejected options and purchase of treasury shares	-			93		93
Capital increase expenses	-		(512)			(512)
<b>30/09/06</b>	<b>62,444,872</b>	<b>33,044</b>	<b>127,762</b>	<b>(4,356)</b>	<b>4,439</b>	<b>160,889</b>

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
<b>01/01/07</b>	<b>62,193,472</b>	<b>33,072</b>	<b>127,888</b>	<b>(6,301)</b>	<b>4,439</b>	<b>159,098</b>
Capital increase for exercise of stock options	132,800	69	313			382
Purchase of treasury shares	(3,781,225)		(9,362)	(23,875)	(4,439)	(37,676)
Sale of treasury shares	1,500,000			9,514		9,514
Costs for the purchase of treasury shares	-			(143)		(143)
<b>30/09/07</b>	<b>60,045,047</b>	<b>33,141</b>	<b>118,839</b>	<b>(20,805)</b>	<b>0</b>	<b>131,175</b>

### Ordinary shares

The total number of ordinary shares as at 30 September 2007 was 63,733,472, of which 2,281,225 are held as treasury shares; total outstanding shares therefore total 60,045,047. Shares have a nominal value of €0.52 each and all shares issued are fully paid

### Treasury shares

As at 30 September 2007 the Group purchased 3,781,225 treasury shares and sold 1,500,000 realising a net gain (net of the tax impact) of €598 thousand which was posted as a change of equity.

### Demerger reserve

It is a result of the Parent Company demerger into I.E.S. S.p.A (demerged company, now named Datasensor) which occurred on 2 January 1998, and by 30 September 2007 it had been entirely released in order to set up the "treasury share reserve".

### b) Other reserves

#### Reserve for financial liabilities

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%.

In accordance with IAS 32.23, this transaction is recognised as a financial liability. In conjunction with the financial liability, a negative equity reserve was recorded in the amount of €2,502 thousand, which is equal to the estimated fair value of the minority share as of the option's exercise date (2009). The minority shares of equity and net profit have been kept on the accounts given that it is felt that the minority shareholder has maintained the risks and benefits of the minority interest itself.

**Translation reserve**

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

**Cash-flow hedge reserve**

The reserve includes the "fair value" of derivative contracts purchased by the Group to hedge its currency or interest rate exposures net of tax impact, up to the time the underlying financial instrument that is being hedged is posted to the income statement. When that occurs, the reserve is released to the income statement, offsetting all economic effects generated by the transaction which has been hedged.

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

The reserve was set up by the Parent Company as a result of buy-back transactions implemented through usage of profit carried forward reserves. 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**

They represent profit reserves which were set up after the merger between Datalogic Spa and Datasud occurred in 2004; they were utilised in order to create a "treasury shares owned reserve", complying with Italian legislation, in the amount of €3,730 thousand.

**IFRS transition reserve**

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

**Retained earnings/ (losses carried forward)**

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

**Dividends**

Dividends were paid in the amount of €3,805 thousand (€0.06 per share) during the first half of the year.

**d) Minority interests**

Minority interests amount to €626 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:

	30/09/07		31/12/06	
	Total net equity	Period result	Total net equity	Net profit (loss) for the period
<b>Datalogic SpA net equity and profit</b>	<b>171,025</b>	<b>5,035</b>	<b>183,690</b>	<b>(310)</b>
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	8,274	17,919	8,017	11,733
Reversal of dividends	0	(9,017)	0	(5,379)
Laservall acquisition	(4,208)	(971)	(3,237)	(1,295)
Amortisation of new Datalogic AB consolidation difference	(239)		(239)	
Elimination of capital gain on sale of business branch	(2,207)	(1,988)	(208)	
Effect of eliminating intercompany transactions	(2,855)	(1,010)	(3,519)	(1,116)
Other	(192)	200	(413)	(340)
Deferred taxes	3,362	1,319	2,043	832
<b>Group portion of net equity</b>	<b>172,960</b>	<b>11,487</b>	<b>186,134</b>	<b>4,125</b>
<b>Minority interests in net equity</b>	<b>626</b>	<b>150</b>	<b>476</b>	<b>141</b>
<b>Total net equity</b>	<b>173,586</b>	<b>11,637</b>	<b>186,610</b>	<b>4,266</b>

**NON-CURRENT LIABILITIES****10. Short-/long-term financial payables**

30/09/2007	Within 12 months	After 12 months	Beyond 5 years	Total
<b>Bank borrowing</b>				
current account overdrafts	874			874
bank loans & mortgages and other financial institutions	31,729	55,316	33,681	120,726
<b>Other financial liabilities</b>				
Miscellaneous		2,416		2,416
<b>Total</b>	<b>32,603</b>	<b>57,732</b>	<b>33,681</b>	<b>124,016</b>

Financial payables are shown in detail below:

	30/09/2007	31/12/2006	change
current account overdrafts	874		874
bank loans & mortgages and other financial institutions	120,643	89,395	31,248
financial liabilities	2,499	2,488	11
<b>Total financial payables</b>	<b>124,016</b>	<b>91,883</b>	<b>32,133</b>

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

Parent company

- a short-term stand-by loan on 28 March 2007 in the amount of €20 million;

Datalogic Slovakia

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

With regard to a US\$ 70 million loan application by Datalogic Scanning Holdings Inc, which is now being re-negotiated, the company was required to abide by some financial covenants in terms of financial indicators consisting of:

- *debt cover ratio* (DCR), which is calculated as the ratio of EBITDA to net debt;
- *interest cover ratio* (ICR), which is calculated as the ratio of EBITDA to interest expense;
- *debt service cover ratio* (DSCR), which is calculated as the ratio of cash flows to total financial debt (total interest expense and principle paid);
- *capital expenditure* (capex).

Failure to observe these covenants would enable the bank to revoke the loan or to renegotiate its terms and conditions. At 31 June 2007, the Company complied with all the financial agreements above.

The item “financial liabilities” 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) and includes all interests accrued and forex assessment.

## 11. Deferred taxes

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

The detail of deferred tax assets is shown below:

Deferred tax assets	30/09/2007	31/12/2006	change
Datalogic Spa	1,779	2,655	(876)
Datalogic Share Service	24	-	24
Datalogic Automation Srl,	499		499
Datalogic Mobile Srl,	640		640
Datalogic Scanning Group	192		192
Laservall S.p.a.	275	242	33
DL Automation INC	155	167	(12)
DL AutomationHandels	336	364	(28)
DL Automation Pty	148	168	(20)
DL AutomationUk	317	329	(12)
Informatics	217	492	(275)
Datalogic Mobile Inc	1,798	-	1,798
Datalogic scanning Inc	10,659	15,529	(4,870)
Datalogic scanning SPA	94	-	94
Datalogic scanning PTY	24	-	24
Datalogic scanning UK LTD	15	-	15
<b>Total long-term deferred tax assets</b>	<b>17,172</b>	<b>19,946</b>	<b>(2,774)</b>
Deferred taxes recognised due to effect of consolidation adjustments	1,174	792	382
<b>Total deferred tax assets</b>	<b>18,346</b>	<b>20,738</b>	<b>(2,392)</b>

The item “deferred tax assets posted due to effect of consolidation adjustments” was due to elimination of inventory margin.

Details of deferred tax liabilities are as follows:

Deferred tax liabilities	30/09/2007	31/12/2006	change
Laservall S.p.a.	190	149	41
Informatics	1,189	1,898	(709)
DL France	106	106	-
Datalogic Spa	2,682	6,753	(4,071)
Datalogic Share Service	814		814
Datalogic Automation Srl	754		754
Datalogic Mobile Srl	1,957		1,957
Datalogic Scanning Group	344		344
DL Ab Nordic	12	12	-
DL Automation GMBH	148	154	(6)
DL Automation Pty	11	15	(4)
Datalogic scanning Inc	10,659	14,491	(3,832)
Datalogic Mobile Inc	1,556		1,556
DL Automation INC	6	6	-
DL AutomationUk	149	149	-
DL Mobile Asia	2	-	2
EMS	15	15	-
<b>Total deferred tax liabilities</b>	<b>20,594</b>	<b>23,748</b>	<b>(3,154)</b>
Deferred taxes recognised due to effect of consolidation adjustments	177	57	120
Deferred tax liabilities due to effect of Laservall consolidation adjustments	2,301	2,663	(362)
<b>Total deferred tax liabilities</b>	<b>23,072</b>	<b>26,468</b>	<b>(3,396)</b>

The item "Deferred tax liabilities due to effect of Laservall consolidation adjustments" includes the deferred taxation provision (€3,868 thousand upon initial recognition) created as part of the accounting protocol for the acquisition of Laservall SpA. Certain intangible assets from the acquisition ("know-how" and "Far East window") were specifically identified and valued at fair value, and against those assets, which were posted to the balance sheet but not recognised for tax purposes, a provision was made for the relative deferred tax liabilities. This provision is released in parallel with the process of amortisation.

In the same way, a portion of the deferred tax liabilities for Informatics (€1,579 thousand), Datalogic Scanning Inc (€10,356 thousand) and Mobile INC (€844 thousand) are the result of the fair value measurement of certain intangible assets identified when recognising the acquisition of these two firms.

## 12. Post-employment benefit obligations

Changes in this liability during the period were as follows

€/000	2006	2007
01/01	6,894	7,624
Amount provisioned in period	1,104	155
Utilisation	(441)	(855)
Curtailment		(483)
Foreign exchange difference	16	
30/09	7,573	6,441

Utilisation is primarily due to €82 thousand for advances and to €773 thousand from resignations.



As at 30 September 2007 the accounting effects of changes stemming from the severance indemnity reform efforts (TFR), as per the 2007 Budget Law were posted, as already mentioned in "Accounting Standards and policies", paragraph c.

Specifically, in companies with over 50 employees the TFR provision accrued was restated as at 31 December 2006 (keeping the nature of defined benefit plan), excluding the future salary increase component, and the consequent curtailment effect was posted to the income statement in compliance with paragraph 109 of IAS 19 (revenues of €483 thousand). Furthermore, the pertaining portion of costs was posted according to the rules set forth for defined contribution plans, without any actuarial assessment.

### **13. Provisions for risks and expenses**

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

	30/09/2007	31/12/2006	change
Short-term provisions	3,150	4,070	(920)
Long-term provisions	10,963	6,433	4,530
<b>Total provisions</b>	<b>14,113</b>	<b>10,503</b>	<b>3,610</b>

Below we show the changes occurring in the item:

	31/12/2006	Increases	(Utilisation)	Forex differences	Other changes	30/09/2007
Product warranty provision	4,488	455	(103)	(230)	52	4,662
Provision for legal disputes	114	159		-		273
Restructuring provision	446	765	(395)	(69)		747
Provision for management incentive scheme	2,797	4,362		(115)	-	7,044
Other	2,658	1,481	(2,629)	(123)		1,387
<b>Total provisions</b>	<b>10,503</b>	<b>7,222</b>	<b>(3,127)</b>	<b>(537)</b>	<b>52</b>	<b>14,113</b>

The product warranty provision covers the estimated cost of repairing products sold under warranty; it amounts to €4,662 thousand and is considered sufficient in relation to the specific risk it covers. It is mainly attributable to the Scanning Group (€2,520 thousand, of which €1,832 thousand long-term), to the parent company (€950 thousand) and to Laservall SpA (€350 thousand).

The increase in the "restructuring provision" line item is related to EMS, which underwent a major restructuring activity in the third quarter of this current year (for further details see page 7).

The heading "Other" mainly consists of:

- €875 thousand for a "stock rotation" provision for the Scanning Group, Mobile Inc and Informatics.
- €80 thousand attributable to the Scanning Group and provisioned for 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 no. 151 of 27/7/2005.
- €350 thousand for a legal dispute related accrual posted on 31 December 2006 on account of the Parent Company. Such accrual refers to existing litigation on the ten-year ILOR tax exemption, as provided by decree no. D.P.R. 218/78 (Unified body of laws on government grants in Southern Italy), related to Datasud, for the 2006 financial year. It should be noted that as at the date of preparing the mid-term report no relevant updates were notified with respect to said dispute. Further detail is provided in the comments illustrated in the notes to the consolidated financial statements as at 31 December 2006.

**CURRENT LIABILITIES****14. Trade and other payables**

These are the details of trade and other payables:

	30/09/2007	31/12/2006	YoY Change
<b>Trade and other payables</b>	<b>71,054</b>	<b>74,146</b>	<b>(3,092)</b>
<b>Trade payables</b>	<b>43,775</b>	<b>49,204</b>	<b>(5,429)</b>
Trade payables due within 12 months	43,521	48,760	(5,239)
Trade payables due after 12 months	-	-	-
Due to associates	-	21	(21)
<i>Idec Datalogic CO. Ltd</i>	-	18	(18)
<i>Laservall Asia</i>	-	3	(3)
<i>Due to ultimate parent company</i>	-	-	-
Related-party payables	254	423	(169)
<b>Other current payables</b>	<b>27,279</b>	<b>24,942</b>	<b>2,337</b>

**Trade payables**

Related-party payables are due to Datasensor.

**Other payables - accrued expenses and deferred income**

VAT payables were also posted to the "Other payables - accrued expenses and deferred income" line item. For comparability purposes, this was also done for the 2006 financial year (in the amount of €1,300 thousand), by reducing the "tax payables" line item where it had been posted until 31 December 2006.

The detailed breakdown of this item is as follows:

	30/09/2007	31/12/2006	YoY Change
Other current payables	15,909	16,782	(873)
VAT payables	3,472	1,300	2,172
Accrued liabilities and deferred income	7,898	6,860	1,038
<b>Total</b>	<b>27,279</b>	<b>24,942</b>	<b>2,337</b>

The detailed breakdown of this item is as follows:

<b>Other current payables</b>	<b>30/09/2007</b>	<b>31/12/2006</b>	<b>YoY Change</b>
Due to pension and social security agencies	2,657	2,693	(36)
Due to employees	11,350	8,377	2,973
Security deposits received	40	2,526	(2,486)
Directors' remuneration due	487	600	(113)
Royalty costs yet to be paid	213	355	(142)
Other payables	1,162	2,231	(1,069)
<b>Total</b>	<b>15,909</b>	<b>16,782</b>	<b>(873)</b>

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

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

The decline in other payables is primarily attributable to the PSC Group as a result of the payment of payables for stock rotation.

## INFORMATION ON THE INCOME STATEMENT

### 15. Revenues

	30/09/2007	30/09/2006	YoY Change
Revenues from sale of products	286,798	269,959	16,839
Revenues for services	10,738	10,535	203
<b>Total revenues</b>	<b>297,536</b>	<b>280,494</b>	<b>17,042</b>

Revenues from sales of products and services increased by 6% against the previous year.

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

Below is the geographical breakdown of revenues in percentage terms:

	30/09/2007	30/09/2006	YoY Change
Italy	9%	10%	-1%
Elsewhere - EU	41%	42%	-1%
Elsewhere - non-EU	50%	48%	2%

### 16. Cost of goods sold and operating costs

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

	30/09/2007	30/09/2006	YoY Change
<b>TOTAL COST OF GOODS SOLD (1)</b>	<b>163,898</b>	<b>157,547</b>	<b>6,351</b>
<i>of which non-recurring</i>	<i>51</i>	<i>990</i>	<i>(939)</i>
<b>TOTAL OPERATING COSTS (2)</b>	<b>112,670</b>	<b>115,775</b>	<b>(3,105)</b>
R&D expenses	21,327	20,376	951
<i>of which non-recurring</i>	<i>11</i>	<i>63</i>	<i>(52)</i>
Distribution expenses	57,522	63,573	(6,051)
<i>of which non-recurring</i>	<i>487</i>	<i>128</i>	<i>359</i>
General & administrative expenses	25,743	26,891	(1,148)
<i>of which non-recurring</i>	<i>900</i>	<i>2,495</i>	<i>(1,595)</i>
<i>of which amortisation pertaining to acquisitions</i>	<i>3,106</i>	<i>3,277</i>	<i>(171)</i>
Other operating costs	8,078	4,935	3,143
<i>of which non-recurring</i>	<i>952</i>	<i>1,907</i>	<i>(955)</i>
<b>TOTAL (1+2)</b>	<b>276,568</b>	<b>273,322</b>	<b>3,246</b>
<i>of which non-recurring</i>	<i>2,401</i>	<i>5,583</i>	<i>(3,182)</i>
<i>of which amortisation pertaining to acquisitions</i>	<i>3,106</i>	<i>3,277</i>	<i>(171)</i>

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

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(51)	Transformation plan
<b>Total</b>	<b>(51)</b>	
4) R&D expenses	(11)	Transformation plan
<b>Total</b>	<b>(11)</b>	
5) Distribution expenses	(413)	Transformation plan
5) Distribution expenses	(74)	Early retirement incentives
<b>Total</b>	<b>(487)</b>	
6) General & administrative expenses	(1,272)	Transformation plan
6) General & administrative expenses	(111)	Rebilling of legal costs incurred
6) General & administrative expenses	483	Curtailment
<b>Total</b>	<b>(900)</b>	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Rebilling of legal costs incurred
7) Other operating expenses	(773)	Restructuring costs for EMS company
<b>Total</b>	<b>(952)</b>	
<b>TOTAL NON-RECURRING COSTS</b>	<b>(2,401)</b>	
3) Other operating revenues	288	Rebilling of legal costs incurred
<b>Total</b>	<b>288</b>	
<b>TOTAL NON-RECURRING COSTS</b>	<b>288</b>	
<b>NON-RECURRING REVENUES/COSTS BALANCE</b>	<b>(2,113)</b>	

For further detail of the transformation plan implemented by the Group please see section "GROUP STRUCTURE"

**Total cost of goods sold (1)**

The item improved by 4% against the same period of 2006, with a decrease of 1 per cent as a percentage of total sales.

**Total operating costs (2)**

Operating expenses net of non-recurring items and amortisation related to acquisitions decreased from €107,905 thousand to €107,214 thousand.

"Research and development expenses", which represent a major corporate investment, rose from €20,376 thousand to €21,327 thousand as at 30 September 2007. The increase is primarily due to expenses related to a dispute underway regarding a Datalogic Scanning INC patent, and to Laservall Spa in the amount of €324 thousand.

"Distribution expenses" were €57,522 thousand, with a €6,051 thousand decrease as compared to the same period of 2006. The decrease stems from:

- a reduction in expenses for royalties for Datalogic Scanning INC (€ 3,700 thousand), due to the revision of an agreement with one of the major suppliers;
- expenses incurred for the Corporate Convention held in February 2006 (for €332 thousand) - the Convention was not held in 2007;
- a decrease in personnel expenses, specifically due to the implementation of the PSC Group restructuring and development plan throughout 2006.

"General and administrative expenses" amounted to €25,743 thousand. The item includes a €1,148 thousand decrease over the same period of 2006 primarily due to the reduction in non-recurring costs (€1,595 thousand) and amortisation resulting from acquisitions (€171 thousand). The increase reported net of non-recurring items amounts to €618 thousand and is primarily owed to the Parent Company and to Laservall Spa.

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

	30/09/2007	30/09/2006	YoY Change
Capital losses on assets	38	172	(134)
Contingent liabilities	28	64	(36)
Provisions for doubtful accounts	120	848	(728)
Other provisions	5,316	2,894	2,422
Non-income taxes	531	820	(289)
Expense reimbursements	2,020	103	1,917
Other	25	34	(9)
<b>TOTAL OTHER OPERATING COSTS</b>	<b>8,078</b>	<b>4,935</b>	<b>3,143</b>

The doubtful account provision accrual of €5,316 is due to a long-term Incentive Plan for the management of Group companies in the amount of €4,344 thousand and to the aforementioned EMS Corporate Restructuring Plan in the amount of €773 thousand.

The "expense reimbursements" line item of €2,020 thousand includes intercompany service expenses resulting from the April restructuring activities (particularly administration and distribution expenses) performed by some companies in favour of other companies; these charges are classified as "Other operating expenses" complying with existing accounting standards. They are primarily related to the Parent Company in the amount of €825 thousand, to Datalogic Automation GMBH for €576 thousand and to Datalogic Automation AB for €152 thousand.

### Breakdown of costs by nature

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

	30/09/2007	30/09/2006	YoY Change
Payroll & employee benefits	77,188	74,133	3,055
Depreciation & amortisation	12,160	12,218	(58)
Inventory change	(8,007)	(4,310)	(3,697)
Purchases	130,554	127,758	2,796
Subcontracted work	3,570	1,949	1,621
Repairs	3,231	3,021	210
Marketing	4,727	4,596	131
Directors' remuneration	2,802	3,590	(788)
Travel & accommodation	4,290	4,651	(361)
Technical, legal, and tax advisory services	5,608	5,444	164
Goods receipt & shipment	9,071	7,911	1,160
Meeting	603	942	(339)
Other payroll costs	30,771	31,419	(648)
<b>Total (COGS + operating costs)</b>	<b>276,568</b>	<b>273,322</b>	<b>3,246</b>



Marketing costs totalled €4,727 thousand. The main items are as follows: they consisted of advertising spending and sponsorships (€2,703 thousand), tradeshow (€770 thousand) and co-marketing participation in commercial partners' marketing spending (€1,254 thousand).

Advisory service costs totalled €5,608 thousand, €1,150 thousand of which are related to costs incurred for the transformation plan.

Goods receipt and shipment expenses totalled €9,071 thousand, with an increase of €1,160 thousand as compared to the same period of 2006.

Third party services expenses were €3,570, increased by €1,621 as compared to the same period of 2006. The increase is primarily due to Datalogic Mobile srl.

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

	30/09/2007	30/09/2006	YoY Change
Wages and salaries	61,087	58,995	2,092
Social security charges	12,285	12,006	279
Post-employment benefits	1,248	1,104	144
Retirement and similar benefits	537	209	328
Curtailment	-483	0	(483)
Other payroll costs	2,514	1,819	695
<b>Total</b>	<b>77,188</b>	<b>74,133</b>	<b>3,055</b>

Paragraphs "MEASUREMENT CRITERIA" and "Retirement and similar benefits" (no. 12) include a discussion of the Curtailment line item.

## 17. Other operating revenues

The detailed breakdown of this item is as follows:

	30/09/2007	30/09/2006	YoY Change
Miscellaneous income and revenue	666	555	111
Rent income	203	162	41
Charge-back of miscellaneous costs	471	-	471
Royalty fees	5	-	5
Capital gains on asset disposals	67	333	(266)
Operating grants	-	259	(259)
Incidental income and cost cancellation	269	170	99
Other	-	26	(26)
<b>TOTAL OTHER REVENUES</b>	<b>1,681</b>	<b>1,505</b>	<b>176</b>

The Other revenues line item includes €235 thousand from the Parent Company and €112 thousand from a VAT reimbursement application submitted by the Parent Company against the limited deductibility of VAT taxes on company cars.

## 18. Net financial income (expenses)

	30/09/2007	30/09/2006	YoY Change
Interest expenses on bank current accounts/loans	4,861	3,575	1,286
Foreign exchange losses	3,774	4,186	(412)
Bank charges	323	490	(167)
Other	10	626	(616)
<b>TOTAL FINANCIAL EXPENSES</b>	<b>8,968</b>	<b>8,877</b>	<b>91</b>
Interest income on bank current accounts/loans	1,752	653	1,099
Foreign exchange gains	3,998	3,268	730
Other	25	385	(360)
<b>TOTAL FINANCIAL INCOME</b>	<b>5,775</b>	<b>4,306</b>	<b>1,469</b>
<b>NET FINANCIAL INCOME (EXPENSES)</b>	<b>(3,193)</b>	<b>(4,571)</b>	<b>1,378</b>

### Total financial expenses

Interest on current account overdrafts and loans, at €4,861 thousand, pertains mainly to the Scanning Group (€3,220 thousand), the parent company (€1,298 thousand), Informatics (€263 thousand) and Laservall Spa (€44 thousand).

Of the €3,774 thousand in "Foreign exchange losses", €2,331 thousand refer to Scanning Group, (€1,481 of which are related to Datalogic Scanning Slovakia) and €948 thousand to the parent company.

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

- €383 thousand in exchange losses on commercial transactions, of which €104 thousand refers to retranslation at period-end exchange rates;
- €556 thousand in foreign exchange losses relating to loans and current accounts in foreign currency for alignment with the end-of-period exchange rate;
- €9 thousand for forward hedging transactions.

The "Bank charges" line item of €323 thousand includes €175 thousand for Scanning Group, €52 thousand for the parent company, €74 thousand for Automation Group and €22 thousand for Mobile Group.

## Total financial income

Interest income on bank current accounts/loans, in the amount of €1,752 thousand, is mainly attributable to the Scanning Group (€688 thousand) and to the parent company (€890 thousand).

Of the €3,998 thousand in "Foreign exchange losses", €2,454 thousand refer to Scanning Group (€989 thousand of which are related to Datalogic Scanning Slovakia) and €705 thousand to the parent company.

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

- €316,000 in exchange gains on commercial transactions, including €66 thousand for adjustment to the year-end exchange rate;
- €203 thousand in foreign exchange losses relating to loans and current accounts in foreign currency for alignment with the end-of-period exchange rate;
- €186 thousand for hedging transactions.

## 19. Taxes

	30/09/2007	30/09/2006
Income taxes	11,752	6,156
Deferred taxes	(3,686)	(3,627)
	8,066	2,529

The average tax rate applied is 40.94%.

It should be noted that as at the date of preparing the mid-term report no relevant updates were notified with respect to existing litigation on the ten-year ILOR tax exemption, as provided by decree no. D.P.R. 218/78 (Unified body of laws on government grants in Southern Italy), related to Datasud, for the 2006 financial year. For more information, please see the comments in the explanatory notes to the consolidated Annual Report at 31 December 2006.

## 20. Earnings/loss per share

### Basic earnings/loss per share

Basic EPS at 30 September 2007 is calculated by dividing the Group net earnings of €11,487 thousand (€1,356 thousand as at 30 September 2006) by the weighted average number of ordinary shares outstanding at 30 September 2007 (62,214,109 shares, compared with 61,587,258 in September 2006).

	30/09/2007	30/09/2006
Group profit/(loss) for period	11,487,000	1,356,000
Average number of shares as at September 30	62,214,109	61,587,258
Base earnings/loss per share	0.1846	0.0220

#### **Diluted earnings/loss per share**

The diluted earnings per share at 30 September 2007 is calculated by dividing the net earnings of €11,487 thousand (€1,356 thousand in September 2006) by the weighted average number of ordinary shares outstanding at 30 September 2007 of 62,292,027 (compared with 61,768,317 at 30 September 2006), factoring in the future exercise of stock options, computed as follows.

	30/09/2007	30/09/2006
Group profit/(loss) for period	11,487,000	1,356,000
Average number of shares as at 30 September	62,214,109	61,587,258
Effect of future exercise of stock options	77,919	181,059
Diluted average number of shares at 30 September	62,292,027	61,768,317
Diluted earnings/loss per share	0.1844	0.0220

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

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

€ '000	30/09/07							
RELATED PARTIES	Idec DI Co. Ltd.	Hydra	Datasensor	Nebulaxis Inc. *	Fondo Mandarin *	John O'Brien	Laservall Asia	TOTAL
<b>Equity investments</b>					42			42
<b>Trade receivables</b>	283	2	7	20	0	0	1,247	1,559
DI Spa	2	2		20				24
DI Automation Srl	281		1					282
DI Mobile Srl			6					6
Laservall							1,247	1,247
<b>Tax consolidation credit</b>	0	4,385	0	0	0	0	0	4,385
DI Spa		3,820						3,820
DI Scanning Group Srl		565						565
<b>Tax consolidation charges</b>	0	3,677	0	0	0	0	0	3,677
DI Spa								0
DI Automation Srl		31						31
DI Mobile Srl		1,823						1,823
DI Shared Services Srl		242						242
Laservall		1,580						1,580
<b>Trade payables</b>	0	0	254	0	0	0	0	254
DI Spa								0
DI Automation Srl			253					253
DI Scanning Group Srl			1					1
<b>Financial payables</b>	0	0	0	0	0	2,416		2,416
DI Spa						2,416		2,416
<b>Distribution/service expenses</b>	0	2	666	53	0	0		721
DI Spa		2	216	53				271
DI Automation Srl			438					438
DI Shared Services Srl			7					7
DI Scanning Group Srl			5					5
<b>Commercial revenues</b>	1,320	34	8	0	0	0		1,362
DI Spa	692	20	2					714
DI Automation Srl	628		0					628
DI Mobile Srl			5					5
DI Shared Services Srl		14						14

(\*) companies belonging to members of the Board of Directors

### Transactions with Datalogic Group companies

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

As up to 30 September 2007, the ultimate parent company had sold Idec products and components totalling approximately €692 thousand and trade receivables from Idec amounted to €2 thousand. Furthermore, DL Automation srl had sold to Idec products and components totalling approximately €628 thousand and trade

receivables to the same company amounted to €281 thousand. These transactions were executed at conditions comparable to those of other affiliates.

Laservall Spa has trade receivables for €1,247 thousand from Laservall Asia and tax consolidation debts in favour of Hydra in the amount of €1,580 thousand.

#### **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 the parent company (€216 thousand), by DL Automation Srl (€438), by DL Shared Services Srl (€7 thousand), by DL Scanning Group Srl (€5 thousand) and to the distribution by certain Group companies of small quantities of Datasensor products.

Transactions with Datasensor Spa also include trade receivables of DL Mobile Srl (€6 thousand), trade payables of DL Automation Srl (€253 thousand) and of DL Scanning Group (€1 thousand) and commercial revenues of DL Spa and of DL Mobile Srl of lesser amounts.

The parent company relations with its own parent company (Hydra Spa) are primarily related to the IRES tax credit of €3,820, while DL Scanning Group Srl IRES tax credit from Hydra Spa amounts to €565 thousand.

The companies joined the fiscal consolidation as consolidated companies (Hydra is the consolidator).

The following companies reported an IRES tax debt versus Hydra Spa: Laservall (€1,580 thousand), DL Mobile Srl (€1,823 thousand), DL Shared Services Srl (€242 thousand) and DL Automation Srl (€31 thousand).

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

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

The "financial liabilities" line item includes €2,416 thousand, complying with IAS 32.23, pertaining to a put option contract entered into by Director John O'Brien with the Parent Company (call option) on his own minority shareholding equalling 10% of Informatics Inc. share capital. As a contra item to such liability a negative reserve of €2,502 thousand (net of interest accrued and exchange rate adjustment) was posted.

The Parent Company holds an equity interest of €42 thousand in the Fondo Mandarin Capital Management SA (a company controlled by a member of the Board of Directors).

Chairman of the Board of Directors  
*Signed Mr. Romano Volta, Engineer*

**DECLARATION ART. 154 BIS, PARAGRAPH 2, D.LGS. N. 58/1998**

**Subject: Quarterly Report at 30th September 2007**

The undersigned Dott. Marco Rondelli, manager in control of drawing up of social documents of the company Datalogic S.p.A.

**attests**

in accordance with what reported in the second paragraph of art. 154 bis, part IV, title III, head II, section V-bis, of Legislative Decree 24 February 1998, n. 58 that, basis on his own acquaintance, the Quarterly Report at 30 September 2007 corresponds to the outcomes, books and accounts.

Datalogic S.p.A.



(Marco Rondelli)

**Datalogic S.p.A.**  
**Gruppo Hydra S.p.A.** – art. 2497 Cod. Civ.  
Via Candini, 2  
40012 Lippo di Calderara di Reno  
Bologna - Italy  
Tel. +39 051 3147011 - Fax +39 051 3147205  
[www.datalogic.com](http://www.datalogic.com)

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

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

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



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

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