



DATALOGIC GROUP

Consolidated financial statements and report for the first quarter of 2006

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COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta

Chairman (2)

Roberto Tunioli

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

Pier Paolo Caruso

Director

Alberto Forchielli

Director

Giancarlo Micheletti

Director

Umberto Paolucci

Director

Elserino Piol

Director

Gabriele Volta

Director

Valentina Volta

Director

John O'Brien

Director

Angelo Manaresi

Director

Giovanni Tamburi

Director

Lodovico Floriani

Director

Board of Statutory Auditors (4)

Stefano Romani

President

Gianluca Cristofori

Standing auditor

Roberto Feverati

Standing auditor

Patrizia Passerini

Alternate auditor

Giorgio Delli

Alternate auditor

Independent auditing firm

PricewaterhouseCoopers SpA

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

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

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

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

DATALOGIC GROUP – MANAGEMENT REPORT AS AT 31 March 2006

A) INFORMATION ON PERFORMANCE

To our shareholders,

The report for the period ending on 31 March 2006, which we herewith submit to you for review, has been prepared in compliance with the requirements indicated in the instructions accompanying the regulation issued by Borsa Italiana SpA.

More specifically, consolidated financial statements apply the approach envisaged by International Accounting Standards (IASs) introduced by European Regulation 1725/2003.

It should also be noted that the following changes in the consolidated companies have taken place since the first quarter of 2005:

- in March 2005, the U.S. company Informatics Inc. was acquired and consolidated beginning with the second quarter of last year;
- in November 2005, the U.S. firm PSC was acquired and consolidated beginning in December 2005.

The net loss of €3,627 thousand for the first quarter of 2006 was heavily influenced by the negative performance (in large part due to non-recurrent items as described below) recorded during the period by PSC, the Q1 2006 financial highlights of which are shown below (including costs related to the acquisition and adjusted to take account of the consolidated of this company).

	31/03/2006 PSC EUR/000
Total revenues	44,159
EBITDA	350
% on total revenues	0.8%
Net profit/loss	-5,118
% on total revenues	-11.6%

The non-recurrent costs for PSC for the first quarter, which are primarily related to the Datalogic acquisition, are shown below:

	31/03/2006 PSC	31/03/2006 Costs resulting from the acquisition	31/03/2006 allocation to restructuring provision	31/03/2006 PSC net of acquisition costs
	EUR/000	EUR/000	EUR/000	EUR/000
Total revenues	44,159			44,159
EBITDA	350			350
% on total revenues	0.8%			0.8%
EBIT	-826			-826
% on total revenues	-1.9%			-1.9%
Non-recurrent costs	-5,973	4,550	1,361	-62
% on total revenues	-13.5%			-0.1%
Operating profit/loss	-6,799	4,550	1,361	-888
% on total revenues	-15.4%			-2.0%

PSC's net result was influenced by the €4,550 thousand in entries resulting from Datalogic's acquisition of the company.

Specifically:

- the adjustment of assets and liabilities to market value as of the date of acquisition (in the amount of €1,014 thousand);
- amortisation resulting from the allocation of differences between the purchase price and PSC equity (in the amount of €1,040 thousand before taxes);
- other costs related to the acquisition (in the amount of €2,496 thousand).

Furthermore, €1,361 thousand has been allocated to the provision for restructuring in relation to the company's reorganisation and development, which led to a workforce reduction of 49 employees that will result in savings of more than USD 4.4 million annually once this restructuring has taken full effect.

PCS's results were also influenced by two other significant events which penalised the company's performance for the first quarter:

- trends in the retail market, which is one of PSC's main markets and which posted a slowdown during the period (particularly in the U.S.);
- strategies that are, in part, different than those of the business model previously adopted by the company. The quick, decisive correction of such strategies has led to a company reorganisation, which began in the first quarter and will continue in the months to come and which will enable PSC to reduce the gap in profitability with Datalogic through improved strategic positioning and various efficiency gains.

Over the short-term, this process has weighed down on PSC's financial performance.

In order to present a more realistic picture of PSC's ordinary profits for the quarter, the income statement below has been normalised in order to remove the effects of this corporate reorganisation, assuming that the savings in operating costs (\$4.4 million annually) was already in full effect for the first quarter:

NORMALISED INCOME STATEMENT

	31/03/2006 PSC net of acquisition costs	31/03/2006 PSC normalisation	31/03/2006 Normalised PSC
	EUR/000	EUR/000	EUR/000
Total revenues	44,159		44,159
EBITDA	350	915	1,265
% on total revenues	0.8%		2.9%
EBIT	-826	915	89
% on total revenues	-1.9%		0.2%
Non-recurrent costs	-62		-62
% on total revenues	-0.1%		-0.1%
Operating profit/loss	-888	915	27
% on total revenues	-2.0%		0.1%

The following table summarises financial highlights of Informatics Inc. as of 31 March 2006 (duly adjusted to allow for consolidation adjustments concerning the company):

	31/03/2006 Informatics EUR/000
Total revenues	8,289
EBITDA	1,197
% on total revenues	14.4%
Net profit/loss	578
% on total revenues	7.0%

For the first quarter of 2006, the Datalogic group posted total revenues of **€95,248 thousand (vs. €36,618 thousand for the first quarter of the previous year)**, detailed as follows:

- €91,583 thousand consisting of revenues from the sale of products (of which: PSC Group €42,492 thousand, and Informatics Inc. €8,289 thousand);
- €3,665 thousand of revenues from services (of which: PSC Group €1,667 thousand).

These revenues increased by 160.1% over the same period of the previous year (€36,618 thousand as of 31 March 2005) and by 16.9% net of the PSC group and Informatics Inc.

The following table summarises the financial highlights of the Datalogic Group as at 31 March 2006, with a comparison to the same period of the previous year:

Datalogic Group	31/03/2006	31/03/2005	Change	% chg
	EUR/000	EUR/000	EUR/000	
Total revenues	95,248	36,618	58,630	160.11%
EBITDA	7,986	6,124	1,862	30.4%
% on total revenues	8.4%	16.7%		
Group net profit/loss	-3,627	2,836	-6,463	-
% on total revenues	-3.8%	7.7%		
Net Financial Position (NFP)	-55,838	34,185	-90,023	

Group EBITDA was €7,986 thousand (of which: PSC €350 thousand and Informatics Inc. €1,197 thousand), for a 8.4% margin on total revenues (15% net of the PSC Group and Informatics Inc.). The increase over the previous period totalled €1,862 thousand (+30.4% vs. €6,124 thousand as at 31 December 2004, +5.14% net of the PSC Group and Informatics Inc.).

The following table shows the main EBITDA components, comparing them with the same period of the previous year:

	31/03/06		31/03/05		chg	% chg
	EUR/000		EUR/000			
TOTAL REVENUES	95,248	100.0%	36,618	100.0%	58,630	160.1%
COST OF GOODS SOLD AND OPERATING COSTS	-87,262	-91.6%	-30,494	-83.3%	-56,768	186.2%
EBITDA	7,986	8.4%	6,124	16.7%	1,862	30.4%
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	-2,261	-2.4%	-903	-2.5%	-1,358	150.4%
AMORTISATION OF INTANGIBLE ASSETS	-692	-0.7%	-550	-1.5%	-142	25.8%
EBIT	5,033	5.3%	4,671	12.8%	362	7.7%
NON-RECURRENT COSTS	-6,478	-6.8%	-323	-0.9%	-6,155	1905.6%
Operating profit/loss	-1,445	-1.5%	4,348	11.9%	-5,793	-
NET FINANCE INCOME/(COSTS) AND INCOME FROM ASSOCIATE COMPANIES	-2,503	-2.6%	339	0.9%	-2,842	-
EBT	-3,948	-4.1%	4,687	12.8%	-8,635	-
INCOME TAX	360	0.4%	-1,851	-5.1%	2,211	-
NET PROFIT/LOSS BEFORE MINORITY INTEREST	-3,588	-3.8%	2,836	7.7%	-6,424	-
MINORITY INTEREST	39	0.0%	0	0.0%	39	-
GROUP NET PROFIT/LOSS	-3,627	-3.8%	2,836	7.7%	-6,463	-

Following the introduction of IASs, non-recurrent costs are no longer shown separately in the financial statements presented but are included in ordinary operating figures.

In order to assure better representation of the Group's ordinary profitability, we have preferred – in all tables in this section concerning information on operating performance – to show an operating result before the impact of non-recurrent costs/income, which we have called EBIT. To permit comparability with detailed official accounting statements, we have in any case included a further intermediate profit margin (called "Operating profit") that includes the net impact of non-recurrent items.

As at 31 March 2006, non-recurrent costs (€6,478 thousand) consisted of the following items:

1. €2,000 thousand for a non-recurrent remuneration for the CEO of the parent company;
2. €1,531 thousand for the amortisation of intangible assets recognised due to acquisitions (PSC, Informatics, and Laservall);
3. €1,361 thousand for the restructuring provision for PSC;
4. €1,014 thousand for the adjustment of PSC assets and liabilities to market value as of the date of acquisition;
5. €496 thousand for consultancy services resulting from the PSC acquisition;
6. €76 thousand for early retirement incentives.

EBIT (i.e. before non-recurrent items) amounted to €5,033 thousand (of which: a loss of €26 thousand for PSC Group and profit of €1,127 thousand for Informatics Inc.), for a 5.3% margin on revenues (11% net of the PSC Group and Informatics Inc.) and 7.7% growth over the same period of the previous year (+1.3% net of the PSC Group and Informatics Inc.).

As at 31 March 2006, the net loss for the Group totalled €3,627 thousand (of which: €5,118 thousand for PSC Group and €578 thousand for Informatics Inc.), which is a worsening from the €2,836 thousand reported for the first quarter of the previous year.

Given that, as described in detail above, this performance was influenced significantly by non-recurrent costs, the following is an income statement shown net of all effects of reorganisation and acquisitions in order to more accurately represent ordinary operations for the first quarter of 2006:

	31/03/06		31/03/06 Acquisition/Reor ganisation		31/03/06
	EUR/000		EUR/000		EUR/000
TOTAL REVENUES	95,248				95,248
COST OF GOODS SOLD AND OPERATING COSTS	-87,262				-87,262
EBITDA	7,986		0		7,986
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	-2,261				-2,261
AMORTISATION OF INTANGIBLE ASSETS	-692				-692
EBIT	5,033		0		5,033
NON-RECURRENT COSTS	-6,478		6,402		-76
Operating profit/loss	-1,445		6,402		4,957

REVENUE TRENDS AND KEY FACTORS AFFECTING OPERATIONS FOR THE PERIOD

Segment information

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

We consider business segments to be primary (see IAS 14), whilst 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 actual intercompany selling prices.

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

Segment information by division

The Group consists of the following business segments:

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

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

- Industrial marking products
- Distribution of automatic identification products.

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

Primary segment results as of 31 March 2006, compared with those of 31 March 2005, were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
REVENUES								
External sales	76,645	29,465	18,603	7,153			95,248	36,618
Intersegment sales	198	-	21	20	(219)	(20)	-	-
Total sales	<u>76,843</u>	<u>29,465</u>	<u>18,624</u>	<u>7,173</u>	<u>(219)</u>	<u>(20)</u>	<u>95,248</u>	<u>36,618</u>
Cost of goods sold	44,689	14,402	8,210	3,514			52,899	17,916
Intersegment cost of goods sold	19	11	193		(212)	(11)	-	-
Gross profit	<u>32,135</u>	<u>15,052</u>	<u>10,221</u>	<u>3,659</u>	<u>(7)</u>	<u>(9)</u>	<u>42,349</u>	<u>18,702</u>
Other attributable revenues	263	467	130	39			393	506
Other intersegment revenues	97	75	-		(97)	(75)	-	-
Operating costs:								
R&D expenses	5,538	2,393	1,096	875			6,634	3,268
Distribution expenses	19,167	6,586	3,419	941	(97)	(75)	22,489	7,452
Allocable G&A costs	4,844	1,760	1,662	671	(4)	1	6,502	2,432
Other allocable operating costs	697	207	175	90			872	297
SEGMENT RESULT	<u>2,249</u>	<u>4,648</u>	<u>3,999</u>	<u>1,121</u>	<u>(3)</u>	<u>(10)</u>	<u>6,245</u>	<u>5,759</u>
Unallocable G&A costs	-	-	-	-			1,212	1,088
OPERATING PROFIT	<u>2,249</u>	<u>4,648</u>	<u>3,999</u>	<u>1,121</u>	<u>(3)</u>	<u>(10)</u>	<u>5,033</u>	<u>4,671</u>
Allocable net non-recurrent (costs)	(3,492)	-	(490)	(323)		-	(3,982)	(323)
Unallocable net non-recurrent (costs)	-						(2,496)	-
Net finance income	-						(2,126)	199
Share of associates' profit	(416)	100	39	40			(377)	140
Income tax	-						(360)	1,851
NET PROFIT	<u>(1,659)</u>	<u>4,748</u>	<u>3,548</u>	<u>838</u>	<u>(3)</u>	<u>(10)</u>	<u>(3,588)</u>	<u>2,836</u>
OTHER INFORMATION								
Segment assets	314,994	106,677	53,042	27,436	(256)	(25)	367,780	134,088
Interests in associates booked at equity	612	539	204	11,429			816	11,968
Unallocable assets	-						48,322	64,771
Total as sets	<u>315,606</u>	<u>107,216</u>	<u>53,246</u>	<u>38,865</u>	<u>(256)</u>	<u>(25)</u>	<u>416,918</u>	<u>210,827</u>
Segment liabilities	85,891	34,507	9,269	4,637	(329)	(241)	94,831	38,903
Unallocable liabilities	-						122,205	41,525
Equity	-						199,882	130,399
Total liabilities & equity	<u>85,891</u>	<u>34,507</u>	<u>9,269</u>	<u>4,637</u>	<u>(329)</u>	<u>(241)</u>	<u>416,918</u>	<u>210,827</u>
Deprec. & amort. (D&A)	2,611	1,610	260	132			2,871	1,742
Unallocable D&A	-						82	34

As regards sales performance, included below are a number of charts providing further information (by business division and geographical segment) regarding the results achieved. It should be noted that Data Capture revenues included PSC's sales (€44,159 thousand).

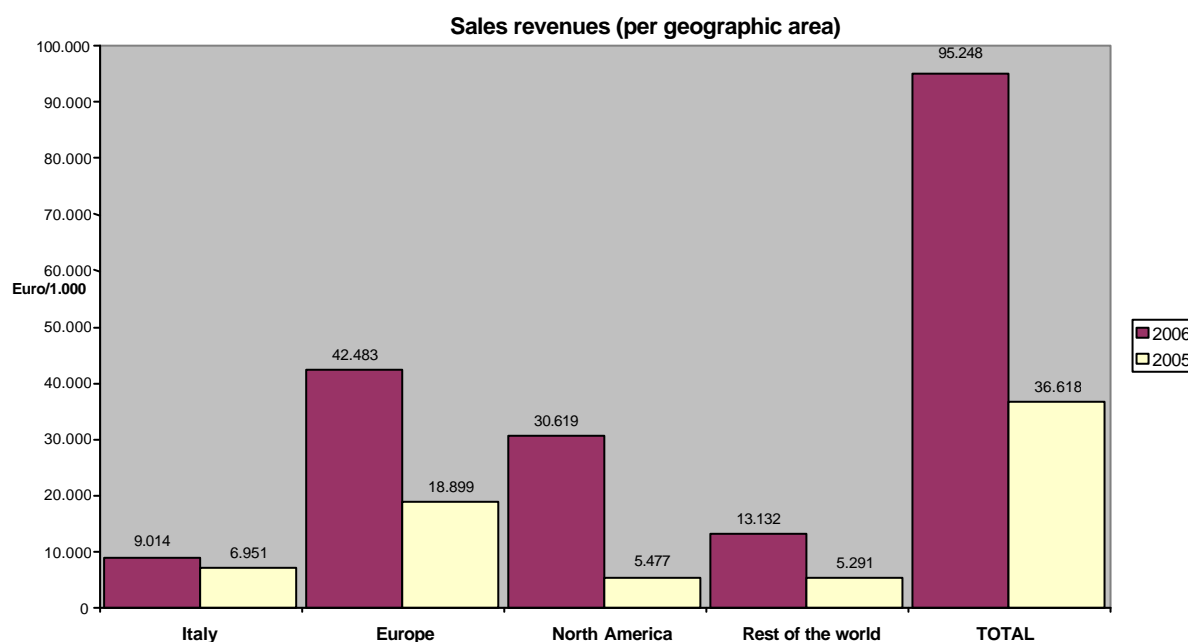
The Data Capture Division's sales as at 31 March 2006 totalled €76,645 thousand, growing by some 160% over the same period of the previous year.

Net of the contribution of PSC, the Data Capture Division's growth was approximately 10% year on year (YoY).

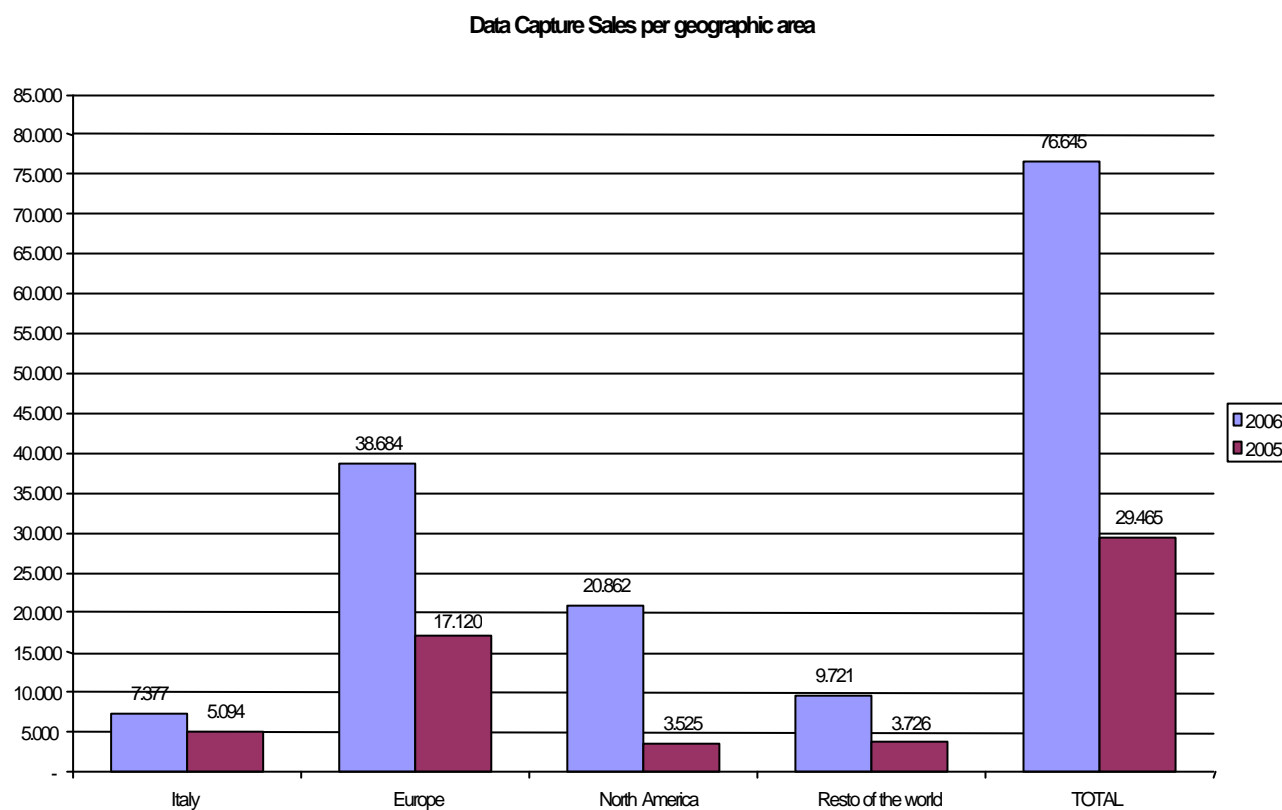
Revenues of the Business Development Division amounted to €18,603 thousand (20% of the total), growing by over 160% as compared with the €7,153 thousand reported in the first quarter of 2005. As mentioned on numerous occasions, this result was significantly affected by the acquisition of Informatics (€8,289 thousand in revenues for the first quarter of 2006). Net of this contribution, sales increased by 44%, with the contribution of all segments of the Business Development Division.

All geographical segments posted growth.

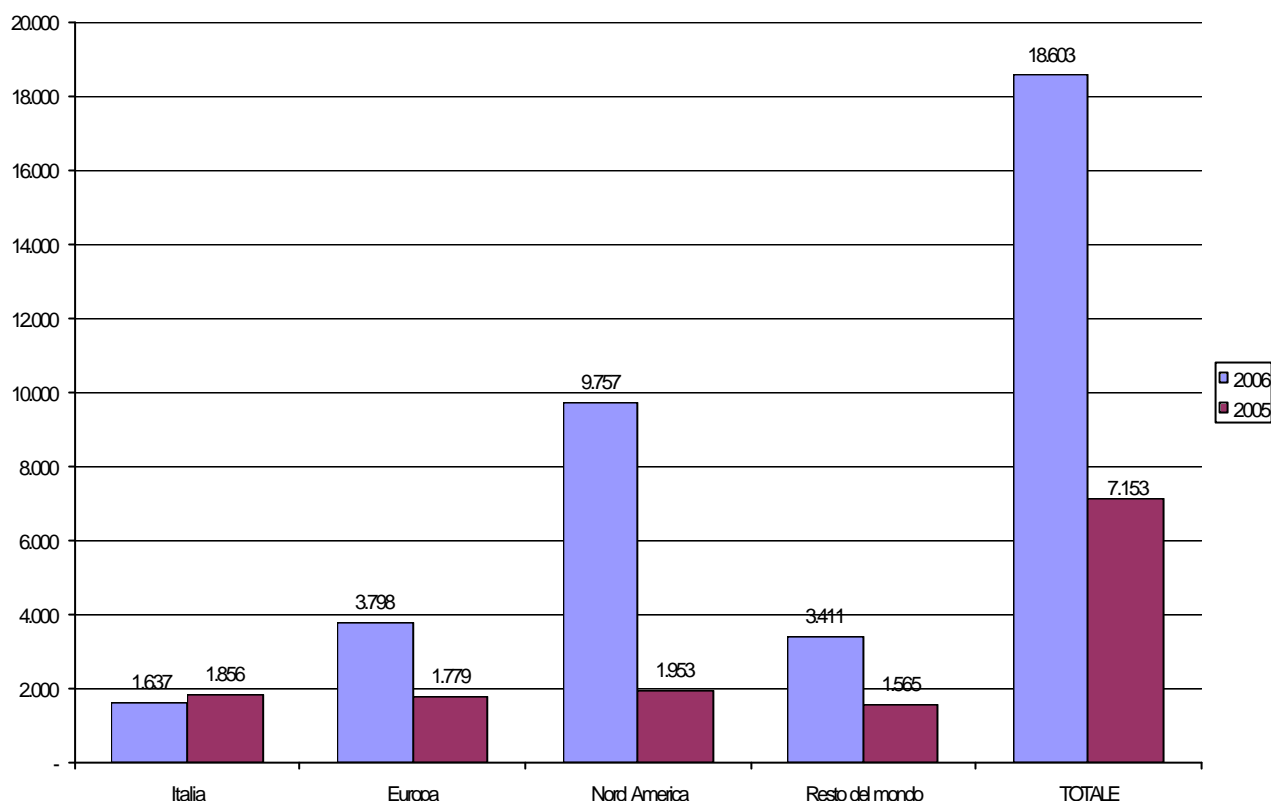
In greater detail, the contribution of the various geographical areas to sales was as follows:



The following charts provide a geographical breakdown of the Data Capture and Business Divisions' sales.



Vendite Business Development per Area geografica



Cost of goods sold as a percentage on sales increased to 55.5% from the 48.9% reported in 2005.

The main reason for this change was the consolidation of PSC, which had a higher cost of goods sold than the rest of the division (equal to 63.7% of PSC revenues for the first quarter of 2006).

Gross profit went from the €18,702 thousand of 31 March 2005 to €42,349 thousand for the first quarter of 2006 (+126.4%). A significant contribution to this result was made by both the Data Capture Division (+113.5% YoY) and, above all, the Business Development Division (+179.3%).

Operating costs attributable to the divisions amounted to €36,497 thousand as at 31 March 2006 (+171% over the €13,449 thousand reported for the same period of 2005). Of this total, €30,246 thousand of costs related to the Data Capture Division (+176% vs. 2005) and €6,352 thousand to the Business Development Division (+146% vs. 2005), gross of of “interdivisional” operating costs (a negative €101 thousand).

In greater detail, the Data Capture Division featured:

- an increase in R&D costs, which amounted €5,538 thousand as at 31 March 2006 (€2,710 of which attributable to the PSC Group), equivalent to 7.2% of total sales and up by 131% as compared with the prior year (+18% net of PSC);

- a 175% increase in allocable G&A costs (+12% net of PSC), which amounted to €4,844 thousand for the period (of which €2,872 thousand attributable to the PSC Group), as compared with the €1,760 thousand reported during the previous year;
- an increase of 191% in distribution expenses (+21% net of PSC) to €19,167 thousand in the first quarter of this year, as compared with the €6,586 thousand reported in the first quarter of 2005.

Other operating costs (€697 thousand) increased by 237% over 2005, mainly due to a provision of €300 thousand made by the direct parent company for the estimated 2006 portion of a long-term management incentive scheme (ending in 2008).

The Business Development Division featured a significant increase of all operating cost categories, mainly because of the change in the scope of consolidation.

The Data Capture Division's segment result (before non-allocable G&A expenses) amounted to €2,249 thousand, down from the €4,648 thousand reported in 2005. Net of PSC's contribution, the Data Capture Division's result would have been €3,075 thousand and therefore down by about some 34% YoY.

The Business Development Division's segment result totalled €3,999 thousand, with strong growth (+257%) over the €1,121 thousand reported in 2005.

As at 31 March 2006, our net financial position was negative by €55,838 thousand and can be broken down as follows:

Datalogic Group	31/03/06	31/12/05	31/03/05
	EUR/000	EUR/000	EUR/000
Non-current financial assets	1,872	1,872	4,488
Medium/long-term debt with banks and other sources of finance	-11,139	-12,283	-5,450
M-/L-term net financial position	-9,267	-10,411	-962
Short-term bank borrowing and other short-term financial liabilities	-78,189	-149,349	-11,505
Current financial assets	943	4,012	20,886
Hedging transactions	-75	-116	128
Commercial paper	0	0	0
Cash and cash equivalents	30,750	30,146	25,638
Short-term net financial position	-46,571	-115,307	35,147
Total net financial position	-55,838	-125,718	34,185

Our net financial position (NFP) as at 31 March 2006 improved from 31 December 2005 (net debt of €125,718 thousand) by €69,880, whereas it has worsened as compared with 31 March 2005 (net cash of €34,185 thousand) by €90,023 thousand.

The main reason for the improvement which took place in the first quarter of 2006 is the increase in capital for Datalogic SpA, which was completed in January and involved 3,465,868 shares for a value of €76.6 million (before expenses).

It should also be noted that cash and cash equivalents include €9,914 thousand (€10,172 thousand at 31 December 2005) related to the security deposit received from PSC Holding (included among other payables) following the acquisition, which was deposited in a restricted current account.

Net working capital as at 31 March 2006 totalled €70,837 thousand and decreased by €476 thousand from 31 December 2005 (€71,313 thousand).

FINANCE INCOME AND EXPENSE

Net financial income totalled €2,126 thousand as follows:

Finance income/(expense) in the strict sense of the term	(831)
Net foreign exchange gains/(losses)	(580)
Banking expenses	(229)
Other finance income/(expenses)	(486)
Net finance income/(expense)	(2,126)

It should also be noted that earnings of €81 thousand made by companies consolidated at equity were also reported, as was a loss of €458 thousand for DL Slovakia related to the previous year.

PERFORMANCE OF GROUP COMPANIES

The business performance of group companies as at 31 March 2006 (amounts in thousands of euros), inclusive of intragroup transactions, is summarised in the following table (the result for the period is obtained after making the necessary adjustments to assure alignment with group accounting policies):

COMPANY NAME	% OWNERSHIP as at 31/03/06	31/03/2006	31/03/2005	CHANGES
Datalogic SpA (direct parent company)		32,438	25,180	28.8%
PSC Group		44,352	0	0.0%
Laservall Spa	100%	6,415	4,924	30.3%
Datalogic AB	100%	2,551	2,036	25.3%
Datalogic Holding AB (2)	100%	0	0	0.0%
EMS, Inc	100%	2,675	2,007	33.3%
Datalogic France SA (3)	100%	1,863	35	5222.9%
Datalogic Optik elektronIK GMBH	100%	8,231	8,469	-2.8%
Datalogic Optic Electronics B.V. (3)	100%	1512	0	0.0%
Datalogic Handelsgesellschaft mbH (1)	100%	0	0	0.0%
Datalogic PTY LTD	100%	1,221	1,047	16.6%
Datalogic UK LTD (3)	100%	2,787	411	578.1%
Datalogic INC	100%	3,572	3,865	-7.6%
Informatics	90%	8,291	0	0.0%
Datalogic Slovakia	100%	11,237		0.0%
Datalogic Asia (1)	100%	0	0	0.0%
Datalogic Iberia (3)	100%	2284	34	6617.6%

(1) These companies operate on the basis of an agency contract by virtue of which they receive commissions that are posted among "Other revenues".

(2) Zero total revenues because the company is not operational.

(3) As of the end of 2005, these companies no longer operate on agency contracts.

NET RESULT FOR THE PERIOD (EUR/000):

COMPANY NAME	% OWNERSHIP as at 31/03/06	31/03/2006	31/03/2005	CHANGE
Datalogic SpA (direct parent company)	100%	-1,341	1,803	- 3,144
PSC Group		-3,483	0	- 3,483
Laservall Spa	100%	1,388	934	454
Datalogic AB	100%	-103	-257	154
Minec System Holding	100%	0	-1	1
Datalogic Holding AB	100%	22	-48	70
EMS, Inc	100%	57	-218	275
Datalogic France SA	100%	-27	36	- 63
Datalogic Optik elektronIK GMBH	100%	43	374	- 331
Datalogic Optic Electronics B.V.	100%	-33	-15	- 18
Datalogic Handelsgesellschaft mbH	100%	53	28	25
Datalogic PTY LTD	100%	-90	-74	- 16
Datalogic UK LTD	100%	47	42	5
Datalogic INC	100%	53	46	7
Informatics	90%	387	0	387
Datalogic Slovakia	100%	763	0	763
Datalogic Asia	100%	44	0	44
Datalogic Iberia	100%	-4	61	- 65

TRANSACTIONS WITH SUBSIDIARIES NOT CONSOLIDATED LINE BY LINE, WITH ASSOCIATED COMPANIES, AND WITH RELATED PARTIES**Transactions with Datalogic Group companies**

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

As at 31 March 2006, the ultimate parent company sold Idec products and components totalling roughly €484 thousand. As at 31 March 2006, trade receivables from Idec totalled €337 thousand. These transactions were executed at conditions comparable to those of other affiliates.

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

Transactions with companies belonging to shareholders

Transactions with Datasensor SpA, a company controlled by the indirect parent company's key shareholders, mainly concerned the purchase of components by the direct parent company (€405 thousand) and to the distribution, by certain group companies, of modest quantities of Datasensor products.

As at 31 March 2006, trade payables to Datasensor totalled €406 thousand, with receivables of €134 thousand.

Transactions with the indirect parent company (Hydra SpA) during the period were marginal and limited to reciprocal debiting of rents.

OUTLOOK ON OPERATIONS FOR THE CURRENT YEAR AND EVENTS AFTER QUARTER-END

The market situation and the actions planned by the company, together with the acquisitions over the last 12 months (PSC and Informatics), should enable us to post revenues and margins for the current year that are higher than those reported at the end of the previous year.

INDICATION OF SECONDARY LOCATIONS

The direct parent company has two secondary locations:

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

B) ACCOUNTING STANDARDS AND POLICIES

Datalogic SpA (hereinafter also “Datalogic”, the “(direct) parent company”, or the “Company”) is a company incorporated in Italy. This report as at 31 March 2006 comprises Datalogic SpA and its subsidiaries (hereinafter “the Group”) and the relevant share of associate companies' profits.

Datalogic SpA, the direct parent company, is a limited joint-stock company listed on the TechStar segment of Italian stock exchange and is based in Italy. The address of its registered headquarters is: Via Candini 2, Lippo di Calderara (BO), Italy.

The company is controlled by Hydra SpA (referred to herein as the “indirect (or ultimate) parent company”) is also based on Bologna.

These consolidated financial statements were submitted for the approval of the board of directors on 15 May 2006.

(a) Accounting standards

Following the coming into force of Regulation (EC) 1606/2002 of the European Parliament and of the Council dated July 19 2002, beginning with financial year 2005, companies with securities listed on a regulated market of a European Union member state are to prepare consolidated accounts in compliance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) endorsed by the European Commission. Our consolidated financial statements as at 31 March 2006 have been prepared in accordance with such standards (hereinafter also “IASs”, “IFRSs”, or “IASs/IFRSs”).

Historic cost has been used for all assets and liabilities, with the exception of certain financial assets, which have been measured at fair value, and certain items of property, plant and equipment, which have been revalued as part of the transition to IFRSs as described below. These statements have also been prepared in accordance with the IFRSs and related interpretations by the IFRIC that were issued and in effect at the time of their preparation. Such standards are described below and have been applied consistently across all periods presented unless otherwise indicated.

(b) Presentation and basic approach

Our consolidated financial statements are presented in thousands of euro (€/000). As mentioned above, they have been prepared according to cost, with the exception of certain financial assets and liabilities and derivative financial instruments, which are measured at fair value, as well as certain items of property, plant and equipment, which have been remeasured at fair value as of the transition date.

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

(c) Consolidation standards and policies

(i) Subsidiaries

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

Subsidiaries acquired by the Group are recognised using the purchase method. In that regard, the related IFRS 3 states that:

- the purchase method is based on the fair value of the assets sold, considering any equity instruments issued and liabilities incurred or assumed as at the date of exchange, plus any costs directly attributable to the acquisition;
- the assets and liabilities of the company purchased are measured at fair value;
- the excess of purchase cost over the fair value of the Group's share of net assets is recognised as goodwill;
- in the event that the purchase cost is less than the fair value of the Group's share of the subsidiary's net assets, the difference is immediately recognised on the income statement.

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

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

(ii) Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. This significant influence is deemed to exist when the Group holds from 20% to 50% of the company's voting rights. The consolidated accounts as at 31 March 2006 include our share of the profits and

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

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

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also not recognised unless there is evidence of potential impairment of the assets transferred. Accounting standards adopted by associates have been modified when necessary to assure consistency with the policies adopted by the Group.

(d) Treatment of foreign currency items

(i) Foreign currency transactions

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

(ii) Translation of foreign currency financial statements

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

(iii) Net foreign currency investments

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

Foreign exchange differences related to points (ii) and (iii) above and which originated before 1 January 2004, the IFRS transition date, are shown in a specific equity reserve in accordance with the exemption granted by IFRS 1.

The exchange rates used were as follows:

EXCHANGE RATES AS AT 31/03/2006	End-of-period exchange rate	Average exchange rate
US dollar (USD)	1.2104	1.2024
British pound sterling (GBP)	0.6964	0.6862
Australian dollar (AUD)	1.6997	1.6270
Japanese yen (JPY)	142.4200	140.5001
Swedish krona (SEK)	9.4315	9.3517
Hong Kong dollar (HKD)	9.3923	9.3279
Slovakian koruna (SKK)	37.63	37.4561

(e) Land, buildings, plant, and equipment

(i) Owned assets

Land and buildings, considered separately as per the requirements of IAS 16, have been measured at fair value (i.e. market value) as at 31 December 2003, obtained via appraisals performed by independent consultants. Buildings are depreciated net of residual value, which is defined as the realisable value obtainable via disposal at the end of the building's useful working life.

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

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

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

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

The Group applies the following depreciation rates:

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

In the event that, regardless of depreciation already entered in accounts, enduring impairment of value occurs, the asset in question is written down, and the original value is restored if the reasons for this write-down should cease to exist. The residual life and value of assets is reviewed at each balance sheet date, and any necessary adjustments are made.

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

(ii) Assets held under finance lease contracts

Tangible assets held under finance lease contracts are those assets for which the Group has taken on all risks associated with ownership. Such assets are measured at the lowest between their fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Finance lease instalments are recognised according to the approach described in IAS 17.

(f) Intangible assets

(i) Goodwill

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

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

Goodwill is recognised at cost, less impairment losses.

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

Negative goodwill originating from acquisitions is directly recognised on the income statement.

(ii) Research and development costs

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

Other development expenses are recognised as costs as soon as they are incurred. Development costs previously recognised as costs are not recognised as assets in subsequent accounting periods. Development costs with a finite useful life have been capitalised and amortised on a straight-line basis from the start of commercial production of the products concerned for a period equal to the useful life of the products to which they refer (IAS IAS38), which is estimated at 5 years.

(iii) Other intangible assets

Other intangible assets include:

- software licenses, which are measured at purchase cost;
- specific intangible assets acquired through the recent company acquisitions (PSC, Laservall, and Informatics), which have been recognised and measured at fair value as of the date of acquisition and based on the purchase method, as mentioned above.

These assets are amortised for the duration of their presumed useful life.

(iv) Subsequent costs

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

(v) Amortisation

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

The useful life for each category is detailed below:

DESCRIPTION	Years
Goodwill	Indefinite
Development costs	5
Other intangible assets:	
- Software licenses	3/5
- Patents (PSC)	20
- Trademarks (PSC)	10
- Service agreement (PSC)	4
- Customer portfolio (PSC)	10
- Know-how (Laservall)	7
- Sales unit (Laservall)	10
Sales unit (Informatics)	10
- SAP licenses	10
- Other software licenses	According to contract duration

(g) Investments in associates

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

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

Investments in other companies are classified among available-for-sale financial instruments, as envisaged by IAS 39, even if the Group has not expressed the intention of selling such investments, and are measured at fair value as of the balance sheet date.

The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Group establishes fair value using transactions occurring up to balance sheet date or referring to other instruments of substantially the same nature and by using discounted cash flow analysis. In certain situations, the Group has insufficient information upon which to measure the fair value of a financial asset. In such cases, the asset is held at cost.

(i) Inventories

Inventories are measured at the lowest of cost and net realisable value. Cost is calculated using the weighted average cost method. The cost of finished products includes raw materials, direct labour, other direct production costs and related indirect production costs (in the latter case based on normal production capacity). Net realisable value is the estimated selling price in the normal course of business, less any selling costs.

(j) Receivables

Receivables, with due dates consistent with normal terms of trade, taking into account the sector in which the Group is active, or that earn interest at market rates, are not discounted to present value, but are recognised at cost (identified as being their face value) net of doubtful debt provision, shown as a direct deduction from such receivables in order to bring their value down to fair value. Receivables whose due date exceeds normal terms of trade (i.e. due dates longer than 1 year) are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method net of related impairment losses.

(k) Cash & cash equivalents

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

(l) Impairment of assets

The carrying value of assets – with the exception of inventories, financial assets governed by IAS 39, deferred tax assets (see IAS 12), and non-current assets held for sale, governed by IFRS 5 – must be

reviewed at each balance sheet date to look for any indications of impairment losses. In the event this analysis reveals such indications, it is necessary to calculate the asset's presumed recoverable value following the approach indicated under point (i) below.

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

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

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

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

All goodwill recognised in accounts as at 31 March 2005 was subjected to impairment testing as at 1 January 2004 – the IFRS transition date – as well as at 31 December 2004 and 31 December 2005. No impairment losses emerged from such tests.

(i) Calculation of presumed recoverable value

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

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

(ii) Reversal of impairment losses

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

(m) Share capital

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

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

(n) Stock options

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

On 17 May 2001, the Board of Directors implemented the plan in question, which would have made it possible to:

- increase the capacity to attract and retain key managerial and professional figures;
- aid alignment of the interests of key people and shareholders;
- enable key persons to participate in the creation of value and share it with shareholders.

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

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

On 27 February 2002, the Board of Directors decided to recalculate – as an extraordinary measure – the grant price of shares relating to the stock option plan approved on 17 May 2001, setting it at €11.50 per share.

On 14 November 2002, the Board of Directors approved assignment to the stock option plan's beneficiaries of 67% of the rights attributed. On 17 December 2003, the board then approved the assignment of the remaining 33%. As such, as at 31 December 2003, all rights relating to the 600,000 shares of the increase approved on 28 February 2001 had been assigned.

The following table summarises the plan's status as at 31 March 2006:

	<i>Number of shares</i>	<i>Average exercise price (€)</i>	<i>Market price (€)</i>	<i>% of share capital</i>
<i>Rights existing as at 1/1/2006</i>	125,400	11.5	24.92	1.01%
<i>of which exercisable as at that date</i>	125,400			
<i>New rights granted in the period</i>	-	-	-	-
<i>(Rights exercised in the period)</i>	(27,150)	11.5	28.17	0.25%
<i>(Rights lapsing in the period) (1)</i>	-	-	-	-
<i>Total rights existing as at 31/3/2006</i>	98,250	11.5	29.37	0.62%
<i>of which exercisable as at that date</i>	98,250			

(1) Rights lapsing in the period refer to rights granted to persons no longer employed by the Company.

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

(o) Interest-bearing financial liabilities

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

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

(p) Liabilities for employee benefits

(i) Defined contribution plans

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

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

(ii) Defined benefit plans

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

Actuarial gains and losses as at 1 January 2004 – the IFRS transition date – are shown in a specific equity reserve. Actuarial gains and losses subsequent to that date are recognised on the income statement of the relevant period, therefore not adopting the “corridor” technique envisaged by IAS 19.

(iii) Termination benefits

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

(q) Provisions

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

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

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

(i) Product warranty provision

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

(ii) Other provisions

The Group has made a provision for a lawsuit against a former employee. The amount has been calculated based on estimates made by the Group, together with its legal advisors, to determine the likelihood, timing, amounts involved, and probable outlay of resources. The provision made will be adjusted according to the lawsuit's development. Upon conclusion of the controversy, the amount differing from balance sheet provision will be recognised on the income statement.

The Group has also allocated amounts to a restructuring provision related to the PSC Group. The amount has been calculated based on estimates made by the Group in order to determine likelihood, timing, amounts involved, and probable outlay of resources. The provision made will be adjusted according to the lawsuit's development. Upon conclusion of this plan, the amount differing from the balance sheet provision will be recognised on the income statement.

(r) Trade and other payables

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

(s) Revenues

(i) Revenues from sales of goods and services

Revenues from sales of goods are recognised on the income statement when the risks and benefits associated with ownership of the goods have been substantially transferred to the purchaser, which normally coincides with the delivery or shipment of the goods. Revenues for services rendered are recognised on the income statement according to percent completion as at balance sheet date.

(ii) Government grants

Government grants are recorded as deferred revenues among other liabilities at the time when it is reasonably certain that they will be given and when the Group has complied with all conditions necessary to obtain them. Grants received against costs incurred are systematically posted on the income statement in the same periods when such costs are recorded. Grants received against specific assets are recorded as deferred income and systematically recognised on the income statement as other operating revenues, based on the relevant asset's useful life.

(iii) Dividends

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

(t) Costs

(i) Rental and operating lease costs

Rental and operating lease costs are recorded on the income statement on an accrual accounting basis.

(ii) Finance lease instalments

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

(iii) Finance income and expenses

Finance income and expenses are recognised on an accrual accounting basis.

(u) Income taxes

Income taxes shown on the income statement include current and deferred taxes. Income taxes are generally posted on the income statement, except when they refer to events recognised directly in equity.

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

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

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

(v) Segment information

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

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

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

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

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

(x) Use of estimates

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

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

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

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

(y) Financial risks and derivative instruments

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

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

(i) Price risk

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

(ii) Credit risk

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

(iii) Interest-rate risk

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

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

(z) Earnings per share (EPS)

Basic

Basic EPS is calculated by dividing the Group's net profit by the weighted average number of ordinary shares outstanding during the period, not including treasury shares.

Diluted

Diluted EPS is calculated by dividing the Group's net profit by the weighted average number of ordinary shares outstanding during the period, not including treasury shares. The weighted average of ordinary shares outstanding is adjusted based on the assumption that all potential shares are converted, and net profit for the Group is adjusted to take account of the after-tax effects of such conversion.

(aa) Exemptions and exceptions envisaged by IFRS 1

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

Optional Exemption	Decision
Business combinations: aggregations of companies, acquisitions of equity interests in companies under common control and in joint ventures	The Group has decided to avail itself of the exemption as regards retrospective application of IFRS 3 ("Business Combinations") for aggregations of companies and acquisitions of equity interests in companies under common control and in joint ventures taking place prior to 1 January 2004.
Opening value of tangible and intangible assets	The Group has decided to apply "deemed cost" for property assets based on specific appraisals performed by independent experts. As regards intangible assets, given the absence of active markets, the Group has been unable to benefit from use of the "deemed cost" method.
Employee benefits	As regards accounting treatment of defined-benefit plans, the Group has decided not to avail itself of the corridor approach and, therefore, disregarding the exemption granted under IFRS 1, the actuarial gain/loss has been fully recognised as at the transition date and duly reflected in equity.
Cumulative translation differences	The Group has decided to opt for exemption from retrospective application of IAS 21. Gains/(losses) arising from translation of foreign investee companies' financial statements have been cleared, set against "Retained earnings".
Compound financial instruments	The Group does not have any compound financial instruments
Transition of subsidiaries, associates and joint ventures	Not applicable to consolidated financial statements
Alignment of comparative information concerning financial assets and liabilities	The Group has decided to apply IAS 32 and IAS 39 as from the transition date.
Designation of financial instruments already recognised	The Group has decided to apply IAS 32 and IAS 39 as from the transition date. Exemption has therefore been applied as from that date.
Stock options	The Group has a stock option plan in place which has not been recognized based on IFRS 2, as we have taken advantage of the exemption granted by IFRS 1.
Insurance contracts	Not applicable to the Group
Changes in liabilities booked for decommissioning, restoration and similar liabilities	The Group did not have any liabilities for decommissioning, restoration and similar liabilities as at transition date

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

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

(ab) IFRSs and IFRIC interpretations not yet endorsed

In recent months, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) have published new standards and interpretations. Even though these standards have not yet been endorsed by the European Community, the Group has considered their effects, highlighting their potential impact on the balance sheet and income statement, without finding them to have any significant effects.

GROUP STRUCTURE

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

The companies consolidated on a line-by-line basis as at 31 March 2006 were the following:

Company name	Registered location	Share capital	Total equity (€/000)	Result for the period (€/000)	% ownership
Datalogic SpA (direct parent company)	Lippo di Calderara di Reno (BO) – Italy	EUR 162,140,864	201,372	-1,341	
Laservall Spa	Donnas (AO) - Italy	EUR 900,000	8,664	1,388	100%
Datalogic Holding AB	Malmö – Sweden	KRS 1,400,000	1,318	22	100%
EMS, Inc	Scotts Valley (California) – USA	USD 1,949,084	1,604	57	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR 2,227,588	3,594	-27	100%
Datalogic Optik elektronik GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR 1,025,000	4,974	43	100%
Datalogic Optic Electronics B.V.	Maarsse – The Netherlands	EUR 17,800	2	-33	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR 72,673	826	53	100%
Datalogic PTY LTD	Mount Waverley (Melbourne)- Australia	AUD 2,300,000	754	-90	100%
Datalogic UK LTD	Redbourn (Londra) – UK	GBP 3,500,000	4,454	47	100%
Datalogic INC	Hebron (Kentucky) – USA	USD 1,847,000	1,750	53	100%
DL Iberia	Madrid – Spain	EUR 60,500	793	-4	100%
Datalogic AB	Stockholm – Sweden	KRS 200,000	717	-103	100%
DL Slovakia	Trnava - Slovakia	SKK 1,999,925	354	763	100%
PSC Holding	Delaware	USD 117,000,000	93,157	-3,483	100%
DL Asia Limited	Hong-Kong - China	HKD 100,000	112	44	100%
Informatics Holding Inc.	Plano (Texas) – USA	USD 15,100,000	14,615	387	90%

The companies valued at equity as at 31 March 2006 were as follows:

Company name	Registered location	Share capital	Total equity (€000)	Result for the period (€000)	% ownership - direct and indirect
Idec DatalogicCo. Ltd.	Osaka– Japan	Yen 3,000,000	1,208	84	50%
Laservall Asia Co. Ltd.	Hong-Kong - Cgina	Hong- Kong \$ 460,000	408	78	50%

Associates measured at cost as at 31 March 2006 were the following:

Company name	Registered location	Share capital	% ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	Rupie 1,000,000	20%

Changes in consolidated companies

During the first quarter of 2006, there were no changes in the consolidated companies.

C) INFORMATION ON THE BALANCE SHEET – ASSETS

NON-CURRENT ASSETS

1. Property, plant and equipment

	31/03/2006	31/12/2005	Change
Land	6,419	6,457	(38)
Buildings	18,797	18,928	(131)
Plant & machinery	7,804	6,711	1,093
Other tangible assets	16,363	16,528	(165)
Assets in progress and payments on account	2,145	1,837	308
Total	51,528	50,461	1,067

Land, in the amount of €6,419 thousand, is attributable to the direct parent company (€3,738 thousand), Datalogic UK (€1,243 thousand), Informatics (€661 thousand), Datalogic France (€514 thousand), Datalogic GmbH (€127 thousand), and AB Holding (€136 thousand).

Buildings, in the amount of €18,797 thousand, are attributable to the direct parent company (€11,522 thousand), Informatics Inc. (€1,923 thousand), Datalogic UK (€1,571 thousand), Datalogic GmbH (€1,393 thousand), Datalogic France (€1,133 thousand), and Datalogic Holding AB (€1,255 thousand).

Plant and machinery experienced:

- an increase of €1,885 thousand attributable primarily to the company Datalogic Slovakia (€1,506 thousand) and the PSC group (€302 thousand);
- an overall decrease of €101 thousand.

As at 31 March 2006, the main components of the other tangible assets were: industrial and commercial equipment (€4,694 thousand); office machines and furnishings (€6,394 thousand); general building plant (€1,579 thousand); vehicles (€372 thousand); and maintenance of third-party assets (€2,474 thousand).

The category experienced:

- a total increase of €1,113 thousand attributable primarily to the direct parent company (€319 thousand) and the PSC group (€292 thousand);
- an overall decrease of €81 thousand.

The balance of the item "Assets in progress and payments on account" is attributable to the direct parent company (€407 thousand), to the PSC Group (€1,598 thousand), and to Datalogic Slovakia (€122 thousand).

Depreciation and amortisation for the period, totalling €4,483 thousand, was split as follows on the income statement:

- cost of goods sold: €915 thousand (€315 thousand for March 2005);
- research & development: €828 thousand (€497 thousand for March 2005);
- distribution expenses: €355 thousand (€178 thousand for March 2005);
- general & administrative expenses: €2,385 thousand (€787 thousand for March 2005).

It should also be noted that general and administrative expenses include €1,530 thousand for the amortisation of intangible assets generated following the acquisitions of Informatics, Laservall, and the PSC group.

2. Intangible assets

	31/03/2006	31/12/2005	Change
Goodwill	83,774	103,360	(19,586)
Development costs	3,713	3,908	(195)
Other	85,788	89,552	(3,764)
Total	173,275	196,820	(23,545)

Goodwill, totalling €83,744 thousand, consists of the following items:

- €1,394 thousand resulting from the consolidation of the Minec Group, in which a 100% interest was acquired on 15 July 2002 by Datalogic Holding AB, which is in turn 100% owned by the direct parent company;
- €3,380 thousand, attributable to the direct parent company, consisting of the merger loss and share-swap loss originated by the merger of IdWare Srl during 1998;
- €5,119 thousand caused by the consolidation of Laservall SpA, an interest acquired by the direct parent company during the third quarter of 2004. We believe the conditions exist for posting the difference between purchase cost and fair value of net assets acquired as goodwill, since it represents the acquired company's future profit-generation capacity.
- €9,94 thousand stemming from consolidation of Informatics Inc. In the following table, we show the acquiree company's net assets as at the acquisition date and the calculation of goodwill pertaining to the Group:

	Amounts as per acquiree's accounts	Adjustments to fair value	Carrying value (USD/000)	Carrying value (€/000) – X-rate as at 28/02/05
Non-current assets	3,606	580	4,186	3,158
Trademark and customer portfolio		8,000	8,000	6,035
Inventory	3,423	155	3,578	2,699
Trade and other receivables	3,978		3,978	3,001
Cash & cash equivalents	-520		-520	-392
Interest-bearing financial liabilities	-12,000		-12,000	-9,052
Tax provision for trademark and customer portfolio		-2,877	-2,877	-2,170
Trade and other payables	-1,502		-1,502	-1,132
NET ASSETS AT FAIR VALUE			2,843	2,145
% pertaining to Group			90%	90%
GROUP'S SHARE OF NET ASSETS AT FAIR VALUE			2,559	1,930
Price paid			14,100	10,636
Accessory expenses			488	375
ACQUISITION COST			14,588	11,011
GOODWILL AS AT THE ACQUISITION DATE			12,029	9,081
Revaluation of goodwill due to change in exchange rate				864
GOODWILL AS AT 31 MARCH 2006			9,938	9,946

- €63,935 thousand resulting from the consolidation of the PSC Group. In the following table we show the acquiree company's net assets as at acquisition date and calculation of goodwill pertaining to Datalogic SpA. As envisaged by IFRS 3, the latter may be revised within one year of the acquisition date.

	Amounts as per acquiree's accounts	Adjustments to fair value	Carrying value (USD/000)	Carrying value (€/000) – X-rate as at 30/11/05
Non-current assets	16,360	75,123	91,483	77,732
Other non-current receivables	348		348	296
Inventory	30,230	1,829	32,059	27,240
Trade and other receivables	45,822	86	45,908	39,008
Cash & cash equivalents	4,985		4,985	4,236
Interest-bearing financial liabilities	-43,952		-43,952	-37,346
Tax provision for trade mark and customer portfolio		-8,692	-8,692	-7,386
Trade and other payables	-45,156	-988	-46,144	-39,208
NET ASSETS AT FAIR VALUE	8,637	67,358	75,995	64,571
% pertaining to Group			100%	100%
GROUP'S SHARE OF NET ASSETS AT FAIR VALUE	-		75,995	64,571
Enterprise Value			195,000	165,690
PSC Group's financial liabilities as at acquisition date			-45,102	-38,323
Vendor's liability to a supplier			-1,500	-1,275
Adjustment of preliminary price			2,780	2,362
Price paid			151,178	128,454
Accessory expenses				1820
ACQUISITION COST			151,178	130,274
GOODWILL AS AT THE ACQUISITION DATE			75,182	65,703
Revaluation of goodwill due to change in exchange rate				-1,768
GOODWILL AS AT 31 MARCH 2006			62,113	63,935

The decrease in this item from 31 December 2005 was primarily due to exchange rates and to the change in deferred taxes.

These items of goodwill have been allocated to the CGUs (cash generating units) related to the individual companies to which the goodwill refers. As discussed in the section concerning accounting policies, goodwill is no longer amortised as of 1 January 2004 in accordance with the requirements of IFRS 3, as they have undergone impairment testing.

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

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

The recoverable value of CGUs to which goodwill was allocated has been determined according to value in use. As of 31 December 2005, this was calculated using the discounted cash flow method for the expected earnings of the individual CGUs, which are essentially the individual companies, except in the case of IdWare goodwill, which is allocated to the Mobile Computer (MC) division.

Development costs, which amounted to €3,713 thousand, are attributable to:

- the direct parent company (€3,587 thousand);
- Informatics (€126 thousand);

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

Other intangible assets, totalling €85,788 thousand, are primarily comprised of the intangible assets acquired as part of the business combinations created in 2004 and 2005 by the Group and were specifically recognised and measured as part of the purchase accounting process. The main components of this item are as follows:

Intangible assets related to the acquisition of the PSC group

- Patents in the amount of €49,769 thousand (historic cost of USD 61,004 thousand) acquired from PSC. The useful life of this intangible asset has been defined as being 20 years.
- Customer portfolio in the amount of €9,803 thousand (historic cost of USD 12,169 thousand) acquired from PSC. The useful life of this intangible asset has been defined as being 10 years.
- Service agreement in the amount of €798 thousand (historic cost of USD 1,030 thousand) acquired from PSC. The useful life of this intangible asset has been defined as being 4 years.
- Trademark in the amount of €3,866 thousand (historic cost of USD 4,800 thousand) acquired from PSC. The useful life of this intangible asset has been defined as being 10 years.

Intangible assets related to the acquisition of the Laservall group

- Know-how amounting to €4,476 thousand (€5,968 thousand as at the date of initial recognition), acquired from the investee company Laservall SpA and relating to technological expertise in the laser marking industry, in terms of product engineering and industrialisation. The useful life of this intangible asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to €3,644 thousand (€4,417 thousand as at the date of initial recognition), acquired from the investee company Laservall SpA and consisting of the latter's well-established global sales network and customer base, with a direct presence in areas featuring strong economic growth. The useful life of this intangible asset has been defined as being 10 years.

Intangible assets related to the acquisition of Informatics

- A commercial facility amounting to €6,055 thousand (€6,782 thousand at the date of initial recognition) acquired from the investee company Informatics and relating to the latter's sales network and customer portfolio.

The useful life of this intangible asset has been defined as being 10 years.

The residual amount of other intangible assets comes to €7,377 thousand and is primarily comprised of the following:

- €5,576 thousand attributable to the direct parent company and mainly relating to software licenses (€2,933 thousand), third-party licenses and patents (€537 thousand), and development of software for the sale of our products (€1,645 thousand)
- €1,727 thousand attributable to the PSC Group and related primarily to software licenses.

3. Investments in associates

Equity investments owned by the Group as at 31 March 2006 were as follows:

	Balance 31/12/05	Increases	Foreign exchange diff.	Share of profit	Dividends	Changes	Balance 31/03/06
a) Subsidiaries							
Datalogic Slovakia s.r.o.	50					(50)	0
Total subsidiaries	50	0	0	0		(50)	0
b) Associates							
Idec Datalogic Co. Ltd	578		(16)	42			604
Laservall Asia Co. Ltd	165			39			204
DL Private India	8						8
Total associates	751	0	(16)	81	0	0	816

The change in subsidiaries from 31 December 2005 is related primarily to the line-by-line consolidation of Datalogic Slovakia, which was measured at cost for the prior year. A loss resulted from this consolidation due to the previous year's results of this company. This loss was recognised among finance costs.

The change in associates is due to the share of results attributable to the Group that were posted by Idec Datalogic Co. Ltd. and Laservall Asia Co. Ltd.

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

Other equity investments

As at 31 March 2006, the Group owned the following equity interests in other companies:

	Balance 31/12/05	Increases	Forex diff.	Share of profit	Dividends	Changes	Balance 31/03/06
d) Other companies							
NOMISMA SpA Italy	7						7
Conai	0						0
Caaf Ind. Emilia Romagna Italy	4						4
Crit srl	51						51
Consorzio T3 Lab	8						8
Alien technology	1,042					(240)	802
Total equity investments	1,112	0	0	0	0	(240)	872

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

It should also be noted that the company recorded significant losses both this quarter and in the prior year. Notwithstanding this, the parent company's directors believe that the requisites do not exist for a write-down of this investment, as Alien Technology is a start-up active in a very promising segment (that of RFIDs).

Securities

	31/13/2006	31/12/2005	Changes
Securities as surety	1,872	1,872	-
Total	1,872	1,872	

The item consists mainly of €1,866 thousand in Italian treasury notes (BTP and CCT), owned by the direct parent company.

In the following tables we summarise the direct parent company's securities as at 31 March 2006:

LISTED SECURITIES (in euros)

Type of security	Total purchase price	Unitary purchase price	Par value	Unitary price as at 31/3/2006	Market value as at 31/3/06
Government bonds	362,397.65	100.3	360,000.00	100.23	362,144.73
Government bonds	1,509,300.00	100.62	1,500,000.00	100.23	1,503,450.00
	1,871,697.65		1,860,000.00		1,865,594.73

The government bonds with a maturity of 1 August 2007, in the amount of €1,509 thousand, are held to back the bank surety issued to cover the earn-out related to the Laservall SpA acquisition.

CURRENT ASSETS

5. Inventories

	31/03/2006	31/12/2005	Change
1) Raw & auxiliary materials, plus consumables	36,231	28,547	7,684
2) Work in progress and semi-processed goods	5,902	7,627	(1,725)
4) Finished products and goods for resale	16,040	15,338	702
Total	58,173	51,512	6,661

As at 31 March 2006, inventories increased 13% over 31 December 2005 (by €6,661 thousand). This increase is primarily due to the consolidation of Datalogic Slovakia (€5,661 thousand as at 31 March 2006), as compared with a decrease from 31 December 2005 in the inventories of the parent company in the amount of €624 thousand and an increase of €1,286 thousand attributable to the PSC Group.

Inventories are shown net of an obsolescence provision which, as at 31 March 2006, amounted to €8,273 thousand.

Changes the period are shown below:

	EUR/000
Cumulative inventory write-down provision as at 31/12/05	7,651
Foreign exchange difference	-66
Change due to acquisition	
Provisions made as at 31/03/06	853
Use of surplus during the period	-165
Cumulative inventory write-down provision as at 31/03/06	8,273

6. Trade and other receivables

Trade and other receivables – Current

	31/03/2006	31/12/2005	Change
Trade and other receivables	83,971	87,534	(3,563)
Trade receivables	80,038	83,727	(3,689)
Trade receivables due within 12 months	78,803	81,734	(2,931)
Trade receivables due beyond 12 months	41	-	41
Associate receivables:	995	1,236	(241)
- Idec Datalogic Co. Ltd	430	827	(397)
- Laservall Asia	565	409	156
Subsidiary receivables:	-	150	(150)
- DL Slovakia	-	150	(150)
Receivable from parent companies:	65	443	(378)
- Hydra Spa	65	443	(378)
Related-party receivables	134	164	(30)
Other current receivables	1,076	1,783	(707)
Accrued income and prepaid expenses	2,857	2,024	833

Trade receivables

Trade receivables due within 12 months as at 31 March 2006 totalled €78,803 thousand (net of the doubtful-debt provision as at 31 March 2006 of €1,057 thousand, which is slightly higher than the €1,102 thousand of 31 December 2005), for a decrease of 4% from the comparable figure of December 2005.

Associate receivables stemmed from trade transactions concluded at arm's length market conditions.

Amounts receivable from the ultimate parent company Hydra SpA (€65 thousand) related to the corporate income tax (IRES) credit of Datalogic SpA.

Related-party receivables (€134 thousand) are due from Datasensor.

Other receivables

	31/03/2006	31/12/2005	Change
Cautionary deposits	48	41	7
Advances to suppliers	341	574	(233)
Receivable for the sale of investments	-	700	(700)
Other	687	468	219
Total	1,076	1,783	(707)

"Other" includes €222 thousand paid by the direct parent company to the inland revenue office for a notice of tax assessment received on 22 October 2002, against which the company has filed an appeal.

Accrued income and prepaid expenses

	31/03/2006	31/12/2005	Change
a) Accrued income			
Miscellaneous interest income	4	30	(26)
Other	49	25	24
Total accrued income	53	55	(2)
b) Prepaid expenses			
Insurance	389	236	153
Association membership dues	1	22	(21)
Rentals and maintenance fees	1,200	515	685
Lease contracts	49	32	17
Surety costs	-	57	(57)
Tradeshows and sponsorships	74	110	(36)
Substitute tax	182	208	(26)
Other	909	789	120
Total prepaid expenses	2,804	1,969	835
Total accrued income and prepaid expenses	2,857	2,024	833

The increase in rentals and maintenance fees is attributable to Datalogic Slovakia (€298 thousand) and the PSC Group (€354 thousand).

Trade and other receivables – Non-current

	31/03/2006	31/12/2005	Change
Cautionary deposits	811	772	39
Other	22	24	(2)
Total	833	796	37

Cautionary deposits are primarily related to the PSC group (€610 thousand).

7. Tax receivables

	31/03/2006	31/12/2005	Change
Short-term tax receivables	8,675	6,948	1,727
Tax authorities for VAT	2,697	1,332	1,365
Tax authorities for other tax credits	5,978	5,616	362
Long-term tax receivables	5	5	0
Tax authorities for other tax credits	5	5	0
Total	8,680	6,953	1,727

Amounts receivable from the tax authorities for VAT are mainly related to the direct parent company (€1,532 thousand) and to the PSC group (€345 thousand). Of the increase, €856 thousand is attributable to the direct parent company.

Other receivables from the tax authorities are related to tax payments on account and sundry taxes withheld relating to the direct parent company (€1,435 thousand), the PSC Group (€3,537 thousand), Laservall SpA

(€335 thousand), Datalogic GmbH (€140 thousand), Datalogic AG (€141 thousand), and Datalogic PTY (€138 thousand).

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

	31/03/2006	31/12/2005	Changes
Other securities	943	3,497	(2,554)
Loans to subsidiaries	-	515	(515)
Total	943	4,012	(3,069)

The decrease in other securities from 31 December 2005 is due to the sale of securities held to back the loan outstanding with San Paolo IMI S.p.A., which was paid in full as at 31 December 2005.

The following table summarises the other securities as at 31 March 2006, all pertaining to the direct parent company:

Current AFS securities - LISTED

Type of security	Total purchase price	Unitary purchase price	Par value	Market price as at 31/03/2006	Total market value as at 31/03/2006
Fund	506,713.96	8.341	-	8.372	508,597.20
Corporate bonds	115,715.74	97.09	148,980.00	102.73	122,437.72
Government bonds	39,986.86	100.52	37,780.00	100.08	39,811.83
Total	662,416.56				670,846.75

Non-current AFS securities - UNLISTED

Type of security	Total purchase price	Unitary purchase price	Par value	Market price as at 31/03/2006	Total market value as at 31/03/2006
Banca Intesa bonds	272,220.00	100		100	272,220.00

9. Financial assets - derivative instruments

Derivative instruments concern the adjustment for end-of-period exchange rates on financial transactions and the calculation of the premium related to currency hedging (forward sales) outstanding as at 31 March 2006.

10. Cash and cash equivalents

	31/03/2006	31/12/2005	Change
Bank and post-office deposits	17,020	29,970	(12,950)
Cash and valuables in hand	13,730	176	13,554
Total cash and cash equivalents	30,750	30,146	604

The item includes €1,548 thousand stemming from the consolidation of Datalogic Slovakia.

It should also be noted that cash and cash equivalents include €9,914 thousand related to the security deposit received from PSC Holding (and included among other payables) following the acquisition, which was deposited in a restricted current account.

D) INFORMATION ON EQUITY AND LIABILITIES

11. Equity

A detail of the various equity accounts is shown in the table below, with changes shown in the related tables that follow.

(in thousands of euros)	31/03/2006	31/12/2005
Share capital	33,011	25,746
Share premium reserve	127,615	58,490
Demerger reserve	4,439	4,439
Treasury shares	1,514	1,881
Share capital	166,579	90,556
Translation reserve	(814)	1,548
Fair-value reserve	3	79
Other reserves	(811)	1,627
Previous years' earnings	37,354	24,346
Earnings for the period	(3,627)	12,997
Retained earnings	33,727	37,343
Total equity attributable to the group	199,495	129,526
Total equity attributable to minority interests	387	335

a) Share capital

The changes in share capital for the first quarter of 2006 are shown below (amounts in thousands of euros):

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
01-Jan-06	12,378,100	25,746	58,490	1,881	4,439	90,556
Capital increase – new shares issued	3,465,868	7,209	69,387			76,596
Capital increase - exercise of stock options	27,150	56	255			311
Purchase of treasury shares	(16,438)			(462)		(462)
Sale of treasury shares	0					0
Exercise of unopted rights	-			95		95
Costs for capital increases	-		(517)			(517)
31-Mar-06	15,854,680	33,011	127,615	1,514	4,439	166,579

The main change in the first quarter of 2006 was the €76,596 increase in share capital (approved by the shareholders on 2 December 2005 and completed in January by issuing 3,465,868 shares at a price of €22.10 each).

Ordinary shares

As at 31 March 2006, total ordinary shares numbered 15,854,680 (less 16,438 treasury shares) and had a par value of €2.08 each. All shares issued have been fully paid in.

Treasury shares purchased

During 2006, the Group has purchased 16,438 treasury shares.

Demerger capital reserve

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

b) Other reserves

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

The translation reserve is the result of the translation of the financial statements of foreign companies.

c) Retained earnings

Treasury share reserve

This was established by the direct parent company following the buy-back transactions. Pursuant to the Italian civil code, this reserve was adjusted for the amount of purchases of treasury shares for the period.

Reserve for gain on cancellation and untaxed capital grant reserve

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

IFRS transition reserve

This reserve was created in conjunction with the first-time adoption of international accounting standards as at 1 January 2004 (consolidated accounts as at 31/12/2003) as per IFRS 1.

Previous years' earnings

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

Dividends

As at 31 March 2006, no dividends had been paid.

d) Minority interest

The minority interest amounted to €387 thousand and related to 10% of Informatics Inc.

Reconciliation between the direct parent company's equity and profit and the corresponding consolidated figures is as shown below:

	31 March 2006	
	Total equity	Net profit for the period
Datalogic SpA equity and profit	196,385	(1,341)
Differences between consolidated companies' equity and their carrying value in the parent co.'s statement and effect of the equity-based valuation	6,422	(1,299)
Reversal of dividends	0	0
Laservall acquisition	(2,266)	(324)
Amortisation of new Datalogic AB consolidation difference	(239)	

Elimination of capital gain on sale of company division	(199)	
Effect on elimination of intercompany transactions	(1,985)	(933)
Elimination of intercompany profits	(90)	(29)
Effect of posting of finance leases	(47)	(4)
Deferred income tax	1,514	303
Group equity and profit	199,495	(3,627)
Minority interest	387	39
Equity	199,882	(3,588)

NON-CURRENT LIABILITIES

12. Short-/long-term borrowing

	31/03/2006	31/12/2005	Change
Current account overdrafts	0	0	-
Bank loans & mortgages and other financial institutions	89,328	161,632	(72,304)
Total	89,328	161,632	(72,304)

The breakdown of borrowing was as follows:

31/03/2006	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Bank borrowing				
Current account overdrafts	509			509
Bank loans & mortgages and other financial institutions	77,680	10,417	722	88,819
Total	78,189	10,417	722	89,328

The main changes from 31 December 2005 are as follows:

Datalogic SpA (direct parent company)

- a bridge loan received on 19 January 2006 in the amount of €17 million in order to finance the capital increase of PSC Holding Inc., the special-purpose vehicle used to acquire the PSC Group;
- payment in full of a short-term loan in the amount of €1,780 thousand, which was received in 2005 in order to finance the PSC transaction;
- payment in full of a bridge loan in the amount of €70 million, which was received in 2005 in order to finance the purchase of the PSC group.

PSC Group

- payment in full of a bridge loan in the amount of USD 86,669,000 (€76,011 thousand) received by PSC Holding Inc. and subsequently replaced by a bank loan in the amount of USD 70 million.

13. Deferred income tax

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

The detail of deferred tax assets is shown below:

Deferred tax assets	31/03/2006	31/12/2005	Change
Datalogic Spa	2,674	1,832	842
Laservall S.p.a.	131	305	(174)
DL AB Holding	158	147	11
DL AB	39	-	39
DL INC	176	181	(5)
EMS	-	-	-
DL France	-	-	-
DL Iberia	25	-	25
Total short-term deferred tax assets	3,203	2,465	738
DL Handels	404	416	(12)
DL Pty	-	98	(98)
Informatics	155	153	2
PSC	533	24	509
DL UK	336	341	-5
Total long-term deferred tax assets	1,428	1,032	396
Deferred taxes recognised due to effect of consolidation adjustments	574	524	50
Total deferred tax assets	5,205	4,021	1,184

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

A detail of deferred tax liabilities is as shown below:

Deferred tax liabilities	31/03/2006	31/12/2005	Change
Laservall S.p.a.	105	105	-
Informatics	-	2,386	(2,386)
DL France	51	43	8
Total short-term deferred tax liabilities	156	2,534	(2,378)
Datalogic Spa	1,872	1,925	(53)
DL Ab	-	-	-
DL GMBH	88	90	(2)
Laservall S.p.A.	-	-	-
DL Pty	-	-	-
PSC	6,154	27,064	-20,910
Informatics	2,256	-	2,256
EMS	-	-	-
Total long-term deferred tax liabilities	10,370	29,079	(18,709)
Deferred tax liabilities posted due to effect of IFRS transition	5,712	5,764	(52)
Deferred tax liabilities due to effect of Laservall consolidation adjustments	3,024	3,145	(121)
Total deferred tax liabilities	19,262	40,522	(21,260)

The item "Deferred tax liabilities posted due to effect of IFRS transition" consists of taxes calculated on adjustments made to adapt accounts to the new accounting standards (IASs/IFRSs).

Deferred taxes recognised due to effect of consolidation adjustments for Laservall SpA include deferred taxes (€3,868 thousand as of the date of initial recognition) recognised for the acquisition of this subsidiary. In that regard, certain intangible assets (know-how and the Far East Window) were specifically recognised and measured at fair value, and the related deferred tax liabilities were recorded for these assets, which are recognised on the financial statements, but not for tax purposes. This provision is released in parallel with the process of amortisation.

The deferred tax liabilities related to Informatics and the PSC group are of a similar nature.

Of the decrease in deferred tax liabilities for the PSC group, €19,197 is related to the remeasurement of deferred taxes as part of the purchase accounting process.

14. Post-employment benefits

Changes in this liability during the period were as follows:

	€/000
31/12/2005	6,894
Amount provisioned in the period	378
Utilisation	-129
31/03/2006	7,143

Utilisations were attributable to the direct parent company in the amount of €129 thousand, of which €45 thousand for advances and €84 thousand for resignations.

15. Provisions for risks and charges

A breakdown of the total provisions for risks and charges is as follows:

	31/03/2006	31/12/2005	Change
Short-term provisions for risks and charges	5,114	4,319	795
Long-term provisions for risks and charges	4,724	4,600	124
Total provisions for risks and charges	9,838	8,919	919

Below is a breakdown of the changes occurring in the item:

	31/12/2005	Increases	(Uses)	Unused amounts	Forex differences	31/03/2006
Product warranty provision	4,672	115		(400)	(79)	4,308
Litigation provision	1,371		(377)		(29)	965
Restructuring provision	-	1,352				1,352
Provision for management incentive scheme	1,104	300				1,404
Other	1,772	107			(70)	1,809
Total provisions for risks and charges	8,919	1,874	(377)	(400)	(178)	9,838

The product warranty provision represents estimated costs to be incurred for service work on products sold under a periodical warranty. It totals €4,308 thousand and is deemed to be adequate in order to cover the risk to which it refers. It is mainly attributable to the PSC Group (€3,062 thousand, of which €1,828 thousand long-term), to the direct parent company (€950 thousand) and to Laservall SpA (€240 thousand).

The provision for corporate restructuring costs was established for the restructuring plan for the PSC group.

The litigation provision is mainly attributable (€744 thousand) to the PSC Group for a lawsuit currently under way and was used during the quarter in the amount of €371 thousand.

Of the provision for the management incentive scheme, €1,300 thousand is attributable to the direct parent company and €104 thousand to the PSC Group.

Other provisions primarily include:

- €1,142 thousand for the provision for stock-rotation risks related to the PSC Group;
- €358 thousand attributable to the PSC Group and allocated for compliance with directive 2002/95/EC, i.e. the directive on restrictions of use of certain hazardous substances in electric and electronic equipment, enacted into Italian law by legislative decree no. 151 of 25/7/2005.

16. Other liabilities

The decrease in this item is primarily comprised of the reclassification to short-term (€1,000 thousand) of Datalogic SpA's debt for the acquisition of Laservall SpA, i.e. the portion of the third earn-out to be paid on 31/12/2006. It should be pointed out that the entire debt continues to be recognised as it is thought likely that the business and financial objectives to which payment of this sum is subject will be achieved. The sum was, in any case, included in the value of the acquisition.

CURRENT LIABILITIES

17. Trade and other payables

These are the details of trade and other payables:

	31/03/2006	31/12/2005	Change
Trade and other payables	82,905	81,325	1,580
Trade payables	49,854	44,653	5,201
Trade payables due within 12 months	47,948	43,263	4,685
Trade payables due beyond 12 months	-	-	-
Amounts payable to associates	5	15	(10)
Idec Datalogic Co. Ltd	-	15	(15)
Laservall Asia	5	-	5
Amounts payable to ultimate parent company	1,495	998	497
Related-party payables	406	377	29
Other current payables	26,517	30,906	(4,389)
Accrued liabilities and deferred income	6,534	5,766	768

Trade payables

Trade payables include €4,028 thousand stemming from the consolidation of Datalogic Slovakia.

Related-party payables are related to Datasensor.

Amounts payable to the ultimate parent company consisted of Laservall SpA's debt to Hydra following participation in domestic tax consolidation.

Other current payables

The detailed breakdown of other current payables is as follows:

Other current payables	31/03/2006	31/12/2005	Change
Acquisition of equity interest in Laservall SpA	1,000	2,000	(1,000)
Pension and social security agencies	1,741	2,555	(814)
Employees	8,822	9,401	(579)
Cautionary deposits	9,984	10,172	(188)
Directors' remuneration	2,621	633	1,988
Insurance	40	-	40
Royalty costs yet to be paid	1,597	1,686	(89)
Sundry current payables	712	4,459	(3,747)
Total	26,517	30,906	(4,389)

Employee payables represent amounts due for salaries and holidays accrued by staff as at the balance sheet date.

Cautionary deposits are comprised of the residual payable to the seller of PSC Holding for the acquisition of the PSC Group.

Sundry current payables declined due to the payment of the PSC payables related to the acquisition that were outstanding as of 31 December 2005.

Accrued liabilities and deferred income

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

	31/03/2006	31/12/2005	Change
a) Accrued liabilities			
Interest payable for long-term loans	215	85	130
Advisory services	324	310	14
Advertising and promotion	98	381	(283)
Other	759	571	188
Total accrued liabilities	1,396	1,347	49
b) Deferred income			
Maintenance contracts	2,201	1,945	256
Intercompany transactions	287	225	62
Warranty extension	696	615	81
Capital grants	666	666	-
Other	1,288	968	320
Total deferred income	5,138	4,419	719
Total accrued liabilities & deferred income	6,534	5,766	768

The balance of maintenance contracts is primarily attributable to the PSC Group (€1,712 thousand) and to Datalogic UK (€192 thousand) following the deferral of the share of revenues of the maintenance contracts signed with customers.

The "Intercompany transactions" item concerns elimination of inventory margin for the companies Idec Datalogic Co. Ltd. (€241 thousand) and Laservall Asia (€46 thousand), which are measured at equity.

Capital grants, in the amount of €666 thousand, reflect the reclassification of government capital grants for assets, obtained in the past by the subsidiary Datasud Srl (now merged with the direct parent company).

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

Other deferred income includes €1,030 thousand attributable to the PSC Group for revenues that were deferred because they related to specific contracts that had not yet been fully completed.

18. Taxes payable

	31/03/2006	31/12/2005	Change
Short-term taxes payable	7,991	5,528	2,463
Long-term taxes payable	19	7	12
Total	8,010	5,535	2,475

As at 31 March 2006, taxes payable totalled €8,010 thousand and may be broken down by company as follows:

Short-term taxes payable	31/03/2006	31/12/2005	Change
DL SPA	3,535	2,042	1,493
PSC	1,100	1,147	(47)
Laservall S.p.a.	670	573	97
DL AB Holding	24	19	5
DL AB	136	227	(91)
Informatics	258	9	249
DL GMBH	410	627	(217)
BV	487	34	453
HANDEL	4	7	(3)
DL Iberia	460	339	121
DL France	183	31	152
DL AB	-	-	-
DL INC	96	-	96
DL UK	385	422	(37)
INC.	-	52	(52)
EMS	2	-	2
DL PTY	5	-	5
DL Slovakia	253	-	253
DL Asia	-	-	-
Total	8,007	5,528	2,479
Payables recognised due to effect of consolidation adjustments	(16)	-	(16)
Total short-term taxes payable	7,991	5,528	2,463
Long-term taxes payable			
DL UK	19	-	19
DL Pty	-	7	(7)
PSC	-	-	-
Informatics	-	-	-
EMS	-	-	-
Total long-term taxes payable	19	7	12

INFORMATION ON P&L ACCOUNT

19. Revenues

	31/03/2006	31/03/2005	Change
Revenues from sale of products	91,583	35,072	56,511
Revenues for services	3,665	1,546	2,119
Total revenues	95,248	36,618	58,630

Total revenues increased by 160% YoY (17% YoY net of Informatics and of the PSC Group).

For greater detail, reference should be made to the comments contained in the section "Revenue trends and key factors affecting operations for the period" of the management report.

The percent geographical breakdown of revenues is as follows:

	31/03/2006	31/03/2005	Change
Revenues - Italy	9%	19%	-10%
Foreign revenues – Rest of EU	45%	51%	-6%
Foreign revenues – Rest of world	46%	30%	16%

20. Cost of goods sold and operating costs

It should be noted that as of the first quarter of 2006, in order to provide a more accurate breakdown by cost centre, general and administrative costs of the sales offices have been classified among distribution costs. As such, for the purposes of comparison, the figures for 31 March 2005 have been reclassified accordingly. The table below presents the adjustments made.

	31/03/2005	Reclassifications	31/03/2005
TOTAL COST OF GOODS SOLD (1)	17,916		17,916
TOTAL OPERATING COSTS (2)	14,860	-	14,860
R&D expenses	3,268	-	3,268
Distribution expenses	5,904	1,548	7,452
General & administrative expenses	5,391	(1,548)	3,843
Other operating costs	297		297
TOTAL (COGS + OPERATING COSTS)	32,776	-	32,776

	31/03/2006	31/03/2005	Change
TOTAL COST OF GOODS SOLD (1)	53,924	17,916	36,008
TOTAL OPERATING COSTS (2)	43,162	14,860	28,302
R&D expenses	6,657	3,268	3,389
Distribution expenses	22,532	7,452	15,080
General & administrative expenses	11,740	3,843	7,897
Other operating costs	2,233	297	1,936
TOTAL (COGS + OPERATING COSTS)	97,086	32,776	64,310

Total cost of goods sold (1)

This item increased by 201% YoY (without Informatics and the PSC group, it would have increased by 13%).

Total operating costs (2)

R&D expenses, which totalled €6,657 thousand as at 31 March 2006 (€3,925 thousand net of the PSC group) were equivalent to 7% of revenues (7.68% net of the PSC group) and doubled over the same period of the previous year due primarily to the consolidation of the PSC group.

Distribution expenses totalled €22,532 thousand. Net of Informatics, the PSC group, and Datalogic Slovakia, the total falls to €9,116 thousand, for an increase of €1,664 thousand over the same period of 2005. This increase is comprised primarily of the following:

- €700 thousand attributable to Datalogic SpA;
- €216 thousand attributable to Datalogic BV;
- €219 thousand attributable to Datalogic Inc.

The increase for the parent company is primarily due to costs incurred for the corporate convention which took place in February 2006 but not in 2005. For the other two companies, the increase is related primarily to the cost of sales staff.

General and administrative expenses totalled €11,740 thousand (€6,768 thousand net of Informatics, the PSC group, and Datalogic Slovakia). The increase of €2,925 thousand is mainly attributable to the parent company for a non-recurrent remuneration for the CEO in the amount of €2 million, as well as to extraordinary consultancy services in the amount of €496 thousand.

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

	31/03/2006	31/03/2005	Change
Capital losses on assets	11		11
Incidental costs and cancellation of income items	98	93	5
Doubtful-debt provision	51	35	16
Other provisions	1,769	25	1,744
Non-income taxes	204	63	141
Other	101	81	20
TOTAL OTHER OPERATING COSTS	2,233	297	1,936

"Other provisions" include:

- €300 thousand for a provision made by the direct parent company for the estimated portion for the first quarter of 2006 of a long-term management incentive scheme (due to end in 2008);
- €107 thousand for a provision for tax assessments under way concerning the parent company;
- €1,361 thousand for the restructuring provision for the PSC Group.

Non-income taxes are primarily attributable to the PSC Group in the amount of €126 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 that make up such costs:

	31/03/2006	31/03/2005	Change
Payroll & employee benefits	26,227	11,632	14,595
Deprec. & amort. (D&A)	4,483	1,777	2,706
Inventory change	-7,526	-2,115	(5,412)
Materials and goods	49,692	14,371	35,322
Outsourced processing	963	758	205
Repairs	1,040	534	506
Marketing	1,706	507	1,199
Directors' remuneration	2,529	452	2,077
Travel & accommodation	1,601	521	1,080
Technical, legal, and tax advisory services	2,090	633	1,457
Goods receipt & shipment	2,060	440	1,620
Meetings	591	22	569
Other costs	11,630	3,244	8,386
Total (COGS + operating costs)	97,086	32,776	64,310

The increase in depreciation & amortisation was mainly due to:

- the inclusion of PSC for a total of €2,216 thousand (of which €1,040 thousand due to the amortisation of intangible assets following the acquisition);
- the inclusion of Informatics for a total of €236 thousand (of which €166 thousand due to the amortisation of intangible assets following the acquisition);
- the inclusion of Datalogic Slovakia for a total of €49 thousand.

Cost of goods sold, which is the sum of the items "Materials and goods" and "Inventory change", amounted to €56,316 thousand net of Informatics and of the PSC Group and increased by 15%.

The increase in outsourced processing is mainly attributable to the consolidation of the PSC group (€99 thousand) and to Laservall SpA (€63 thousand).

The €506 thousand increase in repairs is due primarily to the inclusion of the PSC group (€465 thousand).

Marketing expenses (€586 thousand net of Informatics and the PSC group) amounted to €1,706 thousand and may be broken down as follows: advertising spending and sponsorships (€836 thousand); tradeshow

(€534 thousand), and marketing funds for co-marketing participation in commercial partners' marketing spending (€336 thousand).

The increase in directors' remuneration is due to the €2 million for a non-recurrent remuneration for the CEO of the parent company.

Travel and accommodation costs totalled €1,601 thousand (€645 thousand net of Informatics, the PSC group, and Datalogic Slovakia).

Advisory service costs totalled €2,090 thousand, €818 thousand of which is attributable to the direct parent company. Net of Informatics and the PSC group, these costs totalled €1,184 thousand, for an increase of €551 thousand over the same period of the previous year. The increase is due primarily to a non-recurrent service in the amount of €496 thousand.

Goods receipt and shipment expenses totalled €2,060 thousand. Net of Informatics, the PSC group, and Datalogic Slovakia, these costs are essentially unchanged from the same period of the previous year.

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

	31/03/2006	31/03/2005	Change
Wages and salaries	20,605	8,887	11,718
Social security charges	4,468	1,961	2,507
Severance indemnities	378	230	148
Retirement and similar benefits	81	71	10
Other costs	695	483	212
Total	26,227	11,632	14,595

The increase in payroll costs was mainly due to:

- the consolidation of the PSC group (€11,330 thousand for 809 employees), Informatics (€1,586 thousand for 97 employees), and Datalogic Slovakia (€176 thousand for 79 employees);
- the greater use of temporary work by the direct parent company (€276 thousand increase over the same period of 2005).

21. Other operating revenues

A detailed breakdown of this item is as follows:

	31/03/2006	31/03/2005	Change
Miscellaneous income and revenue	86	356	(270)
Rent income	44	61	(17)
Commissions	1		1
Charge-back of miscellaneous costs	94	57	37
Capital gains on asset disposals	8		8
Operating grants	-	13	(13)
Incidental income and cost cancellation	93	19	74
Other	67		67
TOTAL OTHER REVENUES	393	506	(113)

The decline in this item is mainly attributable to the direct parent company, which, as of 31 March 2005, had released company restructuring provisions on the accounts the end of 2004 (€341 thousand) resulting from the acquisition of a business unit.

Incidental income and cost cancellation includes €90 thousand attributable to Laservall.

22. Net finance costs

	31/03/2006	31/03/2005	Change
Interest expenses for bank overdrafts/loans	1,178	71	1,107
Foreign exchange differences	1,196	479	717
Banking expenses	229	70	159
Other	526	54	472
TOTAL FINANCE EXPENSE	3,129	674	2,455
Interest income on bank current accounts/loans	347	184	163
Foreign exchange differences	616	645	(29)
Other	40	44	(4)
TOTAL FINANCE INCOME	1,003	873	130
NET FINANCE INCOME/(EXPENSE)	(2,126)	199	(2,325)

Total finance expense

Of the total interest expenses for bank overdrafts/loans, in the amount of €1,178 thousand, €756 thousand is attributable to the PSC group, €265 thousand to the direct parent company, and €124 thousand to Informatics.

Foreign exchange differences, totalling €1,196 thousand, are mainly attributable to the direct parent company (€637 thousand), to the PSC group (€263 thousand), and to Datalogic Slovakia (€158 thousand).

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

- €225 thousand in foreign exchange losses relating to commercial transactions, of which €134 thousand for alignment with the end-of-period exchange rate;
- €405 thousand in foreign exchange losses relating to foreign currency loans and current accounts, of which €367 thousand for alignment with the end-of-period exchange rate;

- €7 thousand in forward hedging transactions.

Banking expenses, in the amount of €229 thousand, include €176 thousand attributable to the direct parent company, of which €170 thousand related to new financing.

Other finance expenses include €500 thousand attributable to Laservall for losses resulting from the sale of IXLA in 2005.

Total finance income

Interest income on bank current accounts/loans, in the amount of €347 thousand, is mainly attributable to the direct parent company (€299 thousand).

Foreign exchange differences, totalling €616 thousand, are mainly attributable to the direct parent company (€180 thousand), to the PSC group (€289 thousand), and to Datalogic Slovakia (€80 thousand).

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

- €96 thousand in foreign exchange gains relating to commercial transactions, of which €49 thousand for alignment with the end-of-period exchange rate;
- €12 thousand in foreign exchange gains on foreign-currency current accounts and financing;
- €72 thousand for hedging transactions.

Income from associates is negative at €377 thousand and is related primarily to the line-by-line consolidation of Datalogic Slovakia, which was measured at cost for the prior year.

23. Earnings per share (EPS)

Basic EPS

Basic EPS as at 31 March 2006 is calculated on a Group net loss (i.e. of the direct parent company's shareholders) of €3,627 thousand (vs. net income of €2,836 for the first quarter of 2005) divided by the weighted average number of ordinary shares outstanding during the first quarter of 2006 (i.e. 14,693,013 vs. the 11,684,949 of the first quarter of 2005).

Diluted EPS

Diluted EPS for the first quarter of 2006 is calculated on a Group net loss (i.e. of the direct parent company's shareholders) of €3,627 thousand (vs. net income of €2,836 for the first quarter of 2005) divided by the

weighted average number of ordinary shares outstanding during the first quarter of 14.693.013 (i.e. 14,693,013 vs. the 11,684,949 of the first quarter of 2005) plus the effect of the stock options that may be exercised in the future, as follows.

	31/03/2005	31/03/2006
Group profit/(loss) for period	2,836,000	-3,627,000
Average number of shares as at 31 March	11,684,949	14,696,013
Effect of future exercise of stock options	164,519	58,141
Diluted average number of shares as at 31 March	11,849,468	14,754,154
Diluted EPS	0.2393	-0.2458

INFORMATION BY SEGMENT

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), whilst 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 actual intercompany selling prices.

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

Segment information by division

The Group consists of the following business segments:

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

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

- Industrial marking products
- Distribution of automatic identification products.

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

	Data Capture		Business Development		Adjustments		Consolidated	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
REVENUES							-	-
External sales	76,645	29,465	18,603	7,153			95,248	36,618
Intersegment sales	198	-	21	20	(219)	(20)	-	-
Total sales	<u>76,843</u>	<u>29,465</u>	<u>18,624</u>	<u>7,173</u>	<u>(219)</u>	<u>(20)</u>	<u>95,248</u>	<u>36,618</u>
Cost of goods sold	44,689	14,402	8,210	3,514			52,899	17,916
Intersegment cost of goods sold	19	11	193		(212)	(11)	-	-
Gross profit	<u>32,135</u>	<u>15,052</u>	<u>10,221</u>	<u>3,659</u>	<u>(7)</u>	<u>(9)</u>	<u>42,349</u>	<u>18,702</u>
Other attributable revenues	263	467	130	39			393	506
Other intersegment revenues	97	75	-		(97)	(75)	-	-
Operating costs:								
R&D expenses	5,538	2,393	1,096	875			6,634	3,268
Distribution expenses	19,167	6,586	3,419	941	(97)	(75)	22,489	7,452
Allocable G&A costs	4,844	1,760	1,662	671	(4)	1	6,502	2,432
Other allocable operating costs	697	207	175	90			872	297
SEGMENT RESULT	2,249	4,648	3,999	1,121	(3)	(10)	6,245	5,759
Unallocable G&A costs	-	-	-	-			1,212	1,088
OPERATING PROFIT	2,249	4,648	3,999	1,121	(3)	(10)	5,033	4,671
Allocable net non-recurrent (costs)	(3,492)	-	(490)	(323)			(3,982)	(323)
Unallocable net non-recurrent (costs)	-						(2,496)	-
Net finance costs	-						(2,126)	199
Share of associates' profit	(416)	100	39	40			(377)	140
Income tax	-						(360)	1,851
NET PROFIT	(1,659)	4,748	3,548	838	(3)	(10)	(3,588)	2,836
OTHER INFORMATION								
Segment assets	314,994	106,677	53,042	27,436	(256)	(25)	367,780	134,088
Interests in associates booked at equity	612	539	204	11,429			816	11,968
Unallocable assets	-						48,322	64,771
Total assets	<u>315,606</u>	<u>107,216</u>	<u>53,246</u>	<u>38,865</u>	<u>(256)</u>	<u>(25)</u>	<u>416,918</u>	<u>210,827</u>
Segment liabilities	85,891	34,507	9,269	4,637	(329)	(241)	94,831	38,903
Unallocable liabilities	-						122,205	41,525
Equity	-						199,882	130,399
Total liabilities & equity	<u>85,891</u>	<u>34,507</u>	<u>9,269</u>	<u>4,637</u>	<u>(329)</u>	<u>(241)</u>	<u>416,918</u>	<u>210,827</u>
Deprec. & amort. (D&A)	2,611	1,610	260	132			2,871	1,742
Unallocable D&A	-						82	34

For comments, reference should be made to the "Segment Information" section of the Management Report.

NUMBER OF EMPLOYEES

	31/03/2006	31/03/2005	Change
DL SpA	553	554	(1)
DL AB	25	33	(8)
DL France	16	17	(1)
DL Iberia	20	18	2
DL Central Europe	47	53	(6)
DL Benelux	12	0	12
DL INC	46	44	2
DL PTY	14	12	2
DL UK	14	16	(2)
EMS	60	62	(2)
Informatics	97	0	97
Laservall	79	75	4
Gruppo PSC	809	0	809
Slovakia	79	0	79
Asia	5	0	5
Total	1,792	884	908

Chairman of the Board of Directors
Romano Volta

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

	Note	31-03-06 Euro/000	31-12-05 Euro/000	31-03-05 Euro/000
ASSETS				
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		234.406	255.888	86.165
1) Tangible non-current assets		51.528	50.461	37.216
Land	1	6.419	6.457	5.860
Buildings	1	18.797	18.928	17.195
Plant & machinery	1	7.804	6.711	2.586
Other tangible assets	1	16.363	16.528	11.435
Assets in progress and payments on account	1	2.145	1.837	140
2) Investment property		0	0	0
3) Intangible non-current assets		173.275	196.820	27.715
Goodwill	2	83.774	103.360	9.893
Development costs	2	3.713	3.908	4.026
Other intangible assets	2	85.788	89.552	13.796
4) Equity interests in associate companies	3	816	801	11.968
5) Available-for-sale financial assets (non-current)		2.744	2.984	5.600
Equity investments	4	872	1.112	1.112
Treasury stock				
Securities	4	1.872	1.872	4.488
6) Trade and other receivables		833	796	118
7) Deferred tax credits	13	5.205	4.021	3.548
8) Tax credits	7	5	5	
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		182.512	180.152	124.662
9) Inventories	5	58.173	51.512	25.996
Raw & auxiliary materials plus consumables	5	36.231	28.547	16.226
Work in progress and semiprocessed goods	5	5.902	7.627	806
Finished products and goods for resale	5	16.040	15.338	8.964
10) Job-order work in progress		0	0	0
11) Trade and other receivables	6	83.971	87.534	43.043
Trade receivables	6	80.038	83.727	40.874
Within 12 months		78.803	81.734	39.462
After 12 months		41	0	0
Amounts receivable from associates		995	1.236	1.272
Amounts receivable from subsidiaries			150	
Amounts receivable from parent company		65	443	
Amounts receivable from related parties		134	164	140
Other receivables	6	1.076	1.783	1.049
Accrued income and prepaid expenses	6	2.857	2.024	1.120
12) Tax credits	7	8.675	6.948	8.971
13) Available-for-sale financial assets (current)	8	943	4.012	20.886
Securities		943	3.497	10.811
Loans to subsidiaries			515	10.075
14) Hedging instruments	9			128
15) Cash & cash equivalents	10	30.750	30.146	25.638
TOTAL ASSETS (A+B)		416.918	436.040	210.827

DATALOGIC S.p.A.
CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	31-03-06 Euro/000	31-12-05 Euro/000	31-03-05 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	199.882	129.861	130.399
1) Share capital		166.579	90.556	88.039
Share capital		33.011	25.746	25.208
Treasury stock		1.514	1.881	1.933
Share premium reserve		127.615	58.490	56.459
Demerger capital reserve		4.439	4.439	4.439
2) Reserves		-811	1.627	60
Revaluation reserves			0	
Consolidation reserve			0	
Translation reserve/(loss)		-814	1.548	
Cash-flow hedge reserve			0	
Fair-value reserve from available-for-sale financial assets		3	79	60
3) Retained earnings/(losses carried forward)		37.354	24.346	39.464
Previous years' earnings/(losses)		21.718	9.216	24.353
Reserve for gain on Datasud cancellation		4.432	4.432	4.432
Untaxed capital grant reserve		256	256	256
Legal reserve		1.399	1.399	1.399
Treasury stock reserve		462	0	0
IAS transition reserve		9.087	9.043	9.024
4) Profit/(loss) for period		-3.627	12.997	2.836
5) Minority interests		387	335	
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		42.762	65.542	25.464
6) Borrowing	12	11.139	12.283	5.450
7) Tax payables	18	19	7	27
8) Deferred tax liabilities	13	19.262	40.522	10754
9) Employee severance indemnity and retirement provision	14	7.143	6.894	5803
10) Long-term provisions for risks and expenses	15	4.724	4.600	2363
11) Other non-current liabilities	16	475	1.236	1.067
C) CURRENT LIABILITIES (12+13+14+15)		174.274	240.637	54.964
12) Trade and other payables	17	82.905	81.325	31.123
Trade payables		49.854	44.653	19.444
Within 12 months		47.948	43.263	19.077
After 12 months			0	
Amounts payable to associates		5	15	11
Amounts payable to parent company		1.495	998	
Amounts payable to related parties		406	377	356
Accrued liabilities and deferred income		6.534	5.766	2.426
Other current payables		26.517	30.906	9.253
13) Taxes payable	18	7.991	5.528	12.336
14) Short-term provisions for risks and expenses	15	5.114	4.319	
15) Hedging instruments	9	75	116	
16) Short-term borrowing	12	78.189	149.349	11.505
TOTAL LIABILITIES (A+B+C)		416.918	436.040	210.827

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

	Note	31-03-06 Euro/000	31-03-05 Euro/000
1) TOTAL REVENUES	19	95.248	36.618
Revenues from sale of products		91.583	35.072
Revenues from services		3.665	1.546
2) Cost of goods sold	20	53.924	17.916
GROSS PROFIT (1-2)		41.324	18.702
3) Other operating revenues	21	393	506
4) R&D expenses	20	6.657	3.268
5) Distribution expenses	20	22.532	7.452
6) General & administrative expenses	20	11.740	3.843
7) Other operating expenses	20	2.233	297
Total operating costs (4+5+6+7)		43.162	14.860
OPERATING PROFIT		-1.445	4.348
8) Financial income	22	-2.126	199
9) Share of associate companies' profits	3	-377	140
PRE-TAX PROFIT/(LOSS)		-3.948	4.687
Taxes		-360	1.851
NET PROFIT FOR PERIOD		-3.588	2.836
Minority interests' share of net profit		39	0
GROUP NET PROFIT		-3.627	2.836
Earning per share (Euro)	23	-0,2639	0,2427
Diluted earning per share (Euro)	23	-0,2628	0,2393

DATALOGIC S.p.A.
CONSOLIDATED CASH FLOW STATEMENT

	31-03-06 Euro/000	31-12-05 Euro/000
Short-term net financial position at beginning of period	-115.307	38.399
Net profit/(loss) for period	-3.627	11.558
Depreciation & amortisation	4.483	7.579
Employee severance indemnity provision	378	1.409
Write-down of financial assets	-81	-229
Current cash flow	1.153	20.317
Effect of changes in operating assets and liabilities:		
Trade receivables	3.689	-1.576
Inventories	-6.661	-216
Other current assets	-1.853	3.509
Other medium-/long-term assets	-1.221	-39
Trade payables	5.201	5.917
Taxes payable	2.475	-5.518
Other current liabilities	-3.622	-2.701
Other medium-/long-term liabilities	-761	-1.964
Deferred taxes	-21.260	2.822
Provisions for risks and expenses	919	49
Employee severance indemnities paid out	-129	-457
Net change in operating assets and liabilities	-23.223	-174
Operating cash flow/(absorption)	-22.070	20.143
Cash flow/(absorption) from investment activities:		
(Increase)/decrease in intangible non-current assets	21.323	-2.047
(Increase)/decrease in tangible non-current assets	-3.328	-4.740
(Increase)/decrease in unconsolidated equity investments	307	279
PSC		-82.224
Short financial position PSC		-72.996
Informatics		-11.265
Short financial position Informatics		752
Investment cash flow/(absorption)	18.302	-172.241
Cash flow/(absorption) from financing activities:		
Medium-/long-term loans taken out net of portions repaid in the period	-1.144	-2.119
Minority interests' net equity	52	335
Effect of exchange-rate changes on consolidation of foreign companies	-2.362	578
Other changes in net equity	-638	13.531
Share capital increase (issue of new shares)	76.596	
Dividend distribution	0	-15.040
(Increase)/decrease in non-current financial assets	0	1.107
Finance cash flow/(absorption)	72.504	-1.608
Change in net financial position	68.736	-153.706
Short-term net financial position at end of period	-46.571	-115.307

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

Description	Share capital	Other reserves			Net profit for previous years								Net profit for period	Net equity	Minority Equity
		Fair value reserve	Translation reserve	Total Other reserves	Consolid. Reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total			
31.12.03	78.241	71	-	71	1.878	6.375	-	-	617	5.381	9.042	23.293	7.180	108.785	-
Profit allocation				-		4.821			245			5.066	7.180	-2.114	
Capital increase	1.733			-								-		1.733	
Treasury shares	-3.099			-		-4.292				4.292		-		-3.099	
Datasud merger				-	-1.878	-2.810	4.432	256				-		-	
Fair value adjustment		12		12								-		12	
Translation reserve			-301	-301								-		-301	
Other changes				-		-41					3	-38		-38	
Net profit at 31.12.04				-								-	11.211	11.211	
31.12.04	76.875	83	-301	-218	-	4.053	4.432	256	862	9.673	9.045	28.321	11.211	116.189	-
Profit allocation				-		7.984			537			8.521	-11.211	-2.690	
Capital increase	3.725			-								-		3.725	
Translation reserve			1.849	1.849								-		1.849	
Increase in IFRS reserve				-							-2	-2		-2	
Sale of treasury shares	10.361			-		9.673				-9.673		-		10.361	
Fair value adjustment		-4		-4								-		-4	
Capital increase charges	-405			-								-		-405	
Extraordinary dividend				-		-12.350						-12.350		-12.350	
Other changes				-		-144						-144		-144	164
Net profit as at 31.12.05				-								-	12.997	12.997	171
31.12.2005	90.556	79	1.548	1.627	-	9.216	4.432	256	1.399	-	9.043	24.346	12.997	129.526	335
Profit allocation				-		12.997						12.997	-12.997	-	
Capital increase	76.907			-								-		76.907	
Translation reserve			-2.362	-2.362								-		-2.362	13
Increase in IFRS reserve				-							44	44		44	
Sale of treasury shares	-263			-		-462				462		-		-263	
Fair value adjustment		-76		-76								-		-76	
Capital increase charges	-621			-								-		-621	
Extraordinary dividend				-								-		-	
Other changes				-		-33						-33		-33	335
Net profit as at 31.03.06				-								-	-3.627	-3.627	39
31.03.2006	166.579	3	-814	-811	-	21.718	4.432	256	1.399	462	9.087	37.354	-3.627	199.495	387

ENCLOSURE 1

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNT

31-03-05 adjusted considering the "general & administrative expenses" of trade subsidiaries as "distribution expenses"

	Note	31-03-05 Euro/000	Adjust.	31-03-05 adjusted Euro/000
1) TOTAL REVENUES	20	36.618	0	36.618
Revenues from sale of products		35.072		35.072
Revenues from services		1.546		1.546
2) Cost of goods sold	21	17.916		17.916
GROSS PROFIT (1-2)		18.702	0	18.702
3) Other operating revenues	21	506		506
4) R&D expenses	21	3.268		3.268
5) Distribution expenses	21	5.904	1.548	7.452
6) General & administrative expenses	21	5.391	-1.548	3.843
7) Other operating expenses	21	297		297
Total operating costs (4+5+6+7)		14.860	0	14.860
OPERATING PROFIT		4.348	0	4.348
8) Financial income	22	199		199
9) Share of associate companies' profits	3	140		140
PRE-TAX PROFIT/(LOSS)		4.687	0	4.687
Taxes	23	1.851		1.851
NET PROFIT FOR PERIOD		2.836	0	2.836
Minority interests' share of net profit		0		0
GROUP NET PROFIT		2.836	0	2.836
Earning per share (Euro)		0,2427		0,2427
Diluted earning per share (Euro)		0,2393		0,2393

ENCLOSURE 2

DATALOGIC S.p.A.

CONSOLIDATED PROFIT & LOSS ACCOUNT

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

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