



# **Consolidated financial statements**

**31st March 2007**

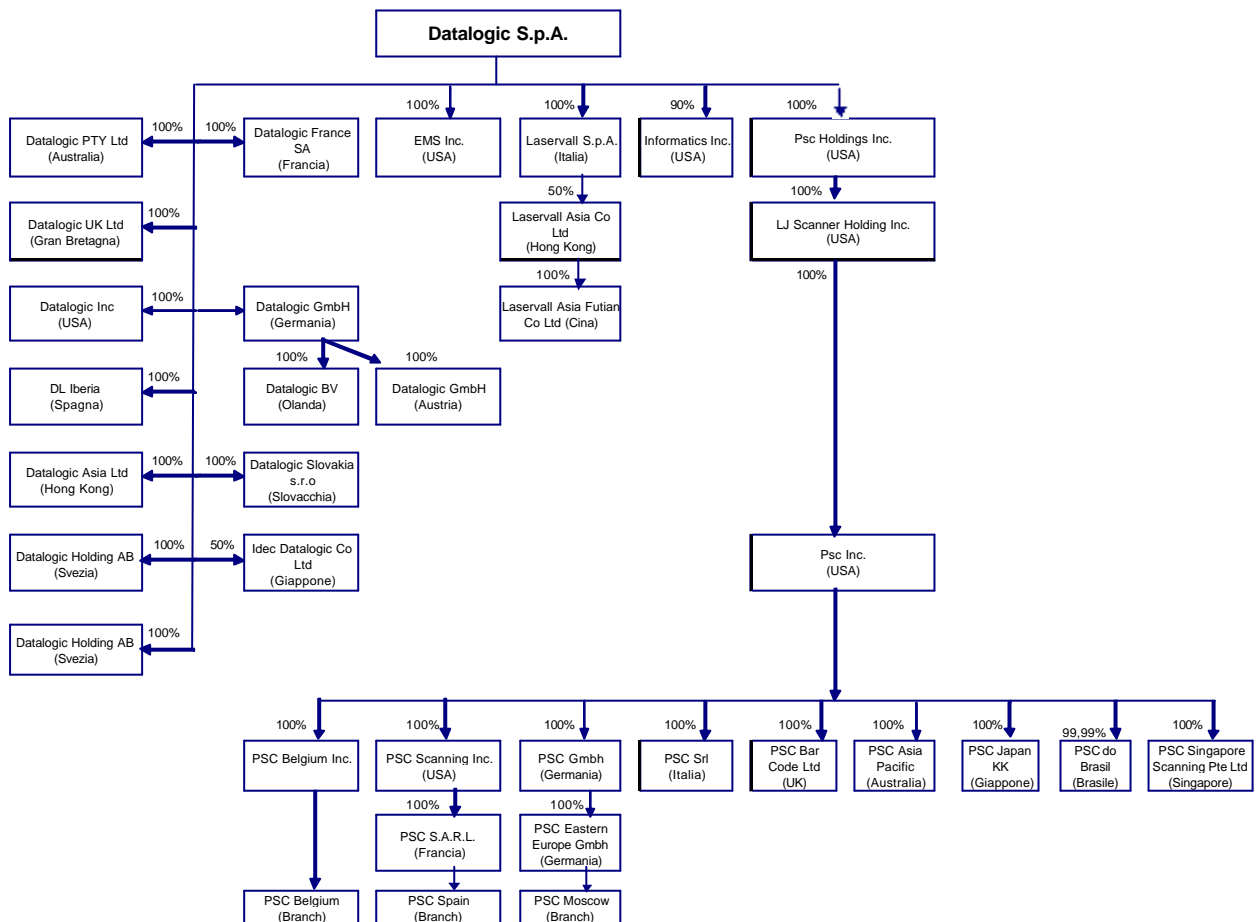


## **DATALOGIC GROUP**

### **Consolidated financial statements and report for the first quarter of 2007**

<i>GROUP STRUCTURE</i>	<i>pag. 1</i>
<i>COMPOSITION OF CORPORATE GOVERNANCE BODIES</i>	<i>pag. 2</i>
<i>MANAGEMENT REPORT</i>	<i>pag. 3</i>
<i>QUARTERLY FINANCIAL STATEMENTS</i>	
<i>Balance Sheet – Assets</i>	<i>pag. 18</i>
<i>Balance Sheet – Liabilities</i>	<i>pag. 19</i>
<i>Profit &amp; Loss Account</i>	<i>pag. 20</i>
<i>Consolidated cash flow summary</i>	<i>pag. 21</i>
<i>Statement of Changes in Equity</i>	<i>pag. 22</i>
<i>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</i>	
<i>Information on performance</i>	<i>pag. 23</i>
<i>Balance Sheet information</i>	<i>pag. 42</i>
<i>Information on P&amp;L account</i>	<i>pag. 64</i>
<i>Information by segment</i>	<i>pag. 71</i>

# GROUP STRUCTURE



## COMPOSITION OF CORPORATE GOVERNANCE BODIES

---

### **Board of Directors** (1)

**Romano Volta**

Chairman (2)

**Roberto Tunioli**

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

**Pier Paolo Caruso**

Director

**Alberto Forchielli**

Director

**Giancarlo Micheletti**

Director

**Umberto Paolucci**

Director

**Elserino Piol**

Director

**Gabriele Volta**

Director

**Valentina Volta**

Director

**John O'Brien**

Director

**Angelo Manaresi**

Director

**Giovanni Tamburi**

Director

**Lodovico Floriani**

Director

---

### **Board of Statutory Auditors** (4)

**Stefano Romani**

President

**Massimo Saracino**

Standing auditor

**Mario Stefano Luigi Ravaccia**

Standing auditor

**Patrizia Passerini**

Alternate auditor

**Stefano Biordi**

Alternate auditor

---

### **Independent auditing firm**

PricewaterhouseCoopers SpA

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

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

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

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

## **DATALOGIC GROUP - NOTES ON CONSOLIDATED QUARTERLY REPORT AS AT 31 MARCH 2007**

### **MANAGEMENT REPORT**

To Our Shareholders,

The quarterly report as at 31 March 2007, which we herewith submit to you for review, has been prepared in compliance with the requirements indicated in the instructions accompanying the Regulation issued by Borsa Italiana SpA.

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

### **OPERATING AND FINANCIAL RESULTS**

The following table summarises the Datalogic Group's key operating and financial highlights as at 31 March 2007, comparing them with the same period of the 2006:

<b>Datalogic Group</b>	<b>31/03/2007</b>	<b>31/03/2006</b>	<b>YoY Change</b>	<b>ch. %</b>
<b>(€000)</b>				
TOTAL REVENUES	104,065	95,248	8,817	9.3%
EBITDA	14,006	7,986	6,020	75.4%
% of total revenues	13.5%	8.4%		
Group net profit/loss	4,316	-3,627	7,943	N.D.
% of total revenues	4.1%	-3.8%		
Net financial position (NFP)	-54,115	-55,838	1,723	-3.1%

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

As up to 31 March 2007 the **Datalogic Group recorded revenues of €104,065 thousand (vs. €95,248 thousand in the first quarter of 2006)**, detailed as follows:

- €100,561 thousand of revenues from the sale of products;
- €3,504 thousand of revenues from services.

These revenues increased by 9.3% over the same period of the previous year.

**Group EBITDA was €14,006 thousand, with a margin on total revenues of 13.5%. The increase over the same period of the previous year totals €6,020 thousand (+75.4% over the €7,986 of 31 March 2006).**

Net profit for the group as at 31 March 2007, came to €4,316 thousand.

**ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA**

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

(€000)	31/03/2007		31/03/2006		ch.	ch. %
<b>TOTAL REVENUES</b>	<b>104,065</b>	<b>100.0%</b>	<b>95,248</b>	<b>100.0%</b>	<b>8,817</b>	<b>9.3%</b>
Cost of sales	(58,051)	-55.8%	(52,899)	-55.5%	(5,152)	9.7%
<b>Gross profit</b>	<b>46,014</b>	<b>44.2%</b>	<b>42,349</b>	<b>44.5%</b>	<b>3,665</b>	<b>8.7%</b>
Other revenues	678	0.7%	393	0.4%	285	72.5%
Research and development expenses	(7,007)	-6.7%	(6,634)	-7.0%	(373)	5.6%
Distribution expenses	(19,862)	-19.1%	(22,489)	-23.6%	2,627	-11.7%
General & administrative expenses	(7,303)	-7.0%	(7,714)	-8.1%	411	-5.3%
Other operating costs	(1,577)	-1.5%	(872)	-0.9%	(705)	80.8%
<b>EBITANR</b>	<b>10,943</b>	<b>10.5%</b>	<b>5,033</b>	<b>5.3%</b>	<b>5,910</b>	<b>117.4%</b>
Non-recurring costs and revenues	(1,225)	-1.2%	(4,947)	-5.2%	3,722	-75.2%
Depreciation & amortization due to acquisitions	(1,054)	-1.0%	(1,531)	-1.6%	477	-31.2%
<b>EBIT</b>	<b>8,664</b>	<b>8.3%</b>	<b>(1,445)</b>	<b>-1.5%</b>	<b>10,109</b>	<b>-699.6%</b>
Net financial income (expenses)	(972)	-0.9%	(1,546)	-1.6%	574	N.D.
Subsidiaries' earnings/(losses)	74	0.1%	(377)	-0.4%	451	N.D.
Foreign exchange earnings/(losses)	(199)	-0.2%	(580)	-0.6%	381	N.D.
<b>Pre-tax profit/(loss)</b>	<b>7,567</b>	<b>7.3%</b>	<b>(3,948)</b>	<b>-4.1%</b>	<b>11,515</b>	<b>-291.7%</b>
Taxes	(3,205)	-3.1%	360	0.4%	(3,565)	-990.3%
<b>Net profit/(loss) for period</b>	<b>4,362</b>	<b>4.2%</b>	<b>(3,588)</b>	<b>-3.8%</b>	<b>7,950</b>	<b>-221.6%</b>
Minority interests' share of net profit	(46)	0.0%	(39)	0.0%	(7)	17.9%
<b>GROUP NET PROFIT/LOSS</b>	<b>4,316</b>	<b>4.1%</b>	<b>(3,627)</b>	<b>-3.8%</b>	<b>7,943</b>	<b>-219.0%</b>
Depreciation of tangible assets	(2,109)	-2.0%	(2,261)	-2.4%	152	-6.7%
Amortization of intangible assets	(954)	-0.9%	(692)	-0.7%	(262)	37.9%
<b>EBITDA</b>	<b>14,006</b>	<b>13.5%</b>	<b>7,986</b>	<b>8.4%</b>	<b>6,020</b>	<b>75.4%</b>

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

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

As at 31 March 2007, non-recurring costs (€1,225 thousand) consisted of the following items:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(14)	Transformation plan
<b>Total</b>	<b>(14)</b>	
3) Other operating revenues	288	Rebiling of legal costs incurred
<b>Total</b>	<b>288</b>	
4) R&D expenses	(4)	Transformation plan
<b>Total</b>	<b>(4)</b>	
5) Distribution expenses	(306)	Transformation plan
5) Distribution expenses	(74)	Early retirement incentives
<b>Total</b>	<b>(380)</b>	
6) General & administrative expenses	(825)	Transformation plan
6) General & administrative expenses	(111)	Rebiling of legal costs incurred
<b>Total</b>	<b>(936)</b>	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Rebiling of legal costs incurred
<b>Total</b>	<b>(179)</b>	
<b>TOTAL NON-RECURRING COSTS</b>	<b>(1,225)</b>	

Costs related to the transformation plan were incurred for the study and start-up of Datalogic Group's important reorganization project, which has been operational since April and has led to the creation of three operating divisions: Datalogic Scanning, Datalogic Automation, and Datalogic Mobile.

Non-recurring costs related to the transformation plan (in the amount of €1,151 thousand for the first quarter) consist primarily of consulting costs (€796 thousand) and meetings (€174 thousand).

Depreciation & amortization due to acquisitions (€1,054 thousand), included under general & administrative expenses, is made up as follows:

1. €324 thousand pertaining to Laservall;
2. €153 thousand pertaining to Informatics;
3. €577 thousand pertaining to the PSC Group.

**EBITANR came to €10,943 thousand, for a margin on sales of 10.5%, up 117.4% over the same period of the previous year.**



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

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

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

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

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

**Business segments**

The Group consists of the following business segments:

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

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

- Industrial marking products;
- Distribution of automatic identification products.

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

Primary segment results as up to 31/03/07, compared with those as up to 31/03/06 were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06
External sales	83,431	76,645	20,634	18,603			104,065	95,248
Intersegment sales	23	198	26	21	(49)	(219)	-	-
<b>Total revenues</b>	<b>83,454</b>	<b>76,843</b>	<b>20,660</b>	<b>18,624</b>	<b>(49)</b>	<b>(219)</b>	<b>104,065</b>	<b>95,248</b>
Cost of goods sold	47,440	44,689	10,611	8,210			58,051	52,899
Intersegment cost of goods sold		19	10	193	(10)	(212)	-	-
<b>Gross profit</b>	<b>36,014</b>	<b>32,135</b>	<b>10,039</b>	<b>10,221</b>	<b>(39)</b>	<b>(7)</b>	<b>46,014</b>	<b>42,349</b>
% of revenues	43.2%	41.8%	48.6%	54.9%	79.6%	3.2%	44.2%	44.5%
Other attributable revenues	635	263	43	130			678	393
Other intersegment revenues		97	45	-	(45)	(97)	-	-
<b>Allocable operating costs:</b>	<b>27,234</b>	<b>29,946</b>	<b>6,137</b>	<b>6,352</b>	<b>(40)</b>	<b>(101)</b>	<b>33,331</b>	<b>36,197</b>
% of revenues	32.6%	39.0%	29.7%	34.1%	81.6%	46.1%	32.0%	38.0%
R&D expenses	5,949	5,538	1,058	1,096			7,007	6,634
Distribution expenses	16,384	19,167	3,478	3,419		(97)	19,862	22,489
Allocable G&A costs	4,157	4,844	1,494	1,662	(40)	(4)	5,611	6,502
Other allocable operating costs	744	397	107	175			851	572
<b>SEGMENT RESULT</b>	<b>9,415</b>	<b>2,549</b>	<b>3,990</b>	<b>3,999</b>	<b>(44)</b>	<b>(3)</b>	<b>13,361</b>	<b>6,545</b>
% of revenues	11.3%	3.3%	19.3%	21.5%	89.8%	1.4%	12.8%	6.9%
Unallocable G&A costs	-						1,692	1,212
Other unallocable operating costs							726	300
<b>EBITANR</b>	<b>9,415</b>	<b>2,549</b>	<b>3,990</b>	<b>3,999</b>	<b>(44)</b>	<b>(3)</b>	<b>10,943</b>	<b>5,033</b>
% of revenues	11.28%	3.32%	19.31%	21.47%	89.80%	1.37%	10.52%	5.28%
Allocable non-recurring costs/revenues	(1,225)	(4,947)					(1,225)	(4,947)
Amortization due to acquisitions	(577)	(1,041)	(477)	(490)			(1,054)	(1,531)
<b>OPERATING RESULT (EBIT)</b>	<b>7,613</b>	<b>(3,439)</b>	<b>3,513</b>	<b>3,509</b>	<b>(44)</b>	<b>(3)</b>	<b>8,664</b>	<b>(1,445)</b>
% of revenues	9.12%	-4.48%	17.00%	18.84%	89.80%	1.37%	8.33%	-1.52%
Net financial income (expenses)							(1,171)	(2,126)
Share of associates' profit							74	(377)
Income taxes							(3,205)	360
<b>NET PROFIT/LOSS</b>							<b>4,362</b>	<b>(3,588)</b>
% of revenues							4.19%	-3.77%
Minority interests' share of net profit/loss							46	39
<b>GROUP NET PROFIT/LOSS</b>							<b>4,316</b>	<b>(3,627)</b>
% of revenues							4.15%	-3.81%

**BALANCE SHEET BY BUSINESS SEGMENT**

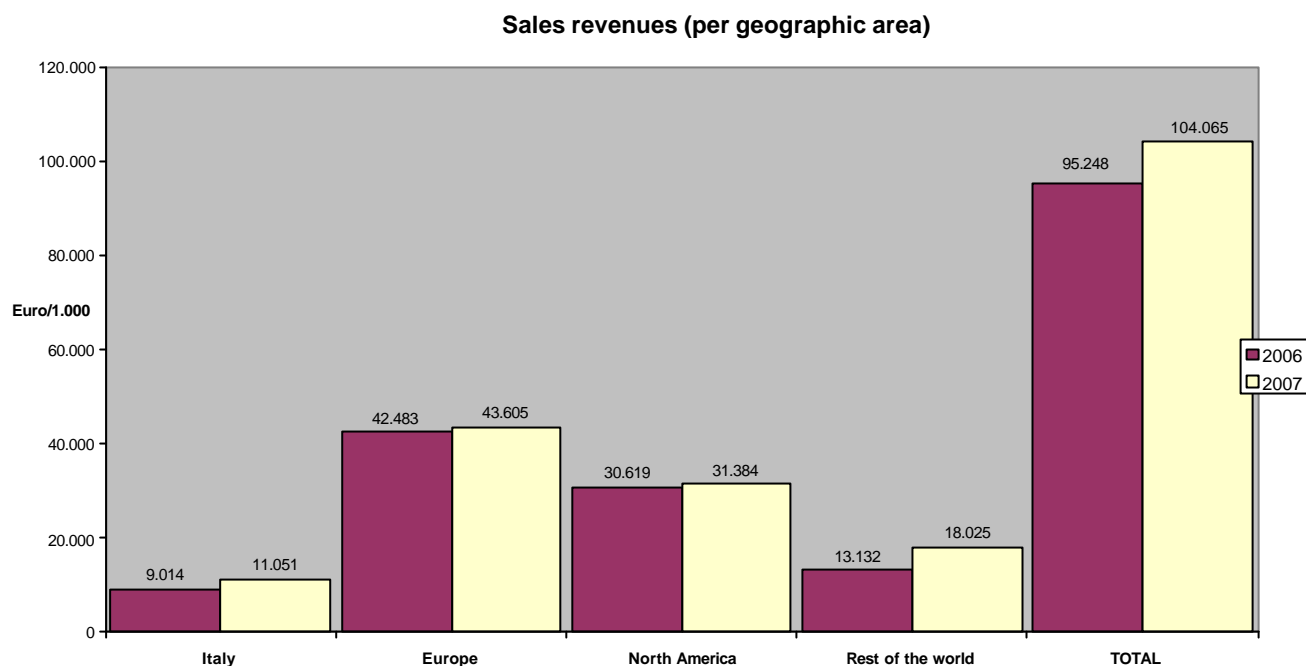
	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06
Segment assets	290,758	314,994	56,176	53,042	(194)	(256)	346,740	367,780
Interests in subsidiaries booked at equity	716	612	506	204			1,222	816
Unallocable assets							101,876	48,322
<b>Total assets</b>	<b>291,474</b>	<b>315,606</b>	<b>56,682</b>	<b>53,246</b>	<b>(194)</b>	<b>(256)</b>	<b>449,838</b>	<b>416,918</b>
Segment liabilities	70,670	85,891	10,753	9,269	(177)	(329)	81,246	94,831
Unallocable liabilities							170,899	122,205
Equity							197,693	199,882
<b>Total liabilities</b>	<b>70,670</b>	<b>85,891</b>	<b>10,753</b>	<b>9,269</b>	<b>(177)</b>	<b>(329)</b>	<b>449,838</b>	<b>416,918</b>
Allocable D&A (net of D&A due to acquisitions)	2,635	2,611	250	260			2,885	2,871
Unallocable D&A							178	82

As regards sales performance, some charts provided as annexes offer further information (by business and geographical segment) about the results achieved.

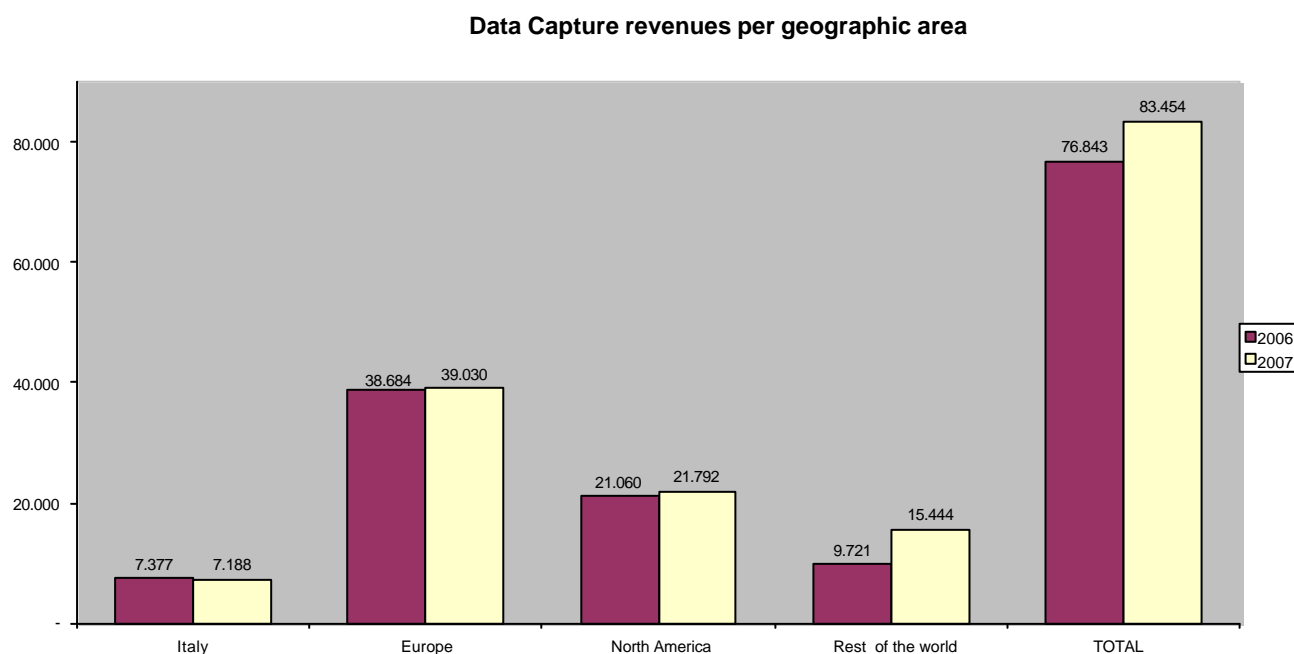
The Data Capture Division's sales as at 31 March 2007 totalled €83,454 thousand (including intersegment sales), growing by some 8.6% over the same period of the previous year.

Revenues of the Business Development Division amounted to €20,660 thousand (20% of the total), growing by over 11% vs. €18,624 thousand reported in 2006. All geographical areas reported growth.

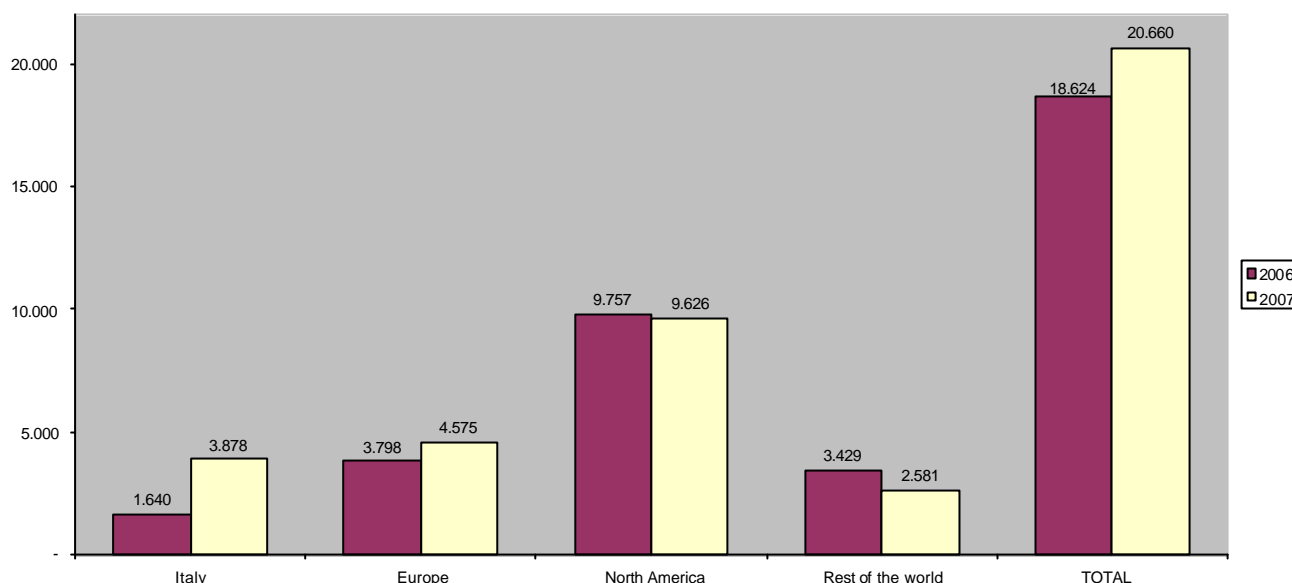
Going into greater detail, the various geographical areas' contribution to sales was as follows:



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



## Business Development revenues per geographic area



The total cost of goods sold increased from 55.54% of sales in the same period of 2006 to 55.78%. This slight increase was the result of a decline in cost of goods sold for the Data Capture division (from 58.15% of sales to 56.85%) and an increase for the Business Development division (from 44.1% of sales to 51.4%).

Gross profit went from €42,349 thousand as at 31 March 2006 to €46,014 thousand at 31 March 2007, for an increase of 8.7%.

Operating costs attributable to the divisions amounted to €33,331 thousand as at 31 March 2007 (down 7.9% from the €36,197 thousand reported for the same period of 2006). Of this total, €27,234 thousand of costs related to the Data Capture division (down 9% vs. 2006) and €6,137 thousand to the Business Development division (down 3.4% from the €6,352 thousand posted in 2006), including "interdivisional" operating costs (a negative €40 thousand). Also of note is the strengthening of the euro against the dollar (up 9% on average), which resulted in a significant benefit in the conversion of the operating costs of the U.S. firms (totalling USD 19,580 thousand as at 31 March 2007) estimated at €1,344 thousand for the first quarter of 2007.

In greater detail, the Data Capture division featured:

- a 7.4% increase in research and development costs, which totalled €5,949 thousand as at 31 March 2007, equal to 7.1% of total sales for the division;
- a 14.2% decrease in allocable G&A costs, which amounted to €4,157 thousand in FY2005 vs. €4,844 thousand reported in FY2004;
- a 14.5% decrease in distribution expenses from the €19,167 thousand of the first quarter of 2006 to €16,384 thousand as at 31 March 2007. This decrease is partially attributable to the parent company (the 31 March 2006 figure included €532 thousand in costs incurred for the company convention) and in part to the PSC group (with a €1,359 thousand reduction in royalties).

Other allocable operating costs (in the amount of €851 thousand) increased by 48.78% over 2006. Of this increase, €335 thousand is attributable to the PSC group due to the provision for a long-term management incentives plan, which was not included in 2006.

The other unallocable operating costs are comprised of a €726 thousand provision made by the parent company for a long-term management incentive plan due to mature in 2008.

The Business Development division featured:

- a slight increase in research and development costs, which totalled €1,058 thousand at 31 March 2007, equal to 5.1% of total sales for the division;
- a 10.1% decrease in allocable G&A costs, which amounted to €1,494 thousand for the period, as compared with the €1,662 thousand recorded for the same period of the previous year;
- a slight increase in distribution expenses from the €3,419 thousand of the first quarter of 2006 to €3,478 thousand as at 31 March 2007.

The Data Capture division's segment result (i.e. before non-allocable general and administrative expenses) amounted to €9,415 thousand, substantially up from €2,549 thousand in 2006.

The Business Development division's segment result totalled €3,990 thousand, which is essentially in line with the €3,999 thousand recorded in 2006.

The segment result does not include €1,692 thousand in G&A costs or €726 thousand for other operating costs, neither of which are allocable.

**ANALYSIS OF FINANCIAL AND CAPITAL DATA**

As at 31 March 2006, our net financial position was negative by €54,115 thousand and featured the following breakdown:

<b>Datalogic Group</b>	<b>31/03/2007</b>	<b>31/12/2006</b>	<b>31/03/2006</b>
<b>(€000)</b>			
A. Cash and bank deposits	75,182	30,139	30,750
B. Other liquidity	0	2,811	0
<i>b1. Restricted cash (*)</i>		2,811	
C. Securities held for trading	370	370	2,815
<i>c1. Current</i>	0	0	943
<i>c2. Non-current</i>	370	370	1,872
<b>D. Cash &amp; Cash equivalents (A) + (B) + (C)</b>	<b>75,552</b>	<b>33,320</b>	<b>33,565</b>
<b>E. Current financial receivables</b>	<b>206</b>	<b>206</b>	<b>0</b>
F. Current bank overdrafts	128		
G. Current portion of non-current debt	29,805	9,856	78,189
H. Other current financial liabilities	0	0	75
<i>h1. Hedging instruments</i>	0	0	75
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>29,933</b>	<b>9,856</b>	<b>78,264</b>
<b>J. Current financial debt, net (I) - (E) - (D)</b>	<b>(45,825)</b>	<b>(23,670)</b>	<b>44,699</b>
K. Non-current bank borrowing	97,443	79,539	11,139
L. Bonds issued		0	
M. Other non-current liabilities	2,497	2,488	0
<i>m1. Financial liabilities vs BoD member</i>	2,497	2,488	
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>99,940</b>	<b>82,027</b>	<b>11,139</b>
<b>O. Net financial debt (J) + (N)</b>	<b>54,115</b>	<b>58,357</b>	<b>55,838</b>

Net financial debt as at 31 March 2007 (€54,115 thousand) improved from 31 December 2006 (€58,357 thousand). It should be noted that during the first quarter we:

- sold €7,577 thousand in treasury shares (treasury shares are not included in net financial position);
- repaid the residual payable to the seller of PSC Holding for the acquisition of the PSC Group in the amount of €2,494 thousand.

Net working capital as at 31 March 2007 totalled €72,299 thousand and increased by €7,419 thousand from 31 December 2006 (€64,880 thousand).

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

	<b>31 March 2007</b>	
	<b>Total net equity</b>	<b>Net profit (loss) for the period</b>
<b>Datalogic SpA net equity and profit</b>	<b>198,794</b>	<b>7,547</b>
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	3,821	5,758
Reversal of dividends	0	(9,017)
Laservall acquisition	(3,561)	(324)
Amortization of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(208)	
Effect of eliminating intercompany transactions	(3,310)	129
Elimination of intercompany profits	(43)	18
Effect of posting leasing transactions	(69)	(5)
Deferred taxes	2,220	177
Elimination of Minec brand	(234)	33
<b>Group portion of net equity</b>	<b>197,171</b>	<b>4,316</b>
<b>Minority interests in net equity</b>	<b>522</b>	<b>46</b>
<b>Total net equity</b>	<b>197,693</b>	<b>4,362</b>

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

Net financial expenses totalled €1,171 thousand. The drivers of this result were as follows:

<b>(€000)</b>	<b>31/03/2007</b>
Financial income/expenses	-890
Net foreign exchange losses	-199
Bank charges	-82
Other	0
<b>Total net financial expenses</b>	<b>-1,171</b>

We note that earnings of €74 thousand made by companies consolidated at equity were also reported.



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

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

€'000	31-Mar-07					
RELATED PARTIES	Idec DI Co. Ltd.	Datasensor	Hydra	Nebulaxis (*)	John O'Brian	Total
<b>Receivables</b>	551		3,702			<b>4,253</b>
<b>Payables</b>						
Trade payables	-	194		14		<b>208</b>
Financial payables	-				2,497	<b>2,497</b>
<b>Capitalised costs</b>	-					<b>-</b>
<b>Costs</b>						
Commercial costs	-	216	4			<b>220</b>
Costs for services						<b>-</b>
<b>Revenues</b>						
Commercial revenues	678	2	16			<b>696</b>
Financial revenues	-					<b>-</b>

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

### Transactions with Datalogic Group companies

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

As at 31 March 2007, the ultimate parent company sold Idec products and components totalling roughly €678 thousand and had trade receivables from Idec totalling €551 thousand. These transactions were executed at conditions comparable to those of other affiliates.

### Transactions with companies belonging to shareholders

Transactions with Datasensor SpA, controlled by the key shareholders of the ultimate parent company, refer chiefly to the purchase of components by Datalogic SpA (€216 thousand) and to the distribution by certain Group companies of small quantities of Datasensor products.

As at 31 March 2007, trade payables to Datasensor totalled €194 thousand.

Relations between the parent company and the ultimate parent (Hydra SpA) primarily concern income taxes receivable in the amount of €3,685 thousand and lease expenses of an insignificant amount. The company participates in fiscal consolidation as a consolidated company (with Hydra as parent company).

Laservall SpA has €11 thousand in income taxes payable to Hydra SpA as a result of fiscal consolidation as a consolidated company (with Hydra as parent company).

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

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

It should be noted that under the heading "financial liabilities" are posted, in accordance with IAS 32.23, €2,497 thousand pertaining to a PUT option signed by the director John O'Brien with the parent company (which therefore has a call option) on his minority stake of 10% in Informatics Inc. This liability is offset by a negative reserve of €2,502 thousand (net of interest accruing and exchange-rate adjustments).

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

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

- Datalogic Scanning, headquartered in the USA, will be comprised of two business units – Hand Held Readers and Stationary Readers - Retail. This results in the consolidation of the two hand held reader product lines of the Group, which will be harmonized into a cohesive offering. The current line of stationary readers for retail applications will continue as a core offering.
- Datalogic Automation, headquartered in Italy, will be comprised of three business units – Unattended Scanning Systems (fixed scanners for the industrial market), Marking (laser marking systems) and RFID (radio frequency identification devices). This allows Datalogic to leverage its infrastructure for three businesses which share a common market and customer focus.
- Datalogic Mobile, also headquartered in Italy, will be comprised of a single business unit, Mobile Computers, thereby consolidating the group's two mobile computer product lines into a single offering. In addition to these three operating divisions, there is also the Business Development unit, which will continue to be responsible for developing new business platforms within the group, as well as for assessing opportunities for mergers and acquisitions.

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

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

Following this reorganization, beginning in the second half of the year, the parent company will be revising the business segments.

## **SECONDARY LOCATIONS**

As at 31 March 2007, the direct parent company had two secondary locations:

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

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

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

	Note	31-03-07 Euro/000	31-12-06 Euro/000	31-03-06 Euro/000
<b>ASSETS</b>				
<b>A) NON-CURRENT ASSETS</b> (1+2+3+4+5+6+7+8)		<b>224.061</b>	<b>227.624</b>	<b>234.406</b>
<b>1) Tangible non-current assets</b>		<b>50.945</b>	<b>50.380</b>	<b>51.528</b>
Land	1	6.637	6.660	6.419
Buildings	1	19.178	18.238	18.797
Plant & machinery	1	7.835	7.946	7.804
Other tangible assets	1	16.181	15.726	16.363
Assets in progress and payments on account	1	1.114	1.810	2.145
<b>2) Investment property</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>3) Intangible non-current assets</b>		<b>150.828</b>	<b>153.652</b>	<b>173.275</b>
Goodwill	2	89.283	89.907	83.774
Development costs	2	2.814	3.010	3.713
Other intangible assets	2	58.731	60.735	85.788
<b>4) Equity interests in associate companies</b>	3	<b>1.222</b>	<b>1.110</b>	<b>816</b>
<b>5) Available-for-sale financial assets (non-current)</b>		<b>1.241</b>	<b>1.241</b>	<b>2.744</b>
Equity investments	4	871	871	872
Treasury stock				
Securities	4	370	370	1.872
<b>6) Trade and other receivables</b>	6	<b>534</b>	<b>503</b>	<b>833</b>
<b>7) Deferred tax credits</b>	13	<b>19.179</b>	<b>20.738</b>	<b>5.205</b>
<b>8) Tax credits</b>	7	<b>112</b>	<b>0</b>	<b>5</b>
<b>B) CURRENT ASSETS</b> (8+9+10+11+12+13+14+15)		<b>225.777</b>	<b>176.078</b>	<b>182.512</b>
<b>9) Inventories</b>	5	<b>52.815</b>	<b>52.005</b>	<b>58.173</b>
Raw & auxiliary materials plus consumables	5	32.314	30.936	36.231
Work in progress and semiprocessed goods	5	6.552	6.116	5.902
Finished products and goods for resale	5	13.949	14.953	16.040
<b>10) Job-order work in progress</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>11) Trade and other receivables</b>	6	<b>91.618</b>	<b>85.716</b>	<b>83.971</b>
Trade receivables	6	<b>87.096</b>	<b>81.533</b>	<b>80.038</b>
Within 12 months		81.373	75.998	78.803
After 12 months				41
Amounts receivable from associates		2.021	1.725	995
Amounts receivable from subsidiaries			0	
Amounts receivable from parent company		3.702	3.810	65
Amounts receivable from related parties				134
Other receivables	6	<b>1.514</b>	<b>1.611</b>	<b>1.076</b>
Accrued income and prepaid expenses	6	<b>3.008</b>	<b>2.572</b>	<b>2.857</b>
<b>12) Tax credits</b>	7	<b>5.956</b>	<b>5.201</b>	<b>8.675</b>
<b>13) Available-for-sale financial assets (current)</b>	8	<b>206</b>	<b>206</b>	<b>943</b>
Securities		0	0	943
Loans to subsidiaries		206	206	
<b>14) Hedging instruments</b>	9			
<b>15) Cash &amp; cash equivalents</b>	10	<b>75.182</b>	<b>32.950</b>	<b>30.750</b>
<b>TOTAL ASSETS (A+B)</b>		<b>449.838</b>	<b>403.702</b>	<b>416.918</b>

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

<b>LIABILITIES</b>	<b>Note</b>	<b>31-03-07 Euro/000</b>	<b>31-12-06 Euro/000</b>	<b>31-03-06 Euro/000</b>
<b>A) TOTAL NET EQUITY (1+2+3+4+5)</b>	<b>11</b>	<b>197.693</b>	<b>186.610</b>	<b>199.882</b>
1) Share capital		166.596	159.098	166.579
2) Reserves		-11.822	-11.057	-811
3) Retained earnings/(losses carried forward)		38.081	33.968	37.354
4 ) Profit/(loss) for period		4.316	4.125	-3.627
5) Minority interests		522	476	387
<b>B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)</b>		<b>140.914</b>	<b>122.630</b>	<b>42.762</b>
6) Borrowing	12	99.940	82.027	11.139
7) Tax payables	18		0	19
8) Deferred tax liabilities	13	25.666	26.468	19.262
9) Employee severance indemnity and retirement provision	14	7.539	7.624	7.143
10) Long-term provisions for risks and expenses	15	6.918	5.786	4.724
11) Other non-current liabilities	16	851	725	475
<b>C) CURRENT LIABILITIES (12+13+14+15)</b>		<b>111.231</b>	<b>94.462</b>	<b>174.274</b>
12) Trade and other payables	17	68.213	72.857	82.905
Trade payables		48.431	49.215	49.854
Within 12 months		48.226	48.760	47.948
After 12 months				
Amounts payable to associates			21	5
Amounts payable to parent company		11	11	1.495
Amounts payable to related parties		194	423	406
Accrued liabilities and deferred income		7.119	6.860	6.534
Other current payables		12.663	16.782	26.517
13) Taxes payable	18	9.877	7.679	7.991
14) Short-term provisions for risks and expenses	15	3.208	4.070	5.114
15) Hedging instruments	9			75
16) Short-term borrowing	12	29.933	9.856	78.189
<b>TOTAL LIABILITIES (A+B+C)</b>		<b>449.838</b>	<b>403.702</b>	<b>416.918</b>

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

	Note	31-03-07 Euro/000	31-03-06 Euro/000	31-12-06 Euro/000
<b>1) TOTAL REVENUES</b>	<b>19</b>	<b>104.065</b>	<b>95.248</b>	<b>381.614</b>
Revenues from sale of products		100.561	91.583	368.193
Revenues from services		3.504	3.665	13.421
<b>2) Cost of goods sold</b>	<b>20</b>	<b>58.065</b>	<b>53.924</b>	<b>215.738</b>
<i>of which non-recurring (*)</i>	<b>20</b>	<b>14</b>	<b>1.025</b>	<b>1.194</b>
<b>GROSS PROFIT (1-2)</b>		<b>46.000</b>	<b>41.324</b>	<b>165.876</b>
<b>3) Other operating revenues</b>	<b>21</b>	966	393	3.865
	<b>21</b>	288		1.352
<b>4) R&amp;D expenses</b>	<b>20</b>	7.011	6.657	26.354
<i>of which non-recurring (*)</i>	<b>20</b>	4	23	41
<b>5) Distribution expenses</b>	<b>20</b>	20.242	22.532	84.103
<i>of which non-recurring (*)</i>	<b>20</b>	380	43	188
<b>6) General &amp; administrative expenses</b>	<b>20</b>	9.293	11.740	35.610
<i>of which non-recurring (*)</i>	<b>20</b>	936	2.495	2.513
<i>of which amort. pertaining to acquisitions (*)</i>	<b>20</b>	1.054	1.531	4.345
<b>7) Other operating expenses</b>	<b>20</b>	1.756	2.233	8.300
<i>of which non-recurring (*)</i>	<b>20</b>	179	1.361	3.731
<b>Total operating costs (4+5+6+7)</b>		<b>38.302</b>	<b>43.162</b>	<b>154.367</b>
<b>OPERATING PROFIT</b>		<b>8.664</b>	<b>-1.445</b>	<b>15.374</b>
<b>8) Financial income</b>	<b>22</b>	-1.171	-2.126	-6.288
<b>9) Share of associate companies' profits</b>	<b>3</b>	74	-377	-53
<b>PRE-TAX PROFIT/(LOSS)</b>		<b>7.567</b>	<b>-3.948</b>	<b>9.033</b>
<b>Taxes</b>	<b>23</b>	3.205	-360	4.767
<b>NET PROFIT FOR PERIOD</b>		<b>4.362</b>	<b>-3.588</b>	<b>4.266</b>
<b>Minority interests' share of net profit</b>		46	39	141
<b>GROUP NET PROFIT</b>		<b>4.316</b>	<b>-3.627</b>	<b>4.125</b>
<b>Earning per share (Euro)</b>	<b>24</b>	<b>0,0690</b>	<b>-0,2468</b>	<b>0,0668</b>
<b>Diluted earning per share (Euro)</b>	<b>24</b>	<b>0,0688</b>	<b>-0,2458</b>	<b>0,0666</b>

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

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

	31-03-07 Euro/000	31-12-06 Euro/000
<b>Short-term net financial position at beginning of period</b>	<b>30.139</b>	<b>19.974</b>
Net profit/(loss) for period	4.316	4.125
Depreciation & amortisation	4.117	16.548
Employee severance indemnity provision	378	1.506
Write-down of financial assets	-74	-448
<b>Current cash flow</b>	<b>8.737</b>	<b>21.731</b>
<b>Effect of changes in operating assets and liabilities:</b>		
Trade receivables	-5.563	2.194
Inventories	-810	-493
Other current assets	-1.094	1.367
Other medium-/long-term assets	-143	298
Deferred taxes (assets)	1.559	-16.717
Trade payables	-784	4.562
Taxes payable	2.198	2.151
Other current liabilities	-3.861	-13.030
Other medium-/long-term liabilities	126	-518
Deferred taxes	-802	-14.054
Provisions for risks and expenses	270	937
Employee severance indemnities paid out	-463	-776
<b>Net change in operating assets and liabilities</b>	<b>-9.367</b>	<b>-34.079</b>
<b>Operating cash flow/(absorption)</b>	<b>-630</b>	<b>-12.348</b>
<b>Cash flow/(absorption) from investment activities:</b>		
(Increase)/decrease in intangible non-current assets	-488	17.351
(Increase)/decrease in tangible non-current assets	-2.759	-9.369
(Increase)/decrease in unconsolidated equity investments	-38	139
<b>Investment cash flow/(absorption)</b>	<b>-3.285</b>	<b>8.121</b>
<b>Cash flow/(absorption) from financing activities:</b>		
Medium-/long-term loans taken out net of portions repaid in the period	17.904	67.256
Short-term loans taken out net of portions repaid in the period	19.949	-139.493
Financial liabilities	9	2.488
Minority interests' net equity	46	141
Effect of exchange-rate changes on consolidation of foreign companies	624	8.616
Other changes in net equity	7.487	-10.517
Capital increase with issue of new shares	0	76.596
Dividend distribution	0	-3.489
(Increase)/decrease in non-current financial assets	0	1.743
(Increase)/decrease in short-term financial activities	2.811	11.051
<b>Finance cash flow/(absorption)</b>	<b>48.830</b>	<b>14.392</b>
<b>Change in net financial position</b>	<b>44.915</b>	<b>10.165</b>
<b>Short-term net financial position at end of period</b>	<b>75.054</b>	<b>30.139</b>

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

Description	Share capital	Other reserves				Net profit for previous years								Net profit for period	Net equity	Minority Equity
		Fair value reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Consolid. Reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total			
31.12.2006	159.098	-	-8.555	-2.502	-11.057	-	10.311	3.730	958	1.870	8.283	8.816	33.968	4.125	186.134	476
Profit allocation					-		4.125						4.125	-4.125	-	
Capital increase	157				-								-		157	
Translation reserve			-765		-765								-		-765	
Increase in IFRS reserve					-							61	61		61	
Sale of treasury shares	7.341				-		6.858				-6.858		-		7.341	
Fair value adjustment		-			-								-		-	
Capital increase charges					-								-		-	
Extraordinary dividend					-								-		-	
Other changes					-		-73						-73		-73	
Net profit as at 28.02.07					-								-	4.316	4.316	46
31.03.2007	166.596	-	-9.320	-2.502	-11.822	-	21.221	3.730	958	1.870	1.425	8.877	38.081	4.316	197.171	522



## **FOREWORD**

Datalogic Group S.p.A. (hereinafter “Datalogic”, the “parent company” or the “company”) is an Italian corporation. The consolidated quarterly interim report for the period ending on 31 March 2007 comprises Datalogic SpA and its subsidiaries (hereinafter defined as “the Group”) and the relevant share of associate companies' profits.

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

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

These consolidated quarterly accounts were prepared for the approval the Board of Directors on 11 May 2007.

## **ACCOUNTING STANDARDS AND POLICIES**

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

Following the coming into force of Regulation (EC) 1606/2002 of the European Parliament and of the Council dated 19 July 2002, beginning with financial year 2005, the consolidated accounts have been prepared in compliance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) in accordance with European Regulation 1725/2003 as amended and with the provisions of CONSOB Regulation 11971 of 14 May 1999 as amended.

Assets and liabilities have been valued at cost, with the exception of certain financial assets recognized at fair value, and some property, plant and equipment that has been revalued for the transition to IFRS as described in greater detail below. In addition, these financial statements have been prepared in compliance with the IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective at the time of its preparation. The accounting principles are described below and have been applied uniformly to all periods for which figures are presented, except where otherwise noted.

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

Our consolidated quarterly financial statements are presented in thousands of euro (€ '000). As mentioned above, they have been prepared on a cost basis, with the exception of certain financial assets, liabilities and derivatives recognized at fair value, and some property, plant and equipment that has been restated on a fair value basis as of the transition date.

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

### **(c) Consolidation standards and policies**

#### **(i) Subsidiaries**

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

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

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

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

More specifically, profits not yet realized with third parties stemming from intra-group transactions, particularly those deriving from the valuation of inventories at the reporting date, have been eliminated.

#### **(ii) Associates**

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. Our consolidated quarterly accounts as at 31 March 2007 includes our share of the profits and losses of associate companies, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same.

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

changes are included in the investment's carrying value. If the Group's share of an associate company's losses equals or exceeds the value of its investment in the associate company, including any other receivables, the Group does not recognise any further losses unless it has obligations to make payments on the associate company's behalf.

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

#### **(d) Treatment of foreign currency items**

##### **(i) Foreign currency transactions**

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

##### **(ii) Translation of foreign currency financial statements**

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

##### **(iii) Net foreign currency investments**

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

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

The exchange rates used are as follows:

FINAL EXCHANGE RATES	Final exchange rate at 31/03/07	Final exchange rate at 31/12/06	Final exchange rate at 31/03/06
US dollar	1.3318	1.3170	1.2104
British pound sterling	0.6798	0.6715	0.6964
Australian dollar	1.6484	1.6991	1.6997
Japanese yen	157.3200	156.9300	142.4200
Swedish krona	9.3462	9.0404	9.4315
Hong Kong dollar	10.4070	10.2409	9.3923
Slovak koruna	33.3400	34.4350	37.6300

AVERAGE EXCHANGE RATES	Average exchange rate at 31/03/07	Average exchange rate at 31/12/06	Average exchange rate at 31/03/06
US dollar	1.3105	1.2556	1.2024
British pound sterling	0.6705	0.6817	0.6862
Australian dollar	1.6670	1.6668	1.6270
Japanese yen	156.4264	146.0150	140.5001
Swedish krona	9.1885	9.2544	9.3517
Hong Kong dollar	10.2327	9.7545	9.3279
Slovak koruna	34.3420	37.2341	37.4561

## (e) Property, plant, and equipment

### (i) Owned assets

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

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

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

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

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

The Group applies the following depreciation rates:

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

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

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

(ii) Assets held under finance lease contracts

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

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

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

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

Goodwill is recognized at cost, less impairment losses.

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

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

**(ii) Research and development costs**

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

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

**(iii) Other intangible assets**

Other intangible assets are comprised:

- of software used under licence, valued at purchase cost;

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

These assets are amortized over their estimated useful life.

#### (IV) Subsequent costs

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

#### (v) Amortization

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

The useful life for each category is detailed below:

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

**(g) Investments in associates**

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

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

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

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

**(i) Inventories**

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

**(j) Receivables**

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

**(k) Cash & cash equivalents**



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

## **(I) Impairment**

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

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

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

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

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

All goodwill recognised in accounts as at 31 March 2007 has been subjected to impairment testing as at 31 December 2006, and no impairment losses have emerged from such tests.

### **(i) Calculation of presumed recoverable value**

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

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

(ii) Reversal of impairment losses

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

**(m) Share capital**

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

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

**(n) Stock options**

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

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

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

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

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

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

On 14 November 2002, the Board of Directors voted to grant 67% of the attributed options to the beneficiaries of the stock option plan; on 17 December 2003 the Board approved assignment of the

remaining 33%. As at 31 December 2003, all options relating to the 600,000 shares of the increase approved on 28 February 2001 had been assigned.

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

	<i>Number of shares</i>	<i>Average exercise price (EUR)</i>	<i>Market price (EUR)</i>	<i>% of share capital</i>
<b><i>Rights existing as at 01/01/07</i></b>	<b>276,800</b>	2.875	6.741	0.43%
<b><i>of which exercisable at that date</i></b>	<b>276,800</b>			
<b><i>New options granted during the period</i></b>	-	-	-	-
<b><i>(Options exercised during the year)</i></b>	<b>(54,800)</b>	2.875	6.525	0.09%
<b><i>Total rights existing as at 31/03/07</i></b>	<b>222,000</b>	2.875	6.495	0.35%
<b><i>of which exercisable at that date</i></b>	<b>222,000</b>			

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

#### **(o) Interest-bearing financial liabilities**

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

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

#### **(p) Liabilities for employee benefits**

##### **(i) Defined contribution plans**

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

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

##### **(ii) Defined benefit plans**

The net obligations concerning defined benefit plans after the period of employment in the Group – consisting mainly of employee severance indemnities for the Group's Italian companies – are calculated separately for each plan, estimating (with use of actuarial techniques) the amount of the future benefit

accrued by employees in the period and in previous periods. The benefit so determined is discounted to present value and is shown net of the fair value of any related assets. Calculation is performed by an independent actuary using the projected unit credit method.

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

(iii) Termination benefits

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

**(q) Provisions**

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

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

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

(i) Product warranty provision

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

(ii) Other provisions

The Group has made a provision for a lawsuit against an ex-employee. The amount has been calculated based on estimates made by the Group, together with its legal advisors, to determine likelihood, timing, amounts involved and probable outlay of resources. The provision made will be adjusted according to

progress with the restructuring plan. Upon conclusion of the dispute, the amount differing from the balance sheet provision will be recognized in the income statement.

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

#### **(r) Trade and other payables**

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

#### **(s) Revenues**

##### **(i) Revenues from sales of goods and services**

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

##### **(ii) Government grants**

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

##### **(iii) Dividends**

Dividends are recognised in 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 in the income statement on an accruals basis.

**(ii) Finance lease instalments**

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

**(iii) Financial income and expenses**

Financial income and expenses are recognized on an accruals basis.

**(u) Income taxes**

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

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

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

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

**(v) Segment reporting**

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

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

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

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

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

#### **(x) Use of estimates**

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

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

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

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

#### **(y) Financial risks and derivative instruments**

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

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

**(i) Price risk**

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

**(ii) Credit risk**

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

**(iii) Interest rate risks**

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

**(z) Earnings per share**

**Basic**

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

**Diluted**

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

**(aa) Exemptions and exceptions envisaged by IFRS 1**

For the purposes of preparation of the present report and relevant comparative data, the accounting standards illustrated in the previous paragraphs have been applied retrospectively except in the case of



optional exemptions to retrospective application allowed by IFRS 1 and adopted by the Group as described in the following table.

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

The accounting standards applied to the opening balance sheet as at 1 January 2004 have been uniformly applied to the balance sheet and income statement as 31 March 2007 and to comparative 2006 figures, including those concerning recognition, classification and measurement of financial assets and liabilities (IASs 32 and 39).

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

## GROUP STRUCTURE

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

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

Company	Registered location	Share capital	Total equity (€'000)	Profit/loss for the period (€'000)	% ownership
Datalogic S.p.A (Capogruppo)	Lippo di Calderara di Reno (Bo) – Italy	Euro 33,101,000	198,794	7547	
Laservall Spa	Donnas (AO) - Italy	Euro 900,000	10,651	1105	100%
Datalogic Holding AB	Malmö –Sweden	KRS 1,400,000	1,156	34	100%
EMS, Inc	Scotts Valley (California) – United States	\$USA 1,949,084	739	(181)	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	Euro 2,227,500	3,422	44	100%
Datalogic Optik elektronik GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	Euro 1,025,000	4,061	313	100%
Datalogic Optic Electronics B.V.	Maarsse – The Netherlands	Euro 17,800	(65)	59	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	Euro 72,673	508	71	100%
Datalogic PTY LTD	Mount Waverley (Melbourne) - Australia	\$AUS 2,300,000	581	(112)	100%
Datalogic UK LTD	Redbourn (London) – United Kingdom	GBP 3,500,000	4,744	105	100%
Datalogic INC	Hebron (Kentucky) – United States	\$USA 1,847,000	1,983	217	100%
Datalogic Iberia	Madrid – Spain	Euro 60,500	675	(17)	100%
Datalogic AB	Stockholm – Sweden	KRS 200,000	493	(18)	100%
Datalogic Slovakia sro	Trnava - Slovakia	SKK 2,000,000	2,739	2575	100%
PSC Holding	Delaware	\$USA 117,000,000	82,180	(345)	100%
Datalogic Asia Limited	Hong Kong - China	HKD 100,000	194	3	100%
Informatics Holding Inc.	Plano Texas	\$USA 15,100,000	14,708	458	90%

Company	Registered location	Share capital (\$'000)	Total equity (€'000)	Profit/loss for the period (€'000)	% ownership
PSC Holdings Inc	959 Terry St, Eugene OR 97401	117,000	82,180	(345)	100%
LJ Scanner Holdings	959 Terry St, Eugene OR 97401	55,010	41,305	0	100%
PSC, Inc	959 Terry St, Eugene OR 97401	55,224	41,466	0	100%
PSC Scanning Inc	959 Terry St, Eugene OR 97401	55,438	44,501	1,480	100%
PSC do Brasil	Rua Arandu, 281 cj 32-Brooklin Novo Sao Paulo, SP 04562-030 Brazil	75	37	(7)	100%
PSC Barcode Limited	Axis 3, Rhodes Way, Watford, England WD24 4TR	(1,046)	(1,224)	(231)	100%

PSC GmbH	Roentgenstra. 43, 64291 Darmstadt Germany	1,043	966	112	100%
PSC S.A.R.L.	12 Avenue des Tropiques, Immeuble "Avenue", Z.A. de Courtaboeuf - BPI, 91941, Les Ulis Cedex France	418	3,590	313	100%
PSC S.p.A.	Centro Torri Bianche, Torre "F" Palazzo Quercia, Via Torri Bianche 9, Vimercate (MI) Italy	593	635	40	100%
PSC Australia	Unit 11, 277 Lane Cove Road, North Ryde 2113, Sydney NSW Australia	153	231	(94)	100%
PSC Japan	Gotanda Daiwa Building, 7-13-5, Nishigotanda, Shinagawa, Tokyo, Japan 141-00031	357	161	(3)	100%
PSC Singapore	30 Cecil St., Level 15 Prudential Tower Office Q4, Millenium House, 12 Trubnaya St Singapore 49712	0,002	(139)	(139)	100%
PSC Belg	Av. Bourg. E. De Munterlaan 1 Green Land Building 1090 Brussels Belgium	1	(3,544)	0	100%
PSC Mex	Paseo de la Reforma Avenue, 383, Floor 15, Colonia Cuauhtemoc, 06500, Federal District, Mexico	1	(51)	(51)	100%

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

Company	Registered location	Share capital	Total equity (€'000)	Total profit/loss for the period (€'000)	% ownership Direct and indirect
Idec DatalogicCo. Ltd.	Osaka – Japan	Yen 300,000,000	1,352	-10	50%
Laservall Asia Co. Ltd.	Hong-Kong – China	Hong- Kong \$ 460,000	1,012	158	50%

Associate/subsidiary companies measured at cost as at 31 March 2007 were the following:

Company	Registered location	Share capital	% ownership
Laservall Asia Futian Co.Ltd	Shenzen – China	Renminbi 2,070,600	50%

### **Changes in consolidation area**

As at 31 March 2007, the newly established, wholly owned Datalogic SpA subsidiaries Datalogic Automation srl, Datalogic Mobile srl, Datalogic Scanning Group, and Datalogic Shared Service have been measured at cost, given that these companies began operations in April 2007.

## BALANCE SHEET INFORMATION - ASSETS

### NON-CURRENT ASSETS

#### 1. Property, plant and equipment

	31/03/2007	31/12/2006	YoY Change
Land	6,637	6,660	(23)
Buildings	19,178	18,238	940
Plant & equipment	7,835	7,946	(111)
Other tangible assets	16,181	15,726	455
Assets in prog. and payments on account	1,114	1,810	(696)
<b>Total</b>	<b>50,945</b>	<b>50,380</b>	<b>565</b>

The "Land" item of €6,637 thousand was attributable to the direct parent company (€3,738 thousand), Datalogic UK (€1,274 thousand), Informatics (€600 thousand), Datalogic France (€514 thousand), Datalogic Optik Elektronik GmbH (€127 thousand), and Laservall S.p.A (€384 thousand).

The "Buildings" item of €19,178 thousand is attributable to the parent company (€11,548 thousand), Informatics (€1,724 thousand), Datalogic UK (€1,546 thousand), Datalogic GmbH (€1,325 thousand), Datalogic France (€1,095 thousand) and Laservall SpA (€1,940 thousand).

Of the increase in this item over 31 December 2006, €1,060 thousand is attributable to the capitalization of work done by Laservall S.p.A. on the building in Sesto Calende, €504 thousand of which was recognized as assets in progress as at 31 December 2006.

The main components of "Other tangible assets" as at 31 March 2007 were as follows: industrial and commercial equipment (€6,180 thousand), office furniture and equipment (€5,543 thousand), general plant for buildings (€1,427 thousand), cars (€446 thousand), and leasehold maintenance (€2,035 thousand).

The balance of assets in progress and payments on account is primarily attributable to the PSC Group (€831 thousand) and to the parent company (€238 thousand).

Depreciation and amortization of tangible and intangible assets, totalling €4,117 thousand, was split as follows in the income statement:

- cost of goods sold: €1,314 thousand (€915 thousand at March 2006);
- R&D: €690 thousand (€828 thousand in March 2006);
- distribution expenses: €307 thousand (€355 thousand in March 2006);
- general & administrative expenses: €1,806 thousand (€2,385 thousand in March 2006).

General & administrative expenses include €1,054 thousand in amortization generated with the acquisition of Informatics, Laservall and the PSC Group.

## 2. Intangible assets

	31/03/2007	31/12/2006	YoY Change
Goodwill	89,283	89,907	(624)
Development costs	2,814	3,010	(196)
Other intangible assets	58,731	60,735	(2,004)
<b>Total</b>	<b>150,828</b>	<b>153,652</b>	<b>(2,824)</b>

Goodwill, totalling €89,283 thousand, consisted of the following items:

- €1,394 thousand for consolidation of the Minec Group, in which a 100% interest was acquired on 15 July 2002 by Datalogic Holding AB, in turn owned 100% by the parent company;
- €3,380 thousand, ascribable to the direct parent company, consisting of the merger loss and share-swap loss originated by the merger by incorporation of IdWare srl during 1998;
- €5,119 thousand for consolidation of Laservall SpA, an interest acquired in 3Q04 by the parent company. We believe the conditions exist for posting as goodwill the difference between purchase cost and fair value of net assets acquired, since it represents the acquired company's future profit-generation capacity;
- €9,040 thousand for the consolidation of Informatics Inc. (the change vs. 31/12/06, €9,141 thousand, is due to the forex effect);
- €70,350 thousand from the consolidation of the PSC Group. The change from 31 December 2006 (€70,873 thousand) is the net effect of a €766 thousand decline due to the forex effect and a €243 thousand increase for the capitalization of legal costs incurred for assessments and related adjustments to the price agreed upon on 10 February 2007 and adopted as of 31 December 2006.

The goodwill has been allocated to the cash generating units corresponding to the individual companies and/or subgroups to which the goodwill pertains. As highlighted in the section on accounting policies, goodwill has no longer been amortized since 1 January 2004 in accordance with IFRS 3, as it has undergone impairment testing as at 31 December 2006.

The recoverable value of the cash generating units to which goodwill was allocated has been determined according to value in use. As of 31 December 2006, this was calculated using the discounted cash flow method for the expected earnings over a 5-year period for the individual cash generating units (CGUs), which are essentially the individual companies, except in the case of IdWare goodwill, which is allocated to the Mobile Computer (MC) division.

In accordance with IAS 36, no write-downs were found to be necessary.

For goodwill related to the PSC Group, the discount rate applied to the expected future cash flows was 8.14%, which is the weighted average cost of capital based on the PSC Group's capital structure. For cash flows beyond 5 years, a fairly prudent 2% growth rate was applied.

Development costs, amounting to €2,814 thousand, are attributable to:

- the parent company for €2,708 thousand
- Informatics for €106 thousand

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

The heading "Other", at €58,731 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. The main items are as follows:

**Intangible assets pertaining to the acquisition of the PSC Group (completed on 30 November 2005)**

- Patents of €28,482 thousand (historical cost USD 40,461 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 20 years.
- A "Service agreement" of €491 thousand (historical cost USD 951 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 4 years.
- "Brands" of €2,552 thousand (historical cost USD 3,885 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years.
- The "Customer portfolio" of €2,472 thousand (historical cost USD 3,763 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years.

**Intangible assets pertaining to the acquisition of the Laservall Group (completed on 27 August 2004)**

- Know-how amounting to €3,623 thousand (€5,968 thousand at the date of initial recognition), acquired from Laservall SpA and relating to technological expertise in the laser marking sector, in terms of product engineering and industrialization. The useful life of this intangible asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to €3,202 thousand (€4,417 thousand at the date of initial recognition), acquired from Laservall SpA and consisting of its well-established global sales network and customer base, with a direct presence in areas featuring strong economic growth. The useful life of this intangible non-current asset has been defined as being 10 years.

**Intangible assets pertaining to the acquisition of Informatics (completed on 28 February 2005)**

- A commercial facility amounting to €4,755 thousand (USD 8,000 thousand at the date of initial recognition) acquired from Informatics and relating to its sales network and customer portfolio. The useful life of this intangible non-current asset has been defined as being 10 years.

The residual balance of other intangible assets, in the amount of €13,154 thousand, includes €11,790 thousand attributable to the parent company, which is comprised primarily of software licences in the amount of €4,321 thousand and the capitalization of a licensing agreement in the amount of €6,877 thousand. The remainder is primarily attributable to the PSC Group for software licenses (€963 thousand).

### 3. Investments in subsidiaries and associates

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

	Balance at 31/12/06	Increases	Forex differences Share of profit	Share of profit	Dividends	Changes	Balance at 31/03/07
a) Subsidiary companies							
Datalogic Automation srl		10					10
Datalogic Mobile srl		10					10
Datalogic Scanning Group srl		10					10
Datalogic Shared Service srl	0	10					10
<b>Total subsidiaries</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>40</b>
b) Associates							
Idec Datalogic CO.Ltd	683		(2)	(5)			676
Laservall Asia Co. Ltd.	427			79			506
DL PRIVATE India	0						0
<b>Total associates</b>	<b>1,110</b>	<b>0</b>	<b>(2)</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>1,182</b>

The change in subsidiaries from 31 December 2006 is due to the newly established, wholly owned Datalogic SpA subsidiaries Datalogic Automation srl, Datalogic Mobile srl, Datalogic Scanning Group, and Datalogic Shared Service, which have been measured at cost, given that these companies began operations in April 2007.

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

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

#### Other equity investments

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

	Balance at 31/12/06	Increases	Forex differences Share of profit	Share of profit	Dividends	Changes	Balance at 31/03/07
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	801						801
<b>Total other equity investments</b>	<b>871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>871</b>

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

## Securities

	31/03/2007	31/12/2006	Changes
Securities as surety.	370	370	-
<b>Total</b>	<b>370</b>	<b>370</b>	

This item consists chiefly of Italian government bonds (CCTs) held by the parent company in the amount of €360 thousand.



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

	31/03/2007	31/12/2006	YoY Change
1) Raw and ancillary materials and consumables	32,314	30,936	1,378
2) Work in progress and semi-finished products	6,552	6,116	436
4) Finished products and goods	13,949	14,953	(1,004)
<b>Total</b>	<b>52,815</b>	<b>52,005</b>	<b>810</b>

Inventories are shown net of obsolescence provision that, as at 31 March 2007, amounted to €8,127 thousand.

Changes in the latter during the period are shown below:

	€'000
<b>Inventory write-down provision at 31/12/06</b>	<b>10,453</b>
Foreign exchange difference	(47)
Provisions made as at 31/03/07	854
Uses for disposals	-3,133
<b>Inventory write-down provision at 31/03/07</b>	<b>8,127</b>

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

	31/03/2007	31/12/2006	YoY Change
<b>Trade and other receivables</b>	<b>91,618</b>	<b>85,716</b>	<b>5,902</b>
<b>Trade receivables</b>	<b>87,096</b>	<b>81,533</b>	<b>5,563</b>
Trade receivables due within 12 months	81,373	75,998	5,375
Trade receivables due after 12 months	-	-	-
Associate receivables:	2,021	1,725	296
Idec Datalogic CO.Ltd	551	588	(37)
- Laservall Asia	1,470	1,137	333
Subsidiary receivables:	-	-	-
- DL Slovakia	-	-	-
Receivables from parent company:	3,702	3,810	(108)
- Hydra Spa	3,702	3,810	(108)
Related-party receivables	-	-	-
<b>Other current receivables</b>	<b>1,514</b>	<b>1,611</b>	<b>(97)</b>
<b>Accrued income and prepayments</b>	<b>3,008</b>	<b>2,572</b>	<b>436</b>

**Trade receivables**

Trade receivables due within 12 months as at 31 March 2007 totalled €81,373 thousand (net of the doubtful-debt provision as at 31 March 2007 of €1,866 thousand, which is slightly higher than the €1,824 thousand of 31 December 2006), for an increase of 7% from the comparable figure of December 2006.

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

Amounts receivable from the ultimate parent company Hydra SpA (€3,702 thousand) relate, for €3,685 thousand, to the corporate income tax (IRES) credit of Datalogic SpA in connection with the Group tax election.

### Other receivables

	31/03/2007	31/12/2006	YoY Change
Security deposits	249	269	(20)
Advances paid to suppliers	417	427	(10)
Receivables for sale of investments	-	-	0
Other	848	915	(67)
<b>Total</b>	<b>1,514</b>	<b>1,611</b>	<b>(97)</b>

The item "Other" includes €222 thousand, paid by the parent company to the Inland Revenue for notice of tax reassessment received on 22/10/02, against which the company has filed an appeal

### Accrued income and prepayments

	31/03/2007	31/12/2006	YoY Change
<b>a) accrued income</b>			
miscellaneous interest income	12	4	8
other deferred income	93	8	85
<b>total accrued income</b>	<b>105</b>	<b>12</b>	<b>93</b>
<b>b) prepayments</b>			
insurance	444	162	282
membership fees	-	5	(5)
rent and maintenance fees	1,158	967	191
leasing contracts	22	52	(30)
surety costs	21	25	(4)
trade fairs and sponsorships	248	122	126
substitute tax	78	104	(26)
other deferred income	932	1,123	(191)
<b>total prepayments</b>	<b>2,903</b>	<b>2,560</b>	<b>343</b>
<b>Total accrued income and prepayments</b>	<b>3,008</b>	<b>2,572</b>	<b>436</b>

### Trade and other receivables - non-current

	31/03/2007	31/12/2006	YoY Change
Security deposits	469	496	(27)
Other	65	7	58
<b>Total</b>	<b>534</b>	<b>503</b>	<b>31</b>

Security deposits are attributable mainly to the PSC Group (€296 thousand) and Datalogic Slovakia (€142 thousand).

## 7. Tax receivables

	31/03/2007	31/12/2006	YoY Change
Short-term tax receivables	5,956	5,201	755
VAT credits	2,434	1,818	616
Other tax credits	3,522	3,383	139
Long-term tax receivables	112	-	112
Other tax credits	112	-	112
<b>Total</b>	<b>6,068</b>	<b>5,201</b>	<b>867</b>

Long-term tax receivables include a tax receivable for the parent company for the limited deductibility of VAT related to motor vehicles.

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

	31/03/2007	31/12/2006	YoY Change
Other securities	-	-	-
Loans to subsidiaries	206	206	-
<b>Total</b>	<b>206</b>	<b>206</b>	<b>-</b>

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

## 9. Financial assets - derivative instruments

As at 31 March 2007, the Group had a hedging transaction connected with a loan in U.S. dollars to a subsidiary and two interest rate swaps on loans received from banks.

The characteristics of these contracts are as follows:

Type of financial transaction	End date	Notional amount in foreign currency	Exchange rate at date of signing (currency/euro)	Exchange rate at contract end date (currency/euro)	Total value at end-of-contract exchange rate
Forward forex sale	29/06/07	\$ 1,000,000	1.3192	1.3305	751,600

Type of financial transaction	End date	Notional amount in foreign currency	Date signed	Payments	Interest rate (5Y(6m))
Interest Rate Swap	02/05/12	Euro 20,000,000	30/06/06	half-yearly	4.03%
Interest Rate Swap	30/12/10	\$ 35,000,000	07/11/06	half-yearly	5.18%

## 10. Cash & cash equivalents

	31/03/2007	31/12/2006	YoY Change
Bank and post office deposits	75147	32918	42.229
Cash and valuables on hand	35	32	3
<b>Total cash and cash equivalents</b>	<b>75.182</b>	<b>32.950</b>	<b>42.232</b>

The significant increase in bank and post office deposits includes the following:

- €34,924 thousand attributable to the parent company, which, on 28 March 2007, received a short-term loan in the amount of €20,000 thousand;
- €12,985 thousand attributable to Datalogic Slovakia, which, on 28 March 2007, received a medium to long-term loan in the amount of €20,000 thousand.

Below is a statement of the Group's financial position:

Datalogic Group	31/03/2007	31/12/2006	31/03/2006
(€'000)			
A. Cash and bank deposits	75,182	30,139	30,750
B. Other liquidity	0	2,811	0
<i>b1. Restricted cash (*)</i>		2,811	
C. Securities held for trading	370	370	2,815
<i>c1. Current</i>	0	0	943
<i>c2. Non-current</i>	370	370	1,872
<b>D. Cash &amp; Cash equivalents (A) + (B) + (C)</b>	<b>75,552</b>	<b>33,320</b>	<b>33,565</b>
<b>E. Current financial receivables</b>	<b>206</b>	<b>206</b>	<b>0</b>
F. Current bank overdrafts	128		
G. Current portion of non-current debt	29,805	9,856	78,189
H. Other current financial liabilities	0	0	75
<i>h1. Hedging instruments</i>	0	0	75
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>29,933</b>	<b>9,856</b>	<b>78,264</b>
<b>J. Current financial debt, net (I) - (E) - (D)</b>	<b>(45,825)</b>	<b>(23,670)</b>	<b>44,699</b>
K. Non-current bank borrowing	97,443	79,539	11,139
L. Bonds issued		0	
M. Other non-current liabilities	2,497	2,488	0
<i>m1. Financial liabilities vs BoD member</i>	2,497	2,488	
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>99,940</b>	<b>82,027</b>	<b>11,139</b>
<b>O. Net financial debt (J) + (N)</b>	<b>54,115</b>	<b>58,357</b>	<b>55,838</b>

The change in net financial debt is discussed in the report on operations.

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

### 11. Equity

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

(€'000)	31/03/2007	31/12/2006
Share capital	33,101	33,072
Share premium reserve	128,016	127,888
Demerger reserve	4,439	4,439
Reserve for the purchase of treasury shares	1,040	(6,301)
<b>Share capital</b>	<b>166,596</b>	<b>159,098</b>
Translation reserve	(9,320)	(8,555)
Fair value reserve		0
Reserve for financial liabilities	(2,502)	(2,502)
<b>Other reserves</b>	<b>(11,822)</b>	<b>(11,057)</b>
Retained earnings	38,081	33,968
Net profit (loss) for the period	4,316	4,125
<b>Earnings carried forward</b>	<b>42,397</b>	<b>38,093</b>
<b>Total Group net equity</b>	<b>197,171</b>	<b>186,134</b>
<b>Total minority interests in net equity</b>	<b>522</b>	<b>476</b>

#### a) Share capital

Movements in share capital during the first quarter of 2007 are reported below (in €/000):

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
<b>31-Dec-06</b>	<b>62,193,472</b>	<b>33,072</b>	<b>127,888</b>	<b>(6,301)</b>	<b>4,439</b>	<b>159,098</b>
Capital increase from issue of new shares	-					0
Capital increase for exercise of stock options	54,800	29	128			157
Purchase of treasury shares	(317,798)			(2,058)		(2,058)
Sale of treasury shares	1,500,000			9,514		9,514
Costs for the purchase of treasury shares	-			(115)		(115)
Capital increase expenses	-					0
<b>31-Mar-07</b>	<b>63,430,474</b>	<b>33,101</b>	<b>128,016</b>	<b>1,040</b>	<b>4,439</b>	<b>166,596</b>

## **Ordinary shares**

As at 31 March 2007 the total number of ordinary shares was 63,655,472 (not including 224,998 treasury shares) with a par value of €0.52 each; all shares issued are fully paid.

## **Treasury shares**

During 2007, the Group bought 317,798 treasury shares and sold 1,500,000 for an after-tax gain of €598 thousand.

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

A member of the board of directors (as reported in the 'related parties' section of the Management Report) has signed a PUT option with the parent company (which therefore has a CALL option) on his minority stake of 10% in Informatics Inc., which is 90% owned by the parent company.

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

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

## **c) Profits carried forward**

### **Reserve for treasury shares**

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

**Reserve for gain on cancellation and untaxed capital grant reserve**

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

**IFRS transition reserve**

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

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

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

**Dividends**

As at 31 March 2007, no dividends had been paid.

**d) Minority interests**

Minority interests amount to €522 thousand and relate to 10% of Informatics Inc.



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

	31 March 2007	
	Total net equity	Net profit (loss) for the period
<b>Datalogic SpA net equity and profit</b>	<b>198,794</b>	<b>7,547</b>
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	3,821	5,758
Reversal of dividends	0	(9,017)
Laservall acquisition	(3,561)	(324)
Amortization of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(208)	
Effect of eliminating intercompany transactions	(3,310)	129
Elimination of intercompany profits	(43)	18
Effect of posting leasing transactions	(69)	(5)
Deferred taxes	2,220	177
Elimination of Minec brand	(234)	33
<b>Group portion of net equity</b>	<b>197,171</b>	<b>4,316</b>
<b>Minority interests in net equity</b>	<b>522</b>	<b>46</b>
<b>Total net equity</b>	<b>197,693</b>	<b>4,362</b>

## **NON-CURRENT LIABILITIES**

### **12. Short-/long-term financial payables**

	31/03/2007	31/12/2006	YoY Change
current account overdrafts	128		128
bank loans & mortgages and other financial institutions	127,248	89,395	37,853
financial liabilities	2,497	2,488	9
<b>Total financial payables</b>	<b>129,873</b>	<b>91,883</b>	<b>37,990</b>

Financial payables are shown in detail below:

31/03/2007	Within 12 months	After 12 months	Beyond 5 years	Total
<b>Bank borrowing</b>				
current account overdrafts	128			128
bank loans & mortgages and other financial institutions	29,805	57,638	39,805	127,248
<b>Other financial liabilities</b>				
Miscellaneous		2,497		2,497
<b>Total</b>	<b>29,933</b>	<b>60,135</b>	<b>39,805</b>	<b>129,873</b>

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

#### **Parent company**

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

#### **Datalogic Slovakia**

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

The loans are secured as follows:

- loan to Datalogic GmbH = real estate mortgage of €1,968 thousand;
- loan to Informatics = surety issued by the parent company of €9,010 thousand;
- **bank loan received by PSC Holding.** For this loan (in the amount of USD 70 million), the company has been asked to observe a number of covenants in the form of financial ratios as follows:
  - debt cover ratio (DCR), which is calculated as the ratio of EBITDA to net debt;
  - interest cover ratio (ICR), which is calculated as the ratio of EBITDA to interest expense;
  - debt service cover ratio (DSCR), which is calculated as the ratio of cash flows to total financial debt (total interest expense and principle paid);
  - capital expenditure (capex).

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

The parent company has also granted sureties of €78,159 thousand and letters of patronage of €1,877 thousand against the use of a credit line by associates.

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

### 13. Deferred taxes

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

The detail of deferred tax assets is shown below:

Deferred tax assets	31/03/2007	31/12/2006	YoY Change
Datalogic Spa	2,194	2,655	(461)
Laservall S.p.a.	242	242	-
DL INC	165	167	(2)
DL Handels	346	364	(18)
DL PTY	218	168	50
Informatics	495	492	3
PSC	14,333	15,529	(1,196)
DL UK	326	329	-3
<b>Total long-term deferred tax assets</b>	<b>18,319</b>	<b>19,946</b>	<b>(1,627)</b>
Deferred taxes recognized due to effect of consolidation adjustments	860	792	68
<b>Total deferred tax assets</b>	<b>19,179</b>	<b>20,738</b>	<b>(1,559)</b>

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

Details of deferred tax liabilities are as follows:

Deferred tax liabilities	31/03/2007	31/12/2006	YoY Change
Laservall S.p.a.	149	149	-
Informatics	1,762	1,898	(136)
DL France	46	46	-
<b>Total short-term deferred tax liabilities</b>	<b>1,957</b>	<b>2,093</b>	<b>(136)</b>
Datalogic Spa	6,659	6,753	(94)
DL AB	12	12	-
DL GMBH	164	154	10
DL PTY	15	15	-
PSC	14,016	14,491	(475)
francia	60	60	-
Inc	6	6	-
DL UK	149	149	-
DL Asia	2	-	2
EMS	15	15	-
<b>Total long-term deferred tax liabilities</b>	<b>21,098</b>	<b>21,655</b>	<b>(557)</b>
Deferred taxes recognized due to effect of consolidation adjustments	69	57	12
Deferred tax liabilities due to effect of Laservall consolidation adjustments	2,542	2,663	(121)
<b>Total deferred tax liabilities</b>	<b>25,666</b>	<b>26,468</b>	<b>(814)</b>

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

In the same way, a portion of the deferred tax liabilities for Informatics (€1,762 thousand) and PSC (€14,016 thousand) are the result of the fair value measurement of certain intangible assets identified when recognizing the acquisition of these two firms.

In total, deferred tax liabilities attributable to this transaction came to €14,653 thousand.

## 14. Post-employment benefit obligations

Changes in this liability during the period were as follows

	€'000
31/12/06	7,624
Amount provisioned in period	378
Utilisation	(463)
31/03/07	7,539

Of the figure shown for utilizations, €413 thousand is ascribable to the parent company, of which €87 thousand for advances and €326 thousand for resignations.

## 15. Long-term provisions for risks and expenses

The breakdown of the total “provisions” item was as follows:

	31/03/2007	31/12/2006	YoY Change
Short-term provisions	3,208	4,070	(862)
Long-term provisions	6,918	5,786	1,132
<b>Total provisions</b>	<b>10,126</b>	<b>9,856</b>	<b>270</b>

Below we show the changes occurring in the item:

	31/12/2006	Increases	(Utilisation)	Forex differences Share of profit	31/03/07
Product warranty provision	4,488	180	(3)	(22)	4,643
Provision for legal disputes	114		(40)		74
Restructuring provision	446		(316)	(3)	127
Provision for management incentive scheme	2,150	1,066		(1)	3,215
Other	2,658	1,454	(2,028)	(17)	2,067
<b>Total provisions</b>	<b>9,856</b>	<b>2,700</b>	<b>(2,387)</b>	<b>(43)</b>	<b>10,126</b>

The product warranty provision covers the estimated cost of repairing products sold under warranty; it amounts to €4,643 thousand and is considered sufficient in relation to the specific risk it covers. It is mainly attributable to the PSC Group (€3,347 thousand, of which €1,967 thousand long-term), to the parent company (€950 thousand) and to Laservall SpA (€300 thousand).

The restructuring provision is attributable to the PSC Group in the amount of €89 thousand and to the parent company in the amount of €38 thousand.

Of the provision for the management incentive scheme, €2,781 thousand was attributable to the direct parent company and €434 thousand to the PSC Group.

The heading "Other" mainly consists of:

- €1,470 thousand for a "stock rotation" provision concerning the PSC Group, showing an increase of €1,454 thousand vs. 31 December 2006;
- €66 thousand = attributable to the PSC Group and provisioned for compliance with directive 2002/95/EC, i.e. the "Directive on restrictions of use of some hazardous substances in electric and electronic equipment", enacted in Italian law by Legislative Decree no. 151 of 25/07/2005;
- €350 thousand for a provision made on 31 December 2006 for tax disputes concerning the parent company.

## 16. Other non-current liabilities

Other non-current payables	31/03/2007	31/12/2006	YoY Change
due to employees	774	647	127
security deposits from third parties	48	56	(8)
leasing instalments due	29	22	7
<b>Total</b>	<b>851</b>	<b>725</b>	<b>126</b>

Amounts due to employees are attributable to Informatics for incentives.

## **CURRENT LIABILITIES**

### **17. Trade and other payables**

These are the details of trade and other payables:

	31/03/2007	31/12/2006	YoY Change
<b>Trade and other payables</b>	<b>68,213</b>	<b>72,857</b>	<b>(4,644)</b>
<b>Trade payables</b>	<b>48,431</b>	<b>49,215</b>	<b>(784)</b>
Trade payables due within 12 months	48,226	48,760	(534)
Trade payables due after 12 months			-
Due to associates	-	21	(21)
Idec Datalogic CO.Ltd		18	(18)
Laservall Asia		3	(3)
Due to ultimate parent company	11	11	-
Related-party payables	194	423	(229)
<b>Other current payables</b>	<b>12,663</b>	<b>16,782</b>	<b>(4,119)</b>
<b>Accrued liabilities and deferred income</b>	<b>7,119</b>	<b>6,860</b>	<b>259</b>

#### **Trade payables**

Related-party payables are due to Datasensor.

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

#### **Other payables**

The detailed breakdown of other current payables was as follows:

<b>Other current payables</b>	<b>31/03/2007</b>	<b>31/12/2006</b>	<b>YoY Change</b>
Due to pension and social security agencies	2,072	2,693	(621)
Due to employees	8,891	8,377	514
Security deposits received	32	2,526	(2,494)
Directors' remuneration due	667	600	67
Due to insurers	-	-	-
Royalty costs yet to be paid	197	355	(158)
Other payables	804	2,231	(1,427)
<b>Total</b>	<b>12,663</b>	<b>16,782</b>	<b>(4,119)</b>

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

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

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

## Accrued liabilities and deferred income

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

	31/03/2007	31/12/2006	YoY Change
<b>a) accrued liabilities</b>			
consulting services	244	232	12
advertising and promotion		-	-
other deferred income	790	818	(28)
<b>Total accrued liabilities</b>	<b>1,034</b>	<b>1,050</b>	<b>(16)</b>
<b>b) deferred income</b>			
maintenance contracts	3,271	3,068	203
intercompany transactions	593	603	(10)
warranty extension	911	825	86
capital grants	666	666	-
other deferred income	644	648	(4)
<b>Total deferred income</b>	<b>6,085</b>	<b>5,810</b>	<b>275</b>
<b>Total accrued liabilities &amp; deferred income</b>	<b>7,119</b>	<b>6,860</b>	<b>259</b>

The balance of the deferred income heading "maintenance contracts" mainly concerns the PSC Group for €2,563 thousand (€1,298 thousand long-term), Datalogic UK Ltd. for €194 thousand and Datalogic Iberia for €170 thousand, due to suspension of the portion of revenues from maintenance contracts with customers that does not pertain to the period.

The item "intercompany transactions" refers to the elimination of the inventory margin of Idec Datalogic Co. Ltd. (€185 thousand), Laservall Asia and Laservall Futian (€408 thousand each), which are booked at equity.

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

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

## 18. Taxes payable

	31/03/2007	31/12/2006	YoY Change
Short-term taxes payable	9,877	7,679	2,198
Long-term taxes payable	-	-	0
<b>Total</b>	<b>9,877</b>	<b>7,679</b>	<b>2,198</b>

As at 31 March 2007, taxes payable amounted to €9,877 thousand, as detailed below, by individual company:



Short-term taxes payable	31/03/2007	31/12/2006	YoY Change
DL SpA	3,534	2,227	1,307
PSC	898	838	60
Laservall S.p.a.	1,472	800	672
DL AB Holding	1	2	(1)
DL AB	280	193	87
Informatics	622	154	468
DL GMBH	607	297	310
B.	373	144	229
HANDEL	7	4	3
DL Iberia	228	461	(233)
DL France	247	202	45
DL UK	591	389	202
Inc	162	64	98
EMS	-	-	-
DL PTY	-	4	(4)
DL Slovakia	849	1,900	(1,051)
DL Asia	6	-	6
<b>Total short-term taxes payable</b>	<b>9,877</b>	<b>7,679</b>	<b>2,198</b>
<b>Total long-term taxes payable</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total taxes payable</b>	<b>9,877</b>	<b>7,679</b>	<b>2,198</b>

## INFORMATION ON THE INCOME STATEMENT

### 19. Revenues

	31/03/07	31/03/06	YoY Change
Revenues from sale of products	100,561	91,583	8,978
Revenues for services	3,504	3,665	(161)
<b>Total revenues</b>	<b>104,065</b>	<b>95,248</b>	<b>8,817</b>

Total revenues increased by more than 9% over the previous year.

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

Below is the geographical breakdown of revenues in percentage terms:

	31/03/07	31/03/06	YoY Change
Italy	11%	9%	2%
Elsewhere - EU	42%	45%	-3%
Elsewhere - non-EU	47%	46%	1%

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

To provide a more accurate breakdown by unit, since the first quarter of 2006 the general and administrative expenses of the Group's commercial branches have been treated as distribution expenses.

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

	31/03/07	31/03/06	YoY Change
TOTAL COST OF GOODS SOLD (1)	58,065	53,924	4,141
<i>of which non-recurring</i>	14	1,025	(1,011)
TOTAL OPERATING COSTS (2)	38,302	43,162	(4,860)
R&D expenses	7,011	6,657	354
<i>of which non-recurring</i>	4	23	(19)
Distribution expenses	20,242	22,532	(2,290)
<i>of which non-recurring</i>	380	43	337
General & administrative expenses	9,293	11,740	(2,447)
<i>of which non-recurring</i>	936	2,495	(1,559)
<i>of which amortization pertaining to acquisitions</i>	1,054	1,531	(477)
Other operating costs	1,756	2,233	(477)
<i>of which non-recurring</i>	179	1,361	(1,182)
TOTAL (1+2)	96,367	97,086	(719)
<i>of which non-recurring costs</i>	1,513	4,947	(3,434)
<i>of which amortization pertaining to acquisitions</i>	1,054	1,531	(477)

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

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	(14)	Transformation plan
<b>Total</b>	<b>(14)</b>	
3) Other operating revenues	288	Rebiling of legal costs incurred
<b>Total</b>	<b>288</b>	
4) R&D expenses	(4)	Transformation plan
<b>Total</b>	<b>(4)</b>	
5) Distribution expenses	(306)	Transformation plan
5) Distribution expenses	(74)	Early retirement incentives
<b>Total</b>	<b>(380)</b>	
6) General & administrative expenses	(825)	Transformation plan
6) General & administrative expenses	(111)	Rebiling of legal costs incurred
<b>Total</b>	<b>(936)</b>	
7) Other operating expenses	(2)	Transformation plan
7) Other operating expenses	(177)	Rebiling of legal costs incurred
<b>Total</b>	<b>(179)</b>	
<b>TOTAL NON-RECURRING COSTS AND REVENUES</b>	<b>(1,225)</b>	

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

This item increased 8% over the same period of 2006, thereby increasing less than the increase in revenues. The Data Capture division made an important contribution to this result, in that the cost of goods sold for this division fell from 58.1% of sales for the first quarter of 2006 to 56.8% of sales for the first quarter of this year.

**Total operating costs (2)**

Operating costs net of non-recurring items and amortizations related to acquisitions went from €37,709 thousand to €35,749 thousand, for a decline of more than 5%. The restructuring of the PSC Group during the second quarter of 2006 contributed to this result, as did the strengthening of the euro against the US dollar (as discussed in greater detail in the Management Report) and a general focus on operating efficiency, which led to a reduction in costs.

R&D expenses, which totalled €7,011 thousand as at 31 March 2007, were equivalent to 6.7% of revenues and grew by 5% YoY. This change was due to a €525 thousand increase attributable to the PSC Group and a €157 decline for the parent company.

Distribution costs totalled €20,242 thousand, for a decrease of €2,290 thousand from the same period of 2006. This decline is primarily attributable to the costs incurred for the company convention held in February 2006 (€532 thousand), which did not take place in 2007, and the reduction in royalty costs for the PSC Group (€1,240 thousand) related to the redefinition of a contract with a leading supplier.

General and administrative expenses amounted to €9,293 thousand, for a €2,447 thousand increase over the same period of 2006 due primarily to the reduction in non-recurring costs (€1,559 thousand) and amortizations resulting from acquisitions (€477 thousand). The further reduction of €411 thousand is primarily attributable to the PSC Group (€985 thousand), which offset the €750 thousand increase in costs for the parent company.

The detailed breakdown of other operating costs is as follows:

	31/03/07	31/03/06	YoY Change
Capital losses on assets	24	11	13
Incidental costs and cancellation of income items	9	98	(89)
Provisions for doubtful accounts	52	50	2
Other provisions	1,061	1,769	(708)
Non-income taxes	186	204	(18)
Other	424	101	323
<b>TOTAL OTHER OPERATING COSTS</b>	<b>1,756</b>	<b>2,233</b>	<b>(477)</b>

Other provisions, totalling €1,061 thousand, consisted of the following items:

- €726 thousand for a provision made by the direct parent company for the estimated portion for the first quarter of 2007 of a long-term management incentive scheme (due to end in 2008);
- €335 thousand for a provision made by the PSC Group for the estimated portion for the first quarter of 2007 of a long-term management incentive scheme (due to end in 2008).

Non-income taxes are primarily attributable to the PSC Group, Datalogic France, Datalogic UK, Datalogic Inc., and Informatics.

Other operating costs include €358 thousand for charged-back costs, €288 thousand of which related to legal costs billed to PCS by the parent company (with the corresponding revenues recognized by the parent company as other operating revenue).

### Breakdown of costs by nature

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

	31/03/07	31/03/06	YoY Change
Payroll & employee benefits	26,387	26,227	160
Depreciation & amortization	4,117	4,483	(366)
Inventory change	(915)	-7,526	6,611
Purchases	46,606	48,953	(2,347)
Subcontracted work	1,130	963	167
Repairs	1,281	1,040	241
Marketing	1,746	1,706	40
Directors' remuneration	833	2,529	(1,696)
Travel & accommodation	1,319	1,601	(282)
Technical, legal, and tax advisory services	2,470	2,090	380
Goods receipt & shipment	2,837	2,799	38
Meetings	316	591	(275)
Other payroll costs	8,240	11,630	(3,390)
<b>Total (COGS + operating costs)</b>	<b>96,367</b>	<b>97,086</b>	<b>-719</b>

Marketing expenses totalled €1,746 thousand. They consisted of advertising spending and sponsorships (€821 thousand), tradeshow (€352 thousand), and co-marketing participation in commercial partners' marketing spending (€387 thousand).

Directors' remuneration, at €833 thousand, concerns the parent company for €685 thousand. The €1,696 thousand decline is due to the fact that, during the same period of 2007, the CEO was paid an extraordinary remuneration of €2,000 thousand.

Advisory service costs totalled €2,470 thousand, €796 thousand of which is related to costs incurred for the transformation plan.

Goods receipt and shipment expenses totalled €2,837 thousand, which is in line with the same period of 2006.

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

	31/03/07	31/03/06	YoY Change
Wages and salaries	20,773	20,605	168
Social security charges	4,188	4,468	(280)
Post-employment benefits	378	378	-
Retirement and similar benefits	170	81	89
Other payroll costs	878	695	183
<b>Total</b>	<b>26,387</b>	<b>26,227</b>	<b>160</b>

## 21. Other operating revenues

The detailed breakdown of this item is as follows:

	31/03/07	31/03/06	YoY Change
Miscellaneous income and revenue	274	86	188
Rent income	56	44	12
Commissions		1	(1)
Charge-back of miscellaneous costs	493	94	399
Capital gains on asset disposals	18	8	10
Incidental income and cost cancellation	124	93	31
Other	1	67	(66)
<b>TOTAL OTHER REVENUES</b>	<b>966</b>	<b>393</b>	<b>573</b>

The increase in other revenues is primarily attributable to the parent company and is connected with the VAT refund requested for the limited deductibility of VAT related to motor vehicles.

The incidental income and cost cancellation is attributable to DL Slovakia and Datalogic BV.

## 22. Net financial income (expenses)

	31/03/07	31/03/06	YoY Change
Interest expenses on bank current accounts/loans	1,452	1,178	274
Foreign exchange losses	1,580	1,196	384
Bank charges	82	229	(147)
Other	-	526	(526)
<b>TOTAL FINANCIAL EXPENSES</b>	<b>3,114</b>	<b>3,129</b>	<b>(15)</b>
Interest income on bank current accounts/loans	562	347	215
Foreign exchange gains	1,381	616	765
Other	-	40	(40)
<b>TOTAL FINANCIAL INCOME</b>	<b>1,943</b>	<b>1,003</b>	<b>940</b>
<b>NET FINANCIAL INCOME (EXPENSES)</b>	<b>(1,171)</b>	<b>(2,126)</b>	<b>955</b>

### Total financial expenses

The item “Interest expenses on bank current accounts and loans”, totalling €1,452 thousand, pertains mainly to the PSC Group (€1,042 thousand), the parent company (€273 thousand) and Informatics (€104 thousand).

Of the €1,580 thousand in foreign exchange losses €833 thousand refers to Datalogic Slovakia, €438 thousand to the PSC Group, and €233 thousand to the parent company.

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

- €175 thousand in exchange losses on commercial transactions, of which €99 thousand refers to retranslation at period-end exchange rates;
- €55 thousand in foreign exchange losses relating to loans and current accounts in foreign currency for alignment with the end-of-period exchange rate;
- €3 thousand for forward hedging transactions.

Banking expenses, in the amount of €82 thousand, include €20 thousand attributable to the direct parent company and €35 thousand attributable to the PSC Group.

### Total financial income

Interest income on bank current accounts/loans, in the amount of €562 thousand, is mainly attributable to the PSC Group (€410 thousand) and to the direct parent company (€96 thousand).

Of the €1,381 thousand in “Foreign exchange gains”, €76 thousand refers to Datalogic Slovakia, €342 thousand to the PSC Group, and €203 thousand to the parent company.

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

- €153 thousand in exchange losses on commercial transactions, of which €66 thousand refers to retranslation at period-end exchange rates;
- €28 thousand in exchange gains on borrowings and current accounts in foreign currency;
- €22 thousand for hedging transactions.

## 23. Taxes

	31/03/07	31/03/06
Income taxes	3,787	2,128
Deferred taxes	(582)	(2,637)
	3,205	(509)

The average tax rate applied is 42.35%.

## 24. Earnings/loss per share

### Basic earnings/loss per share

Basic earnings per share as at 31 March 2007 was calculated as net profit for the group of €4,316 thousand (vs. the loss of €3,627 thousand at 31 March 2006) divided by the weighted average number of ordinary shares at 31 March 2007 of 62,568,519 (14,696,013 at 31 March 2006).

### Diluted earnings/loss per share

Diluted earnings per share as at 31 March 2007 was calculated as net profit for the group of €4,316 thousand (vs. the loss of €3,627 thousand at 31 March 2006) divided by the weighted average number of ordinary shares at 31 March 2007 of 62,692,703 (14,754,154 at 31 March 2006), which includes the effect of the future exercising of stock options as follows:

	31/03/06	31/03/07
Group profit/(loss) for period	-3,627,000	4,316,000
Average number of shares as at 31 March	14,696,013	62,568,519
Effect of future exercise of stock options	58,141	124,184
Diluted average number of shares as at 31 March	14,754,154	62,692,703
Diluted earnings/loss per share	-0,2458	0,0688



## SEGMENT REPORTING

### Segment information

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

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

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

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

### Business segments

The Group consists of the following business segments:

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

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

- Industrial marking products;
- Distribution of automatic identification products.

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

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06
External sales	83,431	76,645	20,634	18,603			104,065	95,248
Intersegment sales	23	198	26	21	(49)	(219)	-	-
<b>Total revenues</b>	<b>83,454</b>	<b>76,843</b>	<b>20,660</b>	<b>18,624</b>	<b>(49)</b>	<b>(219)</b>	<b>104,065</b>	<b>95,248</b>
Cost of goods sold	47,440	44,689	10,611	8,210			58,051	52,899
Intersegment cost of goods sold		19	10	193	(10)	(212)	-	-
<b>Gross profit</b>	<b>36,014</b>	<b>32,135</b>	<b>10,039</b>	<b>10,221</b>	<b>(39)</b>	<b>(7)</b>	<b>46,014</b>	<b>42,349</b>
% of revenues	43.2%	41.8%	48.6%	54.9%	79.6%	3.2%	44.2%	44.5%
Other attributable revenues	635	263	43	130			678	393
Other intersegment revenues		97	45	-	(45)	(97)	-	-
<b>Allocable operating costs:</b>	<b>27,234</b>	<b>29,946</b>	<b>6,137</b>	<b>6,352</b>	<b>(40)</b>	<b>(101)</b>	<b>33,331</b>	<b>36,197</b>
% of revenues	32.6%	39.0%	29.7%	34.1%	81.6%	46.1%	32.0%	38.0%
R&D expenses	5,949	5,538	1,058	1,096			7,007	6,634
Distribution expenses	16,384	19,167	3,478	3,419		(97)	19,862	22,489
Allocable G&A costs	4,157	4,844	1,494	1,662	(40)	(4)	5,611	6,502
Other allocable operating costs	744	397	107	175			851	572
<b>SEGMENT RESULT</b>	<b>9,415</b>	<b>2,549</b>	<b>3,990</b>	<b>3,999</b>	<b>(44)</b>	<b>(3)</b>	<b>13,361</b>	<b>6,545</b>
% of revenues	11.3%	3.3%	19.3%	21.5%	89.8%	1.4%	12.8%	6.9%
Unallocable G&A costs	-						1,692	1,212
Other unallocable operating costs							726	300
<b>EBITANR</b>	<b>9,415</b>	<b>2,549</b>	<b>3,990</b>	<b>3,999</b>	<b>(44)</b>	<b>(3)</b>	<b>10,943</b>	<b>5,033</b>
% of revenues	11.28%	3.32%	19.31%	21.47%	89.80%	1.37%	10.52%	5.28%
Allocable non-recurring costs/revenues	(1,225)	(4,947)					(1,225)	(4,947)
Amortization due to acquisitions	(577)	(1,041)	(477)	(490)			(1,054)	(1,531)
<b>OPERATING RESULT (EBIT)</b>	<b>7,613</b>	<b>(3,439)</b>	<b>3,513</b>	<b>3,509</b>	<b>(44)</b>	<b>(3)</b>	<b>8,664</b>	<b>(1,445)</b>
% of revenues	9.12%	-4.48%	17.00%	18.84%	89.80%	1.37%	8.33%	-1.52%
Net financial income (expenses)							(1,171)	(2,126)
Share of associates' profit							74	(377)
Income taxes							(3,205)	360
<b>NET PROFIT/LOSS</b>							<b>4,362</b>	<b>(3,588)</b>
% of revenues							4.19%	-3.77%
Minority interests' share of net profit/loss							46	39
<b>GROUP NET PROFIT/LOSS</b>							<b>4,316</b>	<b>(3,627)</b>
% of revenues							4.15%	-3.81%

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06
Segment assets	290,758	314,994	56,176	53,042	(194)	(256)	346,740	367,780
Interests in subsidiaries booked at equity	716	612	506	204			1,222	816
Unallocable assets							101,876	48,322
<b>Total assets</b>	<b>291,474</b>	<b>315,606</b>	<b>56,682</b>	<b>53,246</b>	<b>(194)</b>	<b>(256)</b>	<b>449,838</b>	<b>416,918</b>
Segment liabilities	70,670	85,891	10,753	9,269	(177)	(329)	81,246	94,831
Unallocable liabilities							170,899	122,205
Equity							197,693	199,882
<b>Total liabilities</b>	<b>70,670</b>	<b>85,891</b>	<b>10,753</b>	<b>9,269</b>	<b>(177)</b>	<b>(329)</b>	<b>449,838</b>	<b>416,918</b>
Allocable D&A (net of D&A due to acquisitions)	2,635	2,611	250	260			2,885	2,871
Unallocable D&A	-	-	-	-	-	-	178	82

For comments, please see the “Segment Information” section of the Management Report.

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

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

€'000	31-Mar-07					
RELATED PARTIES	Idec DI Co. Ltd.	Datasensor	Hydra	Nebulaxis (*)	John O'Brien	TOTAL
<b>Receivables</b>	551		3,702			4,253
<b>Payables</b>						
Trade payables	-	194		14		208
Financial payables	-				2,497	2,497
<b>Capitalised costs</b>	-					-
<b>Costs</b>						
Commercial costs	-	216	4			220
Costs for services						-
<b>Revenues</b>						
Commercial revenues	678	2	16			696
Financial revenues	-					-

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

**Transactions with Datalogic Group companies**

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

As at 31 March 2007, the ultimate parent company sold Idec products and components totalling roughly €678 thousand and had trade receivables from Idec totalling €551 thousand. These transactions were executed at conditions comparable to those of other affiliates.

**Transactions with companies belonging to shareholders**

Transactions with Datasensor SpA, controlled by the key shareholders of the ultimate parent company, refer chiefly to the purchase of components by Datalogic SpA (€216 thousand) and to the distribution by certain Group companies of small quantities of Datasensor products.

As at 31 March 2007, trade payables to Datasensor totalled €194 thousand.

Relations between the parent company and the ultimate parent (Hydra SpA) primarily concern income taxes receivable in the amount of €3,685 thousand and lease expenses of an insignificant amount. The company participates in fiscal consolidation as a consolidated company (with Hydra as parent company).

Laservall SpA has €11 thousand in income taxes payable to Hydra SpA as a result of fiscal consolidation as a consolidated company (with Hydra as parent company).

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

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

It should be noted that under the heading "financial liabilities" are posted, in accordance with IAS 32.23, €2,497 thousand pertaining to a PUT option signed by the director John O'Brien with the parent company (which therefore has a call option) on his minority stake of 10% in Informatics Inc. This liability is offset by a negative reserve of €2,502 thousand (net of interest accruing and exchange-rate adjustments).

**NUMBER OF EMPLOYEES**

	31/03/2007	31/03/2006	YoY Change
DL SpA	530	553	(23)
DL AB	20	25	(5)
DL France	15	16	(1)
DL Iberia	19	20	(1)
DL Central Europe	55	47	8
DL Benelux	8	12	(4)
DL INC	44	46	(2)
DL PTY	13	14	(1)
DL UK	16	14	2
EMS	53	60	(7)
Informatics	109	97	12
Laservall	98	79	19
Gruppo PSC	745	809	(64)
Slovakia	145	79	66
Asia	9	5	4
<b>Total</b>	<b>1879</b>	<b>1,792</b>	<b>87</b>

Chairman of the Board of Directors  
*Romano Volta*