



2010

FINANCIAL REPORT



Moving
ahead



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LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

2010, despite the fragile and uncertain macroeconomic and geopolitical situation, was an excellent year for Datalogic, both in terms of results and prospects for growth and development.

We can proudly say that the efforts of the last two years, a period in which Datalogic went through an intense process of restructuring and refocusing on reference markets, have produced even better results than expected.

Revenues grew by 26% to almost 400 million Euro, **EBITDA** more than doubled to nearly 50 million Euro with a margin of around 13% and we returned to **profit** with a net income of 18 million Euro.

2010 confirmed, therefore, a year of recovery compared to the previous financial year, both in terms of revenue and profit, with all business lines contributing positively to improving the performance of the Group.

These results speak for themselves, a success which confirms the effectiveness of measures taken and decisions made. We can look to the challenges of the near future with greater confidence and continue in the right direction.

Our success is certainly due to the commitment and dedication of the whole company that has worked together and made it possible to achieve stability and efficiency with a cost base structurally lower than previous years and a higher level of industrial productivity.

The commitment and value created for all stakeholders have proved, therefore, to be the main themes of the financial year just ended.

The clear value created, also recognised by the excellent **stock performance** during the year, is the result of the efforts and strive towards the achievement of new targets. Datalogic is now recognised as a model for development and a driving force for research and innovation at an international level.

Our objectives were outlined in the new 3 Year Plan and confirm our commitment to improving, starting from sharing our development strategies with the financial community.

The **3 Year Plan 2010-2012** was actually presented in October and our clear and defined targets are based on four drivers to create value: *Strategic Positioning, International Expansion, Innovation and Efficiency and Productivity*.

We want to address our growth strategy and strengthen our competitive position in two reference markets: Automatic Data Capture (ADC) and Industrial Automation. We aim to do this by developing marketing strategies in different sectors and segments and launching new products and solutions.

To address and maximise market focus, from January 2011, two divisions of the Group Datalogic Scanning and Datalogic Mobile, while continuing to run autonomously, came under combined leadership with the objective of developing synergy between the two divisions and tighter co-operation on the ADC market. A "new Datalogic model" therefore, to respond more promptly to market needs and guarantee the highest level of customer satisfaction marked by quality, flexibility and efficiency.

We will invest in countries with high growth potential, particularly in emerging countries, where in 2010 we achieved an increase in turnover of more than 60% and where we think there may be significant opportunities for expansion through acquisitions and local partnerships. A high-end offer of products and solutions with high technological content will, on the other hand, create higher growth rates than market rates in mature regions such as North America and Europe.

This will be possible thanks to constant product and process innovation, that, even in times of crisis, have always been the driving force of Datalogic representing between 7 and 8% of turnover. In 2010 we launched 34 new products and registered 65 new patents that led to a total of nearly 900 patents filed worldwide.

Technological leadership was strengthened through external lines with the acquisition of Evolution Robotics Retail Inc. in July, an American company with unique expertise in 'visual pattern recognition technology'.

Investment in new Imaging and Vision technologies, alongside the development of intelligent solutions that combine products, software and services according to the new focus on creating added value, will allow commercial offer extension and further market penetration.

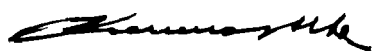
Thanks to re-engineered production processes and strengthened control procedures, in 2010 we achieved strong improvements in terms of efficiency and trade working capital, reduced by 4.5% to around 58 million Euro. Finally, adopting a global level management of the supply chain and leveraging on our international presence is one of Datalogic's main targets for 2011 that will lead to a marked improvement in industrial productivity.

Cash generation, amounting to over 24 million Euro, allowed for a strong improvement in net financial debt, which, despite the acquisition of Evolution Robotics Retail Inc. for more than 20 million Euro, was reduced to 76 million.

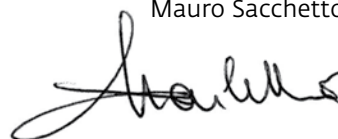
For all these reasons 2010 was a year of great satisfaction. 2011, despite the continuing uncertain climate, opened with very positive signals, we are confident that we can consolidate the success of the financial year just ended and achieve even more ambitious goals this year.

Bologna, 28 April 2011

Chairman
Romano Volta



Chief Executive Officer
Mauro Sacchetto



commitment and value

Dear readers,

2010 brings generously affirmative results with regard to both our economic and profit-making profile and our reinforced presence on the various markets on which we operate, despite the enduring critical situation of the worldwide economy.

Our reaction to adversity has become a driving force to grow and improve and, in this difficult period of time, we have become even more alert towards market dynamics and are fully aware that we avail of efficient instruments to be able to compete and win.

Such success is due to the commitment and dedication of the whole Group, which has become additionally united in contributing towards recovery and this is the starting point to face new challenges and, we believe, to achieve new goals.

Commitment and value are consequently the most perceptive topics of the year just ended.

Commitment, which from an individual action turns into cumulative strength, is Datalogic's true endowment: commitment to creating social relations first and then economic relations, commitment to integrating the multicultural contribution of our people and turning it into precious resources required for development.

Value, which is proven also by the excellent performance of our shares last year, as the objective of growth, not merely economic but, and above all, that towards the full affirmation of our company as a model of development and a research and innovation engine.

Value is in the responsibility towards our customers, our human resources and our investors, who will indeed read in our new Three Year Plan that we intend continuing to improve ourselves, starting from sharing our strategies and our targets with the financing community.

All these facts make Datalogic a multinational Group that is clearly inspired by innovation, working on the most important markets of the planet, employing people locally, exploiting specific products and solutions for the customers of each market.

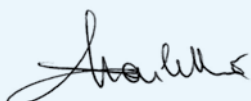
Research and development, production facilities and managerial structures are rooted in local districts because we want to be where our market is, to be able to observe it from the inside and create a close bond with our customers.

What we have in common is the strategy defined in the Three Year Plan, the fact that we speak a mutual language and the ambition to contribute individually to the success of all. This is why Datalogic is genuinely a real community and not just a number of facilities, patents, products and technological solutions.

In 2010 we truly believed in winning the challenge of the markets and keeping our leadership identity.

Alongside the figures, we have the certainty that we are ready to face the future, thanks to the fact that we are attentive towards our customers' needs and that we are a community that makes innovation, internationalization, integration and the valorization of our people its winning assets.

In the pages that follow, you can read about the facts that prove why we are so convinced that the year just ended represents a somewhat extraordinary moment, not just in terms of the results gained, which are confirmed by the figures of the first couple of months of this year, but above all in terms of the validity of our strategy of commitment and creation of value.



Mauro Sacchetto
Chief Executive Officer



+26%

In sales revenues in 2010 vs. 2009

65

New patents registered in 2010

34

*New products
launched in 2010*

26

million Euros in R&D

9

Research centers

commitment and value in innovation

Datalogic: the future in everyday life

Vision

To be Top of Mind when thinking about needs in the Automatic Data Capture and Industrial Automation markets

Mission

Promote and provide business solutions by offering

- *high value systems, products and services to mark, capture, compute and communicate information anywhere and anytime,*
- *high value solutions for process and material traceability, quality inspection, advanced detection and safety to generate a high ROI for our Customers*

The Datalogic Group is a leader on the market of bar code readers, data collection mobile computers, RFID and vision systems used extensively in the manufacturing, transportation & logistics and retail industries.

Datalogic is an industrial group that focuses on two specific markets: Automatic Data Capture (ADC) and Industrial Automation. The Group is split-up into three individually managed companies: Datalogic Mobile and Datalogic Scanning, which specialize in offering products and solutions for the ADC market, and Datalogic Automation, which specializes in supplying products and solutions to the Industrial Automation market. The three divisions are supported by the Business Development unit (which includes the American companies Informatics, Texas; Evolution Robotics Retail, California and the Self Shopping Solutions Business Unit, Italy). It deals with the development of new business platforms and the evaluation of opportunities of external growth.

The ability to develop technological innovations and ever competitive products is a key factor, even though Datalogic's idea of innovation is not just a "product" alone. It's a true mental state that involves all the resources engaged in transferring innovation to all phases of the product's life cycle: from design to production, through to distribution and after sales.

Customer care, facilities rooted locally and utmost flexibility make Datalogic the ideal partner to create solutions suitable for the customer's needs in using technologies that improve and make our daily chores of everyday life much easier, also guaranteeing higher standards of quality and reliability.

Products created by Datalogic are currently the state of the art in identification and data capture and are used in over a third of supermarkets and points of sales right across the globe, as well as by airports, hospitals, post offices and couriers.

In everyone's life, today.



The four strategic drivers that will create value: Datalogic's 3 Year Plan



Strategic positioning

Addressing and focusing the growth strategy on two reference markets, **Automatic Data Capture** (ADC) and **Industrial Automation**, developing marketing strategies in different sectors and segments, launching new products and solutions: these are the drivers that will allow Datalogic to win market share.

We pursue not only organic growth, thanks to the solid position reached and to the high cash leverage, but also external growth, especially on the more fragmented Industrial Automation market that shows strong growth potential.



Innovation

Constant product and process innovation is the stronghold of Datalogic and has indeed enabled us to become an acknowledged worldwide leader in reference sectors.

Investments in new **Imaging** and **Vision** technologies, alongside the development of intelligent solutions that combine products, software and services according to the new focus on creating added value, will allow commercial offer extension and further market penetration.



International expansion

Strategic alliances and Joint Ventures with local partners will be the driving force behind development in emerging countries. In particular, very high growth is expected on markets of the BRIC area.

High-End offer of products and solutions with high technological content will, on the other hand, create higher growth rates than market rates in mature regions such as North America and Europe.



Efficiency and productivity

Improvement of **efficiency** and **flexibility**, also by leveraging international footprint, are the two main targets of Datalogic.

Global level management of the supply chain, strengthening of control procedures and reengineering of production processes will lead to a marked improvement in Group operating expenses and working capital.



commitment and value in our achievements

JANUARY

Business Solutions, an authoritative American magazine of the sector, votes Datalogic Mobile and Datalogic Scanning as the **Best Channel Vendors** for the second year running.

FEBRUARY

Costa Crociere, the largest tourist group in Italy and the most important cruise company in Europe, chooses Datalogic Scanning for the supply of bar code scanners for the first system in the world for mobile passenger check-in onboard cruisers.

MARCH

CRF certifies Datalogic as an excellent business in the management of human resources, for the second year running, in the categories of 'Training and Development' and 'Working conditions'; this recognition earns Datalogic its place in the group of "**Top Employers**" in Italy in 2010.

The partnership between **Coop Adriatica**, Italy and Datalogic Mobile EBS™ is strengthened. A purchase agreement is made for the Shoevolution solution with more than 1,000 Joya pods.

APRIL

One million Magellan Scanners... and the story continues! This is the slogan with which Datalogic Scanning, after sixteen years of designing and manufacturing the world's best selling bi-optic scanner for retailers, announces the arrival of its one millionth Magellan scanner.

MAY

Technology and the fight against cancer: the **Tours Hospital**, in France, uses Datalogic Memor™ mobile computers to assure hospital staff members total mobility while linked constantly to the main computerized system.

JUNE

Home Depot, leading DIY retailer in America, chooses 15,000 PowerScan units by Datalogic Scanning to improve productivity of the front-end POS functions in all its American shops.

JULY

Datalogic invests in vision-based technologies through the acquisition of the entire share capital of **Evolution Robotics Retail Inc.** a company located in California with unique expertise in visual pattern recognition technology for retail applications.

Carrefour, a French multinational group and global leader in retail, confirms its partnership agreement with Datalogic Mobile, signing a contract for the next three years.

Datalogic Automation sets-up thirty omnidirectional reading tunnels to improve baggage handling for the **Leonardo da Vinci airport in Rome** (the biggest Italian airport with four terminals and over 33 million passengers a year).



AUGUST

Datalogic Automation receives the *Micro Kyoto Prize for enterprises* for its commitment to the environment in reducing greenhouse gas emissions.

SEPTEMBER

Datalogic is appointed to coordinate the European research project **SELECT** (Smart and Efficient Location, identification and Cooperation Techniques), funded by the European Commission, to develop an automatic wireless system to identify and search items in real time for supply chain management.

VDC Research Group, Inc., an independent consulting and market research firm, confirms the leadership held by Datalogic Scanning since 2004, with a global share of 31.5% for the line of fixed retail scanners.

OCTOBER

October 4th, the Board of Directors of Datalogic S.p.A. approves the **Industrial Plan 2010-2012**. The plan is based on the competitive strengthening in reference markets, Automatic Data Capture (ADC) and Industrial Automation, expansion in emerging countries and strong improvement in industrial productivity.

Datalogic Automation and Mettler-Toledo take part in the improvement project of **DHL's** sorting hub at the international airport of Cincinnati/Northern Kentucky (CVG), installing 29 reading stations and 89 NVS9000 vision systems.

NOVEMBER

Datalogic signs a strategic agreement with the Chinese AIDC (Automatic Identification and Data Capture) leader, **Fujian Newland Computer Co. Ltd.** The agreement aims to expand Datalogic's global distribution network, support further steps into Asia, which is growing rapidly, and leverage the unique strengths of both companies.

Romano Volta, Chairman and Founder of Datalogic, wins the **ID Innovation Italy Award 2010** for the company's excellence in innovation led by ICT for *"having transformed Datalogic from a family run business into a managerial enterprise over just a few years. He skillfully and deeply innovated his role from founder to shareholder, thus developing his own company, which he founded in 1972, into an "industrial business with constant and lasting growth, which has become strategic at an international level in terms of results, reputation and image. Furthermore, he also turned the company into a global player on a strongly innovative market"*.

Datalogic S.p.A. and its subsidiary Datalogic Automation s.r.l., resolve all pending patent disputes and contextually grant a license for the use of Datalogic's technology to the German company **Sick A.G.**, in the field of stationary bar code scanners for industrial applications.

DECEMBER

Datalogic Scanning hits a record of 60,000 readers installed since 2006 in **HCA**, Hospital Corporation of America, thus establishing the biggest base in the world of cordless readers in the healthcare sector.

commitment and performance

2010 stock market data

Segment	STAR - MTA
Bloomberg code	DAL.IM
Reuters code	DAL.MI
MKT Cap	353.6 million Euros at 31 st December 2010
Free Float	17.47%
Number of shares	58,446,491 (including n. 3,999,935 treasury shares)
2010 max	6.2 Euros (13 th December 2010)
2010 min	2.98 Euros (26 th May 2010)

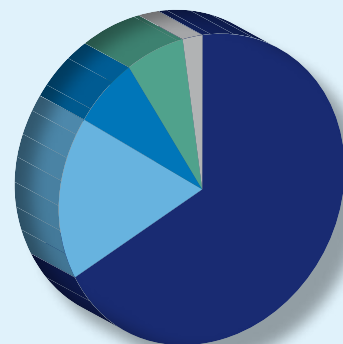
— Datalogic S.p.A.
— FTSE Italy, All
Share Fixed

Stock trend



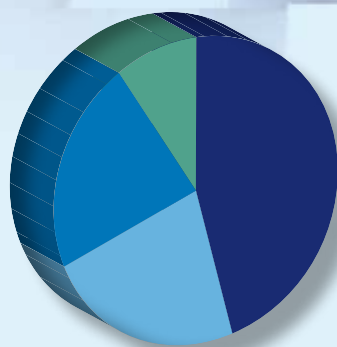
Throughout 2010 the value of a share increased from 4.09 Euros per share to 6.05 Euros per share, with a yearly appreciation of 48%, reaching a day high price of 6.2 Euros per share on December 13th, 2010 and a day low price of 2.98 Euros on May 26th, 2010.

The share outperformed the FTSE Italy index from June 2010 onwards, with a remarkably positive trend thanks to the brilliant recovery of sales and profit as opposed to the previous financial year, alongside the presentation of the Industrial Plan on October 4th. The average daily value traded in 2010 was approximately 19,000 shares, which can be distributed in an average of 12,800 prior to presentation of the Industrial Plan and 38,036 after it was presented, with peaks of up to more than 100,000 trades.



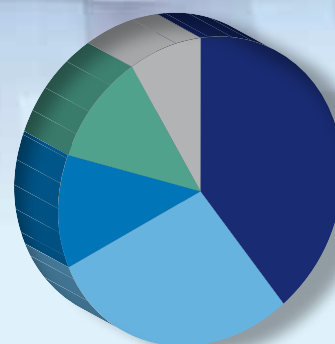
Shareholder structure

Hydra S.p.A.	67.30
Market	17.47
Treasury shares	6.80
Tamburi Investment Partners	6.40
D'Amico Società di Navigazione S.p.A.	2.03



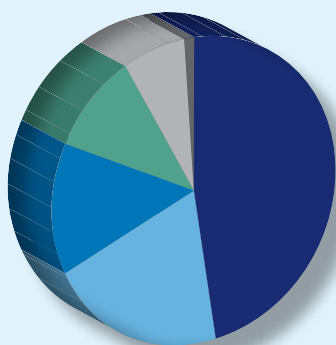
2010 revenues per business division

	million Euros	%
● Datalogic Scanning	181.41	46
● Datalogic Automation	90.37	23
● Datalogic Mobile	87.60	22
● Business Development	33.36	9



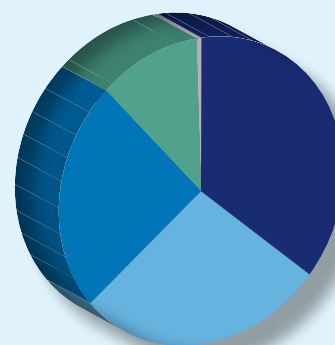
2010 revenues per geographic area

	million Euros	%
● Europe	156.41	40
● North America	113.19	29
● Asia/Pacific	49.38	12
● Italy	43.11	11
● Rest of the world	30.65	8



2010 employees per functional area

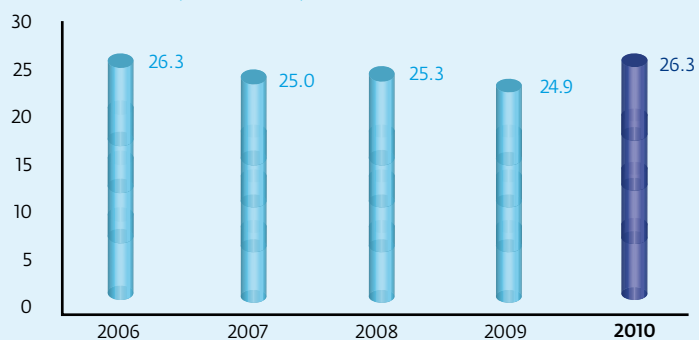
		%
● Operations	972	48
● Mkt & Sales	428	21
● R&D	279	14
● G&A	193	10
● Customer Service & Tech. Support	132	6
● Other	15	1



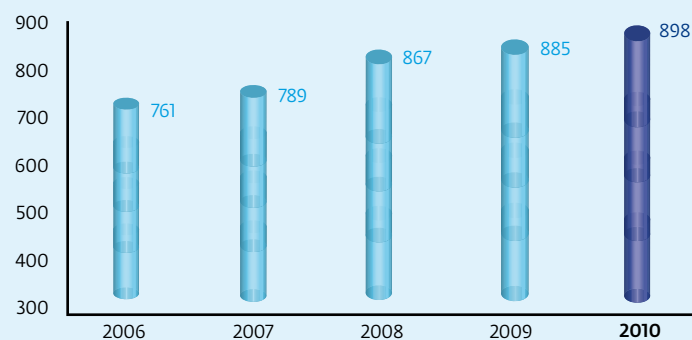
2010 employees per geographic area

		%
● Italy	717	36
● North America	578	28.6
● Europe	494	24
● Asia/Pacific	221	11
● Rest of the world	9	0.4

R&D costs (million Euros)



Patents



accomplishments and value

Consolidated Profit and Loss (million Euros)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total revenues	111.7	118.0	131.5	146.3	205.9	381.6	404.0	379.8	312.0	392.7
EBITDA	16.1	17.0	21.3	25.2	31.5	38.2	50.1	47.8	19.6	49.8
EBITANR ⁽¹⁾	8.6	7.9	11.0	19.6	24.8	26.0	37.8	35.3	6.2	38.1
EBT	2.6	6.7	10.3	18.7	22.7	9.0	26.6	25.9	-12.8	28.2
Net profit	0.8	5.4	7.2	11.2	13.0	4.1	18.1	17.8	-12.2	18.0

Number of employees	698	735	775	875	1,808	1,897	1,906	2,202	1,982	2,019
EBITDA %	14.4	14.4	16.2	17.2	15.3	10.0	12.4	12.6	6.3	12.7
EBITANR %	7.7	6.7	8.4	13.4	12.0	6.8	9.4	9.3	2.0	9.7
R&D %	8.0	7.2	7.3	7.8	7.1	6.9	6.2	6.7	8.0	6.7
Dividend per share (Euros)	0.05	0.15	0.18	1.22 ⁽²⁾	0.22	0.06 ⁽³⁾	0.07	0.035	-	0.15
Dividend paid (million Euros)	-	0.58	1.70	2.11	15.04	3.5	3.8	4.1	1.9	-

(1) EBITANR = Ordinary operating profit before non recurring costs/revenues and amortization of intangible assets from acquisition.

(2) Euro 1 extraordinary dividend (October 2005).

(3) In May 2006, execution of share capital split with a ratio of 4:1.

In May 2008, execution of share capital reduction by means of cancellation of nr. 5,409,981 treasury shares.

Annual results from 2001 to 2003 are prepared in accordance with Italian Accounting Standards; annual results from 2004 are prepared in accordance with IAS/IFRS.

Consolidated Balance Sheet (million Euros)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fixed assets	37.3	38.1	34.7	71.5	254.0	227.3	207.0	216.5	203.4	223.5
Current assets	62.4	65.6	72.4	75.1	145.9	142.9	152.8	152.4	122.0	131.5
Current liabilities	-21.1	-29.6	-34.7	-40.4	-74.7	-78.0	-90.3	-92.7	-78.8	-104.2
Net working capital	41.3	36.0	37.7	34.7	71.3	64.9	62.5	59.7	43.2	27.2
Invested capital	73.7	68.9	66.5	80.3	255.6	245.0	236.0	242.8	217.2	216.7
Net equity	98.6	102.3	106.0	116.2	129.8	186.6	173.5	135.8	116.7	140.2
Net financial position ⁽⁴⁾	24.9	33.4	39.5	35.9	-125.7	-58.4	-62.5	-106.9	-100.5	-76.5

Capex	10.0	6.8	5.1	18.1	6.8	7.9	12.6	9.4	7.3	7.8
NWC (Net Working Capital)%	37.0%	30.5%	28.7%	23.7%	34.6%	17.0%	15.5%	15.7%	13.9%	6.9%
ROCE %	12.7%	11.1%	16.2%	26.7%	14.8%	10.4%	15.7%	14.8%	2.7%	17.6%
ROE %	1.2%	5.4%	6.9%	10.1%	10.6%	2.6%	10.0%	11.5%	-9.6%	14.0%

(4) In 2005, the acquisitions of Laservall, Informatics and PSC had an impact of 178 million Euros.

In January 2006, conclusion of capital increase for a total value of 76.6 million Euros.

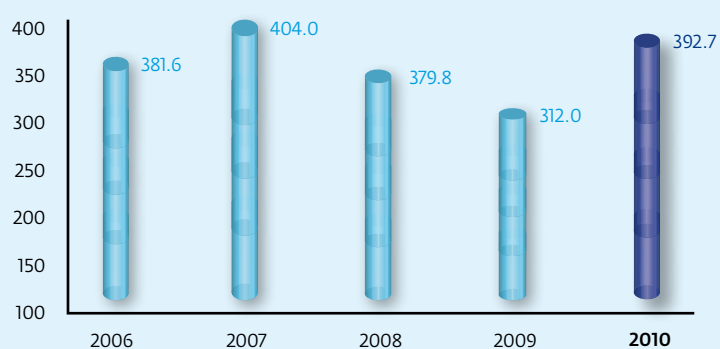
During 2008 Datasensor S.p.A. was acquired for 45 million Euros.

During 2009, non-recurrent costs were born for a value of 12.9 million Euros.

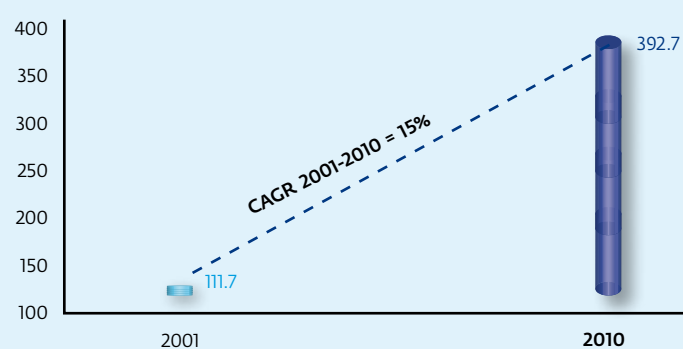
During 2010, Evolution Robotics Retail Inc. was acquired for 20.98 million Euros.

Annual results from 2001 to 2003 are prepared in accordance with Italian Accounting Standards; annual results from 2004 are prepared in accordance with IAS/IFRS.

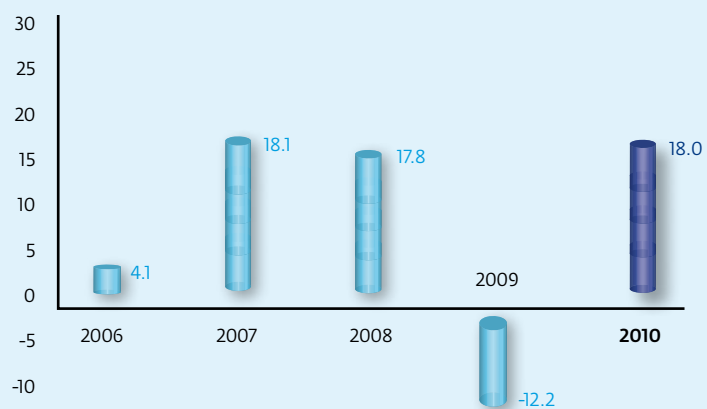
Revenues (million Euros)



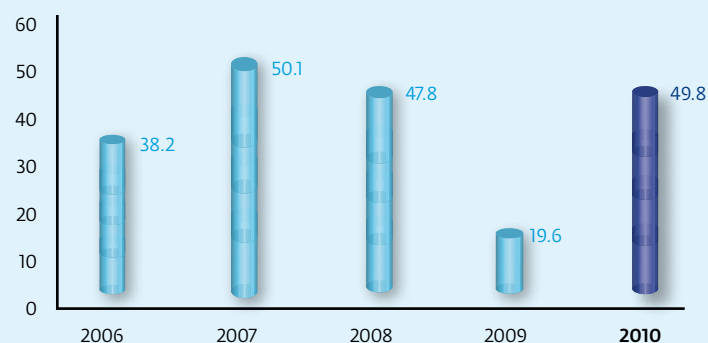
Total Revenues (million Euros)



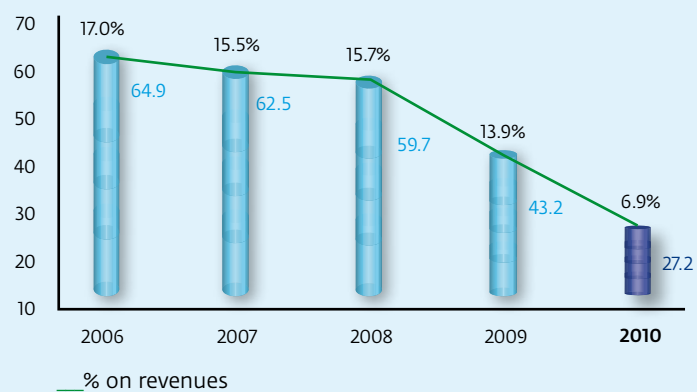
Net Profit (million Euros)



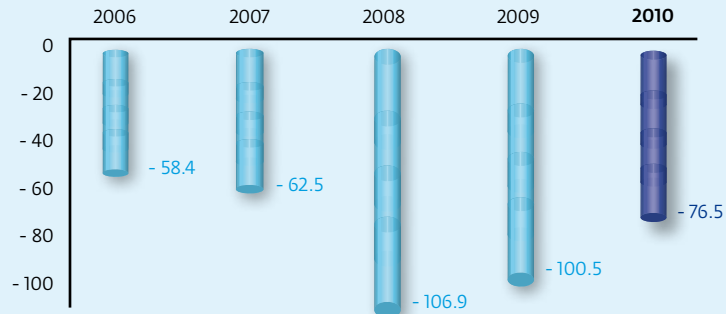
EBITDA (million Euros)



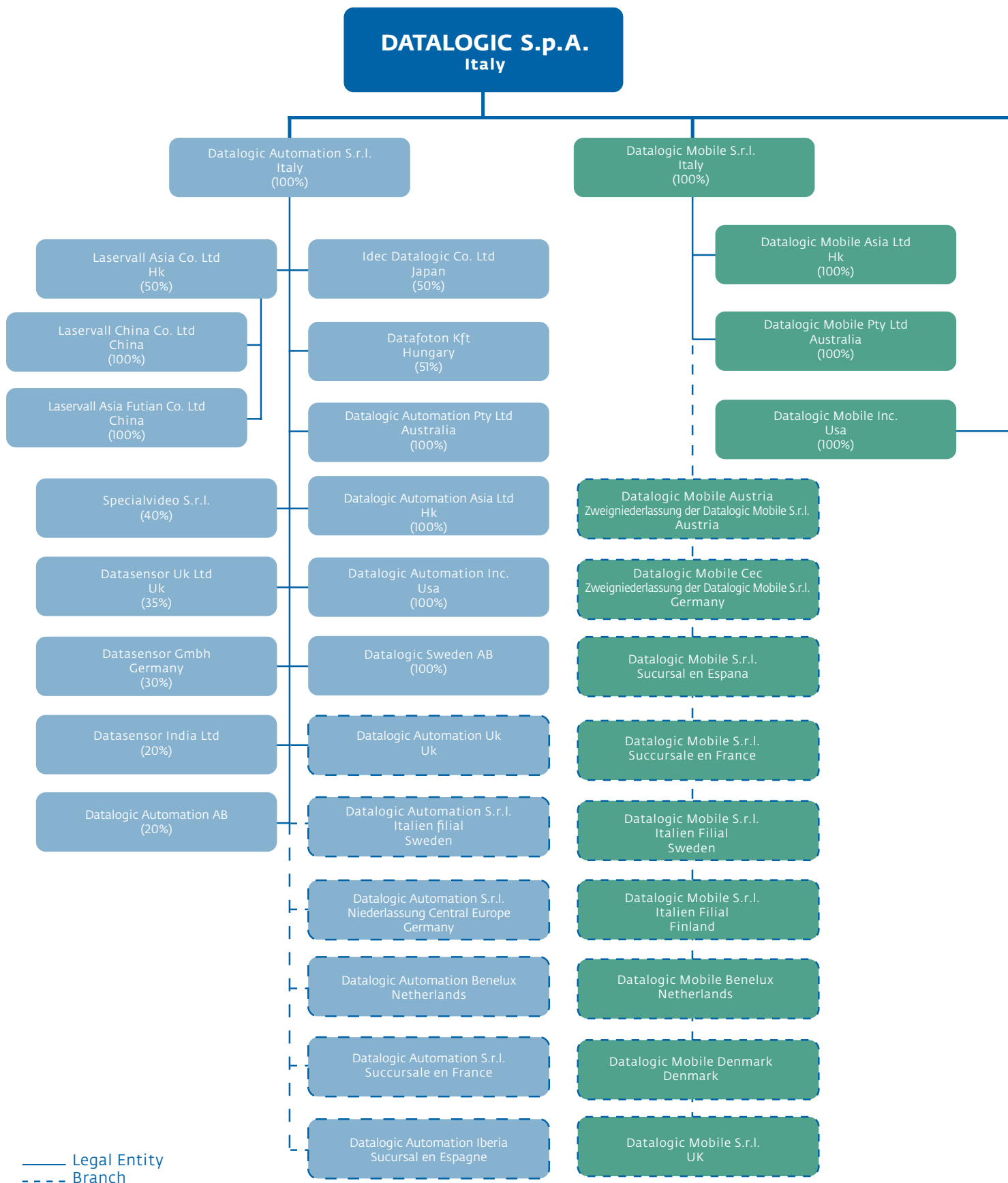
Net Working Capital (million Euros)

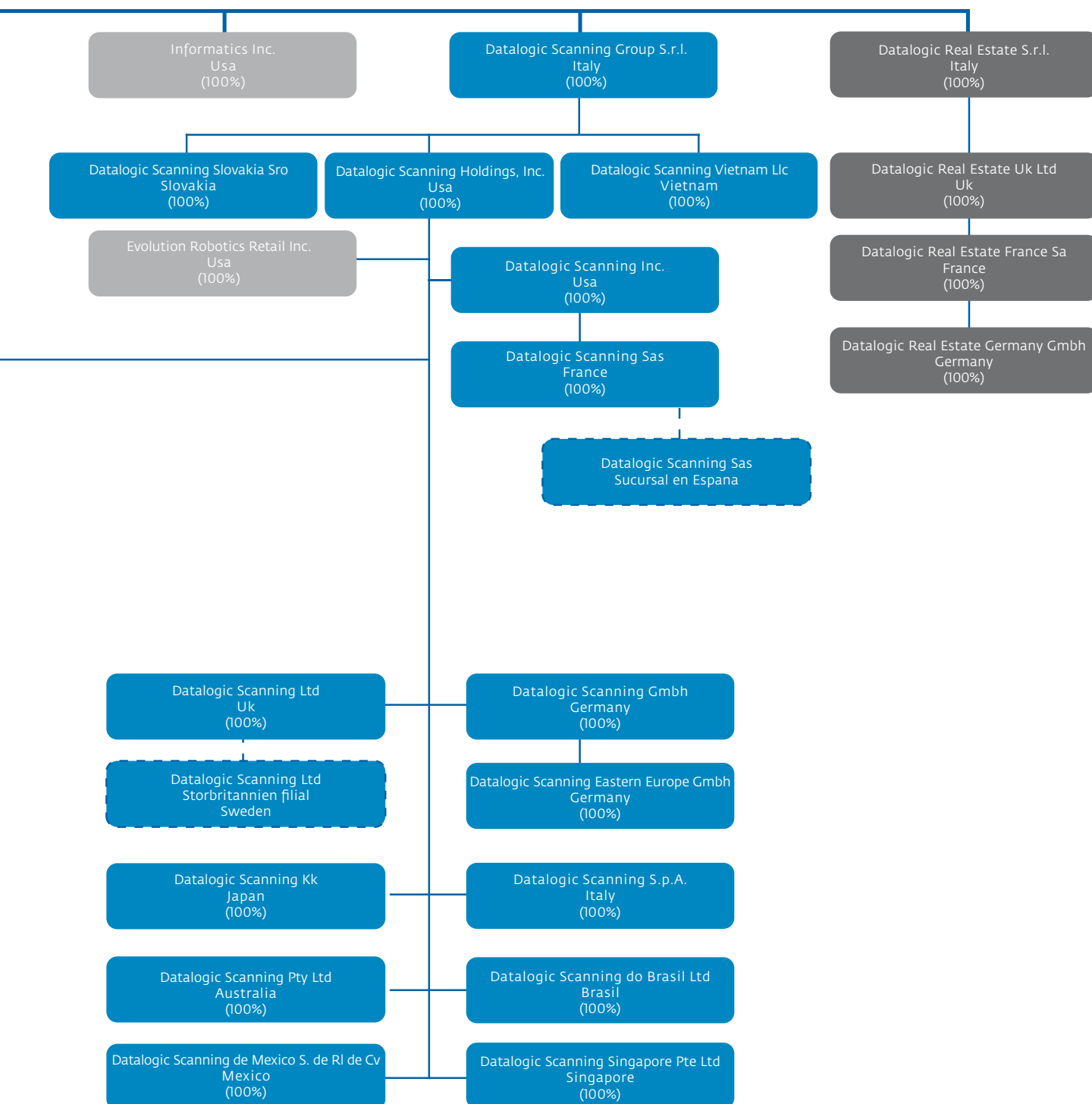


Net Financial Position (million Euros)



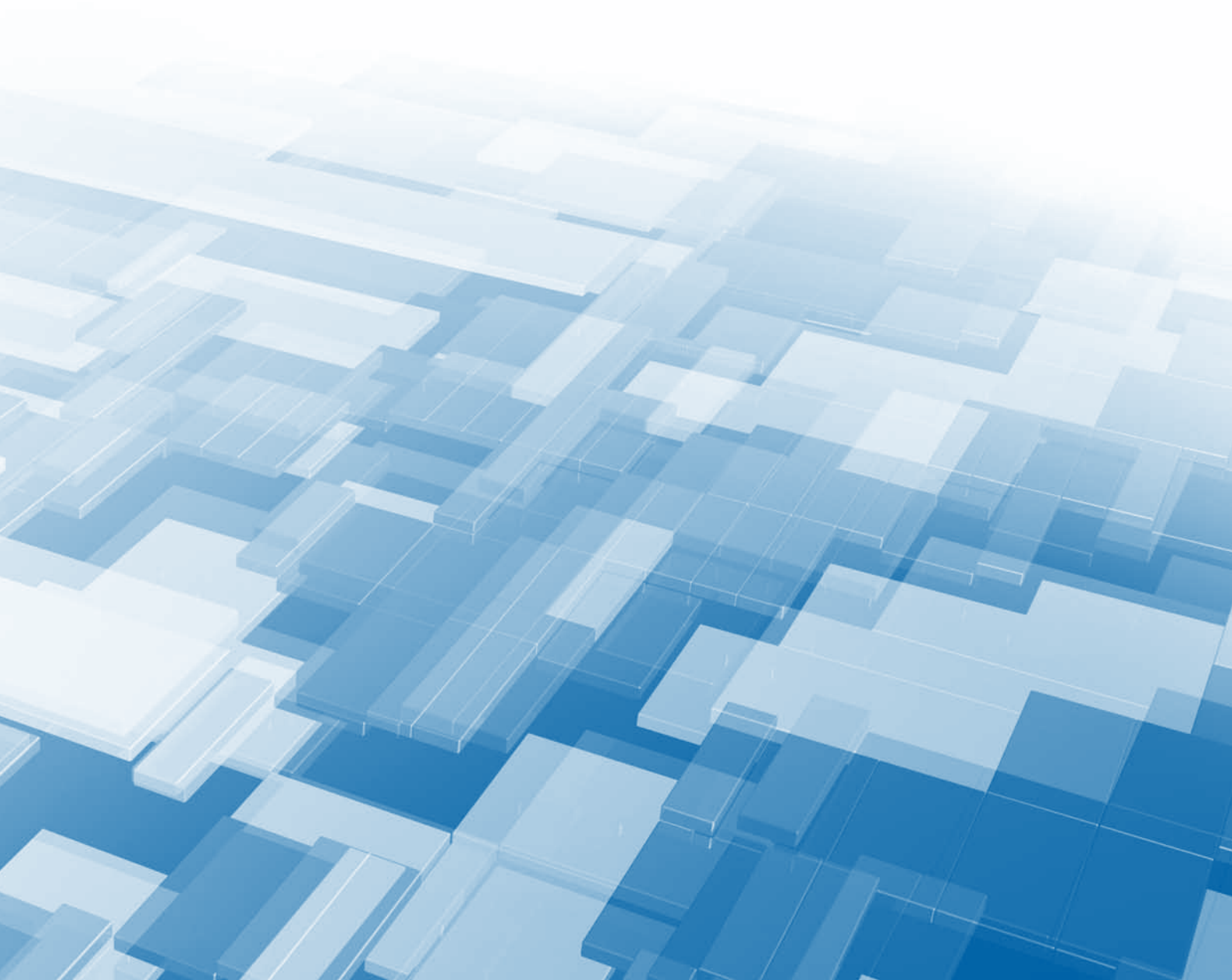
DATALOGIC GROUP STRUCTURE







Composition of Corporate Bodies



COMPOSITION OF CORPORATE BODIES

Board of Directors ⁽¹⁾

Romano Volta
Chairman ⁽²⁾

Mauro Sacchetto
Chief Executive Officer ⁽³⁾

Pier Paolo Caruso
Independent Director

Gianluca Cristofori
Independent Director

Luigi Di Stefano
Independent Director

Angelo Manaresi
Independent Director

Elserino Piol
Director

Giovanni Tamburi
Director

Gabriele Volta
Director

Valentina Volta
Director

Statutory Auditors ⁽⁴⁾

Stefano Romani
Chairman

Mario Stefano Luigi Ravaccia
Statutory Auditor

Massimo Saracino
Statutory Auditor

Stefano Biordi
Alternate Statutory Auditor

Massimiliano Magagnoli
Alternate Statutory Auditor

Auditing Company

Reconta Ernst & Young S.p.A.

(1) The Board of Directors will remain in office until the general meeting that approves the accounts for the financial year ending 31 December 2011.

(2) Legal representative with respect to third parties.

(3) Legal representative with respect to third parties.

(4) The Statutory Auditors in office until the approval of the accounts for the financial year ending 31 December 2012.



Report on Operations



REPORT ON OPERATIONS

To our Shareholders,

The report for the year ended 31 December 2010, which we submit to you for review, has been prepared in compliance with the instructions in the Borsa Italiana S.p.A. Regulations.

Specifically, consolidated financial statements apply the approach set forth by international accounting standards (IASs/IFRSs) adopted by the European Union.

COMMENTS ON OPERATING AND FINANCIAL RESULTS

The following table summarises Datalogic Group's key operating and financial results at 31 December 2010 in comparison with the same period of the previous year:

(€/000)	31.12.2010	31.12.2009	Change	% Change
Total revenue	392,742	311,971	80,771	25.9%
EBITDA ^(*)	49,759	19,634	30,125	153.4%
% of total revenue	12.7%	6.3%		
Group net profit/loss	18,028	(12,164)	30,192	N.D.
% of total revenue	4.6%	-3.9%		
Net financial position (NFP) ^(**)	(76,497)	(100,498)	24,001	-23.9%

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

(**) For the criteria defining the net financial position please see page 29.

At 31 December 2010 **the Datalogic Group recorded revenues of € 392,742 thousand (vs. € 311,971 thousand in the previous year)**, broken down as follows:

€ 377,701 thousand from the sale of products;
€ 15,041 thousand from services.

Revenues grew by 26% compared with the same period of the previous year. At constant euro/dollar exchange rates, the increase would have been slightly less (23%).

Group EBITDA was € 49,759 thousand, corresponding to 12.7% of total revenue, an increase of € 30,125 thousand compared with the same period of the previous year (€ 19,634 thousand at 31 December 2009).

Group net profit at 31 December 2010 was € 18,028 thousand, a significant improvement on the loss of € 12,164 thousand registered in the same period of the previous year.

2010 was a year of significant recovery compared to the previous year, in terms of both revenues and profits. As you will see below in the reporting section, all the business lines currently managed by the Company contributed positively to the Group's improved performance; this probably represents the biggest success of the year.

EVENTS IN 2010

The US company Evolution Robotics Retail Inc., headquartered in Pasadena (California), was acquired in 2010. The company has unique expertise in vision technology for retail applications, designed to prevent theft and loss and thereby increase productivity. The acquisition agreement was signed on 1 July 2010 with Future Vision Holdings Inc. and Idealab, which own Evolution Robotics Retail Inc.. The transaction was worth \$ 25.5 million. Evolution Robotics Inc. has no debt and Datalogic used its own resources to finance the acquisition.

ANALYSIS OF RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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

(€/000)	31.12.2010		31.12.2009		Change	% Change
Total revenue	392,742	100.0%	311,971	100.0%	80,771	25.9%
Cost of sales	(213,546)	-54.4%	(181,602)	-58.2%	(31,944)	17.6%
Gross profit	179,196	45.6%	130,369	41.8%	48,827	37.5%
Other revenue	2,142	0.5%	2,210	0.7%	(68)	-3.1%
Research and development expenses	(26,304)	-6.7%	(24,885)	-8.0%	(1,419)	5.7%
Distribution expenses	(77,197)	-19.7%	(68,101)	-21.8%	(9,096)	13.4%
General & administrative expenses	(37,710)	-9.6%	(29,602)	-9.5%	(8,108)	27.4%
Other operating costs	(2,006)	-0.5%	(3,768)	-1.2%	1,762	-46.8%
Total operating cost and other costs	(143,217)	-36.5%	(126,356)	-40.5%	(16,861)	13.3%
Ordinary operating result before non-recurring costs and revenue and administrative costs arising from acquisitions (EBITANR)	38,121	9.7%	6,223	2.0%	31,898	512.6%
Non-recurring costs and revenue	827	0.2%	(7,776)	-2.5%	8,603	n.a.
Depreciation & amortisation due to acquisitions ^(*)	(4,266)	-1.1%	(4,022)	-1.3%	(244)	6.1%
Operating result (EBIT)	34,682	8.8%	(5,575)	-1.8%	40,257	n.a.
Net financial income (expenses)	(6,733)	-1.7%	(6,380)	-2.0%	(353)	5.5%
Subsidiaries' earnings/(losses)	403	0.1%	(173)	-0.1%	576	n.a.
Foreign exchange earnings/(losses)	(170)	0.0%	(709)	-0.2%	539	-76.0%
Pre-tax profit/(loss)	28,182	7.2%	(12,837)	-4.1%	41,019	n.a.
Taxes	(10,154)	-2.6%	673	0.2%	(10,827)	n.a.
Group net profit/loss	18,028	4.6%	(12,164)	-3.9%	30,192	n.a.
Amortisation and write-downs of intangible assets	(7,998)	-2.0%	(8,643)	-2.8%	645	-7.5%
Amortisation and write-downs of tangible assets	(3,640)	-0.9%	(4,768)	-1.5%	1,128	-23.7%
EBITDA	49,759	12.7%	19,634	6.3%	30,125	153.4%

(*) This item includes extraordinary costs for amortisation arising from acquisitions. To provide a better representation of the Group's ordinary profitability, we chose – 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 amortisation due to acquisitions, which we have called EBITANR (Earnings before interests, tax, acquisitions and not recurring), hereinafter referred to as "Ordinary operating result". To permit comparability with the financial statements, we have in any case included a further intermediate profit margin ("Operating result") that includes non-recurring costs/income and depreciation and amortisation due to acquisitions and which matches figures reported in year-end financial statements.

Gross profit improved significantly compared with the same period of the previous year (from 41.8% of sales to 45.6%), owing to both the lower incidence of fixed production costs (which were spread over a greater sales volume) and lower direct production costs.

In absolute terms, operating costs were higher than in the same period of 2009, but lower in percentage terms (36.5% in 2010 compared with 40.5% in 2009). Most of the increase (in absolute terms) in operating costs is attributable to variable costs (variable fees to directors and managers, sales commissions, delivery and transport expenses, marketing expenses), which, because they relate directly to turnover volumes, were affected by the substantial increase in sales. With regard to variable fees, in 2009 no provisions were made for variable fees for directors and managers (as these were cancelled), but provisions were made again in 2010.

At 31 December 2010, non-recurring costs/income (€ 827 thousand) can be broken down as follows:

Item (€/000)	Amount	Description
2) "Cost of goods sold"	(118)	early retirement incentives
Total	(118)	
5) Distribution expenses	(23)	early retirement incentives
Total	(23)	
7) Other operating expenses	(686)	early retirement incentives
Total	(686)	
Total non-recurring costs (income)	(827)	

At 31 December 2010, depreciation and amortisation due to acquisitions (in the amount of € 4,266 thousand) breaks down as follows:

€ 1,295 thousand pertaining to Datalogic Automation S.r.l.;
 € 603 thousand pertaining to Informatics Inc.;
 € 1,840 thousand pertaining to Datalogic Scanning Inc.;
 € 264 thousand pertaining to Evolution Robotics Retail Inc.;
 € 264 thousand pertaining to Mobile Inc..

The "Ordinary operating result" (EBITANR) was € 38,121 thousand, corresponding to 9.7% of revenues, and higher (by € 31,898 thousand in absolute terms) than the figure registered for the same period of the previous year (€ 6,223 thousand).

The next two tables compare the main operating results achieved in the fourth quarter of 2010 and respectively, the same period in 2009 and the third quarter 2010.

(€/000)	4Q 2010		4Q 2009		Change	% Change
Total revenue	101,513	100.0%	86,845	100.0%	14,668	16.9%
EBITDA	10,932	10.8%	8,754	10.1%	2,178	24.9%
EBITANR ^(*)	7,943	7.8%	5,641	6.5%	2,302	40.8%
EBIT	7,396	7.3%	4,799	5.5%	2,597	54.1%

(€/000)	4Q 2010		3Q 2010		Change	% Change
Total revenue	101,513	100.0%	100,397	100.0%	1,116	1.1%
EBITDA	10,932	10.8%	12,904	12.9%	(1,972)	-15.3%
EBITANR ^(*)	7,943	7.8%	10,033	10.0%	(2,090)	-20.8%
EBIT	7,396	7.3%	8,802	8.8%	(1,406)	-16.0%

(*) see definition on page 21

PERFORMANCE BY BUSINESS SEGMENT

Operating segments are identified based on the internal statements used by senior management in order to allocate resources and evaluate results.

The Group does business in the following operating segments:

Mobile – includes the Mobile Computers (MC) product lines and the self-scanning solution;

Automation – includes product lines related to: fixed scanners for the industrial market (USS), industrial marking products, radio frequency scanners (RFID) and photoelectrical sensors and devices;

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

Business Development – includes distribution of products for automatic identification. As well as Informatics Inc., in 2010 this segment also included Evolution Robotics Retail Inc., acquired on 1 July 2010;

Other – includes the Group's corporate and real estate activities.

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

The **financial information relating to operating segments** at 31 December 2010 and 31 December 2009 are as follows:

(€/000)	Mobile		Automation		Scanning		Business Development		Other		Adjustments		Total Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External sales	87,596	67,993	90,372	66,665	181,415	146,748	33,366	30,552			(7)	13	392,742	311,971
Intersegment sales	155	134	302	293	244	234			14,677	12,250	(15,378)	(12,911)	0	0
Total revenue	87,751	68,127	90,674	66,958	181,659	146,982	33,366	30,552	14,677	12,250	(15,385)	(12,898)	392,742	311,971
Ordinary operating income (EBITANR)	8,160	2,043	7,527	(6,281)	17,558	3,626	2,628	3,265	2,251	3,338	(3)	232	38,121	6,223
% of revenue	9.3%	3.0%	8.3%	-9.4%	9.7%	2.5%	7.9%	10.7%	15.3%	27.2%	0.0%	-1.8%	9.7%	2.0%
Operating result (EBIT)	7,982	602	6,759	(12,658)	15,932	358	1,761	2,691	2,251	3,200	(3)	232	34,682	(5,575)
% of revenue	9.1%	0.9%	7.5%	-18.9%	8.8%	0.2%	5.3%	8.8%	15.3%	26.1%	0.0%	-1.8%	8.8%	-1.8%
Financial income/ (expenses)	(509)	(155)	(682)	(1,698)	(3,610)	(3,262)	(141)	(73)	8,055	12,976	(9,613)	(15,050)	(6,500)	(7,262)
Fiscal income/ (expenses)	(2,875)	(409)	(2,706)	3,857	(2,953)	(377)	(568)	(930)	(942)	(962)	(110)	(506)	(10,154)	673
Amortisation and depreciation	(2,525)	(3,183)	(4,687)	(5,906)	(5,981)	(6,268)	(1,131)	(833)	(1,580)	(1,466)	0	223	(15,904)	(17,433)
EBITDA	10,421	4,858	10,919	(1,669)	21,699	8,108	2,892	3,524	3,831	4,804	(3)	9	49,759	19,634
% of revenue	11.9%	7.1%	12.0%	-2.5%	11.9%	5.5%	8.7%	11.5%	26.1%	39.2%	0.0%	-0.1%	12.7%	6.3%
R&D expenses	(5,856)	(5,737)	(6,564)	(7,527)	(12,204)	(10,814)	(1,468)	(496)	(285)	(376)	73	65	(26,304)	(24,885)
% of revenue	-6.7%	-8.4%	-7.2%	-11.2%	-6.7%	-7.4%	-4.4%	-1.6%	-1.9%	-3.1%	-0.5%	-0.5%	-6.7%	-8.0%

Reconciliation between **EBITDA**, **EBITANR** and **profit/(loss) before taxes** is as follows:

(€/000)	31.12.2010	31.12.2009
EBITDA	49,759	19,634
Amortisation and write-downs of tangible assets	(7,998)	(8,643)
Amortisation and write-downs of intangible assets	(3,640)	(4,768)
EBITANR (*)	38,121	6,223
Non-recurring costs and revenues	827	(7,776)
Depreciation & amortisation due to acquisitions	(4,266)	(4,022)
EBIT (gross earnings)	34,682	(5,575)
Finance income	14,307	7,313
Financial charges	(21,210)	(14,402)
Profits from associated companies	403	(173)
Pre-tax profit/(loss)	28,182	(12,837)

(*) see definition on page 21

As mentioned in the paragraph above, all the Group's divisions registered substantially better results compared with 2009, in terms of both revenue and profit growth. The following are general comments on the general operating performance of the main business segments.

DATALOGIC MOBILE

At 31 December 10, the Datalogic Mobile division reported total revenues of € 87,751 thousand, comprising € 79,826 thousand from the sale of products and € 7,925 thousand from the sale of services. Business volumes recovered strongly during 2010 by comparison with 2009 revenues, and were comparable with the revenues registered before the recent economic crisis that hit the markets. Revenues grew by 29% compared with 2009. European operations, which generated € 61,549 thousand in sales, accounted for about two-thirds of business volumes. North America, Italy and Germany were the main markets for the Group's Mobile products.

The best-selling products in 2010 were: the *Skorpio™*, the *Memor™*, the *Falcon™* and the *Kyman™*, used in major projects for large-scale retail and industrial applications. The *Shopevolution™* product family and the new *Joya™* product – for the self-reading of barcodes and optimisation of retailer/customer interaction – gained a more widespread presence in the retail sector, confirming Datalogic Mobile as one of the world leaders in the self-shopping segment.

DATALOGIC AUTOMATION

The Datalogic Automation division operates in the following business sectors:

- Fixed scanners for the industrial market (USS);
- Radiofrequency readers (RFID);
- Laser marking products;
- Photoelectric sensors and devices.

At 31 December 2010, the Datalogic Automation division registered total revenues of € 90,674 thousand, up 35% compared with the previous year (€ 66,958 thousand in 2009). The following is a brief comment on the results achieved by the Automation Division in its main business sectors.

Fixed scanners for the industrial market (USS)

2010 was a record year for products in the USS range, with revenues growing 44% compared with 2009. The range was highly successful in many technological and market sectors. One of the best performers was the line of Imager readers in the Matrix product family, with volumes sold more than doubling compared



with 2009. These products are extremely successful in both industrial applications and in transport and logistics in Asia and North America.

With regard to performance by region, results in North America and Asia were excellent (+95% and +68% respectively on the previous year). Results in Italy and Germany were also positive, driven forward in Italy by airport-related projects using innovative applications.

Radiofrequency readers (RFID)

RFID turnover registered positive growth of more than 20%. The process of repositioning the offering was completed in 2010, with some product lines being retired and a focus on new products in the Cobalt family, in both HF (high frequency) and UHF (ultra-high frequency) technologies.

Industrial marking products

2010 saw a recovery in demand for laser marking, but this was uneven and mostly concentrated in Asia.

The biggest rise in demand took place in the consumer electronics sector, and particularly in telephony on the Chinese domestic market. A moderate recovery in investment took place in the US, and growth was seen particularly in the engineering and automotive sectors.

The Automation division was able to grasp opportunities on the Asian market, confirming both the quality of its offering and the effectiveness of its local organisational structure (industrial marking products are sold in Asia through a joint venture with a local partner). This success also led to a narrowing of margins due to pressure on prices from Chinese competitors, which are beginning to sell high-quality products and are therefore moving towards head-to-head competition with Western firms.

Photoelectric sensors and devices

Very positive results were registered in 2010 due to a recovery in the market and more efficient organisation. The creation of a dedicated sales team is helping to spread sales skills within the marketing department and to increase coverage in the regions where the Group operates.

The Industrial Photoelectric Sensors segment registered the strongest growth (up 30% compared with 2009). Figures from the security barriers business are also very positive, with turnover value and volume also increasing by comparison with 2008.

With regard to geographical regions, the highest levels of growth were registered in Asia, the US and South America.

DATALOGIC SCANNING

At 31 December 2010, the Scanning division registered total revenues of € 181,659 thousand, up by about 24% compared with the previous year (€ 146,982 thousand in 2009).

Hand-held readers (HHRs)

The global market returned to growth in 2010 after the sharp contraction seen in 2009. The Scanning division strengthened its leadership position in the European market and achieved major commercial success in the US market, driven by readers for industrial companies.

Checkout scanners

2010 confirmed the leadership position held by Datalogic Scanning in the market for fixed readers for large-scale retail outlets. The bestselling product in this family is the Magellan, first introduced in 1994, which reached a total production level of one million pieces sold during 2010, a record that is difficult to beat in this market.

The **balance sheet information relating to operating sectors** at 31 December 2010 and 31 December 2008 is as follows:

(€/000)	Mobile		Automation		Scanning		Business Development		Other		Adjustments		Total Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total assets	68,985	57,001	78,609	75,269	240,825	203,621	41,858	20,788	371,924	289,563	(343,933)	(248,580)	458,268	397,662
Non-current assets	9,582	10,761	18,437	21,619	107,947	102,887	33,430	14,027	27,007	27,550	725	680	197,128	177,524
Equity investments in associates			2,223	1,644									2,223	1,644
Total liabilities	43,524	35,219	73,280	73,431	150,589	122,144	9,279	8,504	203,045	128,313	(161,613)	(86,644)	318,104	280,967

Sector information by region at 31 December 2010 and 31 December 2009 breaks down as follows (€/000):

(€/000)	31.12.2010	31.12.2009	Change
Revenue by geographical area			
Italy	43,106	39,039	10%
Europe	156,415	129,927	20%
North America	113,187	93,490	21%
Rest of the World	80,034	49,515	62%
Total	392,742	311,971	26%

(€/000)	31.12.2010	31.12.2009	Adjustments 31.12.2010	Adjustments 31.12.2009	Consolidated 31.12.2010	Consolidated 31.12.2009	Change
Non-current assets							
Italy	381,899	353,356			381,899	353,356	8%
Europe	10,625	10,809			10,625	10,809	-2%
North America	210,747	169,101			210,747	169,101	25%
Rest of the World	3,407	969			3,407	969	252%
Eliminations and adjustments			(382,817)	(330,316)	(382,817)	(330,316)	16%
Total	606,678	534,235	(382,817)	(330,316)	223,861	203,919	10%



RESEARCH AND DEVELOPMENT EXPENSES

Datalogic Mobile

The Mobile division invested about € 5.8 million in research and development during 2010, amounting to 6.7% of sales revenues and, in absolute terms, slightly more than the € 5.7 million invested in 2009. 2010 was a very productive year in terms of innovation and research processes. The year saw the launch of some of the main product lines making up the backbone of Datalogic Mobile's offering in the next few years. The products aim to widen Datalogic Mobile's offering of solutions for applications in retail, warehouse, and field force automation.

Datalogic Automation

Investment in research and development came to about € 6.6 million in 2010, amounting to 7.2% of revenues. During the year investments were realigned with average levels in the Datalogic Group (6.7% of revenues), after the intense R&D investments carried out in the two previous years (€ 7.5 million in both 2008 and 2009). The main research and development activities carried out in the different sectors in which the division operates are summarised below.

Fixed scanners for the industrial market (USS)

Efforts during the year were mainly focused on developing and improving products for the transport and logistics market, working consistently towards excellence in performance and simplicity of use. A new product was also developed for entry-level OEM (original equipment manufacturer) applications. In addition, many re-engineering processes for existing products were launched, with the primary aim of lowering production cost.

Radiofrequency readers (RFID)

2010 saw the completion of re-engineering projects launched during the previous year, and work continued to rationalise and optimise our offering across all the main product families. The programme to develop the electronic ticketing offering, featuring compact scale, high service performance and use in extreme conditions, was also completed.

Industrial marking products

The product development plan was completely overhauled, with a focus on products contributing towards full integration of the production offering for industrial marking within the Automation division's portfolio as a whole. Investment was approved for the development of laser markers based on fibre technology, cutting-edge products in the world of lasers that point to the technology trends of the future.

Photoelectric sensors and devices

Development of the family of large-format (MAXI) sensors, typically used in long-distance applications or in extreme conditions, was completed. Work continued to develop the family of tubular products, with the launch of a new fixed-focus, high-performance model that further strengthens the leading market position of this series. With regard to intelligent vision sensors, development was focused on completing the DataVS family, with the addition of new models that will be available for sale in early 2011. On the innovation front, a new project was launched to build an artificial vision research laboratory, financed by the Emilia Romagna regional authorities. The project is coordinated by Datalogic Automation, in partnership with major companies in the Bologna region, with the collaboration of the University of Bologna and T3LAB. The laboratory will be developed in the next two years. Three patents were granted during the year.

Datalogic Scanning

About € 12.2 million was invested in research and development in 2010, amounting to 6.7% of revenues, and up € 1,390 thousand compared with the previous year. The main research and development activities carried out in the two sectors in which the Scanning division operates are as follows.

Hand-held readers (HHRs)

The main new products launched on the market in 2010 were:

- the *Gryphon GBT4100* linear imager reader with Bluetooth technology;
- the *Gryphon L GD4300* reader with laser technology;
- the *Gryphon GM4110* EAS reader with integrated deactivation of anti-shoplifting tags;
- the *PowerScan PD8330* and *PD8530* readers with laser and linear imager technology for industrial purposes, designed for low-energy applications;
- the *Gryphon HC* (for the medical sector) reader with linear imager and area imager technology, products made from antibacterial materials resistant to the disinfectants used in the hospital sector;
- the *red/blue PowerScan PD 8530* readers with area imager technology for industrial purposes, designed for applications requiring the reading of code stamped with special and/or coloured inks.

Checkout scanners

In 2010 the new *Magellan 330HSi* and *Magellan 3200VSi* readers were launched, based on new imaging technology. These offer exceptional performance in reading normal bar codes and mono- and bi-dimensional linear codes. They are able to capture images and read bar codes directly on to mobile phone and PDA displays. These new *Magellan* devices offer clients the technology they need to manage new mobile marketing applications, which increasingly involve the use of two-dimensional bar codes (able to contain large quantities of information in limited spaces) on mobile devices.

SOCIAL, POLITICAL AND TRADE UNION CLIMATE

The start of the year saw the completion of restructuring activities that were mostly carried out in 2009, particularly in Italy. The total workforce grew slightly, however, by comparison with the end of 2009, due to a substantial increase in employees in direct production at low-cost production sites (in Vietnam, Slovakia and Hungary) needed to tackle the peak in orders.

Management of redundancies (mobility procedures were used in Italy) was carried out in a way designed to minimise the inevitable effects on the company atmosphere and emphasised the re-employment of some staff in new business areas.

Workforce reductions mainly took place in industrial activities. The sales network and research and development were only marginally affected, and the workforce was therefore able to sustain growth of more than 25% in business volumes.

The reorganisations that took place in 2009 until the first quarter of 2010 did not produce many incidences of unwanted turnover: taking account of voluntary redundancies, the total turnover percentage was about 6% in 2010, apart from some fairly substantial peaks registered in Slovakia and Vietnam.

The following two factors contributed to this success:

- the slowness of the recovery in the employment market, particularly in the Western countries, and
- the implementation of communication initiatives and programmes and the involvement and leadership of management and in turn of all the employees, with the aim of maintaining and if possible increasing group spirit and the feeling of belonging.

Datalogic also consistently implemented staff training initiatives (20 hours per employee on average in 2010), partly through subsidised training, with a particular focus on managers.

Finally, the Datalogic Group won the Business Prize for Innovation, awarded by Confindustria, in the Large Businesses category, and was included in the Top Employers 2010 group.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

At 31 December 2010, the net financial position was negative for € 76,497 thousand, broken down as follows:

(€/000)	31.12.2010	31.12.2009
A. Cash and bank deposits	101,791	71,026
B. Other available liquidities	751	667
b1. restricted cash deposit	751	667
C. Securities held for trading	360	360
c1. Short-term	1	1
c2. Long-term	359	359
D. Cash and equivalents (A) + (B) + (C)	102,902	72,053
E. Current financial receivables	120	0
F. Other current financial receivables	256	0
f1. hedging transactions	256	0
G. Bank overdrafts	26	113
H. Current portion of non-current debt	47,768	123,138
I. Other current financial payables	69	814
i1. hedging transactions	69	814
J. Current financial debt (G) + (H) + (I)	47,863	124,065
K. Current financial debt, net (J) - (D) - (E) - (F)	(55,415)	52,012
L. Non-current bank borrowing	130,187	46,749
M. Other non-current financial receivables	0	180
N. Other non-current liabilities	1,725	1,917
n2. Hedging instruments	1,725	1,917
O. Non-current financial debt (L) + (M) + (N)	131,912	48,486
P. Net financial debt (K) + (O)	76,497	100,498

Net debt at 31 December 2010 was € 76,497 thousand, an improvement of € 24,001 thousand compared with 31 December 2009, when it totalled € 100,498 thousand.

Note that the following non-recurring transactions were carried out in the period:

- the acquisition of an equity interest in Evolution Robotics Retail for € 20,963 thousand (this sum includes cash outflows of € 461 thousand for consultancy services during the acquisition);
- the purchase of treasury shares for € 2,092 thousand;
- cash outflows for early retirement incentives of € 3,712 thousand (already allocated in 2009);
- cash inflows related to a successful lawsuit, for € 400 thousand.

Investments were also made amounting to € 7,856 thousand.

Net working capital at 31 December 2010 was € 27,247 thousand, down € 15,997 thousand compared with 31 December 2009 (€ 43,244 thousand).

The reconciliation between the Parent Company's Shareholders' Equity and net profit and the corresponding consolidated amounts is as follows:

(€/000)	31 December 2010		31 December 2009	
	Total equity	Period results	Total equity	Period results
Datalogic S.p.A. Shareholders' Equity and profit	165,979	9,451	158,365	15,108
Difference between consolidated companies' net Equity and their carrying value in Datalogic S.p.A.'s statement; effect of equity-based valuation	12,784	24,115	(5,512)	(5,050)
Reversal of dividends	0	(14,673)	0	(22,155)
Amortisation of intangible assets "business combination"	(5,827)	0	(5,827)	0
Effect of acquisition under common control	(31,733)	0	(31,733)	0
Elimination of capital gain on sale of business branch	(3,302)	0	(3,302)	0
Effect of eliminating intercompany transactions	(3,120)	228	(1,289)	879
Reversal of write-downs and capital gains on equity investments	3,565	(630)	4,179	(896)
Transfer of know how	(7)	0	(7)	1,314
Goodwill impairment	(1,097)	(298)	(799)	(298)
Other	(652)	112	(719)	(483)
Taxes	3,574	(277)	3,339	(583)
Group portion of Shareholders' Equity	140,164	18,028	116,695	(12,164)

FINANCE INCOME AND EXPENSES

Financial income was negative for € 6,903 thousand, broken down as follows:

(€/000)	31.12.2010	31.12.2009	Change
Financial income/(expenses)	(4,882)	(5,039)	157
Forex losses	(170)	(709)	539
Bank expenses	(809)	(581)	(228)
Write-downs/revaluations of equity investments	(452)	(395)	(57)
Other	(590)	(365)	(225)
Total net financial expenses	(6,903)	(7,089)	186

The "Other" item includes € 96 thousand related to capital losses following the closure of the subsidiaries Datalogic Automation Iberia and Mobile UK Ltd.

Profits generated by companies carried at Equity were recognised in the amount of € 403 thousand (compared with a loss of € 173 thousand at 31 December 2009).

EQUITY INVESTMENTS OWNED BY THE PARENT COMPANY'S DIRECTORS AND STATUTORY AUDITORS

In compliance with the requirements of Consob Resolution 11520 of 1 July 1998, the schedule below details the equity interests owned by the direct Parent Company's directors and statutory auditors in the direct company and its subsidiaries, either directly or via controlled companies:

(€/000)

Full name	Type of ownership	Investee company	Number of shares owned at end of 2009	Number of shares acquired in 2010	Number of shares sold in 2010	Number of shares owned at end of 2010
Romano Volta	Indirect via Hydra S.p.A.	Datalogic S.p.A.	19,616,466	51,959	2,281	19,666,144
Romano Volta	Indirect via wife (Lucia Fantini)	Datalogic S.p.A.	19,616,466	51,959	2,280	19,666,145
Romano Volta	Direct	Datalogic S.p.A.	589,160	0	0	589,160
Angelo Manaresi	Direct	Datalogic S.p.A.	6,240	0	0	6,240
Stefano Romani	Direct	Datalogic S.p.A.	2,400	0	0	2,400

EXPOSURE TO VARIOUS TYPES OF RISK

The Datalogic Group is exposed to various types of corporate risk in carrying out its business. Financial risks (market risk, credit risk and liquidity risk) will be discussed more detail later on. The key corporate risks affecting the financial and economic situation of the Group are as follows:

- Employee expertise: the Group's business is closely related to the technical skills of its employees, especially in the areas of research and development. To limit this risk, the Group carries out actions with a view to increasing its ability to attract and maintain highly qualified personnel, including implementation of advanced human resources management tools (such as managerial training programmes) and a positive work environment.
- Protection of technology: the Group reference market is characterized by the design and production of high-tech products, with the resulting risk that the technologies adopted might be copied and used by other operators in the sector. With regard to this risk, the Group has made considerable investments in the area of intellectual property over several years, and today holds more than 900 patents (including patents granted and patents for which an application was filed).
- Procurement risk: the Group is exposed to contained procurement risk thanks to a strategy whereby every component is sourced from several suppliers. In the few cases when components are sourced from a single supplier, the Group maintains adequate inventories of the critical components, in order to minimize the risks related to this situation.
- Competitive situation: the Datalogic Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the company. To mitigate the risk associated with these events, the company maintains a high level of investment in research & development (7.3 % of revenue in the past two years) and a large portfolio of patents which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk is connected to the Group's level of exposure to financial instruments that generate interest **(interest rate risk)** and to transactions that generate cash flows in other currencies that fluctuate in value against the euro **(exchange rate risk)**.

The Group monitors each of the financial risks mentioned, duly intervening in order to minimise them, sometimes with hedging derivatives. The Parent Company manages the market and liquidity risks, whereas credit risks are managed by the Group's operating units. For more information on financial risks and financial instruments, please refer to the relevant section in the Notes to the Accounts, which includes disclosure in accordance with IFRS 7.

INFORMATION ON COMPANY OWNERSHIP/CORPORATE GOVERNANCE REPORT

Datalogic S.p.A. is under the direction and coordination of Hydra S.p.A..

Pursuant to article 123-bis, paragraph 3, of Legislative Decree 58 of 24 February 1998 (as subsequently amended), the Board of Directors of Datalogic S.p.A. has approved a report on corporate governance and company ownership for the year ended 31 December 2010 (separate from the management report), containing information pursuant to paragraphs 1 and 2 of article 123-bis above. Pursuant to article 89-bis, paragraph 2, of the Issuer Regulation adopted with Consob Resolution 11971 of 14 May 1999 (as subsequently amended), this report on corporate governance and company ownership (Corporate Governance Report) is available to the public on the website www.datalogic.com.

RELATED PARTIES

With Resolution 17221 of 12 March 2010, Consob adopted the regulation governing transactions with related parties, subsequently amended with Consob Resolution 17389 of 23 June 2010, effectively completing the approval process for new rules on transactions with related parties carried out, directly or via subsidiaries, by companies making use of the capital risk market (Consob Rules).

In accordance with the new Consob Rules, paying particular attention to the adequacy and functioning of the Group's own corporate governance system and proceeding with the development of decision-making and control structures in line with national corporate governance best practice, the Board of Directors of Datalogic S.p.A. adopted, on 4 November 2010, an internal regulation for transactions with related parties, in order to ensure transparency and substantive and procedural rectitude in transactions with related parties.

Pursuant to the combined provisions of article 2391-bis of the Civil Code and article 4, paragraph 7, of the Consob Rules, the full text of the internal regulation can be found on the website www.datalogic.com.

PRIVACY

Pursuant to Regulation 26 of Annex B (Technical regulation of minimum security measures) of Legislative Decree 196/2003, the Personal Data Protection Code, Datalogic S.p.A. declares that it has drawn up the Security Policy Document (SPD) for 2010.

OUTLOOK FOR CURRENT YEAR AND SUBSEQUENT EVENTS

While 2010 was characterised by strong market recovery, 2011 will probably be another year of great uncertainty. With regard to the geographical macro-areas, we expect to see a year of modest growth in Europe, consolidation and recovery in the US and a continuation of the strong growth seen in recent years in the developing countries. In this scenario, which still has areas of light and shade, the Datalogic Group will continue to invest resolutely in research and development, which is the engine of healthy growth, creating products and solutions with ever-higher added value. It will also continue to pay close attention to controlling costs, which at times of uncertainty is the best guarantee in maintaining high and sustainable profitability.



STOCK MARKET PERFORMANCE

Datalogic S.p.A. has been listed on the Borsa Italiana since 2001 on the STAR segment of the MTA, Italy's screen-based stock market, which comprises medium-sized companies with market capitalisations of between € 40 million and € 1 billion, committed to meeting standards of excellence.

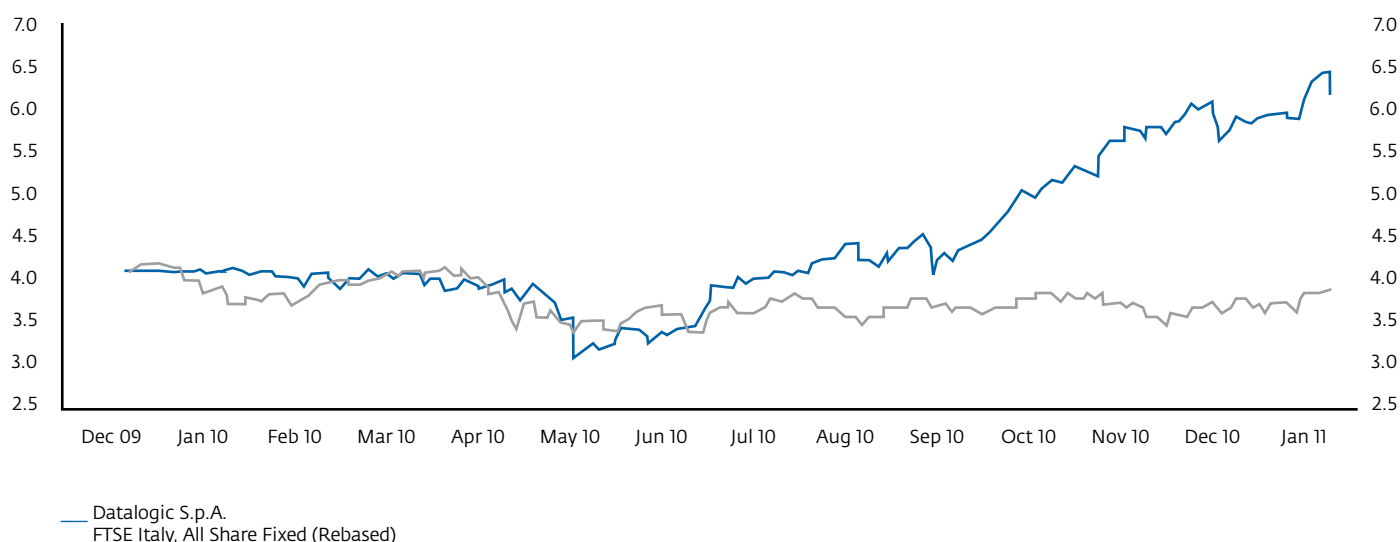
In 2010, the share price rose from € 4.09 to € 6.05, increasing by 48% on an annual basis, with a peak of € 6.2 per share on 13 December 2010 and a low of € 2.98 on 26 May 2010.

2010 highlights

Price at 31.12.2010	€ 6.05
Maximum price: 13.12.2010	€ 6.2
Minimum price: 26.05.2010	€ 2.98
Capitalisation at 31.12.2010	€ 353.6 million

The share outperformed stocks on the FTSE Italy index from June 2010, rising very strongly on the back of the brilliant recovery in sales and profit compared with the previous year, as well as the presentation of the industrial plan (on October 4).

The average daily trading volume in 2010 was about 19,000 shares: average trading volumes before and after presentation of the plan were 12,800 and 38,036 respectively, with peaks of more than 100,000 shares.



SECONDARY LOCATIONS

The Parent Company has no secondary locations.

ALLOCATION OF THE YEAR'S EARNINGS

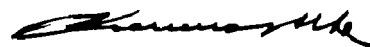
To our Shareholders,

We believe that the Management Report, which accompanies the statutory year-end accounts of the company and Datalogic Group's consolidated year-end financial statements, provides exhaustive illustration of the performance and results achieved in 2010.

Since the financial statements of Datalogic S.p.A. show a net operating profit for the year of € 9,450,518.98, the Board of Directors proposes to:

- allocate 5% of earnings (i.e. € 472,525.949) to the legal reserve
- distribute an ordinary unit dividend to shareholders, gross of legal withholdings, of 15 cents per share with coupon detachment on 2 May 2011 and payment on 5 May 2011, for a maximum amount of € 8,766,974.00
- carry forward the remainder of the year's earnings.

Chairman of the Board of Directors
(Romano Volta)





Consolidated financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	31.12.2010	31.12.2009
A) Non-current assets (1+2+3+4+5+6+7)		223,861	203,919
1) Tangible assets		50,042	50,822
Land	1	5,050	4,975
Buildings	1	23,688	22,208
Other assets	1	19,787	22,177
Assets in progress and payments on account	1	1,517	1,462
2) Intangible assets		147,086	126,702
Goodwill	2	106,088	87,081
Development costs	2	119	363
Other	2	40,754	39,204
Assets in progress and payments on account	2	125	54
3) Investments in associates	3	2,223	1,644
4) Financial assets available for sale (AFS)		1,422	1390
Investments in non-controlling interests	5	1,063	1031
Securities	5	359	359
5) Loans		0	180
of which to associates		0	180
6) Trade and other receivables	7	1,291	1242
7) Deferred tax assets	13	21,797	21,939
of which to the Parent Company			2,545
B) Current assets (8+9+10+11+12+13+14)		234,407	193,743
8) Inventories	8	45,308	39,082
raw and ancillary materials and consumables	8	22,663	20,655
work in progress and semi-finished products	8	7,683	4,575
finished products and goods	8	14,962	13,852
9) Trade and other receivables	7	80,475	75,559
trade receivables	7	69,353	65,455
within 12 months	7	66,581	63,801
of which to associates	7	2,761	1,534
of which to the Parent Company	7	11	
of which to related parties	7		120
Other receivables - accrued income and prepayments	7	11,122	10,104
10) Tax receivables	9	5,705	7,408
of which to the Parent Company		1,416	1,295
11) Financial assets available for sale (ST)	5	1	1
Securities		1	1
12) Loans		120	
of which to associate		120	
13) Financial assets - derivatives	6	256	
14) Cash and cash equivalents	10	102,542	71,693
Total assets (A+B)		458,268	397,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (€/000)	Notes	31.12.2010	31.12.2009
A) Total Shareholders' Equity attributable to owners of Parent (1+2+3+4+5)	11	140,164	116,695
1) Share capital	11	122,699	124,791
2) Reserves	11	(9,331)	(16,896)
3) Retained earnings	11	8,768	20,964
4) Group profit (loss) for the period/year	11	18,028	(12,164)
5) Total Shareholders' Equity attributable to non-controlling interests		0	0
B) Non-current liabilities (6+7+8+9+10+11+12)		166,000	78,097
6) Financial debt	12	130,187	46,749
7) Financial liabilities - derivatives	6	1,725	1,917
8) Tax liabilities		164	383
9) Deferred tax liabilities	13	15,536	15,531
10) Employees termination indemnities	14	7,121	7,739
11) Provisions for risks and charges	15	9,823	4,319
12) Other liabilities	16	1,444	1,459
C) Current liabilities (13+14+15+16+17)		152,104	202,870
13) Trade and other payables	16	90,598	66,836
trade payables	16	56,688	43,816
within 12 months	16	56,297	43,585
after 12 months	16		
of which to the Parent Company	16	1	
of which to associates	16	125	30
of which to related parties	16	265	201
Other payables – accrued liabilities and deferred income	16	33,910	23,020
14) Tax liabilities		10,028	5,334
of which to the Parent Company		4,231	618
15) Provisions for risks and charges	15	3,615	6,635
16) Financial liabilities - derivatives	6	69	814
17) Financial debt	12	47,794	123,251
Total liabilities (A+B+C)		458,268	397,662

CONSOLIDATED STATEMENT OF INCOME

(€/000)	Note	31.12.2010	31.12.2009
1) Total revenues	17	392,742	311,971
Revenues from sale of products		377,701	297,124
Revenues for services		15,041	14,847
2) Cost of goods sold	18	213,428	183,848
of which non-recurring	18	(118)	2,246
Gross profit (1-2)		179,314	128,123
3) Other operating revenues	19	2,142	2,210
of which non-recurring	19	0	0
4) R&D expenses	18	26,304	25,372
of which non-recurring	18	0	487
5) Distribution expenses	18	77,174	69,611
of which non-recurring	18	(23)	1,510
6) General and administrative expenses	18	41,976	34,474
of which non-recurring	18	0	850
of which amortisation pertaining to acquisitions	18	4,266	4,022
7) Other operating expenses	18	1,320	6,451
of which non-recurring	18	(686)	2,683
Total operating costs (4+5+6+7)		146,774	135,908
Operating result		34,682	(5,575)
8) Financial income	20	14,307	7,313
9) Financial expenses	20	21,210	14,402
Financial management result (8-9)	20	(6,903)	(7,089)
10) Share of profits of associates	3	403	(173)
Income/(loss) before income taxes		28,182	(12,837)
Income taxes	21	10,154	(673)
Net income/(loss) for the year		18,028	(12,164)
Basic earnings/(loss) per share (€)	22	0.3292	(0.2205)
Diluted earnings/(loss) per share (€)	22	0.3292	(0.2205)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	Notes	31.12.2010	31.12.2009
Net income/(loss) for the year		18,028	(12,164)
Other components of the comprehensive statement of income:			
Profit/(loss) on cash flow hedges	11	834	(502)
Profit/(loss) due to translation of the accounts of foreign companies	11	6,624	(2,591)
Profit/(loss) on exchange rate adjustments for financial assets available for sale	11		(107)
Total other profit/(loss) net of the tax effect		7,458	(3,200)
Comprehensive net profit/(loss) for the period		25,486	(15,364)
Attributable to:			
Owners of the Parent		25,486	(15,364)
Non-controlling interests shareholders		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(€/000)	31.12.2010	31.12.2009
Net income/(loss) for the year	28,182	(12,837)
Amortisation and depreciation of tangible and intangible assets and write-downs	15,904	17,433
Change in employee benefits reserve	(618)	(653)
Provision for doubtful accounts	362	1,484
Net financial expenses/(income) including exchange rate differences	6,903	7,089
Adjustments to value of financial assets	(403)	173
Cash flow from operations before changes in working capital	50,330	12,689
Change in trade receivables (net of provisions) ^(*)	(3,989)	11,107
Change in inventories ^(*)	(5,736)	13,056
Change in other current assets ^(*)	(956)	3,701
Other medium/long-term assets ^(*)	(29)	1,196
Change in trade payables ^(*)	12,650	(3,984)
Change in other current liabilities ^(*)	10,405	(3,837)
Other medium/long-term liabilities	(15)	546
Change in provisions for risks and charges	2,484	(4,351)
Commercial foreign exchange gains/(losses)	(414)	(1,540)
Foreign exchange effect of working capital	1,299	(584)
	66,029	27,999
Change in tax ^(*)	(3,829)	(6,430)
Foreign exchange effect of tax	113	65
Interest paid and banking expenses	(6,733)	(6,030)
Cash flow provided by operating activities (A)	55,580	15,604
(Increase)/decrease in intangible assets excluding exchange rate effect ^(*)	(1,325)	(152)
(Increase)/decrease in tangible assets excluding exchange rate effect ^(*)	(6,531)	(7,145)
Change in unconsolidated equity interests	(208)	(23)
Acquisition of equity interest in Evolution Robotics Retail Inc.	(20,697)	
Change in liabilities due to exercising of put option (Note 2)		(216)
Net cash used in investing activities (B)	(28,761)	(7,536)
Change in LT/ST financial receivables	(811)	(259)
Change in short-term and medium/long-term financial debt	(10,869)	13,157
Financial foreign exchange gains/(losses)	244	831
Purchase of treasury shares	(2,092)	(1,776)
Change in reserves and exchange rate effect of financial assets/liabilities, Equity and tangible and intangible assets ^(*)	(970)	1,258
Dividend payment		(1,933)
Net cash provided by (used in) financing activities (C)	(14,498)	11,278
Net increase (decrease) in cash and cash equivalent (A+B+C)	12,321	19,346
Net cash and cash equivalents at start of period (Note 10)	70,913	51,567
Cash and cash equivalents at end of period (Note 10)	83,234	70,913

(*) These items are net of balances brought by the acquisition of Evolution Robotics Retail Inc., which are entered under the item "Acquisition of equity interest in Evolution Robotics Retail".

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

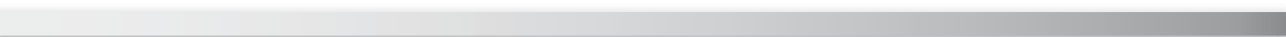
Description (€/000)	Share capital and capital reserves	Other reserves			
	Total share capital and capital reserves	Cash flow hedge reserve	Conversion reserve	Held-for-sale financial assets reserve	Total other reserves
01.01.2009	126,567	(1,434)	(12,262)	-	(13,696)
Allocation of prior year result	-				-
Dividends	-				-
Conversion reserve	-				-
Change in IFRS reserve	-				-
Sale/purchase of treasury shares	(1,776)				-
Other changes	-				-
Net loss for the year	-				-
Total other components of the statement of comprehensive income	-	(502)	(2,591)	(107)	(3,200)
31.12.2009	124,791	(1,936)	(14,853)	(107)	(16,896)

Description (€/000)	Share capital and capital reserves	Other reserves			
	Total share capital and capital reserves	Cash flow hedge reserve	Conversion reserve	Held-for-sale financial assets reserve	Total other reserves
01.01.2010	124,791	(1,936)	(14,853)	(107)	(16,896)
Allocation of prior year result	-				-
Dividends	-				-
Conversion reserve	-				-
Change in IFRS reserve	-				-
Sale/purchase of treasury shares	(2,092)				-
Other changes	-			107	107
Net income for the year	-				-
Total other components of the statement of comprehensive income	-	834	6,624		7,458
31.12.2010	122,699	(1,102)	(8,229)	-	(9,331)



Profits from previous years							
Retained earning	Capital grant reserve	Legal reserve	Treasury shares reserve	IFRS reserve	Total	Net income/ (loss) for the year	Total Group Shareholders' Equity
(6,837)	958	2,262	-	8,720	5,103	17,844	135,818
17,676		168			17,844	(17,844)	-
(1,933)					(1,933)		(1,933)
					-		-
				(19)	(19)		(19)
					-		(1,776)
(31)					(31)		(31)
					-	(12,164)	(12,164)
					-		(3,200)
8,875	958	2,430	-	8,701	20,964	(12,164)	116,695

Profits from previous years							
Retained earning	Capital grant reserve	Legal reserve	Treasury shares reserve	IFRS reserve	Total	Net income/ (loss) for the year	Total Group Shareholders' Equity
8,875	958	2,430	-	8,701	20,964	(12,164)	116,695
(12,919)		755			(12,164)	12,164	-
					-		-
					-		-
				(26)	(26)		(26)
					-		(2,092)
(6)					(6)		101
					-	18,028	18,028
					-		7,458
(4,050)	958	3,185	-	8,675	8,768	18,028	140,164





Explanatory notes to the consolidated financial statements



INTRODUCTION

Datalogic Group S.p.A. (hereinafter "Datalogic", the "Parent Company" or the "Company") is a company operating under Italian law. These consolidated financial statements to 31 December 2010 include the figures of the Parent Company and its subsidiaries (defined hereinafter as the "Group") and its minority interests in associated companies.

The Group produces and sells handheld readers, fixed scanners for the industrial market, mobile computers, fixed scanners for the retail market and sensors. The company also produces and sells radiofrequency readers (RFID), self-scanning solutions and products for industrial marking.

The Parent Company is a joint-stock company listed on the Star segment of Borsa Italiana, with its registered office in Italy. The address of the registered office is Via Candini, 2 - Lippo di Calderara (BO).

The Company is a subsidiary of Hydra S.p.A., which is also based in Bologna and is controlled by the Volta family.

These consolidated financial statements were prepared by the Board of Directors on 7 March 2011.

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with European Regulation 1606/2002, since 2005 the consolidated financial statements have been prepared in compliance with the international accounting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), endorsed by the European Commission at the date of approval of the draft financial statements by the Board of Directors of the Parent Company and contained in the relative EU Regulations published at this date, and in compliance with the provisions of Consob Regulation 11971 of 14 May 1999 and subsequent amendments.

The consolidated financial statements for the year ended 31 December 2010 consist of the Statement of financial position, Statement of Income, Statement of Comprehensive Income, Statement of Shareholders' Equity, the Statement of Cash Flow and the Explanatory Notes.

We specify that, in the Statement of financial position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of assets and liabilities held for sale.

Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the company's normal operational cycle or in the 12 months following balance sheet date; current liabilities are those whose extinction is envisaged during the company's normal operating cycle or in the 12 months after balance sheet date.

The Statement of Income reflects analysis of costs grouped by function, as this classification was deemed more meaningful for comprehension of the Group's business result.

The Statement of Comprehensive Income presents the components that determine gain/(loss) for the period and the costs and revenues reported directly under Shareholders' Equity for transactions other than those set up with shareholders.

The Statement of Cash Flow is presented using the indirect method.

The Statement of Shareholders' Equity analytically details the changes occurring in the financial year and in the previous financial year.

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

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

The accounting standards were uniformly applied at all Group companies and for all periods presented.

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



ACCOUNTING POLICIES AND STANDARDS APPLIED

The accounting criteria used to prepare the Datalogic Group's consolidated financial statements for the year ended 31 December 2010 are described below. The accounting standards described have been consistently applied by all Group entities.

Property, plant and equipment (IAS 16)

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

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

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

Tangible assets are depreciated on a straight-line basis each year - starting from the time when the asset is available for use, or when it is potentially able to provide the economic benefits associated with it - using economic/technical rates determined according to the residual possibility of use of the assets and taking into account the month in which they become available for use in the first year of utilisation.

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

The depreciation rates applied by the Group are as follows:

Asset category	Annual depreciation rates
Property	
Buildings	2% - 3.3%
Land	0%
Plant & equipment:	
Automatic operating machines	20% - 14.29%
Furnaces and appurtenances	14%
Generic/specific production plant	20% - 10%
Other assets:	
Plant pertaining to buildings	8.33% - 10% - 6.67%
Lightweight constructions	6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20% - 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	Contract duration

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

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

Assets held under finance lease contracts (IAS 17)

Assets held under finance lease contracts are those fixed assets for which the Group has assumed all the risks and benefits connected with ownership of the asset. Such assets are measured at the lower of fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Financial lease instalments are recorded as described in IAS 17; specifically, each instalment is subdivided into principal and interest. The sum of the portions of principal payable at balance sheet date is recorded as a financial liability; the portions of interest are recorded in the Income Statement each year until full repayment of the liability.

Intangible non-current assets (IAS 38)

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

Goodwill

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

For acquisitions made after 1 January 2004 (transition date), goodwill represents, as at the purchase date, the part of the acquisition cost that exceeds the Group's interest in the fair value of the assets, liabilities and



contingent liabilities acquired that can be precisely identified and recognised separately. It is an intangible asset with an indefinite life.

After initial recognition, goodwill is measured at cost less any cumulative impairment losses. Goodwill stemming from acquisitions made after 1 January 2004 is no longer amortised, while goodwill already recognised prior to that date has not been amortised since 1 January 2004.

Goodwill is allocated to the cash generating units (CGUs) and is tested for impairment annually, or more frequently if events or changes in circumstances suggest possible loss of value, pursuant to IAS 36 – Impairment of Assets.

Negative goodwill generated by acquisitions is recognised directly in the Income Statement.

Research and development costs

As required by IAS 38, research costs are entered in the Income Statement at the time when the costs are incurred.

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

- the technical possibility of completing the intangible asset in such a way as to make it available for use or sale;
- the intention of completing the intangible assets for use or sale;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development;
- the availability of adequate technical, financial or other resources to complete the intangible asset's development and for its use or sale;
- how the intangible asset will generate probable future economic benefits.

In the absence of any one of the above requirements, the costs in question are fully recognised in the Income Statement at the time when they are sustained.

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

Other intangible assets

Other intangible assets consist of:

- software acquired under licence, valued at purchase cost;
- specific intangible assets purchased as part of acquisitions that have been identified and recognised at fair value at acquisition date according to the purchase method of accounting mentioned above;
- a licence agreement arranged during the course of the fourth quarter 2006.

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

Amortisation and depreciation

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

The useful life for each category is detailed below:

Description	Useful Life - years
Goodwill	Indefinite useful life
Development costs	5
Other intangible assets	
- Software licences (other than SAP licences)	3/5
- Patents (PSC)	20
- Customer portfolio (PSC)	10
- Trademarks (PSC)	10
- Service agreement (PSC)	4
- Know how (Laservall)	7
- Commercial organisation (Laservall)	10
- Commercial organisation (Informatics)	10
- SAP licences	10
- User licences	Contract duration

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

Impairment (IAS 36)

Tangible and intangible assets are tested for impairment in the presence of specific indicators of loss of value, and at least annually for intangible assets with an indefinite life.

The aim of the impairment test is to ensure that tangible and intangible assets are not carried at a value exceeding their recoverable value, consisting of the higher between their net selling price and value in use. Value in use is calculated based on the future cash flows that are expected to originate from the asset or CGU (cash generating unit) to which the asset belongs. Cash flows are discounted to present value using a discount rate reflecting the market's current estimate of the time value of money and of the risks specific to the asset or CGU to which the presumable realisation value refers.

Given their autonomous ability to generate cash flows, the Group's CGUs are defined as being the individual consolidated companies.

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

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

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount of what would have been the book value, net of amortisation of the historical cost, if no impairment had been recognised.

Any reinstatements of value are recognised in the Income Statement. In the case of goodwill, impairment value is never reversed.

Financial assets (IAS 39)

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

- **Financial assets at fair value with contra entry in the Income Statement:** these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset. They are recognised at fair value and any changes during the period are recognised in the Income Statement. As at 31 December 2010 the Group did not own any financial assets in this category.
- **Loans and receivables:** loans and receivables are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method. They are classified as current assets, apart from those due after 12 months, which are classified as non-current assets. Within the Group this category includes trade receivables, other receivables and available cash.
- **Available-for-sale (AFS) financial assets:** these are financial assets other than derivatives, which are not classified in other categories; they are valued at fair value and related changes are entered in an Equity reserve. They are classified under non-current assets, unless they are intended to be sold within 12 months. Within the Group this category includes investments in other companies and securities.

The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Group establishes fair value by using recent transactions taking place close to balance sheet date or by referring to other instruments of substantially the same kind or using discounted cash-flow (DCF) models. In some circumstances, the Group does not have sufficient information to calculate the fair value of these financial assets. In this case, they are maintained at cost.

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

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

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

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

The fair value of hedging instruments is set out in Note 6, while movements in the cash flow hedge reserve are shown in Note 11.

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

Fair value hedge: if a financial derivative is designated as a hedge for exposure to the changes in fair value of a balance sheet asset or liability attributable to a particular risk that may affect the Income Statement, the profit or loss deriving from subsequent valuations of the hedge's fair value is recognised in the Income Statement. The profit or loss on the item hedged, attributable to the risk covered, changes the carrying value of that item and is recognised in the Income Statement.

Cash flow hedge: if a financial derivative is designated as a hedge for exposure to changes in the future cash flows of a balance sheet asset or liability, or of a highly probable transaction that might affect the Income Statement, the changes in the hedge's fair value are recognised in Equity for the effective portion of the hedge (intrinsic value) while the part relating to time value and any ineffective portion (over-hedging) is recognised in the Income Statement.

If a hedge or hedging relationship has ended but the hedged transaction has not yet taken place, cumulative profits and losses recognised thus far in Equity are recognised in the Income Statement when the related transaction takes place. If the transaction hedged is no longer considered probable, the still unrealised profits and losses suspended in Equity are immediately recognised in the Income Statement.

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

Inventories (IAS 2)

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

Trade receivables (IAS 32, 39)

Trade receivables are amounts due from customers following the sale of products and services.

Receivables are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses.

The estimated impairment of receivables is recognised when it becomes evident that the past-due receivable cannot be recovered, due to financial difficulties of the customer that might lead to its bankruptcy or financial restructuring.

Cash & cash equivalents (IAS 32, 39)

Cash and cash equivalents comprise cash in hand, bank and post office balances, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.

Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the Cash Flow Statement.

Shareholders' Equity

Share capital consists of the ordinary shares outstanding, which are posted at par value.

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

In the case of a buyback of treasury shares, the price paid, inclusive of any directly attributable ancillary costs, is deducted from the Group's Equity until such shares are cancelled, re-issued or sold, as required by IAS 32. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable ancillary costs and related tax effect, are posted as Group Equity.

Consequently, no profit or loss is entered in the consolidated Income Statement at the time of purchase, sale or cancellation of treasury shares.

Interest-bearing financial liabilities (IAS 32, 39)

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

After initial recognition, interest-bearing financial liabilities are measured at amortised cost using the effective interest rate method.

Liabilities for employee benefits (IAS 19)

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either defined-contribution programmes or defined-benefit programmes.

Employee benefits substantially consist of accrued provision for severance indemnities of the Group's Italian companies and of retirement provisions.

Italian Law no. 296 of 27 December 2006 ("2007 National Budget Law") and subsequent decrees and regulations enacted during 2007 introduced – as part of overall reform of the Italian pension system – significant changes regarding the ultimate use of the portions of severance-indemnity provision accruing.

Until 31 December 2006, severance indemnity provision came within the scope of post-employment defined-benefit plans and was measured in accordance with IAS 19, by independent actuaries, using the projected unit credit method.

Actuarial gains and losses as at 1 January 2004 – the date of transition to IFRSs – were recognised in a specific Equity reserved. Actuarial gains and losses after that date are recognised in the Income Statement on an accrual accounting basis, i.e. not using the "corridor" method envisaged by IAS 19.

Following the reform of supplemental pensions, employees can allocate the new severance-indemnity provision accruing to supplemental pension systems, or opt to keep it in the company (in the case of companies with fewer than 50 employees) or to transfer it to the INPS, the state pension and welfare agency (in the case of companies with more than 50 employees).

Based on these rules, and also basing itself on the generally accepted interpretation, the Group decided that:

- for the portion of severance indemnities accruing up to 31 December 2006, the provision in question constitutes a defined-benefit plan, to be valued according to the actuarial rules, but no longer including the component relating to future salary increases. The difference resulting from the new calculation in relation to the previous one was treated as curtailment as defined by IAS 19.109 and consequently entered in the Income Statement for the year ended 31 December 2007;
- subsequent portions of severance indemnities accruing, both in the case of opting for supplemental pension planning and in the case of allocation to the central treasury fund c/o the INPS, come within the scope of defined-contribution plans, thus excluding – in calculating the cost for the year – components relating to actuarial estimates.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognised on the balance sheet when the following conditions are satisfied at the same time:

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

Risks for which materialisation of a liability is only contingent are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.

In the case of events that are only remote, i.e. events that have very little likelihood of occurrence, no provision is made and no additional or supplementary disclosure is provided.

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, as at balance sheet date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time.

When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as finance expense.

Income taxes (IAS 12)

Income taxes include current and deferred taxes. Income taxes are generally recognised in the Income Statement, except when they relate to items entered directly in Equity, in which case the tax effect is recognised directly in Equity.

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

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the consolidated financial statements and the corresponding amounts recognised for tax purposes. Deferred taxes are calculated at the tax rate expected to be in force at the time when the asset is used or the liability is discharged.

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

The direct Parent Company Datalogic S.p.A. and numerous Italian subsidiaries fall within the scope of the domestic tax consolidation of Hydra S.p.A.. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income for the Group or a single tax loss carried forward, as the algebraic sum of the income and/or losses, and therefore files a single tax liability or credit with the tax authorities.

Trade and other payables (IAS 32, 39)

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

Revenue recognition (IAS 18)

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

Sale of goods

Revenues from the sale of goods are recognised only when all the following conditions are met:

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

Rendering of services

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

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

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

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

Government grants (IAS 20)

Government grants are recognised - regardless of the existence of a formal grant resolution - when there is reasonable certainty that the beneficiary company will comply with any conditions attached to the grant and therefore that the grant will be received.

Government grants receivable as compensation for costs already incurred or to provide immediate financial support to the recipient company with no future related costs, are recognised as income in the period in which they become receivable.

Rental and operating lease costs (IAS 17)

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

Dividends distributed (IAS 1 and 10)

Dividends are recognised when shareholders have the right to receive payment. This normally corresponds to the date of the annual general Shareholder Meeting that approves dividend distribution.

The dividends distributable to Group Shareholders are recognised as an Equity movement in the year when they are approved by the Shareholders' Meeting.

Earnings per share - EPS (IAS 33)

Basic

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

Diluted

Diluted EPS is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculation of diluted EPS, the weighted average number of outstanding shares is determined assuming conversion of all potential shares with a dilutive effect, and the Group's net profit is adjusted for the post-tax effects of conversion.

Treatment of foreign currency items (IAS 21)

Functional presentation currency

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

Transactions and balances

Foreign currency transactions are initially converted to euro at the exchange rate existing on the transaction date.

On balance sheet date foreign-currency monetary assets and liabilities are converted at the exchange rate in force on that date.

Foreign-currency non-monetary items measured at cost are converted using the exchange rate in force on the transaction date.

Non-monetary items recognised at fair value are converted using the exchange rate in force when carrying value is calculated.

Foreign exchange gains and losses arising from the collection of foreign currency receivables or payment of foreign currency payables are recognised in the Income Statement.

Translation of foreign currency financial statements

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

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

Foreign exchange differences are recognised directly in Equity in a specific reserve.

In the event of disposal of a foreign equity investment, cumulative foreign exchange differences recognised in the Equity reserve are recycled to the Income Statement.

As permitted by IFRS 1, the existing translation reserve in the consolidated financial statements prepared according to Italian GAAPs at IFRS transition date has been cleared.

Goodwill and fair-value adjustment of assets and liabilities acquired as part of a foreign business combination are considered as assets and liabilities converted into euro at the exchange rate in force on balance sheet date.

The exchange rates recorded by the Italian Foreign Exchange Bureau and used for translation into euro of the foreign companies' financial statements are as follows:

Currency (ISO) Code	Quantity of currency/1 Euro			
	2010 Final exchange rate	2010 Average exchange rate	2009 Final exchange rate	2009 Average exchange rate
US Dollar (USD))	1.3362	1.3257	1.4406	1.3948
British Pound Sterling (GBP)	0.8607	0.8578	0.8881	0.8909
Swedish Krona (SEK)	8.965	9.5373	10.252	10.619
Singapore Dollar (SGD)	1.7136	1.8055	2.0194	2.0241
Japanese Yen (JPY)	108.65	116.2386	133.16	130.336
Australian Dollar (AUD)	1.3136	1.4423	1.6008	1.7727
Hong Kong Dollar (HKD)	10.3856	10.2994	11.1709	10.8114
Chinese Remnimbì (CNY)	8.822	8.9712	9.835	9.5277
Hungarian Forint (HUF)	277.95	275.4806	270.42	280.3269
Vietnam Dong (VND)	26,050.1	25,368.25	26,617.1	24,846.1795

Segment Reporting (IFRS 8)

Operating segments are identified based on the internal statements used by senior management in order to allocate resources and evaluate results (internal reporting for performance analysis).



ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE AS OF 2010 AND APPLIED BY THE GROUP

Document	Entry into force as of FYs starting on or after:	Description and impact on the company and the Group
IFRS 3 – Business Combinations (Revised) and IAS 27 – Consolidated and Separate Financial Statements (Amended), including amendments related to: IFRS 2, IFRS 5, IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	1 July 2009	<p>IFRS 3 (Revised) introduces significant changes to the accounting of business combinations. The changes apply to the measurement of non-controlling interests, the accounting treatment of transaction costs and the initial recognition and subsequent measurement of contingent considerations and step acquisitions. These changes will impact the amount of goodwill recognised, results for the period in which the acquisition takes place and future results.</p> <p>IAS 27 (Amended) stipulates that a change in the ownership structure of a subsidiary (without loss of control) must be booked as a transaction between owners in their role as owners. Such transactions, therefore, neither generate more goodwill, nor profits or losses. The main amendment also introduces changes to the accounting treatment of losses registered by subsidiaries and loss of control of subsidiaries. The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) relate to the acquisition or loss of control of subsidiaries and transactions with minority interests.</p> <p>The change in the accounting standards has been applied prospectively and has produced no material effects.</p>
Improvements to IFRS	Issued in April 2009	
IFRS 8 – Operating Segments		<p>Clarifies that the assets and liabilities of the operating segment must only be shown if they form part of the reporting used by senior management.</p> <p>Since senior management reviews the segment's assets and liabilities, the Group has continued to provide this information in the note on segment information.</p>
IAS 7 – Statement of Cash Flows		<p>Stipulates that only expenditures that result in a recognised asset may be classified as financial cash flows from investing activities. This amendment modifies presentation in the Cash Flow Statement of the potential consideration for the business combination carried out in 2010 at the time of cash settlement.</p>
IAS 36 – Impairment of Assets		<p>The amendment clarifies that the largest identifiable (cash generating) unit for allocation of goodwill acquired in a business combination is the operating segment as defined by IFRS 8 before the combination for the purposes of reporting. The change had no effect on the Group because the annual impairment test was carried out before the combination.</p>
IAS 38 – Intangible Assets		<p>The amendment clarifies the measurement methods to be commonly used to measure the fair value of intangible assets for which no active reference market exists; specifically, these methods include, alternatively, estimating net cash flows discounted to present value arising from the assets, estimating the costs avoided by the business by owning the asset and not having to use it under a licence agreement with a third party, or the costs required to recreate or replace it (as per the cost method).</p>

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE AS OF 2010 BUT NOT APPLIED BY THE GROUP

Document	Entry into force as of FYs starting on or after:	Description and impact on the Company and the Group
IFRS 2 – Share-based Payments: Group Cash-settled Share-based Payment Transactions	1 January 2010	The IASB issued an amendment to IFRS 2 which clarifies the scope and accounting treatment of group cash-settled share-based payment transactions. The Group adopted this amendment on 1 January 2010, but it has had no impact on the Group's performance or financial position.
IAS 39 – Financial Instruments: Recognition and Measurement, Eligible Hedged Items		The amendment clarifies that an entity is permitted to designate a portion of changes in the fair value or cash flows of a financial instrument as a hedged item. The amendment also includes designation of inflation as hedged risk or as a portion of the risk in certain situations. The Group has concluded that this change will have no impact on the Group's performance or financial position, since it does not use these types of hedges.
IFRIC 17 – Distributions of Non-cash Assets to Owners		This interpretation provides guidance on the accounting treatment of agreements pursuant to which an entity distributes to shareholders assets not accounted for in available cash, such as distribution of reserves or dividends. The interpretation has had no effect on the Group's performance or financial position.



ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED

The main standards, amendments and interpretations soon to be introduced and an assessment of their possible effects on future financial statements are described below:

IFRIC 14: Prepayments of a minimum funding requirement

On 15 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published amendments to Interpretation IFRIC 14 – Prepayments of a Minimum Funding Requirement. The aim of the changes to IFRIC 14 is to eliminate an unwanted consequence of IFRIC 14 in cases where an entity subject to a minimum funding requirement makes an early contributions payment for which, in certain circumstances, the entity making the prepayment has to book an expense. In cases where a defined-benefit plan is subject to a minimum funding requirement, the change to IFRIC 14 permits entities to treat the prepayment as an asset, as they would any other type of prepayment.

IFRIC 19: Extinguishing financial liabilities with equity instruments

On 26 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published Interpretation IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, with the aim of providing guidance on the accounting treatment, by the debtor, of equity instruments issued to extinguish, entirely or partially, a financial liability following renegotiation of the relative terms. Companies must apply IFRIC 19 and the amendment to IFRS 1 in annual periods beginning on or after 30 June 2010.

IAS 24: Related party disclosures

On 4 November 2009, the International Accounting Standards Board (IASB) published the revised International Accounting Standard (IAS) 24 – Related Party Disclosures. The changes introduced under the revised IAS 24 simplify the definition of a related party, eliminate some inconsistencies and partially exempt public entities from disclosures on related party transactions. Companies must apply IAS 24 and amendments to IFRS 8 in annual periods beginning on or after 31 December 2010.

USE OF ESTIMATES

Preparation of IFRS-compliant consolidated financial statements and of the relevant notes requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic based on circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, i.e. the Balance Sheet, Income Statement, and cash flow statement, as well as the information disclosed. The ultimate actual amounts of accounting items for which these estimates and assumptions have been used might be different from those reported in the financial statements due to the uncertainty characterizing the assumptions and conditions on which estimates are based.

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

- goodwill
- impairment of non-current assets
- development costs
- inventory write-down
- deferred tax assets
- provisions for doubtful accounts
- employee benefits
- provisions for liabilities and contingencies.

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

FINANCIAL RISK MANAGEMENT

Risk factors

The Group is exposed to various types of financial risks in the course of its business, including:

- **credit risk** deriving from trade transactions or from financing activities;
- **liquidity risk** relating to availability of financial resources and access to the credit market;
- **market risk**, specifically:
 - a) foreign exchange risk, relating to operations in currency areas other than that of the functional currency;
 - b) interest rate risk, relating to the Group's exposure to financial instruments that generate interest.

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

Financial risk management is an integral part of management of the Datalogic Group's business activities. Market and liquidity risk is managed on a centralised basis by the Parent Company.

According to the Parent Company's directives, the Group uses derivative contracts relating to underlying financial assets or liabilities or future transactions. More specifically, management of these risks is centralised in the Central Treasury Dept., which has the task of assessing risks and performing related hedging. The Central Treasury Dept. operates directly on the market on behalf of subsidiary and investee companies.

Credit risk is managed by the Group's operating units.

Market risk

Foreign exchange risk

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

Translation risk relates to the conversion into euro during consolidation of items in the individual financial statements of companies outside the eurozone. The key currencies are the US dollar, the Australian dollar and the British pound.

Transaction risk relates to trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) of Group companies in currencies other than their functional currency. The key currency is the US dollar (for companies in the eurozone).

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

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

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

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

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

Hedges of foreign exchange risk are set up centrally by the Parent Company's Treasury with banks of premier

standing, also on behalf of other Group companies exposed to significant foreign exchange risk. In such cases, to ensure proper attribution of positions to the Group's companies, the Parent Company has introduced an internal contract system ("Internal Deal"). Under the system, for each hedging transaction set up by the Parent Company, an internal deal is set up between the Parent Company and the division originating the risk exposure.

To permit full understanding of the foreign exchange risk on the Group's consolidated financial statements (Income Statement impact), we have analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the exchange rate changes considered reasonably possible, with all other variables remaining equal. The following table shows the results of the analysis as at 31 December 2010.

Items exposed to interest rate risk with impact on the Income Statement:

USD	Carrying value	Portion exposed to exchange rate risk	+10%	+5%	+1%	-1%	-5%	-10%
Exchange rate		1.3362	1.4698	1.4030	1.3496	1.3228	1.2694	1.2026
Financial assets								
Cash and cash equivalents	102,542	12,386	(1,126)	(590)	(123)	125	652	1,376
Trade and other receivables	81,766	5,955	(541)	(284)	(59)	60	313	662
Income Statement impact			(1,667)	(873)	(182)	185	965	2,038
Financial liabilities								
Loans	177,981	38,392	3,490	1,828	380	(388)	(2,021)	(4,266)
Trade and other payables	92,042	15,403	1,400	733	153	(156)	(811)	(1,711)
Derivative instruments	1,794	33	(136)	(71)	(15)	15	79	166
Income Statement impact			4,755	2,491	518	(528)	(2,753)	(5,811)
Income Statement impact, net			3,087	1,617	336	(343)	(1,787)	(3,773)

Items exposed to interest rate risk with impact on Equity:

USD	Carrying value	Portion exposed to exchange rate risk	+10%	+5%	+1%	-1%	-5%	-10%
Exchange rate		1.3362	1.4698	1.4030	1.3496	1.3228	1.2694	1.2026
Financial assets								
Derivative instruments	256	256	(602)	(298)	(59)	60	296	593
Impact on Equity			(602)	(298)	(59)	60	296	593
Financial liabilities								
Derivative instruments	1,794	37	(179)	(88)	(17)	18	86	174
Impact on Equity			(179)	(88)	(17)	18	86	174
Total impact on Equity			(781)	(386)	(76)	77	382	767

Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2010 Datalogic has interest rate swaps in place with financial counterparties of premier standing for a notional total of € 56.3 million.

These derivatives permit the hedging of about 32% of total bank borrowings against the risk of a rise in interest rates, transforming variable-rate loans into fixed-rate loans.

(€/000)	31.12.2010		31.12.2009	
Short- and long-term borrowings and financial liabilities	Amount	%	Amount	%
Variable rate	100,715	57%	79,379	47%
Fixed rate	20,449	11%	3,159	2%
Variable rate hedged through derivative instruments	56,286	32%	87,462	51%
EU financing	531	0.3%		
Total	177,981	100%	170,000	100%

In order to fully understand the potential effects of fluctuations in interest rates to which the Group is exposed, we analysed the accounting items most at risk, assuming a change of 20 basis points in the Euribor and of 10 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2010.

Items exposed to interest rate risk with impact on the Income Statement:

Euribor (€/000)	Carrying value	Portion exposed to interest rate risk	20bp	-20bp
Financial assets			Profit (loss)	Profit (loss)
Cash and cash equivalents	102,542	79,768	160	(160)
Income Statement impact			160	(160)
Financial liabilities			Profit (loss)	Profit (loss)
Loans	177,981	71,414	143	(143)
Income Statement impact			143	(143)
Total increases (decreases)			302	(302)

Libor USD	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets			Profit (loss)	Profit (loss)
Cash and cash equivalents	102,542	19,839	20	(20)
Income Statement impact			20	(20)
Financial liabilities			Profit (loss)	Profit (loss)
Loans	177,981	28,570	29	(29)
Income Statement impact			29	(29)
Total increases (decreases)			48	(48)

Items exposed to interest rate risk with impact on Equity:

USD Libor	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
Financial liabilities			Profit (loss)	Profit (loss)
Derivative instruments	1,794	342	8	(8)

Euribor (€/000)	Carrying value	Portion exposed to interest rate risk	20bp	-20bp
Financial liabilities			Profit (loss)	Profit (loss)
Derivative instruments	1,794	1,383	96	(96)

Credit risk

The Group is exposed to credit risk associated with trade transactions. The three operating divisions have therefore planned risk protection measures in order to keep the amounts outstanding to a minimum, i.e. a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, with whom, statistically, no problems connected with credit recoverability have been encountered. In any case, there are no significant concentrations of the risk and it is therefore not considered relevant to provide detailed, quantitative information. Clients requesting deferred conditions of payment are subjected to screening procedures concerning their creditworthiness grade (degree of solvency) and an analysis of the specific deal. If they are significant, trade receivables are subjected to individual impairment testing.

Liquidity risk

The Datalogic Group's liquidity risk is minimized by specific central management by the Parent Company. Bank indebtedness and the management of liquidity are handled centrally via a series of instruments used to optimize the management of financial resources. First, there are automatic mechanisms such as cash pooling (subsidiary companies are in the process of being integrated into existing arrangements) with consequent easier maintenance of levels of availability. The Parent Company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, each division's subholding company has operating lines for short-term requirements (revolving credit lines and on the receivables book) while Datalogic S.p.A., as the Parent Company, has cash credit lines for future requirements in favour of the Group. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Group's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income.

We also report that, as at 31 December 2010, the Group's liquidity reserve – which includes committed but undrawn credit lines of € 118 million – is considered amply sufficient to meet commitments existing as at balance sheet date.

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

The following table shows financial liabilities by maturity:

(€/000)	31 December 2009		
	0 - 1 year	1 - 5 years	> 5 years
Loans	123,138	46,180	569
Bank overdrafts	113		
Financial derivatives (IRS)	814	1,917	
Trade and other payables	66,836	1,459	
Total	190,901	49,556	569

(€/000)	31 December 2010		
	0 - 1 year	1 - 5 years	> 5 years
Loans	47,237	117,732	12,455
Bank overdrafts	26		
Finanziamento UE	531		
Financial derivatives (IRS)	69	1,725	
Trade and other payables	90,598	1,444	
Total	138,461	120,901	12,455

Note that in 2010 all covenants were complied with, and therefore medium-/long-term loans classified under current liabilities at 31 December 2009, owing to non-compliance with the related covenants, were reclassified according to their effective maturities.

CAPITAL RISK MANAGEMENT

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

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

(€/000)	31.12.2010	31.12.2009
Net indebtedness (A)	76,497	100,498
Equity (B)	140,164	116,695
Total capital [(A)+(B)]=C	216,661	217,193
Gearing ratio (A)/(C)	35.31%	46.27%

Fair Value

The following table shows assets and liabilities recorded at fair value, classified based on a three-level hierarchy that takes into consideration the different variables used for the purposes of the valuation.

(€/000)	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets / third parties LT (5)	359	0	1,063	1,422
Financial assets - Derivative instruments ST (6)		256		256
Available-for-sale financial assets / third parties ST (5)	1	0		1
Total assets	360	256	1,063	1,679
Liabilities				
Financial liabilities - Derivative instruments LT (6)		1,725		1,725
Financial liabilities - Derivative instruments ST (6)	0	69	0	69
Total liabilities	0	1,794	0	1,794

Level 1 includes financial instruments for which the fair value comprises listed prices (not adjusted) in active markets as at balance sheet date;

Level 2 includes financial instruments whose fair value is calculated using specific technical valuations, in particular:

- the fair value of derivatives on interest rates is calculated on the current value of future cash flows estimated on the basis of observable yield curves;
- the fair value of foreign exchange derivatives is calculated using the forward exchange rates at balance sheet date and subsequently discounting the value obtained.

Level 3 includes financial instruments whose fair value is linked to variables not based on observable market data.

Changes in level 3-classified financial instruments are shown in Note 5.

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



CONSOLIDATION STANDARDS AND POLICIES

Subsidiaries

Companies are defined as controlled, i.e. subsidiaries, when the Parent Company has the power, as defined by IAS 27 – Consolidated and Separate Financial Statements, directly or indirectly, to govern the company in such a way as to obtain benefits connected with its business. In general, control is presumed to exist when the Group owns the majority of voting rights at the subsidiary's Shareholders' Meeting. The definition of control also takes into consideration potential voting rights that, on the date of preparing the financial statements, can be exercised or converted. The accounts of subsidiaries are consolidated on a 100% line-by-line basis from the start of exercise of control until the date of its cessation.

The subsidiaries acquired by the Group are initially recognised in accounts using the purchase method, according to which (see IFRS 3 – Business Combinations):

- purchase cost is the fair value of the assets sold, considering any Equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any costs directly attributable to the acquisition;
- the assets and liabilities of the acquired company are measured at their fair value as at acquisition date;
- the excess of acquisition cost over the fair value of the Group's share of net assets is recognised as goodwill;
- if the acquisition cost is less than the fair value of the Group's interest in the net assets; of the acquired subsidiary, the difference is recognised directly in the Income Statement.

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

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

The criteria for preparation of subsidiary companies' financial statements have been amended to make them consistent with the accounting standards adopted by the Group.

Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. Our consolidated financial statements for the year to 31 December 2010 include our share of the profits and losses of associates, recognised in Equity, from the date when significant influence over operations began until cessation of the same. The Group's investments in associates include the goodwill identified on acquisition net of any impairment losses.

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

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also eliminated unless the loss is considered to represent impairment of the assets transferred. Accounting standards adopted by associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

SEGMENT INFORMATION

Segment information

Operating segments are identified based on the internal statements used by senior management to allocate resources and evaluate results.

The Group does business in the following operating segments:

Mobile – includes the Mobile Computers (MC) product lines and the self-scanning solutions.

Automation – includes product lines related to: fixed scanners for the industrial market (USS), industrial marking products, radio frequency scanners (RFID) and photoelectrical sensors and devices.

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

Business Development – includes distribution of products for automatic identification. As well as Informatics Inc., in 2010 this segment includes Evolution Robotics Retail Inc., acquired on 1 July 2010.

Other – includes the Group's corporate and real estate activities.

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

The **financial information relating to operating segments** at 31 December 2010 and 31 December 2009 are as follows:

(€/000)	Mobile		Automation		Scanning		Business Development		Other		Adj.		Total Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External sales	87,596	67,993	90,372	66,665	181,415	146,748	33,366	30,552			(7)	13	392,742	311,971
Intersegment sales	155	134	302	293	244	234			14,677	12,250	(15,378)	(12,911)	0	0
Total revenues	87,751	68,127	90,674	66,958	181,659	146,982	33,366	30,552	14,677	12,250	(15,385)	(12,898)	392,742	311,971
Ordinary operating income (EBITANR)	8,160	2,043	7,527	(6,281)	17,558	3,626	2,628	3,265	2,251	3,338	(3)	232	38,121	6,223
% of revenues	9.3%	3.0%	8.3%	-9.4%	9.7%	2.5%	7.9%	10.7%	15.3%	27.2%	0.0%	-1.8%	9.7%	2.0%
Operating result (EBIT)	7,982	602	6,759	(12,658)	15,932	358	1,761	2,691	2,251	3,200	(3)	232	34,682	(5,575)
% of revenues	9.1%	0.9%	7.5%	-18.9%	8.8%	0.2%	5.3%	8.8%	15.3%	26.1%	0.0%	-1.8%	8.8%	-1.8%
Financial income/ (expenses)	(509)	(155)	(682)	(1,698)	(3,610)	(3,262)	(141)	(73)	8,055	12,976	(9,613)	(15,050)	(6,500)	(7,262)
Fiscal income/ (expenses)	(2,875)	(409)	(2,706)	3,857	(2,953)	(377)	(568)	(930)	(942)	(962)	(110)	(506)	(10,154)	673
Amortisation and depreciation	(2,525)	(3,183)	(4,687)	(5,906)	(5,981)	(6,268)	(1,131)	(833)	(1,580)	(1,466)	0	223	(15,904)	(17,433)
EBITDA	10,421	4,858	10,919	(1,669)	21,699	8,108	2,892	3,524	3,831	4,804	(3)	9	49,759	19,634
% of revenues	11.9%	7.1%	12.0%	-2.5%	11.9%	5.5%	8.7%	11.5%	26.1%	39.2%	0.0%	-0.1%	12.7%	6.3%
R&D expenses	(5,856)	(5,737)	(6,564)	(7,527)	(12,204)	(10,814)	(1,468)	(496)	(285)	(376)	73	65	(26,304)	(24,885)
% of revenues	-6.7%	-8.4%	-7.2%	-11.2%	-6.7%	-7.4%	-4.4%	-1.6%	-1.9%	-3.1%	-0.5%	-0.5%	-6.7%	-8.0%

Reconciliation between **EBITDA**, **EBITANR** and **profit/(loss) before tax** is as follows:

(€/000)	31.12.2010	31.12.2009
EBITDA	49,759	19,634
Amortisation and write-downs of tangible assets	(7,998)	(8,643)
Amortisation and write-downs of intangible assets	(3,640)	(4,768)
EBTANR	38,121	6,223
Non-recurring costs and revenues	827	(7,776)
Depreciation & amortisation due to acquisitions (*)	(4,266)	(4,022)
EBIT (gross earnings)	34,682	(5,575)
Finance income	14,307	7,313
Finance charges	(21,210)	(14,402)
Profits from associated companies	403	(173)
Pre-tax profit/(loss)	28,182	(12,837)

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

The **balance sheet information relating to operating sectors** at 31 December 2010 and 31 December 2009 is as follows:

(€/000)	Mobile		Automation		Scanning		Business Development		Other		Adj.		Total Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total assets	68,985	57,001	78,609	75,269	240,825	203,621	41,858	20,788	371,924	289,563	(343,933)	(248,580)	458,268	397,662
Non-current assets	9,582	10,761	18,437	21,619	107,947	102,887	33,430	14,027	27,007	27,550	725	680	197,128	177,524
Equity investments in associates			2,223	1,644									2,223	1,644
Total liabilities	43,524	35,219	73,280	73,431	150,589	122,144	9,279	8,504	203,045	128,313	(161,613)	(86,644)	318,104	280,967

Sector information by region at 31 December 2010 and 31 December 2009 is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Revenues by geographical area			
Italy	43,106	39,039	10%
Europe	156,415	129,927	20%
North America	113,187	93,490	21%
Rest of the World	80,034	49,515	62%
Total	392,742	311,971	26%

(€/000)	31.12.2010	31.12.2009	Adjustments 31.12.2010	Adjustments 31.12.2009	Consolidated 31.12.2010	Consolidated 31.12.2009	Change
Non-current assets							
Italy	381,899	353,356			381,899	353,356	8%
Europe	10,625	10,809			10,625	10,809	-2%
North America	210,747	169,101			210,747	169,101	25%
Rest of the World	3,407	969			3,407	969	252%
Eliminations and adjustments			(382,817)	(330,316)	(382,817)	(330,316)	16%
Total	606,678	534,235	(382,817)	(330,316)	223,861	203,919	10%

GROUP STRUCTURE

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

The companies consolidated on a line-by-line basis for the period ended 31 December 2010 are as follows:

Company	Registered office	Share capital	Total Shareholders' Equity (€000)	Profit/loss for the period (€000)	% ownership
Datalogic S.p.A. Holding	Bologna - Italy	Euro 30,392,175	165,979	9,451	
Datalogic Real Estate S.r.l.	Bologna - Italy	Euro 20,000	2,659	148	100%
Datalogic Real Estate France Sa	Paris - France	Euro 2,227,500	3,514	42	100%
Datalogic Real Estate Germany Gmbh	Erkenbrechtsweiler - Germany	Euro 1,025,000	2,011	(125)	100%
Datalogic Real Estate UK Ltd	Redbourn - England	GBP 3,500,000	4,114	87	100%
Informatics Inc.	Plano Texas - USA	US\$ 9,996,000	14,309	2,206	100%
Evolution Robotics Retail Inc.	Pasadena - USA	US\$ 1	18,269	(1,154)	100%
Datalogic Automation S.r.l.	Monte San Pietro (BO) - Italy	Euro 10,000,000	4,189	3,139	100%
Datalogic Sweden AB	Malmö - Sweden	KRS 200,000	290	(17)	100%
Datalogic Automation Inc.	Hebron, KY - USA	US\$ 463,812	2,822	783	100%
Datalogic Automation PTY Ltd	Mount Waverley (Melbourne) - Australia	\$AUD 2,300,000	(786)	20	100%
Datalogic Automation Asia Limited	Hong Kong - China	HKD 7,000,000	(383)	(21)	100%
Datafoton kft	Fonyod - Hungary	HUF 3,000,000	111	91	51%
Datalogic Mobile S.r.l.	Bologna - Italy	Euro 10,000,000	20,958	2,581	100%
Datalogic Mobile Asia	Hong Kong - China	HKD 100,000	82	96	100%
Datalogic Mobile Inc.	Eugene, OR - USA	US\$ 1	6,387	641	100%
Datalogic Mobile PTY	Mount Waverley (Melbourne) - Australia	\$AUD 0	(796)	(48)	100%
Datalogic Scanning Group S.r.l.	Bologna - Italy	Euro 10,000,000	100,834	5,630	100%
Datalogic Scanning Slovakia	Tvrn - Slovakia	Euro 66,390	6,634	6,847	100%
Datalogic Scanning Holdings Inc.	Eugene, OR - USA	US\$ 100	77,678	(1,703)	100%
Datalogic Scanning Inc.	Eugene, OR - USA	US\$ 10	39,382	2,035	100%
Datalogic Scanning do Brasil	Sao Paulo, SP - Brazil	R\$ 159,525	(68)	(85)	100%
Datalogic Scanning Mexico	Colonia Cuauhtemoc - Mexico	\$USA 0	(818)	(227)	100%
Datalogic Scanning UK Ltd	Watford - England	GBP 191,510	(1,108)	142	100%
Datalogic Scanning Sarl	Paris - France	Euro 653,015	509	440	100%
Datalogic Scanning Gmbh	Darmstadt - Germany	Euro 306,775	2,534	528	100%
Datalogic Scanning Eastern Europe Gmbh	Darmstadt - Germany	Euro 30,000	253	58	100%
Datalogic Scanning S.p.A.	Milan - Italy	Euro 110,000	1,137	174	100%
Datalogic Scanning PTY	Sydney - Australia	\$AUD 2	1,080	56	100%
Datalogic Scanning Japan	Tokyo - Japan	JPY 151,437,000	(556)	21	100%
Datalogic Scanning Vietnam LLC	Vietnam	VND 27,714,555,000	199	(6)	100%
Datalogic Scanning Singapore	Singapore	SGD 100,000	81	17	100%

The following companies were consolidated at Equity at 31 December 2010:

Company	Registered office	Share capital	Total Shareholders' Equity (€000)	Profit/loss for the period (€000)	% ownership
Idec Datalogic Co. Ltd	Osaka – Japan	Yen 300,000,000	1,892	4	50%
Laservall Asia Co. Ltd	Hong Kong – China	HKD 460,000	2,298	802	50%

The following companies were consolidated at cost at 31 December 2010:

Company	Registered office	Share capital	Total Shareholders' Equity (€000)	Profit/loss for the period (€000) 31.12.2010	% ownership
Datasensor Uk Ltd	Oxfordshire – England	GPB 70,000	613	165	35%
Datasensor GmbH	Otterfing – Germany	Euro 150,000	74	38	30%
Datalogic Automation AB	Malmö – Sweden	KRS 100,000	247	201	20%
Datasensor India Ltd (*)	Bangalore – India	INR 900,000	118	17	20%
Specialvideo S.r.l. (**)	Imola – Italy	Euro 10,000	109	24	40%

(*) Figures for Datasensor India Ltd are annual data to 31 March 2010.

(**) Figures for Datasensor India Ltd are annual data to 31 December 2009.

During 2010 the following changes took place in the consolidation area:

- Completion of the voluntary liquidation of Datalogic Automation Iberia, generating a capital loss of € 83 thousand, and of Mobile UK, generating a capital loss of € 13 thousand.
- On 1 July 2010, Datalogic acquired Evolution Robotics Retail Inc., which is based in California and has unique expertise in visual pattern recognition technology for retail applications. The transaction is worth \$25.5 million; the acquired company has no debt and the transaction was financed with the Group's own resources.
- A newly created company joined the Group: Datalogic Automation AB, which is 20% owned by the Parent Company and consolidated at cost.

BUSINESS COMBINATION

As previously mentioned, in 2010 the Group acquired, via the subsidiary Datalogic Scanning Holdings Inc., 100% of the share capital of US company Evolution Robotics Retail Inc., based in California. This company has unique expertise in visual technology for retail applications intended to prevent theft and loss and consequently increase productivity.

Financing the acquisition

The acquisition agreement was signed on 1 July 2010 with Future Vision Holdings Inc. and Idealab, which own Evolution Robotics Retail Inc. The transaction is worth \$ 25.5 million. Evolution Robotics Inc. has no debt and Datalogic used its own resources to finance the acquisition.

Accounting effects of the acquisition

Since the acquisition is a business combination, the Group has recognised it using the purchase method, pursuant to the revised IFRS 3.

The acquisition took place for a total consideration of \$ 25.5 million, with ancillary costs, although directly attributable to the combination, not considered as part of the acquisition cost but fully recognised in the Income Statement, pursuant to the revised IFRS 3.

The consideration was paid in full to the sellers on the acquisition date.

The Group has made a preliminary calculation of the allocation of the difference between the acquisition price and the preliminary fair value of the net assets acquired.

The following table shows preliminary fair value at 1 July 2010 of the assets and liabilities of the acquired company, preliminary goodwill deriving from the transaction and the net cash used for the acquisition:

	Amounts as per acquiree's accounts (\$/000)	Adjustments	Recognised fair value (\$/000)	Recognised fair value (€/000)
Tangible and intangible assets	23	7,004	7,027	5,700
Other LT receivables	25		25	20
Inventories	604		604	490
Trade receivables	334		334	271
Other receivables	75		75	61
Cash & cash equivalents	428		428	347
Trade payables	(274)		(274)	(222)
Other payables	(887)	290	(597)	(484)
Net assets at acquisition date	328	7,294	7,622	6,183
% pertaining to Group	100%	100%	100%	100%
Group net assets	328	7,294	7,622	6,183
Acquisition cost		25,943		21,044
Goodwill at acquisition date		18,320		14,861
Net cash used in acquisition:				
Cash & cash equivalents of acquiree	428			347
Payment to seller	(25,943)			(21,044)
Net cash used in acquisition	(25,515)			(20,697)

The fair value of the assets and liabilities acquired through the combination is € 6,183 thousand, while the total cost of the combination is € 21,044 thousand.

Goodwill arising from the transaction is \$ 18,320 thousand, equal to € 14,861 thousand at acquisition date (€ 13,711 thousand at 31 December 2010), while net cash of € 20,697 thousand was used for the combination. The company was consolidated for the period July – December 2010. Sales revenues for this period were € 800 thousand, for a loss of € 1,154 thousand.

BALANCE SHEET INFORMATION

NOTE 1. TANGIBLE ASSETS

(€/000)	31.12.2010	31.12.2009	Change
Land	5,050	4,975	75
Buildings	23,688	22,208	1,480
Other assets	19,787	22,177	(2,390)
Assets in progress and payments on account	1,517	1,462	55
Total	50,042	50,822	(780)

Details of movements at 31 December 2009 and 31 December 2010 are as follows:

(€/000)	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	4,929	26,248	88,681	939	120,797
Accumulated amortisation		(5,923)	(62,280)		(68,203)
Net initial value at 01.01.2009	4,929	20,325	26,401	939	52,594
Increases 31.12.2009					
Investments		1,652	4,577	667	6,896
Total	-	1,652	4,577	667	6,896
Decreases 31.12.2009					
Disposals historical cost		0	(2,016)	(70)	(2,086)
Disposals accum. depreciation			1,643		1,643
Amortisation and depreciation		(349)	(8,294)		(8,643)
Total	-	(349)	(8,667)	(70)	(9,086)
Reclass. & other changes 31.12.2009					
Incoming transfers	63	630			693
(Outgoing transfers)			10	(11)	(1)
Forex historical cost	(17)	(57)	(409)	(63)	(546)
Forex accum. amortisation		7	265		272
Total	46	580	(134)	(74)	418
Historical cost	4,975	28,473	90,843	1,462	125,753
Accumulated amortisation	0	(6,265)	(68,666)	-	(74,931)
Net closing value at 31.12.2009	4,975	22,208	22,177	1,462	50,822

(€/000)	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	4,975	24,149	90,843	1,462	121,429
Accumulated amortisation		(1,941)	(68,666)		(70,607)
Net initial value at 01.01.2010	4,975	22,208	22,177	1,462	50,822
Increases 31.12.2010					
Investments		1,777	5,065	175	7,017
Acquisition of Evolution Robotics Retail			78		78
Total	-	1,777	5,143	175	7,095
Decreases 31.12.2010					
Disposals historical cost			(2,639)	(213)	(2,852)
Disposals accum. depreciation		0	2,356	0	2,356
Acquisition of Evolution Robotics Retail			(59)		(59)
Amortisation and depreciation		(438)	(7,519)	-	(7,957)
Total	-	(438)	(7,861)	(213)	(8,512)
Reclass. & other changes 31.12.2010					
Incoming transfers			1,128		1,128
(Outgoing transfers)			(1,150)	(10)	(1,160)
Forex historical cost	75	164	1,128	103	1,470
Forex accum. amortisation		(23)	(778)	0	(801)
Total	75	141	328	93	637
Historical cost	5,050	26,090	94,453	1,517	127,110
Accumulated amortisation	0	(2,402)	(74,666)	-	(77,068)
Net closing value at 31.12.2010	5,050	23,688	19,787	1,517	50,042

The increase in the "Buildings" item is mainly attributable to the acquisition of the facility in Vietnam and to remodelling work carried out at the Bologna building.

The "Other assets" item at 31 December 2010 mainly includes the following categories: Plant and machinery (€ 6,416 thousand), Trade and industrial equipment (€ 5,328 thousand), Office furniture and machines (€ 5,118 thousand), General plant (€ 1,848 thousand), Motor vehicles (€ 165 thousand), and Maintenance on third-party assets (€ 613 thousand). The increase in the item by comparison with 31 December 2009 is mainly attributable to the categories "Plant and machinery" (€ 1,051 thousand), "Industrial and commercial equipment" (€ 1,794 thousand) and "Office furniture and electronic equipment" (€ 1,673 thousand).

The balance of "Assets in progress and payments on account" mainly comprises down payments for equipment, instruments and moulds for normal production activities.

NOTE 2. INTANGIBLE ASSETS

(€/000)	31.12.2010	31.12.2009	Change
Goodwill	106,088	87,081	19,007
Development costs	119	363	(244)
Other	40,754	39,204	1,550
Assets in progress and payments on account	125	54	71
Total	147,086	126,702	20,384

Details of movements at 31 December 2009 and 31 December 2010 are as follows:

(€/000)	Goodwill	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	97,020	6,903	77,034	1,051	182,008
Accumulated amortisation	(7,341)	(5,739)	(30,238)		(43,318)
Net initial value at 01.01.2009	89,679	1,164	46,796	1,051	138,690
Increases 31.12.2009					
Investments	216		727	222	1,165
Total	216	-	727	222	1,165
Decreases 31.12.2009					
Disposals historical cost			(301)	(46)	(347)
Disposals accum. depreciation			180		180
Amortisation and depreciation		(801)	(7,151)		(7,952)
Write-downs	(298)			(540)	(838)
Total	(298)	(801)	(7,272)	(586)	(8,957)
Reclass. & other changes 31.12.2009					
(Outgoing transfers)				(630)	(630)
Forex historical cost	(2,516)	(7)	(1,510)	(3)	(4,036)
Forex accum. amortisation	0	7	463		470
Total	(2,516)	0	(1,047)	(633)	(4,196)
Historical cost	94,720	6,896	75,950	594	178,160
Accumulated amortisation	(7,639)	(6,533)	(36,746)	(540)	(51,458)
Net closing value at 31.12.2009	87,081	363	39,204	54	126,702

(€/000)	Goodwill	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	94,720	6,896	75,950	594	178,160
Accumulated amortisation	(7,639)	(6,533)	(36,746)	(540)	(51,458)
Net initial value at 01.01.2010	87,081	363	39,204	54	126,702
Increases 31.12.2010					
Investments			1,361	113	1,474
Acquisition of Evolution Robotics Retail Inc.	13,711		5,240		18,951
Total	13,711	-	6,601	113	20,425
Decreases 31.12.2010					
Disposals historical cost	(80)		(55)	(47)	(182)
Disposals accum. depreciation			33		33
Amortisation and depreciation		(244)	(7,364)		(7,608)
Write-downs	(298)				(298)
Total	(378)	(244)	(7,386)	(47)	(8,055)
Reclass. & other changes 31.12.2010					
Incoming transfers			258		258
(Outgoing transfers)			(258)		(258)
Forex historical cost	5,674	16	3,359	2	9,051
Forex accum. amortisation		(16)	(1,024)	3	(1,037)
Total	5,674	0	2,335	5	8,014
Historical cost	114,134	6,912	85,897	662	207,605
Accumulated amortisation	(8,046)	(6,793)	(45,143)	(537)	(60,519)
Net closing value at 31.12.2010	106,088	119	40,754	125	147,086

Goodwill, totalling € 106,088 thousand, consisted of the following items:

(€/000)	31.12.2010	31.12.2009	Change
Former PSC Group - Acquisition executed on 30 November 2005	70,123	65,181	4,942
Informatics Inc. - Acquisition executed on 28 February 2005	11,777	11,124	653
Laservall S.p.A. - Acquisition executed on 27 August 2004	5,119	5,119	-
Idware S.r.l. - Incorporated in 1998	3,380	3,380	-
Infra - Goodwill recognised following the acquisition of Datasensor	1,682	1,682	-
Gruppo Minec - Acquisition executed on 15 July 2002	296	595	(299)
Evolution Robotics Retail Inc. - Acquisition executed on 01 July 2010	13,711	-	13,711
Total goodwill	106,088	87,081	19,007

The change in good will by comparison with 31 December 2009 is attributable to:

- the acquisition of Evolution Robotics Retail Inc; note that the calculation of this goodwill, in accordance with IFRS 3, may be revised within a year of the acquisition date;
- translation differences.

Goodwill has been allocated to the CGUs (cash generating units) corresponding to the individual companies and/or sub-groups to which they pertain. Specifically, goodwill related to the PSC Group acquisition was allocated to two different cash generating units for the purposes of impairment: Datalogic Scanning Inc., for about \$ 78.5 million, and Datalogic Mobile Inc., for about \$ 12.5 million.

As highlighted in the paragraph included in the section on accounting standards and policies used in the financial statements for the year ended 31 December 2010, to which reference should be made, in compliance with IFRS 3 goodwill has not been amortised since 1 January 2004 but is tested for impairment each year unless loss indicators suggest the need for more frequent impairment testing. The estimated recoverable value of each CGU, associated with each goodwill item measured, consists of its corresponding value in use. Value in use is calculated by discounting the future cash flows generated by the CGU – during production and at the time of its retirement – to present value using a certain discount rate, based on the DCF (discounted cash flow) method.

The cash flows of the individual CGUs have been taken from their respective 2011 budgets and forward-looking plans prepared by management. These plans represent the best estimate of foreseeable operating performance, based on business strategies and growth indicators in the sector to which the Group belongs and in its reference markets.

The assumptions used for the purposes of impairment, and the consequent results, have been approved by the Datalogic S.p.A. Internal Audit Committee and the Board of Directors of each company, for the related goodwill.

There is no external indicator to justify a loss in value of consolidated assets, either belonging to the CGUs used for testing impairment or represented by the residual portion of assets, that is the facilities belonging to Datalogic S.p.A., whose carrying value is lower than the fair value resulting from current market prices.

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

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

To expected flows for the period 2011-2015, which are explicitly forecast, the flow relating to perpetuity – representing terminal value – is added.

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

This growth is lower than the forecasts made by the US market research company VDC (Venture Development Corporate) in its 2010 survey of the growth outlook for the automatic data capture market, for which it is the main reference source.

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

The WACC used – ranging from 10.2% to 12.9% depending on the goodwill measured – reflects the return opportunity for all capital contributions, for whichever reason they are made.

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

(€/000)	PSC	Informatics	Evolution Robotics Retail	Laservall e Infra	Idware	Minec
	CGU DLS	CGU DLM		CGU DLA		
Goodwill	60,736	9,387	11,777	13,711	6,801	3,380
Weighted average cost of capital (WACC)	10.20%	10.20%	10.20%	10.20%	12.90%	12.90%
Long-term growth rate (G)	2%	2%	2%	2%	2%	2%
CAGR 2011 - 2015 Sales	5.4%	5%	7%	59.3%	2.8%	5%

Note that following the incorporation of Laservall S.p.A. and Infra into Datalogic Automation S.r.l. (on 1 July 2009, effective retroactively from 1 January 2009), their respective goodwill has been reallocated to Datalogic Automation S.r.l..

In accordance with the procedures established in IAS 36, following the impairment test performed at 31 December 2010 no impairment emerged, with the exception of the Minec Group's goodwill, which was written down by € 298 thousand.

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

With regard to G growth rates, representing the growth estimate subject to perpetuity, equal to zero, or assuming the absence of growth over a long period, no situations arise in which the recoverable amount is less than the carrying amount.

"Development costs", which amount to € 119 thousand, consist of specific development projects capitalised when they meet IAS 38 requirements and in compliance with Group policies, which call for the capitalisation only of projects relating to development of products featuring significant innovation.

The "Other" item, which amounts to € 40,754 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. Details are shown in the following table:

(€/000)	31.12.2010	31.12.2009	Useful life (years)
Acquisition of the PSC Group (executed on 30 November 2006)	25,572	25,654	
Patents	22,710	22,469	20
Trade mark	1,454	1,618	10
Client portfolio	1,408	1,567	10
Acquisition of Laservall S.p.A. (executed on 27 August 2004)	1,972	3,266	
Unpatented technology	426	1,279	7
Commercial structure	1,546	1,987	10
Acquisition of Informatics Inc. (executed on 28 February 2005)	2,494	2,869	
Commercial structure	2,494	2,869	10
Acquisition of Evolution Robotics Retail Inc. (executed on 1 July 2010)	4,980	-	
Patents	830		10
Trade secrets	4,150		10
Licence agreement	1,349	2,695	5
Other	4,387	4,720	
Total other intangible assets	40,754	39,204	

The "Other" item mainly consists of software licences.

NOTE 3. EQUITY INVESTMENTS IN ASSOCIATES

Equity investments owned by the Group as at 31 December 2010 were as follows:

(€/000)	31.12.2009	Increases	Decreases	Forex differences	Share of profit	31.12.2010
Associate companies						
Idec Datalogic Co. Ltd	770			174	2	946
Laservall Asia Co. Ltd	748				401	1,149
Datalogic Automation AB		2				2
Datasensor UK	42					42
Special Video	29					29
Datasensor Gmbh	45					45
Datasensor India Ltd	10					10
Total associates	1,644	2	0	174	403	2,223

The principal changes as at 31 December 2010 are as follows:

- an increase of € 403 thousand due to the Group's share of the results achieved by the associate companies;
- an increase of € 174 thousand due to exchange-rate adjustments of the equity investments;
- an increase of € 2 thousand for subscription to 20% of Datalogic Automation AB.

Below we summarise the salient data of the above companies' financial statements as at 31 December 2010:

(€/000)	Assets	Liabilities	Revenues	Net profit/(loss)
Idec Datalogic Co. Ltd	3,362	1,470	4,856	4
Laservall Asia Co. Ltd	4,213	2,226	9,264	563
Laservall China Co. Ltd	2,065	1,669	3,367	280
Laservall Asia (Futian) Co. Ltd	2,680	2,440	0	(41)
Datalogic Automation AB	933	685	2,054	201
Datasensor Uk Ltd	958	346	1,656	165
Datasensor Gmbh	727	653	2,053	38
Datasensor India Ltd ^(*)	259	141	422	17
Specialvideo S.r.l. ^(**)	582	473	869	24

(*) Figures for Datasensor India Ltd are annual data to 31 March 2010.

(**) Figures for Specialvideo S.r.l. are annual data to 31 December 2009.

NOTE 4. FINANCIAL INSTRUMENTS BY CATEGORY

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

31.12.2009 (€/000)	Loans and receivables	Availability for sale	Total
Non-current financial assets	1,242	1,390	2,632
Available-for-sale financial assets / third parties (5)	-	1,390	1,390
Other receivables (7)	1,242		1,242
Current financial assets	145,598	1	145,599
Trade receivables from third parties (7)	63,801		63,801
Other receivables from third parties (7)	10,104		10,104
Available-for-sale financial assets (5)	-	1	1
Cash & cash equivalents (10)	71,693		71,693
Total	146,840	1,391	148,231

31.12.2010 (€/000)	Loans and receivables	Derivatives used for hedging transactions	Availability for sale	Total
Non-current financial assets	1,291	-	1,422	2,713
Available-for-sale financial assets / third parties (5)			1,422	1,422
Other receivables (7)	1,291			1,291
Current financial assets	180,245	256	1	180,502
Trade receivables from third parties (7)	66,581			66,581
Other receivables from third parties (7)	11,122			11,122
Available-for-sale financial assets (5)			1	1
Financial assets - Derivative instruments (6)		256		256
Cash & cash equivalents (10)	102,542			102,542
Total	181,536	256	1,423	183,215

31.12.2009 (€/000)	Derivatives used for hedging transactions	Other financial liabilities	Total
Non-current financial liabilities	1,917	48,208	50,125
Financial payables (12)		46,749	46,749
Financial liabilities - Derivative instruments (6)	1,917		1,917
Other payables (16)		1,459	1,459
Current financial liabilities	814	179,180	179,994
Trade payables to third parties (16)		43,585	43,585
Other payables (16)		12,344	12,344
Financial liabilities - Derivative instruments (6)	814		814
Short-term financial payables (12)		123,251	123,251
Total	2,731	227,388	230,119

31.12.2010 (€/000)	Derivatives used for hedging transactions	Other financial liabilities	Total
Non-current financial liabilities	1,725	131,631	133,356
Financial payables (12)		130,187	130,187
Financial liabilities - derivative instruments (6)	1,725		1,725
Other payables (16)		1,444	1,444
Current financial liabilities	69	138,001	138,070
Trade payables to third parties (16)		56,297	56,297
Other payables (16)		33,910	33,910
Financial liabilities - derivative instruments (6)	69		69
Short-term financial payables (12)		47,794	47,794
Total	1,794	269,632	271,426

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets include the following items:

(€/000)	31.12.2010	31.12.2009	Change
Securities	360	360	0
Government bonds	359	359	0
Other securities	1	1	0
Other equity investments	1,063	1,031	32
Total	1,423	1,391	32

At 31 December 2010 the Group owned the following equity interests in other companies:

(€/000)	31.12.2009	Increases	Write-downs	31.12.2010
Nomisma S.p.A. Italy	7			7
Conai	0			0
Caaf Ind. Emilia Romagna Italy	4			4
Crit S.r.l.	51			51
Consorzio T3 Lab	8			8
Mandarin Capital Management SA	617	376		993
Alien Technology Corp.	344		(344)	0
Total equity investments	1,031	376	(344)	1,063

The largest proportion of equity investments is represented by the Parent Company's investment in the Mandarin Fund, a private equity fund that mainly invests in Italian and Chinese small and medium-sized companies, whose primary investors and sponsors are Intesa San Paolo and two leading Chinese banks.

The investment in Alien Technology Corporation, a US company active in the radiofrequency reader (RFID) market, was fully written down (€ 344 thousand), with the entire sum entered in the Income Statement under finance charges, since this impairment is regarded as permanent.

The carrying values of AFS financial assets are expressed in Euro.

NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS

(€/000)	31.12.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives - cash flow hedges		1,725		2,722
Currency derivatives - cash flow hedges		-		
Currency derivatives - fair value hedges	256	69		9
Total	256	1,794	-	2,731
Less non-current portion:				
Interest rate derivatives - cash flow hedges	-	1,725		1,917
Current portion	256	69	-	814

Interest rate derivatives

The Group has entered into interest rate derivative contracts to manage the risk stemming from changes in interest rates on bank borrowings, converting them from variable to fixed-rate via interest rate swaps having the same amortisation plan as the hedged underlying asset. As envisaged by IAS 39, the fair value of these contracts, totalling € 1,725 thousand, is recognised in a specific Equity reserve net of the tax effect because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

At 31 December 2010, the notional capital of the interest rate swaps was € 47,885 thousand (€ 56,346 thousand at 31 December 2009) and \$ 11,225 thousand (\$ 44,825 thousand at 31 December 2009).

Currency derivatives

The existing forward contracts hedge foreign exchange risks on the US dollar for a total notional amount of \$ 6,650 thousand (\$1,600 thousand at 31 December 2009) and on the euro for a total notional amount of € 4,200 thousand (equal to zero at 31 December 2009), and have the same amount and maturity as the underlying hedged amount.

Hedged positions comprise:

- certain cash flows originating from invoices and loans; the fair value of both the hedging instrument and the hedged instrument are recognised in the Income Statement according to the fair value hedge method (negative for € 33 thousand);
- highly likely cash flows stemming from purchase orders and budget; since the envisaged requirements for application of hedge accounting are satisfied, the fair value of hedging instruments has been recognised in Equity for the effective portion of the hedge (€ 220 thousand) and expensed for the ineffective part (negative for € 1 thousand).

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

(€/000)	31.12.2010	31.12.2009	Change
Third-party trade receivables	69,005	66,611	2,394
Less: doubtful debt provision	2,424	2,810	(386)
Net third-party trade receivables	66,581	63,801	2,780
Receivables from associates	2,761	1,522	1,239
Idec Datalogic Co. Ltd	413	325	88
Laservall Asia Co. Ltd	986	497	489
Datasensor UK Ltd	265	228	37
Datasensor GmbH	486	428	58
Specialvideo S.r.l.	10	2	8
Datasensor India Ltd	47	42	5
Datalogic Automation AB	554	-	554
Receivables from the Parent Company	11	12	(1)
Hydra S.p.A.	11	12	(1)
Receivables from subsidiaries	0	0	-
Datasensor Iberia SA	0	0	-
Related-party receivables	-	120	(120)
Total trade receivables	69,353	65,455	3,898
Other receivables - accrued income and prepaid expenses	11,122	10,104	1,018
Other receivables - non-current accrued income and prepaid expenses	1,291	1,242	49
Total other receivables - accrued income and prepayments	12,413	11,346	1,067
Less: non-current portion	1,291	1,242	49
Trade and other receivables - current portion	80,475	75,559	4,916

Trade receivables

"Trade receivables falling due within 12 months" at 31 December 2010 are equal to € 69,353 thousand, up by 6% by comparison with 31 December 2009.

Receivables from associates arise from commercial transactions carried out under arm's length conditions.

At 31 December 2010 the breakdown of the item by due date is as follows:

(€/000)	2010	2009
Not yet due	59,740	47,660
Past due by 30 days	6,719	13,094
Past due by 30 - 60 days	1,342	2,269
Past due by more than 60 days	1,553	2,432
Total	69,353	65,455

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

Currency	2010	2009
Euro	43,959	44,299
US Dollar (USD)	20,019	17,147
British Pound Sterling (GBP)	2,500	1,862
Australian Dollar (AUD)	1,651	1,585
Japanese Yen (JPY)	1,215	554
Swedish Krona (SEK)	9	
Slovak Koruna (SKK)		8
Total	69,353	65,455

Customer trade receivables are posted net of doubtful debt provision totalling € 2,424 thousand (€ 2,810 thousand as at 31 December 2009).

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

(€/000)	2010	2009
At 1 January	2,810	1,706
Exchange-rate change	94	21
Provision to the write-down reserve	468	1,484
Unused and reversed amounts	(106)	37
Receivables reversed as considered uncollectable in the year	(842)	(438)
At 31 December	2,424	2,810

Other receivables – accrued income and prepaid expenses

The detail of the item "Other receivables - accrued income and prepaid expenses" is as shown below:

(€/000)	31.12.2010	31.12.2009	Change
Other current receivables	5,601	3,733	1,868
Other long-term receivables	1,291	1,242	49
VAT Tax Credit	3,473	4,321	(848)
Accruals and deferrals	2,048	2,050	(2)
Total	12,413	11,346	1,067

Note that the "Other long-term receivables" item includes € 856 thousand related to the subscription by Datalogic Scanning Vietnam to the right to use the land on which the facility is built, which under Vietnamese law does not constitute transferral of property but a right to use the land for a period of 50 years. The cost will be divided annually for the duration of the right.

The increase in the "Other short-term receivables" item is mainly due to an advance payment for the acquisition of a licence agreement that will be completed from next year.

NOTE 8. INVENTORIES

Inventories are shown net of an obsolescence provision that, at 31 December 2010, amounted to € 7,788 thousand (€ 9,411 thousand at 31 December 2009).

(€/000)	31.12.2010	31.12.2009	Change
Raw and ancillary materials and consumables	22,663	20,655	2,008
Work in progress and semi-finished products	7,683	4,575	3,108
Finished products and goods	14,962	13,852	1,110
Total	45,308	39,082	6,226

Changes at December 31 of each year are shown below:

(€/000)	2010	2009
1 January	9,411	8,756
Exchange-rate change	461	(133)
Allocations	2,431	3,558
Release for scrap and other utilisations	(4,515)	(2,770)
31 December	7,788	9,411

NOTE 9. TAX RECEIVABLES/TAX PAYABLES

The item "Tax receivables" includes the amount receivable from Parent Company Hydra S.p.A. relating to the IRES (corporate tax) credit arising from participation in tax consolidation, of € 1,416 thousand (€ 1,295 thousand at 31 December 2009).

The item "Tax payables" includes the amount payable to Parent Company Hydra S.p.A. relating to the IRES (corporate tax) payable arising from participation in tax consolidation, of € 4,231 thousand (€ 618 thousand at 31 December 2009).

NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows for the purposes of the Cash Flow Statement:

(€/000)	31.12.2010	31.12.2009	Change
Cash and cash equivalents shown on financial statements	102,542	71,693	30,849
Restricted cash	(751)	(667)	(84)
Current account overdrafts	(26)	(113)	87
EU financing	(531)		(531)
"Hot money" financing	(18,000)		(18,000)
Cash and cash equivalents for statement	83,234	70,913	12,321

According to the requirements of Consob Communication no. 15519 of 28 July 2006, the Group's financial position is reported in the following table:

(€/000)	31.12.2010	31.12.2009
A. Cash and bank deposits	101,791	71,026
B. Other available liquidities	751	667
b1. restricted cash deposit	751	667
C. Securities held for trading	360	360
c1. Short-term	1	1
c2. Long-term	359	359
D. Cash and equivalents (A) + (B) + (C)	102,902	72,053
E. Current financial receivables	120	0
F. Other current financial receivables	256	0
f1. hedging transactions	256	0
G. Bank overdrafts	26	113
H. Current portion of non-current debt	47,768	123,138
I. Other current financial payables	69	814
i1. hedging transactions	69	814
J. Current financial debt (G) + (H) + (I)	47,863	124,065
K. Current financial debt, net (J) - (D) - (E) - (F)	(55,415)	52,012
L. Non-current bank borrowing	130,187	46,749
M. Other non-current financial receivables	0	180
N. Other non-current liabilities	1,725	1,917
n2. Hedging instruments	1,725	1,917
O. Non-current financial debt (L) + (M) + (N)	131,912	48,486
P. Net financial debt (K) + (O)	76,497	100,498

Net debt at 31 December 2010 was € 76,497 thousand, an improvement of € 24,001 thousand compared with 31 December 2009, when it totalled € 100,498 thousand.

Note that the following non-recurring transactions were carried out in the period:

- the acquisition of an equity interest in Evolution Robotics Retail for € 20,963 thousand (this sum includes cash outflows of € 461 thousand for consultancy services during the acquisition);
- the purchase of treasury shares for € 2,092 thousand;
- cash outflows for early retirement incentives of € 3,712 thousand (already allocated in 2009);
- cash inflows related to a successful lawsuit, for € 400 thousand.

Investments were also made amounting to € 7,856 thousand.

BALANCE SHEET INFORMATION – SHAREHOLDERS' EQUITY AND LIABILITIES

NOTE 11. SHAREHOLDERS' EQUITY

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

(€/000)	31.12.2010	31.12.2009
Share capital	30,392	30,392
Share premium reserve	87,139	89,237
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held	(19,473)	(17,381)
Treasury share reserve	21,828	19,730
Share capital and capital reserves	122,699	124,791
Cash flow hedge reserve	(1,102)	(1,936)
Translation reserve	(8,229)	(14,853)
Held-for-sale financial assets reserve	0	(107)
Other reserves	(9,331)	(16,896)
Retained earnings	8,768	20,964
Earnings carried forward	(4,050)	8,875
Capital grant reserve	958	958
Legal reserve	3,185	2,430
IFRS reserve	8,675	8,701
Net profit (loss) for the period	18,028	(12,164)
Total Group Shareholders' Equity	140,164	116,695

Share capital and capital reserves

Movements in share capital at 31 December 2009 and at 31 December 2010 are reported below:

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2009	55,382,114	30,392	2,813	90,958	(15,605)	18,009	126,567
Purchase of treasury shares	(474,581)			(1,935)	(1,935)	1,935	(1,935)
Sale of treasury shares	38,014			214	163	(214)	163
Costs for the purchase of treasury shares					(4)		(4)
31.12.2009	54,945,547	30,392	2,813	89,237	(17,381)	19,730	124,791

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2010	54,945,547	30,392	2,813	89,237	(17,381)	19,730	124,791
Purchase of treasury shares	(933,991)			(4,467)	(4,467)	4,467	(4,467)
Sale of treasury shares	435,000			2,369	2,384	(2,369)	2,384
Costs for the purchase of treasury shares					(9)		(9)
31.12.2010	54,446,556	30,392	2,813	87,139	(19,473)	21,828	122,699



Ordinary shares

At 31 December 2010 the total number of ordinary shares was 58,446,491, including 3,999,935 held as treasury shares, making the number of shares in circulation at that date 54,446,556. The shares have a nominal unit value of € 0.52 and are fully paid up.

Treasury shares

The "Treasury shares" item, negative for € 19,473 thousand, includes purchases and sales of treasury shares in the amount of € 21,828 thousand, which have been recognised net of gains and charges realised following the sale of treasury shares and fees (€ 2,355 thousand). In 2010 the Group purchased 933,991 treasury shares and sold 435,000, realising a capital gain of € 16 thousand.

For these purchases, in accordance with article 2453 of the Italian Civil Code, capital reserves (through the treasury share reserve) in the amount of € 21,828 thousand have been made unavailable.

Other reserves

Translation reserve

In compliance with IAS 21, translation differences arising from translation of the foreign currency financial statements of consolidated companies into the Group accounting currency are classified as a separate Equity component.

Cash flow hedge reserve

Following adoption of IAS 39, changes in the fair value of derivative contracts designated as effective hedging instruments are recognised in accounts directly with Shareholders' Equity, in the Cash Flow Hedge reserve. These contracts have been concluded to hedge exposure to the risk of interest rate fluctuations on variable-rate loans (negative for € 1,725 thousand) and to hedge currency exposure (€ 220 thousand) and amounts are shown net of the tax effect (€ 403 thousand).

Financial asset revaluation reserve

This reserve was cancelled following the write-down of the Alien Technology equity investment.

Cumulative retained earnings

IFRS reserve

This reserve was created upon first-time adoption of international accounting standards at 1 January 2004 in accordance with IFRS 1.

Retained earnings

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

The reconciliation between the Parent Company's Shareholders' Equity and the corresponding consolidated figure is as shown below:

(€/000)	31 December 2010		31 December 2009	
	Total equity	Period results	Total equity	Period results
Datalogic S.p.A. Shareholders' Equity and profit	165,979	9,451	158,365	15,108
Difference between consolidated companies' net equity and their carrying value in Datalogic S.p.A.'s statement; effect of Equity-based valuation	12,784	24,115	(5,512)	(5,050)
Reversal of dividends	0	(14,673)	0	(22,155)
Amortisation of intangible assets "business combination"	(5,827)	0	(5,827)	0
Effect of acquisition under common control	(31,733)	0	(31,733)	0
Elimination of capital gain on sale of business branch	(3,302)	0	(3,302)	0
Effect of eliminating intercompany transactions	(3,120)	228	(1,289)	879
Reversal of write-downs and capital gains on equity investments	3,565	(630)	4,179	(896)
Sale of Know-how	(7)	0	(7)	1,314
Goodwill impairment	(1,097)	(298)	(799)	(298)
Other	(652)	112	(719)	(483)
Taxes	3,574	(277)	3,339	(583)
Group portion of Shareholders' Equity	140,164	18,028	116,695	(12,164)

NOTE 12. SHORT - AND LONG-TERM BORROWINGS AND FINANCIAL LIABILITIES

The breakdown of this item is as detailed below:

(€/000)	31.12.2010	31.12.2009	Change
Bank loans	177,424	169,887	7,537
EU financing	531	0	531
Bank overdrafts (ordinary current accounts)	26	113	(87)
Total financial payables	177,981	170,000	7,981

Bank loans

The breakdown of changes in the "Bank loans" item at 31 December 2010 and 31 December 2009 is shown below:

(€/000)	2010	2009
1 January	169,887	153,909
Foreign exchange differences	2,462	(1,729)
Increases	68,582	75,555
Repayments	(44,110)	(41,655)
Decreases for loan repayments	(19,397)	(16,193)
31 December	177,424	169,887

The "**Increases**" item relates to the following:

- a loan of € 29,715 thousand granted by the Parent Company on 23 December 2010;
- a loan of \$ 48,895 thousand granted by the Parent Company on 23 December 2010;
- a loan for \$ 1,900 thousand granted by Datalogic Scanning Vietnam.

The "**Decreases for loan repayments**" item relates to the full repayment of:

- a loan of \$ 6,400 thousand granted by the Parent Company;
- a loan of \$ 49,400 thousand granted by Scanning Holding Inc, replaced by the arrangement of financing by the Parent Company;
- a loan for € 2,300 thousand granted by Real Estate S.r.l..

The breakdown of the "Bank loans" item by maturity is as follows:

(€/000)	31.12.2010	31.12.2009
Variable rate	156,976	166,728
Due < 1 year	28,514	122,427
Due > 1 year	116,576	44,301
Due > 5 years	11,886	
Fixed rate	20,448	3,159
Due < 1 year	18,723	711
Due > 1 year	1,156	1,879
Due > 5 years	569	569
Total financial payables	177,424	169,887

The breakdown of the "Bank loans" item by currency is as follows:

Currency	2010	2009
Euro	139,392	128,669
US Dollar (USD)	38,012	41,198
Hungarian forint (HUF)	20	20
Total	177,424	169,887

Bank loans have maturities until 2020 and approximate annual average interest rates of 2%.

The fair value of the loans (current and non-current) coincides substantially with their book value.

Guarantees given by banks in the Group's favour total € 1,003 thousand. The Parent Company also issued suretyships for € 79,171 thousand (the change by comparison with 31 December 2009 relates mainly to the exchange rate effect) and letters of patronage for € 20,000 thousand against loans by the subsidiaries.

Covenants

The companies have been asked to respect certain financial covenants for the following loans, on a semi-annual or annual basis, as summarised in the table below:

Company	Currency	Outstanding debt		Covenant		Frequency	On the financial statements of
1 Datalogic S.p.A.	Euro	7,000,000	DFL	PN	DFL/PN	annual	Datalogic S.p.A.
2 Datalogic S.p.A.	Euro	6,000,000	DFL	PN	DFL/PN	annual	Datalogic S.p.A.
3 Datalogic S.p.A.	Euro	15,000,000	PFN/PN	PFN/Ebitda		annual	Datalogic Group
4 Datalogic S.p.A.	Euro	30,000,000	EBITDA/PFN	PFN/Ebitda		semi-annual	Datalogic Group
5 Datalogic S.p.A.	USD	49,400,000	PFN/PN	PFN/Ebitda		semi-annual	Datalogic Group
6 Datalogic Automation S.r.l.	Euro	30,000,000	PFN/PN	PFN/Ebitda		semi-annual	Datalogic Group
7 Datalogic Automation S.r.l.	Euro	3,000,000	DFL	PN	DFL/PN	annual	Datalogic S.p.A.
8 Datalogic Automation S.r.l.	Euro	3,000,000	DFL	PN	DFL/PN	annual	Datalogic S.p.A.

Key:

PN = Shareholders' Equity

PFN = Net financial position

DFL = Financial gross payables

Cash Flow = Profit/(loss)+depreciation and amortisation

As at 31 December 2010 all covenants were respected.

NOTE 13. DEFERRED TAX ASSETS AND LIABILITIES

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

Below we show the main items forming deferred tax assets and deferred tax liabilities and changes in them during the year.

Deferred tax assets (€/000)	Losses	Forex adjust.	Asset write-downs	Allocations	Other	Consolidation adjustments	Total
At 1 January 2009	5,890	145	1,530	10,278	301	1,276	19,420
Provisioned in (released from) Income Statement	4,942	(62)	(321)	(2,572)	813	(675)	2,125
Provisioned in (released from) Shareholders' Equity	-				277	(190)	87
Forex differences	(255)		(2)	(192)	22		(427)
Other movements	26			(49)	3	754	734
At 31 December 2009	10,603	83	1,207	7,465	1,416	1,165	21,939

Deferred tax assets (€/000)	Losses	Forex adjust.	Asset write-downs	Provisions	Operations deriving from acquisitions	Other	Consolidation adjustments	Total
At 1 January 2010	10,603	83	1,207	7,465		1,416	1,165	21,939
Provisioned in (released from) Shareholders' Equity	509	924	(61)	568	33	(7)	(25)	1,941
Provisioned in (released from) Shareholders' Equity						(78)	(307)	(385)
Forex differences	593	(1)	3	429	(1)	18		1,041
Other changes	(2,678)	(2)		(1)		(58)		(2,739)
At 31 December 2010	9,027	1,004	1,149	8,461	32	1,291	833	21,797

Note that the "Other changes" item under "Deferred tax assets" mainly comprises a reclassification of € 2,545 thousand for the loan to Hydra S.p.A., which was classified as a deferred tax asset at 31 December 2009 but included in tax receivables at 31 December 2010.

Deferred tax liabilities (€/000)	Deprec. & Amort.	Reserve for provision losses	Operations deriving from acquisitions	Provisions	IFRS Reserves	Other	Consolidation adjustments	Total
At 1 January 2009	3,315	8	12,162	1,026	315	665	988	18,479
Provisioned in (released from) Income Statement	141	3	(1,020)	(388)		(157)	(1,425)	(2,846)
Forex differences	(2)		(374)	(29)		4		(401)
Other movements	(104)		169	(14)		51	197	299
At 31 December 2009	3,350	11	10,937	595	315	563	(240)	15,531

Deferred tax liabilities (€/000)	Deprec. & Amort.	Reserve for provision losses	Operations deriving from acquisitions	Provisions	IFRS Reserves	Other	Consolidation adjustments	Total
At 1 January 2010	3,350	11	10,937	595	315	563	(240)	15,531
Provisioned in (released from) Income Statement	128	(3)	(784)	(484)		110	119	(914)
Forex differences	16		849	65		1	2	933
Other movements						(14)		(14)
At 31 December 2010	3,494	8	11,002	176	315	660	(119)	15,536

NOTE 14. POST-EMPLOYMENT BENEFITS

The changes at December 31 of each year are as follows:

(€/000)	2010	2009
1 January	7,739	8,392
Amount allocated in the period	1,681	1,669
Uses	(1,589)	(1,470)
Social security receivables for the employee severance indemnity reserve	(710)	(852)
31 December	7,121	7,739

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the "risks and charges" item was as follows:

(€/000)	31.12.2010	31.12.2009	Change
Short-term provisions	3,615	6,635	(3,020)
Long-term provisions	9,823	4,319	5,504
Total provisions for risks and charges	13,438	10,954	2,484

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

(€/000)	31.12.2009	Increases	(Uses) and (Issues)	Forex differences	31.12.2010
Product warranty provision	4,462	1,007	(658)	154	4,965
Provision for management incentive plan	2,701	-	(2,630)		71
Provision for management incentive scheme	1,372	5,438	(52)	30	6,788
Other	2,419	141	(1,030)	84	1,614
Total provisions for risks and charges	10,954	6,586	(4,370)	268	13,438

The "Product warranty provision" covers the estimated cost of repairing products sold as up to 31 December 2010 and covered by periodical warranty; it amounts to € 4,965 thousand (of which € 2,661 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

The increase in the "management incentive plan allocation" is due to the provision for a long-term plan for directors and managers for the period 2010 – 2012.

The "Other" item mainly comprises:

- € 1,040 thousand for a "stock rotation" provision for the Scanning Group, Mobile Inc. and Informatics;
- € 108 thousand attributable to the Scanning division and provisioned for compliance with Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment, as enacted in Italian law by Legislative Decree 151 of 25.07.2005;
- € 38 thousand for an ongoing dispute regarding the ten-year ILOR exemption, set forth by DPR 218/78 (Unified law on actions in Southern Italy), in relation to the former Datasud, for the year 2006;
- € 229 thousand for agent termination indemnities;
- € 160 thousand provisioned against compensation to be paid to a supplier in the eventuality of non-performance of a contractual clause.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of "Trade and other payables":

(€/000)	31.12.2010	31.12.2009	Change
Trade payables due within 12 months	56,297	43,585	12,712
Third-party trade payables	56,297	43,585	12,712
Payables to associates	125	30	95
Idec Datalogic Co. Ltd	31	24	7
Laservall Asia Co. Ltd	66	3	63
Specialvideo S.r.l.	15	3	12
Datasensor Gmbh	1		1
Datalogic Automation AB	12		12
Payables to the Parent Company	1	-	1
Hydra S.p.A.	1	0	1
Payables to related parties	265	201	64
Payables to related parties	56,688	43,816	12,872
Other payables – current accrued liabilities and deferred income	33,910	23,020	10,890
Other payables – non-current accrued liabilities and deferred income	1,444	1,459	(15)
Total other payables – accrued liabilities and deferred income	35,354	24,479	10,875
Less: non-current portion	1,444	1,459	(15)
Current portion	90,598	66,836	23,762

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Other current payables	19,584	12,344	7,240
Other long-term payables	1,444	1,459	(15)
VAT liabilities	2,100	1,874	226
Accruals and deferrals	12,226	8,802	3,424
Total	35,354	24,479	10,875

The breakdown of the "Other current payables" item is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Payables to pension and social security agencies	3,377	2,910	467
Payables to employees	12,930	8,509	4,421
Directors' remuneration payable	2,529	116	2,413
Other payables	747	809	(62)
Total	19,583	12,344	7,239

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at balance sheet date. The increase in this item is mainly due to the provision, in 2010, of the variable compensation that was frozen last year and to the payable for vacation days accrued but not taken.

INFORMATION ON THE INCOME STATEMENT

NOTE 17. REVENUES

(€/000)	31.12.2010	31.12.2009	Change
Revenues from sale of products	377,701	297,124	80,577
Revenues for services	15,041	14,847	194
Total revenues	392,742	311,971	80,771

Revenues earned from sales of goods and services decreased by 26% year on year. At constant Euro/USD exchange rates, total revenues would have been € 384 million.

Below is the regional breakdown of revenues in percentage terms:

	31.12.2010	31.12.2009	Change
Revenue in Italy	11%	13%	-2%
Revenue – EU	40%	42%	-2%
Revenue – Rest of World	49%	45%	4%

NOTE 18. COST OF GOODS SOLD AND OPERATING COSTS

Pursuant to the introduction of IAS principles, the following table reports non-recurring costs and amortisation arising from acquisitions as extraordinary items no longer listed separately but included in ordinary operations.

(€/000)	31.12.2010	31.12.2009	Change
Total cost of goods sold (1)	213,428	183,848	29,580
<i>of which non-recurring</i>	(118)	2,246	(2,364)
Total operating costs (2)	146,774	135,908	10,866
R&D expenses	26,304	25,372	932
<i>of which non-recurring</i>	-	487	(487)
Distribution expenses	77,174	69,611	7,563
<i>of which non-recurring</i>	(23)	1,510	(1,533)
General & administrative expenses	41,976	34,474	7,502
<i>of which non-recurring</i>		850	(850)
<i>of which amortisation pertaining to acquisitions</i>	4,266	4,022	244
Other operating costs	1,320	6,451	(5,131)
<i>of which non-recurring</i>	(686)	2,683	(3,369)
Total (1+2)	360,202	319,756	40,446
<i>of which non-recurring</i>	(827)	7,776	(8,603)
<i>of which amortisation pertaining to acquisitions</i>	4,266	4,022	244

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

Item	Amount	Description
2) Cost of goods sold	(118)	early retirement incentives
Total	(118)	
5) Distribution expenses	(23)	early retirement incentives
Total	(23)	
7) Other operating expenses	(686)	restructuring provision allocation
Total	(686)	
Total non-recurring costs	(827)	

Extraordinary revenues relate to the release to the Income Statement of the surplus on extraordinary costs allocated in 2009 for the restructuring plan.

At 31 December 2010, depreciation and amortisation due to acquisitions (totalling € 4,266 thousand) broke down as follows:

- € 1,295 thousand pertaining to Datalogic Automation S.r.l.,
- € 603 thousand pertaining to Informatics Inc.,
- € 1,840 thousand pertaining to Datalogic Scanning Inc.,
- € 264 thousand pertaining to Evolution Robotics Retail Inc., and
- € 264 thousand pertaining to Mobile Inc.

Total cost of goods sold (1)

The "cost of goods sold" item, net of extraordinary costs, rose by € 31,944 thousand (18%) compared with the previous year. At constant exchange rates and net of extraordinary costs, the increase would have been € 28,229 thousand (16%).

Total operating costs (2)

Operating costs, net of non-recurring items and depreciation and amortisation due to acquisitions, rose by € 16,861 thousand compared with December 2009 (13%); at constant exchange rates and net of non-recurring items, they would have risen by much less (€ 13,287 thousand, or 11%).

In detail:

- "R&D expenses increased", net of non-recurring items, by € 1,419 thousand (€ 839 thousand at constant exchange rates) compared with the previous reporting period. This change was due:
 - to reduced amortisation costs (€ 653 thousand at constant exchange rates), owing mainly to the reclassification of the amortisation of the moulds category, which in 2010 were entered under "Cost of goods sold";
 - to the release at cost of a research project (€ 540 thousand) abandoned in 2009 and previously entered under "Intangible assets";
 - to a general increase of € 2,032 thousand in the other items comprising total R&D expenses; this increase was mainly due to greater payroll costs (€ 1,066 thousand at constant exchange rates);
- "Distribution expenses" came to € 77,174 thousand, representing an increase on the previous reporting period (+€ 6,732 thousand at constant exchange rates and net of extraordinary costs); specifically, payroll costs increased by € 5,173 thousand, mainly owing to bonuses and sales commissions (+€ 4,592 thousand) on increased sales volumes. There was also a substantial increase in costs directly connected to the increase in sales volumes, including transport costs, travel and accommodation expenses and marketing expenses;

- "General and administrative expenses" were € 41,976 thousand. Net of extraordinary items and at constant exchange rates, this item increased by € 7,568 thousand compared with the same period of the previous year, due to:
 - an increase in payroll costs of € 2,862 thousand;
 - an increase in directors' remuneration of € 4,344 thousand (including the sum allocated for long-term incentives);
 - an increase of € 611 thousand in consultancy fees, mainly attributable to consultancy services for the acquisition of Evolution Robotics Retail Inc. (€ 461 thousand).

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

(€/000)	31.12.2010	31.12.2009	Change
Capital losses on assets	163	252	(89)
Contingent liabilities	114	584	(470)
Provisions for doubtful accounts	362	1,484	(1,122)
Allocation to the risk reserve	48	106	(58)
Restructuring provision allocation	(686)	2,683	(3,369)
Non-income taxes	855	1,030	(175)
Cost charge backs	430	159	271
Other	34	153	(119)
Total other operating costs	1,320	6,451	(5,131)

The substantial reduction in costs is due to extraordinary items originating in 2009, relating to the business restructuring launched in that year.

Breakdown of costs by type

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

(€/000)	31.12.2010	31.12.2009	Change
Purchases	151,952	112,884	39,068
Inventory change	(4,056)	12,417	(16,473)
Payroll & employee benefits	114,135	104,128	10,007
Amortisation, depreciation and write-downs	15,904	17,433	(1,529)
Goods receipt & shipment	12,806	9,682	3,124
Subcontracted work	8,240	4,678	3,562
Technical, legal, and tax advisory services	7,147	6,356	791
Directors' remuneration	5,799	1,458	4,341
Marketing expenses	5,610	4,748	862
Travel & accommodation	5,397	3,870	1,527
Building expenses	5,267	5,216	51
Repairs	4,312	3,433	879
Vehicle expenses	3,393	3,495	(102)
Material collected from the warehouse	3,183	2,680	503
Telephone expenses	2,139	2,173	(34)
Utilities	1,784	1,657	127
Consumables	1,414	952	462
Independent auditors' fees	1,245	1,188	57
EDP expenses	1,131	1,088	43
Entertainment expenses	1,022	842	180
Royalty fees	1,009	605	404
Patents and branding	976	1,014	(38)
Commissions	944	795	149
Insurance	895	944	(49)
Gifts of our products to third parties	581	575	6
Leasing and maintenance of plant and machinery	563	493	70
Meetings expenses	545	533	12
Restructuring provision allocation	(686)	2,683	(3,369)
Other	7,551	11,736	(4,185)
Total (1+2)	360,202	319,756	40,446

The "Depreciation, amortisation and write-downs" item decreased by € 1,529, mainly due to the release at cost of a research project (for € 540 thousand) in 2009 after the project was abandoned before completion, and to the writing down of certain assets in 2009 for about € 260 thousand.

Marketing expenses were € 5,610 thousand. The main items are: € 2,723 thousand for advertising and catalogue expenses; € 1,458 thousand for the company's share of the "Marketing expenses incurred by commercial partners"; and € 793 thousand for trade-event costs. The year-on-year increase mainly reflects the shared costs (€ 398 thousand) of marketing expenses sustained by commercial partners due to increased revenues.

The increase in the "Subcontracted work" item of € 3,562 thousand reflects the greater volumes of sales in 2010, as does the increase in the "Goods receipt and shipment" item.

The increase in the "Directors' remuneration" item was mainly due to the long-term incentive plan for managers and the recognition of directors' bonuses after these were frozen in 2009.

The "Other" item comprises a number of costs, all of less than € 500 thousand, which decreased by 36% overall compared with 31 December 2009.

The detailed breakdown of payroll costs is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Wages and salaries	87,403	76,006	11,397
Social security charges	17,472	16,581	891
Staff leaving indemnities	1,681	1,669	12
Retirement and similar benefits	846	797	49
Medium- to long-term managerial incentive plan	3,354	899	2,455
Other costs	3,379	8,176	(4,797)
of which leaving incentives	(141)	4,887	(5,028)
Total	114,135	104,128	10,007

The "Wages and salaries" item of € 87,403 thousand includes sales commissions and incentive payments for € 13,580 thousand (€ 5,042 thousand at 31 December 2009, comprising only sales commissions). At constant exchange rates the increase in this item would have been € 9,147 thousand.

The decrease in the "Other costs" item is due to early retirement incentives allocated in 2009 (€ 4,544 thousand, related to the restructuring plan).

NOTE 19. OTHER OPERATING REVENUES

The breakdown of this item is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Miscellaneous income and revenue	1,560	1,191	369
Rents and lease amounts	158	243	(85)
Capital gains on asset disposals	95	75	20
Incidental income and cost cancellation	155	257	(102)
Grants to research and development expenses	90	339	(249)
Other	84	105	(21)
Total other revenues	2,142	2,210	(68)

The increase in other revenues mainly reflects a damages payment of € 400 thousand received after a successful legal case.

NOTE 20. NET FINANCIAL INCOME

(€/000)	31.12.2010	31.12.2009	Change
Interest expenses on bank current accounts/loans	5,601	5,867	(266)
Foreign exchange losses	13,725	7,108	6,617
Bank expenses	809	581	228
Write-down of equity investments	452	417	35
Other	623	429	194
Total financial expenses	21,210	14,402	6,808
Interest income on bank current accounts/loans	719	828	(109)
Foreign exchange gains	13,555	6,399	7,156
Income from investment disposal		22	(22)
Other	33	64	(31)
Total financial income	14,307	7,313	6,994
Net financial income (expenses)	(6,903)	(7,089)	186

Total financial expenses

The "Foreign exchange losses" item of € 13,725 thousand breaks down as follows: € 4,828 to the Scanning Group, € 5,533 thousand to the Parent Company, € 2,280 to the Mobile Group and € 989 thousand to the Automation Group. This item includes € 149 thousand arising from foreign exchange hedge transactions.

Total financial income

The "Foreign exchange gains" item of € 13,555 thousand mostly breaks down as follows: € 4,486 thousand to the Scanning Group, € 5,462 thousand to the Parent Company, € 2,243 thousand to the Mobile Group and € 1,363 thousand to the Automation Group.

This item includes € 792 thousand arising from foreign exchange hedge transactions.

NOTE 21. TAXES

(€/000)	31.12.2010	31.12.2009
Income tax	12,686	3,257
Substitute tax	323	1,040
Deferred tax	(2,855)	(4,970)
Total	10,154	(673)

The average tax rate comes to 36.03% (-5.24% at 31 December 2009).

The reconciliation for 2010 of the nominal tax rate set out in Italian law and the effective rate in the consolidated financial statements is as follows:

Nominal tax rate under Italian law	27.50%
Cumulative effect of different tax rates applied in foreign countries	-1.84%
Recoverable tax losses related to subsidiaries	-1.82%
Regional tax	6.78%
Non-deductible expenses for IRES	2.74%
Substitute tax	1.93%
Tax on dividend distribution	0.80%
Other effects	-0.06%
Consolidated effective tax rate	36.03%

NOTE 22. EARNINGS/LOSS PER SHARE

Basic earnings/loss per share

(€/000)	31.12.2010	31.12.2009
Group profit/(loss) for period	18,028,000	(12,164,000)
Average number of shares	54,760,264	55,171,440
Basic earnings/(loss) per share	0,3292	-0,2205

Basic EPS at 31 December 2010 was calculated by dividing Group net profit of € 18,028 thousand (Group net loss of € 12,164 thousand at 31 December 2009) by the weighted average number of ordinary shares outstanding at 31 December 2010 (54,760,264 shares, compared with 55,171,440 at 31 December 2009).

NOTICE OF AUDITING FIRM'S FEES

Pursuant to article 149-duodecies of the Issuer Regulation, implementing Legislative Decree 58 of 24 February 1998, the following is the summary schedule of fees pertaining to the year 2010 provided by the independent auditors.

Fees for services supplied by the auditing firm to the Company and to the Italian subsidiaries	
Auditing services	336
Non-auditing services	158
Fees for services supplied by companies belonging to the auditing network for foreign subsidiaries	
Auditing services	264
Non-auditing services	16
Total	774



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

For the definition of "related parties", see both IAS 24, approved by EC Regulation 1725/2003, and the internal Regulation approved by the Board of Directors.

The Parent Company of the Datalogic Group is Hydra S.p.A..

Infragroup transactions are executed as part of the ordinary operations and at arm's length conditions. Furthermore, there are other relationships with related parties, chiefly with parties that control the Parent Company, or with individuals that carry out the coordination and management of Datalogic S.p.A..

Related-party transactions refer chiefly to commercial and securities transactions (instrumental spaces for the Group under lease or leased to the Parent Company) as well as to companies joining the scope of tax consolidation. None of these assumes particular economic or strategic importance for the Group since receivables, payables, revenues and cost to the related parties are not a significant proportion of the total amount of the financial statements.



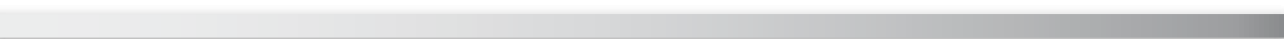


NUMBER OF EMPLOYEES

	31.12.2010	31.12.2009	Change
Datalogic S.p.A.	46	42	4
Scanning Division (*)	910	854	56
Mobile Division	336	346	(10)
Automation Division	591	635	(44)
Business Development	129	98	31
Datalogic Real Estate S.r.l.	7	7	-
Total	2,019	1,982	37

(*) Includes 161 employees of Datalogic Scanning Vietnam LCC (81 at 31 December 2009), created and made operational during 2009.

Chairman of the Board of Directors
(Romano Volta)





Parent Company financial statements



STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	31.12.2010	31.12.2009
A) Non-current assets (1+2+3+4+5+6+7+8)		234,241	198,280
1) Tangible assets	1	19,972	20,107
Land	1	2,466	2,466
Buildings	1	15,384	15,330
Other assets	1	2,120	2,310
Assets in progress and payments on account	1	2	1
2) Non-instrumental property		0	0
3) Intangible assets	2	2,488	2,989
Goodwill			
Development costs	2		
Other	2	2,488	2,989
4) Investments in affiliates	3	158,268	158,268
5) Available-for-sale financial assets (LT)	4	1,422	1,389
Investments in non-controlling interests	4	1,063	1,031
Treasury shares			
Securities	4	359	358
6) Loans to subsidiaries	4	49,967	14,999
7) Trade and other receivables		16	16
8) Deferred tax assets	12	2,108	512
B) Current assets (9+10+11+12+13+14+15)		130,919	84,753
9) Inventories		0	0
Raw and ancillary materials and consumables			
Work in progress and semi-finished products			
Finished products and goods			
10) Commissioned work in progress		0	0
11) Trade and other receivables	6	9,851	5,163
trade receivables	6	5,409	2,801
within 12 months	6	12	29
after 12 months			
receivables from affiliates			
receivables from subsidiaries	6	5,397	2,771
receivables from the Parent Company	6		1
receivables from related parties			
other receivables - accrued income and prepayments	6	4,442	2,362
of which other receivables from subsidiaries	6	375	72
12) Tax receivables	7	611	1,820
of which to the Parent Company	7		1,241
13) Loans to subsidiaries	8	38,524	19,411
14) Financial assets - Derivatives	5	325	39
15) Cash and cash equivalents	9	81,608	58,320
Total assets (A+B)		365,160	283,033



STATEMENT OF FINANCIAL POSITION

LIABILITIES (€/000)	Notes	31.12.2010	31.12.2009
A) Total Shareholders' Equity attributable to owners of Parent (1+2+3+4+5)	10	165,979	158,365
1) Share capital	10	122,699	124,791
Share capital	10	30,392	30,392
Treasury shares	10	(19,473)	(17,381)
Share premium reserve	10	89,952	92,050
Treasury share reserve	10	21,828	19,730
2) Reserves	10	(386)	(641)
Cash-flow hedge reserve	10	(386)	(534)
Valuation reserve for financial assets held for sale	10	0	(107)
3) Retained earnings/losses		34,215	19,107
Previous years' earnings/(losses)	10	21,649	7,296
Reserve for gain on Datasud cancellation			
Untaxed capital grant reserve	10	958	958
Legal reserve	10	3,185	2,430
Temporary reserve for exchange rate adjustment			
Treasury share reserve	10	0	0
IAS transition reserve	10	8,423	8,423
4) Profit (loss) for the period/year		9,451	15,108
B) Non-current liabilities (6+7+8+9+10+11)	11	96,693	25,758
5) Financial debt	11	91,912	22,080
of which to related parties			
6) Financial liabilities - Derivatives	5	532	736
7) Tax liabilities		0	0
8) Deferred tax liabilities	12	1,996	2,099
9) Employees termination indemnities	13	307	233
10) Provisions for risks and charges	14	1,946	610
11) Other liabilities		0	0
C) Current liabilities (12+13+14+15+16)		102,488	98,910
12) Trade and other payables	15	5,134	3,139
trade payables	15	1,426	1,558
within 12 months	15	1,184	1,293
after 12 months			
payables to affiliates	15	242	265
payables to the Parent Company			
payables to related parties	15	0	0
other payables – accrued liabilities and deferred income	15	3,708	1,581
other payables from subsidiaries		802	
13) Tax liabilities	16	1,383	283
14) Provisions for risks and charges	14	0	0
15) Financial liabilities - Derivatives	5	325	13
16) Short-term financial debt	11	95,646	95,475
of which to related parties		65,690	47,882
Total liabilities (A+B+C)		365,160	283,033

STATEMENT OF INCOME

(€/000)	Notes	31.12.2010	31.12.2009
1) Total revenues	17	14,276	11,693
Revenues from sale of products	17		0
Revenues for services	17	14,276	11,693
2) Cost of goods sold	18	0	0
Gross profit (1-2)		14,276	11,693
3) Other operating revenues	19	1,069	956
4) R&D expenses	18	285	377
5) Distribution expenses	18	0	0
6) General and administrative expenses	18	12,650	8,977
7) Other operating expenses	18	353	357
Total operating costs (4+5+6+7)		13,288	9,711
Operating result		2,057	2,938
8) Financial income	20	16,731	17,016
9) Financial expenses		8,508	3,916
Financial management result (8-9)		8,223	13,100
Income/(loss) before income taxes		10,280	16,038
Income taxes	21	830	930
Net income/(loss) for the year		9,451	15,108
Basic earnings/(loss) per share (€)	22	0.1726	0.2738
Diluted earnings/(loss) per share (€)	22	0.1726	0.2738

STATEMENT OF COMPREHENSIVE INCOME

(€/000)	Notes	31.12.2010	31.12.2009
Net income/(loss) for the year		9,451	15,108
Other components of the comprehensive statement of income:			
Profit/(loss) on cash flow hedges	10	148	(319)
Profit/(loss) due to translation of the accounts of foreign companies	10		0
Profit/(loss) on exchange rate adjustments for financial assets available for sale	10	107	(107)
Total other profit/(loss) net of the tax effect		255	(426)
Comprehensive net profit/(loss) for the period		9,706	14,682



STATEMENT OF CASH FLOW

(€/000)	31.12.2010	31.12.2009
Net income/(loss) for the year	10,280	16,038
Depreciation of tangible assets and amortisation of intangible assets	1,478	1,416
Change in employee benefits reserve	74	(308)
Provision for doubtful accounts	0	0
Net financial expenses/(income) including exchange rate differences	(8,223)	13,100
Adjustments to value of financial assets	0	0
Cash flow from operations before changes in working capital	3,609	4,046
Change in trade receivables (net of provisions)	(2,608)	(807)
Change in inventories	0	0
Change in other current assets	(2,080)	(821)
Other medium-/long-term assets	0	145
Change in trade payables	(131)	(492)
Change in other current liabilities	2,127	(3,029)
Other medium-/long-term liabilities	0	0
Change in provisions for risks and charges	1,336	(6,823)
Commercial foreign exchange gains/(losses)	(288)	(60)
	1,965	7,841
Change in tax	(220)	(1,738)
Foreign exchange effect of tax	0	0
Interest and banking expenses	8,294	13,631
Cash flow provided by operating activities (A)	10,039	4,052
(Increase)/Decrease in intangible assets	(314)	513
(Increase)/Decrease in tangible assets	(528)	(2,521)
Change in equity interests	(33)	(4,627)
Net cash used in investing activities (B)	(875)	(6,635)
Change in LT/ST financial receivables	(54,898)	29,596
Change in short-term and medium-/long-term financial debt	52,146	7,204
Financial foreign exchange gains/(losses)	217	(471)
Purchase of treasury shares	(2,092)	(1,777)
Changes in reserves	255	(425)
Dividend payment	0	(1,933)
Net cash provided by (used in) financing activities (C)	(4,372)	32,194
Net increase (decrease) in cash and cash equivalent (A+B+C)	4,792	29,611
Net cash and cash equivalents at start of period	58,285	28,674
Net cash and cash equivalents at end of period	63,077	58,285

STATEMENT OF SHAREHOLDER'S EQUITY

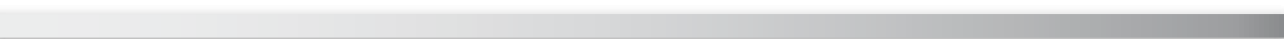
Description (€/000)	Total share capital	Other reserves			Retained earning	Merger surplus
		Cash flow hedge reserve	Valuation reserve for financial assets held for sale	Total other reserves		
01.01.2009	126,567	(215)	-	(215)	6,041	-
Allocation of prior year result	-			-	3,187	
Dividends	-			-	(1,933)	
Increase in share capital	-			-		
Conversion reserve	-		(107)	(107)		
Change in IAS reserve	-			-		
Sale/purchase of treasury shares	(1,776)			-		
Cash flow hedge adjustment	-	(319)		(319)		
Reduction in capital due to cancellation of treasury shares	-			-		
Cancellation of treasury shares	-			-		
Other changes	-			-		
Net loss for the year	-			-		
31.12.2009	124,791	(534)	(107)	(641)	7,295	-

Description (€/000)	Total share capital	Other reserves			Retained earning	Merger surplus
		Cash flow hedge reserve	Valuation reserve for financial assets held for sale	Total other reserves		
01.01.2010	124,791	(534)	(107)	(641)	7,296	-
Allocation of prior year result	-			-	14,353	
Dividends	-			-		
Increase in share capital	-			-		
Conversion reserve	-			-		
Change in IAS reserve	-			-		
Sale/purchase of treasury shares	(2,092)			-		
Other	-		107	107		
Net income for the year	-			-		
Total other components of the statement of comprehensive income	-	148		148		
31.12.2010	122,699	(386)	-	(386)	21,649	-



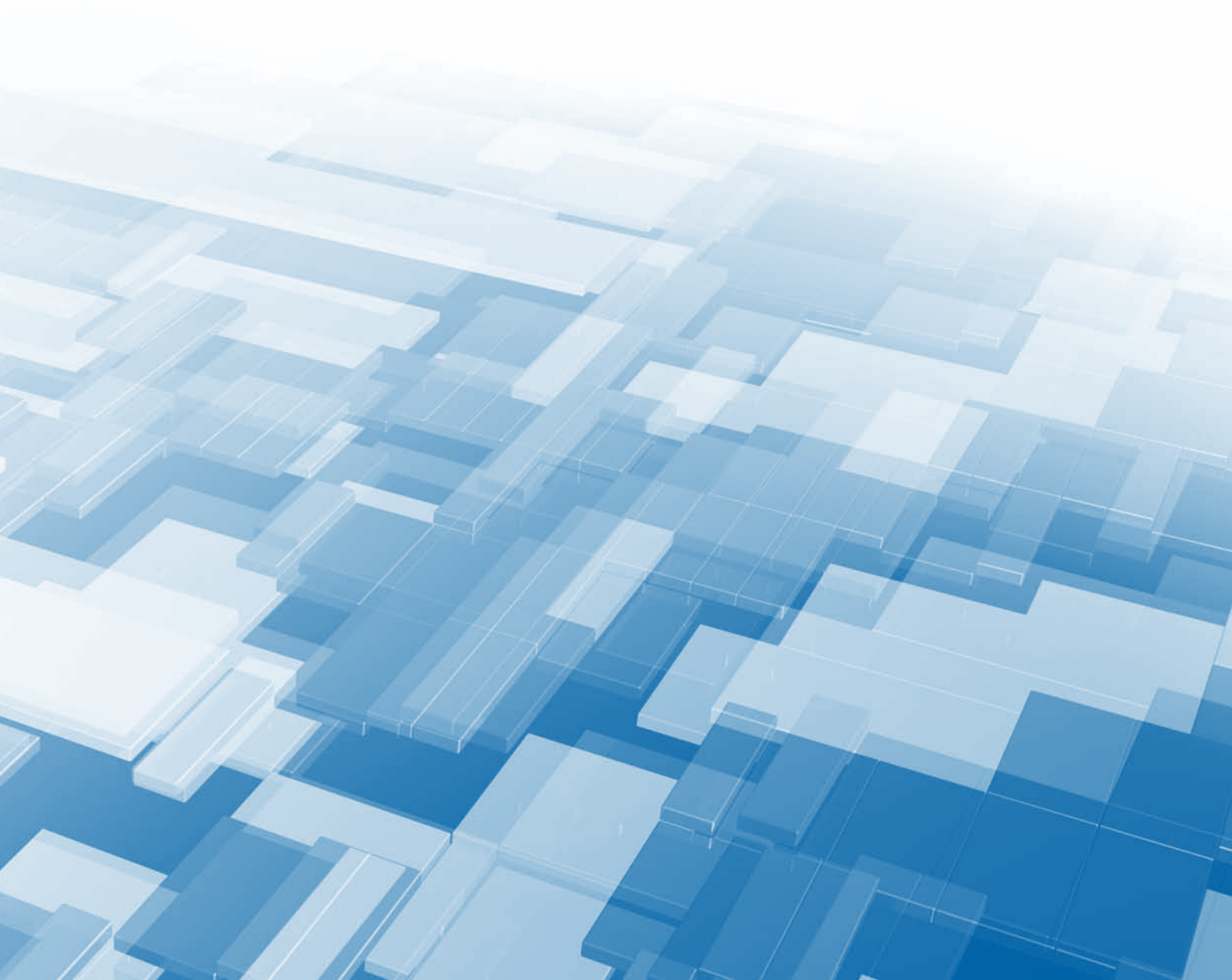
Retained earnings							
Capital grant reserve	Legal reserve	Treasury shares reserve	IAS reserve	Total	Net income/(loss) for the year	Total Shareholders' Equity	Total non-controlling interest in Shareholders' Equity
958	2,262	-	8,423	17,684	3,355	147,391	-
	168			3,355	(3,355)	-	
				(1,933)		(1,933)	
				-		-	
				-		(107)	
				-		-	
				-		(1,776)	
				-		(319)	
				-		-	
				-		-	
				-		-	
				-	15,108	15,108	
958	2,430	-	8,423	19,106	15,108	158,365	-

Retained earnings							
Capital grant reserve	Legal reserve	Treasury shares reserve	IAS reserve	Total	Net income/(loss) for the year	Total Shareholders' Equity	Total non-controlling interest in Shareholders' Equity
958	2,430	-	8,423	19,107	15,108	158,365	-
	755			15,108	(15,108)	-	
				-		-	
				-		-	
				-		-	
				-		-	
				-		(2,092)	
				-		107	
				-	9,451	9,451	
				-		148	
958	3,185	-	8,423	34,215	9,451	165,979	-





Explanatory notes to the financial statements



INTRODUCTION

Datalogic S.p.A. (hereinafter "Datalogic" or the "Company") is a joint-stock company listed on the STAR segment of Borsa Italiana, with its registered office at via Candini, 2 Lippo di Calderara di Reno (Bo).

The Company is a subsidiary of Hydra S.p.A., also based in Bologna and controlled by the Volta family. These annual accounts were prepared for approval by the Board of Directors on 7 March 2011.

PRESENTATION AND CONTENT OF THE FINANCIAL STATEMENTS

The Company's financial statements have been prepared in compliance with the international accounting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), endorsed by the European Commission at the date of approval of the draft financial statements by the Board of Directors and contained in the relative EU Regulations published at this date, and in compliance with the provisions of Consob Regulation 11971 of 14 May 1999 and subsequent amendments.

The financial statements for the year ended 31 December 2010 consist of the statement of financial position, Statement of Income, Statement of Comprehensive Income, Statement of Shareholders' Equity, the Statement of Cash Flow and the Explanatory Notes.

We specify that, in the statement of financial position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of assets and liabilities held for sale.

Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the company's normal operational cycle or in the 12 months following the reporting date; current liabilities are those whose extinction is envisaged during the company's normal operating cycle or in the 12 months after the reporting date.

The Statement of Income reflects analysis of costs grouped by function as this classification was deemed more meaningful for comprehension of the Company's business result.

The Statement of Comprehensive Income presents the components that determine gain/(loss) for the period and the costs and revenues reported directly under Shareholders' Equity for transactions other than those set up with shareholders.

The Statement of Cash Flow is presented using the indirect method.

The Statement of Shareholders' Equity analytically details the changes occurring in the financial year and in the previous financial year.

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

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

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

These annual financial statements represent the fifth separate financial statements of Datalogic S.p.A. prepared in accordance with IFRS as endorsed by the European Commission and in force from 31 December 2006.

Note that the date of transition to IFRS for Datalogic S.p.A. was consequently defined as 1 January 2005, the opening date for the financial statements shown for comparative purposes.

ACCOUNTING POLICIES AND STANDARDS APPLIED

Below we indicate the policies adopted for preparation of the Company's financial statements as at 31 December 2010.

Property, plant and equipment (IAS 16)

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

Some tangible assets belonging to the "Land and Buildings" categories, in line with IAS 16 provisions, were measured at fair value as at 31 January 2004 (IFRS transition date) and this value was used as the deemed cost. As from that date, as allowed by IFRS 1, fair value has been calculated on the basis of valuation appraisals performed by independent outside advisors. The cost of buildings is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

Tangible assets are depreciated on a straight-line basis each year - starting from the time when the asset is available for use, or when it is potentially able to provide the economic benefits associated with it - according to economic/technical rates determined according to assets' residual possibility of utilisation and taking into account the month when they become available for use in the first year of utilisation. Land is considered to be an asset with an indefinite life and therefore not subject to depreciation.

The depreciation rates applied are as follows:

Asset category	Annual depreciation rates
Property	
Buildings	2% - 3.3%
Land	0%
Plant & equipment:	
Automatic operating machines	20% - 14.29%
Furnaces and appurtenances	14%
Generic/specific production plant	20% - 10%
Other assets:	
Plant pertaining to buildings	8.33% - 10% - 6.67%
Lightweight constructions	6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20% - 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	Contract duration

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

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

Assets held under finance lease contracts (IAS 17)

Assets held under finance lease contracts are those fixed assets for which the Company has assumed all the risks and benefits connected with ownership of the asset. Such assets are measured at the lower of fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Financial lease instalments are recorded as described in IAS 17; specifically, each instalment is subdivided into principal and interest. The sum of the portions of principal payable at the reporting date is recorded as a financial liability; the portions of interest are recorded in the Income Statement each year until full repayment of the liability.

Intangible non-current assets (IAS 38)

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

Research and development costs

As required by IAS 38, research costs are entered in the Income Statement at the time when the costs are incurred.

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

- the technical possibility of completing the intangible asset in such a way as to make it available for use or sale;
- the intention of completing the intangible assets for use or sale;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development;
- the availability of adequate technical, financial or other resources to complete the intangible asset's development and for its use or sale;
- how the intangible asset will generate probable future economic benefits.

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

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

Other intangible assets

Other intangible assets mainly consist of software used under licence, valued at purchase cost; These assets are considered to be intangible assets of finite duration and are amortised over their presumable useful life (see the next table).

Amortisation and depreciation

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

The useful life for each category is detailed below:

Description	Useful life - years
Goodwill	Indefinite useful life
Development costs	5
Other intangible assets	
- Software licences (other than SAP licences)	3/5
- Trademarks	10
- Know-how	7
- SAP licences	10
- User licences	Contract duration

Impairment (IAS 36)

Tangible and intangible assets are tested for impairment in the presence of specific indicators of loss of value, and at least annually for intangible assets with an indefinite life.

The aim of this impairment test is to ensure that tangible and intangible assets are not carried at a value exceeding their recoverable value, consisting of the higher between their net selling price and value in use. Value in use is calculated based on the future cash flows that are expected to originate from the asset or CGU (cash generating unit) to which the asset belongs. Cash flows are discounted to present value using a discount rate reflecting the market's current estimate of the time value of money and of the risks specific to the asset or CGU to which presumable realisation value refers.

Given their autonomous ability to generate cash flows, the Group's CGUs are defined as being the individual consolidated companies.

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

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

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount of what would have been the book value, net of amortisation of the historical cost, if no impairment had been recognised.

Any reinstatements of value are recognised in the Income Statement. In the case of goodwill, impairment value is never reversed.

Calculation of presumed recoverable value

The presumed recoverable value of non-financial assets is equal to the higher between the net sales price and value in use. Value in use is determined based on expected cash flows related to assets, discounted at a rate that takes into account the market value of interest rates and specific risks of assets to which the presumed realisation value refers.

Reversal of impairment losses

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount of what would have been the book value, net of amortisation of the historical cost, if no impairment had been recognised.

Any reinstatements of value are recognised in the Income Statement. In the case of goodwill, impairment value is never reversed.

Equity investments in affiliates

Equity investments in subsidiaries, included in the consolidated financial statements, are shown based on IAS 27 using the cost method net of impairment losses, that is valuing these financial assets based on their fair value. Subsequent changes in fair value of these equity investments are booked in an Equity reserve (fair value reserve).

Equity investments in associates

Equity investments are classified under non-current assets and are valued at Equity, pursuant to IAS 28. The portion of profits or losses resulting from the application of this method is indicated in a specific item of the Income Statement.

Other equity investments

Equity investments in other companies are classified as available-for-sale financial instruments, according to the definition established in IAS 39, although the Company has not expressed an intention to sell these investments, and they are valued at fair value on the reporting date.

Financial assets (IAS 39)

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

- **Financial assets at fair value with contra entry in the Income Statement:** these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; They are recognised at fair value and any changes during the period are recognised in the Income Statement. As at 31 December 2010 the Company did not own any financial assets in this category.
- **Loans and receivables:** loans and receivables are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method. They are classified as current assets, apart from those due after 12 months, which are classified as non-current assets. Within the Company this category includes trade receivables, other receivables and available cash.
- **Available-for-sale (AFS) financial assets:** these are financial assets other than derivatives, which are not classified in other categories; they are valued at fair value and related changes are entered in an Equity reserve. They are classified under non-current assets, unless they are intended to be sold within 12 months. Within the Company this category includes investments in other companies and securities.

The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Company establishes fair value by using recent transactions taking place close to the reporting date or by referring to other instruments of substantially the same kind or using discounted cash-flow (DCF) models. In some circumstances, the Company does not have sufficient information to calculate the fair value of these financial assets. In this case, they are maintained at cost.

- **Financial hedging instruments:** the Company holds derivative financial instruments to hedge exposure to foreign exchange or interest rate risk. In accordance with the rules of the Risk Policy approved by the Board of Directors, the Company does not have any speculative financial instruments. Consistently with the approach established by IAS 39, hedging instruments are accounted for using the hedge-accounting approach if all the following conditions are met:



- at the inception of a hedge, there is formal documentation of the hedging relationship, of the entity's risk management objectives, and of the strategy for undertaking the hedge
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedge) or in cash flows (cash flow hedge) attributable to the risk hedged;
- for cash flow hedges, a forecast transaction that is hedged must be highly probable and feature exposure to changes in cash flows that could ultimately affect profit or loss;
- the hedge's effectiveness can be reliably assessed, i.e. the fair value or cash values of the item hedged and the hedging instrument's fair value can be reliably measured;
- the hedge has been assessed on the basis of a recurrent criterion and is considered highly effective throughout the derivative's life.

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

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

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

The fair value of hedging instruments is set out in Note 5, while movements in the cash flow hedge reserve are shown in Note 10.

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

Fair value hedge: if a financial derivative is designated as a hedge for exposure to the changes in fair value of an asset or liability attributable to a particular risk that may affect the Income Statement, the profit or loss deriving from subsequent valuations of the hedge's fair value is recognised in the Income Statement. The profit or loss on the item hedged, attributable to the risk covered, changes the carrying value of that item and is recognised in the Income Statement.

Cash flow hedge: if a financial derivative is designated as a hedge for exposure to the variability of the future cash flows of an asset or liability, or of a forecast, high probable transaction that may effect profit and loss, the changes in the hedge's fair value are recognised in Equity for the effective portion of the hedge (intrinsic value) while the part relating to time value and any ineffective portion (over-hedging) is recognised in the Income Statement.

If a hedge or hedging relationship has ended but the hedged transaction has not yet taken place, cumulative profits and losses recognised thus far in Equity are recognised in the Income Statement when the related transaction takes place. If the transaction hedged is no longer considered probable, the still unrealised profits and losses suspended in Equity are immediately recognised in the Income Statement.

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

Inventories (IAS 2)

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

Following the spin-off of a division on 2 April 2007, from that date, the Company no longer has inventories.

Trade and other receivables (IAS 32 and 39)

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

The estimated impairment of receivables is recognised when it becomes evident that the past-due receivable cannot be recovered, due to financial difficulties of the customer that might lead to its bankruptcy or financial restructuring.

Cash & cash equivalents (IAS 32 and 39)

Cash and cash equivalents comprise cash in hand, bank and post office balances, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.

Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the Cash Flow Statement.

Shareholders' Equity

Share capital consists of the ordinary shares outstanding, which are posted at par value.

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

In the case of buyback of own shares ("treasury shares"), the price paid, inclusive of any directly attributable accessory costs, is deducted from the Group's equity until such shares are cancelled, re-issued, or sold, as required by IAS 32. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Group Equity i.e. Equity of the direct Parent Company's Shareholders).

Consequently, no profit or loss is entered in the consolidated Income Statement at the time of purchase, sale or cancellation of treasury shares.

Interest-bearing financial liabilities (IAS 32 and 39)

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

After initial recognition, interest-bearing financial liabilities are measured at amortised cost using the effective interest rate method.

Liabilities for employee benefits (IAS 19)

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either defined-contribution programmes or defined-benefit programmes.

Employee benefits mainly consist of severance indemnities for the Company.

Italian Law no. 296 of 27 December 2006 ("2007 National Budget Law") and subsequent decrees and regulations enacted during 2007 introduced – as part of overall reform of the Italian pension system – significant changes regarding the ultimate use of the portions of severance-indemnity provision accruing.

Until 31 December 2006, severance indemnity provision came within the scope of post-employment

defined-benefit plans and was measured in accordance with IAS 19, by independent actuaries, using the projected unit credit method.

Actuarial gains and losses as at 1 January 2005 – the date of transition to IFRS – were recognised in a specific equity reserved. Actuarial gains and losses after that date are recognised in the Income Statement on an accrual accounting basis, i.e. not using the "corridor" method envisaged by IAS 19.

Following the reform of supplemental pensions, employees can allocate the new severance-indemnity provision accruing to supplemental pension systems, or opt to keep it in the company (in the case of companies with less than 50 employees) or to transfer them to the INPS – the state pension and welfare agency (in the case of companies with more than 50 employees).

Based on these rules, and also basing itself on the generally accepted interpretation, the Group decided that:

- for the portion of severance indemnities accruing up to 31 December 2006, the provision in question constituted a defined-benefit plan, to be valued according to the actuarial rules, but no longer including the component relating to future salary increases. The difference resulting from the new calculation in relation to the previous one was treated as curtailment as defined by IAS 19.109 and consequently entered in the Income Statement for the year ended on 31 December 2007;
- subsequent portions of severance indemnities accruing, both in the case of opting for supplemental pension planning and in the case of allocation to the central treasury fund c/o the INPS, come within the scope of defined-contribution plans, thus excluding – in calculating the cost for the year – components relating to actuarial estimates.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognised on the statement of financial position when the following conditions are satisfied at the same time:

- the entity has a present obligation (legal or constructive), i.e. under way as at the reporting date, arising from a past event;
- it is probable that economic resources will have to be used to fulfil the obligation;
- the amount needed to fulfil the obligation can be reliably estimated.

Risks for which materialisation of a liability is only contingent are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.

In the case of events that are only remote, i.e. events that have very little likelihood of occurrence, no provision made and no additional or supplementary disclosure is provided.

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, as at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time.

When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as finance expense.

Income taxes (IAS 12)

Income taxes include current and deferred taxes. Income taxes are generally recognised in the Income Statement, except when they relate to items entered directly in Equity, in which case the tax effect is recognised directly in Equity.

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

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the financial statements and the corresponding amounts recognised for tax purposes. Deferred taxes are calculated at the tax rate expected to be in force at the time when the asset is used or the liability is discharged.

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

Datalogic S.p.A. participates in the "national tax consolidation programme" of Hydra S.p.A., which makes it possible to transfer the net aggregate income or tax loss of the individual participating companies owned

by the Parent Company, which will result in a single taxable income for the Group or a single tax loss that can be carried forward, as the algebraic sum of income and/or losses, and will thus enter a single payable to or receivable from Tax Authorities.

Trade and other payables (IAS 32, 39)

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

Revenue recognition (IAS 18)

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

Sale of goods

Revenues from the sale of goods are recognised only when all the following conditions are met:

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

Rendering of services

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

- the amount of revenues can be reliably measured;
- it is probable that the economic benefits of the transaction will flow to the entity;
- the stage of completion at the reporting date can be reliably measured;
- the costs incurred, or to be incurred, to complete the transaction can be reliably measured.

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

- **dividends**, when the right is established to receive dividend payment (with a receivable recognised in the statement of financial position when distribution is resolved);
- **interest**, with application of the effective interest rate method (IAS 39);
- **royalties**, on an accruals basis in accordance with the underlying contractual agreement.

Government grants (IAS 20)

Government grants are recognised - regardless of the existence of a formal grant resolution - when there is reasonable certainty that the company will comply with any conditions attached to the grant and therefore that the grant will be received.

Government grants receivable as compensation for costs already incurred or to provide immediate financial support to the recipient company with no future related costs, are recognised as income in the period in which they become receivable.

Rental and operating lease costs (IAS 17)

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



Dividends distributed (IAS 1 and 10)

Dividends are recognised when Shareholders have the right to receive payment. This normally corresponds to the date of the annual general shareholder meeting that approves dividend distribution.

The dividends distributable to Company Shareholders are recognised as an Equity movement in the year when they are approved by the Shareholders' Meeting.

Earnings per share - EPS (IAS 33)

Basic

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

Diluted

Diluted EPS is calculated by dividing the Company's profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculating diluted EPS, the weighted average number of shares is determined assuming conversion of all potential shares with a dilutive effect, and the Company's net profit is adjusted for the post-tax effects of conversion.

Treatment of foreign currency items (IAS 21)

Transactions and balances

Foreign currency transactions are initially converted to Euro at the exchange rate existing on the transaction date.

On the reporting date, foreign-currency monetary assets and liabilities are converted at the exchange rate in force on that date.

Foreign-currency non-monetary items measured at cost are converted using the exchange rate in force on the transaction date.

Non-monetary items recognised at fair value are converted using the exchange rate in force when carrying value is calculated.

Foreign exchange gains and losses arising from the collection of foreign currency receivables or payment of foreign currency payables are recognised in the Income Statement.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE AS OF 2010 AND APPLIED BY THE GROUP

Document	Entry into force as of FYs starting on or after:	Description and impact on the Company and the Group
IFRS 3 – Business Combinations (Revised) and IAS 27 – Consolidated and Separate Financial Statements (Amended), including amendments related to: IFRS 2, IFRS 5, IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	1 July 2009	<p>IFRS 3 (Revised) introduces significant changes to the accounting of business combinations. The changes apply to the measurement of non-controlling interests, the accounting treatment of transaction costs and the initial recognition and subsequent measurement of contingent considerations and step acquisitions. These changes will impact the amount of goodwill recognised, results for the period in which the acquisition takes place and future results.</p> <p>IAS 27 (Amended) stipulates that a change in the ownership structure of a subsidiary (without loss of control) must be booked as a transaction between owners in their role as owners. Such transactions, therefore, neither generate more goodwill, nor profits or losses. The main amendment also introduces changes to the accounting treatment of losses registered by subsidiaries and loss of control of subsidiaries. The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) relate to the acquisition or loss of control of subsidiaries and transactions with minority interests.</p> <p>The change in the accounting standards has been applied prospectively and has produced no material effects.</p>
Improvements to IFRS	Issued in April 2009	
IFRS 8 – Operating segments		<p>Clarifies that the assets and liabilities of the operating segment must only be shown if they form part of the reporting used by senior management.</p> <p>Since senior management reviews the segment's assets and liabilities, the Group has continued to provide this information in the note on segment information.</p>
IAS 7 – Statement of cash flows		<p>Stipulates that only expenditures that result in a recognised asset may be classified as financial cash flows from investing activities. This amendment modifies presentation in the Cash Flow Statement of the potential consideration for the business combination carried out in 2010 at the time of cash settlement.</p>
IAS 36 – Impairment of assets		<p>The amendment clarifies that the largest identifiable (cash generating) unit for allocation of goodwill acquired in a business combination is the operating segment as defined by IFRS 8 before the combination for the purposes of reporting. The change had no effect on the Group because the annual impairment test was carried out before the combination.</p>
IAS 38 – Intangible assets		<p>The amendment clarifies the measurement methods to be commonly used to measure the fair value of intangible assets for which no active reference market exists; specifically, these methods include, alternatively, estimating net cash flows discounted to present value arising from the assets, estimating the costs avoided by the business by owning the asset and not having to use it under a licence agreement with a third party, or the costs required to recreate or replace it (as per the cost method).</p>



ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN FORCE AS OF 2010 BUT NOT APPLIED BY THE GROUP

Document	Entry into force as of FYs starting on or after	Description and impact on the Company and the Group
IFRS 2 – Share-based Payments: Group cash-settled share-based payment transactions	1 January 2010	The IASB issued an amendment to IFRS 2 which clarifies the scope and accounting treatment of Group cash-settled share-based payment transactions. The Group adopted this amendment on 1 January 2010, but it has had no impact on the Group's performance or financial position.
IAS 39 – Financial instruments: recognition and measurement, eligible hedged items		The amendment clarifies that an entity is permitted to designate a portion of changes in the fair value or cash flows of a financial instrument as a hedged item. The amendment also includes designation of inflation as hedged risk or as a portion of the risk in certain situations. The Group has concluded that this change will have no impact on the Group's performance or financial position, since it does not use these types of hedges.
IFRIC 17 – Distributions of non-cash assets to owners		This interpretation provides guidance on the accounting treatment of agreements pursuant to which an entity distributes to shareholders assets not accounted for in available cash, such as distribution of reserves or dividends. The interpretation has had no effect on the Group's performance or financial position.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED

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

- Amendments to IAS 24: simplifies disclosure requirements regarding related parties where public sector entities are involved, and provides a new definition of related parties;
- 2009 improvements: minor amendments to IFRS 12;
- IFRIC 19: Provides guidance for when a creditor agrees with a debtor company to extinguish the liability through shares in the company.
- Amendments to IFRIC 14: explores the case in which a company must be subject to capitalisation limits on defined benefit asset plans and makes an advance payment to guarantee these limits.
- Amendments to IFRS 2: clarifies the accounting treatment in separate financial statements of group cash-settled share-based payments.
- IFRS 9: establishes new criteria for the classification of financial assets.
- Amendments to IFRS 1: further exemptions in the transition to IFRS.

USE OF ESTIMATES

Preparation of IFRS-compliant consolidated financial statements and of the relevant notes requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic based on circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, i.e. the Statement of Financial Position, Income Statement, and Cash Flow Statement, as well as the information disclosed. The ultimate actual amounts of accounting items for which these estimates and assumptions have been used might be different from those reported in the financial statements due to the uncertainty characterising the assumptions and conditions on which estimates are based.

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

- Impairment of non-current assets;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Employee benefits;
- Provisions for liabilities and contingencies.

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

FINANCIAL RISK MANAGEMENT

Risk factors

The Company is exposed to various types of financial risks in the course of its business, including:

- **credit risk** deriving from trade transactions or from financing activities;
- **liquidity risk** relating to availability of financial resources and access to the credit market;
- **market risk**, specifically:
 - a) foreign exchange risk, relating to transactions that generate cash flows in other currencies that fluctuate in value;
 - b) interest rate risk, relating to the Company's exposure to financial instruments that generate interest.



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

The Company specifically monitors each of the aforementioned financial risks, taking prompt action in order to minimise such risk. The Company uses derivative contracts relating to underlying financial assets or liabilities or future transactions. The Central Treasury Dept. operates directly on the market on behalf of subsidiary and investee companies. The management of the market and liquidity risks therefore takes place within the Company and specifically the Central Treasury Department, while credit risks are managed by the Group's operating units. The sensitivity analysis is subsequently used to indicate the potential impact on the final results deriving from hypothetical fluctuations in the reference parameters. As provided for by IFRS 7, the analyses are based on simplified scenarios applied to the final figures and, owing to their nature, they cannot be considered indicative of the actual effects of future changes.

Market risk

Foreign exchange risk

The Datalogic Group operates internationally and is exposed to the risk associated with a variety of currencies. The most influential are the US dollar and the British pound.

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

The Datalogic Group's foreign exchange policy is set out in an official document approved by the Boards of Directors. In accordance with this policy, the Company hedges (mainly with forward contracts) between 40% and 90% of future cash flows, depending on whether they are generated by:

- projected budgeted flows, on behalf of subsidiary and investee companies
- flows from the backlog of sales and purchase orders, on behalf of subsidiary and investee companies, or
- flows for trade receivables and payables, on its own behalf and on behalf of subsidiary and investee companies.

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

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

The hedge's effectiveness is tested at least on every year-end reporting date, or on interim reporting dates, via both prospective and retrospective statistical and mathematical tests. Only after the test has been passed do the Company and subsidiaries decide to implement the Cash Flow Hedge. Otherwise the derivatives' fair value is immediately reflected in the Income Statement.

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

The following tables show the results of this sensitivity analysis.

Items exposed to interest rate risk with impact on the Income Statement:

USD	Carrying value	Portion exposed to exchange rate risk	+10%	+5%	+1%	-1%	-5%	-10%
Exchange rates		1.3362	1.4698	1.4030	1.3496	1.3228	1.2694	1.2026
Financial assets								
Cash and cash equivalents	81,608	5,936	(540)	(283)	(59)	60	312	660
Trade and other receivables	8,883	3,257	(296)	(155)	(32)	33	171	362
Derivatives	325	33	136	71	15	(15)	(79)	(166)
Loans	88,491	68,104	(6,191)	(3,243)	(674)	688	3,584	7,567
Available for sale	1,795	374	(34)	(18)	(4)	4	20	42
			(6,925)	(3,627)	(754)	769	4,009	8,464
Financial liabilities								
Borrowings	187,558	(51,312)	4,665	2,443	508	(518)	(2,701)	(5,701)
Trade and other payables	5,135	(68)	6	3	1	(1)	(4)	(8)
Derivatives	857	33	(136)	(71)	(15)	15	79	166
			4,535	2,375	494	(504)	(2,626)	(5,543)
Total financial instruments			(2,390)	(1,252)	(260)	266	1,384	2,921

Items exposed to exchange rate risk with impact on Equity:

USD	Carrying value	Portion exposed to exchange rate risk	+10%	+5%	+1%	-1%	-5%	-10%
Exchange rates		1.3362	1.4698	1.4030	1.3496	1.3228	1.2694	1.2026
Financial assets								
Third-party derivative instruments	325	116	(248)	(130)	(27)	28	144	303
Group derivative instruments	325	16	68	36	7	(8)	(39)	(83)
Third-party derivative instruments	325	140	(354)	(168)	(32)	32	152	290
Group derivative instruments	325	21	111	52	10	(10)	(47)	(91)
Derivative instruments	325	293	(423)	(210)	(42)	42	209	419
Financial liabilities								
Group derivative instruments	857	140	354	168	32	(32)	(152)	(290)
Third-party derivative instruments	857	21	(111)	(52)	(10)	10	47	91
Third-party derivative instruments	857	16	(68)	(36)	(7)	8	39	83
Group derivative instruments	857	116	248	130	27	(28)	(144)	(303)
Derivative instruments	857	293	423	210	42	(42)	(209)	(419)

Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2010 Datalogic has interest rate swaps in place with financial counterparties of premier standing for a notional total of € 21 million. These derivatives permit the hedging of about 17% of total bank borrowings of Datalogic S.p.A., transforming variable-rate loans into fixed-rate loans.

Bank borrowings, mortgages and other short-/long-term loans (€/000)	Amount	%
Variable rate	81,068	67%
Fixed rate	18,954	16%
Variable rate hedged through derivative instruments	21,313	17%
EU financing	531	0.4%
Total	121,866	100%

In order to fully understand the potential effects of fluctuations in interest rates to which the Company is exposed, we analysed the accounting items most at risk, assuming a change 10 basis points in the Euribor and of 50 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2010.

Items exposed to interest rate risk with impact on the Income Statement:

Euribor (€/000)	Carrying value	Portion exposed to interest rate risk	20bp	-20bp
Financial assets				
Cash and cash equivalents	81,608	74,640	149	(149)
Loans	88,491	20,388	41	(41)
			190	(190)
Financial liabilities				
Loans	187,558	44,842	(110)	110
			(110)	110
Total increases (decreases)			80	(80)

USD Libor	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	81,608	5,936	6	(6)
Loans	88,491	68,104	68	(68)
			74	(74)
Financial liabilities				
Loans	187,558	36,971	(37)	37
			(37)	37
Total increases (decreases)			37	(37)

Items exposed to interest rate risk with impact on Equity:

Euribor (€/000)	Carrying value	Portion exposed to interest rate risk	10bp	-10bp
Financial liabilities				
Derivative instruments	857	532	43	(43)

Credit risk

Based on the abovementioned reorganisation of 2 April 2007, Datalogic S.p.A., having no direct relations with customers but only with associated companies, was not in fact exposed to this risk.

Datalogic S.p.A. has also granted sureties of € 79,170 thousand and letters of patronage of € 20,000 thousand against the use of a credit line by subsidiaries.

Liquidity risk

The Company's liquidity risk is minimised by careful management by the Central Treasury Department. Bank indebtedness and the management of liquidity are handled via a series of instruments used to optimise the management of financial resources. Firstly, there are automatic mechanisms such as cash pooling (subsidiary companies are in the process of being integrated into existing arrangements) with consequently easier maintenance of levels of availability. The Central Treasury manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, following the company restructuring described above, each division's subholding companies have operating lines for short-term requirements (revolving credit lines and on the receivables book) while Datalogic S.p.A., as the Parent Company, has cash credit lines for future requirements in favour of the Group. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Group's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income.

The Company mainly operates with major historic banks, including some international institutions, which have provided important support on foreign investments.

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

The following table analyses financial liabilities by maturity at 31 December 2010 and 31 December 2009:

At 31 December 2010 (€/000)	0 - 1 year	1 - 5 years	> 5 years
Bank borrowings	29,423	80,026	11,886
EU financing	531		
Financial derivatives (IRS)	857		
Trade and other payables	5,135		
Financing by Group companies	10,000		
Cash pooling	55,692		
Total	101,638	80,026	11,886

At 31 December 2009 (€/000)	0 - 1 year	1 - 5 years	> 5 years
Bank borrowings	47,559	22,080	0
Financial liabilities	0		
Bank overdrafts	35		
Financial derivatives (IRS)	749		
Trade and other payables	3,140		
Financing by Group companies	10,000		
Cash pooling	37,882		
Total	99,365	22,080	0

INFORMATION ON STATEMENT OF FINANCIAL POSITION - ASSETS

NOTE 1. TANGIBLE ASSETS

(€/000)	31.12.2010	31.12.2009	Change
Land	2,466	2,466	
Buildings	15,384	15,330	54
Other assets	2,120	2,310	(190)
Assets in progress and payments on account	2	1	1
Total	19,972	20,107	(135)

Changes taking place in the period are as follows:

(€/000)	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	2,466	16,039	8,007	1	26,513
Accumulated amortisation		(709)	(5,697)		(6,406)
Net initial value at 01.01.10	2,466	15,330	2,310	1	20,107
Increases 31.12.10					
Investments		247	337	1	585
Amortisation reversal			76		76
Total		247	413	1	661
Decreases 31.12.10					
Disposals			(133)		(133)
Amortisation		(193)	(470)		(663)
Total		(193)	(603)		(796)
Historical cost	2,466	16,286	8,211	2	26,965
Accumulated amortisation		(902)	(6,091)		(6,993)
Net closing value at 31.12.10	2,466	15,384	2,120	2	19,972

- The increase for the year of € 247 thousand in the item "Buildings" refers to new investment relating to the restructuring of the buildings at Via Candini 2 and Via San Vitalino 13 located in Calderara di Reno (BO).
- The increase for the year of € 337 thousand in the "Other assets" item breaks down as follows:
 - a) € 179 thousand for the purchase of furniture and fittings;
 - b) € 96 thousand for new electrical and hydraulic equipment;
 - c) € 57 thousand for the purchase of electronic office equipment.

Disposals for the year of € 133 thousand relate to the sale of motor vehicles for € 59 thousand and the scrapping of equipment, electronic equipment and obsolete furnishings for € 74 thousand.

NOTE 2. INTANGIBLE ASSETS

(€/000)	31.12.2010	31.12.2009	Change
Goodwill			
Development costs			
Other	2,488	2,989	(501)
Total	2,488	2,989	(501)

Changes taking place in the period are as follows:

(€/000)	Goodwill	Development costs	Other	Total
Historical cost			5,710	5,710
(Accumulated amortisation)			(2,721)	(2,721)
Initial value at 01.01.10			2,989	2,989
Increases 31.12.10				
Investments			314	314
Amortisation reversal				
Total			314	314
Decreases 31.12.10				
Disposals				
Amortisation			(815)	(815)
Total			(815)	(815)
Historical cost			6,024	6,024
Accumulated amortisation			(3,536)	(3,536)
Net closing value at 31.12.10			2,488	2,488

The increase of € 314 thousand for the year relates to:

- € 291 thousand for miscellaneous software
- € 17 thousand for trademarks
- € 6 thousand for intangible assets in progress.

NOTE 3. EQUITY INVESTMENTS IN AFFILIATES

Equity investments held by the Company as at 31 December 2010 were as follows:

(€/000)	Balance at 31.12.2009	Increases	Change	Balance at 31.12.2010
Subsidiary companies	158,268			158,268
Associate companies				
Total affiliates	158,268			158,268

NOTE 4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets include the following items:

(€/000)	31.12.2010	31.12.2009	Change
Government bonds	359	358	1
Loans to subsidiaries	49,967	14,999	34,968
Other equity investments	1,063	1,031	32
Total	51,389	16,388	35,001

"Loans to subsidiaries" breaks down as follows:

- Long-term loan to Datalogic Scanning Holding for USD 49,400 thousand;
- Long-term loan to Datalogic Scanning Group S.r.l. for € 11,500 thousand;
- Long-term loan to Informatics Inc. for USD 2,000 thousand.

At 31 December 2010, equity interests held in other companies were as follows:

(€/000)	31.12.2009	Increases	Forex differences	Write-downs	31.12.2010
Nomisma S.p.A. Italia	7				7
Conai					
Caaf Ind. Emilia Romagna - Italy	4				4
Crit S.r.l.	51				51
Consorzio T3 Lab	8				8
Mandarin Capital Management SA	617	376			993
Alien Technology	344			(344)	
Total equity investments	1,031	376		(344)	1,063

The largest proportion of equity investments is represented by the investment in the Mandarin Fund, a private equity fund that mainly invests in Italian and Chinese small and medium-sized companies, whose primary investors and sponsors are Intesa San Paolo and two leading Chinese banks. The increase in the period is attributable to further subscription.

The investment in Alien Technology Corporation, a US company active in the radiofrequency reader (RFID) market, was fully written down (€ 344 thousand), with the entire sum entered in the Income Statement under finance charges, since this impairment is regarded as permanent.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

(€/000)	31.12.2010		31.12.2009	
Interest rate derivatives	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - (on loans in Euro)		532		667
Interest rate swaps - (on loans in USD)				69
Total		532		736
Currency derivatives	Assets	Liabilities	Assets	Liabilities
Forward contracts - (hedging forex changes in Euro)	160	160		13
Forward contracts - (hedging forex changes in USD)	165	165	39	
Total	325	325	39	13
Total	325	857	39	749

Interest rate derivatives

The Company sets up interest rate derivatives to manage the risk stemming from changes in rates of interest on bank borrowings, converting part of them from variable to fixed rate via interest rate swaps having the same amortisation plan as the underlier hedged. As envisaged by IAS 39, the fair value of these contracts, totalling € 532 thousand, is recognised in a specific Equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 31 December 2010, the notional principal of interest swaps totalled € 21,313 thousand (€ 26,625 thousand and USD 4,400 thousand at 31 December 2009).

Currency derivatives

As already stated in the section "Financial risk management", the Parent Company hedges exchange rate risk for group companies, to which it attributes, through an internal contract system, all the effects of the hedging transactions. All existing forward contracts as of 31 December 2010 relate to Datalogic Mobile S.r.l. (aggregate notional amount of USD 6,650 thousand) and Datalogic Scanning Inc. (aggregate notional amount of € 4,200 thousand).

As at 31 December 2010, the amount of € 69 thousand in liabilities and € 256 thousand in assets represented the fair value of the above derivative contracts. Corresponding entries of € 256 thousand in liabilities in respect of Group companies and € 69 thousand in assets in respect of Group companies have been made.

NOTE 6. TRADE AND OTHER RECEIVABLES

Trade and other receivables

(€/000)	31.12.2010	31.12.2009	Change
Trade receivables due within 12 months	12	29	(17)
Trade receivables due after 12 months			
Receivables from associates			
Receivables from subsidiaries	5,397	2,771	2,626
Receivables from parent companies		1	(1)
Trade receivables	5,409	2,801	2,608
Other receivables – accrued income and prepaid expenses	4,067	2,290	1,777
Other receivables from subsidiaries	375	72	303
Other receivables – accrued income and prepaid expenses	4,442	2,362	2,080
Trade and other receivables	9,851	5,163	4,688

"Receivables from subsidiaries" of € 5,397 thousand mainly refer to trade receivables relating to royalties for the use of the trademark and services provided by the Company as stipulated in contracts between the parties.

At 31 December 2010 the breakdown of the item by due date is as follows:

(€/000)	2010	2009
Not yet due	5,392	2,756
Past due by 30 days	15	6
Past due by 30 - 60 days		8
Past due by more than 60 days	2	31
Total	5,409	2,801

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

Currency	2010	2009
Euro	4,049	2,099
US Dollar (USD)	1,358	700
Hong Kong Dollar (HKD)	2	2
Total	5,409	2,801

(€/000)	31.12.2010	31.12.2009	Change
Advances paid to suppliers	2,533	137	2,396
Other social security receivables	5	8	(3)
Other	461	747	(286)
Accruals and deferrals	85	184	(99)
VAT tax receivables	983	1,214	(231)
Sundry receivables from subsidiaries	375	72	303
Total	4,442	2,362	2,080

The "Other" item includes € 212 thousand, paid by the Company to the inland revenue office for a tax assessment notice relating to 1996, against which the Company has filed an appeal.

"VAT tax receivables" of € 983 thousand comprise the participation of the Company and its subsidiaries in the Group VAT scheme for 2010; the payables and receivables accrued in respect of the tax authorities for VAT are transferred by Datalogic Mobile S.r.l., Datalogic Automation S.r.l., Datalogic Scanning Group S.r.l. and Datalogic Real Estate S.r.l. to the Company, which holds sole liability in respect of the tax authorities. The decrease is mainly due to the use of the VAT receivable accrued in 2009 offsetting payment of other taxes due.

NOTE 7. TAX RECEIVABLES

(€/000)	31.12.2010	31.12.2009	Change
Receivables from Parent Company		1,242	(1,242)
Tax receivables	611	578	33
Short-term tax receivables	611	1,820	(1,209)

The decrease in "Receivables from parent company", Hydra S.p.A., for € 1,242, relate to the measurement of taxes for the year arising from participation in tax consolidation.

"Tax receivables", totalling € 611 thousand, break down as follows:

- € 265 thousand relate to the tax receivables for advance IRAP payments made over the year;
- € 80 thousand relate to withholdings on bank interest income;
- € 266 thousand are withholdings and various tax receivables.

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(€/000)	31.12.2010	31.12.2009	Change
Loans to subsidiaries	38,524	19,411	19,113
Total	38,524	19,411	19,113

"Loans to subsidiaries" breaks down as follows:

- Short-term loan to Datalogic Scanning Holding for USD 36,000 thousand;
- Short-term loan to Datalogic Automation S.r.l. for USD 4,700 thousand;
- Short-term loan to Datalogic Real Estate S.r.l. for € 3,100 thousand;
- Short-term loan to Evolution Robotics Retail Inc. for USD 2,000 thousand;
- Short-term loan to Informatics Inc. for USD 1,600 thousand;
- Short-term loan to Scanning Group S.r.l. for € 1,000 thousand.

NOTE 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows for the purposes of the Cash Flow Statement:

(€/000)	31.12.2010	31.12.2009	Change
Bank and post office deposits and cash pooling	41,821	48,312	(6,491)
Cash and valuables on hand	12	8	4
Repurchase agreements	39,775	10,000	29,775
EU financing	(531)		(531)
"Hot money" financing	(18,000)		(18,000)
Current accounts		(35)	35
Cash and cash equivalents for statement	63,077	58,285	4,792

According to the requirements of Consob Communication no. 15519 of 28 July 2006, the Company's financial position is reported in the following table:

(€/000)	31.12.2010	31.12.2009
A. Cash and bank deposits	81,608	58,320
B. Other liquidities		
b1. Restricted cash deposit		
C. Securities held for trading	359	359
c1. Short-term		
c2. Long-term	359	359
D. Cash and equivalents (A) + (B) + (C)	81,967	58,679
E. Current financial receivables	38,524	19,411
F. Other current financial receivables	325	39
f1. Hedging transactions	325	39
G. Bank overdrafts		35
H. Current portion of non-current debt	95,646	95,440
I. Other current financial payables	325	13
I2. Hedging transactions	325	13
J. Current financial debt (G) + (H) + (I)	95,971	95,488
K. Current financial debt, net (J) - (D) - (E) - (F)	(24,845)	17,359
L. Non-current bank borrowing	91,912	22,080
M. Other non-current financial receivables	49,967	14,999
N. Other non-current liabilities	532	736
n2. Hedging instruments	532	736
O. Non-current financial debt (L) + (M) + (N)	42,477	7,817
P. Net financial debt (K) + (O)	17,632	25,176

Net financial debt at 31 December 2010 was € 17,632 thousand, an improvement of € 7,544 thousand versus 31 December 2009, when it totalled € 25,176 thousand.

INFORMATION ON STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY AND LIABILITIES

NOTE 10. SHAREHOLDERS' EQUITY

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

(€/000)	31.12.2010	31.12.2009
Share capital	30,392	30,392
Share premium reserve	87,139	89,237
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held	(19,473)	(17,381)
Treasury share reserve	21,828	19,730
Share capital	122,699	124,791
Cash flow hedge reserve	(386)	(534)
Held-for-sale financial assets reserve		(107)
Other reserves	(386)	(641)
Retained earnings	34,215	19,107
Earnings carried forward	21,649	7,296
Capital grant reserve	958	958
Legal reserve	3,185	2,430
IFRS reserve	8,423	8,423
Net profit (loss) for the period	9,451	15,108
Total Shareholders' Equity	165,979	158,365

Share capital

Movements in share capital at 31 December 2009 and at 31 December 2010 are reported below (in €/000):

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2009	55,382,114	30,392	2,813	90,958	(15,605)	18,009	126,567
Purchase of treasury shares	(474,581)			(1,935)	(1,935)	1,935	(1,935)
Sale of treasury shares	38,014			214	163	(214)	163
Costs for the purchase of treasury shares					(4)		(4)
31.12.2009	54,945,547	30,392	2,813	89,237	(17,381)	19,730	124,791

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2010	54,945,547	30,392	2,813	89,237	(17,381)	19,730	124,791
Purchase of treasury shares	(933,991)			(4,467)	(4,467)	4,467	(4,467)
Sale of treasury shares	435,000			2,369	2,384	(2,369)	2,384
Costs for the purchase of treasury shares					(9)		(9)
31.12.2010	54,446,556	30,392	2,813	87,139	(19,473)	21,828	122,699

Ordinary shares

At 31 December 2010 the total number of ordinary shares was 58,446,491, including 3,999,935 held as treasury shares, making the number of shares in circulation at that date 54,446,556. The shares have a nominal unit value of € 0.52 and are fully paid up.

Treasury shares

The "Treasury shares" item, negative for € 19,473 thousand, includes purchases and sales of treasury shares in the amount of € 21,828 thousand, which have been recognised net of gains and charges realised following the sale of treasury shares. In 2010, the Company purchased 933,991 treasury shares and sold 435,000 treasury shares.

For these purchases, in accordance with Article 2453 of the Italian civil code, capital reserves (through the treasury share reserve) in the amount of € 21,828 thousand have been made unavailable.

Other reserves

Cash Flow Hedge reserve

Following adoption of IAS 39, changes in the fair value of derivative contracts designated as effective hedging instruments are recognised in accounts directly with Shareholders' Equity, in the Cash Flow Hedge reserve. These contracts have been concluded to hedge exposure to the risk of interest rate fluctuations on variable-rate loans (negative by € 386 thousand) and amounts are shown net of the tax effect (€ 146 thousand).

Financial asset revaluation reserve

This reserve, which included the alignment with the end-of-year tax rate for 2009 of the investment in Alien Technology Corp., was released following the write-down of the investment.

Cumulative retained earnings

IFRS reserve

This reserve was created upon first-time adoption of international accounting standards at 1 January 2006 in accordance with IFRS 1.

Dividends

On 29 April 2010, the Ordinary Shareholders' Meeting of Datalogic S.p.A. voted not to distribute any dividend.



Classification of net Equity items

Nature/description (€/000)	Amount	Possibility of utilisation	Amount available	For hedging against losses
Share capital	30,392	-		
Capital reserves				
Share premium reserve	89,951	A,B,C	89,951	
Demerger reserve	0	A,B,C	0	
Treasury share reserve	21,828	-		
Profit reserves				
Treasury share reserve	0			
Reserve for gain on cancellation	0	A,B,C	0	
Legal reserve	3,185	B	3,185	
Capital grant reserve	958	B	958	
Cash flow hedge reserve	(386)	-		
Valuation reserve for financial assets		-		
Deferred tax reserve	2,655	-		
IAS/IFRS transition reserve	8,423	A,B,C	8,423	
Earnings carried forward	18,993	A,B,C	18,993	
Total	175,999		121,510	

Key: A: for capital increase B: for hedging against losses C: for payment to shareholders

The "Deferred tax reserve" is a reserve temporarily non-distributable until the date on which the deferred tax assets posted on the statement of financial position are realised.

NOTE 11. SHORT - AND LONG-TERM BORROWINGS AND FINANCIAL LIABILITIES

The breakdown of this item is as detailed below:

(€/000)	31.12.2010	31.12.2009	Change
Bank loans	187,027	117,521	69,506
Bank overdrafts (ordinary current accounts)		35	(35)
EU financing	531		
Total financial payables	187,558	117,556	69,471

Financial payable are represented as follows:

(€/000)	Within 12 months	After 12 months	Beyond 5 years	Total
Bank borrowings				
Current accounts/cash pooling	65,690			65,690
Bank loans & mortgages and other financial institutions	29,425	80,026	11,886	121,337
EU financing	531			531
Total	95,646	80,026	11,886	187,558

The "Current accounts/cash pooling" item relates to payables to Group companies owing to cash pooling agreements for centralised liquidity management.

Bank loans

Following is the breakdown of changes in "Bank loans" at 31 December 2010:

(€/000)	2010	2009
1 January	69,639	69,098
Foreign exchange differences	(129)	(285)
Increases	67,005	57,690
Repayments	(4,839)	(50,500)
Decreases for loan repayments	(10,339)	(6,364)
31 December	121,337	69,639

Increases vs. 31 December 2010 are as detailed below:

- the taking out, on 23 December 2010, of a medium-/long-term loan of € 29,715 thousand;
- the taking out, on 23 December 2010, of a medium-/long-term loan of USD 48,895 thousand.

The **decrease for repayment** relates to the extinction of a foreign-currency loan (USD 6,400 thousand).

Guarantees given by banks in the Company's favour total € 1,004 thousand. In addition, the Company has issued sureties totalling € 79,170 thousand and letters of patronage totalling € 20,000 thousand for subsidiaries' borrowings.

Covenant

The companies have been asked to respect certain financial covenants for the following loans, on a semi-annual or annual basis, as summarised in the table below:

	Company	Currency	Outstanding debt		Covenant		Frequency	On the financial statements of
1	Datalogic S.p.A.	Euro	7,000,000.00	DFL	PN	DFL/PN	annual	Datalogic S.p.A.
2	Datalogic S.p.A.	Euro	6,000,000.00	DFL	PN	DFL/PN	annual	Datalogic S.p.A.
3	Datalogic S.p.A.	Euro	15,000,000.00	PFN/PN	PFN /EBITDA		annual	Datalogic Group
4	Datalogic S.p.A.	Euro	30,000,000.00	EBITDA/OFN	PFN /EBITDA		semi-annual	Datalogic Group
5	Datalogic S.p.A.	USD	49,400,000.00	PFN/PN	PFN /EBITDA		semi-annual	Datalogic Group

Key:

PN = Shareholders' Equity

PFN = Net financial position

DFL = Financial gross payables

NOTE 12. DEFERRED TAX ASSETS AND LIABILITIES

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.

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

Deferred tax liabilities (€/000)	Deprec. & Amort.	Provisions	Other	Total
At 01.01.10	2,074	0	25	2,099
Provisioned in (released from) Income Statement	(23)		(80)	(103)
Provisioned in (released from) Shareholders' Equity				
At 31.12.10	2,051	0	(55)	1,996

Deferred tax assets (€/000)	Forex adjust.	Asset write-downs	Allocations	Other	Total
At 01.01.10	165	9	84	253	511
Provisioned in (released from) Income Statement	882	(1)	820	(48)	1,653
Provisioned in (released from) Shareholders' Equity				(56)	(56)
Other movements					
At 31.12.10	1,047	8	904	149	2,108

The increase in deferred tax assets is mainly attributable to:

- amounts provisioned in 2010 relating to remuneration, not paid out, that led to an increase in taxable income and the consequent creation of deferred tax assets;
- amounts relating to exchange-rate adjustments of accounting items in a foreign currency, recovered for taxation, which led to the creation of deferred tax assets.

NOTE 13. POST-EMPLOYMENT BENEFITS

(€/000)	2010	2009
1 January	233	541
Amount allocated in the period	118	93
Uses	(32)	(264)
Amount transferred for transfer of employment relationships	56	(104)
Social security receivables for the employee severance indemnity reserve	(68)	(33)
31 December	307	233

NOTE 14. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the "Risks and charges" item is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Short-term provisions			
Long-term provisions	1,946	610	1,336
Total provisions for risks and charges	1,946	610	1,336

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

(€/000)	31.12.2009	Increases	(Uses) and (Issues)	31.12.2010
Provision for management incentive scheme				
Long-term management incentive plan allocation	259	1,649		1,908
Other	351		(313)	38
Total provisions for risks and charges	610	1,649	(313)	1,946

The increase in the "Long-term management incentive plan allocation" of € 1,649 thousand relates to the amount accrued in 2010 by the long-term incentive plan for managers/directors.

NOTE 15. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

(€/000)	31.12.2010	31.12.2009	Change
Trade payables due within 12 months	1,184	1,293	(109)
Third-party trade payables	1,184	1,293	(109)
Payables to associates	242	265	(23)
Total trade payables	1,426	1,558	(132)
Other payables – current accrued liabilities and deferred income	3,708	1,581	2,127
Total other payables – accrued liabilities and deferred income	3,708	1,581	2,127
Current portion	5,134	3,139	1,995

Other payables – accrued liabilities and deferred income

The detailed breakdown of "Other payables" was as follows:

(€/000)	31.12.2010	31.12.2009	Change
Payables to pension and social security agencies	298	202	96
Payables to employees	451	191	260
Directors' remuneration payable	1,440	100	1,340
Deferred income on investment grants	575	593	(18)
Other payables	944	495	449
Total	3,708	1,581	2,127

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

The increase in the item "Directors' remuneration payable" is attributable to the provision for bonuses.

The item "Investment grants" totalling € 575 thousand relates to the reclassification of public capital grants on assets, obtained in the past by subsidiary Datasud S.r.l. (now incorporated by Datalogic S.p.A.).

These grants were reversed from Equity reserves based on the provisions of IAS 20 and reallocated among deferred income, in order to match them with the actual cost incurred, i.e. with depreciation of the assets to which they refer.

NOTE 16. TAX PAYABLES

(€/000)	31.12.2010	31.12.2009	Change
Short-term taxes payable	1,383	283	1,100
Long-term taxes payable			
Total taxes payable	1,383	283	1,100

Tax payables only include liabilities for definite and calculated taxes due, while liabilities for probable taxes or those whose amount or date of occurrence is uncertain are recognised under deferred tax liabilities. As regards the IRES payable on income for the year, note that following participation in the tax consolidation scheme, it has been reclassified under tax payables as a payable to parent company Hydra S.p.A..

Income taxes payable are represented as follows:

- € 824 thousand for IRES for the year
- € 339 thousand for IRAP for the year
- € 216 thousand for IRPEF withholdings
- € 4 thousand for professional withholdings and various loans.

INFORMATION ON THE INCOME STATEMENT

NOTE 17. REVENUES

(€/000)	31.12.2010	31.12.2009	Change
Revenues for services	14,276	11,693	2,583
Total revenue	14,276	11,693	2,583

Revenue from sales and services rose by 22% versus the previous year.

NOTE 18. COST OF GOODS SOLD AND OPERATING COSTS

(€/000)	31.12.2010	31.12.2009	Change
Total cost of goods sold (1)			
of which non-recurring			
Total operating costs (2)	13,288	9,711	3,577
R&D expenses	285	377	(92)
of which non-recurring			
General & administrative expenses	12,650	8,977	3,673
of which non-recurring			
Other operating costs	353	357	(4)
of which non-recurring			
Total (1+2)	13,288	9,711	3,577

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

"Operating costs" registered an increase of 37% versus the previous year, mainly owing to the increase in "General and administrative expenses".

Total operating costs (2)

"Research and development" costs amounted to € 285 thousand and are made up as follows:

- Payroll & employee benefits € 101 thousand
- Other costs € 158 thousand
- Amortisation and depreciation € 26 thousand

The most significant items in "Other costs" are represented by costs for maintenance and software assistance for € 102 thousand, and external consulting costs of € 39 thousand.

The fall of € 92 thousand versus the previous year was mainly attributable to the decrease in payroll and employee benefits (€ 203 thousand in 2009).

"General and administration" expenses totalled € 12,650 thousand, and consisted of:

- Payroll & employee benefits € 3,577 thousand
- Other costs € 7,639 thousand
- Amortisation and depreciation € 1,434 thousand

The most significant items in "Other costs" were:

• Directors' and representatives remuneration	€ 3,749 thousand
• Costs for administrative and various advisory services	€ 1,650 thousand
• Software and hardware maintenance and assistance	€ 262 thousand
• Rental and building maintenance expenses	€ 241 thousand
• Reimbursements	€ 240 thousand
• Employee travel expenses	€ 218 thousand
• Use of building costs	€ 189 thousand
• Advertising and marketing costs	€ 175 thousand
• Vehicle leasing expenses	€ 147 thousand
• Account certification expenses	€ 140 thousand
• Costs for use of telephones, faxes and modems	€ 108 thousand

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

(€/000)	31.12.2010	31.12.2009	Change
Capital losses on assets	22	7	15
Contingent liabilities	15	40	(25)
Non-income taxes	316	303	13
Other	-	7	(7)
Total other operating costs	353	357	(4)

Breakdown of costs by type

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

(€/000)	31.12.2010	31.12.2009	Change
Payroll & employee benefits	3,678	3,798	(120)
Amortisation and depreciation	1,460	1,398	62
Directors' remuneration	3,749	1,216	2,533
Technical, legal, and tax advisory services	1,689	671	1,018
Rental and building maintenance	481	575	(94)
Software maintenance and assistance	364	382	(18)
Telephone subscriptions	299	326	(27)
Non-income taxes	316	303	13
Accounts certification expenses	140	153	(13)
Vehicle leasing and maintenance	157	145	12
Marketing	195	143	52
Travel & accommodation	221	133	88
Stock exchange costs and membership fees	193	127	66
Board of Statutory Auditors' remuneration	74	90	(16)
Meetings expenses	44	68	(24)
Other costs	228	183	45
Total (1+2)	13,288	9,711	3,577

The increase in "Technical, legal and tax advisory" costs is mainly due to the costs sustained for the acquisition of Evolution Robotics Retail on 1 July 2010, for which advisory costs of € 461 thousand were incurred.



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

(€/000)	31.12.2010	31.12.2009	Change
Wages and salaries	2,492	2,277	215
Social security charges	741	702	39
Staff leaving indemnities	188	171	17
Medium- to long-term managerial incentive plan	188	463	(275)
Reimbursements for seconded personnel	(54)	(50)	(4)
Other costs	123	236	(113)
Total	3,678	3,799	(121)

NOTE 19. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

(€/000)	31.12.2010	31.12.2009	Change
Reimbursement of miscellaneous costs	4	5	(1)
Incidental income and cost cancellation	37	95	(58)
Rents and lease amounts	494	741	(247)
Capital gains on asset disposals	5	22	(17)
Payment by third parties for damages	416		416
Other	113	93	20
Total other revenue	1,069	956	113

The decrease in the "Rentals" item is due to the termination of the rental contract with subsidiary Datalogic Automation S.r.l. following the company's move.

With regards to the item "Payment by third parties for damages", note the collection of damages totalling € 400 thousand following the positive conclusion of a lawsuit.

NOTE 20. NET FINANCIAL INCOME

(€/000)	31.12.2010	31.12.2009	Change
Interest expenses on bank current accounts/loans	2,310	2,635	(325)
Foreign exchange losses	5,532	1,256	4,276
Bank expenses	114	80	34
Write-down of equity investments	452	350	102
Other	100	(405)	505
Total financial expenses	8,508	3,916	4,592
Interest income on bank current accounts/loans	1,580	1,734	(154)
Foreign exchange gains	5,463	725	4,738
Dividends	9,603	14,557	(4,954)
Other	85		85
Total financial income	16,731	17,016	(285)
Net financial income (expenses)	8,223	13,100	(4,877)

Total financial expenses

The item "Foreign exchange losses" equals € 5,532 thousand and is detailed as follows:

- € 330 thousand in foreign exchange losses relating to commercial transactions;
- € 5,203 thousand in foreign exchange losses relating to loans and current accounts in foreign currency, of which € 4,526 thousand for alignment with the end-of-period exchange rate.

The item "Bank expenses" of € 114 thousand relates to:

- € 97 thousand in ordinary banking commissions relating to the movements of current accounts and the taking out of medium-/long-term loans;
- € 17 thousand for fees on sureties.

Total financial income

The item "Foreign exchange gains" of € 5,463 thousand relates to:

- € 42 thousand in foreign exchange gains relating to commercial transactions;
- € 112 thousand in revenue from exchange rate hedges;
- € 5,308 thousand in foreign exchange gains relating to loans and current accounts in foreign currency, of which € 4,642 thousand for alignment with the end-of-period exchange rate.

The item "Dividends" of € 9,603 thousand relates to earnings distributed during 2010 as follows:

- Subsidiary Datalogic Mobile S.r.l. for € 1,500 thousand;
- Subsidiary Datalogic Scanning Group S.r.l. for € 6,887 thousand;
- Subsidiary Informatics Inc. for € 1,217 thousand (USD 1,500 thousand).

NOTE 21. TAXES

(€/000)	31.12.2010	31.12.2009
Income tax	(2,585)	(1,100)
Substitute taxes		
Deferred tax	1,755	2,030
Total	(830)	930

Deferred tax liabilities were calculated according to global allocation criteria, considering the cumulative amount of all interim differences, based on the average rates expected to be in force at the time these temporary differences had an effect.

NOTE 22. EARNINGS/LOSS PER SHARE

Basic Earnings/loss per share

Basic earnings per share at 31 December 2010 is calculated by dividing the net profit of € 9,451 thousand (€ 15,108 thousand as at 31 December 2009) by the weighted average number of ordinary shares outstanding at 31 December 2010 (54,760,264 shares, compared with 55,171,440 at 31 December 2009).

Basic earnings/loss per share

(€/000)	31.12.2010	31.12.2009
Group profit/(loss) for period	9,450,519	15,108,058
Average number of shares	54,760,264	55,171,440
Basic earnings/(loss) per share	0.1726	0.2738



Diluted earnings/loss per share

(€/000)	31.12.2010	31.12.2009
Group profit/(loss) for period	9,450,519	15,108,058
Average number of shares as at 31 December	54,760,264	55,171,440
Effect of future exercise of stock options		
Average number of shares (diluted) as at 31 December		
Diluted earnings/loss per share	0.1726	0.2738

NOTICE OF AUDITING FIRM'S FEES

Pursuant to article 149-duodecis of the Issuer Regulation, in implementation of Legislative Decree 58 of 24 February 1998, the following table shows the fees allocable to FY 2010 for auditing and other services.

(€/000)	Compensation for auditing services	Other remuneration
Datalogic S.p.A.	121	121

RELATED-PARTY TRANSACTIONS

Related parties (€/000)	TIP	Hydra Imm.	Hydra	St. Ass. Caruso	Mobile Group	Automation Group	Scanning Group	Informatics	Evolution Robotics Retail	Real Estate Group	Total
Receivables											
Trade receivables					1,460	1,435	2,751	19	10	96	5,771
Financial receivables					49	4,788	76,434	2,694	1,497	3,100	88,562
Tax receivables											
Payables											
Trade payables	17		1	93	30	366	548			99	1,154
Taxes payable			824								824
Financial payables					26,019	9,743	28,030	604		1,550	65,946
Costs											
Sales costs	91			187							278
Financial costs					346	108	548	1		4	1,007
Service costs		50			4	79	31			243	407
Revenues											
Commercial revenues					3,913	4,702	6,925	48		43	15,631
Financial revenues					1,534	83	7,631	1,300	10	39	10,597

Transactions with companies controlled by Shareholders

Transactions with Hydra Immobiliare, a company controlled by the reference shareholders of the Company, refer to the rental of property by the Company (€ 50 thousand).

Company transactions with the Parent Company (Hydra S.p.A.) mainly relate to the IRES payable of € 824 thousand; the Company has joined the tax consolidation scheme, as a consolidated company (Hydra is the consolidator).

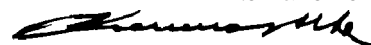
Transactions with companies controlled by members of the Board of Directors

Tamburi Investment Partners S.p.A. (belonging to director Giovanni Tamburi) billed the Company € 91 thousand for various advisory services in 2010.

In accordance with the provisions of Consob resolution no. 11520 of 1 July 1998, the list of Datalogic shares held by members of the board of directors and board of auditors is shown in the "Equity interests held by directors and auditors of the Parent Company" section of the "Report on Operations".

The Caruso law offices (headed up by the director, Pier Paolo Caruso) billed the Company € 187 thousand for tax consulting services in 2010.

Chairman of the Board of Directors
Romano Volta





Annexes



ANNEX 1

List of equity investments in subsidiaries and affiliates at 31 december 2010
(art. 2427 no. 5 of the civil code)

Company	Registered office	Cur.	Share capital in local currency	Shareholders' Equity (€/000)
				Total amount
Informatics Acquisition	Plano (Texas) - USA	USD	9,996,000	14,309
Datalogic Automation S.r.l.	Bologna - Italy	Euro	18,000,000	4,189
Datalogic Mobile S.r.l.	Bologna - Italy	Euro	10,000,000	20,957
Datalogic Scanning Group S.r.l.	Bologna - Italy	Euro	10,000,000	100,835
Datalogic Real Estate S.r.l.	Bologna - Italy	Euro	20,000	2,659
Total subsidiaries				142,949
Mandarin Capital Partners		Euro	101,390,000	73,500
Nomisma S.p.A.	Bologna - Italy	Euro	5,345,328	5,335
Conai				
Caaf Ind. Emilia Romagna	Bologna - Italy	Euro	375,206	
Consorzio T3 LAB				
Crit S.r.l.	Bologna - Italy	Euro	403,800	
Total other companies				84,916



Net profit (loss) for the year in (€/000)	Net profit (loss) for the year in (€/000)		% Ownership	Carrying value including provisions for future charges	Difference
Pro-rata amount (A)	Total amount	Pro-rata amount		(B)	(B)-(A)
14,309	2,206	2,206	100%	11,011	(3,298)
4,189	3,098	3,098	100%	39,454	35,265
20,957	3,940	3,940	100%	14,436	(6,521)
100,835	5,630	5,630	100%	91,027	(9,808)
2,659	148	148	100%	2,340	(319)
142,949	15,022	15,022		158,268	15,319
720	(15,970)	(156)	0.98%	993	273
7	(69)	0	0.13%	7	0
				0	0
			0.96%	4	4
				7	7
			0.01%	52	52
7	(22,425)			931	789

ANNEX 2

Remuneration of directors, managers with strategic responsibilities and auditors (Art. 78 of the Consob Regulation nr 11971 of 14 May 1999)

Pursuant to the Issuer Regulation adopted by Consob with resolution 11971 of 14 May 1999, the following tables show the amounts paid to the members of the administration and supervisory bodies, listed by name, and at conglomerate level, remuneration paid to other directors with strategic responsibilities.

(€/000) Directors incumbent at 31.12.2010						
Individual full name	Position held	Duration of position	Remuneration for position	Non-monetary benefits	Other remuneration	Bonuses and other incentives
R. Volta	Chairman	31.12.2011	276	n.a.	n.a.	n.a.
M. Sacchetto	Chief Executive Officer	31.12.2011	515	n.a.	248	1,351
P. Caruso (*)	Director	31.12.2011	16	n.a.	104	100
G. Cristofori	Independent Director	31.12.2011	47	n.a.	n.a.	n.a.
A. Manaresi	Independent Director	31.12.2011	30	n.a.	n.a.	n.a.
E. Piol	Director	31.12.2011	43	n.a.	n.a.	n.a.
L. Di Stefano	Independent Director	31.12.2011	15	n.a.	n.a.	n.a.
G. Tamburi	Director	31.12.2011	15	n.a.	n.a.	n.a.
G. Volta	Director	31.12.2011	15	n.a.	n.a.	n.a.
V. Volta	Director	31.12.2011	15	n.a.	n.a.	n.a.

(*) Includes remuneration paid from all the companies of the Group.

(€/000) Directors who resigned or whose mandate expired during the 2010 accounting year						
Individual full name	Position held	Duration of position	Remuneration for position	Non-monetary benefits	Other remuneration	Bonuses and other incentives
L. Floriani	Director	31.12.2011	8	n.a.	n.a.	n.a.

(€/000)						
			Remuneration for position	Non-monetary benefits	Other remuneration	Bonuses and other incentives
Managers with strategic responsibilities			n.a.	n.a.	1,010	893

(€/000) Statutory Auditors						
Individual full name	Position held	Duration of position	Remuneration for position	Non-monetary benefits	Other remuneration	Bonuses and other incentives
S. Romani	Pres. of Board of Statutory Auditors	31.12.2012	32	n.a.	n.a.	n.a.
M. Saracino	Statutory Auditor	31.12.2012	21	n.a.	n.a.	n.a.
M. Ravaccia	Statutory Auditor	31.12.2012	21	n.a.	n.a.	n.a.



ANNEX 3

HYDRA S.p.A.

Registered HQ: via L. Alberti n. 1 - 40122 Bologna (Bo)

Share capital: Euro 1.200.000 i.v.

Tax code and Bologna Companies Register no. 00445970379

Bologna REA no. 202001

ANNUAL FINANCIAL STATEMENTS AS AT 31.12.2009

Balance sheet - Assets

Assets (€)	31.12.2009	31.12.2008
A) Unpaid subscribed capital (of which already called up)		
B) Non-current assets		
I. Immateriali		
1) Start-up and expansion costs		
2) Research, development and advertising costs		
3) Industrial patents and intellectual property rights		
4) Concessions, licenses, trademarks and similar rights		
5) Goodwill		
6) Assets being developed and advance payments		
7) Other intangible assets		
II. Tangible		
1) Land and buildings		19,288,698
2) Plant and machinery		
3) Industrial and commercial equipment		
4) Other tangible assets		43,199
5) Assets under construction and advance payments		
		19,331,897
III. Financial		
1) Equity investments in:		
a) Subsidiary companies	55,559,616	76,376,592
b) Associate companies		
c) Parent companies		
d) Other companies	1,253,249	1,253,249
	56,812,865	77,629,841
2) Receivables		
a) Due from subsidiaries		
- within 12 months		147
- after more than 12 months		49,980,000
		49,980,147
b) Due from associates		
- within 12 months		
- after more than 12 months		
c) Due from parent companies		
- within 12 months		
- after more than 12 months		
d) Others		
- within 12 months		
- after more than 12 months	69,282	12,149
	69,282	12,149
	69,282	49,992,296
3) Other securities		
4) Treasury shares (total par value)	56,882,147	127,622,137
Total non-current assets	56,882,147	146,954,034

continued (€)	31.12.2009	31.12.2008
C) Current assets		
I. Inventories		
1) Raw & ancillary materials and consumables		
2) Work in progress and semi-finished products		
3) Commissioned work in progress		
4) Finished products and goods		
5) Advance payments		
II. Receivables		
1) Due from customers		
- within 12 months	10,877	66,213
- after more than 12 months		
	10,877	66,213
2) Due from subsidiaries		
- within 12 months	618,000	2,208,048
- after more than 12 months		
	618,000	2,208,048
3) Due from associates		
- within 12 months		
- after more than 12 months		
4) Due from parent companies		
- within 12 months		
- after more than 12 months		
4-bis) Tax receivables		
- within 12 months	35,281	435
- after more than 12 months	424,011	424,011
	459,292	424,446
4-ter) Advance taxes [deferred tax assets]		
- within 12 months	3,838,978	
- after more than 12 months		
	3,838,978	
5) Others		
- within 12 months	2,246,011	246,808
- after more than 12 months		3,724
	2,246,011	250,532
	7,173,158	2,949,239
III. Current financial assets		
1) Equity investments in subsidiaries		
2) Equity investments in associates		
3) Equity investments in parent companies		
4) Other equity investments		
5) Treasury shares (total par value)		
6) Other securities		
IV. Cash & cash equivalents		
1) Bank and post office balances	64,567	6,641,866
2) Cheques		
3) Cash and similar items on hand	186	67
	64,753	6,641,933
Total current assets	7,237,911	9,591,172
D) Accrued income and prepaid expenses		
- Discount on loans		
- Miscellaneous	63	8,923
	63	8,923
Total assets	64,120,121	156,554,129

Balance sheet - Liabilities (€)	31.12.2009	31.12.2008
A) Shareholders' Equity		
I. Share capital	1,200,000	31,200,000
II. Share premium reserve		
III. Revaluation reserve		282,871
IV. Legal reserves	6,240,000	6,240,000
V. Statutory reserves		
VI. Treasury share reserve		
VII. Other reserves		
Translation and rounding reserve	1	1
Other reserves		
	1	1
VIII. Retained earnings	13,514,900	10,173,630
IX. Profit (loss) for the year		35,709,385
IX. Perdita d'esercizio	(1,169,689)	
Total Shareholders' Equity	19,785,212	83,605,887
B) Provisions for risks and liabilities		
1) End-of-service indemnities and similar obligations		
2) Provision for taxes (including deferred taxes)		
3) Other provisions	410,987	410,987
Total provisions for risks and liabilities	410,987	410,987
C) Provision for post-employment benefits		24,389
D) Payables		
1) Bonds		
- within 12 months		
- after more than 12 months	38,650,000	38,650,000
	38,650,000	38,650,000
2) Convertible bonds		
- within 12 months		
- after more than 12 months		
3) Due to shareholders for loans		
- within 12 months		
- after more than 12 months		19,600,000
		19,600,000
4) Due to banks		
- within 12 months		8,000,202
- after more than 12 months		
		8,000,202
5) Due to other lenders		
- within 12 months		
- after more than 12 months		
6) Advance payments received		
- within 12 months		21,427
- after more than 12 months		
		21,427
7) Trade payables		
- within 12 months	34,130	522,433
- after more than 12 months		
	34,130	522,433
8) Payables consisting of paper credit		
- within 12 months		
- after more than 12 months		
9) Due to subsidiaries		
- within 12 months	3,840,000	673,741
- after more than 12 months		
	3,840,000	673,741
10) Due to associates		
- within 12 months		
- after more than 12 months		
11) Due to parent companies		
- within 12 months		
- after more than 12 months		

continued (€)	31.12.2009	31.12.2008
12) Tax liabilities		
- within 12 months	5,156	3,683,470
- after more than 12 months		
	5,156	3,683,470
13) Due to pension and social security agencies		
- within 12 months	1,279	3,292
- after more than 12 months		
	1,279	3,292
14) Other payables		
- within 12 months	1,393,357	1,295,420
- after more than 12 months		5,423
	1,393,357	1,300,843
Total payables	43,923,922	72,455,408
E) Accrued liabilities and deferred inform		
- premium on loans		
- miscellaneous		57,458
		57,458
Total liabilities	64,120,121	156,554,129

Memorandum accounts

(€)	31.12.2009	31.12.2008
Total memorandum accounts	258,228	258,228



Income Statement

(€)	31.12.2009	31.12.2008
A) Production value		
1) Revenues from sales of products and services	541,225	877,129
2) Change in inventories of work in progress and of semi-finished and finished products		
3) Change in inventory of commissioned work in progress		
4) In-house enhancement of tangible assets		
5) Other revenues and income		
- miscellaneous	12,571	9,439
- revenue grants		
- investment grants (year's portion)		
	12,571	9,439
Total production value	553,796	886,568
B) Production costs		
6) Raw & ancillary materials, consumables and goods	1,049	778
7) Services	1,414,451	997,052
8) Rental, hire, leasing and royalties	4,822	6,197
9) Payroll costs		
a) Wages & salaries	32,621	46,280
b) Social security charges	11,225	13,728
c) Post-employment benefits	2,233	3,954
d) End-of-service indemnities and similar items		456
e) Other costs	711	1,115
	46,790	65,533
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible assets		500
b) Depreciation of tangible assets	222,542	368,025
c) Other write-downs of non-current assets		
d) Write-downs of current receivables and of cash equivalents		
	222,542	368,525
11) Changes in inventories of raw & ancillary materials, consumables and goods		
12) Risk provisioning		410,987
13) Other provisioning		
14) Miscellaneous operating expenses	240,955	318,364
Total production costs	1,930,609	2,167,436
Difference between production value and costs (A-B)	(1,376,813)	(1,280,868)
C) Finance income and expense		
15) Income from equity investments		
- from subsidiaries	1,369,793	2,640,715
- from associates		
- from others		43,164
	1,369,793	2,683,879

continued (€)	31.12.2009	31.12.2008
16) Other finance income:		
a) From non-current receivables		
- from subsidiaries		226,757
- from associates		
- from parent companies		
- from others		36,448,866
b) from securities held as non-current assets		
c) from securities held as current assets		
d) income other than the above:		
- from subsidiaries		
- from associates		
- from parent companies		
- from others	179,831	132,525
	179,831	36,808,148
	1,549,624	39,492,027
17) Interest and other finance expense:		
- from subsidiaries		
- from associates		
- from parent companies		
- from others	1,638,584	2,434,772
	1,638,584	2,434,772
17-bis) Foreign exchange gains and losses		
Net finance income (expense)	(88,960)	37,057,255
D) Adjustments to value of financial assets		
18) Write-ups:		
a) of equity investments		
b) of non-current financial assets		
c) of securities held as current assets		
19) Write-downs:		
a) of equity investments	375,904	184,194
b) of non-current financial assets		
c) of securities held as current assets		
	375,904	184,194
Net adjustments to value of financial assets	(375,904)	(184,194)
E) Extraordinary income and charges		
20) Extraordinary income:		
- Capital gains on asset disposals		20
- Miscellaneous	62,582	77,362
- Roundig off		
	62,582	77,382
21) Extraordinary charges:		
- Capital losses on asset disposals		
- Previous years' taxes		
- Miscellaneous	7,572	117,547
- Roundig off		1
	7,572	117,548
Net extraordinary income (charges)	55,010	(40,166)
Pre-tax profit A-B±C±D±E)	(1,786,667)	35,552,027
22) Income tax for the year – current, deferred and advance		
a) Current income tax		
b) Deferred (advance) income tax		
c) Advance income taxes	(616,978)	(157,358)
d) Income and charges from tax consolidation treatment		
	(616,978)	(157,358)
23) Profit (loss) for the year	(1,169,689)	35,709,385



ANNEX 4

HYDRA S.p.A.

Registered HQ: via L. Alberti n. 1 - 40122 Bologna (Bo)

Share capital: Euro 1.200.000 i.v.

Tax code and Bologna Companies Register no. 00445970379

Bologna REA no. 202001

CONSOLIDATED BALANCE SHEET 31.12.2009

Consolidated Financial Statements

Assets (€/000)	Notes	31.12.2009	31.12.2008	Differences
Non-current assets		221,421	337,275	(115,854)
Tangible assets	1	50,822	155,284	(104,462)
Land		4,975	6,466	(1,491)
Buildings		22,208	101,186	(78,978)
Plant and machinery		7,960	10,924	(2,964)
Other assets		14,217	15,606	(1,389)
Assets in progress and payments on account		1,462	21,102	(19,640)
Intangible assets	2	141,781	153,840	(12,059)
Goodwill		102,160	104,758	(2,598)
Research and development expenses		363	1,164	(801)
Other		39,204	47,918	(8,714)
Assets in progress and payments on account		54	0	54
Equity investments in subsidiaries and associates	3	1,644	1,947	(303)
Financial assets available for sale (AFS)	4, 5	2,823	3,193	(370)
Securities		359	361	(2)
Loans to subsidiaries		180	204	(24)
Equity investments		2,284	2,628	(344)
Trade and other receivables	7	1,311	2,857	(1,546)
Group trade and other receivables		0	0	0
Deferred tax receivables	13	22,616	19,730	2,886
Medium-/long-term tax receivables	9	424	424	0
Current assets		195,422	213,701	(18,279)
Inventories	8	39,082	52,417	(13,335)
Raw and ancillary materials and consumables		20,655	26,744	(6,089)
Work in progress and semi-finished products		4,575	6,896	(2,321)
Finished products and goods		13,852	18,777	(4,925)
Trade and other receivables	7	77,816	94,037	(16,221)
Trade receivables		65,466	78,068	(12,602)
Trade receivables due within 12 months		63,812	76,266	(12,454)
Receivables from affiliates and related parties		1,654	1,802	(148)
Other receivables – accrued income and prepaid expenses	7	12,350	15,969	(3,619)
Other Group receivables		0	11	(11)
Group financial receivables		0	0	0
Tax receivables	9	6,765	7,793	(1,028)
Financial assets available for sale (AFS)	5	1	6	(5)
Financial assets - derivatives	6	0	0	0
Cash and cash equivalents	10	71,758	59,437	12,321
Total assets		416,843	550,976	(134,133)

Liabilities (€/000)		31.12.2009	31.12.2008	Differences
Share capital		1,200	31,200	(30,000)
Reserves		(12,060)	(9,389)	(2,671)
Retained earnings/(losses)		84,569	107,610	(23,041)
Profit/(loss) for the period/financial year		(11,114)	17,673	(28,787)
Total Group Shareholders' Equity		62,595	147,094	(84,499)
Minority interest		36,885	34,667	2,218
Profit/(loss) for the period		(3,481)	5,653	(9,134)
Total minority interest in Shareholders' Equity		33,404	40,320	(6,916)
Total Shareholders' Equity	11	95,999	187,414	(91,415)
Non-current liabilities		117,158	197,883	(80,725)
Loans	12	46,749	120,058	(73,309)
Financial liabilities - Derivatives	6	1,917	0	1,917
Bond loan	12	38,650	38,650	0
Medium-/long-term tax payables	9	383	71	312
Deferred tax liabilities	13	15,531	23,819	(8,288)
Post-employment benefits	14	7,739	8,438	(699)
Provisions for risks	15	4,730	5,929	(1,199)
Other liabilities	16	1,459	918	541
Current liabilities		203,686	165,679	38,007
Trade and other payables	16	68,265	78,284	(10,019)
- Trade payables		43,850	49,966	(6,116)
Trade payables due within 12 months		43,619	49,852	(6,233)
Payables to affiliates and related parties		231	114	117
- Other payables - accrued liabilities and deferred income		24,415	28,318	(3,903)
Other payables to related parties		0	0	0
Financial liabilities - derivatives	6	814	2,151	(1,337)
Taxes payable	9	4,721	9,822	(5,101)
Loans	12	123,251	65,635	57,616
Provisions for risks	15	6,635	9,787	(3,152)
Total liabilities		416,843	550,976	(134,133)



Consolidated Income Statement

(€/000)	Notes	31.12.2009	31.12.2008	Differences
Revenues from sales		297,665	390,581	(92,916)
Revenues for services		14,847	14,293	554
Total operating revenues	17	312,512	404,874	(92,362)
Total cost of goods sold	18	183,848	225,998	(42,150)
Gross profit		128,664	178,876	(50,212)
Other revenues	19	2,286	10,689	(8,403)
R&D expenses		25,372	26,950	(1,578)
Distribution expenses		69,611	80,744	(11,133)
General & administrative expenses		36,164	48,135	(11,971)
Other operating expenses		6,700	3,767	2,933
Total operating costs	18	137,847	159,596	(21,749)
EBIT		(6,897)	29,969	(36,866)
Financial management result	20	(8,924)	1,547	(10,471)
Profits of associates		(64)	(34)	(30)
Net financial management result		(8,988)	1,513	(10,501)
Pre-tax profit		(15,885)	31,482	(47,367)
Taxes	21	(1,290)	8,156	(9,446)
Profit for the period		(14,595)	23,326	(37,921)
Minority interests' share of profit/(loss)		(3,481)	5,653	(9,134)
Group net profit/loss		(11,114)	17,673	(28,787)

ANNEX 5

Reconciliation between theoretical tax burden and tax burden shown in the financial statements (IRES)

(€)		
Profit before taxes		10,282,112
Theoretical tax burden (rate 27.5%)		2,827,581
Temporary differences taxable in future financial periods:		
Foreign exchange gains from valuation	962,281	
Total		(962,281)
Temporary differences deductible in future financial periods:		
Directors' compensation	1,381,137	
Foreign exchange losses from valuation	4,769,570	
Depreciation > fiscally deductible portion	80,482	
Provision to the LT MIP provision	1,649,000	
Cash deductible costs	1,327	
Total		7,881,517
Recharge of the temporary differences from previous financial years:		
Write-down of final inventories in previous years		
Board of Directors compensation pertaining to previous years, paid in the year	46,555	
Entertainment in previous years (deductible portion)	11,443	
Cash deductible components of previous years paid in the year	2,794	
Expenses charged to equity in previous years	157,765	
Losses from exchange rate adjustments at 31.12.2009 realised in 2010	853,783	
Costs not deducted in previous years	5,556	
Profits from adjustments at 31.12.2009 realized in 2010	(252,383)	
Total		(825,513)
Differences that will not be repaid in the following financial years:		
Non-deductable taxes	127,230	
Non-deductable amortisation and depreciation	262,164	
Write-down of equity investments	451,524	
Motor vehicle use expense	37,214	
Use of telephone expenses	21,792	
Non-deductable capital losses	15,026	
Non-deductable sundry expenses	74,817	
Excluding dividends	(9,123,173)	
Non-taxed capital gains	(22,675)	
Other	(44,241)	
Total		(8,200,323)
Total taxable		8,175,512
Current income tax	tax rate 27.5%	2,248,266



Determination of the IRAP taxable income

(€)		
Difference between production value and costs	1,981,903	
Costs not significant to IRAP	3,637,578	
Revenue not significant to IRAP		
Extraordinary revenue relevant to IRAP		
Extraordinary expenses relevant to IRAP		
Deductions for the purposes of IRAP (INAIL premium, costs for CFL, apprentices and handicapped employees, deductions)	(847,064)	
Total	4,772,417	
Theoretical tax burden (rate 3.9%)		186,124
Temporary differences taxable in future financial periods:		
Total	0	
Temporary differences deductible in future financial periods:		
Trademark amortisation	11,413	
Total	11,413	
Recharge of the temporary differences from previous financial years:		
Expenses charged to equity in previous years	66,973	
Costs not deducted in previous years	5,556	
Entertainment	11,433	
Total	(83,962)	
Differences that will not be repaid in the following financial years:		
Compensation for temporary and interim employees	3,696,055	
Non-deductable amortization and depreciation	262,164	
Non-deductable taxes	81,206	
Income not significant to IRAP	(20,825)	
Amounts payable for employee secondment	(52,747)	
Other	15,026	
Total	3,980,879	
Taxable income (IRAP)	8,680,747	
Current IRAP	tax rate 3.90%	338,549

ANNEX 6

Dichiarazione ai sensi dell'art. 154-bis, commi 3 e 4, D.Lgs. n. 58/1998

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

1. I sottoscritti Mauro Sacchetto, in qualità di Amministratore Delegato e Marco Rondelli, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso dell'esercizio 2010.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2010 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control – Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

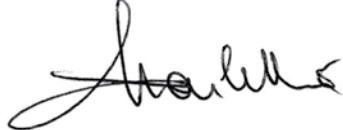
3.1 il bilancio consolidato:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità Europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento Europeo e del Consiglio, del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

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

Lippo di Calderara di Reno (BO), 7 marzo 2011

L'Amministratore Delegato
Mauro Sacchetto



Il Dirigente Preposto alla redazione dei documenti contabili
Marco Rondelli





ANNEX 6

Dichiarazione ai sensi dell'art. 154-bis, commi 3 e 4, D.Lgs. n. 58/1998

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

1. I sottoscritti Mauro Sacchetto, in qualità di Amministratore Delegato e Marco Rondelli, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio civilistico nel corso dell'esercizio 2010.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2010 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control – Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

3.1 il bilancio d'esercizio:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità Europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento Europeo e del Consiglio, del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

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

Lippo di Calderara di Reno (BO), 7 marzo 2011

L'Amministratore Delegato
Mauro Sacchetto

Il Dirigente Preposto alla redazione dei documenti contabili
Marco Rondelli

ANNEX 7

Independent auditors' report



Reconta Ernst & Young S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna
Tel. (+39) 051 278311
Fax (+39) 051 236666
www.ey.com

Independent auditors' report

pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Datalogic S.p.A.

1. We have audited the consolidated financial statements of Datalogic S.p.A. and its subsidiaries, (the "Datalogic Group") as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Datalogic S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated April 9, 2010.

3. In our opinion, the consolidated financial statements of the Datalogic Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Datalogic Group for the year then ended.
4. The management of Datalogic S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Investor relations - Corporate Governance" of Datalogic S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Datalogic Group as of December 31, 2010.

Bologna, March 23, 2011

Reconta Ernst & Young S.p.A.
Signed by: Alberto Rosa, Partner

This report has been translated into the English language solely for the convenience of international readers

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
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Independent auditors' report

pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Datalogic S.p.A.

1. We have audited the financial statements of Datalogic S.p.A. as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Datalogic S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated April 9, 2010.

3. In our opinion, the financial statements of the Datalogic S.p.A. at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Datalogic S.p.A. for the year then ended.
4. The management of Datalogic S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Investor relations - Corporate Governance" of Datalogic S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Datalogic S.p.A. as of December 31, 2010.

Bologna, March 23, 2011

Reconta Ernst & Young S.p.A.
Signed by: Alberto Rosa, Partner

This report has been translated into the English language solely for the convenience of international readers

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ANNEX 8

Relazione del Collegio Sindacale



RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI DI DATALOGIC S.p.A. AI SENSI DELL'ART. 153 D.LGS. 58/1998 E DELL'ART. 2429, COMMA 3, DEL CODICE CIVILE

Signori azionisti,

nel corso dell'esercizio chiuso al 31 dicembre 2010, il Collegio Sindacale di Datalogic S.p.a. ("Datalogic" o la "Società") ha svolto le attività di vigilanza previste dalla legge, tenendo anche conto dei principi di comportamento raccomandati dai Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri e delle comunicazioni Consob in materia di controlli societari e attività del Collegio Sindacale.

Il Collegio Sindacale ha acquisito, nel corso dell'esercizio, le informazioni per lo svolgimento delle proprie funzioni attraverso audizioni delle strutture aziendali, la partecipazione alle riunioni del Consiglio di Amministrazione nonché la partecipazione alle riunioni del comitato per il controllo interno e per la *corporate governance* alle quali il Collegio ha sempre assistito.

In conformità alle raccomandazioni ed indicazioni fornite da Consob con comunicazione del 6 aprile 2001 n. 1025564, modificata e integrata con DEM/ 3021582 del 4 aprile 2003 e DEM/6031329 del 7 aprile 2006 riferiamo quanto segue:

1. Il Collegio Sindacale ha vigilato sull'osservanza della legge e dell'atto costitutivo e sul rispetto dei principi di corretta amministrazione.
2. Il Collegio Sindacale non ha riscontrato, nel corso dell'esercizio 2010 e successivamente alla chiusura dello stesso, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate (ivi comprese le società del Gruppo).
3. Il Collegio ritiene che le informazioni rese dagli Amministratori nelle Note del Bilancio in ordine alle operazioni infragruppo e con le parti correlate siano adeguate.
4. La società di revisione Reconta Ernst & Young S.p.A. ha rilasciato in data 23 marzo 2011 la relazione ai sensi dell'art. 14 del D.Lgs. n. 39/2010 in cui attesta che il bilancio di esercizio e il bilancio consolidato al 31 dicembre 2010 sono conformi agli International Financial Reporting Standards (IFRS) adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del d.lgs. n. 38 del 2005, sono redatti con chiarezza e rappresentano in modo veritiero e corretto la situazione patrimoniale, finanziaria e il risultato economico d'esercizio e consolidato della Società e del Gruppo. La società di revisione ritiene altresì che la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f) l) e m) e al comma 2, lett. b) dell'art. 123-bis del d.lgs. n. 58 del 1998 presentate nella relazione sulla governo societario e gli assetti societari sono coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.
5. Nel corso del 2010, non sono state presentate al Collegio Sindacale denunce ai sensi dell'art. 2408 del codice civile.
6. Non sono stati presentati esposti.
7. Nel corso del 2010 la Società non ha conferito alla Reconta Ernst & Young S.p.A. ulteriori incarichi, diversi dalla revisione contabile del bilancio civilistico e consolidato, della revisione contabile limitata delle relazioni semestrali e dell'attività di verifica della regolare tenuta della contabilità e della corretta rilevazione dei fatti di gestione nelle scritture contabili ex art. 155, comma 1, lett. a) del TUF, ad eccezione di una attività di consulenza relativa al miglioramento della gestione del magazzino della divisione Automation per un corrispettivo di Euro 79.000 e ad un'attività di due diligence per l'acquisizione della società Evolution Robotics Retails Inc. per un corrispettivo di Euro 79.000.
8. La Società non ha conferito incarichi a soggetti legati alla società di revisione Reconta Ernst & Young S.p.a. da rapporti continuativi ad eccezione di un'attività di consulenza fiscale per un corrispettivo di Euro 16.000.

9. Il Collegio Sindacale nel corso dell'esercizio 2010 ha rilasciato un parere al Consiglio di Amministrazione, ai sensi dell'art. 2389, comma 3, del codice civile, in merito alla remunerazione attribuita ad Amministratori investiti di particolari cariche.
Si rammenta che la remunerazione degli Amministratori Esecutivi (art. 2389, comma 3, codice civile) è stabilita dal Consiglio di Amministrazione sentito il parere del Collegio Sindacale e previa istruttoria del Comitato per la remunerazione, Comitato composto da amministratori non esecutivi, in maggioranza indipendenti. Per ulteriori approfondimenti in relazione alla remunerazione degli Amministratori e ai piani di incentivazione di lungo termine nonché alle indennità di scioglimento anticipato si rinvia alla relazione sulla Corporate Governance predisposta dalla società.
10. Nel corso del 2010, il Consiglio di Amministrazione della Società ha tenuto dieci adunanze; il Comitato per il Controllo interno e per la Corporate Governance tre e il Comitato per la remunerazione cinque. Il Collegio Sindacale, nel corso del medesimo anno 2010, si è riunito sei volte; inoltre ha assistito: (i) all'Assemblea di approvazione del bilancio chiuso al 31 dicembre 2009; (ii) a tutte le riunioni del Consiglio di Amministrazione; (iii) a tutte le adunanze tenutesi nell'anno 2010 dal Comitato per il controllo interno e per la Corporate Governance.
11. Il Collegio Sindacale ha preso conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolte di informazioni dai responsabili delle funzioni aziendali (tra cui il Preposto al Controllo Interno), incontri con il Comitato per il controllo interno e per la Corporate Governance e con i responsabili della Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti. In particolare, per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio Sindacale ha accertato, anche mediante la partecipazione diretta alle adunanze consiliari, la conformità alla legge e allo Statuto Sociale delle scelte gestionali operate dagli Amministratori e ha verificato che le relative delibere fossero assistite da analisi e pareri – prodotti all'interno o, quando necessario, da professionisti esterni – riguardanti soprattutto la congruità economico-finanziaria delle operazioni e la loro conseguente rispondenza all'interesse della Società.
12. Il Collegio Sindacale ha acquisito conoscenza e vigilato sull'adeguatezza della struttura organizzativa della Società e sul relativo funzionamento, mediante raccolta di informazioni dalle strutture preposte, audizioni dei responsabili delle competenti funzioni aziendali, incontri con i responsabili della revisione interna ed esterna e a tale riguardo non ha osservazioni particolari da riferire.
13. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del sistema di controllo interno della Società, anche attraverso: (i) riunioni con il Comitato per il controllo interno e per la Corporate Governance e (ii) acquisizione di documentazione, rilevando che il sistema non ha evidenziato criticità significative.
14. Il Collegio ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile e sulla relativa affidabilità a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni aziendali competenti (tra cui il Preposto al Controllo Interno), l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione Reconta Ernst & Young S.p.A.. Il Collegio ha altresì preso atto delle attestazioni rilasciate dall'Amministratore Delegato e dal Dirigente Preposto alla redazione dei documenti contabili societari del Gruppo in merito all'adeguatezza e all'effettiva applicazione nel corso del 2010 delle procedure amministrative e contabili per la formazione del bilancio d'esercizio e consolidato.
15. Il Collegio Sindacale ha vigilato sull'adeguatezza delle disposizioni impartite dalla Società alle proprie controllate, ai sensi dell'art. 114, comma 2, del d.lgs. 58/98 e le ritiene idonee al fine di adempiere agli obblighi di comunicazione previsti dalla legge.
16. Il Collegio Sindacale ha accertato tramite verifiche dirette ed informazioni assunte dalla società di Revisione Reconta Ernst & Young S.p.A., l'osservanza dei principi IAS/IFRS nonché di norme e di leggi inerenti la formazione e l'impostazione del bilancio di esercizio, del bilancio consolidato e della relazione sulla gestione.
17. La Società aderisce, attraverso l'adozione di un proprio Codice di Autodisciplina, ai principi e alle raccomandazioni compendiate nel Codice di Autodisciplina elaborato su iniziativa di Borsa Italiana, dal Comitato per la Corporate Governance delle Società Quotate. Nell'ambito del Consiglio di Amministrazione della Società (attualmente composto da 11

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membri) si riscontra la presenza di 9 amministratori non esecutivi, 3 dei quali sono stati qualificati dal Consiglio di Amministrazione come indipendenti; il Consiglio di Amministrazione ha costituito al proprio interno sia il Comitato per la remunerazione, composto in maggioranza da Amministratori indipendenti, sia il Comitato per il controllo interno e per la Corporate Governance, composto per la maggioranza da Amministratori indipendenti. Sempre in tema di Amministratori indipendenti, si segnala che la Società ha istituito, nel corso dell'anno 2007, la figura del "Lead Independent Director", punto di riferimento e coordinamento delle istanze e dei contributi degli Amministratori indipendenti, a garanzia della più ampia autonomia di giudizio di questi ultimi rispetto all'operato del management. Al Lead Independent Director è attribuita, tra l'altro, la facoltà di convocare apposite riunioni di soli Amministratori indipendenti per la disamina di temi inerenti all'attività gestionale ovvero al funzionamento del Consiglio di Amministrazione. Per ulteriori approfondimenti sulla Corporate Governance della Società si fa rinvio alla Relazione predisposta e approvata dagli Amministratori.

Al riguardo si evidenzia che la Società ha fatto propri i criteri stabili dal Codice di Autodisciplina di Borsa Italiana per la qualificazione dell'"indipendenza" degli Amministratori. Il Consiglio di Amministrazione, sulla base delle informazioni a disposizione della Società e fornite dagli Amministratori stessi, ha valutato la sussistenza dei requisiti di indipendenza, nel corso della riunione consiliare del 7 marzo 2011. Tali attività di accertamento sono state seguite anche dal Collegio Sindacale, che ha svolto le valutazioni di propria competenza, constatando il rispetto dei requisiti di composizione dell'organo amministrativo nella sua collegialità.

Lo stesso Collegio Sindacale ha effettuata la verifica della propria indipendenza, ai sensi dell'art. 148, terzo comma, del d.lgs. n. 58 del 1998.

In conclusione il Collegio Sindacale esprime una valutazione positiva sul sistema di Corporate Governance della Società.

18. Dall'attività di vigilanza e controllo non sono emersi fatti significativi suscettibili di segnalazione agli Organi di vigilanza e controllo o di menzione nella presente Relazione.
19. Il Collegio Sindacale, preso atto delle risultanze del bilancio di esercizio chiuso al 31 dicembre 2010, non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione del risultato di esercizio.

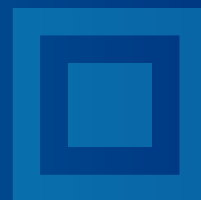
Lippo di Calderara, 23 marzo 2011

Il Collegio Sindacale

Stefano Romani

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Massimo Saracino



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