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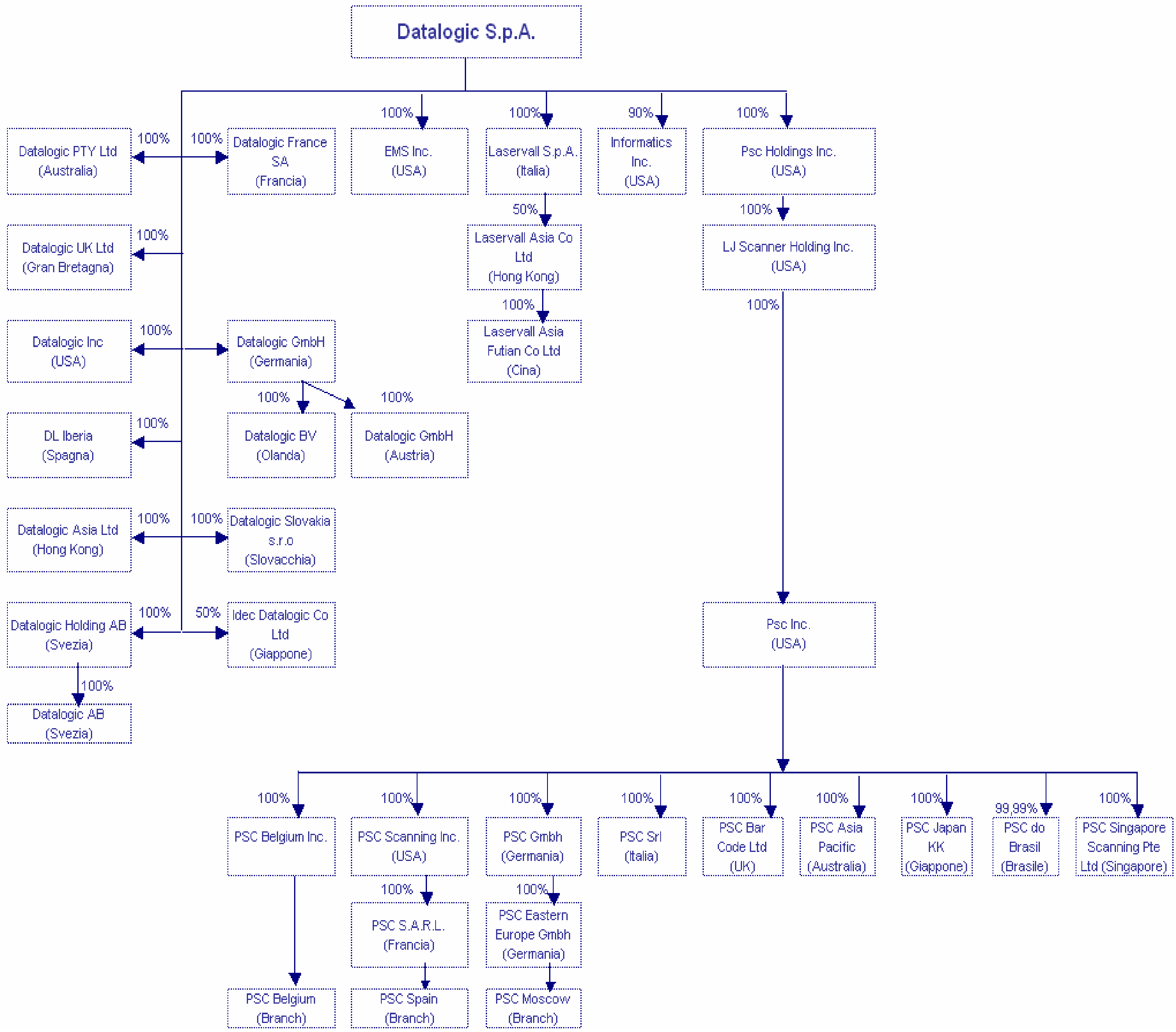
DATALOGIC
Your Life. Our Enthusiasm™

DATALOGIC GROUP

Consolidated Financial Report as at September 30, 2006

STRUTTURA DEL GRUPPO



COMPOSITION OF CORPORATE GOVERNANCE BODIES

Board of Directors (1)

Romano Volta
Chairman (2)

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

Pier Paolo Caruso
Director

Alberto Forchielli
Director

Giancarlo Micheletti
Director

Umberto Paolucci
Director

Elserino Piol
Director

Gabriele Volta
Director

Valentina Volta
Director

John O'Brien
Director

Angelo Manaresi
Director

Giovanni Tamburi
Director

Lodovico Floriani
Director

Board of Statutory Auditors (4)

Stefano Romani
President

Gianluca Cristofori
Standing auditor

Roberto Feverati
Standing auditor

Patrizia Passerini
Alternate auditor

Giorgio Delli
Alternate auditor

Indipendent auditing firm

PricewaterhouseCoopers SpA

(1) The Board of Directors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2006
(2) Powers of legal representation of the company vis-à-vis third parties
(3) Powers of legal representation of the company vis-à-vis third parties
(4) The Board of Statutory Auditors will remain in office until the shareholders' meeting that approves financial statements for the year ending on December 31st 2006

MANAGEMENT REPORT

To Our Shareholders,

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

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

OPERATING AND FINANCIAL RESULTS

The following table summarizes the Datalogic Group's key operating and financial highlights as up to 30 September 2006 (first nine months of 2006 i.e. 9M06), in comparison with the same period in 2005:

Datalogic Group	30/09/06	30/09/05	Change	% ch.
(€'000)				
TOTAL REVENUES	280,494	132,803	147,691	*111.21%*
EBITDA (*)	26,479	22,936	3,543	*15.4%*
% of total revenues	*9.4%*	*17.3%*		
Group net profit/loss	1,356	8,957	-7,601	*-84.9%*
% of total revenues	*0.5%*	*6.7%*		
Net financial position (NFP)	-62,331	38,898	-101,229	-

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

As up to 30 September 2006 the **Datalogic Group recorded revenues of €280,494 thousand (vs. €132,803 thousand in the first nine months of 2005)**, detailed as follows:

- €269,959 thousand in revenues from the sale of products (PSC Group: €125,501 thousand);
- €10,535 thousand of revenues from services (PSC Group: €4,752 thousand).

These revenues showed growth of 111.2% YoY (vs. €132,803 thousand as up to 30/09/05), or 13.1% net of the PSC Group.

Group EBITDA was €26,479 thousand (PSC Group: €4,229 thousand), a 9.4% margin on total revenues (14.8% net of the PSC Group). The increase YoY totalled €3,543 thousand (+15.4% vs. €22,936 thousand at 30 September 2005, -3% net of the PSC Group).

Compared with the same period in 2005, the scope of consolidation has changed due to the acquisition, on 30 November 2005, of the American company PSC which has been consolidated since December 2005.
Net profit as up to 30 September 2006 totalled €1,356 thousand. This result is positive despite the negative performance (due largely to extraordinary and non-recurring activities, details of which are given below) posted by PSC (net profit of €-6,244 thousand as up to 30 September 2006). The table below details the key operating results (including costs relating to the acquisition and intersegment revenues of €535 thousand) recorded as up to 30 September 2006.

(€'000)	30/09/06 PSC	30/09/06 Acquisition costs	30/09/06 Provisions to Restructuring Fund	30/09/06 PSC net of acquisition costs
Total revenues	***130,253***			***130,253***
Cost of sales	(81,455)			(81,455)
Gross profit	***48,798***	***0***	***0***	***48,798***
Other revenues	0			0
Research and development expenses	(8,990)			(8,990)
Distribution expenses	(30,973)			(30.973)
General & administrative expenses	(7,207)			(7,207)
Other operating costs	(766)			(766)
Earnings before interests, taxes, acquisition and not recurring **(EBITANR)**	**862**	**0**	**0**	**862**
Non-recurring costs and revenues	(5,434)	3,476	1,907	(51)
Depreciation & amortization due to acquisitions	(1,825)	1,825		0
EBIT	***(6,397)***	***5,301***	***1,907***	***811***
% of total revenues	*-4.91%*			*0.62%*
Depreciation of tangible assets	(2,671)			(2,671)
Amortization of intangible assets	(696)			(696)
EBITDA	**4,229**	**0**	**0**	**4,229**
% of total revenues	*3.25%*			*3.25%*

On the whole, Datalogic's expenses for the acquisition came to €5,301 thousand, as follows:

- adjustment of assets and liabilities to market value as of the date of acquisition (€980 thousand);
- amortization of intangible assets due to the allocation of the differences between PSC's purchase price and net equity (€1,825 thousand gross of taxes);
- other costs related to the PSC acquisition (€2,496 thousand).

In addition, a provision of €1,907 thousand was made to help pay for a restructuring and development plan, one effect of which is that 60 staff members have been cut for eventual savings of over 4.4 million dollars per year.

A return to profitability for PSC is one of Datalogic's top priorities. This year has already given comforting results in terms of improved profitability, thanks to the restructuring of the company. In the third quarter EBITDA was €2,597 thousand (6% of sales) compared with €350 thousand (1% of sales) and €1,282 thousand (3% of sales) respectively in the first and second quarters of the current financial year.

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

ADJUSTED INCOME STATEMENT

(€'000)	30/09/06 PSC net of acquisition costs	30/09/06 PSC adjustment	30/09/06 Adjusted PSC
Total revenues	***130,253***		***130.253***
Cost of sales	(81,455)	68	(81,387)
Gross profit	***48,798***	***68***	***48,866***
Other revenues	0		0
Research and development expenses	(8,990)	112	(8,878)
Distribution expenses	(30,973)	912	(30,061)
General & administrative expenses	(7,207)	87	(7,120)
Other operating costs	(766)		(766)
Earnings before interests, taxes, acquisition and not recurring **(EBITANR)**	**862**	**1,180**	**2,042**
Non-recurring costs and revenues	(51)		(51)
Depreciation & amortization due to acquisitions	0		0
EBIT	***811***	***1,180***	***1,991***
% of total revenues	*0.62%*		*1.53%*
Depreciation of tangible assets	(2,671)		(2,671)
Amortization of intangible assets	(696)		(696)
EBITDA	**4,229**	**1,180**	**5,409**
% of total revenues	*3.25%*		*4.15%*

ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA

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

(€'000)	30/09/06		30/09/05		change	% ch.
Total revenues	***280,494***	**100.0%**	***132,803***	**100.0%**	***147,691***	**111.2%**
Cost of sales	(156,557)	-55.8%	(65,890)	-49.6%	(90,667)	137.6%
Gross profit	***123,937***	**44.2%**	***66,913***	**50.4%**	***57,024***	**-85.2%**
Other revenues	1,505	0.5%	1,788	1.3%	(283)	-15.8%
Research and development expenses	(20,313)	-7.2%	(10,126)	-7.6%	(10,187)	100.6%
Distribution expenses	(63,445)	-22.6%	(27,849)	-21.0%	(35,596)	127.8%
General & administrative expenses	(21,119)	-7.5%	(11,525)	-8.7%	(9,594)	83.2%
Other operating costs	(3,028)	-1.1%	(977)	-0.7%	(2,051)	209.9%
Earnings before interests, taxes, acquisition and not recurring **(EBITANR)**	**17,537**	**6.3%**	**18,224**	**13.7%**	**(687)**	**-3.8%**
Non-recurring costs and revenues	(5,583)	-2.0%	(1,988)	-1.5%	(3,595)	180.8%
Depreciation & amortization due to acquisitions	(3,277)	-1.2%	(970)	-0.7%	(2,307)	237.8%
EBIT	**8,677**	**3.1%**	**15,266**	**11.5%**	**(6,589)**	**-43.2%**
Net financial income (expenses)	(3,653)	-1.3%	90	0.1%	(3,743)	n.a.
Subsidiaries' earnings/(losses)	(84)	0.0%	280	0.2%	(364)	n.a.
Foreign exchange earnings/(losses)	(918)	-0.3%	410	0.3%	(1,328)	n.a.
Pre-tax profit/(loss)	**4,022**	**1.4%**	**16,046**	**12.1%**	**(12,024)**	**-74.9%**
Taxes	(2,529)	-0.9%	(6,931)	-5.2%	4,402	-63.5%
Net profit/(loss) for period	**1,493**	**0.5%**	**9,115**	**6.9%**	**(7,622)**	**-83.6%**
Minority interests' share of net profit	(137)	0.0%	158	-0.1%	21	-13.3%
GROUP NET PROFIT/LOSS	**1,356**	**0.5%**	**8,957**	6.7%	**(7,601)**	**-84.9%**
Depreciation of tangible assets	(6,236)	-2.2%	(3,055)	-2.3%	(3,181)	104.1%
Amortization of intangible assets	(2,706)	-1.0%	(1,657)	-1.2%	(1,049)	63.3%
EBITDA	**26,479**	**9.4%**	**22,936**	**17.3%**	**3,543**	**15.4%**

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

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

For the first nine months of 2006, non-recurring costs/income (€5,583 thousand) were made up as follows:

ITEM	AMOUNT	DESCRIPTION
	(€'000)	
2) Cost of goods sold	980	Adjustment of assets and liabilities (of PSC) to market value as of the date of acquisition
2) Cost of goods sold	10	Early retirement incentives
Total	**990**	
4) R&D expenses	62	Early retirement incentives
Total	**62**	
5) Distribution expenses	128	Early retirement incentives
Total	**128**	
6) General & administrative expenses	2,000	Non-recurrent remuneration for the CEO of the parent company
6) General & administrative expenses	496	Consulting in connection with the PSC acquisition
Total	**2,496**	
7) Other operating expenses	1,907	Restructuring provision by PSC
Total	**1,907**	
TOTAL NON-RECURRING COSTS	**5,583**	

Depreciation & amortization due to acquisitions (€3,277 thousand), included under "General & administrative expenses", is made up as follows:

1. €970 thousand pertaining to Laservall;
2. €482 thousand pertaining to Informatics;
3. €1,825 thousand pertaining to the PSC Group.

EBITANR amounted to €17,537 thousand (of which €862 thousand related to the PSC Group) with a 6.3% margin on revenues (11.1% net of the PSC Group), showing a 3.8% decline with respect to the same period in 2005 (-8.5% net of the PSC Group).

As up to 30 September 2006, the Group's Net Profit amounted to €1,356 thousand (of which €-6,244 thousand related to the PSC Group). This was a decrease compared with profits recorded in the first nine months of 2005 (€8,957 thousand), but a significant improvement on the loss recorded at the end of the first half of 2006 (€2,070 thousand).

Since the result was influenced so heavily by non-recurring costs/income and by depreciation & amortization from acquisitions, we attach an income statement cleansed of all effects produced by the acquisitions and restructuring in order to provide a better representation of ordinary profitability in 9M06:

(€'000)	30/09/06	30/09/06 Effects of Acquisition and Restructuring	30/09/06
Total revenues	***280,494***		***280,494***
Cost of sales	(156,557)		(156,557)
Gross profit	***123,937***	***0***	***123,937***
Other revenues	1,505		1,505
Research and development expenses	(20,313)		(20,313)
Distribution expenses	(63,445)		(63,445)
General & administrative expenses	(21,119)		(21,119)
Other operating costs	(3,028)		(3,028)
EBITANR	**17,537**	**0**	**17,537**
Non-recurring costs and revenues	(5,583)	5,383	(200)
Depreciation & amortization due to acquisitions	(3,277)	3,277	0
EBIT	***8,677***	***8,660***	***17,337***
% of total revenues	*3.09%*		*6.18%*
Depreciation of tangible assets	(6,236)		(6,236)
Amortization of intangible assets	(2,706)		(2,706)
EBITDA	**26,479**	**0**	**26,479**
% of total revenues	*9.44%*		*9.44%*

The next two tables compare the main operating results achieved in the third quarter of 2006 with, respectively, the third quarter of 2005 and the second quarter of 2006.

(€'000)	3rd quarter 2006		3rd quarter 2005		change	% ch.
Total revenues	91,555	100.0%	46,236	100.0%	45,319	98.0%
EBITDA	10,613	11.6%	8,438	18.2%	2,175	25.8%
EBITANR	7,741	8.5%	6,772	14.6%	969	14.3%

It should be noted that the second and third quarters of 2006 include the results of the PSC Group, while the third quarter of 2005 is net of these results.

(€'000)	3rd quarter 2006		2nd quarter 2006		change	% ch.
TOTAL REVENUES	91,555	100.0%	93,691	100.0%	-2,136	-2.3%
EBITDA	10,613	11.6%	7,880	8.4%	2,733	34.7%
EBITANR	7,741	8.5%	4,763	5.1%	2,978	62.5%

PERFORMANCE BY BUSINESS

Segment information

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

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

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

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

Business segments

The Group consists of the following business segments:

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

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

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

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

Primary segment results as up to 30/09/2006, compared with those as up to 30/09/2005 (9M05) were as follows:

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05
External sales	224,697	90,959	55,797	41,844			280,494	132,803
Intersegment sales	755	35	35	28	(790)	63	-	-
Total revenues	**225,452**	**90,994**	**55,832**	**41,872**	**(790)**	**63**	**280,494**	**132,803**
Cost of goods sold	130,257	44,960	26,300	20,960		(32)	156,557	65,888
Intersegment cost of goods sold	35	7	755	26	(790)	(33)	-	0
Gross profit	**95,160**	**46,027**	**28,777**	**20,886**	**-**	**2**	**123,937**	**66,915**
% of revenues	*42.21%*	*50.58%*	*51.54%*	*49.88%*	*0.00%*	*-3.17%*	*44.19%*	*50.39%*
Other allocable revenues	1,279	1,636	226	152			1,505	1,788
Other intersegment revenues	282	222	-	-	282	222	-	-
Allocable operating costs:	**86,093**	**34,179**	**18,005**	**13,854**	**(282)**	**(396)**	**103,816**	**47,637**
% of revenues	*38.19%*	*37.56%*	*32.25%*	*33.09%*	*35.70%*	*628.57%*	*37.01%*	*35.87%*
R&D expenses	17,262	7,642	3,063	2,484	(12)		20,313	10,126
Distribution expenses	53,707	20,098	10,008	7,967	(270)	(215)	63,445	27,850
Allocable G&A costs	13,249	5,835	4,681	3,029	-	(181)	17,930	8,683
Other allocable operating costs	1,875	604	253	374			2,128	978
SEGMENT RESULT	**10,628**	**13,705**	**10,998**	**7,184**	**-**	**176**	**21,626**	**21,065**
% of revenues	*4.71%*	*15.06%*	*19.70%*	*17.16%*	*0.00%*	*-279.37%*	*7.71%*	*15.86%*
Unallocable G&A costs	-						3,189	2,841
Other unallocable operating costs							900	
EBITANR	**10,628**	**13,705**	**10,998**	**7,184**	**-**	**176**	**17,537**	**18,224**
% of revenues	*4.71%*	*15.06%*	*19.70%*	*17.16%*	*0.00%*	*-279.37%*	*6.25%*	*13.72%*
Allocable non-recurring costs/revenues	(5,583)	(311)		1,677			(5,583)	(1,988)
Unallocable non-recurring costs/revenues	-							
Amortization due to acquisitions	(1,825)		(1,452)	(970)			(3,277)	(970)
Net financial income (expenses)							(4,571)	500
Share of associates' profit	(324)	57	240	223			(84)	280
Income taxes	-						(2,529)	(6,931)
NET PROFIT/LOSS	**2,896**	**13,451**	**9,786**	**4,760**	**-**	**176**	**1,493**	**9,115**
% of revenues	*1.28%*	*14.78%*	*17.53%*	*11.37%*	*0.00%*	*-279.37%*	*0.53%*	*6.86%*
Minority interests' share of net profit/loss			137				137	158
GROUP NET PROFIT/LOSS	**2,896**	**13,451**	**9,649**	**4,760**	**-**	**176**	**1,356**	**8,957**
% of revenues	*1.28%*	*14.78%*	*17.28%*	*11.37%*	*0.00%*	*-279.37%*	*0.48%*	*6.74%*

BALANCE SHEET BY BUSINESS SEGMENT

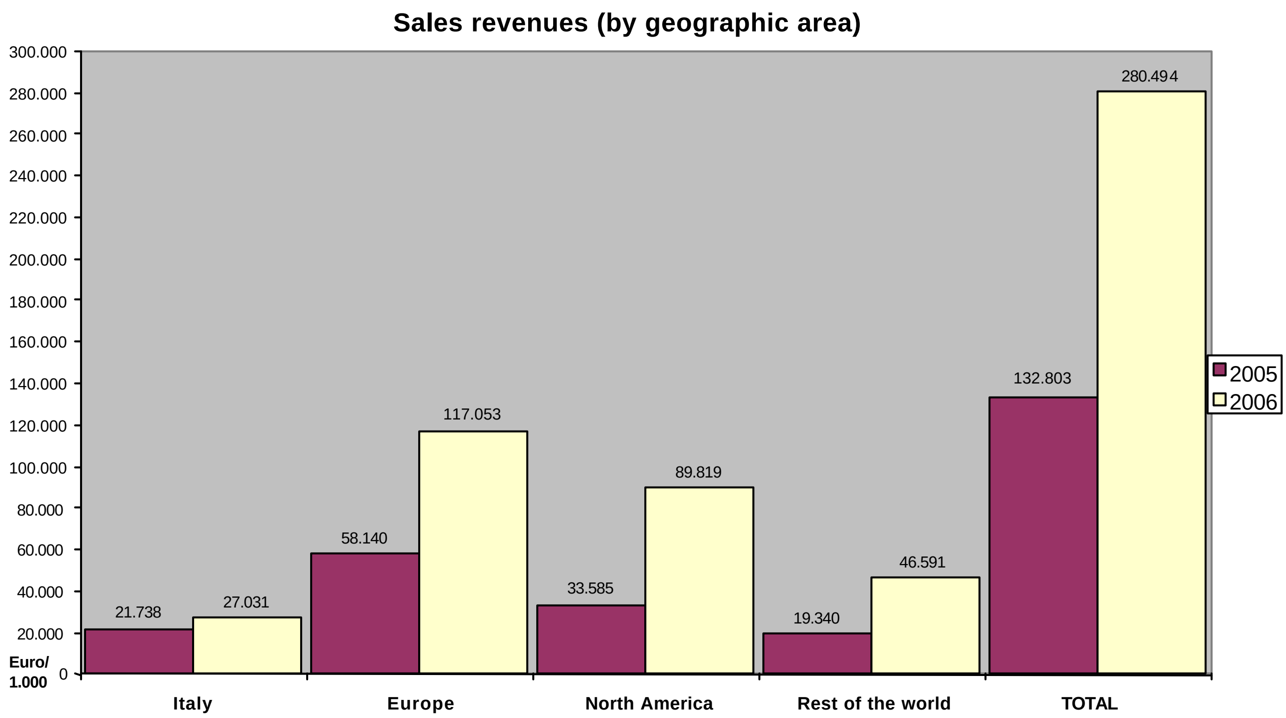
	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05
Segment assets	286,992	101,401	55,002	49,694	(229)		341,765	151,095
Interests in subsidiaries booked at equity	679	554	405	662			1,084	1,216
Unallocable assets							64,632	66,283
Total assets	**287,671**	**101,955**	**55,407**	**50,356**	**(229)**	**-**	**407,481**	**218,594**
Segment liabilities	69,753	36,793	14,109	6,133	(229)	(228)	83,633	42,698
Unallocable liabilities							134,843	37,899
Equity							188,792	137,997
Total liabilities	**69,753**	**36,793**	**14,109**	**6,133**	**(229)**	**(228)**	**407,268**	**218,594**
Allocable D&A (including D&A due to acquisitions)	9,483	4,053	2,281	1,524			11,764	5,577
Unallocable D&A	-						455	105

As regards sales performance, some charts provided as annexes offer further information (by business and geographical segment) about the results achieved. Net of the contribution of PSC (€130,253 thousand gross of €535 thousand of interdivisional sales to Informatics) the Data Capture Division's growth was approximately 4% YoY.

The Data Capture Division’s sales as up to September 2006 totalled €225,452 thousand, growing by some 147.8% over the same period in 2005.

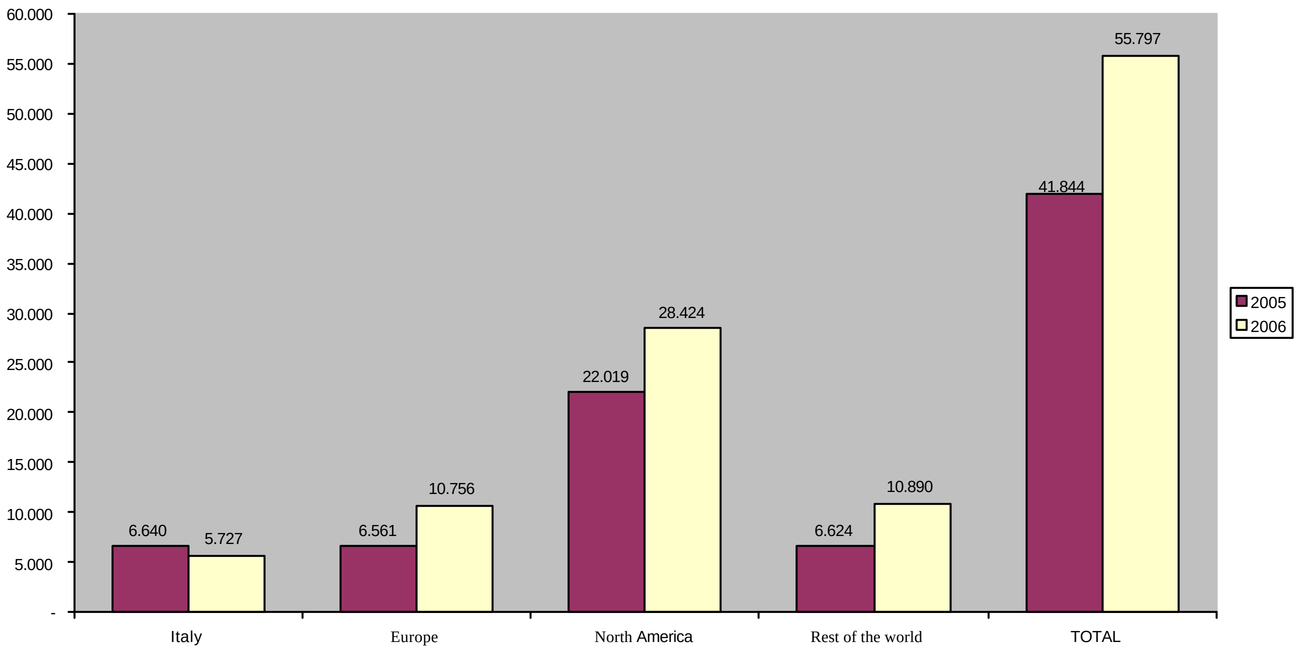
Revenues of the Business Development Division amounted to €55,832 thousand (19.9% of the total), growing by over 33% with regard to the € 41,872 thousand reported in first nine months of 2005. All geographical areas reported growth.

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

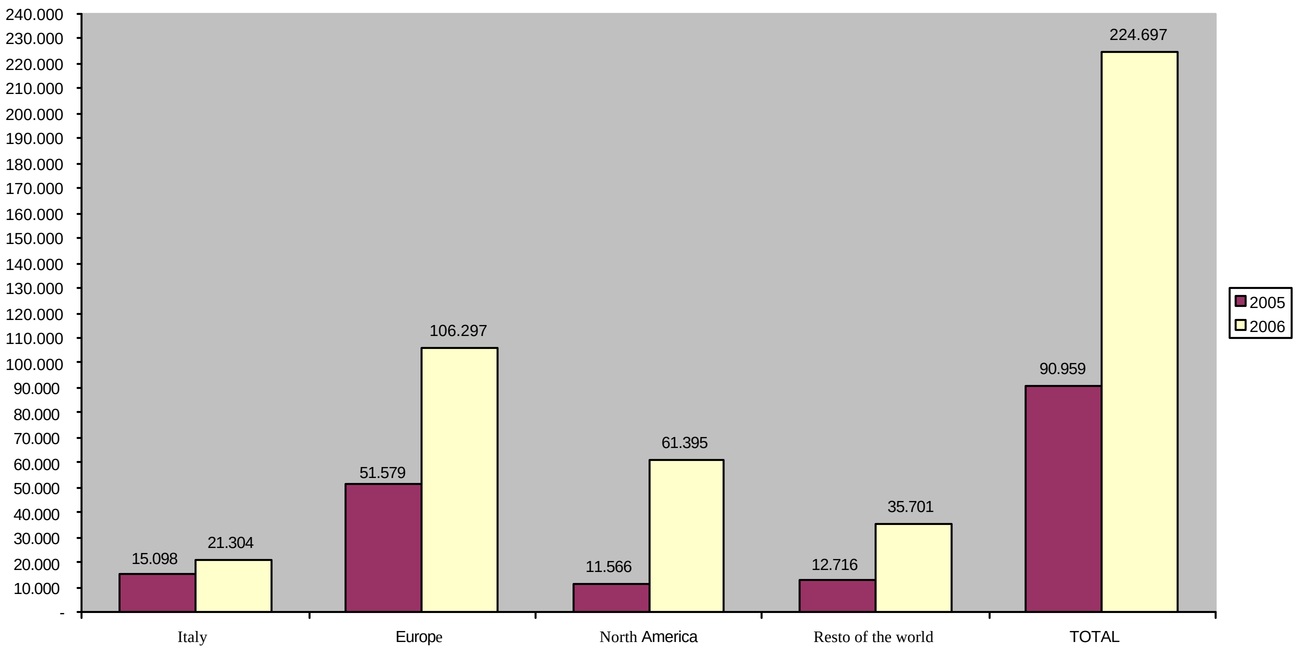

Sales revenues (by geographic area)
300.000
280.000
260.000
240.000
220.000
200.000
180.000
160.000
140.000
120.000
100.000
80.000
60.000
40.000
20.000
0
Euro/
1.000
21.738
27.031
58.140
117.053
33.585
89.819
19.340
46.591
132.803
280.494
2005
2006
Italy
Europe
North America
Rest of the world
TOTAL

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

Business Development revenus by geographic area



Data Capture revenues by geographic area



The cost of goods sold increased from 49.6% of sales in the same period of 2005 to 55.8%.
The main reason for this trend is the consolidation of PSC, which has a higher cost of goods sold than the rest of the division (62.5% of PSC's revenues for the first nine months of 2006).

Gross profit increased from €66,915 thousand in 9M05 to €123,937 thousand in 9M06 (+85%). A significant contribution was made to this result by both the Business Development division (+37.8%), and, above all, the Data Capture division (+106.75% YoY).

Operating costs attributable to the divisions amounted to €103,816 thousand as up to 30 September 2006 (+118% compared with €47,637 thousand reported in the same period of 2005). Of this total, €86,093 thousand of costs related to the Data Capture division (+152% vs. 2005) and €18,005 thousand to the Business Development division (+30% vs. 2005), gross of €282 thousand of interdivisional operating costs.

In greater detail, the Data Capture division featured:

- an increase in research & development expenses, which as up to 30 September 2006, totalled €17,262 thousand (of which €8,990 thousand pertaining to the PSC Group) or 7.7% of the division's total revenues, a rise of 125.9% on the previous year (+8.2% net of PSC);
- a 127% increase in allocable general & administrative expenses (+3% net of PSC), which came to €13,249 thousand for the period (of which €7,207 thousand pertaining to the PSC Group) compared with €5,835 thousand in the previous year;
- a 167.2% increase in distribution expenses (+13% net of PSC), which came to €53,707 as up to 30 September 2006, compared with €20,098 thousand in the same period in 2005.

Other operating costs (totalling €1,875 thousand) were up 210% YoY, due largely to a provision for doubtful accounts of €657 thousand.

The other unallocable operating costs are comprised of a €900 thousand provision made by the parent company for a long-term management incentive plan due to mature in 2008.

The Business Development division featured:

- an increase in research & development expenses, which as up to 30 September 2006, totalled €3,063 thousand or 5.6% of the division's total revenues, a rise of 23.3% on the previous year;
- a 55% increase in allocable general & administrative expenses, which came to €4,681 thousand for the period compared with €3,029 thousand in the previous year: most of the increase relates to Informatics, due to a rise in payroll and employee benefit costs (€487 thousand) in connection with an incentive scheme;
- a 26% increase in distribution expenses, which came to €10,008 as up to 30 September 2006, compared with €7,967 thousand in the same period in 2005.

The Data Capture division's segment result (i.e. before non-allocable general and administrative expenses) amounted to €10,628 thousand, down from €13,705 thousand in 2005.

The Business Development division's segment result totalled €10,998 thousand, strong growth (+53%) over the €7,184 thousand reported in 2005.

Segment results do not include €900 thousand in other unallocable operating costs, and €3,189 thousand in unallocable general and administrative costs.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

As up to 30 September 2006, the net financial position was negative by €62,331 thousand, as follows:

Datalogic Group	30/09/06	31/12/05	30/09/05
(€'000)			
A. Cash and bank deposits	21,203	19,974	47,076
B. Other liquidity	9,478	10,172	0
b1. Escrow (*)	*9,478*	*10,172*	*0*
C. Securities held for trading	980	5,369	7,493
D. Cash & Cash equivalents (A) + (B) + (C)	***31,661***	***35,515***	***54,569***
E. Current financial receivables	206	515	0
F. Current bank overdrafts	3,771	0	0
G. Current portion of non-current debt	2,677	149,349	2,565
H. Other current financial liabilities	13	116	70
h1. Hedging instruments	*13*	*116*	*70*
I. Current financial debt (F) + (G) + (H)	***6,461***	***149,465***	***2,635***
J. Current financial debt, net (I) - (E) - (D)	***-25,406***	***113,435***	***-51,934***
K. Non-current bank borrowing	85,197	12,283	13,036
L. Bonds issued	0	0	0
M. Other non-current liabilities	2,540	0	0
m1. Financial liabilities vs BoD member	*2,540*	*0*	*0*
N. Non-current financial debt (K) + (L) + (M)	***87,737***	***12,283***	***13,036***
O. Net financial debt (J) + (N)	***62,331***	***125,718***	***-38,898***

(*) This refers to a performance deposit received from PSC Holding (and offset in "other payables" in the balance sheet) in connection with the acquisition, which is being held in a restricted account.

The net financial position as up to 30 September 2006 improved by €63,387 thousand with respect to 31 December 2005 (€-125,718 thousand), but worsened by €101,229 thousand year-on-year (€39,898 thousand in 9M05).

The main cause of the improvement in the first nine months of 2006 was the capital increase undertaken by Datalogic SpA and completed in January. This involved 3,465,868 shares (13,863,472 after the split) for a value of €76.6 million (before taxes).

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

Lastly, the second and third earn-outs on the purchase of Laservall Spa were paid in the amount of €3,000.

Net working capital as up to 30 September 2006 totalled €71,910 thousand and increased by €597 thousand with regard to 31 December 2005 (€71,313 thousand).

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

	30 September 2006	
	Total net equity	**Net profit (loss) for the period**
Datalogic SpA net equity and profit	**186,959**	**1,111**
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	5,271	5,753
Reversal of dividends	0	(3,921)
Laservall acquisition	(2,912)	970
Amortization of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(202)	
Effect of eliminating intercompany transactions	(2,190)	(1,138)
Elimination of intercompany profits	(64)	(3)
Effect of posting leasing transactions	(58)	(15)
Deferred taxes	(2,051)	840
Elimination of Minec brand	(301)	(301)
Group portion of net equity	**188,315**	**1,356**
Minority interests in net equity	**477**	**137**
Total net equity	**188,792**	**1,493**

FINANCIAL INCOME AND EXPENSES

Net financial expenses totalled €4,571 thousand. The drivers of this result were as follows:

(€'000)	30/09/06
Financial income/expenses	(2,643)
Net foreign exchange losses	(918)
Bank charges	(490)
Other	(520)
Total net financial expenses	**(4,571)**

In addition, earnings of €377 thousand made by companies consolidated at equity were recognized along with a prior-year loss of €461 thousand by DL Slovakia.

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

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

Transactions with Datalogic Group companies

Idec Datalogic Co. Ltd, a Japanese company in which the ultimate parent company owns a 50% stake, purchases products and components from Datalogic for resale in the Far Eastern region.
As up to 30 September 2006, the ultimate parent company had sold Idec products and components totalling approximately €2,051 thousand and trade receivables from Idec amounted to €318 thousand. These transactions were executed at conditions comparable to those of other affiliates.

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

Transactions with companies belonging to shareholders

Transactions with Datasensor SpA, controlled by the key shareholders of the ultimate parent company, refer chiefly to the purchase of components by Datalogic SpA (€1,007 thousand) and to the distribution by certain Group companies of small quantities of Datasensor products.
As up to 30 September 2006, trade payables to Datasensor totalled €226 thousand and receivables €7 thousand.

Transactions with the ultimate parent company (Hydra SpA) are related mainly to the corporate income tax (IRES) credit of €1,401 thousand of Datalogic SpA and rental expenses of €10 thousand.

Transactions with companies belonging to members of the Board of Directors

In the first nine months of 2006 trade transactions totalling approximately €52 thousand were carried out with Sourcing Solution Ltd (SSG), a company owned by the director A. Forchielli.

Nebulaxis, a company held by the director John O'Brien, invoiced the parent company for €1,687 thousand in the first nine months of 2006 for advisory services relating mainly to the acquisition of PSC.

In addition, it should be noted that under the heading "financial liabilities" are posted, in accordance with IAS 32.23, €2,540 thousand (including €38 thousand of interest accruing) pertaining to a PUT option signed by the director John O'Brien with the parent company (which therefore has a call option) on his minority stake of 10% in Informatics Inc. This liability is offset by a negative reserve of €2,502 thousand (net of interest accruing).

BUSINESS FORECAST FOR CURRENT YEAR AND SUBSEQUENT EVENTS

The company's plans and, in particular, the recovery in profits expected from PSC, should give the current financial year higher revenues and EBITDA than those posted in 2005.

SECONDARY LOCATIONS

The direct parent company has two secondary locations:

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

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

ASSETS	Note	30-09-06 Euro/000	31-12-05 Euro/000	30-09-05 Euro/000
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		**234.613**	**255.888**	**92.391**
1) Tangible non-current assets		**50.392**	**50.461**	**40.509**
Land	1	6.288	6.457	6.550
Buildings	1	18.651	18.928	18.993
Plant & machinery	1	7.905	6.711	2.545
Other tangible assets	1	15.026	16.528	12.084
Assets in progress and payments on account	1	2.522	1.837	337
2) Investment property		**0**	**0**	**0**
3) Intangible non-current assets		**158.288**	**196.820**	**40.525**
Goodwill	2	98.461	103.360	23.712
Development costs	2	3.282	3.908	3.571
Other intangible assets	2	56.545	89.552	13.242
4) Equity interests in associate companies	3	**1.084**	**801**	**1.216**
5) Available-for-sale financial assets (non-current)		**1.238**	**2.984**	**5.605**
Equity investments	4	871	1.112	1.112
Treasury stock				
Securities	4	367	1.872	4.493
6) Trade and other receivables	6	**533**	**796**	**117**
7) Deferred tax credits	13	**23.073**	**4.021**	**4.352**
8) Tax credits	7	**5**	**5**	**67**
B) CURRENT ASSETS (8+9+10+11+12+13+14+15)		**172.660**	**180.152**	**126.273**
9) Inventories	5	**53.693**	**51.512**	**28.799**
Raw & auxiliary materials plus consumables	5	31.056	28.547	13.429
Work in progress and semiprocessed goods	5	7.721	7.627	5.039
Finished products and goods for resale	5	14.916	15.338	10.331
10) Job-order work in progress		**0**	**0**	**0**
11) Trade and other receivables	6	**78.638**	**87.534**	**41.145**
Trade receivables	6	**73.608**	**83.727**	**39.180**
Within 12 months		70.583	81.734	38.048
After 12 months			0	
Amounts receivable from associates		1.615	1.236	1.000
Amounts receivable from subsidiaries			150	
Amounts receivable from parent company		1.403	443	
Amounts receivable from related parties		7	164	132
Other receivables	6	**1.797**	**1.783**	**958**
Accrued income and prepaid expenses	6	**3.233**	**2.024**	**1.007**
12) Tax credits	7	**8.829**	**6.948**	**6.253**
13) Available-for-sale financial assets (current)	8	**819**	**4.012**	**3.000**
Securities		613	3.497	3.000
Loans to subsidiaries		206	515	
14) Hedging instruments	9			
15) Cash & cash equivalents	10	**30.681**	**30.146**	47.076
TOTAL ASSETS (A+B)		**407.273**	**436.040**	**218.664**

DATALOGIC S.p.A.

CONSOLIDATED BALANCE SHEET

LIABILITIES	Note	30-09-06 Euro/000	31-12-05 Euro/000	30-09-05 Euro/000
A) TOTAL NET EQUITY (1+2+3+4+5)	11	**188.792**	**129.861**	**137.997**
1) Share capital		**160.889**	**90.556**	**90.485**
Share capital		33.044	25.746	25.743
Treasury stock		-4.356	1.881	1.427
Share premium reserve		127.762	58.490	58.876
Demerger capital reserve		4.439	4.439	4.439
2) Reserves		**-7.696**	**1.627**	**86**
Revaluation reserves			0	
Consolidation reserve			0	
Translation reserve/(loss)		-5.194	1.548	
Cash-flow hedge reserve			0	
Reserve for financial liabilitis		-2.502		
Fair-value reserve from available-for-sale financial assets		0	79	86
3) Retained earnings/(losses carried forward)		**33.766**	**24.346**	**38.500**
Previous years' earnings/(losses)		12.063	9.216	22.862
Reserve for gain on Datasud cancellation		3.730	4.432	4.432
Untaxed capital grant reserve		958	256	256
Legal reserve		1.870	1.399	1.399
Treasury stock reserve		6.330	0	413
IAS transition reserve		8.815	9.043	9.138
4) Profit/(loss) for period		**1.356**	**12.997**	**8.957**
5) Minority interests		**477**	**335**	**-31**
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)		**129.506**	**65.542**	**32.813**
6) Borrowing	12	87.737	12.283	13.036
7) Tax payables	18	22	7	32
8) Deferred tax liabilities	13	27.958	40.522	10.987
9) Employee severance indemnity and retirement provision	14	7.573	6.894	6.365
10) Long-term provisions for risks and expenses	15	5.593	4.600	1.355
11) Other non-current liabilities	16	623	1.236	1.038
C) CURRENT LIABILITIES (12+13+14+15)		**88.975**	**240.637**	**47.854**
12) Trade and other payables	17	**71.043**	**81.325**	**34.241**
Trade payables		**40.908**	**44.653**	**18.836**
Within 12 months		38.387	43.263	18.447
After 12 months			0	
Amounts payable to associates			15	
Amounts payable to parent company		2.295	998	
Amounts payable to related parties		226	377	389
Accrued liabilities and deferred income		**6.579**	**5.766**	**2.531**
Other current payables		**23.556**	**30.906**	**12.874**
13) Taxes payable	18	**7.685**	**5.528**	**10.720**
14) Short-term provisions for risks and expenses	15	**3.786**	**4.319**	**258**
15) Hedging instruments	9	**13**	**116**	**70**
16) Short-term borrowing	12	**6.448**	**149.349**	**2.565**
TOTAL LIABILITIES (A+B+C)		**407.273**	**436.040**	**218.664**

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

	Note	30-09-06 Euro/000	30-09-05 Euro/000
1) TOTAL REVENUES	**19**	**280.494**	**132.803**
Revenues from sale of products		269.959	127.889
Revenues from services		10.535	4.914
2) Cost of goods sold	**20**	**157.547**	**65.888**
of which non-recurring (*)	**20**	***990***	
GROSS PROFIT (1-2)		**122.947**	**66.915**
3) Other operating revenues	**21**	1.505	1.788
4) R&D expenses	**20**	20.376	10.126
of which non-recurring (*)	**20**	*62*	
5) Distribution expenses	**20**	63.573	27.885
of which non-recurring (*)	**20**	*128*	*35*
6) General & administrative expenses	**20**	26.891	14.172
of which non-recurring (*)	**20**	*2.496*	*1.677*
of which amort. pertaining to acquisitions (*)	**20**	*3.277*	*970*
7) Other operating expenses	**20**	4.935	1.254
of which non-recurring (*)	**20**	*1.907*	*276*
Total operating costs (4+5+6+7)		**115.775**	**53.437**
OPERATING PROFIT		**8.677**	**15.266**
8) Financial income	**22**	-4.571	500
9) Share of associate companies' profits	**3**	-84	280
PRE-TAX PROFIT/(LOSS)		**4.022**	**16.046**
Taxes	**23**	2.529	6.931
NET PROFIT FOR PERIOD		**1.493**	**9.115**
Minority interests' share of net profit		137	158
GROUP NET PROFIT		**1.356**	**8.957**
Earning per share (Euro)	**24**	**0,0220**	**0,7437**
Diluted earning per share (Euro)	**24**	**0,0220**	**0,7399**

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

DATALOGIC S.p.A.

CONSOLIDATED CASH FLOW STATEMENT

	30-09-06 Euro/000	31-12-05 Euro/000
Short-term net financial position at beginning of period	**19.974**	**37.058**
Net profit/(loss) for period	1.356	11.558
Depreciation & amortisation	12.218	7.579
Employee severance indemnity provision	1.104	1.409
Write-down of financial assets	-377	-229
Current cash flow	**14.301**	**20.317**
Effect of changes in operating assets and liabilities:		
Trade receivables	10.119	-1.576
Inventories	-2.181	-216
Other current assets	-3.103	3.509
Other medium-/long-term assets	-18.789	-39
Trade payables	-3.745	5.917
Taxes payable	2.157	-5.518
Other current liabilities	-6.537	-2.701
Other medium-/long-term liabilities	-598	-1.964
Deferred taxes	-12.564	2.822
Provisions for risks and expenses	460	49
Employee severance indemnities paid out	-426	-457
Net change in operating assets and liabilities	**-35.207**	**-174**
Operating cash flow/(absorption)	**-20.906**	**20.143**
Cash flow/(absorption) from investment activities:		
(Increase)/decrease in intangible non-current assets	32.550	-2.047
(Increase)/decrease in tangible non-current assets	-6.167	-4.740
Exchange rate effect		
(Increase)/decrease in unconsolidated equity investments	94	279
PSC		-82.224
Short financial position PSC		4.998
Informatics		-11.265
Short financial position Informatics		752
Investment cash flow/(absorption)	**26.477**	**-94.247**
Cash flow/(absorption) from financing activities:		
Medium-/long-term loans taken out net of portions repaid in the period	72.914	-2.119
Short-term loans taken out net of portions repaid in the period	-146.775	58.878
Financial liabilitis	2.540	
Minority interests' net equity	142	335
Effect of exchange-rate changes on consolidation of foreign companies	-6.753	578
Other changes in net equity	-8.922	13.531
Capital increase with issue of new shares	76.597	
Dividend distribution	-3.489	-15.040
(Increase)/decrease in non-current financial assets	1.746	1.107
(Increase)/decrease in short-term financial activities	3.887	-250
Finance cash flow/(absorption)	**-8.113**	**57.020**
Change in net financial position	**-2.542**	**-17.084**
Short-term net financial position at end of period	**17.432**	**19.974**

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

Description	Share capital	Other reserves				Net profit for previous years								Net profit for period	Net equity	Minority Equity
		Fair value reserve	Translation reserve	Financial liabilities reserve	Total Other reserves	Consolid. Reserve	Retained earnings	Merger surplus	Capital grant reserve	Legal reserve	Treasury share reserve	IFRS reserve	Total			
31.12.03	**78.241**	**71**	**-**		**71**	**1.878**	**6.375**	**-**	**-**	**617**	**5.381**	**9.042**	**23.293**	**7.180**	**108.785**	**-**
Profit allocation					-		4.821			245			**5.066**	**- 7.180**	-2.114	
Capital increase	**1.733**				-								-		1.733	
Treasury shares	**-3.099**				-		-4.292				4.292		-		-3.099	
Datasud merger					-	-1.878	-2.810	4.432	256				-		-	
Fair value adjustment		12			**12**								-		12	
Translation reserve			-301		**-301**								-		-301	
Other changes					-		-41					3	**-38**		-38	
Net profit at 31.12.04					-								-	**11.211**	11.211	
31.12.04	**76.875**	**83**	**-301**		**-218**	**-**	**4.053**	**4.432**	**256**	**862**	**9.673**	**9.045**	**28.321**	**11.211**	**116.189**	**-**
Profit allocation					-		7.984			537			**8.521**	**-11.211**	**-2.690**	
Capital increase	**3.725**				-								-		**3.725**	
Translation reserve			1.849		**1.849**								-		**1.849**	
Increase in IFRS reserve					-							-2	**-2**		**-2**	
Sale of treasury shares	**10.361**				-		9.673				-9.673		-		**10.361**	
Fair value adjustment		-4			**-4**								-		**-4**	
Capital increase charges	**-405**				-								-		**-405**	
Extraordinary dividend							-12.350						**-12.350**		**-12.350**	
Other changes					-		-144						**-144**		**-144**	**164**
Net profit as at 31.12.05					-								-	**12.997**	**12.997**	**171**
31.12.2005	**90.556**	**79**	**1.548**		**1.627**	**-**	**9.216**	**4.432**	**256**	**1.399**	**-**	**9.043**	**24.346**	**12.997**	**129.526**	**335**
Profit allocation					-		9.037			471			**9.508**	**-12.997**	**-3.489**	
Capital increase	**77.082**				-								-		**77.082**	
Translation reserve			-6.753		**-6.753**								-		**-6.753**	**5**
Increase in IFRS reserve					-							-228	**-228**		**-228**	
Sale of treasury shares	**-6.237**				-		-6.330				6.330		-		**-6.237**	
Fair value adjustment		-79			**-79**								-		**-79**	
Capital increase charges	**-512**				-								-		**-512**	
Extraordinary dividend													-		**-**	
Other changes				-2.502	**-2.502**		151	-702	702				**151**		**-2.351**	**335**
Net profit as at 30.09.06					-								-	**1.356**	**1.356**	**137**
30.09.2006	**160.889**	**-**	**-5.205**	**-2.502**	**-7.707**	**-**	**12.074**	**3.730**	**958**	**1.870**	**6.330**	**8.815**	**33.777**	**1.356**	**188.315**	**477**

Foreword

Datalogic Group S.p.A. (hereinafter "Datalogic", the "parent company" or the "company") is an Italian corporation. The quarterly interim report for the period ending on 30 September 2006 comprises Datalogic SpA.and its subsidiaries (hereinafter defined as "the Group") and the relevant share of associate companies' profits.

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

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

These consolidated quarterly accounts were prepared for the approval the Board of Directors on 13 November 2006.

ACCOUNTING STANDARDS AND POLICIES

(a) Accounting standards

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

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

(b) Preparation criteria

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

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

(c) Consolidation standards and policies

(i) Subsidiaries

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

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

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

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

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

(ii) Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. The consolidated quarterly accounts for the period ending on 30 September 2006 include the Group's share of the profits and losses of associates, accounted for at equity, from the date when significant influence over operations emerged until cessation of the same.

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

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

(d) Treatment of foreign currency items

(i) Foreign currency transactions

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

(ii) Translation of foreign currency financial statements

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

(iii) Net foreign currency investments

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

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

The exchange rates used are as follows:

FINAL EXCHANGE RATES	Final exchange rate at 30/09/06	Final exchange rate at 31/12/05
US dollar	1.2660	1.1797
British pound sterling	0.6777	0.6853
Australian dollar	1.6992	1.6109
Japanese yen	149.3400	138.9000
Swedish krona	9.2797	9.3885
Hong Kong dollar	9.8640	9.1474
Slovak koruna	37.3850	37.88

AVERAGE EXCHANGE RATES	Average exchange rate at 30/09/06	Average exchange rate at 31/12/05
US dollar	1.2436	1.2441
British pound sterling	0.6846	0.6838
Australian dollar	1.6636	1.6320
Japanese yen	144.0460	136.8490
Swedish krona	9.2934	9.2822
Hong Kong dollar	9.6555	9.6768
Slovak koruna	37.6574	38.5989

(e) Property, plant, and equipment

(i) Owned assets

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

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

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

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

The Group applies the following depreciation rates:

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

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

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

(ii) Assets held under finance lease contracts

Assets held under finance lease contracts are those assets for which the Group has taken on all risks associated with ownership.

Such assets are measured at the lower of fair value and present value of lease instalments at the time of contract signature, net of cumulative depreciation and write-downs. Finance lease instalments are recognized according to the approach described in IAS 17.

(f) Intangible assets

(i) Goodwill

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

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

Goodwill is recognized at cost, less impairment losses.

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

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

(ii) Research and development costs

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

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

(iii) Other intangible assets

Other intangible assets are comprised:

- of software used under licence, valued at purchase cost

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

These assets are amortized over their estimated useful life.

(IV) Subsequent costs

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

(v) Amortization

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

The useful life for each category is detailed below:

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

(g) Investments in associates

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

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

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

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

(i) Inventories

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

(j) Receivables

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

(k) Cash & cash equivalents

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

(l) Impairment

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

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

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

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

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

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

(i) Calculation of presumed recoverable value

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

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

(ii) Reversal of impairment losses

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

(m) Share capital

Costs relating to the issue of shares or options are classified in equity (net of associated tax benefit relating to the same) as a deduction from the proceeds from issuance of such instruments.
In the case of buyback of own shares ("treasury shares"), the price paid, inclusive of any directly attributable accessory costs, is deducted from the Group's equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and the related tax effect, are posted as Group net equity.

(n) Stock options

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

On 17 May 2001 the Board of Directors implemented the plan in question, making it possible to:
- Increase the capacity to attract and retain key managerial and professional figures;
- Aid alignment of the interests of key people and shareholders;
- Enable key persons to participate in the creation of value and share it with investors.

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

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

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

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

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

	Number of shares	*Average exercise price (EUR)*	*Market price (EUR)*	*% of share capital*
Rights existing as at 01/01/06	**125,400**	*11.5*	*24.92*	*1.01%*
of which exercisable at that date	**125,400**			
New options granted during the period	**-**	**-**	**-**	**-**
Options granted as of 1 January 2006 post-split	***501,600***	*2,875*		
(Options exercised during the year)	***(169,000)***	*2.875*	*6.31*	*0.26%*
(Options expired during the year) (1)	**-**	**-**	**-**	**-**
Total rights existing as at 30/09/06	**332,600**	*2,875*	*5.846*	*0.52%*
of which exercisable at that date	**332,600**			

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

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

(o) Interest-bearing financial liabilities

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

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

(p) Liabilities for employee benefits

(i) Defined contribution plans

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

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

(ii) Defined benefit plans

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

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

(iii) Termination benefits

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

(q) Provisions

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

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

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

(i) Product warranty provision

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

(ii) Other provisions

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

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

(r) Trade and other payables

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

(s) Revenues

(i) Revenues from sales of goods and services

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

(ii) Government grants

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

(iii) Dividends

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

(t) Costs

(i) Rental and operating lease costs

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

(ii) Finance lease instalments

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

(iii) Financial income and expenses

Financial income and expenses are recognized on an accruals basis.

(u) Income taxes

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

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

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

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

(v) Segment reporting

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

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

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

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

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

(x) Use of estimates

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

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

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

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

(y) Financial risks and derivative instruments

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

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

(i) Price risk

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

(ii) Credit risk

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

(iii) Interest rate risks

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

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

(z) Earnings per share

Basic

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

Diluted

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

(aa) Exemptions and exceptions envisaged by IFRS 1

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

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

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

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

(ab) IFRS and IFRIC interpretations not yet endorsed

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

GROUP STRUCTURE

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

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

Company	Registered location	Share capital		Total equity (€'000)	Profit/loss for the period (€'000)	% ownership
Datalogic SpA (parent company)	Lippo di Calderara di Reno (Bo) – Italy	EUR	156,452,178	186,960	1,111	
Laservall SpA	Donnas (AO) - Italy	EUR	900,000	10,036	4,561	100%
Datalogic Holding AB	Malmö –Sweden	KRS	1,400,000	1,359	142	100%
EMS INC	Scotts Valley (California) – United States	USD	1,949,084	1,113	-373	100%
Datalogic France SA	Villebon Sur Yvette (Paris) – France	EUR	2,227,500	3,218	-64	100%
Datalogic Optik elektroniK GMBH	Erkenbrechtsweiler (Stuttgart) – Germany	EUR	1,025,000	3,631	191	100%
Datalogic Optic Electronics B.V.	Maarssen – The Netherlands	EUR	17,800	-108	-143	100%
Datalogic Handelsgesellschaft mbH	Wiener Neudorf (Vienna) – Austria	EUR	72,673	630	141	100%
Datalogic PTY LTD	Mount Waverley (Melbourne) - Australia	AUD	2,300,000	721	-121	100%
Datalogic UK LTD	Redbourn (London) – United Kingdom	GBP	3,500,000	4,651	121	100%
Datalogic INC	Hebron (Kentucky) – United States	AUD	1,847,000	2,012	450	100%
DL Iberia	Madrid – Spain	EUR	60,500	674	123	100%
Datalogic AB	Stockholm – Sweden	KRS	200,000	830	-2	100%
DL Slovakia	Trnava - Slovakia	SKK	1,999,925	3,882	4,266	100%
PSC Holding	Delaware	USD	117,000,000	88,363	-4,592	100%
DL Asia Limited	Hong Kong - China	HKD	100,000	166	103	100%
Informatics Holding Inc.	Plano Texas	USD	15,100,000	14,952	1,371	90%

The companies booked at equity at 30 September 2006 were as follows:

Company	Registered location	Share capital		Total equity (€'000)	Total profit/loss for the period (€'000)	% ownership Direct and indirect
Idec DatalogicCo. Ltd.	Osaka – Japan	Yen	300,000,000	1,342	274	50%
Laservall Asia Co. Ltd.	Hong Kong - China	Hong- Kong $	460,000	810	480	50%

Associate/subsidiary companies measured at cost at 30 September 2006 were the following:

Company	Registered location	Share capital		% ownership
Datalogic Private Ltd.	Shankarapuram (Bangalore) – India	Rupee	1,000,000	20%
Laservall Asia Co. Ltd.	Shenzhen - China	Renminbi	2,070,600	50%

Changes in consolidation area

It is highlighted that during the third quarter of 2006:

- Datalogic Slovakia was consolidated on a line-by-line basis, whereas at 31 December 2005 it was valued at cost;

- Laservall Asia Ltd, which is 50% owned by Laservall SpA, acquired 100% of Laservall Asia Futian Co. LTD. Production at Laservall Asia Futian Co. LTD began in June 2006. In order to finance this, Laservall SpA granted a €206 thousand loan to Laservall Asia.

BALANCE SHEET INFORMATION - ASSETS

NON-CURRENT ASSETS

1. Property, plant and equipment

	30/09/06	31/12/05	Change
Land	6,288	6,457	(169)
Buildings	18,651	18,928	(277)
Plant & equipment	7,905	6,711	1,194
Other tangible assets	15,026	16,528	(1,502)
Assets in prog. and payments on account	2,522	1,837	685
Total	**50,392**	**50,461**	**(69)**

The “Land” item of €6,288 thousand is attributable to the parent company (€3,738 thousand), Datalogic UK (€1,277 thousand), Informatics (€632 thousand), Datalogic France (€514 thousand), and Datalogic Gmbh (€127 thousand).
The decrease in this item is primarily due to the sale of land by Datalogic Holding AB.

The “Buildings” item of €18,651 thousand is attributable to the parent company (€11,479 thousand), Informatics (€1,825 thousand), Datalogic UK (€1,597 thousand), Datalogic GmbH (€1,358 thousand), Datalogic France (€1,121 thousand) and Laservall (€1,271 thousand).

Compared with 31 December 2005, this item showed:

- a decrease of €1,255 thousand due to the sale of a building by Datalogic Holding AB. The sale of the land and building produced a capital gain of €274 thousand, recorded as "other revenues".
- an increase of €1,271 thousand for the purchase by Laservall SpA of a building situated at Sesto Calende.

Plant and machinery showed:

- an increase of €3,442 thousand, attributable mostly to Datalogic Slovakia (€1,843 thousand), the PSC Group (€1,061 thousand) and the parent company (€404 thousand);
- a total decrease of €1,024 thousand due largely to the parent company.

The main components of “Other tangible assets” at 30 September 2006 were as follows: industrial and commercial equipment (€4,722 thousand), office furniture and equipment (€5,822 thousand), general plant for buildings (€1,527 thousand), cars (€328 thousand), and leasehold maintenance (€2,232 thousand).

This item showed:

- a total increase of €2,822 thousand, pertaining mostly to the parent company (€1,044 thousand), the PSC Group (€344 thousand), Datalogic Slovakia (€357 thousand) and Laservall SpA (€378 thousand);
- a total decrease of €1,670 thousand, attributable mainly to the parent company (€1,199 thousand).

The balance of the item "Assets in progress and payments on account" is attributable to the parent company (€812 thousand) and to the PSC Group (€1,664 thousand).

Depreciation and amortization of tangible and intangible assets, totalling €12,218 thousand, was split as follows in the income statement:

- cost of goods sold: €2,830 thousand (€926 thousand at September 2005)
- R&D: €2,415 thousand (€1,579 at September 2005)
- distribution expenses: €1,127 thousand (€662 thousand at September 2005);
- general & administrative expenses: €5,846 thousand (€2,515 thousand at September 2005).

General & administrative expenses include €3,277 thousand in amortization generated with the acquisition of Informatics, Laservall and the PSC Group.

2. Intangible assets

	30/09/06	31/12/05	Change
Goodwill	98,461	103,360	(4,899)
Development costs	3,282	3,908	(626)
Other intangible assets	56,545	89,552	(33,007)
Total	**158,288**	**196,820**	**(38,532)**

Goodwill, totalling €98,461 thousand, consisted of the following items:

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

- €3,380 thousand, ascribable to the parent company, consisting of the merger loss and share-swap loss originated by the merger by incorporation of IdWare Srl during 1998;

- €5,119 thousand for consolidation of Laservall SpA, an interest acquired in 3Q04 by the parent company. We believe the conditions exist for posting as goodwill the difference between purchase cost and fair value of net assets acquired, since it represents the acquired company's future profit-generation capacity;

- €9,509 thousand for the consolidation of Informatics Inc. (the change vs. 31/12/05, €10,205 thousand, is due to the forex effect);

- €79,059 thousand, caused by consolidation of the PSC Group. Taking the option allowed by IFRS 3, the Group has revised its calculation of goodwill on the occasion of the preparation of the half-yearly report at 30 June 2006 and in light of new information. This is presented in detail below:

	Amounts as per acquiree's accounts	Adjustments to fair value	Carrying value (USD'000)	Carrying value (€ '000) (X-rate as at 30/11/05)
Tangible and intangible assets	16,360	46,160	62,520	53,123
Other non-current receivables	348		348	296
Inventories	30,230	55	30,285	25,733
Trade and other receivables	45,822	86	45,908	39,008
Cash & cash equivalents	4,985		4,985	4,236
Interest-bearing financial liabilities	-43,952		-43,952	-37,346
Trade and other payables	-45,156	-988	-46,144	-39,208
Tax provision from adjustments to fair value		-18.279	-18,279	-15,531
Deferred taxes recognized upon purchases accounting		17,846	17.846	15,164
NET ASSETS AT FAIR VALUE	**8,637**	**44,880**	**53,517**	**45,472**
GROUP'S SHARE OF NET ASSETS AT FAIR VALUE	-		**53,517**	**45,472**
Enterprise value			**195,000**	**165,690**
PSC Group's financial liabilities at acquisition date	-		-45,102	-38,323
Vendor's liability vs. a supplier	-		-1,500	-1,275
Adjustment to preliminary price	-		2,780	2,362
Price paid	**-**		**151,178**	**128,454**
Accessory expenses	-			1914
ACQUISITION COST	-		**151,178**	**130,368**
GOODWILL AT ACQUISITION DATE	-		**97,660**	**84,897**
Revaluation of goodwill due to forex change	-			**-5,839**
GOODWILL AT 30 SEPTEMBER 2006	-		**77,142**	**79,059**

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

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

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

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

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

Development costs, amounting to €3,282 thousand, are attributable to:

- the parent company = €3,179 thousand
- Informatics = €103 thousand

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

The heading "Other", at €56,545 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group in 2004 and 2005, which are specifically identified and valued in the context of purchase accounting. The main items are as follows:

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

- Patents of €30,761 thousand (historical cost USD 40,461 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 20 years. The original value of USD 61,004 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

- A "Service agreement" of €608 thousand (historical cost USD 951 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 4 years. The original value of USD 1,030 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

- "Brands" of €2,827 thousand (historical cost USD 3,885 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years. The original value of USD 4,800 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

- The "Customer portfolio" of €2,738 thousand (historical cost USD 3,763 thousand), acquired from PSC. The useful life of this intangible asset has been defined as being 10 years. The original value of USD 12,169 thousand at 31 December 2005 has decreased due to revision of the goodwill calculation.

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

- Know-how amounting to €4,050 thousand (€5,968 thousand at the date of initial recognition), acquired from Laservall SpA and relating to technological expertise in the laser marking sector, in terms of product engineering and industrialization. The useful life of this intangible asset has been defined as being 7 years.
- A commercial facility (Far East Window) amounting to €3,423 thousand (€4,417 thousand at the date of initial recognition), acquired from Laservall SpA and consisting of its well-established global sales network and customer base, with a direct presence in areas featuring strong economic growth. The useful life of this intangible non-current asset has been defined as being 10 years.

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

- A commercial facility amounting to €5,319 thousand (USD 8,000 thousand at the date of initial recognition) acquired from Informatics and relating to its sales network and customer portfolio.
  The useful life of this intangible non-current asset has been defined as being 10 years.

The remaining €6,819 thousand of the heading "Other" pertains to the parent company for €5,669 thousand.

3. Equity investments

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

	Balance as at 31/12/05	Increases	Forex differences	Share of profit	Dividends	Changes	Balance at 30/09/06
a) Subsidiary companies							
Datalogic Slovakia s.r.o.	50					50	0
Total subsidiaries	**50**	**0**	**0**	**0**		**50**	**0**
b) Associates							
Idec DatalogicCo. Ltd.	578		(44)	137			671
Laservall Asia CO. Ltd	165			240			405
DL PRIVATE India	8						8
Total associates	**751**	**0**	**(44)**	**377**	**0**	**0**	**1,084**

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

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

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

Other equity investments

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

	Balance at 31/12/05	Increases	Forex differences	Share of profit	Dividends	Changes	Balance at 30/09/06
d) Other companies							
Nomisma SpA - Italy	7						7
Conai	0						0
Caaf Ind. Emilia Romagna - Italy	4						4
Crit srl	51						51
Consorzio T3 Lab	8						8
Alien technology	1,042					(241)	801
Total other equity investments	**1,112**	**0**	**0**	**0**	**0**	**(241)**	**871**

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

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

Securities

	30/09/06	31/12/05	Changes
Securities as surety	367	1,872	(1,505)
Total	**367**	**1,872**	**(1,505)**

This item consists chiefly of Italian government bonds (CCTs) held by the parent company in the amount of €361 thousand.

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

LISTED SECURITIES (in EUR)

type of security	total purchase price	unit purchase price	par value	unitary market price as at 30/09/06	total market value as at 30/09/06
Government bonds	361,077.12	100.3	360,000.00	100.17	360,609.12
	361,077.12		**360,000.00**		**360,609.12**

The decrease in this item is mainly due to the sale of government bonds maturing on 1 August 2007 for a total of €1,509 thousand that were held to secure a bank guarantee issued to cover the third earn-out for the acquisition of Laservall SpA, which was paid, in advance, in July 2006.

CURRENT ASSETS

5. Inventories

	30/09/06	31/12/05	Change
1) Raw and ancillary materials and consumables	31,056	28,547	2,509
2) Work in progress and semi-finished products	7,721	7,627	94
4) Finished products and goods	14,916	15,338	(422)
Total	**53,693**	**51,512**	**2,181**

At 30 September 2006 inventories had increased by 4% vs. 31 December 2005 (€+2,181 thousand).This increase is mainly due to the rise in sales over the period.

Inventories are shown net of an obsolescence provision that, at 30 September 2006, amounted to €10,601 thousand.

Changes in the latter during 2006 are shown below:

	€'000
Inventory write-down provision at 31/12/05	**7,651**
Foreign exchange difference	-469
Change post-PSC acquisition	1,401
Provisions made as at 30/09/06	2,018
Use of surplus during the period	
Inventory write-down provision at 30/09/06	**10,601**

6. Trade and other receivables

Trade and other receivables - current

	30/09/06	31/12/05	Change
Trade and other receivables	**78,638**	**87,534**	**(8,896)**
Trade receivables	**73,608**	**83,727**	**(10,119)**
Trade receivables due within 12 months	70,583	81,734	(11,151)
Trade receivables due after 12 months	-	-	-
Associate receivables:	1,615	1,236	379
- Idec DatalogicCo. Ltd.	*393*	*827*	*(434)*
- Laservall Asia	*1,222*	*409*	*813*
Subsidiary receivables:	-	150	*(150)*
- DL Slovakia	-	*150*	*(150)*
Receivables from parent company:	1,403	443	960
- Hydra SpA	*1,403*	*443*	*960*
Related-party receivables	7	164	(157)
Other current receivables	**1,797**	**1,783**	**14**
Accrued income and prepayments	**3,233**	**2,024**	**1,209**

Trade receivables

Trade receivables due within 12 months at 30 September 2006 totalled €70,583 thousand (net of the provision for doubtful accounts of €1,864 thousand at 30/09/06, up from €1,102 thousand at 31/12/05), a decrease of 13% with respect to December 2005 (10% minus the decrease due to PSC's exchange rate effect, which totalled €2, 468 thousand).

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

Amounts receivable from the ultimate parent company Hydra SpA (€1,403 thousand) relate to the corporate income tax (IRES) credit of Datalogic SpA in connection with the Group tax election.

Related-party receivables (€7 thousand) are due to Datasensor.

Other receivables

	30/09/06	31/12/05	Change
Security deposits	13	41	(28)
Advances paid to suppliers	1,189	574	615
Receivables for sale of investments	-	700	(700)
Other	595	468	127
Total	**1,797**	**1,783**	**14**

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

Accrued income and prepayments

	30/09/06	31/12/05	Change
a) accrued income			
miscellaneous interest income	6	30	(24)
other accrued income	39	25	14
total accrued income	**45**	**55**	**(10)**
b) prepayments			
insurance	375	236	139
membership fees	13	20	(9)
rent and maintenance fees	1,205	515	690
leasing contracts	62	32	30
surety costs	25	57	(32)
trade fairs and sponsorships	112	110	2
substitute tax	130	208	(78)
other prepayments	1,266	789	477
total prepayments	**3,188**	**1,969**	**1,219**
Total accrued income and prepayments	**3,233**	**2,024**	**1,209**

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

<u>Trade and other receivables - non-current</u>

	30/09/06	31/12/05	Change
Security deposits	488	772	(284)
Other	45	24	21
Total	**533**	**796**	**(263)**

Security deposits are attributable mainly to the PSC Group (€288 thousand) and Datalogic Slovakia (€127 thousand).

7. Tax receivables

	30/09/06	31/12/05	Change
Short-term tax receivables	**8,829**	**6,948**	**1,881**
VAT credits	2,945	1,332	**1,613**
Other tax credits	5,884	5,616	**268**
Long-term tax receivables	**5**	**5**	**0**
Other tax credits	5	5	
Total	**8,834**	**6,953**	**1,881**

Amounts receivable from the tax authorities for VAT mainly related to the parent company (€1,073 thousand), Datalogic BV (€1,058 thousand) and Laservall SpA (€329 thousand). €1,019 thousand of this was related to Datalogic BV.

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

	30/09/06	31/12/05	Changes
Other securities	613	3,497	(2,884)
Loans to subsidiaries	206	515	(309)
Total	**819**	**4,012**	**(3,193)**

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

The decrease in "other securities" with respect to 31 December 2005 is due to the sale of securities held to secure the mortgage loan granted by San Paolo IMI SpA paid off at 31 December 2005.

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

type of security	total purchase price	unit purchase price	par value	unitary market price as at 30/09/06	total market value as at 30/09/06
Type of security	613,349.28	8,456		8,461	613,711.95
	613,349.28		**0.00**		**613,711.95**

9. Financial assets - derivative instruments

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

10. Cash & cash equivalents

	30/09/06	31/12/05	Change
Bank and post office deposits	30,641	29,970	(29,930)
Cash and valuables on hand	40	176	(136)
Total cash and cash equivalents	**30,681**	**30,146**	**535**

Cash and cash equivalents include €9,478 thousand for a security deposit received from PSC Holding (included under "other payables") in connection with the acquisition, which is being kept in a restricted account.

INFORMATION ON THE BALANCE SHEET - NET EQUITY AND LIABILITIES

11. Equity

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

a) Share capital

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

	Number of shares	Share capital	Share premium reserve	Treasury shares	Demerger reserve	Total
01/01/06	**12,378,100**	**25,746**	**58,490**	**1,881**	**4,439**	**90,556**
Number of shares at 31 December 2005 post-split	**49,512,400**					
Capital increase from issue of new shares	13,863,472	7,209	69,387			76,596
Capital increase for exercise of stock options	169,000	89	397			486
Purchase of treasury shares	(1,119,104)			(6,440)		(6,440)
Sale of treas ury shares	19,104			110		110
Exercise of rejected options and purchase of treasury shares	-			93		93
Capital increase expenses	-		(512)			(512)
30/09/06	**62,444,872**	**33,044**	**127,762**	**(4,356)**	**4,439**	**160,889**

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

Ordinary shares

At 30 September 2006 the total number of ordinary shares was 62,444,872 (net of 1,100,000 treasury shares) with a par value of €0.52 each; all shares issued are fully paid.

The main change taking place as at 3Q06 was the rights issue (capital increase) of €76,596 thousand. This was approved by the extraordinary shareholders' meeting of 2 December 2005 and completed in January with the issue of 3,465,868 shares (13,863,472 post-split), at a unit price of €22.10 each.

Treasury shares

During 2006 the Group bought 1,119,104 treasury shares and sold 19,104, producing a capital gain of €8 thousand.

Demerger reserve

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

b) Other reserves

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

A member of the board of directors (as reported in the 'related parties' section of the Management Report) has signed a PUT option with the parent company (which therefore has a CALL option) on his minority stake of 10% in Informatics Inc., which is 90% owned by the parent company. In accordance with IAS 32.23, this transaction is recognised as a financial liability. This liability is offset by a negative reserve of €2,502 thousand as it is believed that the exercise price established approximates the fair value of the minority interest in the subsidiary as of the option exercise date (2009). For the same reason, net equity and the minority shareholders' interest in net earnings have been maintained in the financial statements.

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

c) Profits carried forward

Reserve for treasury shares

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

Reserve for gain on cancellation and untaxed capital grant reserve

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

IFRS transition reserve

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

Retained earnings/ (losses carried forward)

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

Dividends

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

d) Minority interests

Minority interests amount to €477 thousand and relate to 10% of Informatics Inc.

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

	Total net equity	Net profit (loss) for the period
Datalogic SpA net equity and profit	**186,959**	**1,111**
Difference between consolidated companies' net equity and their carrying value in Datalogic SpA's statement; effect of equity-based valuation	5,271	5,753
Reversal of dividends	0	(3,921)
Laservall acquisition	(2,912)	970
Amortization of new Datalogic AB consolidation difference	(239)	
Elimination of capital gain on sale of business branch	(202)	
Effect of eliminating intercompany transactions	(2,190)	(1,138)
Elimination of intercompany profits	(64)	(3)
Effect of posting leasing transactions	(58)	(15)
Deferred taxes	2,051	840
Elimination of Minec brand	(301)	(301)
Group portion of net equity	**188,315**	**1,356**
Minority interests in net equity	**477**	**137**
Total net equity	**188,792**	**1,493**

NON-CURRENT LIABILITIES

12. Short-/long-term financial payables

	30/09/06	31/12/05	Change
Long-term financial payables	87,737	12,283	75,454
Short-term financial payables	6,448	149,349	(142,901)
Total financial payables	**94,185**	**161,632**	**(67,447)**

Financial payables are shown in detail below:

30/09/06	Within 12 months	After 12 months	Beyond 5 years	Total
Bank borrowing				
current account overdrafts	3,771			3.771
bank loans & mortgages and other financial institutions	2,677	80,335	4,862	87,874
Other financial liabilities				
Miscellaneous		2,540		2,540
Total	**6,448**	**82,875**	**4,862**	**94,185**

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

Parent company

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

PSC Group

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

The loans are secured as follows:

- Loan to Datalogic GmbH = real estate mortgage of €1,968 thousand;
- Loan to Informatics = surety issued by the parent company of €9,479 thousand.

The parent company has also granted sureties of €3,162 thousand and letters of patronage of €1,975 thousand against the use of a credit line by associates.

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

13. Deferred taxes

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

The detail of deferred tax assets is shown below:

Deferred tax assets	**30/09/06**	**31/12/05**	**Change**
Datalogic SpA	2,627	1,832	795
Laservall SpA	205	305	(100)
DL AB Holding	-	147	(147)
DL AB	130	-	130
DL INC	169	181	(12)
EMS	-	-	-
DL France	-	-	-
DL Iberia	-	-	-
DL Handels	383	416	(33)
DL PTY	146	98	48
Informatics	250	153	97
PSC	17,915	24	17,891
DL UK	345	341	4
Total long-term deferred tax assets	**22,170**	**3,497**	**18,673**
Deferred taxes recognized due to effect of consolidation adjustments	**903**	**524**	**379**
Total deferred tax assets	**23,073**	**4,021**	**19,052**

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

Details of deferred tax liabilities are as follows:

Deferred tax liabilities	**30/09/06**	**31/12/05**	**Change**
Laservall S.p.a.	105	105	-
Informatics	-	2,386	(2,386)
DL France	43	43	-
Adjustment for the elimination of Swedish brands	37	-	37
Total short-term deferred tax liabilities	**185**	**2,534**	**(2,386)**
Datalogic SpA	6,997	1,925	5,072
DL AB	12	-	12
DL GMBH	154	90	64
Laservall S.p.a.	-	-	-
DL PTY	6	-	6
PSC	15,665	27,064	-11,399
Informatics	1,830		1,830
France	62		62
INC.	6		6
DL UK	149		149
EMS	15	-	15
Total long-term deferred tax liabilities	**24,896**	**29,079**	**(4,183)**
Deferred tax liabilities posted due to effect of IFRS transition	-	5,764	(5.764)
Deferred taxes recognized due to effect of consolidation adjustments	93		93
Deferred tax liabilities due to effect of Laservall consolidation adjustments	2,784	3,145	(361)
Total deferred tax liabilities	**27,958**	**40,522**	**(12,694)**

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

The item “Deferred tax liabilities due to effect of Laservall consolidation adjustments" includes the deferred taxation provision (€2,784 thousand upon initial recognition) created as part of the accounting protocol for the acquisition of Laservall SpA. Certain intangible assets from the acquisition ("know-how" and "Far East window") were specifically identified and valued at fair value, and against those assets, which were posted to the balance sheet but not recognized for tax purposes, a provision was made for the relative deferred tax liabilities. This provision is released in parallel with the process of amortization.

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

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

14. Post-employment benefit obligations

Changes in this liability during the period were as follows

	€'000
31/12/05	**6,894**
Amount provisioned in period	1104
Utilisation	-441
Foreign exchange difference	16
	0
30/09/06	**7,573**

Of the figure shown for utilizations, €318 thousand is ascribable to the parent company, of which €116 thousand for advances and €202 thousand for resignations.

	30/09/06
	€'000
Cost of sales	328
Research and development	339
Commercial expenses	281
General & administrative expenses	156
Total	**1,104**

15. Provisions

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

	30/09/06	31/12/05	Change
Short-term provisions	3,786	4,319	(533)
Long-term provisions	5,593	4,600	993
Total provisions	**9,379**	**8,919**	**460**

Below we show the changes occurring in the item:

	31/12/05	Increases	(Utilisation)	Unused amounts	Forex differences	30/09/06
Product warranty provision	4,672	500	(182)	(400)	(204)	4,386
Provision for legal disputes	1,371		(1,085)		(78)	208
Restructuring provision	-	1,502	(798)			704
Provision for management incentive scheme	1,104	981	(14)		(8)	2,063
Other	1,772	980	(612)		(122)	2,018
Total provisions	**8,919**	**3,963**	**(2,691)**	**(400)**	**(412)**	**9,379**

The product warranty provision covers the estimated cost of repairing products sold under warranty; it amounts to €4,386 thousand and is considered sufficient in relation to the specific risk it covers. It is mainly attributable to the PSC Group (€3,046 thousand, of which €1,939 thousand long-term), to the parent company (€950 thousand) and to Laservall SpA (€340 thousand).

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

The decrease in the provision for legal disputes was mainly attributable to the PSC Group.

Of the provision for the management incentive scheme, €1,900 thousand was attributable to the direct parent company and €163 thousand to the PSC Group.

The heading "Other" mainly consists of:

- €1,742 thousand for a "stock rotation" provision concerning the PSC Group, showing an increase of €823 thousand vs. 31 December 2005;
- € 91 thousand attributable to the PSC Group and provisioned for compliance with directive 2002/95/EC, i.e. the “Directive on restrictions of use of some hazardous substances in electric and electronic equipment”, enacted in Italian law by Legislative Decree no. 151 of 277/5/2005.This fund has decreased by €612 thousand with regard to 31 December 2005.

16. Other non-current liabilities

Other non-current payables	30/09/06	31/12/05	Change
due for the purchase of equity investments		1,000	(1,000)
due to employees	531	52	479
due to directors			-
security deposits from third parties	48	38	10
loans from Group companies			-
leasing instalments due	44	116	(72)
Total	**623**	**1,206**	**(583)**

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

CURRENT LIABILITIES

17. Trade and other payables

These are the details of trade and other payables:

	30/09/06	31/12/05	Change
Trade and other payables	**71,043**	**81,325**	**(10,282)**
Trade payables	**40,908**	**44,653**	**(3,745)**
Trade payables due within 12 months	38,387	43,263	(4,876)
Trade payables due after 12 months			-
Due to associates	-	15	(15)
Idec DatalogicCo. Ltd.	-	*15*	*(15)*
Laservall Asia		-	-
Due to ultimate parent company	*2,295*	*998*	*1,297*
Related-party payables	226	377	(151)
Other current payables	**23,556**	**30,906**	**(7,350)**
Accrued liabilities and deferred income	**6,579**	**5,766**	**813**

Trade payables

Trade payables include €3,444 thousand from the consolidation of Datalogic Slovakia.

Related-party payables are due to Datasensor.

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

Other payables

The detailed breakdown of other current payables was as follows:

Other current payables	**30/09/06**	**31/12/05**	**Change**
Due for acquisition of equity interest in Laservall SpA	-	2,000	(2,000)
Due to pension and social security agencies	1,775	2,555	(780)
Due to employees	9,554	9,401	153
Security deposits received	9,479	10,172	(693)
Directors' remuneration due	890	633	257
Due to insurers	-	-	-
Royalty costs yet to be paid	1,518	1,686	(168)
Other payables	350	4,459	(4,109)
Total	**23,566**	**30,906**	**(7,340)**

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

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

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

The debt due for acquisition of equity interest in Laservall SpA was paid off in July.

Accrued liabilities and deferred income

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

	30/09/06	**31/12/05**	**Change**
a) accrued liabilities			
interest on mortgage loans	106	85	21
consulting services	403	310	93
advertising and promotion	110	381	(271)
other accrued liabilities	496	571	(75)
Total accrued liabilities	**1,115**	**1,347**	**(232)**
b) deferred income			
maintenance contracts	3,319	2,789	530
intercompany transactions	424	225	199
warranty extension	771	615	156
capital grants	666	666	-
other deferred income	284	124	160
Total deferred income	**5,464**	**4,419**	**1,045**
Total accrued liabilities & deferred income	**6,579**	**5,766**	**813**

The balance of the deferred income heading "maintenance contracts" mainly concerns the PSC Group for €2,901 thousand (€973 thousand long-term), Datalogic UK Ltd. for €99 thousand and Datalogic Iberia for €123 thousand, due to suspension of the portion of revenues from maintenance contracts with customers that does not pertain to the period.

The item "intercompany transactions" refers to the elimination of the inventory margin of Idec Datalogic Co. Ltd. (€226 thousand) and Laservall Asia (€198 thousand), which are booked at equity.

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

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

18. Taxes payable

	30/09/06	31/12/05	Change
Short-term taxes payable	7,685	5,528	2,157
Long-term taxes payable	22	7	15
Total	**7,707**	**5,535**	**2,172**

At 30 September 2006, taxes payable amounted to €7,707 thousand, as detailed below, by individual company:

Short-term taxes payable	**30/09/06**	**31/12/05**	**Change**
DL SpA	2,225	2,042	183
PSC	892	1,147	(255)
Laservall SpA	565	573	(8)
DL AB Holding	22	19	3
DL AB	154	227	(73)
Informatics	184	9	175
DL GMBH	332	627	(295)
BV	1,199	34	1,165
HANDEL	4	7	(3)
DL Iberia	299	339	(40)
DL France	179	31	148
DL UK	347	422	(75)
INC.	231	52	179
EMS	7	-	7
DL PTY	30	-	30
DL Slovakia	1,036	-	1,036
DL Asia	-	-	-
Total	**7,706**	**5,528**	**2,178**
payables recognized due to consolidation adjustments	(21)	-	(21)
Total short-term taxes payable	**7,685**	**5,528**	**2,157**
Long-term taxes payable			
DL UK	22	-	22
DL PTY	-	7	(7)
PSC	-	-	-
Informatics	-	-	-
EMS	-	-	-
Total long-term taxes payable	**22**	**7**	**15**
Total taxes payable	**7,707**	**5,535**	**2,172**

INFORMATION ON THE INCOME STATEMENT

19. Revenues

	30/09/06	30/09/05	Change
Revenues from sale of products	269,959	127,889	142,070
Revenues for services	10,535	4,914	5,621
Total revenues	**280,494**	**132,803**	**147,691**

Total revenues increased by 111% YoY (+13% net of the PSC Group).

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

Below is the geographical breakdown of revenues in percentage terms:

	30/09/06	30/09/05	Change
Italy	10%	16%	-6%
Elsewhere - EU	42%	44%	-2%
Elsewhere - non-EU	48%	40%	8%

20. Cost of goods sold and operating costs

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

	30/09/05	reclassifications	30/09/05
TOTAL COST OF GOODS SOLD (1)	**65,888**		**65,888**
TOTAL OPERATING COSTS (2)	**53,437**	**-**	**53,437**
R&D expenses	10,126		10,126
Distribution expenses	23,086	4,799	27,885
General & administrative expenses	18,971	(4,799)	14,172
Other operating costs	1,254		1,254
TOTAL (1+2)	**119,325**	**-**	**119,325**

	30/09/06	30/09/05	Change
TOTAL COST OF GOODS SOLD (1)	**157,547**	**65,888**	**91,659**
of which non-recurring	*990*		*990*
TOTAL OPERATING COSTS (2)	**115,775**	**53,437**	**62,338**
R&D expenses	20,376	10,126	10,250
of which non-recurring	*63*		*63*
Distribution expenses	63,573	27,885	35,688
of which non-recurring	*128*	*35*	*93*
General & administrative expenses	26,891	14,172	12,719
of which non-recurring	*2,495*	*1,677*	*818*
of which amortization pertaining to acquisitions	3,277	970	*2,307*
Other operating costs	4,935	1,254	3,681
of which non-recurring	*1,907*	*276*	*1,631*
TOTAL (1+2)	**273,322**	**119,325**	**153,997**

Total cost of goods sold (1)

This item increased by 139% compared with the same period in 2005; without the PSC Group it would have risen by 14%, in line with revenue growth net of PSC.

Total operating costs (2)

"R&D expenses", which totalled €20,376 thousand at 30 September 2006 (€11,364 thousand net of the PSC Group) were equivalent to 7.26% of revenues (7.56% net of the PSC Group). They doubled compared with the same period in 2005, due primarily to the consolidation of PSC.

"Distribution expenses" totalled €63,573 thousand. Net of the PSC Group, they came to €32,582 thousand, an increase of €4,697 thousand with respect to the first nine months of 2005. Most of the rise pertains to:

- Informatics = €1,800 thousand;
- Datalogic Spa = €774 thousand;
- Datalogic Slovakia = €643 thousand;
- Datalogic BV = €509 thousand;
- Datalogic INC = €464 thousand.

With regard to Informatics, it should be noted that the 2005 figure covers seven months only since the company was acquired on 28 February of that year.

Most of the increase at the parent company is explained by the convention held in February 2006 (€532 thousand), which did not take place in 2005.

For the other companies, the rise relates chiefly to costs for the sales force.

"General and administrative expenses" amounted to €26,891 thousand. Net of the PSC Group, they totalled €17,859 thousand, an increase of €3,687 thousand attributable mainly to:

- the parent company, for €2,496 thousand pertaining to the PSC acquisition;
- Informatics, for €1,433 thousand, of which €672 thousand related to payroll & employee benefit costs (€487 thousand for an incentive scheme) and €482 thousand related to depreciation & amortization due to the acquisition.

The detailed breakdown of “Other operating costs” is as follows:

	30/09/06	**30/09/05**	**Change**
Capital losses on assets	172	11	161
Incidental costs and cancellation of income items	64	138	(74)
Provisions for doubtful accounts	848	263	585
Other provisions	2,894	379	2,515
Non-income taxes	820	309	511
Other	137	154	(17)
TOTAL OTHER OPERATING COSTS	**4,935**	**1,254**	**3,681**

Other provisions, totalling €2,894 thousand, consisted of the following items:

- a provision of €1,907 thousand made by PSC Group to help pay for a restructuring and development plan, one effect of which is that 60 staff members have been cut for eventual savings of over 4.4 million dollars per year;
- a provision of €900 thousand made by the parent company for the estimated 1H06 portion of a long-term management incentive scheme (due to end in 2008);
- €87 thousand for tax assessments underway on the parent company's accounts.

The provision for doubtful accounts increased by €585 thousand, due mainly to a provision by Datalogic GMBH (€296 thousand) in relation to the financial problems of one of its distributors and a provision by the PSC Group (€361 thousand).

Non-income taxes were attributable mainly to the PSC Group (€400 thousand), the parent company (€212 thousand), Datalogic UK (€59 thousand), Datalogic FRANCE (€56 thousand) and Informatics (€43 thousand).

Capital losses on assets, totalling €172 thousand, relate mainly to the parent company.

Breakdown of costs by nature

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

	30/09/06	30/09/05	Change
Payroll & employee benefits	74,133	37,790	36,343
Depreciation & amortization	12,218	5,682	6,536
Inventory change	-4,310	-2,745	(1,565)
Purchases	127,758	52,181	75,577
Subcontracted work	1,949	2,206	(257)
Repairs	3,021	1,525	1,496
Marketing	4,596	2,996	1,600
Directors' remuneration	3,590	3,079	511
Travel & accommodation	4,651	1,960	2,691
Technical, legal, and tax advisory services	5,444	1,644	3,800
Goods receipt & shipment	6,281	1,903	4,378
Meetings	942		942
Other costs	33,049	11,104	21,945
Total (COGS + operating costs)	**273,322**	**119,325**	**153,997**

The increase in depreciation & amortization was mainly due to:

- the consolidation of PSC for €5,192 thousand (of which €1,825 thousand due to amortization of intangible assets generated by the PSC acquisition);
- the amortization of other allocated immaterial assets, in the second half of 2005, when calculating goodwill for Informatics (€482 thousand);
- the consolidation of Datalogic Slovakia for €201 thousand.

The cost of goods sold, i.e. the sum of purchases and the inventory change, amounted to €56,305 thousand net of the PSC Group for an increase of 14%.

Of the rise of €1,496 thousand in repair costs, €1,244 thousand is due to the consolidation of the PSC Group.

Marketing expenses (€3,198 thousand net of the PSC Group) amounted to €4,596 thousand. They consisted of advertising spending and sponsorships (€2,462 thousand), tradeshows (€1,041 thousand), and co-marketing participation in commercial partners' marketing spending (€1,093 thousand).

Directors' remuneration, at €3,590 thousand, concerns the parent company for €3,244 thousand.

Travel & accommodation expenses totalled €4,651 thousand. Net of the PSC Group, they amounted to €2,377 thousand.

Advisory services cost €5,444 thousand. Net of the PSC Group they totalled €3,325 thousand, mostly in relation to the parent company (€1,880 thousand). The increase with regard to the same period in 2005, net of the PSC Group, was €1,681 thousand, of which €637 thousand concerned the parent company.

Expenses for goods receipt & shipment amounted to €6,281 thousand. Net of the PSC Group, they totalled €2,820 thousand, an increase of €917 thousand YoY. €888 thousand of this was related to Datalogic Slovakia.

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

	30/09/06	30/09/05	Change
Wages and salaries	58,995	28,916	30,079
Social security charges	12,006	6,237	5,769
Post-employment benefits	1,104	885	219
Retirement and similar benefits	209	195	14
Other payroll costs	1,819	1,557	262
Total	**74,133**	**37,790**	**36,343**

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

- consolidation of the PSC Group (€31,826 thousand for 748 employees);
- Informatics (€4,739 thousand for 107 employees, a €1,853 thousand increase over the same period of 2005, during which the company had been consolidated for only 7 months;
- Datalogic Slovakia (€752 thousand for 126 employees);
- the parent company (€21,201 thousand, a €357 thousand increase YoY, mostly related to increased use of temporary workers).

21. Other operating revenues

The detailed breakdown of this item is as follows:

	30/09/06	30/09/05	Change
Miscellaneous income and revenue	555	316	239
Release of restructuring provision		1,128	(1,128)
Rent income	162	163	(1)
Capital gains on asset disposals	333	82	251
Operating grants	259	25	234
Incidental income and cost cancellation	170	68	102
Other	26	6	20
TOTAL OTHER REVENUES	**1,505**	**1,788**	**(283)**

The reduction in this item is due mainly to the parent company, which at 30 September 2005 had released a restructuring provision recognized in the 2004 financial statements (€1,128 thousand) as a result of acquiring a business branch.

"Capital gains on assets disposals" includes €274 thousand from the sale of the land and building belonging to Datalogic Holding AB (in Sweden).

"Incidental income and cost cancellation" includes €107 thousand in relation to Laservall.

"Operating Grants" consists of grants totalling €225 thousand from the Italian Ministry for Universities and Scientific Research (Murst) for research and development projects, and €34 thousand in hiring bonuses as per art. 7 of Law 388 of 2000.

22. Net financial income (expenses)

	30/09/06	30/09/05	Change
Interest expenses on bank current accounts/loans	3,575	261	3,314
Foreign exchange losses	4,186	1,278	2,908
Bank charges	490	163	327
Financial component of accrued post-employment benefit provision	-	176	(176)
Other	626	118	508
TOTAL FINANCIAL EXPENSES	**8,877**	**1,996**	**6,881**
Interest income on bank current accounts/loans	653	469	184
Foreign exchange gains	3,268	1,688	1,580
Other	385	339	46
TOTAL FINANCIAL INCOME	**4,306**	**2,496**	**1,810**
NET FINANCIAL INCOME (EXPENSES)	**(4,571)**	**500**	**(5,071)**

Total financial expenses

The item "Interest expenses on bank current accounts and loans", totalling €3,575 thousand, pertains mainly to the PSC Group (€2,412 thousand), the parent company (€744 thousand) and Informatics (€360 thousand).

"Foreign exchange losses" came to €4,186 thousand and are mostly attributable to the parent company (€1,662 thousand), PSC Group (€832 thousand) and Datalogic Slovakia (€1,455 thousand).

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

- €492 thousand in exchange losses on commercial transactions, of which €64 thousand refers to retranslation at period-end exchange rates;
- €1,142 thousand in exchange losses on borrowings and current accounts in foreign currency, of which €1,069 thousand refers to the retranslation at period-end exchange rates;
- €28 thousand for forward hedging transactions.

"Bank charges" totalled €490 thousand, of which €253 thousand related to the parent company, including €180 thousand in administrative charges on new loans.

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

Total financial income

"Interest income on bank current accounts/loans" totalled €653 thousand, of which €330 thousand pertains to the PSC Group and €192 thousand pertains to the parent company.

Of the €3,268 thousand in "Foreign exchange gains", €1,238 thousand refers to Datalogic Slovakia, €1,175 thousand to the PSC Group, and €560 thousand to the parent company.

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

- €299 thousand in exchange losses on commercial transactions, of which €34 thousand refers to retranslation at period-end exchange rates;
- €54 thousand in exchange gains on borrowings and current accounts in foreign currency;
- €207 thousand for hedging transactions.

The heading "Other" includes €202 thousand in income on Datalogic SpA shares and €163 thousand in financial income attributable to the PSC Group.

23. Taxes

	30/09/06	30/09/05
Income taxes	6,156	7,236
Deferred taxes	-3,627	-305
	2,529	**6,931**

The average tax rate applied was 62.9% (vs. 43.2% at September 2005).

The statement of reconciliation for September 2006 between the effective tax burden and the burden that would emerge based on application of the average tax rate to the pre-tax result of individual companies consolidated (on a line-by-line basis) is provided in an annex.

24. Earnings/loss per share

Basic earnings/loss per share

Basic EPS at 30 September 2006 is calculated by dividing the Group net earnings (i.e. of the parent company's shareholders) of €1,356 thousand (€8,957 thousand in September 2005) by the weighted average number of ordinary shares outstanding at 30 September 2006 (61,587,258 shares, compared with 12,043,798 in September 2005).

Diluted earnings/loss per share

The diluted earnings per share at 30 September 2006 is calculated by dividing the net earnings of €1,356 thousand (€8,957 thousand in September 2005) by the weighted average number of ordinary shares outstanding at 30 September 2006 (61,768,317 shares, compared with 12,105,054 at 30 September 2005), factoring in the future exercise of stock options. In detail:

	30/09/05	30/09/06
Group profit/(loss) for period	8,957,000	1,356,000
Average number of shares at 30 September	12,043,798	61,587,258
Effect of future exercise of stock options	66,144	151,541
Diluted average number of shares at 30 September	12,105,054	61,768,317
Diluted earnings/loss per share	0.7399	0.0220

SEGMENT REPORTING

Segment information

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

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

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

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

Business segments

The Group consists of the following business segments:

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

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

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

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

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05
External sales	224,697	90,959	55,797	41,844			280,494	132,803
Intersegment sales	755	35	35	28	(790)	63	-	-
Total revenues	**225,452**	**90,994**	**55,832**	**41,872**	**(790)**	**63**	**280,494**	**132,803**
Cost of goods sold	130,257	44,960	26,300	20,960		(32)	156,557	65,888
Intersegment cost of goods sold	35	7	755	26	(790)	(33)	-	0
Gross profit	**95,160**	**46,027**	**28,777**	**20,886**	-	**2**	**123,937**	**66,915**
% of revenues	*42.21%*	*50.58%*	*51.54%*	*49.88%*	*0.00%*	*-3.17%*	*44.19%*	*50.39%*
Other allocable revenues	1,279	1,636	226	152			1,505	1,788
Other intersegment revenues	282	222	-	-	282	222	-	-
Allocable operating costs:	**86,093**	**34,179**	**18,005**	**13,854**	**(282)**	**(396)**	**103,816**	**47,637**
% of revenues	*38.19%*	*37.56%*	*32.25%*	*33.09%*	*35.70%*	*628.57%*	*37.01%*	*35.87%*
R&D expenses	17,262	7,642	3,063	2,484	(12)		20,313	10,126
Distribution expenses	53,707	20,098	10,008	7,967	(270)	(215)	63,445	27,850
Allocable G&A costs	13,249	5,835	4,681	3,029	-	(181)	17,930	8,683
Other allocable operating costs	1,875	604	253	374			2,128	978
SEGMENT RESULT	**10,628**	**13,705**	**10,998**	**7,184**	-	**176**	**21,626**	**21,065**
% of revenues	*4.71%*	*15.06%*	*19.70%*	*17.16%*	*0.00%*	*-279.37%*	*7.71%*	*15.86%*
Unallocable G&A costs	-						3,189	2,841
Other unallocable operating costs							900	
EBITANR	**10,628**	**13,705**	**10,998**	**7,184**	-	**176**	**17,537**	**18,224**
% of revenues	*4.71%*	*15.06%*	*19.70%*	*17.16%*	*0.00%*	*-279.37%*	*6.25%*	*13.72%*
Allocable non-recurring costs/revenues	(5,583)	(311)		1,677			(5,583)	(1,988)
Unallocable non-recurring costs/revenues	-							
Amortization due to acquisitions	(1,825)		(1,452)	(970)			(3,277)	(970)
Net financial income (expenses)							(4,571)	500
Share of associates' profit	(324)	57	240	223			(84)	280
Income taxes	-						(2,529)	(6,931)
NET PROFIT/LOSS	**2,896**	**13,451**	**9,786**	**4,760**	-	**176**	**1,493**	**9,115**
% of revenues	*1.28%*	*14.78%*	*17.53%*	*11.37%*	*0.00%*	*-279.37%*	*0.53%*	*6.86%*
Minority interests' share of net profit/loss			137				137	158
GROUP NET PROFIT/LOSS	**2,896**	**13,451**	**9,649**	**4,760**	-	**176**	**1,356**	**8,957**
% of revenues	*1.28%*	*14.78%*	*17.28%*	*11.37%*	*0.00%*	*-279.37%*	*0.48%*	*6.74%*

	Data Capture		Business Development		Adjustments		Consolidated Total	
(€'000)	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05
Segment assets	286,992	101,401	55,002	49,694	(229)		341,765	151,095
Interests in subsidiaries booked at equity	679	554	405	662			1,084	1,216
Unallocable assets							64,632	66,283
Total assets	**287,671**	**101,955**	**55,407**	**50,356**	**(229)**	**-**	**407,481**	**218,594**
Segment liabilities	69,753	36,793	14,109	6,133	(229)	(228)	83,633	42,698
Unallocable liabilities							134,843	37,899
Equity							188,792	137,997
Total liabilities	**69,753**	**36,793**	**14,109**	**6,133**	**(229)**	**(228)**	**407,268**	**218,594**
Allocable D&A (including D&A due to acquisitions)	9,483	4,053	2,281	1,524			11,764	5,577
Unallocable D&A	-						455	105

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

NUMBER OF EMPLOYEES

	30/09/06	30/09/05	Change
DL SpA	558	559	(1)
DL AB	23	31	(8)
DL France	16	18	(2)
DL Iberia	20	20	-
DL Central Europe	47	46	1
DL Benelux	10	7	3
DL INC	46	43	3
DL PTY	13	13	-
DL UK	16	15	1
EMS	61	61	-
Informatics	107	89	18
Laservall	92	78	14
PSC Group	748	0	748
Slovakia	126	0	126
Asia	10	5	5
Total	**1,893**	**985**	**908**

Chairman of the Board of Directors
Romano Volta

ANNEX

TAX RECONCILIATION 30/09/2006

	DL PTY	DL France	DL Gmbh	DL AU	DL BV	DL UK	DL AB Holding	DL AB	DL INC	EMS	DL Spain	Informatics	PSC	Asia	Laservall Spa	Capogruppo	Slovakia	rettifiche consolidato	Consolidato
Pre-tax profit/loss	**-172**	**-66**	**127**	**174**	**-204**	**143**	**290**	**-132**	**749**	**-334**	**-164**	**2.164**	**-6.307**	**103**	**7.529**	**1.266**	**5.288**	**-6.432**	**4.022**
Local rate	30%	34,33%	37,50%	25%	30%	30%	28%	28%	40%		30% primi 60 Euro /000-35%	35%	38%		33%ires+ 4,25% irap	33%ires+4,25% irap	19,00%		
Taxes calculated applying local statutory tax rate to pre-tax result without IAS/IFRS			-48	-44		-43			-300			-757		0	-2.490		-1.005		-4.685
IRAP													-59		-440	-750			-1.249
tax effect (downward changes)		12	111	10		21			1			25			318				498
tax effect (upward changes)	-1	-28					-67			-38	-8	-416			-125		-17	0	-700
Deferred taxes	52	37			61	0	-81	130			49	356	1.774		-232	595		886	3.627
IAS/IFRS effect		-19																	-20
losses for which deferred taxes are not recognized	0		0			0	0	0	0	0	0	0	0	0	0	0		0	0
Total taxes	**51**	**2**	**64**	**-34**	**61**	**-22**	**-148**	**130**	**-299**	**-38**	**41**	**-793**	**1.715**	**0**	**-2.968**	**-155**	**-1.022**	**886**	**-2.529**
Net profit(loss)	**-121**	**-64**	**191**	**141**	**-143**	**121**	**142**	**-2**	**450**	**-373**	**-123**	**1.371**	**-4.592**	**103**	**4.561**	**1.111**	**4.266**	**-5.546**	**1.493**
Average tax rate	**29,42%**	**3,15%**	**-50,10%**	**19,25%**	**30,00%**	**15,43%**	**51,10%**	**98,21%**	**39,87%**	**-11,38%**	**25,12%**	**36,63%**	**27,19%**	**0,00%**	**39,43%**	**12,24%**	**19,32%**	**13,77%**	**62,89%**