



Financial Report 2017

**The Customer at the
Heart of our Business**

The background of the entire page is a light blue-grey color. It features a complex, symmetrical pattern of concentric heart shapes and wavy lines that radiate from the center, creating a sense of depth and movement. The pattern is most dense in the upper left quadrant and fades towards the bottom right.

Financial Report 2017

**The Customer at the
Heart of our Business**

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Dear Shareholders,

it is with great pleasure that I share with you all the results achieved by the Datalogic Group in 2017. The goals we have reached both in terms of sales and profits are, in fact, the best ever recorded since 1972, the year in which our Group was first established. There are several factors that made them possible. First of all, the strategic vision that myself and Mr Romano Volta (founder and President of the Group) have succeeded in giving the Group for some years now, combined with the persistence and ability of all the *management* and of Datalogic's roughly 3,000 employees to execute the new strategy. Finally, another key factor is the increasing investment in research and development, which are the lifeblood of a high-tech company like ours, in order to ensure the development of new products and solutions that are consistent with the demands of our customers.

The implementation of our strategy resulted in the transition to a customer-centric rather than product-oriented organisation model and so, since January 2017, Datalogic has shifted its focus to the four sectors that it considers its main targets: Retail, Manufacturing, Healthcare and Transport-Logistics, and did so by breaking down its structure into four different divisions. Thanks to the breadth and the uniqueness of its range of products and solutions (which have always represented our competi-



A photograph of a modern building with a glass facade and a red brick section. The building is illuminated at dusk, with the sky showing some clouds. The text "DATALOGIC LABS" is visible on the left side of the building.

DATALOGIC LABS

“The goals we have reached both in terms of sales and profits are, in fact, the best ever recorded since 1972, the year in which our Group was first established.

tive edge), we succeed with this new organisational model to meet the needs of our customers across their entire value chain.

The central role of the customer also drove the creation of a new corporate division (the so-called “Customer Service”), which has centralised all the services provided by the Group globally, from order entry and confirmation to after-sales service and installation, by applying a performance indicator of client satisfaction such as the Net Promoter Score (NPS) used by many Fortune 500 Companies.

The new division has also led to the centralisation of all research and development and to the creation of workshops dedicated to the development of *core* technologies on the one hand, and the investigation and development of those that are instead considered emerging technologies on the other. The creation of a single R&D division has also brought significant benefits in terms of flexibility in resource allocation and “contamination” between different development centres.

The excellent results achieved in the past year can also be attributed to growth in all the markets in which Datalogic operates: from e-commerce to industrial automation and robotics. Thanks to their advanced technological content, in fact, our products enable us to respond to the growing demand of our customers, translating into greater efficiency, accuracy, quality and speed of all the processes and activities. The sensational growth of *online* purchas-

es, for example, has led shipping agents to request ever faster and reliable dispatching solutions that can not only read barcodes, but also collect images of the individual parcels. The ability of Datalogic to listen to its customers and to transform their needs in applications that can satisfy them has helped the company obtain the status of “Platinum” supplier, the highest ever achieved by a *world leader* in the field of international shipping and logistics. Similar examples can be made in the Retail industry, where in the latter part of 2017, we launched the world’s first contactless charging Terminal (*wireless charging*), the Joya Touch Android, or in the Manufacturing sector, where we introduced one of the most important products to ensure the safety of workers who are in contact with the machines, but also to allow the autonomous driving of vehicles inside the production plants or large warehouses and distribution centres.

The acquisition of the German company Soredi Touch Systems GmbH during the second half of 2017 also helped meet the demands of our customers better and faster, and allowed us to expand our presence in Germany with a manufacturing plant and a research and development center.

I now would like to anticipate the main economic and financial data of the balance sheet for 2017. The Group’s consolidated net sales amounted to € 606 million, up by 5.1% compared to 2016, the EBITDA grew by 14.3%, to € 103.3 million, setting our all-time record, even in terms of margin on sales, which amounted to 17%. The EBIT in-

creased by 18%, to € 82.9 million and our net profit reached € 60.1 million, an increase of 31% compared to 2016. We are very proud of these results, especially when it comes to the Group's profit margin, which we achieved thanks to cost optimisation on Operations and without compromising investment in research and development amounting to € 55 million, up by 9.6% compared to the previous year, shifting from 8.7% to 9.1% in terms of margin on sales.

Revenue growth was primarily generated by the Group's results in the EMEA and China from a geographical point of view and by our Transportation & Logistics, Healthcare and Manufacturing divisions in terms of the sectors targeted by the Company.

With regard to the Group's financial management, the year ended with a positive net financial position, sharply increasing to € 30.1 million.

The new strategy embraced by the Group still has an enormous potential that can be achieved fully only with an adequate sales coverage and by increasing investments in areas such as the United States, China and Japan, and Germany, where there is greater demand for the products and solutions that we can offer and where demand for them is growing fast. The Group's positive net financial position and its "historical" ability to generate cash make us confident about the possibility of being able to make the necessary investments starting in 2018, both on the commercial front and on that of research and development, to seize the opportunities that the market has to offer.

Being a leader in the *high-tech* industry is not an easy task, especially in Italy and especially considering the fierce competition (mainly American) that we face and the high technological content of our product range, which requires important resources but also the best talents.

However, we believe we can achieve even more ambitious and significant goals in the coming years thanks to our vision, our tenacity and our people who share the dream that we have of becoming the global leaders in all the areas in which we operate, and to the trust of all of you: our shareholders, customers, suppliers and partners.



Valentina Volta
CEO

About us

Datalogic is a global technology leader in the automatic data capture and process automation markets.

The company is specialized in the designing and production of bar code readers, mobile computers, RFID, sensors for detection, measurement and safety, vision and laser marking systems.

Closeness and timely response to every customer requirements, together with continuous innovation and high quality offering, are the distinctive elements at the base of Datalogic success for over 40 years. Its cutting-edge solutions help to increase the efficiency and quality of processes in the Retail, Manufacturing, Transportation & Logistics and Healthcare industries, along the entire value chain.

Vision

A world identified, viewed, inspected, marked and verified by Datalogic.

Mission

To provide customers in Retail, Manufacturing, Transportation & Logistics and Healthcare the best quality and efficiency in data collection and process automation, thanks to superior product technology, and extremely talented people.

Key numbers

REVENUES

**606
MIL EUROS**

+5.1% vs. 2016

INVESTMENTS IN R&D

**55
MIL EUROS**

9,1% of Group
Revenues

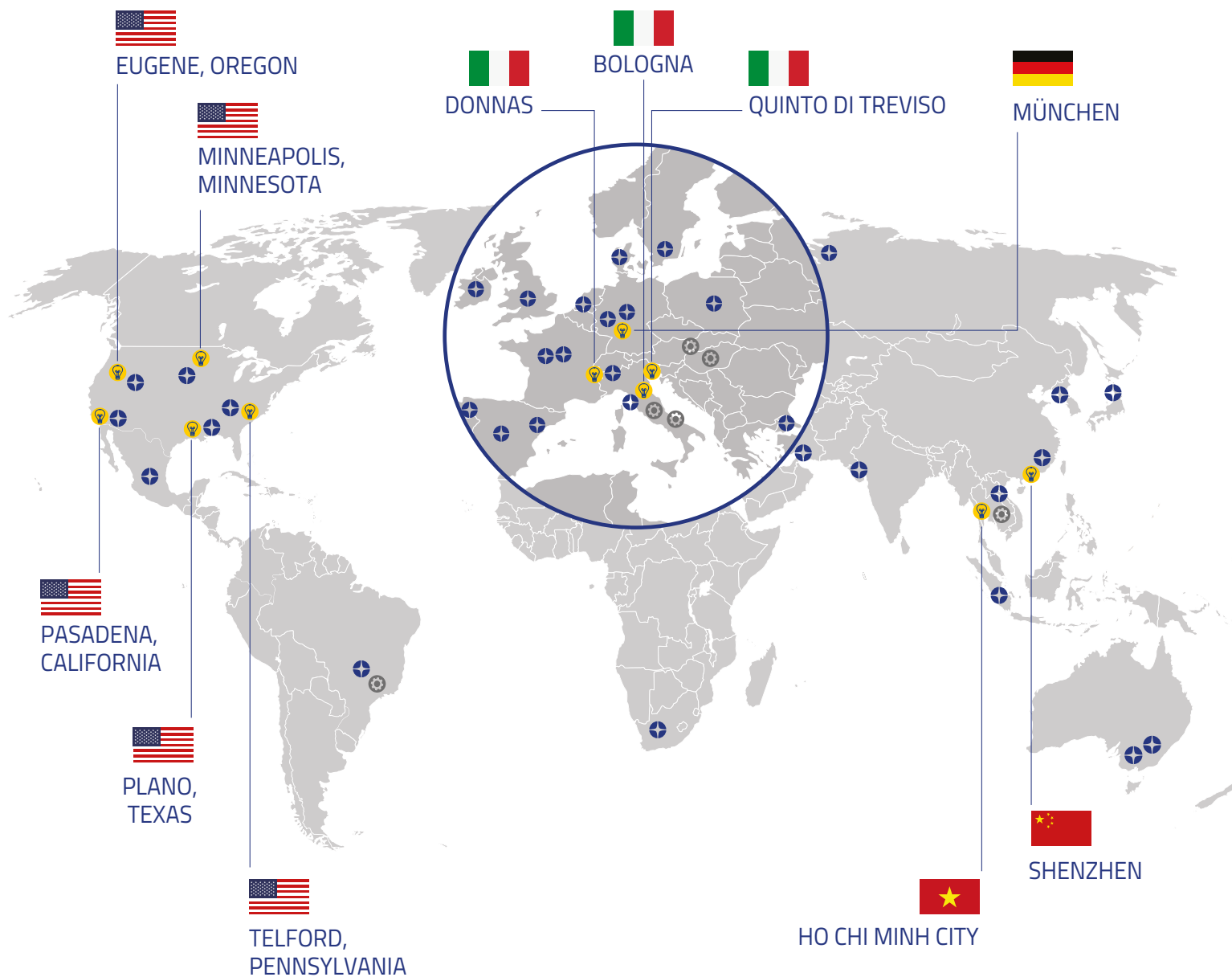
EMPLOYEES

2,900

distributed in 30
Countries

INNOVATION

45 YEARS



PATENTS
OVER 1,200
 in different jurisdictions

RESEARCH & DEVELOPMENT
11 CENTERS
 in Italy, Germany, USA, China and Vietnam

MANUFACTURING AND REPAIR FACILITIES
6
 in Hungary, Slovakia, Italy, USA, Vietnam and Brazil

CUSTOMER SERVICE
GLOBAL

Stock market data



Datalogic S.p.A. is listed on the Italian Stock Exchange since 2001 at the STAR segment. STAR is the market segment of Borsa Italiana's equity market (MTA) dedicated to midsize companies with a capitalization of less than 1 billion euros and who voluntarily adhere to and comply with requirements of excellence.

Over the course of 2017, the stock showed a positive growth of 63.5%, outperforming both the shares of the FTSE MIB index, by 51.8% and the share of the FTSE STAR index, by 32.4%. The stock reached a maximum of 34.11 Euros per share on October 31st 2017 and a minimum of 18.26 Euros on January 9th 2017. The average daily volumes traded in 2017 were about 75,100 shares (the double compared to the average daily volumes of approximately 36,670 shares reported in the previous year).

SEGMENT

STAR - MTA

BLOOMBERG CODE

DAL.IM

REUTERS CODE

DAL.MI

NUMBER OF SHARES

58,446,491

including n. 217,014
treasury shares

2017 MAX

34.11 EUROS

31st October 2017

2017 MIN:

18.26 EUROS

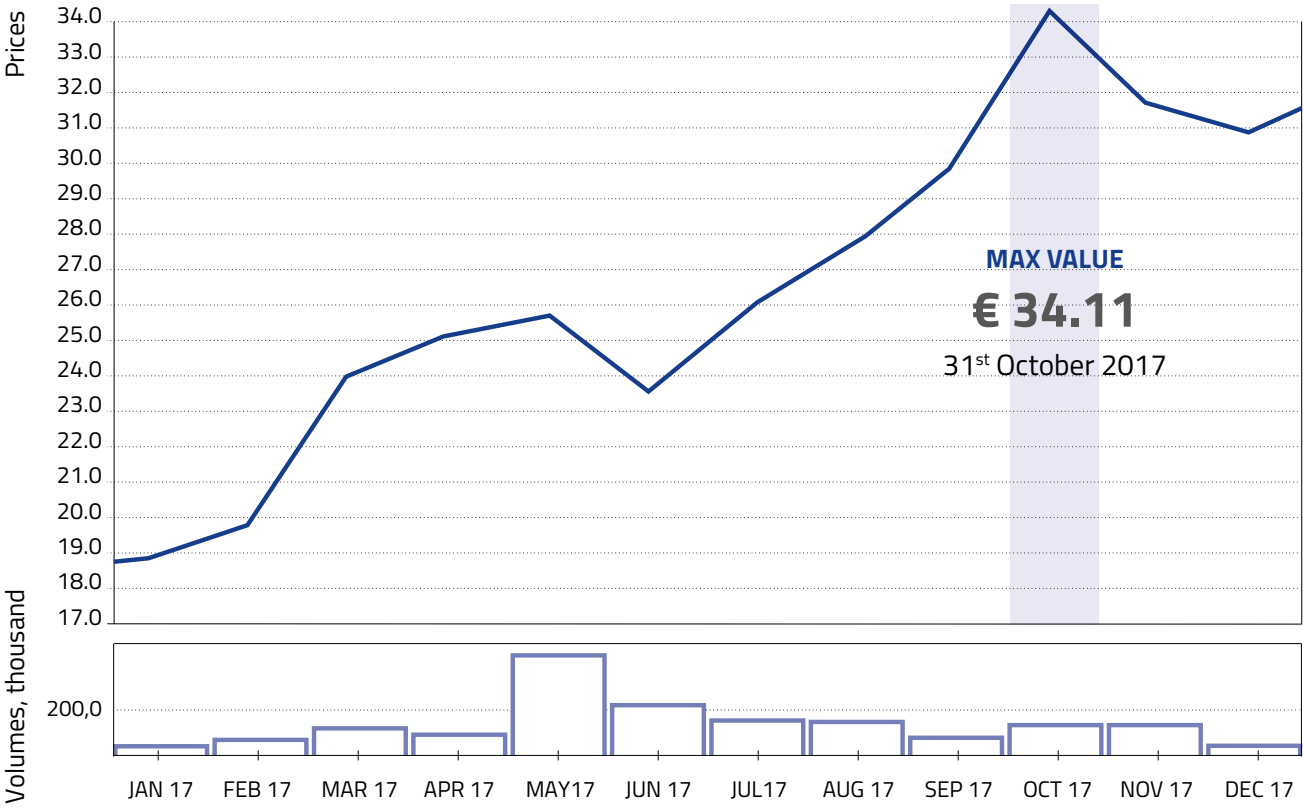
9th January 2017

MARKET CAPITALIZATION

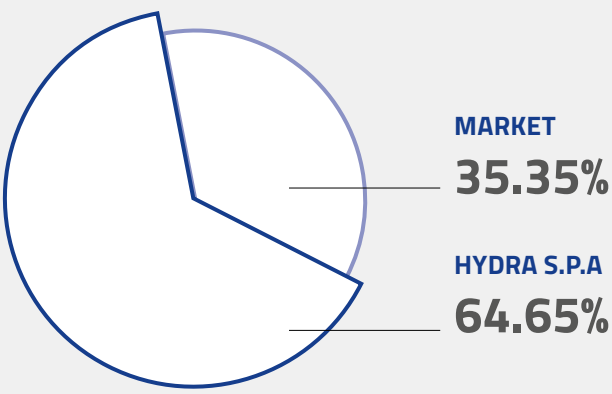
**1,801.3 MIL
EUROS**

at 31st December 2017

ANNUAL GRAPH PERFORMANCE / VOLUMES



SHAREHOLDER STRUCTURE



Significant milestones



Central role of the Customer

- **A new governance structure was launched on 1 January 2017**, giving rise to an organisational structure reflecting the new business model based on the absolutely central role of the end customer. The company was divided into four Industry Units with dedicated sales and support teams, to better serve the four main reference markets: Retail, Transportation and Logistics, Manufacturing and Healthcare.
- **A Net Promoter Score (NPS)**, an indicator that measures customer loyalty, of 47%.
- **New organisation of Customer Service**, now even more accessible to end users, thanks to simplification of the contact path and development of three different levels of Global Technical support, guaranteeing professional assistance 24/7, 365 days a year and appropriate for all requirements, all over the world.
- **A New Quality Management System**, which has finalised the complete integration of the various local quality systems spread around the world, ensuring a timely quality control of all our products and processes.



Continuous innovation

RESOURCES EMPLOYED IN R&D

470

450 of whom Engineers working to develop new products and technologies.

R&D INVESTMENT

OF 9.1%

that is, around 55 Mil euros.

PATENTS

MORE THAN 1,200

CONTROL OF

CORE TECHNOLOGIES

such as decoding libraries.

INVESTIGATION INTO

EMERGING TECHNOLOGIES

such as augmented reality and new vision systems.



Human Resources

- **The number of employees** has increased from 2700 to 2900.
- **New programme to attract talent to R&D**, thanks to a route of international mobility, growth and an economic package above the national market average.
- A major **new Corporate Welfare programme**, including banking facilitations and insurance packages for all employees.

A culture of



OWNERSHIP

Feel and act as an owner of Datalogic.



EFFICIENCY

Treat company expenses as you would your own expenses.



FOCUSING ON RESULTS

Focusing on results - Deliver what you promised.



REALISM

Face reality and fix what is wrong.



NO SHORT CUTS

Don't compromise on strategy, culture or achieving results.



Acquisitions

JULY

Datalogic announces the acquisition of **SOREDITouch Systems GmbH**, a German global technology leader for industrial computers, that allows the company to complete its offering of readers and mobile computers with forklifts terminals for warehouse management, and to enter into the rugged tablet market.

NOVEMBER

Datalogic announces the acquisition of 20% of **R4i S.r.l.**, a company based in Benevento, Italy, which develops cutting-edge solutions with RFID technology (Radiofrequency Identification), particularly specialized in the Ultra High Frequency (UHF) band, which enables one or more objects, whether static or in motion, to be univocally identified, transmitting a univocal identifier to the receiver.

Our strategy customer-centricity

We pursue a single strategy: the customer is at the heart of what we do.

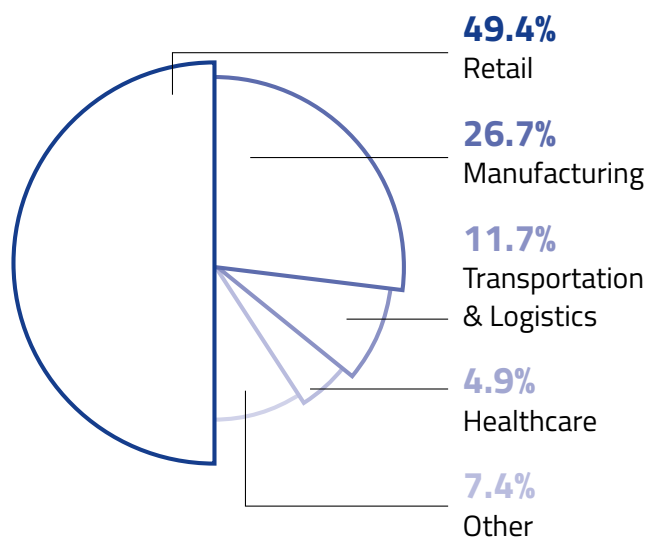
Datalogic comes alongside and accompanies its customers as a genuine partner in moving towards the new frontiers of process automation. The four sectors in which the Group operates (Retail, Transportation & Logistics, Manufacturing and Healthcare) have seen significant growth in demand, driven by an increasingly extreme level of industrial automation, also incentivised at a legislative level, both in Italy and in the major economies. The ability to mark and read data is the essential requisite for creating a smart factory, where machinery, products and systems are connected throughout the value chain.

Data generation is Datalogic's core competence and it's what facilitates the automatic management of production processes, extending its traceability over the entire supply chain, from logistics right to the end consumer.

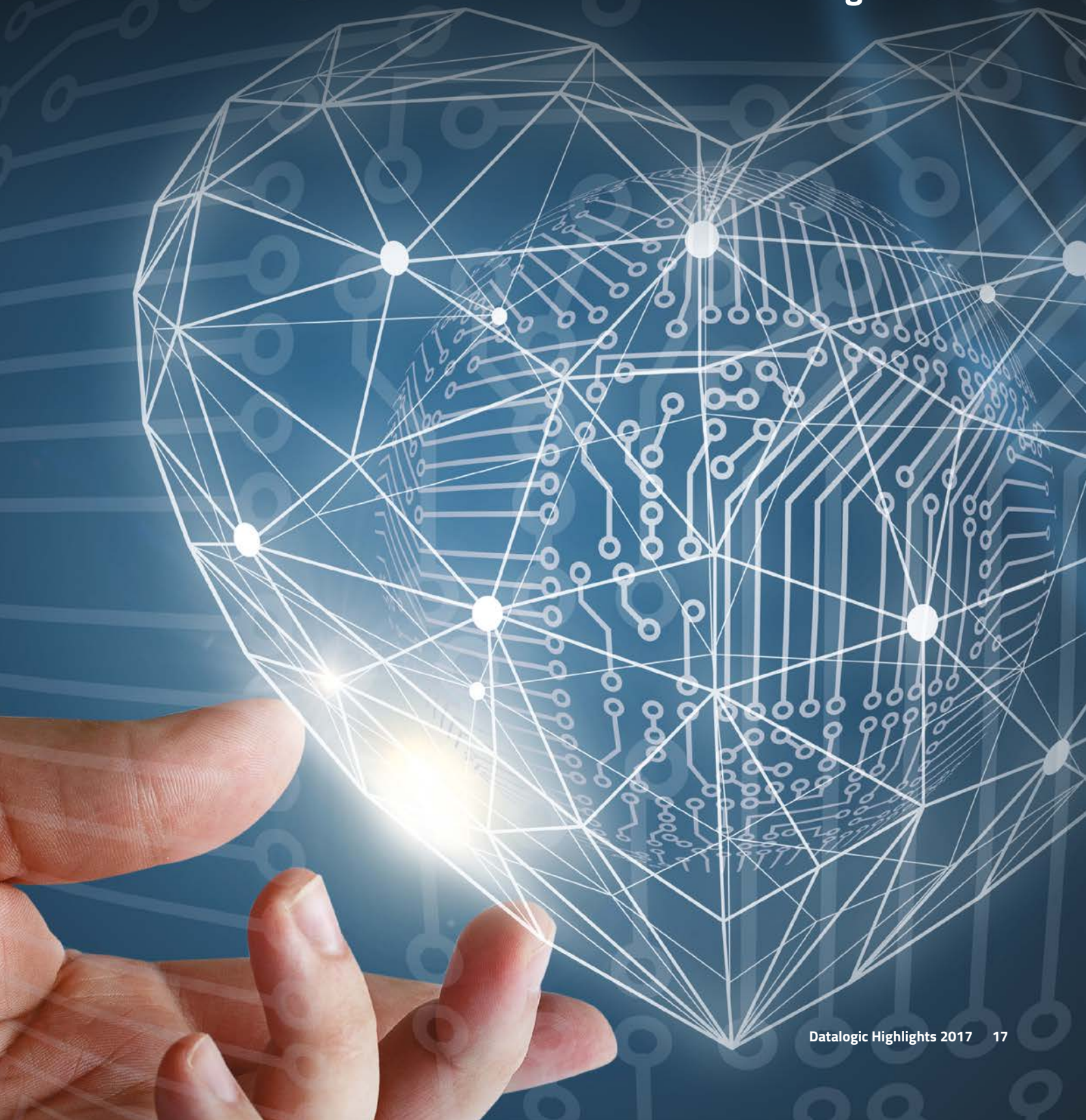
The Datalogic technologies that enable data generation are those linked to automatic identification (barcodes or RFID, sensors for machine inspection,

measurement or safety) extending to artificial vision technologies. Datalogic applications can also exploit both the capacity to "write" codes directly to objects (a first step towards the IoT) through laser markers and the capacity to read these 1D/2D and OCR codes with barcode readers and smart cameras.

2017 Revenues



“ A new
customer-centric
organization.”



Retail

“We satisfy globally the Retailers business needs, from Distribution Center to Check Out and Shoppers’ Home.

**FOOD
NON FOOD
HOSPITALITY
GAS STATIONS**

The challenges of the market

With the growth of e-commerce, the spread of the omnichannel approach and the arrival of new generations of millennials, technology is preparing to revolutionise the future of Retail Industry. Through new augmented reality technologies, the intention of the sector is to provide customers with personalised suggestions and services, to make the sales outlet experience preferable to online shopping. Today’s consumers are looking for a quick, practical, fun and interactive shopping experience.

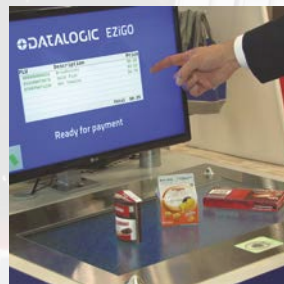
Smart technologies, shopping experiences and digital transformation are the future of Retail and Datalogic is ready to accompany its development.

Datalogic’s offerings for Retail (confirming its position as the world’s leading company in producing and supplying bi-optic POS scanners), start from production and logistics automation, and extend to facilitation of the shopping experience thanks to state-of-the-art mobile computers and innovative vision systems that permit a frictionless checkout. Datalogic products enhance the customer experience, while increasing the value and production volume of Retail businesses, thereby accompanying them in every activity: from production to inventory and the point of sale.

We offer **Retail Clients**, always at the heart of our business, continuous innovation.



The barcode on a pack of chewing gum was scanned for the first time in Troy, Ohio, in **1974**, thanks to a Datalogic counter-top scanner, today displayed at the Smithsonian Museum in Washington. Since then, Datalogic has kept on innovating, up to the



presentation in **2017** of a "smart checkout" system to the New York National Retail Federation, which thanks to the latest vision and image processing systems, recognises products without requiring a barcode.

Manufacturing

**“Unique portfolio
provider of smart,
interconnected devices able
to protect, identify,
sense, check and mark.**

AUTOMOTIVE
FOOD & BEVERAGE
ELECTRONICS
WAREHOUSE LOGISTICS
AGV/ROBOT GUIDANCE
TIRES

The challenges of the market

Industry 4.0 drives manufacturing into the digital era. BigData, Advanced Analytics, new human-machine interfaces and advanced robotics are the components of this digital revolution that will radically alter factory production lines. The consolidation of the Smart Factory will thus accompany the transformation of the value chain, as well as the single stages of production.

Data generation, Datalogic's core competence, remains foundational in the Industry 4.0 model, enabling the automatic management of production processes and extending its traceability over the entire supply chain.

The competitive advantage of Datalogic lies in the Group's capacity to meet the needs of customers throughout the entire value chain, thanks to a unique portfolio of products and solutions, covering both reference macro markets (automatic data capture and industrial automation), which no other big competitor can offer.



We offer **Manufacturing Clients**, always at the heart of our business, state-of-the-art technologies.

We offer the world of Automotive, Food & Beverage, Electronics, Automated Machinery and Intralogistics:

SECURITY: laser scanners and safety barriers, versatile, flexible solutions for monitoring safety areas.

TRACEABILITY: ultra-compact industrial scanners and laser markers that permit the coding of products and components, cameras, vision processors and handheld devices for automatic data capture during the various stages of production.

QUALITY INSPECTION: vision systems, smart cameras and software able to ensure reliable, precise quality control.

AUTOMATION: automated systems for sorting and shipping, vision systems and mobile computers.

Transportation & Logistics

**“We ensure efficient
& effective Data Collection
to Courier-Express-Parcels,
Airports, warehouse operators
and sorting processes.**

**AIRPORT
COURIER & PARCEL
3PL**

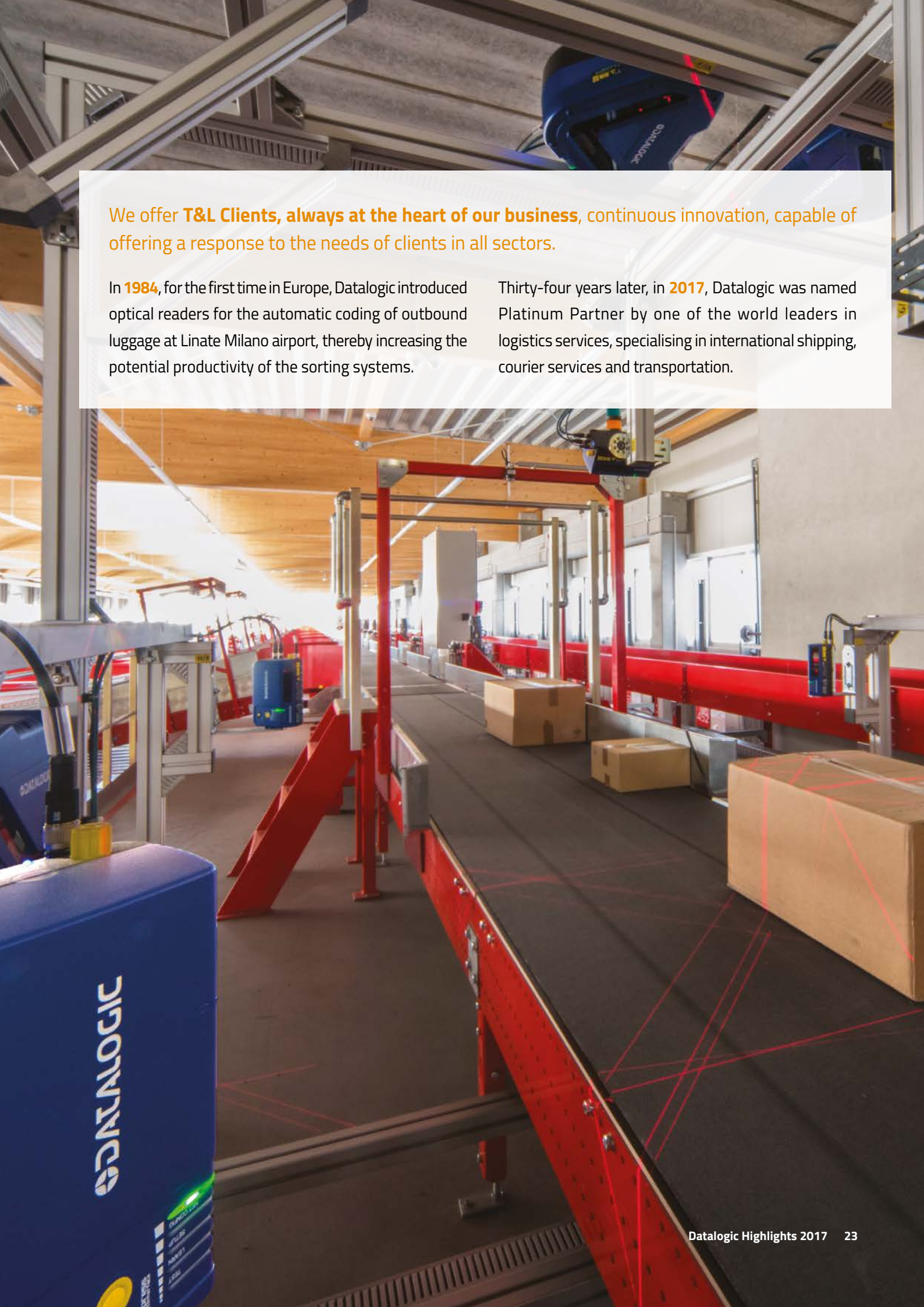
The challenges of the market

Investment in new technologies is affecting the entire logistics chain and all of its operators: 3PL, couriers, postal services, transport. A market experiencing great growth and turning decisively towards smart automation, in order to respond to the new requirements of end users: rapid and customised deliveries.

The volume of goods moved is increasing constantly and the types of parcel have taken on very diverse characteristics. Datalogic sensors and vision systems guarantee optimal traceability of packages and shipments, from the warehouse to the carrier for delivery.

In logistics, the first generations of self-driving vehicles (autonomous shuttles and forklifts) used in controlled areas of the warehouse are under development. We are also observing an increase in the use of robots, above all in end-of-line applications, in palletisers and in automatic guided vehicles (AGVs).

Innovation in airport systems especially represents one of the main lines of development in the transportation market, one that Datalogic is ready to seize on in the coming years, with a comprehensive technological offering.



We offer **T&L Clients**, **always at the heart of our business**, continuous innovation, capable of offering a response to the needs of clients in all sectors.

In **1984**, for the first time in Europe, Datalogic introduced optical readers for the automatic coding of outbound luggage at Linate Milano airport, thereby increasing the potential productivity of the sorting systems.

Thirty-four years later, in **2017**, Datalogic was named Platinum Partner by one of the world leaders in logistics services, specialising in international shipping, courier services and transportation.

Healthcare

“We empower the entire Healthcare ecosystem from drug production to patient care.

PHARMACEUTICAL
HOSPITALS
PHARMACIES

The challenges of the market

The traceability of medications, people, patients, surgical instruments and machinery underpins the new safety and efficiency parameters demanded by the latest modern healthcare systems.

Datalogic technological solutions ensure complete traceability and help to protect patients and healthcare personnel, also thanks to special plastics treated with antimicrobial additives that can withstand daily cleaning with aggressive disinfectant solutions and can therefore prevent the spread of infection.

Datalogic also sees great potential for development in the progress of telemedicine and its services, which have become a component of healthcare methodology in many countries around the world for supporting patients after admission to hospital or preventing readmission.

Datalogic is ready to seize on these opportunities and to support and accelerate the introduction of these changes with state-of-the-art products and solutions, suited to the end user.



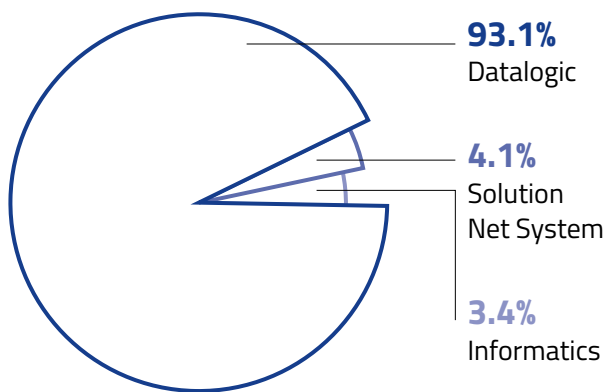
We offer **Healthcare Clients, at the heart of our business**, products and solutions that guarantee accurate medication and traceability of medicines, electronic monitoring of patients and the correct association clinical sample-patient.

A constant growth

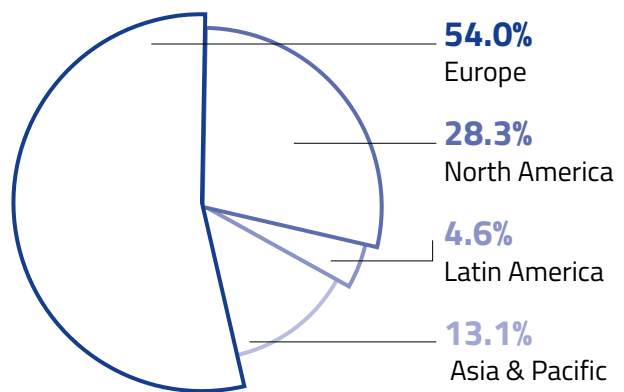
2017 REVENUES

Total **606 MLN EUROS**

By division



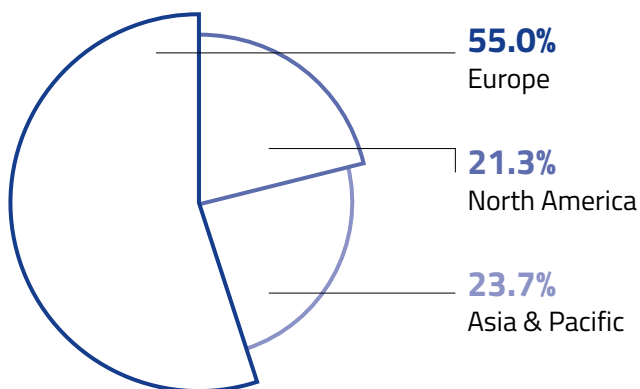
By geographic area



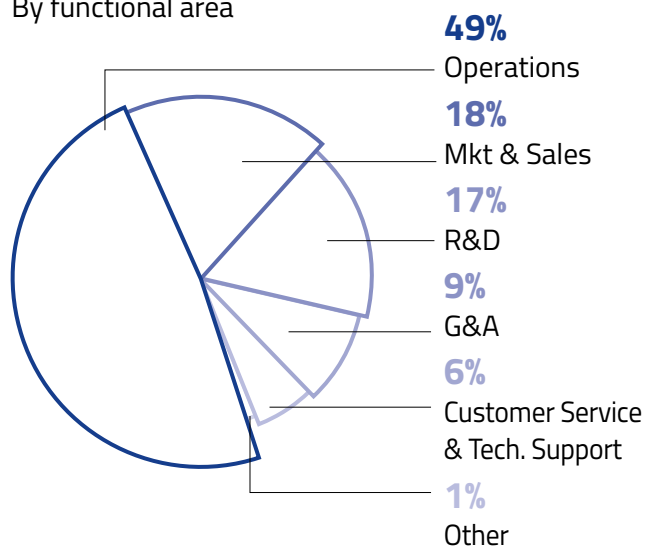
2017 EMPLOYEES

Total **2,912**

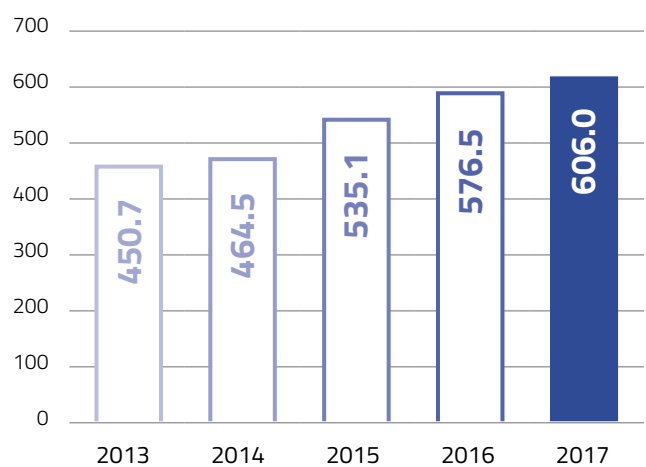
By geographic area



By functional area

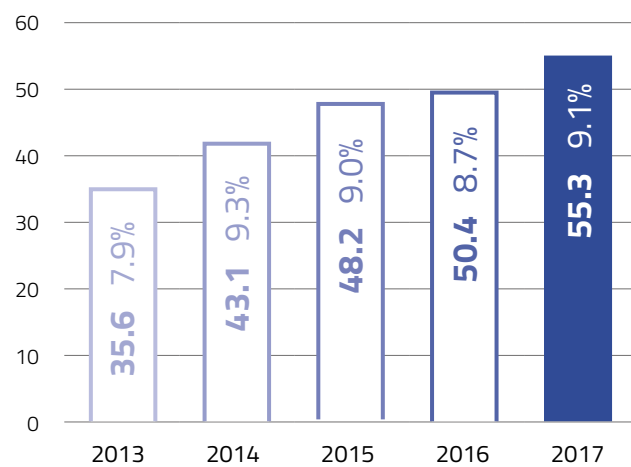


REVENUES (MLN EUROS)



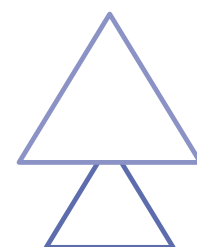
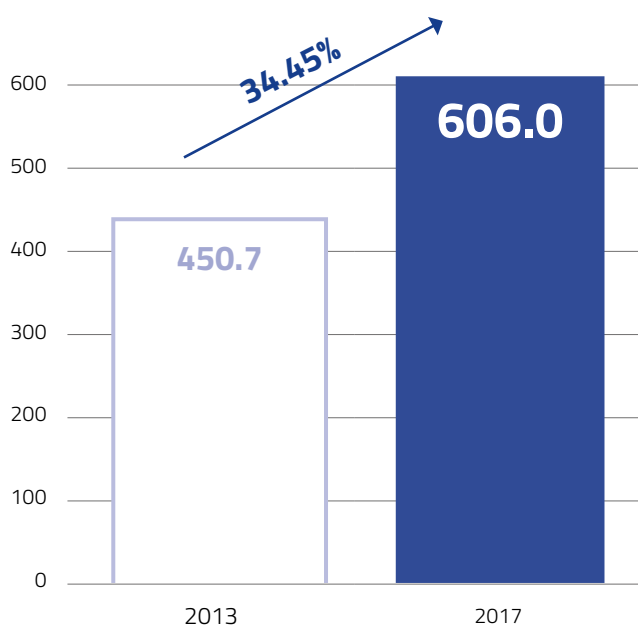
(+5.1% vs. 2016)

R&D (MLN EUROS)*



*% on revenues

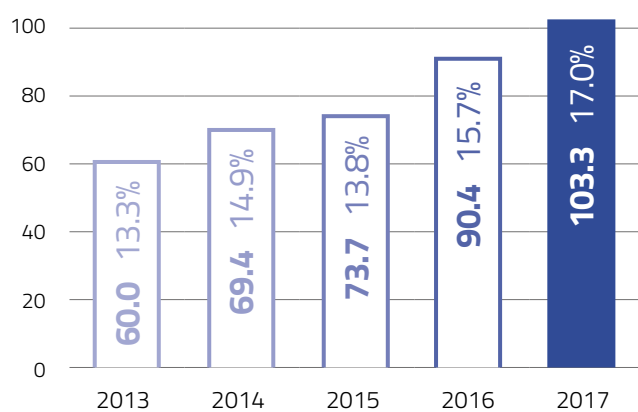
TOTAL REVENUES (MLN EUROS)



CAGR 2013-2017

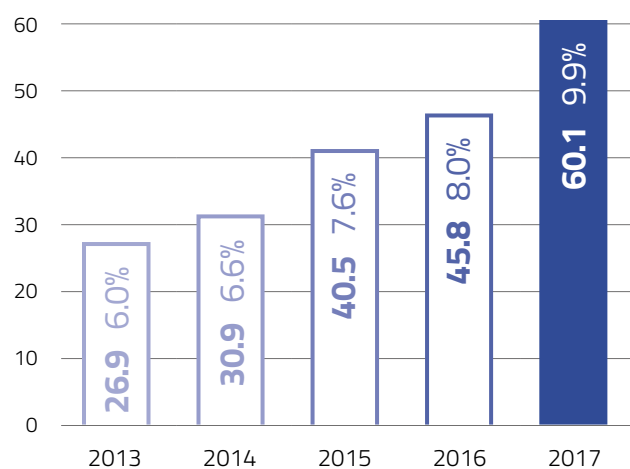
7.7%

EBITDA (MLN EUROS)*



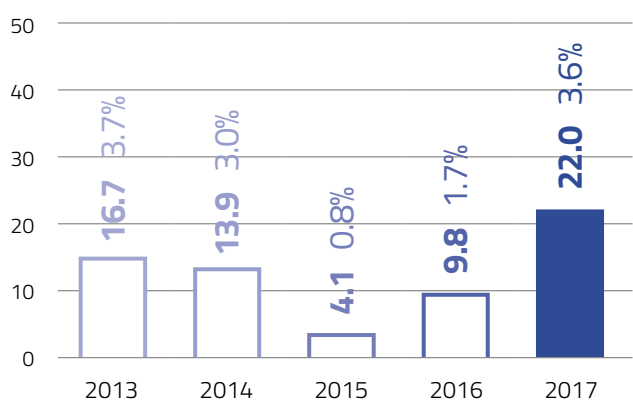
*% on revenues

NET INCOME (MLN EUROS)*



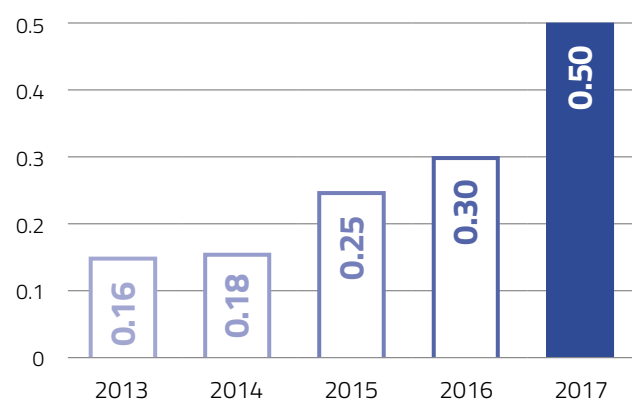
*% on revenues

NET WORKING CAPITAL (MLN EUROS)

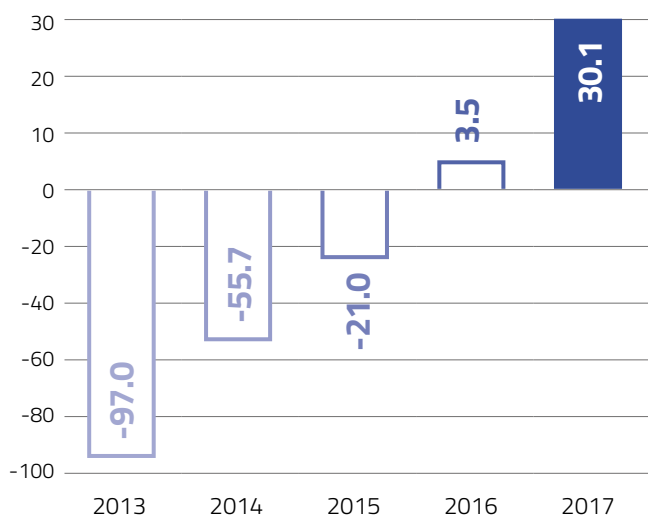


** on revenues

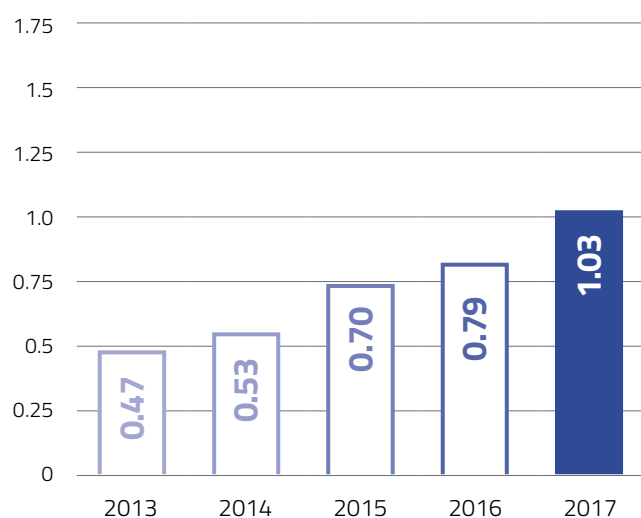
DIVIDEND PER SHARE (DPS - EUROS)



NET FINANCIAL POSITION (MLN EUROS)



EARNINGS PER SHARE (EPS - EUROS)



INCOME STATEMENT

| Mln Euros | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|-------|-------|-------|-------|-------|
| REVENUES | 450.7 | 464.5 | 535.1 | 576.5 | 606.0 |
| EBITDA | 60.0 | 69.4 | 73.7 | 90.4 | 103.3 |
| % on revenues | 13.3 | 14.9 | 13.8 | 15.7 | 17.0 |
| EBT | 35.5 | 39.2 | 51.6 | 66.9 | 75.4 |
| % on revenues | 7.9 | 8.4 | 9.6 | 11.6 | 12.5 |
| NET INCOME | 26.9 | 30.9 | 40.5 | 45.8 | 60.1 |
| % on revenues | 6.0 | 6.6 | 7.6 | 8.0 | 9.9 |
| EMPLOYEES GROWTH | 2,364 | 2,470 | 2,567 | 2,696 | 2,912 |
| DIVIDEND PER SHARE (Euros) | 0.16 | 0.18 | 0.25 | 0.3 | 0.5 |
| DIVIDEND DISTRIBUTION (mln Euros) | 8.5 | 9.4 | 10.5 | 14.5 | 17.4 |

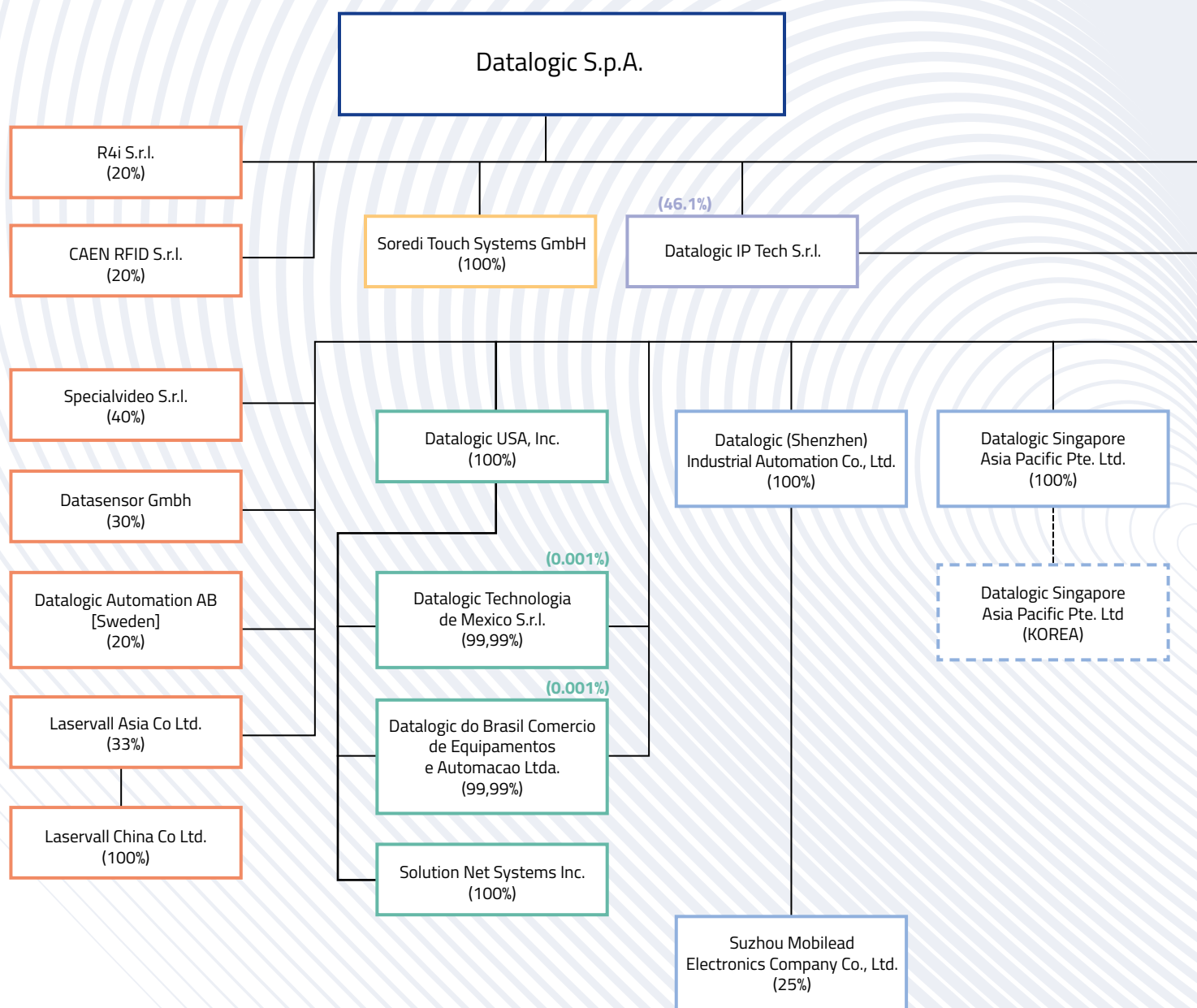
BALANCE SHEET

| Mln Euros | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|--------|--------|--------|--------|--------|
| FIXED ASSETS | 300.4 | 326.2 | 363.8 | 371.7 | 347.9 |
| CURRENT ASSETS | 150.2 | 164.0 | 166.8 | 192.0 | 201.3 |
| CURRENT LIABILITIES | -133.6 | -150.1 | -162.7 | -182.2 | -179.3 |
| NET WORKING CAPITAL | 16.7 | 13.9 | 4.1 | 9.8 | 22.0 |
| NET INVESTED CAPITAL | 282.3 | 297.0 | 319.2 | 332.9 | 322.9 |
| EQUITY | 185.3 | 241.3 | 298.3 | 336.4 | 353.0 |
| NET FINANCIAL POSITION | -97.0 | -55.7 | -21.0 | 3.5 | 30.1 |

| | | | | | |
|---------------------|------|------|------|------|------|
| CAPEX | 17.1 | 12.7 | 22.0 | 16.5 | 13.9 |
| % on revenues | 3.8 | 2.7 | 4.1 | 2.9 | 2.3 |
| NET WORKING CAPITAL | 16.7 | 13.9 | 4.1 | 9.8 | 22.0 |
| % on revenues | 3.7 | 3.0 | 0.8 | 1.7 | 3.6 |
| ROE% | 15.0 | 14.5 | 15.0 | 14.4 | 17.4 |
| DEBT/EQUITY % | 52.4 | 23.1 | 7.0 | -1.0 | -8.5 |

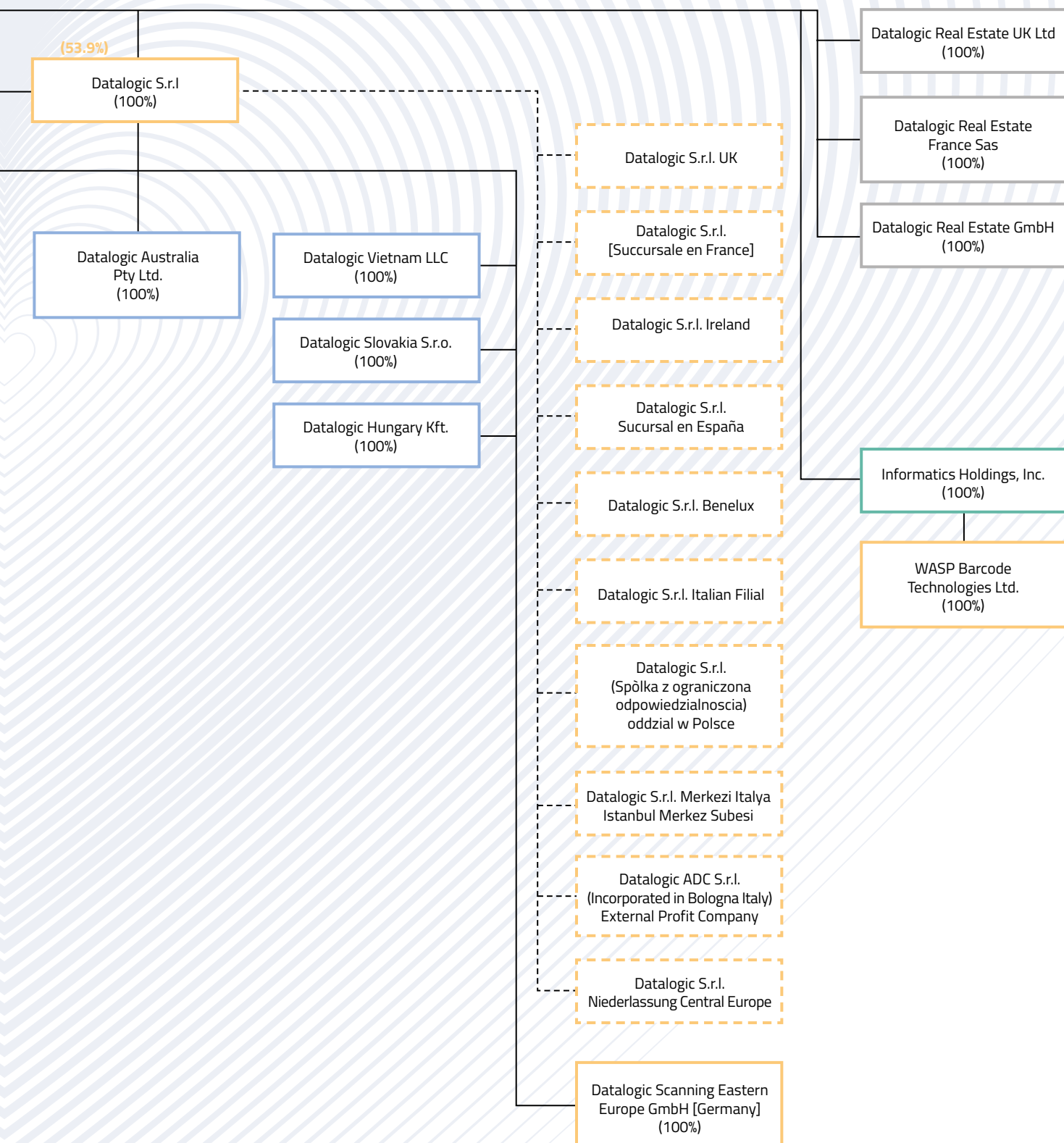


Datalogic Group structure



—— Legal entity - - - - - Branch

| | | | | | |
|------------|----------|------|---------|-------------|-------|
| ITALY/EMEA | AMERICAS | APAC | IP TECH | REAL ESTATE | OTHER |
|------------|----------|------|---------|-------------|-------|



Composition of Corporate Bodies

Board of Directors⁽¹⁾

Volta Romano

Chairman⁽²⁾

Volta Valentina

Director & Chief Executive Officer⁽²⁾

Aversa Carlo Achille

Director

Di Stefano Luigi

Independent Director

Mazzalveri Gaia

Independent Director

Todescato Pietro

Director

Volta Filippo Maria

Director

Statutory Auditors⁽³⁾

Fiorenza Salvatore Marco Andrea

Chairman

Santagostino Roberto

Statutory Auditor

Lancellotti Elena

Statutory Auditor

Prandi Paolo

Alternate Statutory Auditor

Fuzzi Mario

Alternate Statutory Auditor

Independent Auditor

EY S.p.A.

⁽¹⁾ The Board of Directors will remain in office until the general meeting that approves the accounts for the financial year ending 31 December 2017. On 23 November 2017, Mr. Pier Paolo Caruso and Mrs. Sonia Magnani resigned from their offices as member of the Datalogic Board of Directors and Alternate Statutory Auditor.

⁽²⁾ Legal representative with respect to third parties.

⁽³⁾ The Statutory Auditors in office until the approval of the accounts for the financial year ending 31 December 2018.



Report on operations

Introduction

This annual Financial Report as at 31 December 2017 was drawn up pursuant to Art. 154 of T.U.F. and was prepared in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union.

The amounts reported in the Report on operations are expressed in thousands of Euro. The Explanatory Notes to the accounts are expressed in millions of Euro.

Group profile

Datalogic is the world leader in the markets of automatic data capture and process automation. The Group is specialised in the manufacture of fixed bar code readers, mo-

bile computers, RFID-Radiofrequency, identification technology, detection, measurement and security sensors, vision and laser marking systems. Its pioneering solutions contribute to increase efficiency and quality of processes along the entire value chain, in the Retail, Manufacturing, Transportation & Logistics and Healthcare sectors.

Highlights for the year and the fourth quarter

The following table summarises the Datalogic Group's key operating and financial results for 2017 in comparison with the same period a year earlier:

| | 2017 | % on Revenues | 2016 | % on Revenues | change | % | % change at constant Euro/Dollar exchange rate |
|------------------------------|---------|---------------|---------|---------------|--------|-------|--|
| Total revenues | 606,022 | 100.0% | 576,482 | 100.0% | 29,540 | 5.1% | 6.0% |
| EBITDA | 103,299 | 17.0% | 90,366 | 15.7% | 12,933 | 14.3% | 14.5% |
| Operating result (EBIT) | 82,879 | 13.7% | 70,245 | 12.2% | 12,634 | 18.0% | 18.1% |
| Group net profit/loss | 60,080 | 9.9% | 45,846 | 8.0% | 14,234 | 31.0% | |
| Net Financial Position (NFP) | 30,137 | | 3,503 | | 26,634 | | |

The results for the year 2017 highlight a growth of all economic indicators. Thanks to higher revenues from sales and efficiency on costs of goods sold and reduced operating costs, EBITDA increased by 14.3%, to around €103.3 million, with the EBITDA margin standing at 17%, EBIT increased by 18%, to €82.9 million and net profit by 31%, to €60.1 million.

The Net Financial Position, positive by €30.1 million, highlighted an improvement of €26.6 million compared to 31 December 2016.

The following table summarises the key operating results for the fourth quarter of 2017 in comparison with the same period a year earlier:

| | 4Q 2017 | % on Revenue | 4Q 2016 | % on Revenue | change | % | % change at constant Euro/Dollar exchange rate |
|-------------------------|---------|--------------|---------|--------------|--------|--------|--|
| Total revenues | 155,311 | 100.0% | 154,729 | 100.0% | 582 | 0.4% | 3.7% |
| EBITDA | 25,394 | 16.4% | 23,727 | 15.3% | 1,667 | 7.0% | 5.8% |
| Operating result (EBIT) | 20,413 | 13.1% | 17,495 | 11.3% | 2,918 | 16.7% | 13.7% |
| Group net profit/loss | 15,009 | 9.7% | 4,964 | 3.2% | 10,045 | 202.4% | |

The performance of the fourth quarter is particularly affected by the negative trend of the Euro/Dollar exchange rate, which affected the growth of revenues, amounting to €155.3 million, up by 0.4% compared to the fourth quarter of 2016. At constant exchange rates, the growth recorded compared to the same period of 2016 was 3.7%.

EBITDA recorded in the fourth quarter of 2017, equal to €25.4 million, grew by 7% compared to the fourth quarter of 2016 and the impact on revenues increased from 15.3% to 16.4%.

The Net Profit (€15 million) showed a clear improvement compared to the fourth quarter of 2016, with an impact on revenues from 3.2% to 9.7%.

Performance indicators

To allow for a better valuation of the Group's performance, the Management adopted some performance indicators that are not identified as accounting measures within IFRS (NON-GAAP measures). The measurement criteria applied by the Group might be not consistent with the ones adopted by other groups and the indicators might not be comparable with the one determined by the latter. These performance indicators, determined according to provisions set out by Guidelines on performance indicators, issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 03 December 2015, refer only to the performance of the accounting period related to this annual Financial Report and the compared periods.

The performance indicators must be considered as sup-

plementary and do not supersede information given pursuant to IFRS standards. The description of the main indicators adopted is given hereunder.

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation):** this indicator is defined as Profit/Loss for the period before depreciation and amortisation of tangible and intangible assets, non-recurring costs/revenues, financial income and expenses and income taxes;
- **EBIT (Earnings Before Interests and Taxes) or Operating result:** operating result, as inferable from the Income Statement.
- **Net working capital in the trading segment:** this indicator is calculated as the sum of Inventories and Trade Receivables, less Trade Payables.
- **Net Working Capital:** this indicator is calculated as the sum of Net Working Capital in the trading segment and Other Assets, as well as of Current Liabilities, including short-term Provisions for risks and charges.
- **Net Invested Capital:** this indicator is the total of current and non-current Assets, excluding financial assets, less current and non-current Liabilities, excluding financial liabilities.
- **PFP (Net Financial Position) or Net Financial Debt:** this indicator is calculated based on provisions set out by Consob Communication no. 15519 of 28 July 2006, also including "Other financial assets" represented by temporary liquidity investments.

Group reclassified economic results for the year

The following table shows the main income statement items of the current year, compared with the same period in the previous year:

| | 2017 | % on Revenues | 2016 | % on Revenues | change | % |
|---|-----------|---------------|-----------|---------------|----------|--------|
| Total revenues | 606,022 | 100.0% | 576,482 | 100.0% | 29,540 | 5.1% |
| Cost of goods sold | (317,629) | -52.4% | (311,346) | -54.0% | (6,283) | 2.0% |
| Gross profit | 288,393 | 47.6% | 265,136 | 46.0% | 23,257 | 8.8% |
| Other revenues | 2,964 | 0.5% | 3,278 | 0.6% | (314) | -9.6% |
| Research and development expenses | (55,275) | -9.1% | (50,421) | -8.7% | (4,854) | 9.6% |
| Distribution expenses | (99,701) | -16.5% | (97,456) | -16.9% | (2,245) | 2.3% |
| General and administrative expenses | (44,804) | -7.4% | (41,372) | -7.2% | (3,432) | 8.3% |
| Other operating costs | (2,959) | -0.5% | (3,027) | -0.5% | 68 | -2.2% |
| Total Operating costs and other costs | (202,739) | -33.5% | (192,276) | -33.4% | (10,463) | 5.4% |
| Non-recurring costs and revenues | (924) | -0.2% | (979) | -0.2% | 55 | -5.6% |
| Depreciation & amortisation due to acquisitions | (4,815) | -0.8% | (4,914) | -0.9% | 99 | -2.0% |
| Operating result (EBIT) | 82,879 | 13.7% | 70,245 | 12.2% | 12,634 | 18.0% |
| Net financial income (expenses) | (4,330) | -0.7% | (3,055) | -0.5% | (1,275) | 41.7% |
| Profits/(losses) from associates | (85) | 0.0% | (318) | -0.1% | 233 | -73.3% |
| Foreign exchange gains/(losses) | (3,010) | -0.5% | 20 | 0.0% | (3,030) | n.a. |
| Pre-tax profit/(loss) (EBT) | 75,454 | 12.5% | 66,892 | 11.6% | 8,562 | 12.8% |
| Taxes | (15,374) | -2.5% | (21,046) | -3.7% | 5,672 | -27.0% |
| GROUP NET PROFIT/(LOSS) | 60,080 | 9.9% | 45,846 | 8.0% | 14,234 | 31.0% |
| Non-recurring costs and revenues | (924) | -0.2% | (979) | -0.2% | 55 | -5.6% |
| Depreciation and write-downs of tangible assets | (10,273) | -1.7% | (9,363) | -1.6% | (910) | 9.7% |
| Amortisation and write-downs of intangible assets | (9,223) | -1.5% | (9,779) | -1.7% | 556 | -5.7% |
| EBITDA | 103,299 | 17.0% | 90,366 | 15.7% | 12,933 | 14.3% |

It should be noted that, since 2017, some costs have been reclassified under various items. Comparative data as at 31 December 2016 have therefore been disclosed accordingly. For details please refer to the Annex 1 to the annual Financial Report.

The Group results for the year 2017 included data related to the third and fourth quarter of the company Soredi Touch Systems GmbH acquired on 06 July 2017, as better described in the Explanatory Notes in section Change in the scope of consolidation and Business combination.

Consolidated net revenues amounted to €606 million, up by 5.1% compared to €576.5 million as at 31 December 2016 (+6% at constant Euro/Dollar exchange rate), despite the unfavourable trend of the Euro/Dollar exchange rate, especially in the second half of the year.

The booking (already acquired orders) achieved €626.6 million, up by 6.9% compared to the same period of 2016 (€586 million in 2016). The impact of the new products on turnover for 2017 was 12.7% (24.3% in 2016) and is attributable primarily to the time deviation between the exit from statistics of new products and the adoption of statistics related to new products, mainly in the second half of the year.

Gross profit, equal to €288.4 million, increased by 8.8% against €265.1 million reported in the same period of the previous year (+9.4% at constant Euro/Dollar exchange rate), while its impact on revenues increased by 1.6%, from 46% in 2016 to 47.6% in 2017. The improvement is

attributable mainly to the increase of sales volumes, the improvement of mix, as well as to efficiencies of the main components of cost of goods sold.

Operating costs, equal to €202.7 million, increased by 5.4% (+6.2% at constant Euro/Dollar exchange rate), against €192.3 million in 2016, while they are substantially in line, in their impact on sales, compared to the previous year, from 33.4% to 33.5%. In particular, an increase in R&D costs, from 9.6% to €55.3 million (+10.5% at constant Euro/Dollar exchange rate), with an impact of 9.1% on revenues (equal to 9.5% in the core business of the Datalogic Division), compared to 8.7% reported in 2016.

EBITDA grew by 14.3%, from €90.4 million recorded in the previous year, to €103.3 million (+14.5% at constant Euro/Dollar exchange rate), while the impact on revenues (EBITDA margin) grew to 17% compared to 15.7% in 2016, primarily thanks to the improvement of the gross profit and the reduction of operating costs which remain substantially in line, in their impact on turnover.

Operating Result (EBIT) increased by 18%, from €70.2 million in the previous year to €82.9 million (+18.1% at constant Euro/Dollar exchange rate).

| Financial income | 2017 | 2016 | Change |
|---------------------------------------|---------|---------|---------|
| Financial income/(expenses) | (2,964) | (1,637) | (1,327) |
| Foreign exchange differences | (3,010) | 20 | (3,030) |
| Bank expenses | (2,062) | (1,828) | (234) |
| Other | 696 | 410 | 286 |
| Total Net financial income (expenses) | (7,340) | (3,035) | (4,305) |

Financial income was negative by €7.3 million, compared to a negative result of €3 million related to the same period of the previous year, which mainly refers to the trend of foreign exchange differences, negative by €3 million, due to both a purely accounting translation effect resulting from the derecognition of intercompany economic items and the effect of depreciation of the US Dollar on Group net balances. The increase in financial expenses is attributable to the increase in gross indebtedness, while the in-

crease in bank fees was affected by the release of upfront fees, amounting to €437 thousand, related to the early redemption of the long-term loan occurred in the first half of the year.

The **Group net profit**, amounting to €60.1 million, increased by 31% compared to the profit recorded in the same period of the previous year (€45.8 million).

Revenues by geographical area for the year and the fourth quarter

The following table shows the breakdown by **geographical area** of Group revenues achieved in 2017 compared with the same period of 2016:

| | 2017 | % on Revenues | 2016 | % on Revenues | Change | % | % change at constant Euro/Dollar exchange rate |
|-----------------------------------|---------|---------------|---------|---------------|---------|--------|--|
| Italy | 58,944 | 9.7% | 51,184 | 8.9% | 7,760 | 15.2% | |
| EMEA (except Italy) | 268,562 | 44.3% | 253,362 | 43.9% | 15,200 | 6.0% | |
| Total EMEA ^(*) | 327,506 | 54.0% | 304,546 | 52.8% | 22,960 | 7.5% | 7.7% |
| North America | 171,414 | 28.3% | 178,269 | 30.9% | (6,855) | (3.8%) | (2.2%) |
| Latin America | 27,468 | 4.6% | 30,032 | 5.2% | (2,564) | (8.5%) | (6.7%) |
| APAC ^(*) (incl. China) | 79,634 | 13.1% | 63,635 | 11.0% | 15,999 | 25.1% | 26.5% |
| Total revenues | 606,022 | 100.0% | 576,482 | 100.0% | 29,540 | 5.1% | 6.0% |

^(*) EMEA: Europe, Middle East and Africa; APAC: Asia & Pacific.

Since 2017, data related to geographical areas will be disclosed to reflect the actual involvement of each area within the new commercial organisation of the Group. Comparative data as at 31 December 2016 will be disclosed accordingly.

During the year 2017, EMEA reported 7.5% growth, to €327.5 million and a significant growth was reported in APAC (€79.6 million, +25.1%), driven by China (+54.8%). The negative trend was recorded in both North America, down by 3.8% (-2.2% at constant Euro/Dollar exchange rate) due

to the negative exchange rate, and in Latin America.

The following table shows the breakdown by **geographical area** of Group revenues achieved in the fourth quarter of 2017 compared with the same period of 2016:

| | 4Q 2017 | % on Revenues | 4Q 2016 | % on Revenues | Change | % | % change at constant Euro/Dollar exchange rate |
|---------------------|---------|---------------|---------|---------------|---------|---------|--|
| Italy | 17,355 | 11.2% | 11,258 | 7.3% | 6,097 | 54.2% | |
| EMEA (except Italy) | 72,425 | 46.6% | 71,853 | 46.4% | 572 | 0.8% | |
| Total EMEA | 89,780 | 57.8% | 83,111 | 53.7% | 6,669 | 8.0% | 8.7% |
| North America | 37,640 | 24.2% | 46,514 | 30.1% | (8,874) | (19.1%) | (12.1%) |
| Latin America | 7,363 | 4.7% | 9,516 | 6.2% | (2,153) | (22.6%) | (17.8%) |
| APAC (incl. China) | 20,528 | 13.2% | 15,588 | 10.1% | 4,940 | 31.7% | 37.4% |
| Total revenues | 155,311 | 100.0% | 154,729 | 100.0% | 582 | 0.4% | 3.7% |

A slightly positive trend was recorded in revenues for the fourth quarter (+0.4%), despite the constant negative Euro/Dollar exchange rate. At constant Euro/Dollar exchange rate, the growth recorded compared to the same period of 2016 was +3.7%. The growth is due mainly to

the excellent performance in China and EMEA, which also benefits from the recent acquisition of Soredi Touch System, while a reduction in North and Latin America was recorded.

Annual economic results by division

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

In light of the new business operating structure and corporate reorganisation, in 2017 the operating sectors were redefined accordingly and periodically remeasured by the top management.

For 2017, the operating segments were included in the following divisions:

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, RFID, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute for higher efficiency

and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics and health, along the entire value chain;

- **Solution Net Systems**, specialised in supplying and installing integrated solutions for automated distribution for the postal segment and distribution centres in the Retail sector;
- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

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

The **financial information related to operating segments** for the years 2017 and 2016 is as follows (€/000):

| | Informatics | | Solution Net System | | Datalogic | | Adjustments | | Total Group | |
|--|-------------|---------|---------------------|---------|-----------|----------|-------------|---------|-------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| External revenues | 20,586 | 24,351 | 24,728 | 20,090 | 560,707 | 532,041 | 0 | 0 | 606,022 | 576,482 |
| Intersegment revenues | 9 | 15 | 12 | 103 | 3,273 | 2,199 | (3,294) | (2,317) | 0 | 0 |
| Total Sales | 20,595 | 24,366 | 24,740 | 20,193 | 563,980 | 534,240 | (3,294) | (2,317) | 606,022 | 576,482 |
| Operating result (EBIT) | (281) | (1,599) | 2,785 | (1,061) | 79,917 | 73,042 | 458 | (137) | 82,879 | 70,245 |
| % of revenues | (1.4)% | (6.6)% | 11.3% | (5.3)% | 14.2% | 13.7% | (13.9)% | 6.0% | 13.7% | 12.2% |
| Non-recurring costs/revenues | 0 | 278 | 0 | 0 | (924) | (1,257) | 0 | 0 | (924) | (979) |
| Amortisation, depreciation and write-downs | (427) | (345) | (69) | (41) | (19,327) | (18,754) | 327 | (2) | (19,496) | (19,142) |
| EBITDA | 146 | (1,532) | 2,854 | (1,020) | 100,168 | 93,054 | 131 | (136) | 103,299 | 90,366 |
| % of revenues | 0.7% | (6.3)% | 11.5% | (5.1)% | 17.8% | 17.4% | (4.0)% | 5.9% | 17.0% | 15.7% |
| Financial income (expenses) | (104) | (219) | (127) | (20) | (7,083) | (3,216) | (111) | 102 | (7,425) | (3,353) |
| Fiscal income (expenses) | (125) | 561 | (1,033) | (220) | (14,171) | (21,372) | (45) | (15) | (15,374) | (21,046) |
| R&D expenses | (1,394) | (1,488) | (485) | (600) | (53,396) | (48,327) | 0 | (6) | (55,275) | (50,421) |
| % of revenues | (6.8)% | (6.1)% | (2.0)% | (3.0)% | (9.5)% | (9.0)% | 0.0% | 0.3% | (9.1)% | (8.7)% |

⁽¹⁾ Data for 2016 have been restated on the basis of the new operational structure

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Revenues for the fourth quarter of 2017, compared to the same period of 2016, are as follows:

| | 4Q 2017 | % on Revenues | 4Q 2016 (*) | % on Revenues | Change | % | % change at constant Euro/Dollar exchange rate |
|-------------------------------------|---------|---------------|-------------|---------------|---------|---------|--|
| Datalogic | 146,236 | 94.2% | 143,279 | 92.6% | 2,957 | 2.1% | 5.2% |
| Solution Net Systems ^(*) | 5,433 | 3.5% | 6,412 | 4.1% | (979) | (15.3%) | (9.3%) |
| Informatics | 4,229 | 2.7% | 5,806 | 3.8% | (1,577) | (27.2%) | (21.2%) |
| Adjustments | (588) | (0.4%) | (768) | (0.5%) | 180 | | |
| Total revenues | 155,311 | 100.0% | 154,729 | 100.0% | 582 | 0.4% | 3.7% |

^(*) Data for 2016 have been restated on the basis of the new operational structure

DATALOGIC DIVISION

In the fourth quarter, the **Datalogic Division** reported a turnover of €146.2 million, up by 2.1% compared to the same period of 2016 (+5.2% at constant Euro/Dollar exchange rate), with a very positive performance in EMEA and APAC; especially in China, where a growth of over 90% was recorded.

In 2017, this Division reported a turnover of €564 million,

up 5.6% (+6.3% at constant Euro/Dollar exchange rate), compared to 2016.

EBITDA related to the Division amounted to €100.2 million, up 7.6%, with an impact on sales of 17.8% (17.4% as at 31 December 2016).

Below is the breakdown of the Datalogic Division's revenues, divided by business sector:

| | 2017 | % on Revenues | 2016 | % on Revenues | Change | % | % change at constant Euro/Dollar exchange rate |
|--------------------------------------|---------|---------------|---------|---------------|---------|--------|--|
| Retail | 278,645 | 49.4% | 283,070 | 53.0% | (4,425) | (1.6%) | (0.7%) |
| Manufacturing | 150,476 | 26.7% | 136,675 | 25.6% | 13,801 | 10.1% | 10.6% |
| Transportation & Logistics | 65,766 | 11.7% | 58,253 | 10.9% | 7,513 | 12.9% | 14.3% |
| Healthcare | 27,490 | 4.9% | 19,800 | 3.7% | 7,690 | 38.8% | 39.8% |
| Channel (unallocated) ^(*) | 41,603 | 7.4% | 36,442 | 6.8% | 5,161 | 14.2% | 13.9% |
| Total revenues | 563,980 | 100.0% | 534,240 | 100.0% | 29,740 | 5.6% | 6.3% |

^(*) The Channel sector (unallocated) includes revenues not directly attributable to the 4 areas identified.

The **Retail** sector reported 1.6% decrease compared to the previous year (-0.7% at constant Euro/Dollar exchange rate), mainly related to a slowdown of sales in North America due to the postponement of some projects with key customers and the launching of important new products for the sector, occurred in the last half of the year only. EMEA and China confirmed the growth trend.

The **Manufacturing** sector confirmed its expansion trend, up by 10.1% compared to the previous year (+10.6% at constant Euro/Dollar exchange rate), mainly driven by the business development in China.

After a non-positive performance for the first months of the year, the **Transportation & Logistics** sector recorded a double-digit growth in the following quarters, mainly driven by North America and China. In 2017, the growth stood at 12.9% compared to 2016 (+14.3% at constant Euro/Dollar exchange rate).

The **Healthcare** sector continued to have the strongest growth in 2017, in percentage terms, of 38.8% over last year. The growth is due mainly to North America, despite the negative impact of the Euro/Dollar exchange rate (+39.8% at constant Euro/Dollar exchange rate).

Very positive performance should be also highlighted in sales through distribution channel, especially to small and medium-sized customers, not directly attributable to any of the four main sectors, and that reported 14.2% growth compared to 2016, concentrated in EMEA and North America.

SOLUTION NET SYSTEMS DIVISION

The **Solution Net Systems Division** reported 15.3% drop in the fourth quarter of 2017 (down by 9.3% at constant Euro/Dollar exchange rate), with a turnover of €5.4 million due to the seasonality of products. In 2017, the Division recorded a turnover of €24.7 million, highlighting 22.5% growth compared to 2016 (+25% at constant Euro/Dollar exchange rate).

EBITDA related to the Division amounted to €2.9 million (negative by 1 million in the same period of 2016), with an impact on sales of 11.5%.

INFORMATICS DIVISION

In the fourth quarter, the **Informatics Division** recorded a turnover of €4.2 million, down 27.2% (-21.2% at constant Euro/Dollar exchange rate) compared to the fourth quarter of 2016.

In 2017, this division reported a turnover of €20.6 million, down by 15.5% (-14.3% at constant Euro/Dollar exchange rate), compared to 2016.

EBITDA related to the Division amounted to €0.1 million (negative by 1.5 million in the same period of 2016).

Analysis of financial and capital data

The following table shows the main financial and equity items for the Datalogic Group as at 31 December 2017, compared with 31 December 2016.

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|----------|
| Intangible assets | 41,980 | 51,997 | (10,017) |
| Goodwill | 174,343 | 188,934 | (14,591) |
| Tangible assets | 69,733 | 72,082 | (2,349) |
| Equity investments in associates | 11,757 | 6,928 | 4,829 |
| Other non-current assets | 50,058 | 51,807 | (1,749) |
| Non-current capital | 347,871 | 371,748 | (23,877) |
| Trade receivables | 83,195 | 75,477 | 7,718 |
| Trade payables | (107,651) | (104,585) | (3,066) |
| Inventories | 85,938 | 82,344 | 3,594 |
| Net working capital in the trading segment | 61,482 | 53,236 | 8,246 |
| Other current assets | 31,121 | 34,184 | (3,063) |
| Held-for-sale assets | 1,021 | 0 | 1,021 |
| Other current liabilities and provisions for short term risks | (71,621) | (77,625) | 6,004 |
| Net Working Capital | 22,003 | 9,795 | 12,208 |
| Other M/L term liabilities | (26,747) | (30,836) | 4,089 |
| Post-employment benefits | (6,633) | (6,647) | 14 |
| Provisions for risks | (13,602) | (11,169) | (2,433) |
| Net Invested Capital | 322,892 | 332,891 | (9,999) |
| Shareholders' Equity | (353,029) | (336,394) | (16,635) |
| Net Financial Position (NFP) | 30,137 | 3,503 | 26,634 |

Net Working Capital in the trading segment, as at 31 December 2017, amounted to €61.5 million (10.1% of revenues) and increased by €8.2 million compared to the amount reported in 31 December 2016, mainly due to Trade receivables.

As at 31 December 2017, the Net Financial Debt/(Net Financial Position) is broken down as follows:

| | 31.12.2017 | 31.12.2016 | change |
|---|------------|------------|----------|
| A. Cash and bank deposits | 256,201 | 146,930 | 109,271 |
| B. Other cash and cash equivalents | 11 | 47 | (36) |
| b1. restricted cash deposit | 11 | 47 | (36) |
| C. Securities held for trading | 0 | 0 | 0 |
| c1. Short-term | 0 | 0 | 0 |
| c2. Long-term | | 0 | 0 |
| D. Cash and cash equivalents (A) + (B) + (C) | 256,212 | 146,977 | 109,235 |
| E. Current financial receivables | 0 | 0 | 0 |
| F. Other current financial receivables | 0 | 0 | 0 |
| f1. hedging transactions | 0 | 0 | 0 |
| G. Bank overdrafts | 92 | 212 | (120) |
| H. Current portion of non-current debt | 48,108 | 30,180 | 17,928 |
| I. Other current financial payables | 2,913 | 5,878 | (2,965) |
| i1. hedging transactions | 0 | 37 | (37) |
| i2. payables for leasing | 0 | 248 | (248) |
| i3. current financial payables | 2,913 | 5,593 | (2,680) |
| J. Current Financial Debt, Net/(Current Net Financial Position) (G) + (H) +(I) | 51,113 | 36,270 | 14,843 |
| K. Current Financial Debt, Net/(Current Net Financial Position) (J) - (D) - (E) - (F) | (205,099) | (110,707) | (94,392) |
| L. Non-current bank borrowing | 205,656 | 139,321 | 66,335 |
| M. Other financial assets (*) | 31,444 | 32,117 | (673) |
| N. Other non-current liabilities | 750 | 0 | 750 |
| n1. hedging transactions | 0 | 0 | 0 |
| n2. lease payables | 0 | 0 | 0 |
| n3. non-current financial payables | 750 | 0 | 750 |
| O. Non-current Financial Debt (L) - (M) + (N) | 174,962 | 107,204 | 67,758 |
| P. Net Financial Debt/(Net Financial Position) (K) + (O) | (30,137) | (3,503) | (26,634) |

(*) The "Other financial assets" item consists of an investment of corporate liquidity in two insurance policies and a mutual investment fund that are readily convertible into cash.

The Net Financial Position as at 31 December 2017 was positive by €30.1 million, an improvement of €26.6 million compared to 31 December 2016 (positive by €3.5 million)

thanks to the continuous and strong cash generation, also after the distribution of the dividend.

Cash flows, which determined the improvement of the Group's consolidated net financial position in 2017, are summarised as follows.

31.12.2017

| | |
|---|----------|
| Net Financial Position /(Net Financial Debt) at the beginning of the period | 3,503 |
| EBITDA | 103,299 |
| Change in the net working capital in the trading segment | (6,615) |
| Net investments | (13,880) |
| Tax payment | (17,316) |
| Cash flows related to the financial management | (5,828) |
| Dividend distribution | (17,443) |
| Acquisition of the equity investment in Soredi Touch Systems GmbH and Trademark | (8,000) |
| Other changes | (7,583) |
| Changes in Net Financial Position)/(Net Financial Debt) | 26,634 |
| (Net Financial Position)/Net Financial Debt at year end | 30,137 |

Research and development expenses

In the market in which the Group operates, the ability to find and implement innovative solutions is one of the key competitiveness factors.

For this reason, Datalogic continues to keep a high level of investment in R&D activities, equal to around 9.1% in Revenues for 2017 and 9.5% in the core business represented by the Datalogic division.

The innovation process is governed by an annually updated special procedure ("New Product Development"), based on the "Product Roadmap" guidelines, representing the mandate that is granted by the CEO to the R&D division.

The disruptive innovation is controlled through the DL LABS, a centralised research team within the company Datalogic IP Tech.

The main activity of the DL LABS is the development of core technologies used in the products, including scan engines and decoder libraries, to which the development of Platforms (i.e. hardware and software components that are reusable and shared by multiple product groups) is added.

The components developed by DL LABS and the team in charge of Platforms are used by Product hubs, product development teams grouped by technological similarities and in charge of rendering the innovation available to the market.

The R&D division employs over 400 persons in Datalogic. The results of the innovation processes are patented.

Human resources and industrial relations

Human Resources are managed at macro-Region level. The Global Chief Human Resources Officer is supported by three Regional Managers (EMEA, APAC and Americas), who supervise all managerial processes. The business partners, managers who supervise employees' operations at local level, report to the Regional Managers.

The key processes for the management of Human Resources are described hereunder.

Recruiting: an ambitious hiring plan was launched in 2017. It concerned mainly the R&D area, where more than 80 people are expected to be hired in Italy. To achieve this objective, the Group has implemented various strategies and initiatives aimed at luring talents and highlighting the numerous opportunities that the Group offers on the occasion of career days dedicated to the presentation of both the company and the posts available, as well as aimed at opening the headquarters to students on the occasion of an entire day dedicated to orientation and meetings with managers.

Training: training is a key process to maintain high com-

petence at all levels. For a better implementation of actions and to strengthen the efficacy of investments made, a centralisation of the process was started in 2017. The Group had defined process and instruments to detect the training needs, in a global viewpoint, while preparing a unified catalogue of training opportunities, available to all employees.

Assessment of performance: this is a well-established process within the Group. The entire personnel is involved in annual performance assessments, with special focus on employees entitled to receive a corporate and individual target-related variable remuneration.

As regards relations with Trade Unions, the 2016–2018 integrative second-level trade union agreement was signed at the beginning of 2017, which confirmed the company's investments as regards employment, above all in the Research & Development segment. Moreover, the company introduced and improved some economic elements related to the management of daily life and work hours (e.g. increased travel allowances, increased leaves for medical

visits, etc.). In 2017 the Company made a Welfare platform available to employees who could elect to take advantage from a range of flexible benefits provided for by law, based on the use of the converted amount related to performance premiums and of the Welfare amount made available for them according to the Metalmeccanica Labour Contract, in addition to converted variable premiums for some categories of employees. Various conventions were also made available to all employees within the same portal, which increased the expense power of some goods and services for leisure.

Reconciliation statement between the result for the period and the shareholders' equity of the group parent company

The Reconciliation Statements between Shareholders' Equity and Net Profit of Datalogic SpA and the corresponding consolidated values as at 31 December 2017 and 31 December 2016, as envisaged in Consob Communication no. DEM/6064293 of 28 July 2006, are disclosed here below.

| | 31 December 2017 | | 31 December 2016 | |
|---|------------------|----------------|------------------|----------------|
| | Total equity | Period results | Total equity | Period results |
| Parent Company Shareholders' Equity and profit | 291,639 | 25,592 | 291,677 | 52,334 |
| Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation | 121,084 | 62,913 | 111,061 | 51,183 |
| Elimination of dividends | | (30,428) | | (53,387) |
| Amortisation of intangible assets "business combination" | (5,827) | | (5,827) | |
| Effect of acquisition under common control | (31,733) | | (31,733) | |
| Elimination of capital gain on sale of business branch | (17,067) | 183 | (18,665) | |
| Effect of elimination on intercompany transactions | (12,276) | 1,769 | (17,700) | (4,231) |
| Elimination of write-downs and capital gains on equity investments | 5,517 | | 5,517 | (604) |
| Sale of know-how | (7) | | (7) | |
| Goodwill impairment | (1,395) | | (1,395) | |
| Other | (1,342) | (137) | (1,193) | (61) |
| Deferred taxes | 4,436 | 188 | 4,659 | 612 |
| Group Shareholders' Equity | 353,029 | 60,080 | 336,394 | 45,846 |

Stock market performance

Datalogic S.p.A. has been listed on the Borsa Italiana since 2001 - STAR segment of the MTA, Italy's screen-based stock market, which comprises medium-sized companies with market capitalisations of between €40 million and €1 billion, committed to meeting standards of excellence. During 2017, the share reported a positive performance of 63.5%, and outperformed both the shares belonging to

the FTSE MIB by 51.8% and shares belonging to the FTSE STAR by 31.4%. The security reached a maximum value of €34.11 per share on 31 October 2017 and a minimum value of €18.26 on 09 January 2017. The average daily volumes exchanged in 2017 were approximately 75,100 shares (the double compared to the average daily volumes of approximately 36,670 shares reported in the previous year).



Stock exchange 2017

SEGMENT

STAR - MTA

BLOOMBERG CODE

DAL.IM

REUTERS CODE

DAL.MI

MKT CAP

**€1,801.3
MILLION**

as at 31 December 2017

NUMBER OF SHARES

58,446,491

(of which 217,014
treasury shares)

2017 MAX

€34.11

(31 October 2017)

2017 MIN

€18.26

(09 January 2017)

Relations with institutional investors and shareholders

Datalogic actively strives to maintain an ongoing dialogue with shareholders and institutional investors, periodically arranging meetings with representatives of the Italian and international financial community, including annual roadshows organised by Borsa Italiana for companies belonging to the STAR segment.

During 2017, the Company met over 250 institutional investors, up by 30% over the prior year, in “one to one, lunch meeting” and corporate events.

Exposure to various types of risk

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

- a) Staff skills: the Group's business is closely related to the technical skills of its employees, especially in the areas of Research and Development. To limit this risk, the Group carries out actions with a view to increasing its ability to attract and maintain highly qualified personnel, including implementation of advanced human resources management tools and a positive work environment.
- b) Protection of technology: the Group reference market is characterised by the design and production of high-tech products, with the resulting risk that the technologies adopted might be copied and used by other operators in the sector. With regard to this risk, over the last few years the Group has already made significant investments in intellectual property.
- c) Difficult procurement: the Group is exposed to contained procurement risk thanks to a strategy whereby every component is sourced from several suppliers. In the few cases when components are sourced from a single supplier, the Group maintains adequate inventories of the critical components, in order to minimize the risks related to this situation.
- d) Competition: the Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the company. To mitigate the risk associated with these events, the company maintains a high level of investment in research & development (around 9.1%

of revenues as at 31 December 2017 and 9.5% in the core business represented by the Datalogic Division) and a large portfolio of patents, which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

Financial risk management objectives and policies

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

The market risk consists in possible oscillations in the exchange rate (**exchange rate risk**) or in the interest rate (**interest rate risk**), which might have a negative impact on the value of assets, liabilities or estimated cash flows. The Group manages each of the financial risks mentioned, in order to minimise them, sometimes with hedging derivatives. The Parent Company manages the market and liquidity risks, whereas credit risks are managed by the Group's operating units, under the supervision of the Parent Company. For more information on financial risks and financial instruments, please refer to the relevant section in the Notes to the Accounts, which includes disclosure in accordance with IFRS 7.

Information on company ownership/ corporate governance report

Pursuant to and by the effects of article 123-bis, paragraph 3, of Legislative Decree 58 of 24 February 1998 (as subsequently amended), the Board of Directors of Datalogic S.p.A. has approved a report on corporate governance and company ownership for the year ended 31 December 2017, separate from the Report on operations, containing information pursuant to paragraphs 1 and 2 of article 123-bis above.

This report is available to the public on the Company's Internet site www.datalogic.com.

Other information

Datalogic S.p.A. indirectly controls some companies established and governed by non-European Union countries and that have a relevant importance as per Article 15 of the Consob Regulation 20249/2017 (former Article

36 of the Consob Regulation 16191/2007) on the market regulation ("Market Regulation").

Also pursuant to the aforesaid regulation, the Company has implemented in-house procedures to monitor the compliance with provisions set out by the Consob regulations. In particular, the appropriate corporate management carry out a timing and periodical identification of relevant "extra-EU" countries and, with the collaboration of the companies involved, the collection of data and information is ensured, as well as the assessment of issues envisaged in the aforesaid Article 15.

It should be however stated that Datalogic is fully complying with provisions set out in Article 15 of the above-mentioned Consob Regulation 20249/2017, and that conditions envisaged therein are present.

The Company complied with the opt-out system set forth in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Issuer Regulation (implementation regulation of the Italian Consolidated Law on Finance (TUF), concerning the rules for issuers, adopted by Consob with resolution 11971 of 14 May 1999, as amended later), by making use of the right to depart from the obligation to publish information documents required on the occasion of significant mergers, demergers, capital increase by non-cash contributions, acquisitions and sales.

Pursuant to provisions set out by Article 5, paragraph 3, letter b, of the Legislative Decree 254/2016, the Group provided separately for the consolidated non financial statement. The 2017 Consolidated Non Financial Statement, prepared according to the GRI Standards reporting (or based on the GRI G4 Sustainability Reporting Guidelines) is available on the Group internet website.

Number and value of treasury shares

As at 31 December 2017, the total number of ordinary shares was 58,446,491, including 217,014 held as treasury shares, making the number of shares in circulation at that date 58,229,477. The shares have a nominal unit value of €0.52 and are fully paid up.

During 2017, the Group sold 85,215 treasury shares in relation to the acquisition of the company SOREDI Touch Systems GmbH.

Related-party transactions

Transactions with related parties, as disclosed in the financial statements, and described in detail in the related Notes to the Income Statements items, to which reference is made, cannot be quantified as atypical or unusual, given that they can be included in the normal business of

the Group companies, and are governed at arm's length.

As regards the Procedure for Transactions with Related Parties, reference is made to the documents published on the website www.datalogic.com, in the Investor Relations section.

With resolution no. 17221 of 12 March 2010, also pursuant and by the effects of article 2391-bis of the Italian Civil Code, Consob adopted the Regulation with provisions on transactions with related parties, then amended with resolution no. 17389 dated 23 June 2010 ("Consob Regulations").

In accordance with the Consob Regulations, in order to ensure transparency, as well as substantive and procedural rectitude in transactions carried out by Datalogic with "related parties", pursuant to the aforesaid Consob Regulations, on 4 November 2010, the Company approved a specific and structured procedure for transactions with related parties (last amendment on 24 July 2015), which can be found on the internet site www.datalogic.com.

Pursuant to Art. 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2017 - 31/12/2017, the Company's Board of Directors did not approve any relevant transaction, as set out by Art. 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group's equity position or profit/(loss).

Tax consolidation

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

Events in 2017

On 13 April 2017, Datalogic S.p.A. signed an agreement for a new credit line worth €250 million and maturing in 2023. The loan granted was partly intended for an early redemption, compared to the original maturity, of the existing credit line (€126 million), and partly to support the ordinary activities and development of the Group.

On 4 May 2017, the Extraordinary Shareholders' Meeting approved the amendments, amongst other, to articles 6 and 9 of the Corporate By-Laws, mainly aimed at introducing the concept of "enhanced voting rights" for long-term shareholders of the Company, pursuant to Art. 127 quinquies of Legislative Decree 58/1998 ("T.U.F."), introduced by Art. 20, par. 1bis, of the Law Decree no. 91/2014, converted into Law no. 116/2014 ("Competitiveness Decree").

On 6 June 2017, a binding agreement was entered, finalised on 6 July, for the acquisition of 100% share capital of the German company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals. This transaction envisaged a total maximum financial commitment for Datalogic, within 2021, of €10 million, of which €8 million cash and €2 million treasury shares.

On 23 November 2017, the Director Pier Paolo Caruso resigned from his office of member of Datalogic's Board of Directors. The resigning Director, not independent and not executive, was not a member of any board committee.

Business outlook

The global macroeconomic scenario highlights an unchanged economic recovery that is underway in the main areas in which the Group operates.

The sector in which the Group operates continues to report a constant growth trend in all reference business segments, driven by the ever-increasing needs for industrial automation and corporate processes aimed at improving productivity, achieving higher efficiency and even higher quality control standards in production. The main growth trends that the Group will be able to seize and meet through its offer, in the next few years, concern private initiatives and government plans aimed at fostering investments in technology transformation (Industrial Plan 4.0) and in robotics development in the Manufacturing sector. These initiatives and plans are also focused on accelerated e-commerce, development of multichannels as well as data collection and analysis on the habits of end consumers, aimed at improving customer experience in the Retail sector, constant evolution of regulations in view of higher safety standards in more regulated sectors such as Healthcare, and airport systems in Transportation & Logistics.

The Group's growth strategy envisages a continuous increase in R&S, an improvement of service levels offered to customers, a further improvement of all commercial

organisations in the main development areas, with special focus on North America and the optimisation of production costs, combined with a thorough control on operating costs and overheads.

In the absence of significant changes in ongoing economic and sectorial trends, the Group expects to achieve growth targets in revenues and profitability, in 2018 as well, while maintaining its financial position and cash generation level.

Secondary locations

The Parent Company has no secondary locations.



The Chairman of the Board of Directors
(Mr. Romano Volta)



Consolidated financial statements

Consolidated statement of financial position

| Assets (Euro/000) | Note | 31.12.2017 | 31.12.2016 |
|---|------|------------|------------|
| A) Non-current assets (1+2+3+4+5+6+7) | | 379,315 | 403,865 |
| 1) Tangible assets | | 69,733 | 72,082 |
| land | 1 | 7,719 | 8,218 |
| buildings | 1 | 29,369 | 31,014 |
| other assets | 1 | 30,495 | 30,175 |
| assets in progress and payments on account | 1 | 2,150 | 2,675 |
| of which from related parties | | 258 | |
| 2) Intangible assets | | 216,323 | 240,931 |
| goodwill | 2 | 174,343 | 188,934 |
| development costs | 2 | 3,863 | 4,302 |
| other | 2 | 34,352 | 43,534 |
| assets in progress and payments on account | 2 | 3,765 | 4,161 |
| 3) Equity investments in associates | 3 | 2,184 | 2,214 |
| 4) Financial assets | | 41,017 | 35,721 |
| equity investments | 5 | 9,573 | 4,714 |
| securities | 5 | 0 | 0 |
| other | 5 | 31,444 | 31,007 |
| 5) Loans | 5 | 0 | 1,110 |
| 6) Trade and other receivables | 7 | 2,194 | 2,394 |
| 7) Deferred tax assets | 13 | 47,864 | 49,413 |
| B) Current assets (8+9+10+11+12+13+14) | | 456,466 | 338,982 |
| 8) Inventories | | 85,938 | 82,344 |
| raw and ancillary materials and consumables | 8 | 33,101 | 29,954 |
| work in progress and semi-finished products | 8 | 25,417 | 25,883 |
| finished products and goods | 8 | 27,420 | 26,507 |
| 9) Trade and other receivables | 7 | 102,886 | 91,526 |
| trade receivables | 7 | 83,195 | 75,477 |
| trade receivables from third parties | 7 | 82,402 | 74,490 |
| trade receivables from associates | 7 | 784 | 979 |
| trade receivables from related parties | 7 | 9 | 8 |
| other receivables - accrued income and prepaid expenses | 7 | 19,691 | 16,049 |
| of which from associated parties | | 587 | 0 |
| of which from related parties | | 76 | 75 |
| 10) Tax receivables | 9 | 11,430 | 18,135 |
| of which to the parent company | | 6,771 | 8,010 |
| 11) Financial assets | 5 | 0 | 0 |
| 12) Loans | | 0 | 0 |
| 13) Financial assets - Derivative instruments | 6 | 0 | 0 |
| 14) Cash and cash equivalents | 10 | 256,212 | 146,977 |
| C) Held-for-sale assets | | 1,021 | |
| Total assets (A+B+C) | | 836,802 | 742,847 |

Consolidated statement of financial position

| Liabilities (Euro/000) | Note | 31.12.2017 | 31.12.2016 |
|--|-------------|-------------------|-------------------|
| A) Total shareholders' equity (1+2+3+4+5) | 11 | 353,029 | 336,394 |
| 1) Share capital | 11 | 148,291 | 146,291 |
| 2) Reserves | 11 | 14,815 | 42,817 |
| 3) Profits (losses) of previous years | 11 | 129,843 | 101,440 |
| 4) Group profit (loss) for the period/year | 11 | 60,080 | 45,846 |
| 5) Minority interests | 11 | 0 | 0 |
| B) Non-current liabilities (6+7+8+9+10+11+12) | | 253,388 | 187,973 |
| 6) Financial payables | 12 | 206,406 | 139,321 |
| 7) Financial liabilities - Derivative instruments | 6 | 0 | 0 |
| 8) Tax payables | 9 | 43 | 44 |
| 9) Deferred tax liabilities | 13 | 23,138 | 26,498 |
| 10) Post-employment benefits | 14 | 6,633 | 6,647 |
| 11) Provisions for risks and charges | 15 | 13,602 | 11,169 |
| 12) Other liabilities | 16 | 3,566 | 4,294 |
| C) Current liabilities (13+14+15+16+17) | | 230,385 | 218,480 |
| 13) Trade and other payables | 16 | 157,924 | 151,494 |
| trade payables | 16 | 107,651 | 104,585 |
| trade payables to third parties | 16 | 107,051 | 104,058 |
| trade payables to parent company | 16 | 0 | 106 |
| trade payables to associates | 16 | 347 | 24 |
| trade payables to related parties | 16 | 253 | 397 |
| other payables - accrued liabilities and deferred income | 16 | 50,273 | 46,909 |
| 14) Tax payables | 9 | 14,191 | 21,032 |
| of which to the parent company | | 4,865 | 15,114 |
| 15) Provisions for risks and charges | 15 | 7,157 | 9,684 |
| 16) Financial liabilities - Derivative instruments | 6 | 0 | 37 |
| 17) Financial payables | 12 | 51,113 | 36,233 |
| Total liabilities (A+B+C) | | 836,802 | 742,847 |

Consolidated income statement

| (Euro/000) | Note | 31.12.2017 | 31.12.2016 |
|--|------|------------|------------|
| 1) Total revenues | 17 | 606,022 | 576,482 |
| Revenues from sale of products | | 572,736 | 545,821 |
| Revenues from services | | 33,286 | 30,661 |
| of which from related parties and associates | | 5,680 | 5,577 |
| 2) Cost of goods sold | 18 | 317,949 | 311,432 |
| of which non-recurring | 18 | 320 | 86 |
| of which from related parties and associates | | 1,135 | 356 |
| Gross profit (1-2) | | 288,073 | 265,050 |
| 3) Other operating revenues | 19 | 2,964 | 3,278 |
| of which non-recurring | 19 | 0 | 0 |
| of which from related parties | | 7 | 7 |
| 4) R&D expenses | 18 | 55,561 | 50,542 |
| of which non-recurring | 18 | 183 | 16 |
| of which amortisation, depreciation and write-downs pertaining to acquisitions | | 103 | 105 |
| of which from related parties and associates | 18 | 784 | 99 |
| 5) Distribution expenses | 18 | 99,703 | 97,789 |
| of which non-recurring | 18 | 2 | 333 |
| of which from related parties and associates | | 14 | 20 |
| 6) General and administrative expenses | 18 | 49,935 | 47,169 |
| of which non-recurring | 18 | 419 | 988 |
| of which amortisation, depreciation and write-downs pertaining to acquisitions | 18 | 4,712 | 4,809 |
| of which to the parent company | | 0 | 0 |
| of which from related parties and associates | | 381 | 1,382 |
| 7) Other operating expenses | 18 | 2,959 | 2,583 |
| of which non-recurring | | 0 | (444) |
| of which from related parties and associates | 18 | 414 | 0 |
| Total operating costs | | 208,158 | 198,083 |
| Operating result | | 82,879 | 70,245 |
| 8) Financial income | 20 | 29,050 | 19,502 |
| of which from related parties and associates | | 0 | 0 |
| 9) Financial expenses | 20 | 36,390 | 22,537 |
| Net financial income (expenses) (8-9) | | (7,340) | (3,035) |
| 10) Profits from associates | 3 | (85) | (318) |
| Profit (loss) before taxes from the operating assets | | 75,454 | 66,892 |
| Income tax | 21 | 15,374 | 21,046 |
| Profit/(loss) for the period | | 60,080 | 45,846 |
| Basic earnings/(loss) per share (€) | 22 | 1.03 | 0.79 |
| Diluted earnings/(loss) per share (€) | 22 | 1.03 | 0.79 |

Consolidated statement of comprehensive income

| (Euro/000) | Note | 31.12.2017 | 31.12.2016 |
|---|-------------|-------------------|-------------------|
| Net profit/(loss) for the period | | 60,080 | 45,846 |
| Other components of the statement of comprehensive income: | | | |
| Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year: | | | |
| Profit/(loss) on cash flow hedges | 11 | (920) | 64 |
| of which tax effect | | | (21) |
| Profit/(loss) due to translation of the accounts of foreign companies | 11 | (19,497) | 3,268 |
| Profit/(loss) on exchange rate adjustments for financial assets available for sale | 11 | 5,205 | (19) |
| of which tax effect | | (63) | |
| Reserve for exchange rate adjustment | 11 | (12,790) | 3,886 |
| of which tax effect | | 4,011 | (1,337) |
| Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year | | (28,002) | 7,199 |
| Total net profit/(loss) for the period | | 32,078 | 53,045 |
| Attributable to: | | | |
| Parent company shareholders | | 32,078 | 53,045 |
| Minority interests | | 0 | 0 |

Consolidated statement of cash flow

| (Euro/000) | Note | 31.12.2017 | 31.12.2016 |
|--|----------|------------|------------|
| Pre-tax profit | | 75,454 | 66,892 |
| Depreciation of tangible assets and write-downs | 1, 2 | 10,273 | 9,363 |
| Amortisation of intangible assets and write-downs | 1, 2 | 9,223 | 9,779 |
| Capital losses from sale of assets | 18 | 101 | 5 |
| Capital gains from sale of assets | 19 | (8) | (135) |
| Change in provisions for risks and charges (*) | 15 | (388) | (2,675) |
| Effect of change in provisions for risks and charges | | 1,304 | (374) |
| Change in employee benefits reserve | 14 | (14) | (167) |
| Bad debt provisions | 18 | 40 | 762 |
| Net financial expenses including exchange rate differences | 20 | 5,427 | 3,997 |
| Net financial income including exchange rate differences | 20 | (1,097) | (942) |
| Foreign exchange differences | 20 | 3,010 | (20) |
| Adjustments to value of financial assets | 3 | 85 | 318 |
| Cash flow generated (absorbed) from operations before changes in working capital | | 103,410 | 86,803 |
| Change in trade receivables (including provision) (*) | 7 | (6,938) | (7,474) |
| Change in final inventories (*) | 8 | (2,047) | (12,867) |
| Change in current assets (*) | 7 | (3,590) | (2,469) |
| Change in other medium-/long-term assets | 7 | 200 | (465) |
| Change in trade payables (*) | 16 | 2,330 | 2,874 |
| Change in other current liabilities (*) | 16 | 3,273 | 4,802 |
| Other medium/long-term liabilities | 16 | (728) | 745 |
| Commercial foreign exchange differences | 20 | 3,242 | (2,755) |
| Foreign exchange effect of working capital | | (1,216) | 677 |
| Cash flow generated (absorbed) from operations after changes in working capital | | 97,936 | 69,871 |
| Change in tax | | (17,316) | (12,399) |
| Foreign exchange effect of tax | | (3,746) | 1,208 |
| Interest paid and banking expenses | 20 | (4,330) | (3,055) |
| Cash flow generated (absorbed) from operations (A) | | 72,544 | 55,625 |
| Increase in intangible assets excluding exchange rate effect | 2 | (4,358) | (3,933) |
| Decrease in intangible assets excluding exchange rate effect | 2 | 245 | 208 |
| Increase in tangible assets excluding exchange rate effect | 1 | (11,270) | (12,899) |
| Decrease in tangible assets excluding exchange rate effect | 1 | 978 | 238 |
| Change in unconsolidated equity investments | 5 | 417 | (639) |
| Acquisition of an equity investment | | (5,434) | 0 |
| Cash flow generated (absorbed) from investments (B) | | (19,422) | (17,025) |
| Change in LT/ST financial receivables | 5 | (401) | 115 |
| Change in short-term and medium-/long-term financial debt (*) | 12, 6 | 80,048 | (3,982) |
| Financial foreign exchange differences | 20 | (6,252) | 2,775 |
| Purchase/sale of treasury shares (*) | 11 | 0 | (368) |
| Change in reserves Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets (*) | 11, 1, 2 | 317 | 45 |
| Dividend payment | 11 | (17,443) | (14,543) |
| Cash flow generated (absorbed) by financial activity (C) | | 56,269 | (18,003) |
| Net increase (decrease) in available cash (A+B+C) (*) | 10 | 109,391 | 20,597 |
| Net cash and cash equivalents at beginning of period | 10 | 146,718 | 126,121 |
| Net cash and cash equivalents at end of period | 10 | 256,109 | 146,718 |

(*) For 2017, these items are net of the balances from the acquisition of Soredi Touch Systems GmbH, that were reported under item "Acquisition of an equity investment"

Changes in consolidated shareholders' equity (note 11)

| Description | Share capital and capital reserves | | | | Reserves of Statement of Comprehensive Income | | | |
|---|------------------------------------|-----------------|--|-------------------------|---|--------------------------------------|----------------------------------|--|
| | Share capital | Treasury shares | Total share capital and capital reserves | Cash-flow hedge reserve | Translation reserve | Reserve for exchange rate adjustment | Actuarial gains/(losses) reserve | |
| 01.01.2016 | 30,392 | 116,267 | 146,659 | (92) | 22,168 | 13,404 | (371) | |
| Allocation of earnings | | | 0 | | | | | |
| Dividends | | | | | 0 | | | |
| Translation reserve | | | 0 | | | | | |
| Change in IAS reserve | | | 0 | | | | | |
| Sale/purchase of treasury shares | | (368) | (368) | | | | | |
| Other changes | | | | | | | | |
| Profit/(loss) as at 31.12.2016 | | | 0 | | | | | |
| Total other components of the statement of comprehensive income | | | | 64 | 3,268 | 3,886 | | |
| 31.12.2016 | 30,392 | 115,899 | 146,291 | (28) | 25,436 | 17,290 | (371) | |

| Description | Share capital and capital reserves | | | | Reserves of Statement of Comprehensive Income | | | |
|---|------------------------------------|-----------------|--|-------------------------|---|--------------------------------------|----------------------------------|--|
| | Share capital | Treasury shares | Total share capital and capital reserves | Cash-flow hedge reserve | Translation reserve | Reserve for exchange rate adjustment | Actuarial gains/(losses) reserve | |
| 01.01.2017 | 30,392 | 115,899 | 146,291 | (28) | 25,436 | 17,290 | (371) | |
| Allocation of earnings | | | 0 | | | | | |
| Dividends | | | | | | | | |
| Translation reserve | | | 0 | | | | | |
| Change in IAS reserve | | | 0 | | | | | |
| Sale/purchase of treasury shares | | 2,000 | 2,000 | | | | | |
| Other changes | | | | | | | | |
| Profit/(loss) as at 31.12.2017 | | | 0 | | | | | |
| Total other components of the statement of comprehensive income | | | | (920) | (19,497) | (12,790) | | |
| 31.12.2017 | 30,392 | 117,899 | 148,291 | (948) | 5,939 | 4,500 | (371) | |

Profits for prior periods

| | Held-for-sale financial assets reserve | Total Reserves of Statement of Comprehensive Income | Earnings carried forward | Capital contribution reserve | Legal reserve | IAS reserve | Total | Profit for the year | Total Group shareholders' equity |
|--|--|--|--------------------------------|------------------------------------|------------------|----------------|----------|------------------------|--|
| | 509 | 35,618 | 59,878 | 958 | 5,917 | 8,683 | 75,436 | 40,547 | 298,260 |
| | | 0 | 40,386 | | 161 | | 40,547 | (40,547) | 0 |
| | | 0 | (14,543) | | | | (14,543) | | (14,543) |
| | | 0 | | | | | 0 | | 0 |
| | | 0 | | | | | 0 | | 0 |
| | | 0 | | | | | 0 | | (368) |
| | | 0 | | | | | 0 | | 0 |
| | | 0 | | | | | 0 | 45,846 | 45,846 |
| | (19) | 7,199 | | | | | 0 | | 7,199 |
| | 490 | 42,817 | 85,721 | 958 | 6,078 | 8,683 | 101,440 | 45,846 | 336,394 |

Profits for prior periods

| | Held-for-sale financial assets reserve | Total Reserves of Statement of Comprehensive Income | Earnings carried forward | Capital contribution reserve | Legal reserve | IAS reserve | Total | Profit for the year | Total Group shareholders' equity |
|--|--|--|--------------------------------|------------------------------------|------------------|----------------|----------|------------------------|--|
| | 490 | 42,817 | 85,721 | 958 | 6,078 | 8,683 | 101,440 | 45,846 | 336,394 |
| | | 0 | 45,846 | | | | 45,846 | (45,846) | 0 |
| | | 0 | (17,443) | | | | (17,443) | | (17,443) |
| | | 0 | | | | | 0 | | 0 |
| | | 0 | | | | | 0 | | 0 |
| | | 0 | | | | | 0 | | 2,000 |
| | | 0 | 65 | | | (65) | 0 | | 0 |
| | | 0 | | | | | 0 | 60,080 | 60,080 |
| | 5,205 | (28,002) | | | | | 0 | | (28,002) |
| | 5,695 | 14,815 | 114,189 | 958 | 6,078 | 8,618 | 129,843 | 60,080 | 353,029 |

Explanatory notes to the consolidated financial statements

Introduction

Datalogic is the world leader in the markets of automatic data capture and process automation. The Group is specialised in the manufacture of fixed bar code readers, mobile computers, RFID-Radiofrequency, identification technology, detection, measurement and security sensors, vision and laser marking systems. Its pioneering solutions contribute to increase efficiency and quality of processes along the entire value chain, in the Retail, Transportation & Logistics, Manufacturing and Healthcare sectors.

Datalogic S.p.A. (hereinafter "Datalogic", the "Parent Company" or the "Company") is a joint-stock company listed on the STAR segment of Borsa Italiana, with its registered office in Italy. The address of the registered office is Via Candini, 2 - Lippo di Calderara (Bologna).

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

These Consolidated Financial Statements as at 31 December 2017 include the figures of the Parent Company and its subsidiaries (defined hereinafter as the "Group") and its minority interests in associates.

The publication of the Financial Statements ended 31 December 2017 of the Datalogic Group was authorised by resolution of the Board of Directors dated 20 March 2018.

Presentation and content of the consolidated financial statements

Pursuant to the European Regulation 1606/2002, the Company's financial statements were prepared in compliance with the international accounting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee ("IFRS-IC"), formerly the Standing Interpretations Committee ("SIC"), endorsed by the European Commission at the date of approval of the draft financial statements by the Board of Directors and contained in the related EU Regulations published at this date, and in compliance with the provisions of CONSOB Regulation 11971 of 14 May 1999 and subsequent amendments.

The Consolidated Financial Statements for the year ended 31 December 2017 consist of Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes.

The Consolidated Financial Statements were prepared based on the draft Financial Statements as at 31 December 2017, prepared by the Boards of Directors or, if available, based on the financial statements approved by the Shareholders' Meetings of the related consolidated companies, duly adjusted, if applicable, to align them to the classification and accounting criteria adopted by the Group.

The Consolidated Financial Statements were prepared in compliance with the general criterion of a reliable and true vision of the Group's financial position, financial performance and cash flows, on an ongoing concern and on an accrual basis, in compliance with the general principles of consistency of presentation, relevance and aggregation, no offsetting and comparability of information.

As regards the presentation of the Financial Statements, the Group made the following choices:

- non-current assets, as well as current and non-current liabilities are disclosed separately in the Statement of Financial Position. Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the Group's normal operational cycle; current liabilities are those whose extinction is envisaged during the Group's normal operating cycle or in the 12 months after the reporting date;
- with regard to the Income Statement, cost and revenue items are disclosed based on grouping by function, as this classification was deemed more meaningful for comprehension of the Group's business result;
- the Statement of Comprehensive Income presents the components that determine gain/(loss) for the period, taking account of costs and revenues reported directly under Shareholders' Equity;
- the Cash Flow Statement is formed using the indirect method.

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

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

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

The Accounting Standards were uniformly applied to all

Group companies and for all periods presented.

These Financial Statements are drawn up in thousands of euro, which is the Group's "functional" and "presentation" currency as envisaged by IAS 21.

Consolidation standards and policies

SUBSIDIARIES

The control is obtained when the Group, as defined in IFRS 10, is exposed, or has rights, to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. the investor has existing rights that give it the ability to direct the investee's relevant activities);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is assumed that the majority of votes entails a control. To support this assumption, and when the Group holds less than the majority of votes (or similar rights), the Group considers all relevant facts and circumstances in order to define whether it controls the investees, including:

- agreements with holders of other voting rights;
- rights resulting from agreements;
- voting rights and potential voting rights of the Group.

The Group reconsiders whether it has the control on an investee if the facts and circumstances show that changes occurred in one or more of the three elements used for the definition of control. An investee is consolidated when the Group obtains its control and the consolidation ends when the Group loses control. Assets, liabilities, revenues and costs of the investee, which is acquired or sold during the year, are included in the Consolidated Financial Statements at the date in which the Group obtains the control until the date in which the Group no longer exercises control on the entity.

In order to ensure consistency with the Group accounting policies, when necessary the financial statements of the

investees are adequately adjusted. All assets and liabilities, Shareholders' Equity, revenues, costs and intercompany cash flows related to transactions between Group entities are entirely derecognised when consolidated.

Changes in equity investments in an investee that do not entail the loss of control are recognised in Shareholders' Equity.

If the Group loses control in an investee, all related assets (including goodwill), liabilities, minority interests and other components in the Shareholders' Equity must be derecognised, while any possible profit or loss will be recognised in the Income Statement. The equity interest possibly maintained must be recognised at fair value.

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

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

BUSINESS COMBINATIONS

Business combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value on the acquisition date and the amount of minority interests in the acquired company. For all business combinations, the Group assesses whether to measure the minority interests in the acquired company at fair value or as a proportion of the minority shareholdings in the net identifiable assets of the acquired company. The acquisition costs are written off in the year and recognised under administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the financial liabilities assumed according to the terms of the contract, the economic terms and conditions in the other pertinent conditions as at the acquisition date. This includes the verification of whether an incorporated derivative must be separated from the primary contract.

If the business combination is carried out in more than one step, the equity investment previously held is recalculated at fair value at the acquisition date and any resulting profit or loss is recognised in the Income Statement.

Any contingent consideration, to be recognised, is measured by the purchaser at fair value on the acquisition date. The change in fair value of the potential amount stated as asset or liability, as financial instrument under the scope of IAS 39 Financial instruments: Recognition and Meas-

urement, must be recognised in the Income Statement.

Goodwill is initially measured at cost, which is the surplus of the consideration paid, as compared to the net identifiable assets acquired and the liabilities undertaken by the Group. If the fair value of the acquired net assets exceeds the aggregate amount paid, the Group assesses whether all assets acquired and liabilities undertaken have been correctly identified and then reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the new measurement highlights a fair value of net assets acquired, which is higher than the amount paid, the difference (profit) is recognised in the Income Statement.

After initial recognition, goodwill is measured at cost, less any cumulative impairment losses. In impairment testing, goodwill acquired in a business combination is allocated, since the acquisition date, to each Group CGU, which is expected will benefit from synergies of the business combination, regardless of the fact that other assets or liabilities related to the acquired entity are allocated to those CGUs.

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. In the absence of this assumption, the Group assesses specific facts and circumstances to check the presence of significant influence.

Under the equity method, the equity investment in an associate is initially recognised at cost and the carrying value is increased or decreased to recognise the portion of the profits or losses of the investee that are realised after the acquisition. The goodwill concerning the associate is included in the carrying value of the investment and is not subject to amortisation, nor to an individual impairment test.

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

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

Upon losing significant influence over an associate, the Group measures and recognises the residual equity investments at fair value. Any difference between the carrying value of the equity investments on the date that significant influence is lost, as well as the fair value of the residual equity investments and the consideration received must be recognised in the Income Statement.

TRANSLATION CRITERIA OF ITEMS IN FOREIGN CURRENCY

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The Financial Statements of the Group companies, included in the consolidated financial statements, are expressed by using the currency of the primary market in which they operate (functional currency). The Group Consolidated Financial Statements are presented in euro, the euro being the Parent Company's functional currency. At the reporting date for the year, assets and liabilities of subsidiaries, associates and joint ventures, with a functional

currency other than the Euro, are translated in the currency used to draw up the Group consolidated accounts, at the exchange rate effective at that date. The items in the Income Statement were translated at the average exchange rate for the year (as it is deemed representative of the average of the main exchange rates at the dates of each single translation). The differences resulting from the adjustment of the initial Shareholders' Equity at year-end current exchange rates and the differences resulting from the different method used for the translation of the result for the year are accounted for in a special item in the Shareholders' Equity. In the event of subsequent disposal of consolidated foreign companies, the cumulated value of the related translation differences is recognised in the Income Statement.

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

| Currency (ISO Code) | Quantity of currency/1 euro | | | |
|------------------------------|-----------------------------|--------------------------|------------------------|--------------------------|
| | 2017 | | 2016 | |
| | Final exchange rate | Average exchange rate | Final exchange rate | Average exchange rate |
| US Dollar (USD) | 1.1993 | 1.1297 | 1.0541 | 1.1069 |
| British Pound Sterling (GBP) | 0.8872 | 0.8767 | 0.8562 | 0.8195 |
| Swedish Krona (SEK) | 9.8438 | 9.6351 | 9.5525 | 9.4689 |
| Singapore Dollar (SGD) | 1.6024 | 1.5588 | 1.5234 | 1.5275 |
| Japanese Yen (JPY) | 135.0100 | 126.7112 | 123.4000 | 120.1967 |
| Australian Dollar (AUD) | 1.5346 | 1.4732 | 1.4596 | 1.4883 |
| Hong Kong Dollar (HKD) | 9.3720 | 8.8045 | 8.1751 | 8.5922 |
| Chinese Renminbi (CNY) | 7.8044 | 7.6290 | 7.3202 | 7.3522 |
| Real (BRL) | 3.9729 | 3.6054 | 3.4305 | 3.8561 |
| Mexican Pesos (MXN) | 23.6612 | 21.3286 | 21.7719 | 20.6673 |
| Hungarian Forint (HUF) | 310.3300 | 309.1933 | 309.8300 | 311.4379 |

Accounting policies and standards applied

The accounting criteria used to prepare the Group's Consolidated Financial Statements for the year ended 31 December 2017 are described below. The accounting standards described have been consistently applied by all Group entities.

PROPERTY, PLANT AND EQUIPMENT

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

Some tangible assets in the "Land and buildings" categories, in line with IAS 16 provisions, were measured at fair value (market value) as at 01 January 2004 (IFRS transition date) and this value was used as the deemed cost. Fair Value was calculated based on evaluation expertises performed by independent external consultants. Buildings

are depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

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

The depreciation rates applied by the Group are as follows:

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

If, regardless of the depreciation already posted, enduring impairment of value emerges, the asset is written down; if the reasons for devaluation no longer exist in later years, the original value is reinstated. The residual value and useful life of assets are renewed at least at each year-end in order to assess any significant changes in value.

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

ASSETS HELD UNDER FINANCE LEASE CONTRACTS

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

INTANGIBLE ASSETS

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

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

GOODWILL

Goodwill is initially valued at cost, which is the surplus between the cost of the business combination and the portion pertaining to the Group in the net identifiable assets acquired and the liabilities undertaken by the Group, according to the partial goodwill approach. If the consideration is less than the fair value of the net as-

sets of the acquired subsidiary, the difference is recognised in the Income Statement. It is an intangible asset with an indefinite life.

After initial recognition, goodwill is measured at cost less any cumulative impairment losses.

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

If the goodwill has been allocated to a cash generating unit (CGU) and the entity disposes of part of this unit, the goodwill associated with the sold unit must be included in the carrying value of the asset when the profit or loss on disposal is determined. The goodwill associated with the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the CGU that was maintained. The same criterion of related values is applied also when the format of the internal reporting is changed and affects the composition of the Cash Generating Units that received the goodwill, in order to define its new allocation.

RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

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

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

OTHER INTANGIBLE ASSETS

Other intangible assets consist of:

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

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

AMORTISATION

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

Intangible assets with an indefinite useful life are not amortised but tested to identify any impairment of value annually, or more frequently when there is evidence that the asset may have suffered impairment. The residual values, the useful lives and the amortisation of intangible assets are reviewed at each year end and, when required, corrected prospectively. The useful lives remained unchanged compared to the previous year.

| DESCRIPTION | Useful Life - years |
|---|------------------------|
| Goodwill | Indefinite useful life |
| Development costs | 5 |
| Other intangible assets: | |
| Software licences (other than SAP licences) | 3/5 |
| Patents (formerly PSC) | 20 |
| Patents (Evolution Robotics Retail Inc.) | 10 |
| "Trade Secret" (Evolution Robotics Retail Inc.) | 10 |
| Patents (former Accu Sort inc) | 10 |
| "Trade Secret" (former Accu Sort inc) | 10 |
| SAP licences | 10 |
| User licences | Contract duration |

IMPAIRMENT

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

The aim of this impairment test is to ensure that tangible and intangible assets are not carried at a value exceeding their recoverable value, consisting of the higher between their fair value and selling costs and their value in use.

Value in use is calculated based on the future cash flows that are expected to originate from the asset or CGU (cash generating unit) to which the asset belongs. Cash flows are discounted to present value using a discount rate reflecting the market's current estimate of the time value of money and of the risks specific to the asset or CGU to which presumable realisation value refers.

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

Impairment losses relating to CGUs are allocated firstly to goodwill and, for the remaining amount, to the other assets on a proportional basis.

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

Any reinstatements of value are recognised in the Income Statement. The value of goodwill, previously impaired, cannot be recovered, as envisaged by the International Accounting Standards.

FINANCIAL ASSETS AND LIABILITIES

The Group measures at fair value all financial instruments such as derivatives at each annual reporting date. Fair value is the price that would be received for the sale of an asset or that would be paid for transfer of a liability in a normal transaction between market operators at the date of measurement.

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

- in the main market of the asset or liability; or
- when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Group. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Group uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - listed prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than listed prices included in Level 1 which can be observed, either directly

or indirectly for the asset or liability to be measured;

- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

The fair value measurement is classified at the same fair value hierarchy level in which the lowest hierarchy input used for the measurement is stated.

As regards assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers between hierarchy level occurred while revising the classification (based in lower level inputs, which is significant for the purposes of a thorough fair value measurement) at each annual reporting date.

FINANCIAL INSTRUMENTS

A financial instrument is any contract generating a financial asset for an entity and a financial liability or an equity instrument for another entity.

FINANCIAL ASSETS

The financial assets are initially recognised at their fair value, increasing their ancillary charges. At their first recognition, the financial assets are classified as follows, as the case may be:

- **Financial assets at fair value with contra entry in the Income Statement:** these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; they are recognised at fair value and any changes during the period are recognised in the Income Statement.
- **Loans and receivables:** they are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method, less impairment. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the Income Statement. Write downs arising from impairment are recognised as financial expenses in the Income Statement. This category

usually includes trade receivables and other receivables. As regards the financial assets accounted for at amortised cost, the Group has initially assessed whether there was an impairment on each significant financial asset, and collectively on financial assets of irrelevant amount. The carrying value of assets is reduced through the accounting of a provision for write-downs and the amount of the loss is recognised in the Income Statement. The loans and related provisions for write-downs are reversed when the possibility of a future recovery is not realistic and guarantees have been put in place or transferred to the Group. If, in a subsequent year, the amount of estimated impairment increases or decreases due to an event occurred after the recognition of the impairment, the latter will be increased or reduced through an adjustment of the provision. They are recognised under Current Assets, except for the portion with a maturity term over 12 months, which is classified under non-current assets.

- **Available for sale receivables and financial assets:** these are financial assets other than derivatives, which are not classified in other categories; they are valued at fair value and related changes are entered in an equity reserve. They are classified under non-current assets, unless they are intended to be sold within 12 months.

Financial assets are derecognised from the financial statements when the right to receive cash no longer exists, the Group has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

In the cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.

Equity investments in other companies are measured at fair value. When the fair value cannot be reliably determined, equity investments are measured at cost, adjusted for impairment.

FINANCIAL LIABILITIES

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the Income Statement, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, added to which – as in the case of mortgages, loans and payables – transaction costs directly attributable to them. The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts, guarantees granted and derivative financial instruments.

Loans and payables (the most significant category for the Group) are measured with the amortised cost criterion using the effective interest rate method. Profits and losses are booked in the Income Statement when the liability is settled, as well as through the amortisation process.

The amortised cost is calculated by recognising the rebates or premiums on the purchase and the fees or costs that are an integral part of the effective interest rate. Amortisation at the actual interest rate is included amongst financial expenses in the Income Statement.

Financial guarantees given are agreements envisaging a payment to repay the owner of a debt security against a loss incurred due to a non-payment by the debtor at the contract maturity term. If the financial guarantees are issued by the Group, they are initially recognised as liabilities at fair value, added by transaction costs that are directly attributable to the issue of the guarantee itself. The liability is then measured at the higher between the best estimated disbursement, required to fulfil the guaranteed obligation at the reporting date, and the initially recognised amount, less accumulated amortisation.

A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled. If an existing financial liability is replaced by another one from the same lender, under conditions that are essentially different, or if the terms and conditions of an existing liability are essentially amended, this change or amendment will be treated as a reversal of the original liability or the recognition of a new lia-

bility, with recognition in the Income Statement of any differences involving the carrying values.

OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and liability can be offset and the net balance can be shown on the Statement of Financial Position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.

Loans, payables and other financial and/or liabilities, with fixed or calculable maturity term, are initially recognised at their fair value, less debt issuance costs. The measurement criterion after initial recognition is the amortised cost criterion using the effective interest rate.

Long-term payables, for which an interest rate is not provided, are accounted for through the discounting of future cash flows at market rate if the increase of payables is due to the elapse of time, with following recognition of interest in the Income Statement, under item "Net financial income (charges)". A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled.

FINANCIAL DERIVATIVES

Derivative instruments, including embedded derivatives, object matter of a separate agreement, are initially recognised at fair value.

Derivatives are classified as hedging instruments when the relation between derivatives and the object matter of the hedging is formally documented and the effectiveness of the hedging, which is periodically checked, is high.

When the hedging derivatives hedge the risk of changes in fair value of the hedged instruments, they are recognised at fair value, and the effects are charged to the Income Statement. Accordingly, the hedged instruments are adjusted to reflect the changes in fair value, associated to the hedged risk.

In the event of cash flow hedges, the derivatives are designated as a hedge for exposure to variable of cash flows attributable to risks that might subsequently affect the Income Statement. These risks are generally associated with an asset or liability recognised in the Financial Statements (as future payments on variable rate payables).

The effective portion of fair value change, related to the portion of derivative contracts designated as hedge

derivatives pursuant to IAS 39, is recognised as component of the Statement of Comprehensive Income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the Income Statement.

The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid IAS 39, is instead recognised directly in the Income Statement.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Finished product, semi-finished product and raw material costs include the cost of raw materials, direct labour, and other production costs that are directly and indirectly allocable (in this case on the basis of normal production capacity). As regards raw and ancillary materials and consumables, the estimated net realisable value is the replacement cost. As regards finished and semi-finished products, the estimated net realisable value is the sales price estimated at arm's length, less the estimated completion and sales costs.

Obsolete and slow turnover inventories are written-down based on their estimated possible use or future sale, through their entry in a special provision, adjusted by the value of inventories.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies discontinued non-current assets as held for sale if their carrying value will be recovered mainly with a sale, instead than through their continuous use. These discontinued non-current assets, classified as held for sale, are measured at the lower of its carrying amount or fair value, less sales costs of sale. Sales costs are any costs directly attributable to the sale, excluding financial charges and taxes.

The condition precedent to classify these assets as held for sale is deemed as fulfilled only when the sale is highly probable and the activity, or the discontinued group of assets, is available for immediate sale in its current conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale be

cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.

The depreciation of property, plant and machinery and amortisation of the intangible assets ceases when they are classified as available for sale.

The assets and liabilities classified as held for sale are presented separately under the financial statement items.

Assets to be discontinued are not included in the result of operational activities and are presented in the profit/(loss) statement for the year on a single line as Net profit/(loss) coming from assets to be discontinued.

All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

TRADE RECEIVABLES

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

Receivables are initially recognised at fair value and subsequently at amortised cost - using the effective interest rate method - net of related impairment losses. Short term payables are not discounted, since the effect of discounting the cash flows is not significant.

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

CASH AND CASH EQUIVALENTS

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

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

SHAREHOLDERS' EQUITY

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

Costs relating to the issue of new shares or options are classified in Shareholders' Equity (net of associated tax

benefit relating to them) as a deduction from the proceeds of the issuance of such instruments.

TREASURY SHARES

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

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

LIABILITIES FOR EMPLOYEE BENEFITS

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

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

Defined contribution plans

Defined-contribution plans are formalised programmes of post-employment benefits according to which the company makes payments to an insurance company or a pension fund and will have no legal or constructive obligation to pay further contributions if, at maturity date, the fund has not sufficient assets to pay all benefits for employees, in relation to the work carried out in current and previous years. These contributions, paid against a work service rendered by employees, are accounted for as cost in the pertaining period.

Defined-benefit plans and other long-term benefits

Defined-benefit plans are programmes of post-employment benefits that represent a future obligation for the Company. The entity bears actuarial and investment risks related to the scheme.

The Group uses the projected unit credit method to determine the current value of liabilities of the scheme and the cost of services.

This actuarial calculation method requires the use of objective actuarial hypotheses, compatible and based on demographic variables (mortality rates, personnel turnover) and financial variables (discount rate, future increases of salaries and wages and benefits). When a defined-benefit plan is entirely or partially financed by contributions paid to a fund, legally separate from the company, or to an insurance company, the assets in support of the above scheme are measured at fair value. The amount of the obligation is therefore accounted for, less the fair value of assets in support of the scheme that the entity would pay to settle the obligation itself.

The revaluations, including actuarial profits and losses, the changes in the maximum threshold of assets (excluding net interest) and the yield of assets in support of the scheme (excluding net interests), are recognised immediately in the Statement of Financial Position, while debiting or crediting retained earnings through other components in the Statement of Comprehensive Income in the year in which they occur. Revaluations are not reclassified in the Income Statement in subsequent years. The other long-term benefits are intended for employees and differ from post-employment benefits. The accounting is similar to defined-benefit plans.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognised in the Statement of Financial Position when the following conditions are satisfied at the same time:

- the entity has a current obligation (legal or constructive), i.e. under way as at the reporting date, arising from a past event;
- it is probable that economic resources will have to be used to fulfil the obligation;
- the amount needed to fulfil the obligation can be reliably estimated.
- risks, for which materialisation of a liability is only contingent, are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.

In the case of events that are only remote, i.e. events that have very little likelihood of occurrence, no provi-

sion made and no additional or supplementary disclosure is provided.

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

The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. When the Group deems that an allocation to the provisions for risks and charges will be partly or fully redeemed, e.g. in the event of risks covered by insurance policies, the indemnity is recognised separately in the Assets if, and only if, it is certain. In this case, the cost of any allocation is disclosed in the Income Statement, less the amount recognised as indemnity. The provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the period in which the change occurred.

The Group established restructuring provisions if there exists an implicit restructuring obligation and a formal plan for the restructuring that created in interested third parties the reasonable expectation that the company will carry out the restructuring or because it has begun its realisation or because it has already communicated its main aspects to interested third parties.

INCOME TAXES

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

Current income taxes are calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to taxes related to prior periods.

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the Consolidated Financial

Statements and the corresponding amounts recognised for tax purposes, except as follows:

- deferred tax liabilities derive from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, when the transaction itself occurs, does not affect the balance sheet profits or the profits or losses calculated for tax purposes;
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates or joint ventures, may be controlled and will probably not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax credits and losses and can be brought forward, to the extent that the existence of adequate future taxable profits will exist against which the usage of the deductible temporary differences and the tax credits and losses brought forward can be used, except in cases where:

- the deferred tax assets connected to the deductible temporary differences arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not affect the balance sheet result or the profit or loss for tax purposes;
- there are taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures and deferred tax assets are recognised only to the extent that the deductible temporary differences will be reversed in the foreseeable future and that there are adequate taxable profits against which the temporary differences can be used.

Deferred taxes are calculated at the tax rate expected to be in force at the time when the asset is sold or the liability is redeemed.

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to realise them. The carrying amount of the deferred tax assets is reviewed every year end and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets that are not recognised, are reviewed

at every reporting date and are recognised to the extent it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.

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

TRADE AND OTHER PAYABLES

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

Short-term payables are not discounted, since the effect of discounting the cash flows is not significant.

REVENUE RECOGNITION

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

SALE OF GOODS

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

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

A multi-annual guarantee is given by the Group on repairs, in line with the segment practice. A liability for possible claims covered by guarantee is recognised when the product is sold.

RENDERING OF SERVICES

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

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

Revenue relating to dividends, interest and royalties is respectively recognised as follows:

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

WORK IN PROGRESS

A construction contract, as defined by IAS 11 ("Long-term construction contracts"), is a contract specifically negotiated for the construction of an asset or a group of strictly linked or interrelated assets as regards their design, technology and function or their final use. The costs of a construction contract are recognised in the year in which they are borne. Revenues are recognised in proportion to the stage of completion of this contract at balance-sheet date, when the result can be estimated reliably.

When the outcome of a contract cannot be estimated reliably, revenues should be recognised only to the extent that contract costs incurred are expected to be recoverable. When total contract costs are likely to exceed the total contract revenues, the total expected loss should be recognised immediately as an expense.

The contract revenues are recognised in proportion to the stage of completion of contract activity, based on the cost-to-cost method, which provides for the proportion between contract costs incurred for the works

performed until the reference date and the total expected contract costs.

Disclosure of contract works in the statement of financial position is as follows:

- The amount due from customers for contract works should be shown as an asset, under item trade receivables and other short-term assets, when incurred costs, added with margins recognised (less losses), exceed the advance payments received;
- The amount due to customers for contract work should be shown as a liability, under item trade payables and other short-term liabilities when advance payments received exceed costs incurred added with margins recognised (less losses).

GOVERNMENT GRANTS

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

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

RENTAL AND OPERATING LEASE COSTS

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

DIVIDENDS PAID OUT

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

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

EARNINGS PER SHARE

Basic

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

Diluted

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

TREATMENT OF FOREIGN CURRENCY ITEMS

Functional presentation currency

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

Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are initially translated in the functional currency by using the exchange rate at the date of transaction. At the reporting date of the reference period, non functional-currency monetary assets and liabilities are converted at the exchange rate in force on that date. The resulting exchange differences are reported in the Income Statement. Non-monetary assets and liabilities, denominated in a non-functional currency and measured at cost, are translated at the exchange rate effective on the date of transaction, while transactions measured at fair value are translated at the exchange

rate on the date in which such value is determined.

SEGMENT REPORTING

Operating segments are identified based on the internal statements used by senior management in order to allocate resources and evaluate results (internal reporting for performance analysis) for the reference period. Based on the definition envisaged in the IFRS 8 Standard, an operating segment is a component of an entity:

- that engages in revenue earning business activities;
- whose operating results are regularly reviewed by the top operating decision-makers of the entity for the adoption of resolutions on resources to be allocated to the segment and the evaluation of results;
- for which discrete information is available.

In light of the above definition, the operating segments defined by the Group are represented by Business Units that report to the corporate top Management and maintains periodic contacts to discuss operating activities, results, forecasts or plans. To the purposes of disclosures in the financial statements, the Group has then aggregated the following operating segments:

- Datalogic;
- Solution Net System;
- Informatics.

The segments that are included in each single combination are in fact similar as regards the following aspects:

- the nature of products;
- the nature of production processes;
- the type of customers;
- the methods used to distribute products/services;
- the economic characteristics.

The transfer prices applied to transactions between segments and concerning the exchange of goods and services rendered are governed at arm's length.

Amendments, new standards and interpretations

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 01 JANUARY 2017

The accounting standards adopted for preparation of the Consolidated Financial Statements are consistent with those used for the preparation of the Consolidated Financial Statements as at 31 December 2017. The Group adopted for the first time some accounting standards and amendments that are applied for annual reporting periods beginning on or after 01 January 2017. The Group has not yet adopted any standard, interpretation or amendment that has been published, but is not yet effective.

The nature and impact of any new principle/amendment are specified hereunder. Albeit these new standards and amendments were applied for the first time in 2017, they had no significant impact on the Group Consolidated Financial Statements. The nature and impact of any new Standard/amendment are specified hereunder:

Amendments to IAS 7 - Cash Flow Statement

The amendments envisage that entities shall supply disclosures on changes in liabilities related to financing activities, including both changes related to cash flows and non-monetary changes (such as, for example, gains and losses on exchange rates).

Amendments to IAS 12 - Income tax

The amendments clarify that an entity should consider whether tax laws limit the taxable income sources for which it might have deductions related to the reverse of deductible temporary differences. Moreover, the amendment supplies guidelines on how an entity should determine future taxable income and clarifies when the taxable income might include the recovery of some assets, for a higher value than their carrying value.

Amendments to IFRS 12 Disclosure of Interests in Other Entities

The amendments clarify that the disclosures required by IFRS 12, other than information envisaged in paragraphs B10-B16, apply to equity investments (or a portion of interests in a joint venture or associate) of an

entity in a subsidiary, joint venture or associate, which is classified (or included in a classified disposal group) as available for sale.

Standards issued which are not yet in force

The Group is analysing the following standards by evaluating the impact that they would have on its Consolidated Financial Statements, without proceeding to an early application of the same. The novelties introduced are summarised as follows.

IFRS 9 - Financial Instruments

In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 "Financial Instruments: Measurement and recognition and all previous versions of IFRS 9. IFRS 9 includes all the three aspects related to the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is applicable to the annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted. Except for hedge accounting, the standard shall be applied retrospectively, although the supply of comparative information is not mandatory. As regards hedge accounting, the standard generally applies prospectively, with a few exceptions.

No significant impact is expected on the Group Statement of Financial Position and Shareholders' Equity.

IFRS 15 - Revenue from Contracts with Customers

The IFRS 15 standard was issued in May 2014 and amended in April 2016, and provides a five-step new model to be applied to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right in payment the entity believes to have against the sale of goods or services to customers.

The new Standard will supersede all current requirements included in IFRS on recognition of revenues. The Standard is effective for annual reporting periods beginning on or after 01 January 2018, with fully retrospective or modified application. Early application is permitted.

The Group will apply the new standard on the mandatory effective date. In 2016, the Group started the preliminary assessment of effects related to IFRS 15, which is still in force. In 2017, this assessment was

completed with a more comprehensive analysis, aimed at determining the quantity impact and the first adoption modality of the Standard.

a. Sale of goods

No impact on the Group is expected by contracts with customers where the sale of products is the only obligation. The Group expects that the revenue will be recognised when the ownership of the asset will be transferred to the customer, generally upon delivery of the goods.

b. Rendering of services

Installation, maintenance, repair and technical support services are rendered by the Group. These services are rendered both separate, based on contracts signed with customers, and jointly with the sale of the goods to customers. In compliance with IFRS 15, the Group performed assessments on the allocation of revenues based on the prices related to each single service. No significant impacts emerged.

c. Presentation and required disclosures

Provisions set out by IFRS 15 concerning presentation and required disclosures are more detailed, compared to those included in current standards. Provisions concerning the presentation involve a significant change in practice and a significant increase in volume of information required for Group financial statements. No significant impacts for the Group emerged from the analysis performed during 2017.

Amendments to IFRS 10 and IAS 28 - Sale or Transfer of Assets between the Parent Company and its Associated Company or Joint Venture

Amendments clarify provisions of IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture. Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture. IASB postponed the effective date of

these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No impact is expected on the Group Consolidated Financial Statements.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

IASB issued the amendments to IFRS 2 Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.

Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are effective for annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted. No impact is expected on the Group Consolidated Financial Statements.

IFRS 16 Leases

IFRS 16 was published in January 2016 and supersedes IAS 17 - Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Lease - Incentives and SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The Standard envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/depreciation of the right-of-use asset. The lease liability is subsequently remeasured to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in fu-

ture lease payments due to changes in an index or a rate used to calculate those payments). The lessee will generally recognise the amount of the lease liability remeasurement as an adjustment of the right-of-use asset. Accounting envisaged by IFRS 16 for lessors remains substantially unchanged compared to the current accounting method as per IAS 17. Lessors shall continue to classify all leases by using the same classification principle envisaged by IAS 17 and making a distinction between two types of lease: operating and financial leases. IFRS 16 requires lessees and lessors to provide for further disclosures compared to IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after 01 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits. In 2018, the Group expects to define the possible effects of IFRS 16 on its Consolidated Financial Statements.

Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer or not transfer a property, including the buildings under construction or development, under item investment property. The amendment envisages that a change in use occurs when the property meets, or ceases to meet, the definition of property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use. The entities shall apply those amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Pursuant to IAS 8, the retrospective application is permitted only if it is possible without the use of hindsight. The amendments will be applicable to annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted, of which disclosure is required. The Group will apply the amendments at their effective date. Therefore, given that the Group's accounting treatment is in line with clarifications, the Group does not expect any effect on its Consolidated Financial Statements.

2014-2016 annual improvements

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions envisaged in paragraphs E3-E7 of IFRS1 were deleted as they have fulfilled their task. The amendment is effective as from 01 January 2018. This amendment is not applicable to the Group.

IAS 28 - Investments in Associates and Joint Ventures. Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify the following:

- An entity that is a venture capital organisation, or other eligible entity, may elect (on initial recognition and for a single investment) to measure equity investments in associates and joint ventures at fair value, recognised in the Income Statement.
- If an entity that is not an investment entity has an equity investment in an associate or a joint venture, which is an investment entity, while applying the equity method this entity may elect to keep the measurement at fair value applied by an investment entity (either an associate or a joint venture) in measuring its equity investments (in the associate or joint venture). This choice is made separately for each single associate or joint venture that is an investments entity at the latest (in terms of occurrence) of the following dates: (a) initial recognition of the equity investment in the associate or joint venture that is an investment entity; (b) when the associate or joint venture becomes an investment entity; and (c) when the associate or joint venture that is an investment entity becomes the Parent Company for the first time.

The amendments should be applied retrospectively as from 01 January 2018. Earlier application is permitted. If an early adoption is applied by an entity, it should give notice accordingly. These amendments are not applicable to the Group.

Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts

The amendments concern the problems that arise from the adoption of the new Standard on financial instruments, IFRS 9, before the adoption of IFRS 17 Insurance Contracts, which supersedes IFRS 4. The amendments introduce two options for the entities that issue insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. The first-time application of the temporary exemption applies to annual reporting periods beginning on or after 01 January 2018. An entity might elect to adopt the overlay approach upon the first-time application of IFRS 9 and this approach will be applied retrospectively to financial assets designated upon transition to IFRS 9. The entity will restate the comparative disclosures reflecting the overlay approach if, and only if, the entity restates the comparative disclosures when it applied IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, for the purpose of determining the spot interest exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration, the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. In the event of multiple payments or receipts of advance consideration, the entity shall determine the date of transaction for each payment or receipt of advance consideration. The entities may apply the amendments on a full retrospective basis. As an alternative, an entity might apply the interpretation prospectively to all assets, costs and revenues that are within the scope of the Standard and have been initially recognised on the following dates, or later:

- i) At the beginning of the year in which the entity applies the interpretation for the first time.
- ii) At the beginning of the previous year, disclosed for comparison purposes in the Financial Statements, for the year in which the entity applies the interpretation for the first time.

The interpretation is effective for annual reporting pe-

riods beginning on or after 01 January 2018. Earlier application is permitted, of which disclosure is required. Therefore, given the fact that the current accounting policy of the Group is aligned with the interpretation, the Group does not expect any effect on its Consolidated Financial Statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation defines the accounting treatment of income taxes when there is uncertainty over income tax treatments under IAS 12. This interpretation is not effective for taxes and duties that are not within the scope of IAS 12 nor it includes specifically requisites related to interest or fines related to uncertain tax treatment.

The interpretation specifically concerns the following items:

- Whether an entity considers uncertain tax treatment separately;
- Assumptions for tax authorities' assessments;
- How an entity determines the taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity tackles changes in facts and circumstances.

An entity shall determine whether to consider each uncertain tax treatment separately or collectively, together with one or more uncertain tax treatments. The approach that allows the best estimate to solve the uncertainty should be adopted. The interpretation is effective for annual reporting periods beginning on or after 01 January 2019. Some transitory facilitations are available. The Group will apply the interpretation at its effective date. Due to the fact that the Group operates in a complex multinational tax context, the application of the Interpretation might have some effects on the consolidated financial statements and required disclosures. Moreover, the Group might define processes and procedures to obtain the information required for the prompt application of the Interpretation.

Use of estimates

Preparation of IFRS-compliant consolidated financial statements and of the relevant notes requires directors to apply accounting principles and methodologies

that, in some cases, are based on valuations and estimates, which in turn refer to historic experience and assumptions based on specific circumstances at any given time. The application of such estimates and assumptions affects the amounts related to revenues, costs, assets and liabilities, as well as contingent liabilities disclosed and any relevant information. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might be different from those reported in the financial statements due to the uncertainty characterising the assumptions and conditions on which estimates are based.

Following are the assumptions concerning the future, as well as the other main causes of uncertainty related to estimates which, at the reporting date, show a significant risk to generate remarkable adjustments in the carrying values of assets and liabilities within the following financial year. The Group has based its assumptions and estimates on parameters which were available when preparing the consolidated financial statements. The current circumstances and assumptions on future developments might however change upon occurrence of market changes or events beyond the Group's control. Upon their occurrence, these changes are reflected in the assumptions.

IMPAIRMENT OF NON FINANCIAL ASSETS (GOODWILL, TANGIBLE AND INTANGIBLE ASSETS)

An impairment occurs when the book value of an asset or CGU exceeds its recoverable value, which is its fair value, less sales costs, and its value in use, whichever is higher. The fair value, less sales costs, is the amount that can be obtained from the sale of an asset or a CGU, in a free transaction between aware and willing parties, less costs for disposal. The value in use is calculated by using a discounted cash-flow model. Cash flows result from plans. The recoverable value depends much on the discounting rate used in the discounted cash flow model, as well as on cash flows expected in the future and the growth rate used for extrapolation. Key assumptions, used to determine the recoverable value for the various Cash Generation Units, including a sensitivity analysis, are thoroughly described in Note 2.

TAXES

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can

be utilised. Relevant estimates performed by the Management are required to determine the amount of tax assets that can be recognised based on the level of future taxable income, the timing of their occurrence and tax planning strategies. Deferred tax liabilities for taxes on retained earnings of subsidiaries, associates or joint ventures are recognised to the extent that they are likely to remain undistributed in the foreseeable future. Estimates performed by the Management are therefore required to determine the amount of tax assets that can be recognised and the amount of tax liabilities, whose recognition can be omitted, based on the level of future taxable income, the timing of their occurrence and tax planning strategies. The long-term nature, as well as the complexity of regulations in force in the various jurisdictions, the differences resulting from actual results and assumptions made, or future changes in such assumptions might require future adjustments to income taxes and already recorded costs and benefits.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of a financial asset or liability, which is recognised in the statement of financial position, cannot be measured based on deep market quotations, fair value is determined by using various measurement techniques. Inputs included in this model are recognised by observable markets, whenever possible, but when it is not possible, a certain level of estimates is required to determine fair values.

EMPLOYEE BENEFITS

The cost of defined-benefit plans and other post-employment healthcare benefits and the current value of the defined-benefit obligations are determined based on actuarial measurements. Actuarial measurement requires the elaboration of various assumptions, which might differ from the effects of future developments. These assumptions concern the determination of discount rates, future wage increases, the mortality rate and pension increases.

DEVELOPMENT COSTS

The Group capitalised costs related to projects for the development of products. The initial cost capitalisation is based on the confirmation by the Management of the technical and economical feasibility of the project. In order to determine the values to be capitalised, Directors will evaluate the expected future cash flows re-

lated to the project, as well as the discount rates to be applied and the timing of the expected benefits to arise.

OTHER (PROVISIONS FOR RISKS AND CHARGES, DOUBTFUL ACCOUNTS, INVENTORIES WRITE-DOWN, REVENUE, DISCOUNTS AND RETURNS)

Provisions for risks and charges are based on measurements and estimates relating to historic data and assumptions, which in turn are deemed reasonable and realistic according to the related circumstances.

The recognition process of Group revenues include estimates related to both the extent of revenues, based on the criterion of completion percentage, and the determination of discounts and returns granted to customers, but still unclaimed. Evaluation processes and modalities, as well as the determination of such estimates are based on assumptions that, for their nature, involve the evaluation of Directors.

Financial risk management

RISK FACTORS

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

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

The Group is not exposed to any price risk, as it is it exposed substantially to risk deriving from the performance of commodities traded on the financial markets. Financial risk management is an integral part of management of the Datalogic Group's business activities. The management of market risk and liquidity is carried out by the Parent Company through the centralised treasury, acting directly on the market, possibly also on behalf of subsidiaries and investees.

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

MARKET RISK

a) Foreign exchange risk

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

Translation risk relates to the conversion into Euro during consolidation of items in the individual financial statements of foreign companies whose functional and presentation currency is not the Euro. The key currencies are the US dollar, the Chinese Renminbi, the Singapore Dollar and the Hungarian Forint.

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

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

The following table shows the results of the analysis as at 31 December 2017:

| USD | Carrying value | Portion exposed to ex- change rate risk | + 10% | + 5% | + 1% | | -1% | -5% | -10% |
|-------------------------------------|----------------|--|----------------|----------------|--------------|---------------|------------|--------------|--------------|
| Exchange rates | | 1.1993 | 1.3192 | 1.2593 | 1.2113 | 1.1993 | 1.1873 | 1.1393 | 1.0794 |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 256,212 | 65,260 | (5,933) | (3,108) | (646) | 65,260 | 659 | 3,435 | 7,251 |
| Trade and other receivables | 105,080 | 39,105 | (3,555) | (1,862) | (387) | 39,105 | 395 | 2,058 | 4,345 |
| Financial assets and loans | 31,444 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 |
| Income-statement impact | | | (9,487) | (4,969) | (1,033) | 104,365 | 1,055 | 5,493 | 11,596 |
| Financial liabilities | | | | | | | | | |
| Loans | 257,519 | 253 | 23 | 12 | 3 | (253) | (3) | (13) | (28) |
| Trade and other payables | 161,490 | 76,587 | 6,962 | 3,647 | 758 | (76,587) | (774) | (4,031) | (8,510) |
| Income-statement impact | | | 6,985 | 3,659 | 761 | (76,840) | (776) | (4,044) | (8,538) |
| Income-statement impact, net | | | (2,502) | (1,311) | (272) | 27,525 | 278 | 1,449 | 3,058 |

As at 31 December 2017, the Group had no currency derivative transactions in place.

b) Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2017, Datalogic had no interest rate swaps in

place. On that date, almost all the medium/long-term loans of the Datalogic Group were at fixed rate.

In order to fully understand the potential effects of fluctuations in interest rates to which the Group is exposed, we analysed the accounting items most at risk, assuming a change of 20 basis points in the Euribor and of 10 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2017:

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

| Euribor | Carrying value | of which exposed to exchange rate risk | 20bp | -20bp |
|------------------------------------|----------------|---|---------------|---------------|
| Financial assets | | | Profit (loss) | Profit (loss) |
| Cash and cash equivalents | 256,212 | 176,229 | 352 | (352) |
| Financial assets and loans | 31,444 | 0 | | |
| Income-statement impact | | | 352 | (352) |
| Financial liabilities | | | Profit (loss) | Profit (loss) |
| Loans | 257,519 | 1,494 | (3) | 3 |
| Income-statement impact | | | (3) | 3 |
| Total increases (decreases) | | | 349 | (349) |

| USD Libor | Carrying value | of which exposed to exchange rate risk | 10bp | -10bp |
|-----------------------------|----------------|---|---------------|---------------|
| Financial assets | | | Profit (loss) | Profit (loss) |
| Cash and cash equivalents | 256,212 | 78,266 | 78 | (78) |
| Financial assets and loans | 31,444 | 0 | | |
| Income-statement impact | | | 78 | (78) |
| Financial liabilities | | | Profit (loss) | Profit (loss) |
| Loans | 257,519 | 253 | 0 | (0) |
| Income-statement impact | | | 0 | (0) |
| Total increases (decreases) | | | 78 | (78) |

CREDIT RISK

The Group is exposed to credit risk, combined with commercial transactions. It therefore envisaged protection measures in order to keep the amounts outstanding to a minimum level, i.e. a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, with whom, statistically, no problems connected with credit recoverability have been encountered. Customers requesting deferred conditions of payment are subjected to screening procedures concerning their creditworthiness grade (degree of solvency) and an analysis of the specific deal. If they are significant, trade receivables are subjected to individual impairment testing if they report potential and significant impairment indicators.

No significant impact was reported with the adoption, as from 01 January 2018, of the expected credit loss model envisaged in application of the IFRS 9 standard.

The Group protects itself against credit risk also through the subscription of a factoring contract without recourse. As at 31 December 2017, factored trade accounts receivables amounted to €33,377 thousand (compared to €29,193 thousand at the end of 2016).

The maximum exposure to credit risk on the balance sheet date is the carrying amount of each class of financial asset presented in Note 4.

LIQUIDITY RISK

The Datalogic Group's liquidity risk is minimised by specific central management by the Parent Company. Bank indebtedness and the management of liquidity are handled centrally via a series of instruments aimed at optimising the management of financial resources, including cash pooling. The Parent Company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, Datalogic S.p.A., as Parent Company, has cash credit lines available for future requirements to the benefit of the Group. Centralised negotiation of credit lines and loans, on the one hand, and centralised management of the Group's cash resources, on the other hand, it is functional to the optimisation of net indebtedness costs.

We also report that, as at 31 December 2017, the Group's Liquidity Reserve - which includes uncommitted but undrawn credit lines of €319 million - is considered largely sufficient to meet commitments existing as at the reporting date.

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

The following table shows financial liabilities by maturity:

31 December 2017

| | 0 - 1 year | 1 - 5 years | > 5 years |
|---------------------------------|-------------------|--------------------|---------------------|
| Loans | 48,108 | 184,699 | 20,957 |
| Other | 1,250 | 750 | |
| Bank overdrafts | 92 | | |
| Payables to factoring companies | 1,663 | | |
| Trade and other payables | 157,924 | 3,566 | |
| TOTAL | 209,037 | 189,015 | 20,957 |

CHANGES IN LIABILITIES RESULTING FROM FINANCIAL ASSETS

The reconciliation of changes in liabilities resulting from financial assets is shown hereunder.

| | 01.01.2017 | Cash Flows | Change in Business Combina- tion | Change in ex- change rates | Fair value increas- es/de- creases | New con- tracts | 31.12.2017 |
|--|-------------------|-----------------------|---|---|---|--------------------------------|-------------------|
| Bank loans - current portion | 30,180 | (30,180) | | | | 48,108 | 48,108 |
| Bank loans - non-current portion | 139,321 | (139,321) | | | | 205,656 | 205,656 |
| Payables to factoring companies | 5,593 | (3,680) | | (250) | | | 1,663 |
| Lease payables - current portion | 248 | (248) | | | | | 0 |
| Liabilities for Derivative Financial Instruments | 37 | (37) | | | | | 0 |
| Other Financial Payables - current portion | | | 1,250 | | | | 1,250 |
| Other Financial Payables - non-current portion | | | 750 | | | | 750 |
| Bank overdrafts | 212 | (120) | | | | | 92 |
| Total liabilities resulting from financial assets | 175,591 | (173,586) | 2,000 | (250) | 0 | 253,764 | 257,519 |

Capital risk management

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

In line with sector practice, the Group monitors capital based on the gearing ratio. This indicator is calculated as a ratio between (Net Financial Position)/Net Indebtedness (see Note 10) and Total Capital.

| | 31.12.2017 | 31.12.2016 |
|----------------------------------|----------------|----------------|
| Net indebtedness (A) | (30,137) | (3,503) |
| Shareholders' Equity (B) | 353,029 | 336,394 |
| <i>Total capital [(A)+(B)]=C</i> | <i>322,892</i> | <i>332,891</i> |
| "Gearing ratio" (A)/(C) | -9.33% | -1.05% |

SEGMENT DISCLOSURE

As shown in the consolidated financial statements as at 31 December 2016, during the year the Group started a strategic plan, which led to define a new business operating structure with a customer-oriented go to market model based on four sectors (Retail, Manufacturing, Transportation & Logistics, Healthcare), thus overcoming the departmental structure (ADC/IA) centred on product diversification. The plans also led to corporate reorganisation, which reflects this new operating model.

Effective on 01 January 2017, the companies related to the ADC (Automatic Data Capture) Division and IA (Industrial Automation) Division therefore merged into the various geographical areas where the Group operates.

In light of the new business operating structure and corporate reorganisation, effective on 01 January 2017, the operating sectors were redefined accordingly and periodically remeasured by the top management, according to provisions set out by IFRS 8, as described hereunder:

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, RFID, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute for higher efficiency and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics and health, along the entire value chain;
- **Solution Net Systems**, specialised in supplying and installing integrated solutions for automated distribution for the postal segment and distribution centres in the Retail sector;
- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

Sales transactions amongst the operating segments indicated hereunder are executed at arm's length conditions, based on the Group transfer pricing policies.

The **financial information** related to operating segments as at 31 December 2017 and 31 December 2016 are as follows:

| | Informatics | | Solution Net System | | Datalogic | | Adjustments | | Total Group | |
|--|-------------|---------|---------------------|---------|-----------|----------|-------------|---------|-------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| External revenues | 20,586 | 24,351 | 24,728 | 20,090 | 560,707 | 532,041 | 0 | 0 | 606,022 | 576,482 |
| Intersegment revenues | 9 | 15 | 12 | 103 | 3,273 | 2,199 | (3,294) | (2,317) | 0 | 0 |
| Total Sales | 20,595 | 24,366 | 24,740 | 20,193 | 563,980 | 534,240 | (3,294) | (2,317) | 606,022 | 576,482 |
| Operating result (EBIT) | (281) | (1,599) | 2,785 | (1,061) | 79,917 | 73,042 | 458 | (137) | 82,879 | 70,245 |
| % of revenues | (1.4)% | (6.6)% | 11.3% | (5.3)% | 14.2% | 13.7% | (13.9)% | 6.0% | 13.7% | 12.2% |
| Non-recurring costs/revenues | 0 | 278 | 0 | 0 | (924) | (1,257) | 0 | 0 | (924) | (979) |
| Amortisation, depreciation and write-downs | (427) | (345) | (69) | (41) | (19,327) | (18,754) | 327 | (2) | (19,496) | (19,142) |
| EBITDA | 146 | (1,532) | 2,854 | (1,020) | 100,168 | 93,054 | 131 | (136) | 103,299 | 90,366 |
| % of revenues | 0.7% | (6.3)% | 11.5% | (5.1)% | 17.8% | 17.4% | (4.0)% | 5.9% | 17.0% | 15.7% |
| Financial income (expenses) | (104) | (219) | (127) | (20) | (7,083) | (3,216) | (111) | 102 | (7,425) | (3,353) |
| Fiscal income (expenses) | (125) | 561 | (1,033) | (220) | (14,171) | (21,372) | (45) | (15) | (15,374) | (21,046) |
| R&D expenses | (1,394) | (1,488) | (485) | (600) | (53,396) | (48,327) | 0 | (6) | (55,275) | (50,421) |
| % of revenues | (6.8)% | (6.1)% | (2.0)% | (3.0)% | (9.5)% | (9.0)% | 0.0% | 0.3% | (9.1)% | (8.7)% |

The **balance-sheet information relating to operating sectors** as at 31 December 2017, as redefined in compliance with the Group's new organisational model, com-

pared with the information as at 31 December 2016, is as follows:

| | Informatics | | Solution Net System | | Datalogic | | Adjustments | | Total Group | |
|----------------------------------|-------------|--------|---------------------|--------|-----------|---------|-------------|----------|-------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Total Assets | 20,549 | 24,639 | 14,330 | 11,495 | 838,903 | 744,505 | (36,980) | (37,792) | 836,802 | 742,847 |
| Fixed assets | 14,094 | 16,222 | 134 | 222 | 269,408 | 294,526 | 2,420 | 2,043 | 286,056 | 313,013 |
| Tangible | 2,322 | 2,769 | 133 | 219 | 67,277 | 69,356 | 1 | (262) | 69,733 | 72,082 |
| Intangible | 11,772 | 13,453 | 1 | 3 | 202,131 | 225,170 | 2,419 | 2,305 | 216,323 | 240,931 |
| Equity investments in associates | 0 | 0 | 0 | 0 | 35,975 | 36,689 | (33,791) | (34,475) | 2,184 | 2,214 |
| Total Liabilities | 6,431 | 8,042 | 7,492 | 5,457 | 475,138 | 397,843 | (5,288) | (4,889) | 483,773 | 406,453 |

DATALOGIC FINANCIAL REPORT 2017

Sector information by region as at 31 December 2017 compared to data as at 31 December 2016 is as follows.

| | 2017 | % on Revenues | 2016 | % on Revenues | Change | % | % change at constant Euro/Dollar exchange rate |
|-----------------------------------|---------|---------------|---------|---------------|---------|--------|--|
| Italy | 58,944 | 9.7% | 51,184 | 8.9% | 7,760 | 15.2% | |
| EMEA (except Italy) | 268,562 | 44.3% | 253,362 | 43.9% | 15,200 | 6.0% | |
| Total EMEA ^(*) | 327,506 | 54.0% | 304,546 | 52.8% | 22,960 | 7.5% | 7.7% |
| North America | 171,414 | 28.3% | 178,269 | 30.9% | (6,855) | (3.8%) | (2.2%) |
| Latin America | 27,468 | 4.5% | 30,032 | 5.2% | (2,564) | (8.5%) | (6.7%) |
| APAC ^(*) (incl. China) | 79,634 | 13.1% | 63,635 | 11.0% | 15,999 | 25.1% | 26.5% |
| Total revenues | 606,022 | 100.0% | 576,482 | 100.0% | 29,540 | 5.1% | 6.0% |

^(*) EMEA: Europe, Middle East and Africa; APAC: Asia & Pacific

| Non-current assets | 31.12.2017 | 31.12.2016 | Adjustments 31.12.2017 | Adjustments 31.12.2016 | Consolidated 31.12.2017 | Consolidated 31.12.2016 | Change |
|------------------------------|------------|------------|---------------------------|---------------------------|----------------------------|----------------------------|--------|
| Italy | 85,403 | 91,352 | | | 85,403 | 91,352 | -6.5% |
| Europe | 48,807 | 37,215 | | | 48,807 | 37,215 | 31.1% |
| North America | 230,937 | 255,637 | | | 230,937 | 255,637 | -9.7% |
| Rest of the World | 12,801 | 18,168 | | | 12,801 | 18,168 | -29.5% |
| Eliminations and adjustments | | | 1,366 | 1,493 | 1,366 | 1,493 | -8.5% |
| TOTAL | 377,949 | 402,372 | 1,366 | 1,493 | 379,315 | 403,865 | -6.1% |

Group structure

The Consolidated Financial Statements include the financial statements of the Parent Company and of the companies that are directly and/or indirectly controlled by the Parent Company or on which the latter has a significant influence.

The financial statements of subsidiaries were duly adjust-

ed, as necessary, to render them consistent with the accounting criteria of the Parent Company.

The companies included in the scope of consolidation as at 31 December 2017, as disclosed hereunder, were all consolidated on a line-by-line basis.

^(*)The companies were put into liquidation during 2017

| Name | Registered office | Share capital | | Total Share- holders' Equity (€/000) | Profit/loss for the period (€/000) | % Owner- ship |
|---|--------------------------------------|---------------|------------|--|--|------------------|
| Datalogic S.p.A. | Bologna - Italy | Euro | 30,392,175 | 291,639 | 25,592 | |
| Datalogic Real Estate France Sas | Paris - France | Euro | 2,227,500 | 3,560 | 56 | 100% |
| Datalogic Real Estate Germany GmbH | Erkenbrechtsweiler-Germany | Euro | 1,025,000 | 1,389 | (6) | 100% |
| Datalogic Real Estate UK Ltd | Redbourn - England | GBP | 3,500,000 | 4,390 | 118 | 100% |
| Datalogic IP Tech S.r.l. | Bologna - Italy | Euro | 65,677 | 10,921 | 8,520 | 100% |
| Informatics Holdings Inc. | Plano Texas - Usa | USD | 1,568 | 13,987 | (541) | 100% |
| Wasp Barcode Technologies Ltd | Redbourn - England | GBP | - | 130 | 32 | 100% |
| Datalogic (Shenzhen) Industrial Automation Co. Ltd. | Shenzhen - China | CNY | 2,136,696 | 1,334 | 56 | 100% |
| Datalogic Hungary Kft | Fonyod-Hungary | HUF | 3,000,000 | 2,527 | 611 | 100% |
| Solution Net Systems, Inc. | Quakertown, PA - USA | USD | | 6,838 | 1,625 | 100% |
| Datalogic S.r.l. | Bologna - Italy | Euro | 10,000,000 | 159,600 | 22,584 | 100% |
| Datalogic Slovakia S.r.o. | Trnava-Slovakia | Euro | 66,388 | 7,623 | 7,550 | 100% |
| Datalogic USA Inc. | Eugene OR-Usa | USD | 100 | 73,194 | 4,050 | 100% |
| Datalogic ADC do Brazil Ltd. | Sao Paulo - Brazil | BRL | 206,926 | (3,062) | (1,438) | 100% |
| Datalogic Scanning de Mexico S.r.l. | Colonia Cuauhtemoc-Mexico | USD | - | (69) | (99) | 100% |
| Datalogic Scanning Eastern Europe GmbH | Darmstadt-Germany | Euro | 25,000 | 3,732 | 171 | 100% |
| Datalogic Australia Pty Ltd | Mount Waverley (Melbourne)-Australia | AUD | 3,188,120 | 574 | 255 | 100% |
| Datalogic Vietnam LLC | Vietnam | USD | 3,000,000 | 76,142 | 19,366 | 100% |
| Datalogic Singapore Asia Pacific Pte Ltd. | Singapore | SGD | 3 | 1,673 | 432 | 100% |
| Datalogic ADC HK Ltd. ^(*) | Hong-Kong - China | HKD | 100,000 | 74 | (23) | 100% |
| Datalogic Automation Asia Ltd. ^(*) | Hong-Kong - China | HKD | 7,000,000 | (73) | 362 | 100% |
| SOREDITouch Systems GmbH | Olching (Munich)-Germany | Euro | 25,000 | 1,961 | 336 | 100% |

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The following companies were consolidated at cost as at 31 December 2017:

| Name | Registered office | Share capital | | Total Shareholders' Equity (€/000) | Profit/loss for the period (€/000) | % Ownership |
|--|----------------------|---------------|------------|------------------------------------|------------------------------------|-------------|
| Specialvideo S.r.l. ^(*) | Imola - Italy | Euro | 10,000 | 481 | 101 | 40% |
| Datasensor GmbH ^(*) | Otterfing - Germany | Euro | 150,000 | 1 | (6) | 30% |
| Suzhou Mobilead Electronic Technology Co, Ltd ^(*) | China | CNY | 13,262,410 | n.a. | n.a. | 25% |
| CAEN RFID S.r.l. ^(*) | Viareggio LU - Italy | Euro | 150,000 | 1,160 | 39 | 20% |
| R4I S.r.l. ^(*) | Benevento | Euro | 105,000 | 298 | 76 | 20% |
| Datalogic Automation AB ^(**) | Malmö, Sweden | KRS | 100,000 | 762 | 244 | 20% |

^(*) data as at 31 December 2016

^(**) data as at 30 June 2017

CHANGE IN SCOPE OF CONSOLIDATION

On 6 July 2017, Datalogic S.p.A. acquired 100% share capital of the German company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals, with registered office in Olching (Munich).

A branch of the company Datalogic Singapore Asia Pacific Pte Ltd. was established in Korea in the second half of the year.

On 24 October 2017, the agreement was signed for the transfer of shares held in the company Laservall Asia Co. Ltd. for the amount of €1.4 million. The sale will be carried out in three tranches, ending on 01 April 2018. On 31 December 2017, the equity investment was therefore decreased in relation to the first tranche.

Business combination

On 6 July 2017, Datalogic S.p.A. acquired 100% share capital of the company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals, with registered office in Olching (Munich - Germany). This transaction was accounted for by using the acquisition method. The consolidated financial statements include the results of Soredi Touch Systems GmbH as from 01 July 2017, the day conventionally designated as acquisition date for solely accounting purposes, also by reason of the fact that no significant changes occurred between this date and the actual acquisition date and an accounting position was available at that date.

The following table shows preliminary fair value at 31 December 2017 of the assets and liabilities of the acquired company, preliminary goodwill deriving from the transaction and the net cash used for the acquisition:

| | Amounts as per the Company's accounts (Euro/000) | Adjust- ments | Recognised fair value (Euro/000) |
|---|--|------------------|-------------------------------------|
| Tangible and intangible assets | 185 | | 185 |
| Other LT receivables | 0 | | 0 |
| Inventories | 1,547 | | 1,547 |
| Trade receivables | 820 | | 820 |
| Other receivables | 75 | | 75 |
| Cash and cash equivalents | 134 | | 134 |
| Trade payables | (736) | | (736) |
| Other payables | (104) | | (104) |
| Provisions for risks and charges | (294) | | (294) |
| Net assets at acquisition date | 1,627 | 0 | 1,627 |
| % pertaining to Group | 100% | 100% | 100% |
| Group net assets | 1,627 | 0 | 1,627 |
| Acquisition cost | | | 9,568 |
| Goodwill at acquisition date | | | 7,941 |
| Net cash used in acquisition: | | | |
| Cost of acquisition of equity investment | | | (9,568) |
| Treasury shares | | | 2,000 |
| Payments to be made | | | 2,000 |
| Payments made as at 31 December 2017 | | | (5,568) |
| Cash and cash equivalents of acquiree | | | 134 |
| Net cash used in acquisition as at 31 December 2017 | | | (5,434) |
| Acquisition of Business Combination | | | (9,568) |
| Acquisition of Trademark | | | (432) |
| Total investment | | | (10,000) |

In the second half of the year 2017, the Company reported revenues from sales totalling €4,258 thousand (including €424 thousand from Group companies) and the result for the period amounted to €336 thousand.

The Group's total investment for the acquisition of Soredi Touch Systems GmbH, amounted to €10 million including the acquired Net Financial Position and the best estimate of price adjustments that are contractually determined. For this transaction, Datalogic wholly acquired the company Soredi Touch Systems GmbH, as well as the "Soredi" trademark, recognised under item Intangible assets for €0.4 million.

At closing date, Datalogic S.p.A. paid €6 million cash and €2 million treasury shares (equal to 85,215 shares). Datalogic will make the residual payment, equal to €2 million, within 2021.

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

The ancillary costs borne, although directly attributable to the business combination, pursuant to IFRS 3 revised, were not considered as part of the acquisition cost but fully recognised in the Income Statement.

The preliminary goodwill emerging from this transaction amounted to €7.9 million. It is worth noting that the initial recognition of the business combination, recorded in the third quarter, was temporarily determined as the fair values of assets, liabilities or contingent liabilities and the cost of business combinations were determined in a non-final way. As envisaged by IFRS 3, any possible adjustments will be recognised within 12 months from the acquisition date.

Information on the statement of financial position assets

NOTE 1. TANGIBLE ASSETS

Details of movements as at 31 December 2017 and 31 December 2016 are as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|------------|---------|
| Land | 7,719 | 8,218 | (499) |
| Buildings | 29,369 | 31,014 | (1,645) |
| Other assets | 30,495 | 30,175 | 320 |
| Assets in progress and payments on account | 2,150 | 2,675 | (525) |
| Total | 69,733 | 72,082 | (2,349) |

Details of movements as at 31 December 2016 and 31 December 2017 are as follows:

| | Land | Buildings | Other assets | Assets in progress and payments on account | Total |
|---|-------|-----------|--------------|--|-----------|
| Historical cost | 5,763 | 37,351 | 124,223 | 2,293 | 169,630 |
| Accumulated depreciation | 0 | (5,052) | (96,194) | 0 | (101,246) |
| Net initial value as at 01.01.2016 | 5,763 | 32,299 | 28,029 | 2,293 | 68,384 |
| Increases - 31.12.2016 | | | | | |
| Investments | 2,495 | 1,439 | 6,441 | 2,635 | 13,010 |
| Total | 2,495 | 1,439 | 6,441 | 2,635 | 13,010 |
| Decreases - 31.12.2016 | | | | | |
| Disposals, historical cost | | | (6,163) | (6) | (6,169) |
| Write-downs | | | | | 0 |
| Disposals, accum. depreciation | | | 5,939 | | 5,939 |
| Write-down | | | | | 0 |
| Depreciation | | (621) | (8,742) | | (9,363) |
| Total | 0 | (621) | (8,966) | (6) | (9,593) |
| Reclass. & other changes 31.12.2016 | | | | | |
| Incoming transfers at historical cost | | (2,205) | 4,794 | (2,284) | 305 |
| (outgoing transfers, accum. depreciation) | | 102 | (518) | | (416) |
| Exchange diff. in historical cost | (40) | (8) | 1,514 | 37 | 1,503 |
| Exchange diff. in accum. depreciation | | 8 | (1,119) | | (1,111) |
| Total | (40) | (2,103) | 4,671 | (2,247) | 281 |
| Historical cost | 8,218 | 36,577 | 130,809 | 2,675 | 178,279 |
| Accumulated depreciation | 0 | (5,563) | (100,634) | 0 | (106,197) |
| Net value as at 31.12.2016 | 8,218 | 31,014 | 30,175 | 2,675 | 72,082 |

| | Land | Buildings | Other assets | Assets in progress and payments on account | Total |
|---|-------|-----------|--------------|--|-----------|
| Historical cost | 8,218 | 36,577 | 130,809 | 2,675 | 178,279 |
| Accumulated depreciation | 0 | (5,563) | (100,634) | 0 | (106,197) |
| Net initial value as at 01.01.2017 | 8,218 | 31,014 | 30,175 | 2,675 | 72,082 |
| Increases - 31.12.2017 | | | | | |
| Investments | 6 | 188 | 9,801 | 1,279 | 11,274 |
| Acquisitions | | | 318 | | 318 |
| Total | 6 | 188 | 10,119 | 1,279 | 11,592 |
| Decreases - 31.12.2017 | | | | | |
| Disposals, historical cost | (131) | (1,417) | (1,216) | (2) | (2,766) |
| Write-down | | | (1,033) | | (1,033) |
| Disposals, accum. depreciation | | 683 | 1,012 | | 1,695 |
| Write-down | | | 1,048 | | 1,048 |
| Depreciation | | (580) | (9,708) | | (10,288) |
| Acquisitions | | | (132) | | (132) |
| Total | (131) | (1,314) | (10,029) | (2) | (11,476) |
| Reclass. & other changes 31.12.2017 | | | | | |
| Incoming transfers at historical cost | | 192 | 1,355 | (1,661) | (114) |
| (outgoing transfers, accum. depreciation) | | | 113 | | 113 |
| Exchange diff. in historical cost | (374) | (908) | (5,074) | (141) | (6,497) |
| Exchange diff. in accum. depreciation | | 197 | 3,836 | | 4,033 |
| Total | (374) | (519) | 230 | (1,802) | (2,465) |
| Historical cost | 7,719 | 34,632 | 134,960 | 2,150 | 179,461 |
| Accumulated depreciation | 0 | (5,263) | (104,465) | 0 | (109,728) |
| Net value as at 31.12.2017 | 7,719 | 29,369 | 30,495 | 2,150 | 69,733 |

The decrease in the items "Land" and "Buildings" relates mainly to the sale of the building belonging to Datalogic Real Estate Germany GmbH (€127 thousand and €734 thousand, respectively), which generated a loss of €43 thousand recognised in the income statement in the item "Other operating expenses".

The "Other assets" item as at 31 December 2017 mainly includes the following categories: Industrial equipment and moulds (€10,340 thousand), Plant and machinery (€8,937 thousand), Office furniture and machines (€7,719 thousand), Maintenance on third-party assets (€1,034 thousand), General plants related to buildings (€1,873 thousand), Motor vehicles (€86 thousand) and Commercial equipment and demo room (€420 thousand).

The increase for this item (€9,801 thousand) is mainly due to the following:

- investments related to purchases of office furniture and machines (€3,671 thousand);
- investments for the building of plants and machinery (€2,431 thousand);
- investments for the building of industrial equipment and moulds (€3,020 thousand).

The decrease in the item "Other assets" relates mainly to the depreciation expense for the period, the impairment of improvements to third-party assets and equipment no longer used and the scrapping of assets that are entirely depreciated and no longer used.

The balance of "Assets in progress and payments on account", equal to €2,150 thousand, consists of €449 thousand for investments related to the enlargement of the plant in Hungary and, for the remaining portion, to down payments for equipment, instruments and moulds for usual production activities.

NOTE 2. INTANGIBLE ASSETS

Details of movements as at 31 December 2017 and 31 December 2016 are as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|------------|----------|
| Goodwill | 174,343 | 188,934 | (14,591) |
| Development costs | 3,863 | 4,302 | (439) |
| Other | 34,352 | 43,534 | (9,182) |
| Assets in progress and payments on account | 3,765 | 4,161 | (396) |
| Total | 216,323 | 240,931 | (24,608) |

Details of movements as at 31 December 2016 and 31 December 2017 are as follows:

| | Goodwill | Devel- opment costs | Other | Assets in progress and payments on account | Total |
|---------------------------------------|----------|---------------------------|-----------|--|-----------|
| Historical cost | 183,020 | 16,692 | 140,192 | 3,369 | 343,273 |
| Accumulated amortisation | 0 | (11,343) | (92,363) | 0 | (103,706) |
| Net initial value as at 01.01.2016 | 183,020 | 5,349 | 47,829 | 3,369 | 239,567 |
| Increases - 31.12.2016 | | | | | |
| Investments | | 248 | 1,383 | 2,191 | 3,822 |
| Total | 0 | 248 | 1,383 | 2,191 | 3,822 |
| Decreases - 31.12.2016 | | | | | |
| Disposals, historical cost | 0 | | (362) | (55) | (417) |
| Disposals, accum. amortisation | | | 331 | | 331 |
| Amortisation | | (2,089) | (7,690) | | (9,779) |
| Write-downs | | | | | 0 |
| Total | 0 | (2,089) | (7,721) | (55) | (9,865) |
| Reclass. & other changes 31.12.2016 | | | | | |
| Incoming transfers | | 696 | 766 | | 1,462 |
| (Outgoing transfers) | | | | (1,351) | (1,351) |
| Exchange diff. in historical cost | 5,914 | 262 | 3,441 | 7 | 9,624 |
| Exchange diff. in accum. amortisation | | (164) | (2,164) | | (2,328) |
| Total | 5,914 | 794 | 2,043 | (1,344) | 7,407 |
| Historical cost | 188,934 | 17,898 | 145,420 | 4,161 | 356,413 |
| Accumulated amortisation | 0 | (13,596) | (101,886) | 0 | (115,482) |
| Net value as at 31.12.2016 | 188,934 | 4,302 | 43,534 | 4,161 | 240,931 |

| | Goodwill | Devel- opment costs | Other | Assets in progress and payments on account | Total |
|---------------------------------------|----------|---------------------------|-----------|--|-----------|
| Historical cost | 188,934 | 17,898 | 145,420 | 4,161 | 356,413 |
| Accumulated amortisation | 0 | (13,596) | (101,886) | 0 | (115,482) |
| Net initial value as at 01.01.2017 | 188,934 | 4,302 | 43,534 | 4,161 | 240,931 |
| Increases - 31.12.2017 | | | | | |
| Investments | 7,941 | 301 | 2,234 | 1,823 | 12,299 |
| Total | 7,941 | 301 | 2,234 | 1,823 | 12,299 |
| Decreases - 31.12.2017 | | | | | |
| Disposals, historical cost | 0 | | (539) | 0 | (539) |
| Disposals, accum. amortisation | | | 294 | | 294 |
| Amortisation | | (2,182) | (7,109) | | (9,291) |
| Write-downs | | | 68 | | 68 |
| Total | 0 | (2,182) | (7,286) | 0 | (9,468) |
| Reclass. & other changes 31.12.2017 | | | | | |
| Incoming transfers | | 1,791 | 401 | | 2,192 |
| (Outgoing transfers) | | | | (2,192) | (2,192) |
| Exchange diff. in historical cost | (22,532) | (970) | (12,659) | (27) | (36,188) |
| Exchange diff. in accum. amortisation | | 621 | 8,128 | | 8,749 |
| Total | (22,532) | 1,442 | (4,130) | (2,219) | (27,439) |
| Historical cost | 174,343 | 19,020 | 134,925 | 3,765 | 332,053 |
| Accumulated amortisation | 0 | (15,157) | (100,573) | 0 | (115,730) |
| Net value as at 31.12.2017 | 174,343 | 3,863 | 34,352 | 3,765 | 216,323 |

"Goodwill", totalling €174,343 thousand, consisted of the following items:

| | 31.12.2017 | 31.12.2016 | Change |
|-----------------|------------|------------|----------|
| CGU Datalogic | 161,538 | 174,750 | (13,212) |
| CGU Informatics | 12,805 | 14,184 | (1,379) |
| Total | 174,343 | 188,934 | (14,591) |

The change in "Goodwill" by comparison with 31 December 2016 is attributable to:

- negative change, equal to €22,532 thousand, and related to translation differences, as most of the goodwill is expressed in US Dollars;
- positive change, equal to €7,941 thousand, for the preliminary allocation to goodwill of the portion of price related to the company Soredi Touch Systems GmbH and not directly attributable to the fair value of assets and liabilities, but to expectations to obtain a positive contribution in terms of cash flow for an indefinite period. The initial recognition of this business combination was temporarily determined pursuant to IFRS 3, that envisages a period of 12 months during which the measured preliminary amounts can be adjusted.

Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain. It should be noted that the format of the CGU related to Goodwill was reviewed according to the new organisational structure that the Group adopted as from 01 January 2017. In particular, according to the corporate reorganisation, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions were transferred to one single business organisation, on which the corporate business plans are based (Datalogic CGU). The redetermination of CGUs led to no reallocation of Goodwill.

The estimated recoverable value of each CGU, associated with each goodwill item measured, consists of its corresponding value in use.

Value in use is calculated by discounting the future cash flows generated by the CGU - during production and at the time of its retirement - to present value using a certain discount rate, based on the Discounted Cash Flow method.

The cash flows of the individual CGUs have been taken from their respective 2018 Budgets and forward-looking plans prepared by Management. These plans represent the best estimate of foreseeable operating performance, based on business strategies and growth indicators in the sector to which the Group belongs and in its reference markets.

The assumptions used for the purposes of impairment, and the consequent results, were approved by the Board of Directors and the Audit and Risk Management Committee, Remuneration and Appointments Committee of

Datalogic S.p.A., as well as by the Board of Directors of each company, for the related Goodwill on 04 February 2018.

Based on use of an Unlevered approach, Unlevered Free Cash Flows from Operations (FCFO) have been used, through the discounted cash flow method, as detailed below:

= EBIT
 - taxes on EBIT
 = NOPLAT (Net operating profit after taxes)
 + depreciation and amortisation
 - Capital expenditures
 +/- Change in provisions
 +/- Change in working capital
 +/- Change in other assets - liabilities
 = Unlevered free cash flows from operations (FCFO)

To expected flows for the period 2018-2022, which are explicitly forecast, the flow relating to Perpetuity - representing Terminal value - is added.

This is calculated using a long-term growth rate (G) of 1%, which represents the long-term expectations for the industrial sector to which we belong.

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

The WACC used - ranging from 8.82% to 9.71% depending on the Goodwill measured - reflects the return opportunity for all capital contributions, for whichever reason they are made.

In the table below we provide the Goodwill defined according to the new structure of the operating sectors, effective as from 01 January 2017, following the corporate reorganisation described in the Segment Disclosure, and the breakdown of the growth assumptions made in the forecast plans and the discount rates used:

| | CGU Datalogic | Informatics |
|---|---------------|-------------|
| Goodwill at acquisition date | 161,538 | 12,805 |
| Weighted average cost of capital (WACC) | 9.71% | 8.82% |
| Long-term growth rate (G) | 1% | 1% |

DATALOGIC CGU

Goodwill attributed to CGU Datalogic results from the following acquisitions:

- PSC Group, occurred in 2005
- EVO Inc. occurred in 2010
- IDWARE S.r.l. occurred in 1998
- Gruppo Laservall occurred in 2004
- INFRA S.r.l., occurred in 2004
- PPT Vision Inc., occurred in 2011
- Accu-Sort Systems Inc., occurred in 2012
- Soredi Touch System GmbH, occurred in 2017

The recoverable value of the Datalogic CGU was determined based on the calculation of the value in use, in which projected cash flows, resulting from the plan approved by the Board of Directors, have been used.

The discount rate before taxes applied to projected cash flows is 9.71% (2016: 9.88%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2016), which is prudentially lower than the growth rate expected in reference markets.

During testing for impairment, goodwill of Datalogic CGU confirmed its book value.

INFORMATICS CGU

Goodwill attributed to the Informatics CGU results from the acquisition of Informatics Inc. in 2005. The recoverable value of the Informatics CGU was determined based on the calculation of the value in use, in which projected cash flows, resulting from the plan approved by the Board of Directors, have been used. The discount rate before taxes applied to projected cash flows is 8.82% (2016: 9.72%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2016), which is prudentially lower than the growth rate expected in reference markets. During testing for impairment, goodwill of Informatics CGU confirmed its book value.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The calculation of value in use for selected CGUs is related to the following assumptions:

- Gross profit;
- Discount rates;
- Growth rate used to calculate cash flows after the forecast period.

Gross profit - Gross profit is based on the average of amounts obtained in years before the beginning of the budget period. These values are increased in the budget period, in relation to improvements to efficiency. A decrease in demand might lead to a reduction in gross profit, and related decrease in value.

Discount rates - Discount rates reflect the market estimate of risks specific to each CGU, taking account of the time value of money and the risks specific to underlying assets, which are not already included in the cash flow estimates. The calculation of the discount rate is based on the Group specific circumstance and its operating sectors, and it results from its weighted average cost of the capital (WACC).

Estimates of growth rates - The rates are based on sector studies published. The Management acknowledges that the rapidity in technological development and the possible entry of new actors in the market may have a significant impact on the growth rate.

As regards the measurement of the value in use of the aforementioned CGUs, the management deems that a change in the previous key assumptions so that a carrying value of the units would be lower than their recoverable value would not reasonably occur, also by reason of the fact that the differentials between the recoverable values of CGUs and the corresponding carrying values are highly positive as at 31 December 2017, especially for the Datalogic CGU.

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

“Development costs”, which amount to €3,863 thousand, consist of specific development projects capitalised when they meet IAS 38 requirements and in compliance with Group policies, which call for the capitalisation only of projects relating to the development of products featuring significant innovation.

The change in “Development costs” by comparison with 31 December 2016 is attributable to:

- negative change, equal to €2,182 thousand, for amortisation/depreciation for the period,
- negative change, equal to €349 thousand, for translation differences;
- positive change, equal to €2,092 thousand, for the recognition of two projects concluded during 2017 and previously recorded under assets in progress.

The “Other” item, amounting to €34,352 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group, which are specifically identified and valued in the context of purchase accounting. Details are shown in the following table:

| | 31.12.2017 | 31.12.2016 | Useful life |
|---|------------|------------|-------------|
| Acquisition of the PSC group (on 30 November 2006) | 13,495 | 17,273 | |
| PATENTS | 13,495 | 17,273 | 20 |
| Acquisition of Evolution Robotics Retail Inc. (on 01 July 2010) | 1,460 | 2,326 | |
| PATENTS | 243 | 388 | 10 |
| TRADE SECRETS | 1,217 | 1,938 | 10 |
| Acquisition of Accu-Sort Inc. (on 20 January 2012) | 9,756 | 13,675 | |
| PATENTS | 5,770 | 8,088 | 10 |
| TRADE SECRETS | 3,986 | 5,587 | 10 |
| Licence agreement | 3,729 | 4,796 | 5-15 |
| Other | 5,912 | 5,464 | |
| TOTAL OTHER INTANGIBLE ASSETS | 34,352 | 43,534 | |

The “Other” item mainly consists of software licenses and includes the Soredi trademark (€360 thousand, net of amortisation).

The “Assets in progress and payments on account” item, equal to €3,765 thousand, is attributable, in the amount of €3,111 thousand, to the capitalisation of costs relating to the R&D projects with the features required by IAS 38 and currently still underway, as well as, in the amount of €654 thousand, to software implementations that are not yet completed.

NOTE 3. EQUITY INVESTMENTS IN ASSOCIATES

Equity investments owned by the Group as at 31 December 2017 were as follows:

| | 31.12.2016 | Increases | Decreases | Diff. gains/ (losses) | reclassi- fication | Share of profit | 31.12.2017 |
|--|--------------|------------|--------------|--------------------------|-----------------------|--------------------|--------------|
| Laservall Asia CO. Ltd | 1,588 | | (566) | | (1,021) | (1) | 0 |
| CAEN RFID Srl | 550 | | | | | | 550 |
| Suzhou Mobilead Elec- tronic Technology Co., Ltd. | | | | (112) | 1,520 | | 1,408 |
| R4I | | 150 | | | | | 150 |
| Datalogic Automation AB | 2 | | | | | | 2 |
| Specialvideo Srl | 29 | | | | | | 29 |
| Datasensor GMBH | 45 | | | | | | 45 |
| TOTAL | 2,214 | 150 | (566) | (112) | 499 | (1) | 2,184 |

On 24 October 2017, the agreement was signed for the transfer of shares held in the company Laservall Asia Co. Ltd. for the amount of €1.4 million. The sale will be carried out in three tranches, ending on 01 April 2018. As at 31 December 2017, the equity investments related to the first tranche were decreased and fair value related to the remaining portion of equity investments was restated under item "Held-for-sale assets".

The acquisition of 25% of the company Suzhou Mobilead Electronic Technology Co., Ltd. was completed in the first quarter of the year. This resulted in the transfer to the item in question of the payment made, on 9 November 2016, for the future share capital increase and recorded in "Equity investments in other companies", and of the amount recorded, on 31 December 2016, in the item "Loans".

On 15 November 2017, Datalogic S.p.A. acquired 20% of the company R4I (acronym of Research for Innovation), an innovative SME in Benevento (Italy), specialised in the development of solutions based on the RFIS (Radiofrequency Identification) technology.

NOTE 4. FINANCIAL INSTRUMENTS BY CATEGORY

The financial statement items coming within the scope of "Financial instruments" as defined by IAS/IFRSs as at 31 December 2016 and 31 December 2017 are as follows:

| | Loans and receivables | Financial assets at fair value through profit and loss | Available for sale | Total |
|---|--------------------------|--|--------------------|---------|
| Non-current financial assets | 3,504 | 31,007 | 4,714 | 39,225 |
| Financial assets - Equity investments (5) | | | 4,714 | 4,714 |
| Financial assets - Securities | | | | 0 |
| Financial assets - Loans | 1,110 | | | 1,110 |
| Financial assets - Other | | 31,007 | | 31,007 |
| Other receivables (7) | 2,394 | | | 2,394 |
| Current financial assets | 237,441 | 0 | 0 | 237,441 |
| Trade receivables from third parties (7) | 74,490 | | | 74,490 |
| Other receivables from third parties (7) | 15,974 | | | 15,974 |
| Financial assets - Other (5) | 0 | | | 0 |
| Financial assets - Securities (5) | 0 | | | 0 |
| Cash and cash equivalents (10) | 146,977 | | | 146,977 |
| TOTAL | 240,945 | 31,007 | 4,714 | 276,666 |

| | Loans and receivables | Financial assets at fair value through profit and loss | Available for sale | Total |
|---|--------------------------|--|--------------------|---------|
| Non-current financial assets | 2,194 | 31,444 | 9,573 | 43,211 |
| Financial assets - Equity investments (5) | | | 9,573 | 9,573 |
| Financial assets - Securities | | | | 0 |
| Financial assets - Loans | | | | 0 |
| Financial assets - Other | | 31,444 | | 31,444 |
| Other receivables (7) | 2,194 | | | 2,194 |
| Current financial assets | 357,642 | 0 | 0 | 357,642 |
| Trade receivables from third parties (7) | 82,402 | | | 82,402 |
| Other receivables from third parties (7) | 19,028 | | | 19,028 |
| Financial assets - Other (5) | | | | 0 |
| Financial assets - Securities (5) | | | | 0 |
| Cash and cash equivalents (10) | 256,212 | | | 256,212 |
| TOTAL | 359,836 | 31,444 | 9,573 | 400,853 |

| | Derivatives | Other financial liabilities | Total |
|--|-------------|-----------------------------|---------|
| Non-current financial liabilities | 0 | 143,615 | 143,615 |
| Financial payables (12) | | 139,321 | 139,321 |
| Financial liabilities - Derivative instruments (6) | | | 0 |
| Other payables (16) | | 4,294 | 4,294 |
| Current financial liabilities | 37 | 187,200 | 187,237 |
| Trade payables to third parties (16) | | 104,058 | 104,058 |
| Other payables (16) | | 46,909 | 46,909 |
| Financial liabilities - Derivative instruments (6) | 37 | | 37 |
| Short-term financial payables (12) | | 36,233 | 36,233 |
| TOTAL | 37 | 330,815 | 330,852 |

| | Derivatives | Other financial liabilities | Total |
|--|-------------|-----------------------------|---------|
| Non-current financial liabilities | 0 | 209,972 | 209,972 |
| Financial payables (12) | | 206,406 | 206,406 |
| Financial liabilities - Derivative instruments (6) | | | 0 |
| Other payables (16) | | 3,566 | 3,566 |
| Current financial liabilities | 0 | 208,437 | 208,437 |
| Trade payables to third parties (16) | | 107,051 | 107,051 |
| Other payables (16) | | 50,273 | 50,273 |
| Financial liabilities - Derivative instruments (6) | 0 | | 0 |
| Short-term financial payables (12) | | 51,113 | 51,113 |
| TOTAL | 0 | 418,409 | 418,409 |

Most of financial assets and liabilities are short-term financial assets and liabilities for which, given their nature, the book value is considered as a reasonable approximation of fair value.

In the other residual positions, fair value is determined based on methods that can be classified under the various hierarchy levels of fair value, as set forth by IFRS 13.

The Group has adopted internal valuation models that are generally used in finance and based on prices supplied by market operators, or prices taken from active markets.

FAIR VALUE - HIERARCHY

All the financial instruments measured at fair value are classified in the three categories defined below:

Level 1: market prices;

Level 2: valuation techniques (based on observable market data);

Level 3: valuation techniques (not based on observable market data).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|--------|
| Assets measured at fair value | | | | |
| Financial assets - Equity investments (5) | 9,496 | | 77 | 9,573 |
| Financial assets - LT securities (5) | 0 | | | 0 |
| Financial assets - Other LTs (5) | 9,964 | 21,480 | | 31,444 |
| Financial assets - Other (5) | | | | 0 |
| Financial assets - Loans | | | | 0 |
| Financial assets - ST Derivative instruments (6) | | | | 0 |
| Total Assets measured at fair value | 19,460 | 21,480 | 77 | 41,017 |
| Liabilities measured at fair value | | | | 0 |
| Financial liabilities - LT derivative instruments (6) | | | | 0 |
| Financial liabilities - ST derivative instruments (6) | | 0 | | 0 |
| Total Liabilities measured at fair value | 0 | 0 | 0 | 0 |

NOTE 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND LOANS

Available-for-sale financial assets include the following items:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|------------|---------|
| Other equity investments | 9,573 | 4,714 | 4,859 |
| Other financial assets | 31,444 | 31,007 | 437 |
| Total Other long-term financial assets | 41,017 | 35,721 | 5,296 |
| Long-term loans | 0 | 1,110 | (1,110) |
| Total Financial assets | 41,017 | 36,831 | 4,186 |

The "Other financial assets" item consists of an investment of corporate liquidity in two insurance policies subscribed in May and July 2014, and a mutual investment fund subscribed in August 2015.

As at 31 December 2017, equity investments held by the Group in other companies were as follows:

| | 31.12. 2016 | Increases/ Decreases | Adjustment to fair value | Adjustment on exchange rates | Reclassifica- tions | 31.12.2017 |
|-----------------------------|-------------|-------------------------|-----------------------------|------------------------------------|------------------------|------------|
| Listed equity investments | 4,227 | | 6,162 | (893) | | 9,496 |
| Unlisted equity investments | 487 | | | | (410) | 77 |
| Total Equity investments | 4,714 | 0 | 6,162 | (893) | (410) | 9,573 |

The amount of the "Listed equity investments" item is represented by the 1.2% investment in the share capital of the Japanese company Idec Corporation listed on the Tokyo Stock Exchange.

The change in the item "Unlisted equity investments" reflects the reclassification to "Equity investments in associates" of the payment made, on 9 November 2016, for the future increase in share capital of the company Suzhou Mobilead Electronic Technology Co., Ltd following the acquisition of the shares of the company.

NOTE 6. FINANCIAL DERIVATIVES

| | 31.12.2017 | | 31.12.2016 | |
|--|------------|-------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Financial instruments measured at fair value and recognised in the statement of comprehensive income | | | | |
| Interest rate derivatives - LT cash flow hedges | 0 | 0 | 0 | 0 |
| Interest rate derivatives - ST cash flow hedges | 0 | 0 | 0 | 37 |
| Total | 0 | 0 | 0 | 37 |

Interest rate derivatives

As at 31 December 2017, the Group had no interest rate swap contracts in place.

Currency derivatives

As at 31 December 2017, the Group had no active forward contracts for exchange rate risk.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|--------|
| Third-party trade receivables | 83,579 | 75,914 | 7,665 |
| Less bad debt provisions | 1,177 | 1,424 | (247) |
| Net third-party trade receivables | 82,402 | 74,490 | 7,912 |
| Receivables from associates | 784 | 979 | (195) |
| Laservall Asia | 3 | 0 | 3 |
| Datasensor GMBH | 83 | 54 | 29 |
| Specialvideo | 0 | 2 | (2) |
| Datalogic Automation AB | 698 | 923 | (225) |
| Trade receivables from related parties | 9 | 8 | 1 |
| Total Trade receivables | 83,195 | 75,477 | 7,718 |
| Other receivables - current accrued income and prepaid expenses | 19,691 | 16,049 | 3,642 |
| Other receivables - non-current accrued income and prepaid expenses | 2,194 | 2,394 | (200) |
| Total Other receivables - accrued income and prepaid expenses | 21,885 | 18,443 | 3,442 |
| Less non-current portion | 2,194 | 2,394 | (200) |
| Trade and other receivables - current portion | 102,886 | 91,526 | 11,360 |

Trade receivables

"Trade receivables", totalling €83,195 thousand as at 31 December 2017, included €831 thousand resulting from the first consolidation of the company Soredi Touch Systems GmbH.

As at 31 December 2017, factored Trade accounts receivables amounted to €33,377 thousand (compared to €29,193 thousand at the end of 2016).

Trade receivables from affiliates arise from commercial transactions carried out at arm's length conditions.

As at 31 December 2017, the breakdown of the item by maturity terms, compared with the same period of the previous year, was as follows:

| | 31.12.2017 | 31.12.2016 |
|-------------------------------|------------|------------|
| Not yet due | 73,782 | 64,909 |
| Past due by 30 days | 5,902 | 7,571 |
| Past due by 31 - 90 days | 2,325 | 1,296 |
| Past due by more than 90 days | 393 | 714 |
| Total | 82,402 | 74,490 |

The following table shows the breakdown of trade receivables by currency as at 31 December 2017 and 31 December 2016:

| | 31.12.2017 | 31.12.2016 |
|------------------------------|------------|------------|
| Euro | 37,885 | 29,719 |
| US Dollar (USD) | 36,341 | 37,985 |
| British Pound Sterling (GBP) | 2,384 | 2,638 |
| Australian Dollar (AUD) | 1,825 | 1,364 |
| Canadian Dollar (CAD) | 847 | 52 |
| Japanese Yen (JPY) | 796 | 821 |
| Singapore Dollar (SGD) | (272) | - |
| Hungarian Forint (HUF) | (8) | - |
| Chinese Renminbi (CNY) | 1,242 | 184 |
| Vietnam Dong (VND) | 274 | 249 |
| Brazilian Real (BRL) | 1,088 | 1,478 |
| Total | 82,402 | 74,490 |

Customer trade receivables are posted net of bad debt provisions totalling €1,177 thousand (€1,424 thousand as at 31 December 2016).

Changes in accrued bad debt provisions during the period were as follows:

| | 2017 | 2016 |
|----------------------|-------|-------|
| As at 01 January | 1,424 | 1,183 |
| Exchange-rate change | (79) | 39 |
| Bad debt provisions | 697 | 917 |
| Releases | (657) | (155) |
| Uses | (208) | (560) |
| As at 31 December | 1,177 | 1,424 |

Other receivables - accrued income and prepaid expenses

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

The "Accrued income and prepaid expenses" item is mainly composed of prepaid expenses related to insurance and Hardware and Software instalments.

| | 31.12.2017 | 31.12.2016 | Change |
|-------------------------------------|------------|------------|--------|
| Other short-term receivables | 1,755 | 1,778 | (23) |
| Other long-term receivables | 2,194 | 2,394 | (200) |
| VAT receivables | 14,870 | 11,615 | 3,255 |
| Accrued income and prepaid expenses | 3,066 | 2,656 | 410 |
| Total | 21,885 | 18,443 | 3,442 |

NOTE 8. INVENTORIES

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|--------|
| Raw and ancillary materials and consumables | 33,101 | 29,954 | 3,147 |
| Work in progress and semi-finished products | 25,417 | 25,883 | (466) |
| Finished products and goods | 27,420 | 26,507 | 913 |
| Total | 85,938 | 82,344 | 3,594 |

The contribution to "Raw and ancillary materials and consumables", resulting from the first consolidation of the company Soredi Touch Systems GmbH, amounted to €1,737 thousand.

Inventories are shown net of an obsolescence provision that, as at 31 December 2017, amounted to €9,605 thousand (€9,325 thousand as at 31 December 2016). The movements of this provision as at 31 December of each year are shown hereunder:

| | 2017 | 2016 |
|--|---------|---------|
| 01 January | 9,325 | 7,167 |
| Exchange-rate change | (679) | 184 |
| Allocations | 4,618 | 3,225 |
| Release for scrap and other utilisations | (3,659) | (1,251) |
| 31 December | 9,605 | 9,325 |

NOTE 9. TAX PAYABLES AND RECEIVABLES

As at 31 December 2017, "Tax receivables" amounted to €11,430 thousand, down by €6,705 thousand (€18,135 thousand as at 31 December 2016). The receivables for IRES tax from the parent company Hydra, equal to €6,771 thousand (€8,010 thousand as at 31 December 2016) are classified under this item. This amount is due under tax consolidation.

As at 31 December 2017, "Tax payables" amounted to €14,191 thousand, down by €6,841 thousand (€21,032 thousand as at 31 December 2016). The amount payable to the parent company Hydra for IRES tax, due under tax consolidation, is classified in this item and amounted to €4,865 thousand (€15,114 thousand as at 31 December 2016).

NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|---------|
| Cash and cash equivalents shown on financial statements | 256,212 | 146,977 | 109,235 |
| Restricted cash | (11) | (47) | 36 |
| Current account overdrafts | (92) | (212) | 120 |
| Cash and cash equivalents for statement | 256,109 | 146,718 | 109,391 |

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

| | 31.12.2017 | 31.12.2016 | change |
|---|------------|------------|----------|
| A. Cash and bank deposits | 256,201 | 146,930 | 109,271 |
| B. Other cash and cash equivalents | 11 | 47 | (36) |
| b1. restricted cash deposit | 11 | 47 | (36) |
| C. Securities held for trading | 0 | 0 | 0 |
| c1. Short-term | 0 | 0 | 0 |
| c2. Long-term | | 0 | 0 |
| D. Cash and cash equivalents (A) + (B) + (C) | 256,212 | 146,977 | 109,235 |
| E. Current financial receivables | 0 | 0 | 0 |
| F. Other current financial receivables | 0 | 0 | 0 |
| f1. hedging transactions | 0 | 0 | 0 |
| G. Bank overdrafts | 92 | 212 | (120) |
| H. Current portion of non-current debt | 48,108 | 30,180 | 17,928 |
| I. Other current financial payables | 2,913 | 5,878 | (2,965) |
| i1. hedging transactions | 0 | 37 | (37) |
| i2. payables for leasing | 0 | 248 | (248) |
| i3. current financial payables | 2,913 | 5,593 | (2,680) |
| J. Current Financial Debt, Net/(Current Net Financial Position) (G) + (H) + (I) | 51,113 | 36,270 | 14,843 |
| K. Current Financial Debt, Net/(Current Net Financial Position) (J) - (D) - (E) - (F) | (205,099) | (110,707) | (94,392) |
| L. Non-current bank borrowing | 205,656 | 139,321 | 66,335 |
| M. Other financial assets (*) | 31,444 | 32,117 | (673) |
| N. Other non-current liabilities | 750 | 0 | 750 |
| n1. hedging transactions | 0 | 0 | 0 |
| n2. lease payables | 0 | 0 | 0 |
| n3. non-current financial payables | 750 | 0 | 750 |
| O. Non-current Financial Debt (L) - (M) + (N) | 174,962 | 107,204 | 67,758 |
| P. Net Financial Debt/(Net Financial Position) (K) + (O) | (30,137) | (3,503) | (26,634) |

(*) The "Other financial assets" item consists of an investment of corporate liquidity in two insurance policies and a mutual investment fund that are readily convertible into cash.

Net Financial Position as at 31 December 2017 was positive by €30,137 thousand, an improvement of €26,634 thousand compared to 31 December 2016 (positive by €3,503 thousand).

The change, compared to 31 December 2016, was main-

ly due to the payment of dividends, amounting to €17.4 million, to the acquisition of the company Soredi Touch Systems GmbH, occurred on 6 July 2017, which involved a decrease in Net Financial Position of around €8 million and to ordinary investments, net of disinvestments, amounting to €14 million.

Information on statement of financial position - shareholders' equity and liabilities

NOTE 11. SHAREHOLDERS' EQUITY

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

| | 31.12.2017 | 31.12.2016 |
|--|------------|------------|
| Share capital | 30,392 | 30,392 |
| Extraordinary share-cancellation reserve | 2,813 | 2,813 |
| Treasury shares held in portfolio | 6,120 | 4,120 |
| Treasury share reserve | 2,026 | 2,821 |
| Share premium reserve | 106,940 | 106,145 |
| Share capital and capital reserves | 148,291 | 146,291 |
| Cash-flow hedge reserve | (948) | (28) |
| Translation reserve | 5,939 | 25,436 |
| Reserve for exchange rate adjustment | 4,500 | 17,290 |
| Actuarial gains/(losses) reserve | (371) | (371) |
| Held-for-sale financial assets reserve | 5,695 | 490 |
| Other reserves | 14,815 | 42,817 |
| Retained earnings | 129,843 | 101,440 |
| Earnings carried forward | 114,189 | 85,721 |
| Capital contribution reserve | 958 | 958 |
| Legal reserve | 6,078 | 6,078 |
| IAS reserve | 8,618 | 8,683 |
| Profit for the year | 60,080 | 45,846 |
| Total Group Shareholders' Equity | 353,029 | 336,394 |

Share capital

Movements in share capital as at 31 December 2016 and 31 December 2017 are reported below:

| | Number of shares | Share capital | Extraordinary share-cancellation reserve | Treasury shares held in portfolio | Treasury share reserve | Share premium reserve | Total |
|--|------------------|---------------|--|-----------------------------------|------------------------|-----------------------|---------|
| 01.01.2016 | 58,171,881 | 30,392 | 2,813 | 4,488 | 2,453 | 106,513 | 146,659 |
| Purchase of treasury shares | (27,619) | | | (367) | 368 | (368) | (367) |
| Costs for the purchase/sale of treasury shares | | | | (1) | | 0 | (1) |
| 31.12.2016 | 58,144,262 | 30,392 | 2,813 | 4,120 | 2,821 | 106,145 | 146,291 |

| | Number of shares | Share capital | Extraordinary share-cancellation reserve | Treasury shares held in portfolio | Treasury share reserve | Share premium reserve | Total |
|---|------------------|---------------|--|-----------------------------------|------------------------|-----------------------|---------|
| 01.01.2017 | 58,144,262 | 30,392 | 2,813 | 4,120 | 2,821 | 106,145 | 146,291 |
| Purchase of treasury shares | | | | 0 | 0 | 0 | 0 |
| Sale of treasury shares | 85,215 | | | 795 | (795) | 795 | 795 |
| Capital gains/(capital losses) from the sale of treasury shares | | | | 1,205 | | | 1,205 |
| Costs for the purchase/sale of treasury shares | | | | 0 | | 0 | 0 |
| 31.12.2017 | 58,229,477 | 30,392 | 2,813 | 6,120 | 2,026 | 106,940 | 148,291 |

Extraordinary share-cancellation reserve

The Extraordinary Shareholders' Meeting of Datalogic S.p.A., held on 20 February 2008, approved a reduction of share capital through the cancellation of 5,409,981 treasury shares (equal to 8.472% of the share capital), owned by the Company.

When these shares were cancelled, as resolved by the Extraordinary Shareholders' Meeting, an extraordinary share-cancellation reserve was set aside for the amount of €2,813 thousand, through the use of the share premium reserve. Therefore, this reserve remained classified under item "Share Capital".

Ordinary shares

As at 31 December 2017, the total number of ordinary shares was 58,446,491, including 217,014 held as treasury shares, making the number of shares in circulation at that date 58,229,477. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

The item "Treasury shares", amounting to €6,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€8,146 thousand). During 2017, the Group sold 85,215 thousand treasury shares, with a value of €2 mil-

lion for the acquisition of the company Soredi Touch Systems GmbH, with a capital gain of €1,205 thousand.

Other Reserves

Cash-flow hedge reserve

Pursuant to provisions set forth by IAS 39, the change in fair value of derivative contracts, designated as effective hedging instruments, is recognised in accounts directly with Shareholders' Equity, in the cash-flow hedge reserve. These contracts were entered to hedge exposure to the risk of interest rate fluctuations on variable-rate loans. The reserve, negative by €948 thousand, includes the fair value of the hedging instrument related to refinancing.

Translation reserve

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

Reserve for exchange rate adjustment

In compliance with IAS 21.40, this reserve comprises profits/losses generated by monetary elements which are an integral part of the net investment of foreign managements. In particular, it relates to the effect of exchange rates measurement at year-end for receivables for loans in US dollars granted to some Group companies by the Parent Company Datalogic S.p.A. and Datalogic USA Inc. For these loans no regulation and/or defined reimbursement plan are provided, nor is it deemed probable that they will be reimbursed in the foreseeable future.

Actuarial gains/(losses) reserve

Pursuant to IAS 19, this reserve includes actuarial gains and losses, which are now recognised under other components in the Statement of Comprehensive Income and excluded from the Income Statement.

Retained earnings

IAS reserve

This reserve was created upon first-time adoption of international accounting standards as at 01 January 2004 (Consolidated Financial Statements for the year ended 31 December 2003) pursuant to IFRS 1.

Profits/losses of previous years

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

Dividends

On 4 May 2017, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.30 per share (€0.25 in 2016). The overall dividends began to be paid starting from 10 May 2017 and had been paid in full by 30 September.

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

| | 31 December 2017 | | 31 December 2016 | |
|---|------------------|----------------|------------------|----------------|
| | Total Equity | Period results | Total Equity | Period results |
| Parent Company shareholders' equity and profit | 291,639 | 25,592 | 291,677 | 52,334 |
| Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation | 121,084 | 62,913 | 111,061 | 51,183 |
| Elimination of dividends | | (30,428) | | (53,387) |
| Amortisation of intangible assets "business combination" | (5,827) | | (5,827) | |
| Effect of acquisition under common control | (31,733) | | (31,733) | |
| Elimination of capital gain on sale of business branch | (17,067) | 183 | (18,665) | |
| Effect of elimination on intercompany transactions | (12,276) | 1,769 | (17,700) | (4,231) |
| Elimination of write-downs and capital gains on equity investments | 5,517 | | 5,517 | (604) |
| Sale of know-how | (7) | | (7) | |
| Goodwill impairment | (1,395) | | (1,395) | |
| Other | (1,342) | (137) | (1,193) | (61) |
| Deferred taxes | 4,436 | 188 | 4,659 | 612 |
| Group Shareholders' Equity | 353,029 | 60,080 | 336,394 | 45,846 |

NOTE 12. FINANCIAL PAYABLES

The breakdown of the item, divided by short/long-term classification, is shown in the following table:

| | 31.12.2017 | 31.12.2016 | Change |
|-------------------------------|------------|------------|--------|
| Long-term financial payables | 206,406 | 139,321 | 67,085 |
| Short-term financial payables | 51,113 | 36,233 | 14,880 |
| Total financial payables | 257,519 | 175,554 | 81,965 |

The breakdown of this item is as detailed below:

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|---------|
| Bank loans | 253,764 | 169,501 | 84,263 |
| Other | 2,000 | 0 | 2,000 |
| Payables to factoring companies | 1,663 | 5,593 | (3,930) |
| Payables for leasing | 0 | 248 | (248) |
| Bank overdrafts (ordinary current accounts) | 92 | 212 | (120) |
| Total financial payables | 257,519 | 175,554 | 81,965 |

The breakdown of changes in the "Bank loans" item as at 31 December 2017 and 31 December 2016 is shown below:

| | 31.12.2017 | 31.12.2016 |
|-------------------------------|------------|------------|
| 01 January | 169,501 | 172,612 |
| Increases | 249,249 | 29,840 |
| Repayments | (125,581) | (20,000) |
| Decreases for loan repayments | (39,405) | (12,951) |
| 31 December | 253,764 | 169,501 |

On 13 April, Datalogic S.p.A. signed an agreement for a new credit line worth €250 million and maturing in 2023. The loan granted to Datalogic was partly intended for an early redemption, compared to the original maturity, of the existing credit line (€126 million), and partly to support the ordinary activities and development of the Group. The transaction was concluded at a fixed rate, so as to allow Datalogic S.p.A. to take advantage of the favourable interest rates currently available on the market and to lock

in the cost of the Datalogic Group funding over the coming years.

The "Others" item includes the financial debt related to the acquisition of the company Soredil Touch Systems GmbH, which will be paid by 2021

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

| | 31.12.2017 | 31.12.2016 |
|--------------------------|------------|------------|
| Variable rate | 0 | 138,516 |
| Due < 1 year | 0 | 24,020 |
| Due > 1 year | 0 | 114,496 |
| Fixed rate | 253,764 | 30,985 |
| Due < 1 year | 48,108 | 6,161 |
| Due > 1 year | 184,699 | 24,669 |
| Due > 5 year | 20,957 | 155 |
| Total financial payables | 253,764 | 169,501 |

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

| Currency | 31.12.2017 | 31.12.2016 |
|----------|------------|------------|
| Euro | 253,764 | 169,501 |
| Total | 253,764 | 169,501 |

Covenants

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

| Bank | | Company | Currency | Outstand- ing debt | | Covenant | Frequency | Reference statements |
|-----------|---|---------------|----------|-----------------------|------------|-------------|-------------|-------------------------|
| Club Deal | 1 | Datalogic SpA | Eur | 229,167,000 | | PFN /EBITDA | semi-annual | Datalogic Group |
| I.E.B. | 2 | Datalogic SpA | Eur | 24,000,000 | EBITDA/OFN | PFN /EBITDA | semi-annual | Datalogic Group |

Key: PFN = Net Financial Position; OFN= Net Financial Expenses

As at 31 December 2017, all covenants were respected.

Financial leases

| | 31 December 2017 | | 31 December 2016 | |
|-----------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| | Minimum pay- ments | Current value of payments | Minimum pay- ments | Current value of payments |
| Within the year | | | 254 | 248 |
| After one year but within 5 years | | | | |
| > 5 years | | | | |
| Total minimum payments | 0 | 0 | 254 | 248 |
| Less interest expenses | | | (6) | |
| Current value of lease costs | 0 | 0 | 248 | 248 |

NOTE 13. DEFERRED TAXES

Deferred tax assets and liabilities result both from temporary differences connected with positive and negative items already recognised and subject to deferred taxation under current tax regulations and from temporary differences between consolidated balance-sheet assets and liabilities and their taxable value.

Deferred tax assets and liabilities were determined by taking account current tax rates for years where it is reasonably deemed that the related temporary differences would occur.

Deferred tax assets are accounted for based on future recoverability assumptions of temporary differences that originated them, or based on economic and fiscal strategic plans.

Deferred tax assets were accounted for as at 31 December 2017 in the amount of €47,864 thousand, with a decrease of €1,549 thousand compared to the previous year. The balance, at year end, includes:

- an amount of €17,570 thousand related to deferred tax assets due to tax losses available and usable to offset taxable income and taxes paid abroad on income gained there and that can be offset in subsequent years;

- an amount of €13,719 thousand related to temporary differences in charges accounted for on an accrual basis, in compliance with International Accounting Standards and deductible in following years, pursuant to regulations in force, including, but not limited to, allocations for guarantees, incentives to employees, provision for inventories write-downs, etc.;
- an amount of €9,782 thousand related to deferred tax assets due to unrealised exchange rate differences.

With reference to deferred tax liabilities, equal to €23,138 thousand, a decrease of €3,360 thousand in the year-end balance is reported. The main tax differences on the closing balance are related to unrealised exchange rate differences, amounting to €9,755 thousand and differences in tax liabilities, amounting to €7,709 thousand, accounted for business combination transactions occurred in previous years.

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

| Deferred tax assets | NOLs and Foreign Tax Credits | FX Differences | Amortisation/Depreciation | Asset write-downs | Provisions | Operations deriving from acquisitions | Other | IP re-demption | Consolidation adjustments | Total |
|---|------------------------------|----------------|---------------------------|-------------------|------------|---------------------------------------|-------|----------------|---------------------------|---------|
| As at 01 January 2017 | 25,937 | 3,965 | 31 | 803 | 10,866 | 2,343 | 277 | 2,931 | 2,260 | 49,413 |
| Provisioned in (released from) Income Statement | (5,565) | 893 | (48) | 126 | 3,174 | (215) | 214 | (1,580) | 129 | (2,872) |
| Provisioned in (released from) Shareholders' Equity | | 4,583 | | | | | | | | 4,583 |
| Foreign exchange differences | (2,802) | (163) | 2 | | (1,040) | (216) | (2) | | (7) | (4,228) |
| Reclassifications | | 504 | 376 | (3) | 719 | (734) | 113 | | (7) | 968 |
| As at 31 December 2017 | 17,570 | 9,782 | 361 | 926 | 13,719 | 1,178 | 602 | 1,351 | 2,375 | 47,864 |

| Deferred tax liabilities | Reserve for provision losses | FX Differences | Deprec. and Amort. | Provisions | Operations deriving from acquisitions | Other | IAS Reserves | Consolidation adjustments | Total |
|--|------------------------------|----------------|--------------------|------------|---------------------------------------|-------|--------------|---------------------------|---------|
| As at 01 January 2017 | 16 | 8,191 | 5,614 | 1,309 | 9,788 | 966 | 315 | 299 | 26,498 |
| Provisioned in (re-released from) Income Statement | | 413 | (2,873) | (174) | (1,025) | 14 | | 18 | (3,627) |
| Provisioned in (re-released from) Shareholders' Equity | | 635 | (140) | | | | | 140 | 635 |
| Foreign exchange differences | | | (248) | (35) | (1,054) | | | | (1,337) |
| Reclassifications | | 516 | 295 | 15 | | 143 | | | 969 |
| As at 31 December 2017 | 16 | 9,755 | 2,648 | 1,115 | 7,709 | 1,123 | 315 | 457 | 23,138 |

NOTE 14. POST-EMPLOYMENT BENEFITS

The breakdown of changes in the "Post-employment benefits" item as at 31 December 2017 and 31 December 2016 is shown below:

| | 2017 | 2016 |
|--|---------|-------|
| 01 January | 6,647 | 6,814 |
| Amount allocated in the period | 1,735 | 1,599 |
| Uses | (613) | (842) |
| Other movements | 24 | 17 |
| Social security receivables for the employee severance indemnity reserve | (1,161) | (941) |
| 31 December | 6,633 | 6,647 |

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

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

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|---------|
| Short-term provisions for risks and charges | 7,157 | 9,684 | (2,527) |
| Long-term provisions for risks and charges | 13,602 | 11,169 | 2,433 |
| Total | 20,759 | 20,853 | (94) |

The contribution to "Short-term provisions for risks and charges", resulting from the first consolidation of the company Soredi Touch Systems GmbH, amounted to €224 thousand.

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

| | 31.12.2016 | Increases | (Uses) and (Releases) | Acquisition | reclassi- fications | Exchange rate diff. | 31.12.2017 |
|---|------------|-----------|--------------------------|-------------|------------------------|------------------------|---------------|
| Product warranty provision | 11,486 | 1,154 | (228) | 114 | | (908) | 11,618 |
| Provision for management incentive scheme | 3,322 | 3,254 | (119) | | | (193) | 6,264 |
| Stock rotation provision | 3,325 | 37 | (1,532) | | | (166) | 1,664 |
| Other | 2,720 | 1,010 | (2,586) | 110 | (6) | (35) | 1,213 |
| Total Provisions for risks and charges | 20,853 | 5,455 | (4,465) | 224 | (6) | (1,302) | 20,759 |

The **“Product warranty provision”** covers the estimated cost of repairing products sold up to 31 December 2017 and covered by periodical warranty. It amounts to €11,618 thousand (of which €6,920 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

The **“Provision for management incentive scheme”** is attributable to the long-term incentive plan for directors

and top managers.

The **“Other”** item mainly comprises:

- €371 thousand for agent termination indemnities;
- €423 thousand for transactions in progress with employees;
- €162 thousand for contingent tax liabilities.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

| | 31.12.2017 | 31.12.2016 | Change |
|--|----------------|------------|--------|
| Trade payables due within 12 months | 107,051 | 104,058 | 2,993 |
| Third-party trade payables | 107,051 | 104,058 | 2,993 |
| Payables to associates | 347 | 24 | 323 |
| Laservall Asia | 7 | 14 | (7) |
| R4I | 61 | 0 | 61 |
| Caen | 277 | 0 | 277 |
| Datalogic Automation AB | 2 | 10 | (8) |
| Payables to the parent company | 0 | 106 | (106) |
| Hydra | | 106 | (106) |
| Payables to related parties | 253 | 397 | (144) |
| Total Trade payables | 107,651 | 104,585 | 3,066 |
| Other payables - current accrued liabilities and deferred income | 50,273 | 46,909 | 3,364 |
| Other payables - non-current accrued liabilities and deferred income | 3,566 | 4,294 | (728) |
| Total Other payables - accrued liabilities and deferred income | 53,839 | 51,203 | 2,636 |
| Less non-current portion | 3,566 | 4,294 | (728) |
| Current portion | 157,924 | 151,494 | 6,430 |

The contribution to "Trade payables", resulting from the first consolidation of the company Soredi Touch Systems GmbH, amounted to €810 thousand.

Other payables - accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|---------------|---------------|--------------|
| Other long-term payables | 3,566 | 4,294 | (728) |
| Other short-term payables: | 25,849 | 23,115 | 2,734 |
| Payables to employees | 17,220 | 15,061 | 2,159 |
| Payables to pension and social security agencies | 6,021 | 5,005 | 1,016 |
| Other payables | 2,608 | 3,049 | (441) |
| VAT liabilities | 2,982 | 2,869 | 113 |
| Accrued liabilities and deferred income | 21,442 | 20,925 | 517 |
| Total | 53,839 | 51,203 | 2,636 |

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at the reporting date.

"Accrued liabilities and deferred income" are mainly composed of deferred income related to multi-annual maintenance contracts.

The decrease in the item "Other payables" is attributable, in the amount of €505 thousand, to the payment of debt relating to land purchased in December 2016.

Information on the income statement

NOTE 17. REVENUES

| | 2017 | 2016 | Change |
|--------------------------------|---------|---------|--------|
| Revenues from sale of products | 572,736 | 545,821 | 26,915 |
| Revenues from services | 33,286 | 30,661 | 2,625 |
| Total revenues | 606,022 | 576,482 | 29,540 |

In 2017, the consolidated net revenues amounted to €606,022 thousand, an increase of 5.1% compared to €576,482 thousand as at 31 December 2016 (+6% at constant Euro/Dollar exchange rate). Group revenues include the best estimates related to discounts and returns

granted to customers and pertaining to the year, but not yet claimed, and amounting to €13,045 thousand.

The following table shows the breakdown of revenues per geographical areas:

| | 2017 | % | 2016 | % | change | % |
|----------------------------------|---------|--------|---------|--------|---------|--------|
| Italy | 58,944 | 9.7% | 51,184 | 8.9% | 7,760 | 15.2% |
| EMEA (except Italy) | 268,562 | 44.3% | 253,362 | 43.9% | 15,200 | 6.0% |
| Total EMEA (*) | 327,506 | 54.0% | 304,546 | 52.8% | 22,960 | 7.5% |
| North America | 171,414 | 28.3% | 178,269 | 30.9% | (6,855) | (3.8%) |
| Latin America | 27,468 | 4.5% | 30,032 | 5.2% | (2,564) | (8.5%) |
| Asia & Pacific (including China) | 79,634 | 13.1% | 63,635 | 11.0% | 15,999 | 25.1% |
| Total revenues | 606,022 | 100.0% | 576,482 | 100.0% | 29,540 | 5.1% |

(*) EMEA: Europe, Middle East and Africa

Since 2017, data related to geographical areas will be disclosed to reflect the actual involvement of each area within the new commercial organisation of the Group. Comparative data for 2016 will be disclosed accordingly.

NOTE 18. COST OF GOODS SOLD AND OPERATING COSTS

| | 2017 | 2016 Restated | Change |
|--|---------|---------------|--------|
| TOTAL COST OF GOODS SOLD (1) | 317,949 | 311,432 | 6,517 |
| of which non-recurring | 320 | 86 | 234 |
| TOTAL OPERATING COSTS (2) | 208,158 | 198,083 | 10,075 |
| Research and Development expenses | 55,561 | 50,542 | 5,019 |
| of which non-recurring | 183 | 16 | 167 |
| of which amortisation, depreciation pertaining to acquisitions | 103 | 105 | (2) |
| Distribution expenses | 99,703 | 97,789 | 1,914 |
| of which non-recurring | 2 | 333 | (331) |
| General and administrative expenses | 49,935 | 47,169 | 2,766 |
| of which non-recurring | 419 | 988 | (569) |
| of which amortisation, depreciation pertaining to acquisitions | 4,712 | 4,809 | (97) |
| Other operating costs | 2,959 | 2,583 | 376 |
| of which non-recurring | 0 | (444) | 444 |
| TOTAL (1+2) | 526,107 | 509,515 | 16,592 |
| of which non-recurring costs | 924 | 979 | (55) |
| of which amortisation, depreciation pertaining to acquisitions | 4,815 | 4,914 | (99) |

It should be noted that, since 2017, some costs have been reclassified under various items. Comparative data for 2016 have therefore been disclosed accordingly. For details please refer to the Annex 1 to the annual Financial Report.

The non-recurring costs/(revenues) item, for 2017, shows a positive amount of €924 thousand. The breakdown of this item is as follows:

| ITEM | AMOUNT | TYPE OF COST |
|--|--------|----------------------|
| 1) "Cost of goods sold" | 320 | Restructuring Plan |
| 2) "R&D expenses" | 26 | Restructuring Plan |
| 2) "R&D expenses" | 157 | Reorganisation Plan |
| 3) "Distribution expenses" | 2 | Acquisition Projects |
| 3) "General and administrative expenses" | 222 | Reorganisation Plan |
| 3) "General and administrative expenses" | 197 | Acquisition Projects |
| TOTAL NON-RECURRING COSTS/(REVENUES) | 924 | |

The costs relating to the Reorganisation Plan (equal to €379 thousand) refer to the new model for the Datalogic Group's reorganisation, which was begun in 2016, and relate mainly to consultancy and quality certification expenses. In the second half of the year, costs amounting to €346 thousand were borne for the restructuring plan of the production facilities in Donnas.

Amortisation from acquisitions (equal to €4,815 thousand), mainly included under "General and administrative expenses" (€4,712 thousand), are comprised of:

| | 2017 | 2016 | Change |
|---|--------------|--------------|-------------|
| Acquisition of the PSC group (on 30 November 2006) | 1,791 | 1,828 | (37) |
| Acquisition of Evolution Robotics Retail Inc. (on 01 July 2010) | 621 | 633 | (12) |
| Acquisition of Accu-Sort Inc. (on 20 January 2012) | 2,403 | 2,453 | (50) |
| TOTAL | 4,815 | 4,914 | (99) |

Total Cost of goods sold (1)

This item is equal to €317,949 thousand and increased by 2.1% compared to the same period in 2017 (1.3% on a like-for-like consolidation basis). At Euro/Dollar constant exchange rate and less non-recurring costs, this item increased by 3.1%, while its impact on revenues decreased by 1.5 percentage points. The improvement is primarily due to the higher efficiency in procurement and the management of logistic flows.

Total operating costs (2)

The operating costs, excluding non-recurring costs and the amortisation inherent in the acquisitions, increased by 5.4% from €192,276 thousand to €202,739 thousand (4.8% at €201,574 thousand on a like-for-like consolidation basis). At constant exchange rates, the increase was slightly higher (6.2%).

In total, the same impact is reported of operating costs on revenues.

In particular:

- **"R&D expenses"** amounted to €55,561 thousand and increased by €4,854 thousand, compared to the same period of the previous year, less non-recurring costs and amortisation resulting from acquisitions (+€5,320 thousand at constant exchange rates). This increase is primarily attributable to the increase in payroll & employee benefits, project consultancy services and quality certification expenses.

- **"Distribution expenses"** amounted to €99,703 thousand and, net of non-recurring costs, increased by €2,245 thousand compared to the same period of the previous year (+€3,121 thousand at constant exchange rates), albeit they are in line with 2016 with respect to their impact on revenues. This increase is due mainly to an increase in personnel costs, which is partially offset by the decrease in costs related to marketing, entertainment, shipment and advisory services.
- **"General and administrative expenses"** amounted to €49,935 thousand. This item, net of non-recurring costs and amortisation resulting from acquisitions, increased by €3,432 thousand compared to the same period of the previous year (up €3,711 thousand at constant exchange rates) but remained in line as regards percentage impact on revenues. This increase is especially due to the increase in payroll & employee benefits, directors' fees, EDP and telephone expenses, and rentals.

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

| | 2017 | 2016 | Change |
|----------------------------------|-------|-------|--------|
| Non-income taxes | 1,749 | 1,932 | (183) |
| Allocation to the risk reserve | 412 | (416) | 828 |
| Provisions for doubtful accounts | 222 | 762 | (540) |
| Capital losses on assets | 101 | 5 | 96 |
| Contingent liabilities | 238 | 95 | 143 |
| Cost charge backs | 128 | 161 | (33) |
| Other | 109 | 44 | 65 |
| Total | 2,959 | 2,583 | 376 |

The “Allocations to the risk reserve” item in 2016 was positive as it included €444 thousand referred to the release to the income statement of the surplus of the provision allocated in 2014 for a probable tax liability related to one of the Group’s foreign companies.

Contingent liabilities refer primarily to the release of some non-payable assets.

Breakdown of costs by type

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

| | 2017 | 2016 | Change |
|--|---------|----------|---------|
| Purchases | 235,580 | 235,379 | 201 |
| Change in inventories | (5,311) | (12,014) | 6,703 |
| Payroll & employee benefits | 165,395 | 157,413 | 7,982 |
| Amortisation, depreciation and write-downs | 19,496 | 19,142 | 354 |
| Goods receipt & shipment | 16,965 | 19,397 | (2,432) |
| Technical, legal and tax advisory services | 11,302 | 10,876 | 426 |
| Travel & accommodation | 9,032 | 9,040 | (8) |
| Marketing expenses | 8,183 | 9,242 | (1,059) |
| Repairs and allocation to the warranty provision | 6,709 | 6,252 | 457 |
| Building expenses | 6,469 | 6,179 | 290 |
| Subcontracted work | 4,647 | 3,326 | 1,321 |
| Material collected from the warehouse | 4,416 | 4,687 | (271) |
| EDP expenses | 4,281 | 3,640 | 641 |
| Royalties | 3,967 | 4,229 | (262) |
| Consumables and R&D materials | 3,071 | 3,399 | (328) |
| Telephone expenses | 2,790 | 2,456 | 334 |
| Quality certification expenses | 2,486 | 1,753 | 733 |
| Directors' remuneration | 2,055 | 1,411 | 644 |
| Utilities | 2,001 | 2,021 | (20) |
| Expenses for plant and machinery and other assets | 1,928 | 1,156 | 772 |
| Sundry service costs | 1,927 | 1,777 | 150 |
| Commissions | 1,769 | 1,767 | 2 |
| Meeting expenses | 1,217 | 1,245 | (28) |
| Vehicle expenses | 1,194 | 1,054 | 140 |
| Financial St. certification costs and other services | 1,146 | 1,057 | 89 |
| Insurance | 911 | 961 | (50) |
| Entertainment expenses | 752 | 1,417 | (665) |
| Training courses for employees | 514 | 542 | (28) |
| Stationery and printings | 279 | 301 | (22) |
| Other | 10,937 | 10,410 | 527 |
| Total Cost of goods sold and operating costs | 526,107 | 509,515 | 16,592 |

Expenses reported in item "Goods receipt & shipment", equal to €16,965 thousand, decreased by €2,432 thousand, particularly goods receipt expenses, due to the effect of increased efficiency in the management of logistical flows.

The item "Marketing expenses", equal to €8,183 thousand, decreased by €1,059 thousand compared to the same period of 2016, mainly due to the decrease in advertising costs and generally in a more efficient management of Marketing expenses.

Costs related to "Subcontracted work" amounted to

€4,647 thousand (up by €1,321 thousand compared to the same period of 2016) and refer primarily to orders in the Solution Net System division.

"Quality certification expenses" amounted to €2,486 thousand and were €733 thousand higher than the same period of 2016. This increase is attributable to higher expenses borne for the implementation of the new organisational model and to the inclusion of the company Soredi Touch Systems GmbH in the scope of consolidation.

The detailed breakdown of payroll & employee benefits is as follows:

| | 2017 | 2016 | Change |
|--|---------|---------|--------|
| Wages & salaries | 126,053 | 123,212 | 2,841 |
| Social security charges | 23,250 | 21,312 | 1,938 |
| Employee severance indemnities | 1,847 | 1,615 | 232 |
| Retirement and similar benefits | 1,371 | 1,342 | 29 |
| Medium- to long-term managerial incentive plan | 3,138 | (368) | 3,506 |
| Vehicle expenses for employees | 3,081 | 3,158 | (77) |
| Other costs | 5,474 | 5,031 | 443 |
| Early retirement incentives | 1,181 | 2,111 | (930) |
| Total | 165,395 | 157,413 | 7,982 |

The "Wages and salaries" item, equal to €126,053 thousand, includes Sales commissions and incentives of €17,138 thousand (€15,479 thousand as at 31 December 2016). This item reported an increase of €2,841 thousand (up €4,080 thousand at constant exchange rates) compared to the same period of the previous year.

The "Early retirement incentives" item includes costs, totalling €317 thousand, stated under the "Non-recurring costs and revenues" item, resulting from the re-organisation activities of the plant in Donnas (€252 thousand as at 31 December 2016).

NOTE 19. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

| | 2017 | 2016 | Change |
|---|-------|-------|--------|
| Grants to Research and Development expenses | 1,458 | 1,384 | 74 |
| Miscellaneous income and revenues | 1,363 | 1,271 | 92 |
| Rents | 116 | 85 | 31 |
| Capital gains on asset disposals | 8 | 135 | (127) |
| Contingent assets | (13) | 355 | (368) |
| Other | 32 | 48 | (16) |
| Total | 2,964 | 3,278 | (314) |

The “Grants to Research and Development expenses” item amounted to €1,458 thousand (€1,384 thousand in the same period of 2016) and it is broken down as follows:

- the amount of €1,139 thousand is related to the tax credit of companies that perform R&D activities, as envisaged by Art. 3 of the Law Decree no. 145 of 23 December 2013, converted into Law no. 9 of 21 February 2014, as amended by par. 35 of Art. 1 of Law no.

190 of 23 December 2014 (Stability Law 2015), Tax credit for R&D activities;

- the amount of €316 thousand is related to the grant for a project financed by the Emilia Romagna Region.

The “Miscellaneous income and revenues” mainly includes revenues for internal building works (€714 thousand).

NOTE 20. NET FINANCIAL INCOME (EXPENSES)

| | 2017 | 2016 | Change |
|---------------------------------------|---------|---------|---------|
| Financial income/(expenses) | (2,964) | (1,637) | (1,327) |
| Foreign exchange differences | (3,010) | 20 | (3,030) |
| Bank expenses | (2,062) | (1,828) | (234) |
| Other | 696 | 410 | 286 |
| Total Net financial income (expenses) | (7,340) | (3,035) | (4,305) |

Financial income was negative by €7,340 thousand, compared to a negative result of €3,035 thousand related to the same period of the previous year, mainly due to the trend of foreign exchange differences and the increase in financial expenses.

The performance of “Foreign exchange differences” item is due to both a purely accounting translation effect resulting from the derecognition of intercompany economic items and the effect of depreciation of the US Dollar on Group net balances.

The “Financial income/(expenses)” item decreased by €1,327 thousand, mainly by reason of the increased gross indebtedness, due to the entering of a new loan agreement with a pool of banks for the amount of €250 million on 13 April 2017 and the redemption, at the same

time, of pre-existing loan amounting to €126 million. This transaction permitted to increase the average life of the financial debt and therefore reduce the exposure to variable interest rates as the new contract is at fixed rate.

The “Bank expenses” item reported an overall increase of €234 thousand, mainly due to the release of a portion pertaining to the upfront fees (€437 thousand) related to the early redemption of the above-mentioned long-term loan.

A capital loss was recorded, amounting to €85 thousand, realised following the transfer of the first tranche of shares held in the company Laservall Asia Co. Ltd., in 2016 a loss of €318 thousand, following the measurement at equity.

NOTE 21. TAXES

| | 2017 | 2016 | Change |
|----------------|--------|--------|---------|
| Pre-tax profit | 75,454 | 66,892 | 8,562 |
| Income tax | 16,129 | 20,247 | (4,118) |
| Deferred taxes | (755) | 799 | (1,554) |
| Total | 15,374 | 21,046 | (5,672) |
| Tax Rate | 20.4% | 31.5% | -11.1% |

The average tax rate comes to 20.4% (31.5% as at 31 December 2016).

The reconciliation for 2017 of the nominal tax rate and the effective rate in the separate financial statements is shown in the following table:

| | 2017 | | 2016 | |
|---|----------|---------|----------|---------|
| Pre-tax profit | 75,454 | | 66,892 | |
| Nominal tax rate under Italian law | (18,109) | -24.00% | (18,396) | -27.50% |
| Effects of local taxes | (1,529) | -2.00% | (927) | -1.40% |
| Tax effect on intercompany dividends | (256) | -0.30% | (7,231) | -10.80% |
| Tax effect on tax losses | 1,731 | 2.30% | (817) | -1.20% |
| Cumulative effect of different tax rates applied in foreign countries | 2,726 | 3.60% | 7,049 | 10.50% |
| Effect due to change in tax rates | (1,455) | -1.90% | (75) | -0.10% |
| Tax effects - previous years | 85 | 0.10% | (1,465) | -2.20% |
| Other effects | 1,434 | 1.90% | 815 | 1.20% |
| Consolidated effective tax rate | (15,374) | -20.40% | (21,046) | -31.50% |

Pre-tax profit increased by €8,562 thousand, equal to 12.8% compared to the previous year, while total taxes, recognised in the Income Statement, amounted to €15,374 thousand, with 26.95% decrease compared to the previous year.

The effective impact of total current taxes on the 2017 profit for the year was 20.4% (31.5% in 2016), against the theoretical tax impact which resulted by applying the 24% tax rate envisaged by the Italian legislation for the IRES tax.

Amongst the most significant effects which affected the 2017 effective tax burden, a benefit of €6,975 thousand was reported, due to the non-recurring taxation of divi-

dends, from CFC subsidiaries, occurred in the previous year and managed pursuant to regulations in force and the accounting of a decrease in net deferred tax assets, equal to around €1,455 thousand, following the reduction from 35% to 21% of the tax rate, as envisaged by the tax reform in the United States.

These benefits were partially offset by unfavourable tax effects, equal to €4,323 thousand, due to a different profit distribution among Group companies, in line with business development trends.

NOTE 22. EARNINGS/LOSS PER SHARE

Earnings/loss per share

| | 2017 | 2016 |
|--------------------------------------|------------|------------|
| Group earnings/(loss) for the period | 60,080,000 | 45,846,000 |
| Average number of shares | 58,186,870 | 58,187,992 |
| Earnings/(loss) per share | 1.03 | 0.79 |
| Average number of shares | 58,186,870 | 58,187,992 |
| Diluted effect | 0 | 0 |
| Earnings/(loss) per share | 1.03 | 0.79 |

EPS as at 31 December 2017 was calculated by dividing Group net profit of €60,080 thousand (Group net profit of €45,846 thousand as at 31 December 2016) by the average number of ordinary shares outstanding as at 31 December 2017, equal to 58,186,870 shares (58,187,992 as at 31 December 2016).

Notice of auditing firm's fees

Pursuant to article 149-duodecies of the Issuer Regulation, implementing Legislative Decree 58 of 24 February 1998, the following is the summary schedule of fees pertaining to the year 2017 provided by the independent auditors.

The following table shows the remuneration for the audit activities.

| Fees for services supplied by the Auditing Firm to the Parent Company and to the subsidiaries | 2017 |
|---|------|
| Datalogic S.p.A. - auditing | 296 |
| Italian subsidiaries - auditing | 243 |
| Foreign subsidiaries - auditing | 392 |
| Total auditing | 930 |
| Non-auditing services | 0 |
| Total | 930 |

Transactions with subsidiaries that are not fully consolidated, associates and related parties

For the definition of "Related parties", see both IAS 24, approved by EC Regulation 1725/2003, and the Procedure for Transactions with Related Parties approved by the Board of Directors on 4 November 2010 (most recently amended on 24 July 2015), available on the Company's website www.datalogic.com.

The parent company of the Datalogic Group is Hydra S.p.A. Intragroup transactions are executed as part of the ordinary operations and at arm's length conditions. Furthermore, there are other relationships with related parties, always carried out as part of the ordinary operations and at arm's length conditions, with an irrelevant amount and by the effects of the **"OPC Procedure"**, chiefly with Hydra S.p.A. or entities under joint control (with Datalogic S.p.A.), or with individuals that carry out the coordination and

management of Datalogic S.p.A. (including entities controlled by the same and close relatives).

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

Pursuant to Art. 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2017 - 31/12/2017, the Company's Board of Directors did not approve any relevant transaction, as set out by Art. 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group's equity position or profit/(loss).

| | Parent Company | Subsidiaries of Hydra SpA | Not consolidated companies on a line-by- line basis | company controlled by a company Body member | member of BoD | TOTAL 31.12.2017 |
|---|-------------------|---------------------------------|---|--|------------------|-----------------------------------|
| Equity investments | 0 | 0 | 2,184 | 0 | 0 | 2,184 |
| Non-current assets | 0 | 0 | 258 | 0 | 0 | 258 |
| Held-for-sale assets | 0 | 0 | 1,021 | 0 | 0 | 1,021 |
| Trade receivables - accrued income and prepaid expenses | 0 | 85 | 1,371 | 0 | 0 | 1,456 |
| Receivables pursuant to tax consolidation | 6,771 | 0 | 0 | 0 | 0 | 6,771 |
| Financial receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities pursuant to tax consolidation | 4,865 | 0 | 0 | 0 | 0 | 4,865 |
| Trade payables | 0 | 243 | 347 | 0 | 4 | 594 |
| Financial payables | 0 | 0 | 0 | 0 | 0 | 0 |
| Sales/service expenses/allocations | 0 | 824 | 1,469 | 414 | 21 | 2,728 |
| Trade and other revenues | 0 | 7 | 5,680 | 0 | 0 | 5,687 |
| Financial income | 0 | 0 | 0 | 0 | 0 | 0 |
| Profits/(losses) from associates | 0 | 0 | (85) | 0 | 0 | (85) |

Number of employees

| | 2017 | 2016 | Change |
|----------------------|-------|-------|--------|
| Datalogic | 2,793 | 2,555 | 238 |
| Solution Net Systems | 39 | 39 | 0 |
| Informatics | 80 | 102 | (22) |
| Total | 2,912 | 2,696 | 216 |

Events occurring after year end

No significant events are to be reported.

Allocation of the year's earnings

To our Shareholders,

Since the financial statements of Datalogic S.p.A. show a net operating profit for the year of €25,591,520, and since the legal reserve has reached one fifth of the Share Capital, pursuant to Art. 2430 of the Italian Civil Code, the Board of Directors proposes to:

- distribute an ordinary unit dividend to Shareholders, gross of legal withholdings, of 50 cents per share with coupon detachment on 28 May 2018 (record date 29 May 2018) and payment from 30 May 2018, for a maximum amount of €29,223,245;



The Chairman of the Board of Directors
(Mr. Romano Volta)



Parent Company financial statements

Datalogic S.p.A. - Statement of financial position

| Assets | Note | 31.12.2017 | 31.12.2016 |
|---|-------------|--------------------|--------------------|
| A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8) | | 260,289,940 | 236,188,981 |
| 1) Tangible assets | 1 | 22,085,545 | 21,480,033 |
| land | 1 | 2,465,710 | 2,465,710 |
| buildings | 1 | 15,702,356 | 15,631,040 |
| other assets | 1 | 3,917,479 | 3,062,477 |
| assets in progress and payments on account | 1 | | 320,806 |
| 2) Intangible assets | 2 | 3,809,429 | 2,771,669 |
| Goodwill | | | |
| Development costs | 2 | | |
| Other | 2 | 3,809,429 | 2,771,669 |
| 3) Equity investments in affiliates | 3 | 184,866,858 | 175,148,858 |
| 4) Financial assets | 5 | 41,016,403 | 35,310,016 |
| equity investments | 5 | 9,572,215 | 4,303,493 |
| securities | 5 | | 0 |
| other | 5 | 31,444,188 | 31,006,523 |
| 5) Loans to subsidiaries | 9 | - | - |
| 6) Trade and other receivables | 7 | 181,251 | 171,973 |
| 7) Deferred tax assets | 13 | 8,330,453 | 1,306,432 |
| B) CURRENT ASSETS (9+10+11+12+13+14+15) | | 493,207,397 | 399,090,856 |
| 8) Inventories | | - | - |
| raw and ancillary materials and consumables | | | |
| work in progress and semi-finished products | | | |
| finished products and goods | | | |
| 9) Commissioned work in progress | | - | - |
| 10) Trade and other receivables | 7 | 34,950,161 | 10,500,365 |
| trade receivables | 7 | 28,369,955 | 9,558,568 |
| within 12 months | 7 | 10,774 | 22,355 |
| after 12 months | | | |
| receivables from affiliates | | | |
| receivables from subsidiaries | 7 | 28,359,181 | 9,536,213 |
| receivables from the parent company | 7 | | |
| receivables from related parties | | | |
| other receivables - accrued income and prepaid expenses | 7 | 6,580,206 | 941,797 |
| of which other receivables from subsidiaries | 7 | 256,598 | - |
| 11) Tax receivables | 8 | 1,146,576 | 1,172,666 |
| of which to the parent company | 8 | | |
| 12) Financial assets | 5 | - | - |
| securities | 5 | | |
| 13) Loans to subsidiaries | 9 | 263,358,273 | 309,195,037 |
| | 9 | 263,358,273 | 309,195,037 |
| 14) Financial assets - Derivative instruments | 6 | - | - |
| 15) Cash and cash equivalents | 10 | 193,752,387 | 78,222,788 |
| TOTAL ASSETS (A+B) | | 753,497,337 | 635,279,837 |

Datalogic S.p.A. - Statement of financial position

| Assets | Note | 31.12.2017 | 31.12.2016 |
|--|------|-------------|-------------|
| A) TOTAL SHAREHOLDERS' EQUITY (1+2+3+4+5) | 11 | 291,639,169 | 291,677,840 |
| 1) Share capital | 11 | 148,291,261 | 146,291,261 |
| Share capital | 11 | 30,392,175 | 30,392,175 |
| Treasury shares | 11 | 6,119,564 | 4,119,564 |
| Share premium reserve | 11 | 109,754,049 | 108,958,705 |
| Treasury share reserve | 11 | 2,025,473 | 2,820,817 |
| 2) Reserves | 11 | 4,835,326 | 549,769 |
| Employee severance indemnity discounting reserves | 11 | 88,146 | 88,146 |
| Cash-flow hedge reserve | 11 | (948,066) | (28,125) |
| Valuation reserve for financial assets held for sale | 11 | 5,695,246 | 489,748 |
| 3) Retained earnings/losses | | 112,921,062 | 92,502,593 |
| Profits (losses) of previous years | 11 | 73,071,234 | 37,961,518 |
| Merger surplus reserve of DL Real Estate | | 203,538 | 203,538 |
| Capital contribution reserve, not subject to taxation | 11 | 958,347 | 958,347 |
| Legal reserve | 11 | 6,078,435 | 6,078,435 |
| Valuation reserve at current value | 11 | | |
| Temporary reserve for exchange rate adjustment | 11 | 8,981,690 | 23,672,937 |
| Capital contribution reserve | 11 | 15,204,345 | 15,204,345 |
| IAS transition reserve | 11 | 8,423,473 | 8,423,473 |
| 4) Profit (loss) for the period/year | | 25,591,520 | 52,334,217 |
| B) NON-CURRENT LIABILITIES (6+7+8+9+10+11) | 12 | 217,677,370 | 149,233,544 |
| 5) Financial payables | 12 | 205,664,160 | 138,387,917 |
| of which to related parties | | | |
| 6) Financial liabilities - Derivative instruments ^(*) | 6 | - | - |
| 7) Tax payables | | - | - |
| 8) Deferred tax liabilities | 13 | 9,766,965 | 9,457,480 |
| 9) Post-employment benefits | 14 | 498,245 | 484,422 |
| 10) Provisions for risks and charges | 15 | 1,748,000 | 903,725 |
| 11) Other liabilities | | - | - |
| C) CURRENT LIABILITIES (12+13+14+15+16) | | 244,180,799 | 194,368,453 |
| 12) Trade and other payables | 16 | 10,027,858 | 8,335,747 |
| trade payables | 16 | 5,896,589 | 4,570,820 |
| within 12 months | 16 | 5,237,829 | 4,030,551 |
| after 12 months | | | |
| payables to subsidiaries | 16 | 644,450 | 247,437 |
| payables to the parent company | | | 105,884 |
| payables to related parties | 16 | 14,310 | 186,948 |
| other payables - accrued liabilities and deferred income | 16 | 4,131,269 | 3,764,927 |
| other payables from subsidiaries | | 235 | 298,192 |
| 13) Tax payables | 17 | 1,036,760 | 2,211,291 |
| of which to the parent company | 17 | 252,762 | 1,558,707 |
| 14) Provisions for risks and charges | | 85,854 | 82,854 |
| 15) Financial liabilities - Derivative instruments | 6 | - | 37,007 |
| 16) Short-term financial payables | 12 | 233,030,327 | 183,701,554 |
| of which to related parties | | 183,863,251 | 153,469,193 |
| TOTAL LIABILITIES (A+B+C) | | 753,497,337 | 635,279,837 |

Datalogic S.p.A. - Income statement

| | Note | 31.12.2017 | 31.12.2016 |
|--|------|-------------|-------------|
| Assets | 18 | 26,599,168 | 24,035,109 |
| Revenues from sale of products | 18 | - | - |
| Revenues from services | 18 | 26,599,168 | 24,035,109 |
| 2) Cost of goods sold | 19 | 1,964,645 | 1,470,216 |
| GROSS PROFIT (1-2) | | 24,634,523 | 22,564,893 |
| 3) Other operating revenues | 20 | 620,042 | 645,544 |
| 4) R&D expenses | 19 | 403,808 | 396,276 |
| 5) Distribution expenses | 19 | 901,807 | 1,848,076 |
| of which non-recurring costs | | 1,600 | 9,340 |
| 6) General and administrative expenses | 19 | 20,947,309 | 17,181,973 |
| of which non-recurring costs | | 392,657 | 710,943 |
| 7) Other operating expenses | 19 | 675,480 | (1,057,116) |
| Total operating costs (4+5+6+7) | | 22,928,404 | 18,369,209 |
| OPERATING RESULT | | 2,326,161 | 4,841,228 |
| 8) Financial income | 21 | 34,475,784 | 53,755,533 |
| 9) Financial expenses | 21 | 13,046,558 | 3,224,197 |
| Net financial income (expenses) (8-9) | | 21,429,226 | 50,531,336 |
| PRE-TAX PROFIT/(LOSS) | | 23,755,387 | 55,372,564 |
| Taxes | 22 | (1,836,133) | 3,038,347 |
| NET PROFIT/(LOSS) FOR THE PERIOD | | 25,591,520 | 52,334,217 |

Datalogic S.p.A. - Statement of comprehensive income

| | Note | 31.12.2017 | 31.12.2016 |
|---|------|--------------|-------------|
| Assets | | 25,591,520 | 52,334,217 |
| Other components of the statement of comprehensive income: | | | |
| Profit/(loss) on cash flow hedges | 11 | (919,941) | 63,583 |
| of which tax effect | | - | (20,371) |
| Adjustment on exchange rates | 11 | (14,472,470) | 3,791,919 |
| of which tax effect | | 4,570,254 | (1,197,448) |
| Profit/(loss) on exchange rate adjustments for financial assets available for sale | 11 | 5,205,498 | (18,002) |
| of which tax effect | | (63,224) | 219 |
| Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year | | (10,186,913) | 3,837,500 |
| Total other profit/(loss) net of the tax effect | | (10,186,913) | 3,837,500 |
| COMPREHENSIVE NET PROFIT/(LOSS) FOR THE PERIOD | | 15,404,607 | 56,171,717 |

Datalogic S.p.A. - Cash flow statement

| Assets | Note | 31.12.2017 | 31.12.2016 |
|---|------------|--------------|--------------|
| Pre-tax profit | | 23,755,387 | 55,372,564 |
| Depreciation of tangible assets and amortisation of intangible assets | 1, 2 | 2,140,546 | 1,795,407 |
| Capital losses from sale of assets | | (2,598) | (4,929) |
| Capital gains from sale of assets | | 1,922 | 404 |
| Change in provisions for risks and charges | 15 | 847,275 | (2,158,973) |
| Change in employee benefits reserve | 14 | 13,823 | (42,701) |
| Net financial income including exchange rate differences | 21 | (34,477,451) | (53,755,533) |
| Net financial expenses including exchange rate differences | 21 | 13,048,225 | 3,224,197 |
| Foreign exchange differences | 21 | (5,730,483) | 3,320,614 |
| Adjustments to value of financial assets/liabilities | | (1,696,553) | (229,122) |
| Cash flow from operations before changes in working capital | | (2,099,907) | 7,521,928 |
| Change in trade receivables | 7 | (18,811,387) | (1,225,352) |
| Change in other current assets | 7 | (2,868,409) | 10,457 |
| Other medium-/long-term assets | 5 | (9,278) | 99 |
| Change in trade payables | 16 | 1,325,769 | 1,331,466 |
| Change in other current liabilities | 16 | 366,342 | (1,904,147) |
| Change in tax | 13, 17, 22 | (6,026,844) | 885,910 |
| Interest paid and banking expenses | 21 | 1,762,203 | 3,809,793 |
| Cash flow generated from operations (A) | | (26,361,511) | 10,430,154 |
| (Increase)/Decrease in intangible assets | 1 | (1,976,124) | (994,101) |
| (Increase)/Decrease in tangible assets | 2 | (1,806,845) | (890,284) |
| Change in equity investments | 5 | (150,000) | - |
| Acquisition of equity investment and trademark | | (5,866,000) | - |
| Changes generated by investment activity (B) | | (9,798,969) | (1,884,385) |
| Change in LT/ST financial receivables | 9 | 42,629,099 | (40,909,009) |
| Change in short-term and medium/long-term financial payables | 12, 6 | 118,568,009 | 1,795,062 |
| Purchase of treasury shares | 11 | - | (368,156) |
| Changes in reserves | 11 | (14,691,247) | 3,837,500 |
| Dividends collected | 21 | 22,627,506 | 43,400,929 |
| Dividends paid | 21, 11 | (17,443,288) | (14,542,970) |
| Cash flow generated (absorbed) by financial activity (C) | | 151,690,080 | (6,786,644) |
| Net increase (decrease) in available cash (A+B+C) | | 115,529,600 | 1,759,125 |
| Net cash and cash equivalents at beginning of period | 10 | 78,222,788 | 76,463,663 |
| Net cash and cash equivalents at end of period | 10 | 193,752,388 | 78,222,788 |

Datalogic S.p.A. - Changes in shareholders' equity

| Description | Share capital | Treasury shares | Total share capital | Cash-flow hedge reserve | Valuation reserve for financial assets held for sale | Severance indemnity discounting reserves | |
|--|---------------|-----------------|---------------------|-------------------------|--|--|--|
| 01.01.2016 | 30,392,175 | 116,267,243 | 146,659,418 | (91,708) | 507,750 | 88,146 | |
| Allocation of earnings | | | - | | | | |
| Dividends | | | - | | | | |
| Increase in share capital | | | - | | | | |
| Translation reserve | | | - | | | | |
| Change in IAS reserve | | | - | | | | |
| Sale/purchase of treasury shares | | (368,157) | (368,157) | | | | |
| Cash flow hedge adjustment | | | - | 63,583 | | | |
| Severance indemnity provision adjustment | | | - | | | | |
| Capital contribution reserve | | | - | | | | |
| Cancellation of treasury shares | | | - | | | | |
| Other movements | | | - | | (18,002) | | |
| Net profit (Loss) as at 31/12/2016 | | | - | | | | |
| 31.12.2016 | 30,392,175 | 115,899,086 | 146,291,261 | (28,125) | 489,748 | 88,146 | |

| Description | Share capital | Treasury shares | Total share capital | Cash-flow hedge reserve | Valuation reserve for financial assets held for sale | Severance indemnity discounting reserves | |
|--|---------------|-----------------|---------------------|-------------------------|--|--|--|
| 01.01.2017 | 30,392,175 | 115,899,086 | 146,291,261 | (28,125) | 489,748 | 88,146 | |
| Allocation of earnings | | | - | | | | |
| Dividends | | | - | | | | |
| Increase in share capital | | | - | | | | |
| Translation reserve | | | - | | | | |
| Change in IAS reserve | | | - | | | | |
| Sale/purchase of treasury shares | | 2,000,000 | 2,000,000 | | | | |
| Cash flow hedge adjustment | | | - | (919,941) | | | |
| Severance indemnity provision adjustment | | | - | | | | |
| Capital contribution reserve | | | - | | | | |
| Cancellation of treasury shares | | | - | | | | |
| Other movements | | | - | | 5,205,498 | | |
| Net profit (Loss) as at 31/12/2017 | | | - | | | | |
| 31.12.2017 | 30,392,175 | 117,899,086 | 148,291,261 | (948,066) | 5,695,246 | 88,146 | |

| | Total other reserves | Earnings carried forward | Merger surplus | Capital contri- bution reserve | Legal reserve | Reserve for exchange rate adjust- ment | IAS reserve | Total | Profit for the year | Total share- holders' equity |
|--|----------------------------|--------------------------------|-------------------|---|------------------|---|----------------|--------------|------------------------|------------------------------------|
| | 504,188 | 43,834,858 | 203,538 | 958,347 | 5,916,945 | 16,442,741 | 8,423,473 | 75,779,902 | 27,473,742 | 250,417,250 |
| | - | 23,873,975 | | | 161,490 | 3,438,277 | | 27,473,742 | (27,473,742) | - |
| | | (14,542,970) | | | | | | (14,542,970) | | (14,542,970) |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | (368,157) |
| | 63,583 | | | | | | | - | | 63,583 |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | (18,002) | | | | | 3,791,919 | | 3,791,919 | | 3,773,917 |
| | - | | | | | | | - | 52,334,217 | 52,334,217 |
| | 549,769 | 53,165,863 | 203,538 | 958,347 | 6,078,435 | 23,672,937 | 8,423,473 | 92,502,593 | 52,334,217 | 291,677,840 |

| | Total other reserves | Earnings carried forward | Merger surplus | Capital contri- bution reserve | Legal reserve | Reserve for exchange rate adjust- ment | IAS reserve | Total | Profit for the year | Total share- holders' equity |
|--|----------------------------|--------------------------------|-------------------|---|------------------|---|----------------|--------------|------------------------|------------------------------------|
| | 549,769 | 53,165,863 | 203,538 | 958,347 | 6,078,435 | 23,672,937 | 8,423,473 | 92,502,593 | 52,334,217 | 291,677,840 |
| | - | 52,552,994 | | | | (218,777) | | 52,334,217 | (52,334,217) | - |
| | | (17,443,278) | | | | | | (17,443,278) | | (17,443,278) |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | 2,000,000 |
| | (919,941) | | | | | | | - | | (919,941) |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | - | | | | | | | - | | - |
| | 5,205,498 | | | | | (14,472,470) | | (14,472,470) | | (9,266,972) |
| | - | | | | | | | - | 25,591,520 | 25,591,520 |
| | 4,835,326 | 88,275,579 | 203,538 | 958,347 | 6,078,435 | 8,981,690 | 8,423,473 | 112,921,062 | 25,591,520 | 291,639,169 |

Explanatory notes to the financial statements

Foreword

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

The Company is a subsidiary of Hydra S.p.A., which is also based in Bologna and is controlled by the Volta family. These financial statements were prepared by the Board of Directors on 20 March 2018.

Presentation and content of the financial statements

Pursuant to the European Regulation 1606/2002, the Financial Statements were prepared in compliance with the international accounting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee ("IFRS-IC"), formerly the Standing Interpretations Committee ("SIC"), endorsed by the European Commission at the date of approval of the draft financial statements by the Board of Directors and contained in the related EU Regulations published at this date, and in compliance with the provisions of CONSOB Regulation 11971 of 14 May 1999 and subsequent amendments.

The Financial Statements for the year ended 31 December 2017 consist of Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes.

The Financial Statements were prepared in compliance

with the general criterion of a reliable and true vision of the financial position, financial performance and cash flows, on an ongoing concern and on an accrual basis, in compliance with the general principles of consistency of presentation, relevance and aggregation, no offsetting and comparability of information.

As regards the presentation of the Financial Statements, the Company made the following choices:

- non-current assets, as well as current and non-current liabilities are disclosed separately in the Statement of Financial Position. Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the normal operational cycle; current liabilities are those whose extinction is envisaged during the normal operating cycle or in the 12 months after the reporting date;
- with regard to the Income Statement, cost and revenue items are disclosed based on grouping by function, as this classification was deemed more meaningful for comprehension of the business result;
- the Statement of Comprehensive Income presents the components that determine gain/(loss) for the period and the costs and revenues reported directly under shareholders' equity;
- the Cash Flow Statement is presented using the indirect method.

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

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

These financial statements are drawn up in Euro units, which is the “functional” and “presentation” currency as envisaged by Art. 2423 of the Italian Civil Code.

Accounting policies and standards applied

Below we indicate the policies adopted for preparation of the Company's financial statements as at 31 December 2017.

PROPERTY, PLANT AND EQUIPMENT

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

Some tangible assets in the “Land and buildings” categories, in line with IAS 16 provisions, were measured at fair value (market value) as at 01 January 2004 (IFRS transition date) and this value was used as the deemed cost. Fair Value was calculated based on evaluation expertises performed by independent external consultants. The cost

of buildings is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

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

The depreciation rates applied by the Company are as follows:

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

If, regardless of the depreciation already posted, enduring impairment of value emerges, the asset is written down; if the reasons for devaluation no longer exist in later years, the original value is reinstated. The residual value and useful life of assets are renewed at least at each year-end in order to assess any significant changes in value.

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

ASSETS HELD UNDER FINANCE LEASE CONTRACTS

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

INTANGIBLE ASSETS

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

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

OTHER INTANGIBLE ASSETS

Other intangible assets consist of:

- trademark;
- purchased software under license of use;
- license agreement.

AMORTISATION

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

The useful life for each category is detailed below:

| DESCRIPTION | Useful Life - years |
|---|------------------------|
| Trademark | Indefinite useful life |
| Other intangible assets: | |
| Software licences (other than SAP licences) | 3/5 |
| SAP licences | 10 |
| User licences | Contract duration |

Intangible assets with an indefinite useful life are not amortised but tested to identify any impairment of value annually, or more frequently when there is evidence that the asset may have suffered impairment. The residual values, the useful lives and the amortisation of intangible assets are reviewed at each year end and, when required, corrected prospectively. The useful lives remained unchanged compared to the previous year.

IMPAIRMENT

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

The aim of this impairment test is to ensure that tangible and intangible assets are not carried at a value exceeding their recoverable value, consisting of the higher between their fair value and selling costs and their value in use.

Value in use is calculated based on the future cash flows that are expected to originate from the asset or CGU (cash generating unit) to which the asset belongs. Cash flows are discounted to present value using a discount rate reflecting the market's current estimate of the time value of money and of the risks specific to the asset or CGU to which presumable realisation value refers.

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

Impairment losses relating to CGUs are allocated firstly to goodwill and, for the remaining amount, to the other assets on a proportional basis.

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

FINANCIAL ASSETS AND LIABILITIES

The Company measures at fair value all financial instruments such as derivatives at each annual reporting date. Fair value is the price that would be received for the sale of an asset or that would be paid for transfer of a liability in a normal transaction between market operators at the date of measurement.

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

- in the main market of the asset or liability; or
- when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Company. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Company uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - listed prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than listed prices included in Level 1 which can be observed, either directly or indirectly for the asset or liability to be measured;
- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

The fair value measurement is classified at the same fair value hierarchy level in which the lowest hierarchy input used for the measurement is stated.

As regards assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers between hierarchy level occurred while revising the classification (based in lower level inputs, which is significant for the purposes of a thorough fair value measurement) at each annual reporting date.

Financial instruments

A financial instrument is any contract generating a financial asset for an entity and a financial liability or an equity instrument for another entity.

Financial assets

The financial assets are initially recognised at their fair value, increasing their ancillary charges. At their first

recognition, the financial assets are classified as follows, as the case may be:

- **Financial assets at fair value with contra entry in the income statement:** these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; they are recognised at fair value and any changes during the period are recognised in the Income Statement.
- **Loans and receivables:** they are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method, less impairment. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the Income Statement. Write downs arising from impairment are recognised as financial expenses in the Income Statement. This category usually includes trade receivables and other receivables. As regards the financial assets accounted for at amortised cost, the Company has initially assessed whether there was an impairment on each significant financial asset, and collectively on financial assets of irrelevant amount. The carrying value of assets is reduced through the accounting of a provision for write-downs and the amount of the loss is recognised in the Income Statement. The loans and related provisions for write-downs are reversed when the possibility of a future recovery is not realistic and guarantees have been put in place or transferred to the Company. If, in a subsequent year, the amount of estimated impairment increases or decreases due to an event occurred after the recognition of the impairment, the latter will be increased or reduced through an adjustment of the provision. They are recognised under "Current assets" item, except for the portion with a maturity term after 12 months that is stated under Non-current assets.
- **Available for sale financial assets and receivables:** these are financial assets other than derivatives, which are not classified in other categories; they are valued at fair value and related changes are entered in an equity reserve. They are classified

under non-current assets, unless they are intended to be sold within 12 months.

Financial assets are derecognised from the financial statements when the right to receive cash no longer exists, the Company has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

In the cases in which the Company has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.

Equity investments in other companies are measured at fair value. When the fair value cannot be reliably determined, equity investments are measured at cost, adjusted for impairment.

Financial liabilities

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the Income Statement, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, added to which - as in the case of mortgages, loans and payables - transaction costs directly attributable to them. The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts, guarantees granted and derivative financial instruments.

Loans and payables (the most significant category for the Company) are measured with the amortised cost criterion using the effective interest rate method. Profits and losses are booked in the Income Statement when the liability is settled, as well as through the amortisation process.

The amortised cost is calculated by recognising the rebates or premiums on the purchase and the fees or costs that are an integral part of the effective interest rate. Amortisation at the actual interest rate is included amongst financial expenses in the Income Statement.

Financial guarantees given are agreements envisaging a payment to repay the owner of a debt security against a loss incurred due to a non-payment by the debtor at the contract maturity term. If the financial guarantees are issued by the Company, they are initially recognised as liabilities at fair value, added by transaction costs that are directly attributable to the issue of the guarantee itself. The liability is then measured at the higher between the best estimated disbursement, required to fulfil the guaranteed obligation at the reporting date, and the initially recognised amount, less accumulated amortisation.

A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled. If an existing financial liability is replaced by another one from the same lender, under conditions that are essentially different, or if the terms and conditions of an existing liability are essentially amended, this change or amendment will be treated as a reversal of the original liability or the recognition of a new liability, with recognition in the Income Statement of any differences involving the carrying values.

Offsetting financial instruments

A financial asset and liability can be offset and the net balance can be shown on the Statement of Financial Position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.

Loans, payables and other financial and/or liabilities, with fixed or calculable maturity term, are initially recognised at their fair value, less debt issuance costs. The measurement criterion after initial recognition is the amortised cost criterion using the effective interest rate.

Long-term payables, for which an interest rate is not provided, are accounted for through the discounting of future cash flows at market rate if the increase of payables is due to the elapse of time, with following recognition of interest in the Income Statement, under item "Net financial income (charges)". A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled.

Financial derivatives

Derivative instruments, including embedded derivatives, object matter of a separate agreement, are initially recognised at fair value.

Derivatives are classified as hedging instruments when

the relation between derivatives and the object matter of the hedging is formally documented and the effectiveness of the hedging, which is periodically checked, is high.

When the hedging derivatives hedge the risk of changes in fair value of the hedged instruments, they are recognised at fair value, and the effects are charged to the Income Statement. Accordingly, the hedged instruments are adjusted to reflect the changes in fair value, associated to the hedged risk.

In the event of cash flow hedges, the derivatives are designated as a hedge for exposure to variable of cash flows attributable to risks that might subsequently affect the Income Statement. These risks are generally associated with an asset or liability recognised in the Financial Statements (as future payments on variable rate payables).

The effective portion of fair value change, related to the portion of derivative contracts designated as hedge derivatives pursuant to IAS 39, is recognised as component of the Statement of Comprehensive Income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the Income Statement.

The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid IAS 39, is instead recognised directly in the Income Statement.

Equity investments in affiliates

Equity investments in subsidiaries, included in the financial statements, are disclosed based on IAS 27, by using the cost method, net of impairments.

Equity investments in associates

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

Other equity investments

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

TRADE RECEIVABLES

Trade receivables are amounts due from customers following the sale of products and services. Receivables are initially recognised at fair value and subsequently at amortised cost - using the effective interest rate method - net of related impairment losses. Short term payables are not discounted, since the effect of discounting the cash flows is not significant.

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

CASH AND CASH EQUIVALENTS

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

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

SHAREHOLDERS' EQUITY

Share capital consists of the ordinary shares outstanding, which are posted at par value. Costs relating to the issue of new shares or options are classified in equity (net of associated tax benefit relating to them) as a deduction from the proceeds of the issuance of such instruments.

TREASURY SHARES

In the case of buyback of treasury shares, the price paid, inclusive of any directly attributable accessory costs, is deducted from the Company's Shareholders' Equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Shareholders' Equity. Consequently, no profit or loss is entered in the Company's Income Statement at the time of purchase, sale or cancellation of treasury shares.

LIABILITIES FOR EMPLOYEE BENEFITS

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

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

Defined-contribution plans

Defined-contribution plans are formalised programmes of post-employment benefits according to which the company makes payments to an insurance company or a pension fund and will have no legal or constructive obligation to pay further contributions if, at maturity date, the fund has not sufficient assets to pay all benefits for employees, in relation to the work carried out in current and previous years. These contributions, paid against a work service rendered by employees, are accounted for as cost in the pertaining period.

Defined-benefit plans and other long-term benefits

Defined-benefit plans are programmes of post-employment benefits that represent a future obligation for the Company. The entity bears actuarial and investment risks related to the scheme.

The Company uses the projected unit credit method to determine the current value of liabilities of the scheme and the cost of services.

This actuarial calculation method requires the use of objective actuarial hypotheses, compatible and based on demographic variables (mortality rates, personnel turnover) and financial variables (discount rate, future increases of salaries and wages and benefits). When a defined-benefit plan is entirely or partially financed by contributions paid to a fund, legally separate from the company, or to an insurance company, the assets in support of the above scheme are measured at fair value. The amount of the obligation is therefore accounted for, less the fair value of assets in support of the scheme that the entity would pay to settle the obligation itself.

The revaluations, including actuarial profits and losses, the changes in the maximum threshold of assets (excluding net interest) and the yield of assets in support of the scheme (excluding net interests), are recognised immediately in the Statement of Financial Position, while debiting or crediting retained earnings through other components in the Statement of Comprehensive

Income in the year in which they occur. Revaluations are not reclassified in the Income Statement in subsequent years. The other long-term benefits are intended for employees and differ from post-employment benefits. The accounting is similar to defined-benefit plans.

PROVISIONS FOR RISKS AND CHARGES

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

- the entity has a present obligation (legal or constructive), i.e. under way as at the reporting date, arising from a past event;
- it is probable that economic resources will have to be used to fulfil the obligation;
- the amount needed to fulfil the obligation can be reliably estimated;
- risks, for which materialisation of a liability is only contingent, are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.

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

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

The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. When the Company deems that an allocation to the provisions for risks and charges will be partly or fully redeemed, e.g. in the event of risks covered by insurance policies, the indemnity is recognised separately in the Assets if, and only if, it is certain. In this case, the cost of any allocation is disclosed in the Income Statement, less the amount recognised as indemnity. The

provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the period in which the change occurred.

The Company established restructuring provisions if there exists an implicit restructuring obligation and a formal plan for the restructuring that created in interested third parties the reasonable expectation that the company will carry out the restructuring or because it has begun its realisation or because it has already communicated its main aspects to interested third parties.

INCOME TAXES

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

Current income taxes are calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to taxes related to prior periods.

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the Company's Financial Statements and the corresponding amounts recognised for tax purposes, except as follows:

- deferred tax liabilities derive from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, when the transaction itself occurs, does not affect the balance sheet profits or the profits or losses calculated for tax purposes;
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates or joint ventures, may be controlled and will probably not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax credits and losses and can be brought forward, to the extent that the existence of adequate future taxable profits will exist against which the usage of the deductible temporary differences and the tax credits and losses brought forward can be used, except in cases where:

- the deferred tax assets connected to the deductible temporary differences arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not affect the balance sheet result or the profit or loss for tax purposes;
- there are taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures and deferred tax assets are recognised only to the extent that the deductible temporary differences will be reversed in the foreseeable future and that there are adequate taxable profits against which the temporary differences can be used.

Deferred taxes are calculated at the tax rate expected to be in force at the time when the asset is sold or the liability is redeemed.

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to realise them. The carrying amount of the deferred tax assets is reviewed every year end and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets that are not recognised, are reviewed at every reporting date and are recognised to the extent it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.

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

TRADE AND OTHER PAYABLES

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

Short-term payables are not discounted, since the effect of discounting the cash flows is not significant.

GOVERNMENT GRANTS

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

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

REVENUE RECOGNITION

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

Rendering of services

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

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

Revenue relating to dividends, interest and royalties is respectively recognised as follows:

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

DIVIDENDS PAID OUT

Dividends are recognised when shareholders have the right to receive payment. This normally corresponds to the date of the annual General Shareholders' Meeting that approves dividend distribution. The dividends distributable to Company shareholders are recognised as an equity movement in the year when they are approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic

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

Diluted

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

RENTAL AND OPERATING LEASE COSTS

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

TREATMENT OF FOREIGN CURRENCY ITEMS

Transactions and balances

Foreign currency transactions are initially converted to euro at the exchange rate existing on the transaction date. At the reporting date, foreign-currency monetary assets and liabilities are converted at the exchange rate in force on that date.

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

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

Foreign exchange gains and losses arising from the collection of foreign currency receivables or payment of

foreign currency payables are recognised in the income statement.

Amendments, new standards and interpretations

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 01 JANUARY 2017

The accounting standards adopted for preparation of the financial statements are consistent with those used for the preparation of the financial statements as at 31 December 2016. The Company adopted for the first time some accounting standards and amendments that are applied for annual periods beginning on or after 01 January 2017. The Company has not yet adopted any standard, interpretation or amendment that has been published, but is not yet effective.

The nature and impact of any new principle/amendment are specified hereunder. Albeit these new standards and amendments were applied for the first time in 2017, they had no significant impact on the Company financial statements. The nature and impact of any new principle/amendment are specified hereunder:

▪ Amendments to IAS 7 - Cash Flow Statement

The amendments envisage that entities shall supply disclosures on changes in liabilities related to financing activities, including both changes related to cash flows and non-monetary changes (such as, for example, gains and losses on exchange rates).

▪ Amendments to IAS 12 - Income taxes

The amendments clarify that an entity should consider whether tax laws limit the taxable income sources for which it might have deductions related to the reverse of deductible temporary differences. Moreover, the amendment supplies guidelines on how an entity should determine future taxable income and clarifies when the taxable income might include the recovery of some assets, for a higher value than their carrying value.

▪ Amendments to IFRS 12 - Disclosure of Interests in Other Entities

The amendments clarify that the disclosures required by IFRS 12, other than information envisaged in paragraphs B10-B16, apply to equity investments (or a

portion of interests in a joint venture or associate) of an entity in a subsidiary, joint venture or associate, which is classified (or included in a classified disposal group) as available for sale.

Standards issued which are not yet in force

The Company is analysing the following standards by evaluating the impact that they would have on its financial statements, without proceeding to an early application of the same. The novelties introduced are summarised as follows.

▪ IFRS 9 - Financial Instruments

In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 "Financial Instruments: Measurement and recognition and all previous versions of IFRS 9. IFRS 9 includes all the three aspects related to the accounting of financial instruments; classification and measurement, impairment and hedge accounting. IFRS 9 is effective to annual periods beginning on or after 1 January 2018. Early application is permitted. Except for hedge accounting, the standard shall be applied retrospectively, although the supply of comparative information is not mandatory. As regards hedge accounting, the standard generally applies prospectively, with a few exceptions.

No significant impact is expected on the Company Statement of Financial Position and Shareholders' Equity.

▪ IFRS 15 - Revenue from Contracts with Customers

The IFRS 15 standard was issued in May 2014 and amended in April 2016, and provides a five-step new model to be applied to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right in payment the entity believes to have against the sale of goods or services to customers.

The new principle will supersede all current requirements included in IFRS on recognition of revenues. The standard is effective for annual periods beginning on or after 01 January 2018, with fully retrospective or modified application. Early application is permitted.

The Company will apply the new standard on the mandatory effective date. In 2016, the Company started the preliminary assessment of effects related to IFRS

15, which is still in force. In 2017, this assessment was completed with a more comprehensive analysis, aimed at determining the quantity impact and the first adoption modality of the Standard..

(a) Rendering of services

Installation, maintenance, repair and technical support services are rendered by the Company. These services are rendered both separate, based on contracts signed with customers, and jointly with the sale of the goods to customers. In compliance with IFRS 15, the Company performed assessments on the allocation of revenues based on the prices related to each single service. No significant impacts emerged.

(b) Presentation and required disclosures

Provisions set out by IFRS 15 concerning presentation and required disclosures are more detailed, compared to those included in current standards. Provisions concerning the presentation involve a significant change in practice and a significant increase in volume of information required for Company financial statements. No significant impacts for the Company emerged from the analysis performed during 2017.

▪ Amendments to IFRS 10 and IAS 28 - Sale or Transfer of Assets between the Parent Company and its Associated Company or Joint Venture

Amendments clarify provisions of IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture. Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No impact is expected on the Company's Financial Statements.

▪ IFRS 2 - Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

IASB issued the amendments to IFRS 2 Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.

Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are effective for annual periods beginning on or after 01 January 2018. Earlier application is permitted. No impact is expected on the Company's Financial Statements.

▪ IFRS 16 Leases

IFRS 16 was published in January 2016 and supersedes IAS 17 - Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Lease - Incentives and SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The standard envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/depreciation of the right-of-use asset. The lease liability is subsequently remeasured to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in future lease payments due to changes in an index or a rate used to calculate those payments). The lessee will generally recognise the amount of the lease liability remeasurement as an adjustment of the right-of-use asset. Accounting envisaged by IFRS 16 for lessors remains substantially unchanged compared to the current accounting method as per IAS 17. Lessors shall continue to classify all leases by using the same clas-

sification principle envisaged by IAS 17 and making a distinction between two types of lease: operating and financial leases. IFRS 16 requires lessees and lessors to provide for further disclosures compared to IAS 17.

IFRS 16 is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits.

In 2018, the Company expects to define the possible effects of IFRS 16 on its financial statements.

▪ Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer or not transfer a property, including the buildings under construction or development, under item investment property. The amendment envisages that a change in use occurs when the property meets, or ceases to meet, the definition of property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use. The entities shall apply those amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Pursuant to IAS 8, the retrospective application is permitted only if it is possible without the use of hindsight. The amendments will be applicable to annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted, of which disclosure is required. The Company will apply the amendments at their effective date. Therefore, given that the Company's accounting treatment is in line with clarifications, the Company does not expect any effect on its Financial Statements.

2014-2016 annual improvements

These improvements include:

- **IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters**

Short-term exemptions envisaged in paragraphs E3-E7 of IFRS1 were deleted as they have fulfilled their task. The amendment is effective as from 01 January 2018. This amendment is not applicable to the Company.

- **IAS 28 Equity investments in associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify the following:

- An entity that is a venture capital organisation, or other eligible entity, may elect (on initial recognition and for a single investment) to measure equity investments in associates and joint ventures at fair value, recognised in the Income Statement.
- If an entity that is not an investment entity has an equity investment in an associate or a joint venture, which is an investment entity, while applying the equity method this entity may elect to keep the measurement at fair value applied by an investment entity (either an associate or a joint venture) in measuring its equity investments (in the associate or joint venture). This choice is made separately for each single associate or joint venture that is an investments entity at the latest (in terms of occurrence) of the following dates: (a) initial recognition of the equity investment in the associate or joint venture that is an investment entity; (b) when the associate or joint venture becomes an investment entity; and (c) when the associate or joint venture that is an investment entity becomes the Parent Company for the first time.

The amendments should be applied retrospectively as from 01 January 2018. Earlier application is permitted. If an early adoption is applied by an entity, it should give notice accordingly. These amendments are not applicable to the Company.

- **Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts**

The amendments concern the problems that arise from the adoption of the new Standard on financial instruments, IFRS 9, before the adoption of IFRS 17 Insurance Contracts, which supersedes IFRS 4. The amendments introduce two options for the entities that issue insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. The first-time application of the temporary exemption applies to annual reporting periods beginning on or after 01 January 2018. An entity might elect to adopt the overlay approach upon the first-time application of IFRS 9 and this approach will be applied retrospectively to financial assets designated upon transition to IFRS 9. The entity will restate the comparative disclosures reflecting the overlay approach if, and only if, the entity restates the comparative disclosures when it applied IFRS 9. These amendments are not applicable to the Company.

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that, for the purpose of determining the spot interest exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration, the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. In the event of multiple payments or receipts of advance consideration, the entity shall determine the date of transaction for each payment or receipt of advance consideration. The entities may apply the amendments on a full retrospective basis. As an alternative, an entity might apply the interpretation prospectively to all assets, costs and revenues that are within the scope of the Standard and have been initially recognised on the following dates, or later:

- i) At the beginning of the year in which the entity applies the interpretation for the first time.
- ii) At the beginning of the previous year, disclosed for comparison purposes in the Financial Statements, for the year in which the entity applies the interpretation for the first time.

The interpretation is effective for annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted, of which disclosure is required.

Therefore, given the fact that the current accounting policy of the Company is aligned with the interpretation, the Company does not expect any effect on its Financial Statements.

- **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The interpretation defines the accounting treatment of income taxes when there is uncertainty over income tax treatments under IAS 12. This interpretation is not effective for taxes and duties that are not within the scope of IAS 12 nor it includes specifically requisites related to interest or fines related to uncertain tax treatment.

The interpretation specifically concerns the following items:

- Whether an entity considers uncertain tax treatment separately
- Assumptions for tax authorities' assessments
- How an entity determines the taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity tackles changes in facts and circumstances.

An entity shall determine whether to consider each uncertain tax treatment separately or collectively, together with one or more uncertain tax treatments. The approach that allows the best estimate to solve the uncertainty should be adopted. The interpretation is effective for annual reporting periods beginning on or after 01 January 2019. Some transitory facilitations are available. The Company will apply the interpretation at its effective date. Due to the fact that the Company operates in a complex multinational tax context, the application of the Interpretation might have some effects on the financial statements and required disclosures. Moreover, the Company might define processes and procedures to obtain the information required for the prompt application of the Interpretation.

Use of estimates

Preparation of IFRS-compliant financial statements and of the relevant notes requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn refer to historic experience and assumptions based on specific circumstances at any given time. The application of such estimates and assumptions affects the amounts related to revenues, costs, assets and liabilities, as well as contingent liabilities disclosed and any relevant information. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might be different from those reported in the financial statements due to the uncertainty characterising the assumptions and conditions on which estimates are based.

Following are the assumptions concerning the future, as well as the other main causes of uncertainty related to estimates which, at the reporting date, show a significant risk to generate remarkable adjustments in the carrying values of assets and liabilities within the following financial year. The Company has based its assumptions and estimates on parameters which were available when preparing the financial statements. The current circumstances and assumptions on future developments might however change upon occurrence of market changes or events beyond the Company's control. Upon their occurrence, these changes are reflected in the assumptions.

Impairment of non financial assets (Tangible and Intangible Assets)

An impairment occurs when the book value of an asset or CGU exceeds its recoverable value, which is its fair value, less sales costs, and its value in use, whichever is higher. The fair value, less sales costs, is the amount that can be obtained from the sale of an asset or a CGU, in a free transaction between aware and willing parties, less costs for disposal. The value in use is calculated by using a discounted cash-flow model. Cash flows result from plans. The recoverable value depends much on the discounting rate used in the discounted cash flow model, as well as on cash flows expected in the future and the growth rate used for extrapolation. Key assumptions, used to determine the recoverable value for the various Cash Generation Units, including a sensitivity analysis, are thoroughly described in Note 2.

Taxes

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Relevant estimates performed by the Management are required to determine the amount of tax assets that can be recognised based on the level of future taxable income, the timing of their occurrence and tax planning strategies. Deferred tax liabilities for taxes on retained earnings of subsidiaries, associates or joint ventures are recognised to the extent that they are likely to remain undistributed in the foreseeable future. Estimates performed by the Management are therefore required to determine the amount of tax assets that can be recognised and the amount of tax liabilities, whose recognition can be omitted, based on the level of future taxable income, the timing of their occurrence and tax planning strategies. The long-term nature, as well as the complexity of regulations in force in the various jurisdictions, the differences resulting from actual results and assumptions made, or future changes in such assumptions might require future adjustments to income taxes and already recorded costs and benefits.

Fair value of financial instruments

When the fair value of a financial asset or liability, which is recognised in the statement of financial position, cannot be measured based on deep market quotations, fair value is determined by using various measurement techniques. Inputs included in this model are recognised by observable markets, whenever possible, but when it is not possible, a certain level of estimates is required to determine fair values.

Employee benefits

The cost of defined-benefit plans and other post-employment healthcare benefits and the current value of the defined-benefit obligations are determined based on actuarial measurements. Actuarial measurement requires the elaboration of various assumptions, which might differ from the effects of future developments. These assumptions concern the determination of discount rates, future wage increases, the mortality rate and pension increases.

Other (Provisions for risks and charges, doubtful accounts)

Provisions for risks and charges are based on measurements and estimates relating to historic data and

assumptions, which in turn are deemed reasonable and realistic according to the related circumstances.

Financial risk management

RISK FACTORS

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

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

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

The Company specifically monitors each of the aforementioned financial risks, taking prompt action in order to minimise such risk. The Company uses derivative contracts relating to underlying financial assets or liabilities or future transactions. The Central Treasury Department operates directly on the market on behalf of subsidiary and investee companies. The management of the market and liquidity risks therefore takes place within the Company and specifically the Central Treasury Department, while credit risks are managed by the Company's operating units. The sensitivity analysis is subsequently used to indicate the potential impact on the final results deriving from hypothetical fluctuations in the reference parameters. As provided for by IFRS7, the analyses are based on simplified scenarios applied to the final figures and, owing to their nature, they cannot be considered indicative of the actual effects of future changes.

Market risk

FOREIGN EXCHANGE RISK

Datalogic operates internationally and is exposed to the risk associated with a variety of currencies.

Transaction risk mainly relates to financial transactions (foreign currency borrowings or loans) to/from subsidiaries in currencies other than their functional currency. The key currency is the US dollar (USD).

To permit full understanding of the foreign exchange risk on the Company's financial statements, we have

analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the exchange rate changes considered reasonably possible, with all other variables remaining equal.

The following tables show the results of this sensitivity analysis (Euro/000):

Items exposed to interest rate risk with impact on the income statement before taxes

| USD | Carrying value | Portion exposed to exchange rate risk | + 10% | + 5% | + 1% | -1.00% | -5.00% | -10.00% |
|---|----------------|---------------------------------------|---------|---------|--------|--------|---------|---------|
| Exchange rates | | 1.1993 | 1.3192 | 1.2593 | 1.2113 | 1.1873 | 1.1393 | 1.0794 |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 193,752 | 21,786 | (1,981) | (1,037) | (216) | 220 | 1,147 | 2,421 |
| Trade and other receivables | 35,131 | 821 | (74) | (39) | (8) | 9 | 44 | 92 |
| Loans | 264,497 | 28,862 | (2,624) | (1,374) | (286) | 292 | 1,519 | 3,207 |
| Loans (netting) | (1,139) | (742) | 67 | 35 | 7 | (7) | (39) | (82) |
| Total Loans | 263,358 | | | | | | | |
| | | | (4,612) | (2,415) | (503) | 514 | 2,671 | 5,638 |
| Financial liabilities | | | | | | | | |
| Loans | 254,831 | | | | | | | |
| Loans (netting) | 194,752 | 38,355 | 3,487 | 1,827 | 380 | (387) | (2,019) | (4,262) |
| Loans (netting) | (10,888) | (10,888) | (990) | (518) | (108) | 110 | 573 | 1,210 |
| Total Loans | 438,695 | | | | | | | |
| Trade and other payables | 10,028 | 140 | 12 | 6 | - | (2) | (8) | (17) |
| | | | 2,509 | 1,315 | 272 | (279) | (1,454) | (3,069) |
| Pre-tax impact on income statement, net | | | (2,103) | (1,100) | (231) | 235 | 1,217 | 2,569 |

Items exposed to exchange rate risk with impact on Equity

As at 31 December 2017, the Company held the following items exposed to exchange rate risk, with impact on Equity:

| USD | Carrying value | Portion exposed to exchange rate risk | + 10% | + 5% | + 1% | -1% | -5% | -10% |
|-----------------------|----------------|---------------------------------------|----------|---------|---------|--------|--------|--------|
| Exchange rates | | 1.1993 | 1.3192 | 1.2593 | 1.2113 | 1.1873 | 1.1393 | 1.0794 |
| Financial assets | | | | | | | | |
| Loans | 263,358 | 138,632 | (12,603) | (6,601) | (1,372) | 1,400 | 7,297 | 15,404 |
| | | | (12,603) | (6,601) | (1,372) | 1,400 | 7,297 | 15,404 |
| Financial liabilities | | | | | | | | |
| Loans | 438,694 | | | | | | | |
| Net impact at Equity | | | (12,603) | (6,601) | (1,372) | 1,400 | 7,297 | 15,404 |

Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2017, Datalogic had no interest rate swaps in place. On that date, almost all the medium/long-term loans of the Company were at fixed rate.

| Bank borrowings, mortgages and other short-/long-term loans | Amount | % |
|---|-------------|------|
| Fixed rate | 252,831,236 | 99% |
| Other | 2,000,000 | 1% |
| Total | 254,831,236 | 100% |

In order to fully understand the potential effects of fluctuations in interest rates to which the Company is exposed, we analysed the accounting items most at risk, assuming a change 20 basis points in the Euribor and of 10 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2017:

Items exposed to interest rate risk with impact on the income statement before taxes

| Euribor | carrying value | of which exposed to exchange rate risk | 20bp | -20bp |
|------------------------------------|-----------------------|---|--------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | 193,752 | 171,960 | 344 | (344) |
| Loans (netting) | 264,497 | 87,693 | 175 | (175) |
| Loans (netting) | (1,139) | (397) | (1) | 1 |
| Loans | 263,358 | - | 518 | (518) |
| Financial liabilities | | | | |
| Loans | 254,831 | - | - | - |
| Loans (netting) | 194,752 | 155,798 | (312) | 312 |
| Loans (netting) | (10,888) | - | - | - |
| Loans | 438,695 | - | (312) | 312 |
| Total increases (decreases) | | | 206 | (206) |

| USD Libor | carrying value | of which exposed to exchange rate risk | 10bp | -10bp |
|------------------------------------|-----------------------|---|-------------|--------------|
| Financial assets | | | | |
| Cash and cash equivalents | 193,752 | 21,786 | 22 | (22) |
| Loans (netting) | 264,497 | 10,888 | 11 | (11) |
| Loans (netting) | (1,139) | (742) | (1) | 1 |
| Total Loans | 263,358 | | 32 | (32) |
| Financial liabilities | | | | |
| Loans | 254,831 | - | - | - |
| Loans (netting) | 194,752 | 38,388 | (38) | 38 |
| Loans (netting) | (10,888) | (10,888) | 11 | (11) |
| Loans | 449,583 | - | (27) | 27 |
| Total increases (decreases) | | | 5 | (5) |

Items exposed to interest rate risk with impact on the Equity before taxes

| Euribor | carrying value | of which exposed to exchange rate risk | 20bp | -20bp |
|----------------|-----------------------|---|-------------|--------------|
| Loans | 263,358 | 9,310 | 19 | (19) |

Credit risk

Datalogic S.p.A, having no direct relations with customers but only with associates, was not in fact exposed to this risk.

Liquidity risk

The Company's liquidity risk is minimised by careful management by the Central Treasury Department. Bank indebtedness and the management of liquidity are handled via a series of instruments used to optimise the management of financial resources. Firstly, there are automatic mechanisms such as cash pooling (subsidiaries are in the process of being integrated into existing arrangements) with consequently easier maintenance of levels of availability. The Central Treasury manages and negotiates medium/long-term financing and credit lines to meet the Company's requirements. Specifically, following the company restructuring described above, each division's sub-holding companies have operating lines for short-term

requirements (revolving credit lines and on the receivables book) while Datalogic SpA, as the Parent Company, has cash credit lines for future requirements in favour of the Company. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Company's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income.

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

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

The following table analyses liabilities by maturity as at 31 December 2017 and 31 December 2016:

| As at 31 December 2017 | 0 - 1 year | 1 - 5 years | > 5 years |
|--------------------------|--------------------|--------------------|-------------------|
| Bank loans and mortgages | 47,917,076 | 184,080,827 | 20,833,333 |
| Other | 1,250,000 | 750,000 | - |
| Trade and other payables | 10,027,858 | - | - |
| Loans by Group Companies | 183,863,251 | - | - |
| Total | 243,058,185 | 184,830,827 | 20,833,333 |

| As at 31 December 2016 | 0 - 1 year | 1 - 5 years | > 5 years |
|-----------------------------|--------------------|--------------------|-----------|
| Bank loans and mortgages | 29,990,778 | 138,387,917 | - |
| Payables for leasing | 241,583 | - | - |
| Financial derivatives (IRS) | 37,007 | - | - |
| Trade and other payables | 8,335,747 | - | - |
| Loans by Group Companies | 153,469,193 | - | - |
| Total | 192,074,308 | 138,387,917 | 0 |

Changes in liabilities resulting from financial assets

The reconciliation of changes in liabilities resulting from financial assets is shown hereunder.

| Changes in Liabilities resulting from financial assets | 01.01.2017 | Cash Flows | Change in Business Combination | New contracts | 31.12.2017 |
|--|-------------|---------------|--------------------------------|---------------|-------------|
| Bank loans - current portion | 29,990,779 | (29,990,779) | - | 47,917,076 | 47,917,076 |
| Bank loans - non-current portion | 138,387,917 | (138,387,917) | - | 204,914,160 | 204,914,160 |
| Loans by Group/cash pooling netting - current portion | 153,469,193 | 30,394,058 | - | - | 183,863,251 |
| Lease payables - current portion | 241,583 | (241,583) | - | - | - |
| Other financial payables - current portion | - | | 1,250,000 | - | 1,250,000 |
| Other financial payables - non-current portion | - | | 750,000 | - | 750,000 |
| Total liabilities resulting from financial assets | 322,089,471 | (138,226,220) | 2,000,000 | 252,831,236 | 438,694,486 |

Information on statement of financial position - assets
NOTE 1. TANGIBLE ASSETS

Details of movements as at 31 December 2017 and 31 December 2016 are as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|---------------|
| Land | 2,465,710 | 2,465,710 | - |
| Buildings | 15,702,356 | 15,631,040 | 71,316 |
| Other assets | 3,917,479 | 3,062,477 | 855,002 |
| Assets in progress and payments on account | - | 320,806 | (320,806) |
| Total | 22,085,545 | 21,480,033 | 605,512 |

Changes taking place in the period are as follows:

| | Land | Buildings | Other assets | Assets in progress and payments on account | Total |
|--|------------------|-------------------|---------------------|---|--------------------|
| Historical cost | 2,465,710 | 17,780,669 | 10,370,242 | 320,806 | 30,937,427 |
| Accumulated depreciation | - | (2,149,629) | (7,307,765) | - | (9,457,394) |
| Net initial value at 01.01.2017 | 2,465,710 | 15,631,040 | 3,062,477 | 320,806 | 21,480,033 |
| Increases 31.12.2017 | | | | | |
| Investments | - | 108,563 | 1,703,565 | - | 1,812,128 |
| Reclassifications | - | - | - | - | - |
| Transfers | - | 192,175 | 128,631 | - | 320,806 |
| Depreciation reversal | - | - | 162,378 | - | 162,378 |
| total | - | 300,738 | 1,994,574 | - | 2,295,312 |
| Decreases 31.12.2017 | | | | | |
| Disposals | - | - | (166,812) | - | (166,812) |
| Reclassifications | - | - | - | - | - |
| Transfers | - | - | - | (320,806) | (320,806) |
| Depreciation | - | (229,422) | (972,760) | - | (1,202,182) |
| total | - | (229,422) | (1,139,572) | (320,806) | (1,689,800) |
| Historical cost | 2,465,710 | 18,081,407 | 12,035,626 | - | 32,582,743 |
| Accumulated depreciation | - | (2,379,051) | (8,118,147) | - | (10,497,198) |
| Net closing value at 31.12.2017 | 2,465,710 | 15,702,356 | 3,917,479 | 0 | 22,085,545 |

The "Buildings" item increased by €108,563 for the completion of building works in the owned property.

The increase for the year of €1,703,565 thousand in the "Other assets" item primarily breaks down as follows:

- €1,484,709 for the purchase of a new hardware and, in particular, €1,019,388 for the new telephone system;

- €155,167 for the purchase of new furniture and fittings;
- €63,689 for new electrical, hydraulic and air-conditioning systems for the new buildings

NOTE 2. INTANGIBLE ASSETS

Details of movements as at 31 December 2017 and 31 December 2016 are as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|-------|------------|------------|-----------|
| Other | 3,809,429 | 2,771,669 | 1,037,760 |
| Total | 3,809,429 | 2,771,669 | 1,037,760 |

Changes taking place in the period are as follows:

| | Other | Total |
|---------------------------------|-------------|-------------|
| Historical cost | 10,255,912 | 10,255,912 |
| (Accumulated amortisation) | (7,484,243) | (7,484,243) |
| Opening value as at 01.01.2017 | 2,771,669 | 2,771,669 |
| Increases 31.12.2017 | | |
| Investments | 1,992,107 | 1,992,107 |
| Reclassifications | - | - |
| Amortisation reversal | 5,328 | 5,328 |
| Total | 1,997,435 | 1,997,435 |
| Decreases 31.12.2017 | | |
| Disposals | (21,311) | (21,311) |
| Reclassifications | - | - |
| Amortisation | (938,364) | (938,364) |
| Total | (959,675) | (959,675) |
| Historical cost | 12,226,708 | 12,226,708 |
| Accumulated amortisation | (8,417,279) | (8,417,279) |
| Net closing value at 31.12.2017 | 3,809,429 | 3,809,429 |

The increase for the year of €1,992,107 the item "Others" relates to:

- €1,014,132 for software and primarily:
 - a. €58,765, software for videoconference system;
 - b. €201,207, software for customer service solutions;
 - c. €75,000, software for the management of printers;
 - d. €99,020 for software for IT infrastructures;
 - e. €68,823, software for the management of human

resources.

- €258,821 for implementations of SAP managing software;
- €432,000 for the acquisition of a new Trademark;
- €287,154 for intangible assets in progress.

NOTE 3. EQUITY INVESTMENTS

Equity investments held by the Company as at 31 December 2017 were as follows:

| | Balance as at 31.12.2016 | Increases | Decreases | Change | Balance as at 31.12.2017 |
|------------------|--------------------------------|-----------|-----------|-----------|-----------------------------|
| Subsidiaries | 174,598,858 | 9,568,000 | - | 9,568,000 | 184,166,858 |
| Associates | 550,000 | 150,000 | - | - | 700,000 |
| Total Associates | 175,148,858 | 9,718,000 | 0 | 9,568,000 | 184,866,858 |

On 6 July 2017, Datalogic S.p.A. acquired 100% share capital of the company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals, with registered office in Olching (Munich - Germany). The maximum total investment of the Group for the acquisition of Soredi Touch Systems GmbH, amounted to €9.6 million including the acquired net financial position and the best estimate of earn-outs depending on the achievement of sales and profitability targets to be paid over the next few years. At closing, Datalogic S.p.A. paid €5.6 million cash and €2 million treasury shares (equal to 85,215 shares). Datalogic will make the residual payment, equal to €2 million, within 2021.

The increase of related equity investments refers to the purchase, occurred on 15 November 2017, of 20% of the company R4I (acronym of Research for Innovation), an innovative SME in Benevento (Italy), specialised in the development of solutions based on the RFIS (Radiofrequency Identification) technology.

For a comparison between the carrying value and the corresponding value recognised in the Shareholders' Equity of investees as at 31 December 2017, reference is made to Annex 1. Negative differentials disclosed herein are not considered as impairment losses. No adjustment was therefore carried out on the amount recognised in the Assets.

NOTE 4. FINANCIAL INSTRUMENTS BY CATEGORY

The financial statement items coming within the scope of "financial instruments" as defined by IAS/IFRSs are as follows:

| 31.12.2017 | Loans and receivables | Financial assets at fair value through profit & loss | Available for sale | Total |
|---|-----------------------|--|--------------------|-------------|
| Non-current financial assets | 181,251 | 31,444,188 | 9,572,215 | 41,197,654 |
| Financial assets - Equity investments (5) | - | - | 9,572,215 | 9,572,215 |
| Financial assets - Other | - | 31,444,188 | - | 31,444,188 |
| Other receivables (7) | 181,251 | - | - | 181,251 |
| Current financial assets | 199,040,265 | - | - | 199,040,265 |
| Trade receivables from third parties (7) | 10,774 | - | - | 10,774 |
| Other receivables from third parties (7) | 5,277,104 | - | - | 5,277,104 |
| Cash and cash equivalents (10) | 193,752,387 | - | - | 193,752,387 |
| TOTAL | 199,221,516 | 31,444,188 | 9,572,215 | 240,237,919 |

| 31.12.2017 | Other financial liabilities | Total |
|--|-----------------------------|-------------|
| Non-current financial liabilities | 205,664,160 | 205,664,160 |
| Financial payables (12) | 205,664,160 | 205,664,160 |
| Financial liabilities - Derivative instruments (6) | - | - |
| Other payables (16) | - | - |
| Current financial liabilities | 58,084,637 | 58,084,637 |
| Trade payables to third parties (16) | 5,237,829 | 5,237,829 |
| Other payables (16) | 3,679,732 | 3,679,732 |
| Financial liabilities - Derivative instruments (6) | - | - |
| Short-term financial payables (12) | 49,167,076 | 49,167,076 |
| TOTAL | 263,748,797 | 263,748,797 |

Fair value - hierarchy

All the financial instruments measured at fair value are classified in the three categories defined below:

Level 1: market prices,

Level 2: valuation techniques (based on observable mar-

ket data),

Level 3: valuation techniques (not based on observable market data).

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|------------|---------|------------|
| Assets measured at fair value | | | | |
| Financial assets - Equity investments (5) | 9,495,486 | - | 76,729 | 9,572,215 |
| Financial assets - Other LTs (5) | 9,963,913 | 21,480,275 | - | 31,444,188 |
| Total Assets measured at fair value | 19,459,399 | 21,480,275 | 76,729 | 41,016,403 |
| Total Liabilities measured at fair value | 0 | 0 | 0 | 0 |

There are no transferrals among the hierarchical levels of fair-value compared to 31 December 2016 and in the comparison period. There have also been no changes in the allocation of the financial instruments that resulted in

a differing classification for them.

NOTE 5. FINANCIAL ASSETS

The financial assets include the following items:

| | 31/12/2017 | 31/12/2016 | Change |
|--------------------------|------------|------------|-----------|
| Other financial assets | 31,444,188 | 31,006,523 | 437,665 |
| Other financial assets | 31,444,188 | 31,006,523 | 437,665 |
| Other equity investments | 9,572,215 | 4,303,493 | 5,268,722 |
| Total | 41,016,403 | 35,310,016 | 5,706,387 |

The "Other financial assets" item consists of an investment of corporate liquidity in two insurance policies subscribed in May and July 2014, and a mutual investment fund subscribed in August 2015.

Other equity investments

As at 31 December 2017, equity investments held in other companies were as follows:

| | 31.12.2016 | Adjustment on exchange rates | Adj. to fair value | 31.12.2017 |
|-----------------------------|------------|------------------------------|--------------------|------------|
| Unlisted equity investments | 76,729 | - | - | 76,729 |
| Listed equity investments | 4,226,764 | (893,376) | 6,162,098 | 9,495,486 |
| Total Equity investments | 4,303,493 | (893,376) | 6,162,098 | 9,572,215 |

The amount of the "Listed equity investments" item is represented by the 1.2% investment in the share capital of the Japanese company Idec Corporation listed on the Tokyo Stock Exchange.

NOTE 6. DERIVATIVES

| | 31.12.2017 | | 31.12.2016 | |
|--|------------|-------------|------------|-------------|
| Interest rate derivatives - €/000 | Assets | Liabilities | Assets | Liabilities |
| Interest rate swaps - (on loans in euro) | - | - | - | 37,007 |
| Interest rate swaps - (on loans in USD) | - | - | - | - |
| Total | 0 | 0 | 0 | 37,007 |

Interest rate derivatives

As at 31 December 2017, the Company had no interest rate swap contracts in place.

Currency derivatives

As at 31 December 2017, the Company had no active forward contracts for exchange rate risk.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|------------|
| Trade receivables within 12 months | 10,774 | 22,355 | (11,581) |
| Trade receivables after 12 months | - | - | - |
| Receivables from subsidiaries | 28,359,181 | 9,536,213 | 18,822,968 |
| Trade receivables | 28,369,955 | 9,558,568 | 18,811,387 |
| Other receivables - accrued income and prepaid expenses | 6,761,457 | 1,113,770 | 5,647,687 |
| Other receivables from subsidiaries | - | - | - |
| Other receivables - accrued income and prepaid expenses | 6,761,457 | 1,113,770 | 5,647,687 |
| Trade and other receivables | 35,131,412 | 10,672,338 | 24,459,074 |

"Trade receivables" of €28,359,181 thousand mainly refer to trade receivables relating to royalties for the use of the trademark and services provided by the Company as stipulated in contracts between the parties. The change is due to the different invoicing timing for services rendered to subsidiaries.

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As at 31 December 2017 the breakdown of the item by due date is as follows:

| | 2017 | 2016 |
|-------------------------------|------------|-----------|
| Not yet due | 27,789,215 | 8,601,840 |
| Past due by 30 days | 6,667 | (135,136) |
| Past due by 30 - 60 days | 19,209 | 214,189 |
| Past due by more than 60 days | 554,864 | 877,675 |
| Total | 28,369,955 | 9,558,568 |

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

| Currency | 2017 | 2016 |
|------------------------------|------------|-----------|
| EURO | 27,749,705 | 8,606,070 |
| US Dollar (USD) | 601,103 | 929,763 |
| British Pound Sterling (GBP) | 13,378 | 13,863 |
| Australian Dollar (AUD) | 5,770 | 8,872 |
| TOTAL | 28,369,955 | 9,558,568 |

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

| | 31.12.2017 | 31.12.2016 | Change |
|--------------------------------------|-------------|------------|-------------|
| Advances paid to suppliers | 194,895 | 273,089 | (78,194) |
| Other social security receivables | 12,530 | 2,630 | 9,900 |
| Other | 35,499 | 125,059 | (89,560) |
| Guarantee deposits | 25,398 | 16,120 | 9,278 |
| Accrued income and prepaid expenses | 1,046,504 | 282,281 | 764,223 |
| VAT tax receivables | 5,190,033 | 414,591 | 4,775,442 |
| Payables for consolidated VAT | (2,716,703) | - | (2,716,703) |
| Sundry receivables from subsidiaries | 2,973,301 | - | 2,973,301 |
| Total | 6,761,457 | 1,113,770 | 5,647,687 |

The "Accrued income and prepaid expenses" item concerns costs pertaining to 2018, mainly referred to hardware/software maintenance and assistance fees and costs for software licenses.

The VAT receivables as at 31 December 2017 increased

due to the different periodical invoicing of services rendered to subsidiaries.

The increase in the "Sundry receivables from subsidiaries" item is due primarily to dividends to be received from the subsidiary Datalogic Srl.

NOTE 8. TAX RECEIVABLES

| | 31/12/2017 | 31/12/2016 | Change |
|---------------------------------|------------|------------|----------|
| Receivables from parent company | - | - | - |
| Tax receivables | 1,146,576 | 1,172,666 | (26,090) |
| Short-term tax receivables | 1,146,576 | 1,172,666 | (26,090) |

"Tax receivables", totalling €1,146,576, are broken down as follows:

- €860,807 relate to receivables for withholding taxes abroad;
- €265,390 receivables related to payments on account for IRAP tax;
- €20,380 receivables for withholding tax on bank interest income.

NOTE 9. LOANS TO SUBSIDIARIES

| | 31/12/2017 | 31/12/2016 | Change |
|-----------------------------------|-------------|-------------|--------------|
| Non-current loans to subsidiaries | - | - | - |
| Current loans to subsidiaries | 263,358,273 | 309,195,037 | (45,836,764) |
| Total | 263,358,273 | 309,195,037 | (45,836,764) |

"Loans to subsidiaries" breaks down as follows:

| Loans | 31/12/2017 | 31/12/2016 | Amount in foreign currency |
|---------------------------------|-------------|-------------|----------------------------|
| Datalogic USA Inc | 121,747,275 | 138,517,700 | USD 146,011,507 |
| Datalogic Srl | 16,884,850 | 19,210,701 | USD 20,250,000 |
| Datalogic Hungary Kft | 9,310,000 | 9,310,000 | - |
| Datalogic Australia Pty | - | 1,781,310 | AUD 2.600.000 |
| Datalogic Singapore Ltd | - | 948,677 | USD 1,000,000 |
| Cash pooling | | | |
| Datalogic USA Inc | 16,945,654 | 66,373,738 | |
| Datalogic Srl | 59,590,724 | 34,174,949 | |
| Datalogic IP-Tech Srl | 26,327,044 | 21,115,215 | |
| Datalogic Srl - Sweden (branch) | 6,019,246 | 5,832,997 | |
| Datalogic Srl - Spain (branch) | 2,833,061 | 4,752,364 | |
| Informatics | 2,291,333 | 1,869,693 | |
| Datalogic Srl - UK (branch) | 1,208,602 | 2,848,385 | |
| Datalogic Srl - France (branch) | 200,484 | 2,459,309 | |
| Total | 263,358,273 | 309,195,038 | |

During the year, the subsidiaries Datalogic Australia Pty and Datalogic Singapore Ltd repaid the Company of the loans granted.

NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows for the purposes of the cash flow statement:

| | 31.12.2017 | 31.12.2016 | Change |
|--|-------------|------------|-------------|
| Bank and post office deposits and cash pooling | 193,748,512 | 78,219,083 | 115,529,429 |
| Cash and valuables on hand | 3,875 | 3,705 | 170 |
| Cash and cash equivalents for statement | 193,752,387 | 78,222,788 | 115,529,599 |

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

| (Euro/000) | 31.12.2017 | 31.12.2016 |
|--|---------------|---------------|
| A. Cash and bank deposits | 193,752,387 | 78,222,788 |
| B. Other cash and cash equivalents | - | - |
| C. Securities held for trading | - | - |
| c1. Short-term | - | - |
| c2. Long-term | - | - |
| D. Cash and cash equivalents (A) + (B) + (C) | 193,752,387 | 78,222,788 |
| E. Current financial receivables | 263,358,273 | 309,195,037 |
| F. Other current financial receivables | - | - |
| G. Bank overdrafts | - | - |
| H. Current portion of non-current debt | 233,030,327 | 183,701,554 |
| I. Other current financial payables | - | 37,007 |
| I2. Hedging transactions | - | 37,007 |
| J. Current financial debt (G) + (H) + (I) | 233,030,327 | 183,738,561 |
| K. Current financial debt, net (J) - (D) - (E) - (F) | (224,080,333) | (203,679,264) |
| L. Non-current bank borrowing | 205,664,160 | 138,387,917 |
| M. Other financial assets | 31,444,188 | 31,006,523 |
| N. Other non-current liabilities | - | - |
| O. Non-current financial debt (L) - (M) + (N) | 174,219,972 | 107,381,394 |
| P. Net financial debt (K) + (O) | (49,860,361) | (96,297,870) |

Net financial position as at 31 December 2017 was €49,860,361, a decrease of €46,437,509 compared to 31 December 2016 (EUR 96,297,870).

Note that the following transactions were carried out in the period:

- payment of dividends of €17,443,278.60;
- acquisition of the company Soredi Touch System GmbH and the trademark, occurred on 06 July 2017, which involved a disbursement of €5,866,000;
- new credit line for the value of €250 million, with ma-

turity term in 2023 (for further details, reference is made to Note 12);

- reimbursement of loans from subsidiaries Datalogic Australia Ltd and Datalogic Singapore Ltd for a total amount of €1,933,250.

The "Other financial assets" item consists of an investment of corporate liquidity in two insurance policies and a mutual fund that are readily convertible into cash.

Information on statement of financial position - shareholders' equity and liabilities

NOTE 11. SHAREHOLDERS' EQUITY

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

| | 31.12.2017 | 31.12.2016 |
|---|-------------|-------------|
| Share capital | 30,392,175 | 30,392,175 |
| Share premium reserve | 106,940,859 | 106,145,515 |
| Extraordinary share-cancellation reserve | 2,813,190 | 2,813,190 |
| Treasury shares held in portfolio | 6,119,564 | 4,119,564 |
| Treasury share reserve | 2,025,473 | 2,820,817 |
| Share capital | 148,291,261 | 146,291,261 |
| Cash-flow hedge reserve | (948,066) | (28,125) |
| Valuation reserve at current value | 5,695,246 | 489,748 |
| Severance indemnity discounting reserve | 88,146 | 88,146 |
| Other reserves | 4,835,326 | 549,769 |
| Retained earnings | 112,921,061 | 92,502,593 |
| Earnings carried forward | 73,071,234 | 37,961,518 |
| Temporary reserve for exchange rate adjustment | 8,981,690 | 23,672,937 |
| Capital contribution reserve | 958,347 | 958,347 |
| Reserve for surplus from cancellation, Datalogic RE Srl | 203,538 | 203,538 |
| Legal reserve | 6,078,435 | 6,078,436 |
| IAS reserve | 8,423,473 | 8,423,473 |
| Capital contribution reserve | 15,204,344 | 15,204,344 |
| Profit for the year | 25,591,520 | 52,334,217 |
| Total Shareholders' Equity | 291,639,168 | 291,677,840 |

Share capital

The share capital as at 31 December 2016 and 31 December 2017 is reported below (in €/000):

| | Number of shares | Share capital | Extraordinary share-cancellation reserve | Share premium reserve | Treasury shares | Treasury share reserve | Total |
|---|------------------|---------------|--|-----------------------|-----------------|------------------------|-------------|
| 01.01.2017 | 58,144,262 | 30,392,175 | 2,813,190 | 106,145,515 | 4,119,564 | 2,820,817 | 146,291,261 |
| Purchase of treasury shares | - | - | - | - | - | - | - |
| Sale of treasury shares | 85,215 | - | - | 795,344 | 795,344 | (795,344) | 795,344 |
| Capital gain on sale of treasury shares | - | - | - | - | 1,204,656 | - | 1,204,656 |
| 31.12.2017 | 58,229,477 | 30,392,175 | 2,813,190 | 106,940,859 | 6,119,564 | 2,025,473 | 148,291,261 |

Ordinary shares

As at 31 December 2017, the total number of ordinary shares was 58,446,491, including 217,014 held as treasury shares, making the number of shares in circulation at that date 58,229,477. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

The "Treasury shares" item, amounting to €6,119,564, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€8,145,037). During 2017, the Company sold 85,215 treasury shares, with a value of €2,000,000 for the acquisition of the company SOREDI Touch Systems GmbH, with a capital gain of €1,204,656.

For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,025,473, was made unavailable by using the Share premium reserve.

Other Reserves

Cash-flow hedge reserve

Pursuant to provisions set forth by IAS 39, the change in fair value of derivative contracts, designated as effective hedging instruments, is recognised in accounts directly with Shareholders' Equity, in the cash-flow hedge reserve. These contracts were entered to hedge exposure to the risk of interest rate fluctuations on variable-rate loans. The reserve, negative by €948,066, includes the fair value of the hedging instrument related to refinancing.

Capital contribution reserve

This reserve has been created after the recording, under the Company's assets, of the equity investments in the company Datalogic IP Tech S.r.l.

Reserve for surplus from cancellation, Datalogic Real Estate S.r.l.

This reserve has been created after the cancellation of the Company's equity investment in the company Datalogic Real Estate S.r.l.

Retained earnings

IAS reserve

This reserve was created upon first-time adoption of international accounting standards at 1 January 2006 in accordance with IFRS 1.

Dividends

On 4 May 2017, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.30 per share (€0.25 in 2016). The overall dividends began to be paid starting from 10 May 2017 and had been paid in full by 31 December.

Classification of Shareholders' equity items

| Nature/description | Amount | Possible use | Amount available | Summary of uses made in the 3 previous years | |
|--|-------------|--------------|------------------|--|-------------------|
| | | | | For hedging against losses | For other reasons |
| Share capital | 30,392,175 | | | | |
| Capital reserves | 133,564,485 | | | | |
| Share premium reserve | 106,940,859 | A,B | 106,940,859 | - | - |
| Extraordinary share-cancellation reserve | 2,813,190 | A,B,C | 2,813,190 | - | - |
| Treasury share reserve | 2,025,473 | - | - | - | 5,282,262 |
| Capital contribution reserve | 15,204,345 | A,B,C | 15,204,345 | - | - |
| Merger surplus | 203,538 | A,B,C | 203,538 | - | - |
| Revaluation reserves | 257,516 | A,B | - | - | - |
| Treasury share reserve | 6,119,564 | - | 6,119,564 | - | - |
| Other reserves | 4,835,326 | | | | |
| Cash-flow hedge reserve | (948,066) | - | - | - | - |
| Valuation reserve for financial assets held for sale | 5,695,246 | - | - | - | - |
| Severance indemnity discounting reserve | 88,146 | - | - | - | - |
| Retained earnings | 97,255,662 | | | | |
| Earnings carried forward | 70,415,921 | A,B,C | 70,415,921 | - | 2,776,423 |
| Reserve for deferred tax assets | 2,655,313 | A,B | 2,655,313 | - | - |
| Reserve for exchange rate adjustment | 8,981,690 | A,B | 8,981,690 | - | - |
| Capital contribution reserve | 958,347 | B | - | - | - |
| Legal reserve | 6,078,435 | B | - | - | - |
| IAS/IFRS transition reserve | 8,165,956 | A,B,C | - | - | - |
| Total | | | 213,334,420 | | |
| Non-distributable portion | | | 124,697,426 | | |
| Distributable residual portion | | | 88,636,994 | | |

Key: A: for capital increase B: to cover losses C: for payments to shareholders

The Deferred tax reserve is a reserve temporarily non-distributable until the date on which the deferred tax assets posted on the statement of financial position are realised.

The Temporary reserve for adjustment on exchange rates was created in application to IAS 21.15. This reserve comprises profit/losses generated by monetary elements, which are an integral part of the net investment of foreign managements. €8,981,690 are related to the effect of exchange rates measurement at year-end for receivables for loans in US dollars granted to the subsidiaries Data-logic USA Inc. and Datalogic S.r.l.. For these loans no reg-

ulation and/or defined reimbursement plan are provided, nor is it deemed probable that they will be reimbursed in the foreseeable future.

The Actuarial gains and losses reserve comprises the Income Statement profit and losses pursuant to provisions set out by IAS 19R.

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

The breakdown of this item is as detailed below:

| | 31.12.2017 | 31.12.2016 | Change |
|---|-------------|-------------|-------------|
| Bank loans | 252,831,236 | 168,378,695 | 84,452,541 |
| Loans by Group Companies/cash pooling - netting | 183,863,251 | 153,469,193 | 30,394,058 |
| Payables for leasing | - | 241,583 | (241,583) |
| Other financial liabilities | 2,000,000 | - | 2,000,000 |
| Total Financial payables | 438,694,487 | 322,089,471 | 116,605,016 |

Financial payables are represented as follows:

| | within 12 months | after 12 months | after 5 years | Total |
|--|------------------|-----------------|---------------|-------------|
| Current accounts/cash pooling | 183,863,251 | - | - | 183,863,251 |
| Bank loans, mortgages and other financial institutions | 47,917,076 | 184,080,827 | 20,833,333 | 252,831,236 |
| Other | 1,250,000 | 750,000 | - | 2,000,000 |
| Total | 233,030,327 | 184,830,827 | 20,833,333 | 438,694,487 |

The "current accounts/cash pooling" item relates to payables to Group companies owing to cash pooling agreements for centralised liquidity management.

The "Others" item includes the financial debt related to the acquisition of the company SOREDI Touch Systems GmbH, which will be paid by 2021.

Bank loans

Following is the breakdown of changes in "bank loans" as at 31 December 2017:

| | 2017 | 2016 |
|-------------------------------|---------------|--------------|
| Opening balance | 168,378,695 | 171,330,830 |
| Increases | 249,249,304 | 29,841,000 |
| Repayments | (125,580,667) | (20,000,000) |
| Decreases for loan repayments | (39,216,096) | (12,793,135) |
| Closing balance | 252,831,236 | 168,378,695 |

On 13 April, the Company an agreement for a new credit line worth €250 million and maturing in 2023. The loan granted was partly intended for an early redemption, compared to the original maturity, of the existing credit line (€126 million), and partly to support the ordinary activities and development of the Group.

The transaction was concluded at a fixed rate, so as to allow the Company to take advantage of the favourable interest rates currently available on the market and to lock in the cost of the Datalogic Group funding over the coming years.

Guarantees given by banks in the Company's favour total €735,362. Moreover, the Company issued a credit mandate in the amount of €2,598,055 related to the issue of trade guarantees in the interest of subsidiaries and a guarantee of €1,973,504 in favour of the Inland Revenue Office, for VAT credit of the company Datalogic Iptech Srl.

Financial leases

In past years, the Company entered a financial lease agreement for the telepresence system, which expired this year:

| EURO/000 | 31 December 2017 | | 31 December 2016 | |
|------------------------------|------------------|---------------------------|------------------|---------------------------|
| | Minimum payments | Current value of payments | Minimum payments | Current value of payments |
| Within the year | | | 248 | 242 |
| Total minimum payments | | | 248 | 242 |
| Less interest expenses | | | (6) | |
| Current value of lease costs | | | 242 | 242 |

NOTE 13. DEFERRED TAXES

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

Below we show the main items forming deferred tax assets and deferred tax liabilities and changes occurring in them over the year:

| Deferred tax liabilities | FX Differences | Deprec. and Amort. | Provisions | Other | Round. | Total |
|---|----------------|--------------------|------------|-----------|--------|-----------|
| As at 01 January 2017 | 8,191,000 | 1,343,000 | (128,000) | 51,000 | 480 | 9,457,480 |
| Provisioned in (released from) Income Statement | (62,000) | (51,313) | - | 33,240 | - | (80,073) |
| Provisioned in (released from) Shareholders' Equity | 76,076 | - | - | - | - | 76,076 |
| Reclassifications | 82,000 | 100,000 | 18,962 | 113,000 | (480) | 313,482 |
| As at 31 December 2017 | 8,287,076 | 1,391,687 | (109,038) | (197,240) | 0 | 9,766,965 |

| Deferred tax assets | FX Differences | Deprec. and Amort. | Provisions | Other | Round. | Total |
|---|----------------|--------------------|------------|---------|--------|-----------|
| As at 01 January 2017 | 1,075,000 | - | 228,000 | 3,000 | 432 | 1,306,432 |
| Provisioned in (released from) Income Statement | 1,765,000 | 35,000 | 271,517 | 65,000 | - | 2,136,517 |
| Provisioned in (released from) Shareholders' Equity | 4,583,000 | - | - | (8,064) | - | 4,574,936 |
| Reclassifications | 82,000 | 100,000 | 18,000 | 113,000 | (432) | 312,568 |
| As at 31 December 2017 | 7,505,000 | 135,000 | 517,517 | 172,936 | 0 | 8,330,453 |

NOTE 14. POST-EMPLOYMENT BENEFITS

| | 31.12.2017 | 31.12.2016 |
|--|------------|------------|
| 01.01.2017 | 484,422 | 527,123 |
| Amount allocated in the period | 215,023 | 224,409 |
| Amount transferred for transfer of employment relationships | 8,495 | (18,091) |
| Uses | (134,970) | (122,322) |
| Social security receivables for the employee severance indemnity reserve | (74,725) | (126,697) |
| 31.12.2017 | 498,245 | 484,422 |

The item Uses is related to €103,387 for resignations and €26,255 for requests of advance payments.

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

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

| | 31.12.2017 | 31.12.2016 | change |
|---|------------|------------|---------|
| Long-term provisions for risks and charges | 1,748,000 | 903,725 | 844,275 |
| Short-term provisions for risks and charges | 85,854 | 82,854 | 3,000 |
| Total Provisions for risks and charges | 1,833,854 | 986,579 | 847,275 |

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

| | 31.12.2016 | Increases | (decreases) | 31.12.2016 |
|---|------------|-----------|-------------|------------|
| Provision for management incentive scheme | 903,725 | 844,275 | - | 1,748,000 |
| Provision for tax liabilities | 7,854 | - | - | 7,854 |
| Other funds | 75,000 | 538,446 | (535,446) | 78,000 |
| Total Provisions for risks and charges | 986,579 | 1,382,721 | (535,446) | 1,833,854 |

The "Provision for management incentive scheme" is attributable to the estimate on the portion pertaining to the provision for a long-term plan for directors and managers.

The "Other funds" item refers to transactions in place with employees.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|-----------|
| Trade payables | 5,896,589 | 4,570,820 | 1,325,769 |
| Trade payables due within 12 months | 5,237,829 | 4,030,551 | 1,207,278 |
| Payables to Group companies | 658,760 | 540,269 | 118,491 |
| Other short-term payables | 3,679,967 | 3,300,020 | 379,947 |
| Accrued liabilities and deferred income | 451,302 | 464,907 | (13,605) |

The change in the "Trade payables falling due within 12 months" item is primarily due to a higher number of projects implemented in 2017 compared to the previous year, following the Group's organisational changes. In particular, the change in payables at year end is determined above all by new maintenance fees and software assistance.

Other payables - accrued liabilities and deferred income

The detailed breakdown of "Other payables" was as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|------------|-----------|
| Payables to pension and social security agencies | 1,055,745 | 932,485 | 123,260 |
| Payables to employees | 1,821,730 | 1,494,717 | 327,013 |
| Directors' remuneration payable | 740,849 | 479,778 | 261,071 |
| Deferred income on investment grants | 451,302 | 464,907 | (13,605) |
| Other payables to the Group | 235 | 44,339 | (44,104) |
| Group VAT payables | - | 254,854 | (254,854) |
| Other payables | 61,408 | 93,847 | (32,439) |
| Total | 4,131,269 | 3,764,927 | 366,342 |

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at the reporting date.

The item "Deferred income on investment grants" totalling €451,302 relates to the reclassification of public capital grants on assets.

These grants were reversed from equity reserves based on the provisions of IAS 20 and reallocated among deferred income, in order to match them with the actual cost incurred, i.e. with depreciation of the assets to which they refer.

NOTE 17. TAX PAYABLES

| | 31.12.2017 | 31.12.2016 | Change |
|-------------------------|------------|------------|-------------|
| Short-term tax payables | 1,036,760 | 2,211,291 | (1,174,531) |
| Long-term tax payables | - | - | - |
| Total Tax payables | 1,036,760 | 2,211,291 | (1,174,531) |

Income tax payables only include liabilities for definite and calculated tax due and it is composed as follows:

- €398,547, Irpef withholding taxes related to employees;
- €252,762, payables for taxes towards the subsidiary Hydra S.p.a., following the adhesion of the tax consolidation regime.
- €228,838, amount payable for IRAP regional tax
- €153,548, amount payable related to a judicial conciliation settlement for tax assessment
- €3,065, withholding taxes on remuneration to freelancers.

Information on the income statement

NOTE 18. REVENUES

| | 31.12.2017 | 31.12.2016 | Change |
|---|------------|------------|-----------|
| Royalties for the uses of the trademark | 15,684,736 | 14,657,809 | 1,026,927 |
| Services rendered to subsidiaries | 10,914,432 | 9,377,300 | 1,537,132 |
| Total Revenues | 26,599,168 | 24,035,109 | 2,564,059 |

Revenues for services rendered to subsidiaries refer mainly, in the amount of €6,234,569 to costs for Information Technology, in the amount of €1,041,409 to structural costs and in the amount of €809,117 to payroll services and centralised HR services.

NOTE 19. COST OF GOODS SOLD AND OPERATING COSTS

| | 31.12.2017 | 31.12.2016 | Change |
|-------------------------------------|------------|-------------|-----------|
| TOTAL COST OF GOODS SOLD (1) | 1,964,645 | 1,470,216 | 494,429 |
| TOTAL OPERATING COSTS (2) | 22,928,404 | 18,369,209 | 4,559,195 |
| R&D expenses | 403,808 | 396,276 | 7,532 |
| of which non-recurring | - | - | |
| Distribution expenses | 901,807 | 1,848,076 | (946,269) |
| of which non-recurring | 1,600 | 9,340 | (7,740) |
| General and administrative expenses | 20,947,309 | 17,181,973 | 3,765,336 |
| of which non-recurring | 392,657 | 710,943 | (318,286) |
| Other operating costs | 675,480 | (1,057,116) | 1,732,596 |
| of which non-recurring | - | - | |
| Total (1+2) | 24,893,049 | 19,839,425 | 5,053,624 |
| of which non-recurring costs | 394,257 | 720,283 | (326,026) |

Non-recurring costs refer to the implementation plan for the new organisation of the Company Datalogic and refer primarily to professional advisory services.

Total Cost of goods sold (1)

Expenses related to the "Cost of goods sold" item are broken down as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|------------|----------|
| Personnel costs | 1,417,536 | 1,101,780 | 315,756 |
| Technical, legal and tax advisory services | 383,909 | 216,461 | 167,448 |
| Travel & accommodation | 55,576 | 79,539 | (23,963) |
| Rental and building maintenance | 34,019 | 16,136 | 17,883 |
| Utilities and telephone subscriptions | 24,221 | 11,592 | 12,629 |
| Vehicle leasing and maintenance | 18,472 | 18,898 | (426) |
| Costs for training of employees | 16,068 | 3,058 | 13,010 |
| Other costs | 12,928 | 22,284 | (9,356) |
| Amortisation/depreciation | 2,165 | 538 | 1,627 |
| Total Cost of goods sold | 1,964,894 | 1,470,286 | 494,608 |

Total Operating costs (2)

"Research and Development" expenses are made up as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|---|----------------|----------------|--------------|
| Software maintenance and assistance | 363,121 | 280,637 | 82,484 |
| Amortisation | 26,276 | 25,366 | 910 |
| Technical, legal and tax advisory services | 14,400 | - | 14,400 |
| Other costs | 11 | 863 | (852) |
| Personnel costs | - | 87,587 | (87,587) |
| Vehicle leasing and maintenance | - | 1,429 | (1,429) |
| Total Costs for Research and Development | 403,808 | 395,882 | 7,926 |

The "distribution" expenses are broken down as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|----------------|------------------|------------------|
| Personnel costs | 434,422 | 1,194,781 | (760,359) |
| Advertising and Marketing | 252,280 | 465,106 | (212,826) |
| Software maintenance and assistance | 62,911 | 32,913 | 29,998 |
| Amortisation | 51,342 | 48,809 | 2,533 |
| Other costs | 35,221 | 29,704 | 5,517 |
| Technical, legal and tax advisory services | 33,042 | 24,284 | 8,758 |
| Travel & accommodation | 13,545 | 28,147 | (14,602) |
| Entertainment expenses | 12,203 | 19,084 | (6,881) |
| Utilities and telephone subscriptions | 6,840 | 5,218 | 1,622 |
| Total Operating costs | 901,806 | 1,848,046 | (946,240) |

The change over the year is primarily due to:

- "Personnel cost", amounting to €760,359 for a reduced number of resources in the Marketing area;
- "Advertising and marketing", amounting to €212,826 for the insourcing of the press office activities.

The "General and administrative" expenses are broken down as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|------------------|
| Personnel costs | 9,306,528 | 7,893,257 | 1,413,271 |
| Software maintenance and assistance | 2,249,062 | 1,817,391 | 431,671 |
| Amortisation | 2,047,158 | 1,702,423 | 344,735 |
| Directors' remuneration | 1,966,235 | 1,193,862 | 772,373 |
| Technical, legal and tax advisory services | 1,728,382 | 1,854,926 | (126,544) |
| Utilities and telephone subscriptions | 1,124,336 | 930,626 | 193,710 |
| Rental and building maintenance | 423,958 | 320,899 | 103,059 |
| Service costs rendered by subsidiary | 412,028 | - | 412,028 |
| Travel & accommodation | 308,369 | 299,767 | 8,602 |
| Other costs | 282,365 | 191,902 | 90,463 |
| Accounts certification expenses | 240,562 | 177,669 | 62,893 |
| Membership fees | 181,968 | 176,181 | 5,787 |
| Stock exchange costs | 168,480 | 133,947 | 34,533 |
| Entertainment expenses | 137,838 | 107,551 | 30,287 |
| Board of Statutory Auditors' remuneration | 84,283 | 59,580 | 24,703 |
| Advertising and Marketing | 78,205 | 89,118 | (10,913) |
| Vehicle leasing and maintenance | 73,534 | 74,061 | (527) |
| Costs for training of employees | 58,553 | 96,464 | (37,911) |
| Insurance costs | 42,915 | 45,763 | (2,848) |
| Patent costs | 32,550 | 16,588 | 15,962 |
| Total Administrative and general costs | 20,947,309 | 17,181,975 | 3,765,334 |

The change over the year is primarily due to:

- "Personnel costs", amounting to €1,413,271, due to allocations to the Provision for management incentive scheme and to the hiring of new managers;
- "Software maintenance and assistance", amounting to €431,671 for new licences;
- "Service costs rendered by subsidiaries", amounting to €412,028, referring to costs charged to Datalogic Srl, which centrally manages invoicing of expenses borne by one or more companies for administrative, commercial activities or activities of some subsidiaries and the parent company.

The detail of the “Other operating costs” item is as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|-------------|-----------|
| Allocation to provisions for risks | 414,142 | - | 414,142 |
| Capital losses on assets | 2,598 | 4,929 | (2,331) |
| Contingent and unsubstantiated liabilities | 34,651 | 11,938 | 22,713 |
| Non-income taxes | 165,737 | 339,562 | (173,825) |
| Release of Provision for management incentive scheme | | (1,413,545) | 1,413,545 |
| Other | 58,352 | - | 58,352 |
| Total Other operating costs | 675,480 | (1,057,116) | 1,732,596 |

The “Release of Provision for management incentive scheme” item refers to last year’s release of the provision for management incentive scheme due to redundancies.

Breakdown of costs by type

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

| | 31.12.2017 | 31.12.2016 | Change |
|--|------------|-------------|-----------|
| Personnel costs | 11,158,486 | 10,268,404 | 890,082 |
| Software maintenance and assistance | 2,675,244 | 2,130,941 | 544,303 |
| Technical, legal and tax advisory services | 2,159,733 | 2,095,673 | 64,060 |
| Amortisation | 2,126,941 | 1,777,136 | 349,805 |
| Directors’ remuneration | 1,966,235 | 1,193,862 | 772,373 |
| Utilities and telephone subscriptions | 1,155,397 | 947,968 | 207,429 |
| Other costs | 1,117,339 | 354,505 | 762,834 |
| Rental and building maintenance | 462,769 | 344,644 | 118,125 |
| Service costs rendered by subsidiary | 412,028 | - | 412,028 |
| Travel & accommodation | 377,490 | 407,534 | (30,044) |
| Stock exchange costs and membership fees | 351,643 | 320,932 | 30,711 |
| Advertising and Marketing | 334,332 | 563,224 | (228,892) |
| Accounts certification expenses | 240,562 | 177,669 | 62,893 |
| Entertainment expenses | 141,616 | 116,763 | 24,853 |
| Vehicle leasing and maintenance | 96,401 | 101,002 | (4,601) |
| Board of Statutory Auditors’ remuneration | 84,283 | 59,580 | 24,703 |
| Patents | 32,550 | 16,588 | 15,962 |
| Release of Provision for management incentive scheme | - | (1,037,000) | 1,037,000 |
| Total (1+2) | 24,893,049 | 19,839,425 | 5,053,624 |

Costs related to "Software maintenance and assistance" increased by €544,303 due to new licenses.

Cost related to "Directors' remuneration" increased following the resolution of the Shareholders' Meeting held on 04 May 2017.

The "Release of Provision for management incentive scheme" item refers to last year's release of the provision

for management incentive scheme due to redundancies.

The amount of €412,028 in item "Service costs rendered by subsidiary" refers to expenses charged by subsidiaries for costs pertaining to the Parent Company.

The detailed breakdown of Personnel costs is as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|----------------|
| Wages & salaries | 7,159,623 | 6,822,156 | 337,467 |
| Social security charges | 1,849,543 | 1,772,580 | 76,963 |
| Employee severance indemnities | 234,679 | 234,925 | (245) |
| Retirement and similar benefits | 240,867 | 229,720 | 11,147 |
| Medium- to long-term managerial incentive plan | 844,275 | - | 844,275 |
| Reimbursements for seconded personnel | - | (9,267) | 9,267 |
| Other costs | 829,498 | 1,218,290 | (388,792) |
| Total | 11,158,486 | 10,268,404 | 890,082 |

The "Other costs" item includes €258,794 of Early retirement incentives and €358,602 of costs for the hiring of staff.

NOTE 20. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

| | 31.12.2017 | 31.12.2016 | Change |
|---|----------------|----------------|-----------------|
| Incidental income and cost cancellation | 16,021 | 34,000 | (17,979) |
| Rents | 510,382 | 509,188 | 1,194 |
| Ordinary capital gains | 1,922 | 404 | 1,518 |
| Other | 91,717 | 101,957 | (10,240) |
| Total Other revenues | 620,042 | 645,549 | (25,507) |

NOTE 21. NET FINANCIAL INCOME

| | 2017 | 2016 | Change |
|---------------------------------------|-------------|------------|--------------|
| Financial income/(expenses) | 1,754,077 | 3,464,023 | (1,709,946) |
| Bank expenses | (593,205) | (267,797) | (325,409) |
| Foreign exchange loss | (8,886,175) | (539,766) | (8,346,409) |
| Foreign exchange gains | 3,155,692 | 3,860,380 | (704,688) |
| Dividends | 25,397,506 | 43,400,928 | (18,003,422) |
| Other | 601,331 | 613,567 | (12,236) |
| Total Net financial income (expenses) | 21,429,226 | 50,531,336 | (29,102,110) |

Total Financial expenses

The "Foreign exchange losses" item equals €8,886,175 and is detailed as follows:

- €8,376,130 for alignment with the end-of-period exchange rate;
- €400,902 in foreign exchange losses relating to loans and current accounts in foreign currency;
- €109,143 in foreign exchange losses relating to commercial transactions;

The item "Bank expenses" of €593,205 relates to:

- €590,939 in ordinary banking commissions relating to the movements of current accounts and the taking out of medium-/long-term loans;
- €2,266 for fees on sureties.

Total Financial income

The item "Foreign exchange gains" of €3,155,692 relates to:

- €3,055,482 for alignment with the end-of-period exchange rate;
- €58,312 in foreign exchange gains relating to loans and current accounts in foreign currency;
- €41,898 in foreign exchange gains relating to commercial transactions.

The "Dividends" item, amounting to €25,397,506, relates to earnings distributed during 2017 as follows:

- Subsidiary Datalogic Srl for €25,268,987;
- Company Idec Corporation €128,519.

NOTE 22. TAXES

| | 31.12.2017 | 31.12.2016 |
|----------------|-------------|------------|
| Income tax | 380,254 | 2,725,792 |
| Deferred taxes | (2,216,387) | 312,555 |
| Total | (1,836,133) | 3,038,347 |

Deferred taxes were calculated according to global allocation criteria, considering the cumulative amount of all interim differences, based on the average rates expected to be in force at the time these temporary differences had an effect.

The reconciliation for 2017 of the nominal tax rate and the effective rate in the financial statements is shown in the following table:

2017

| | | |
|------------------------------------|-------------|---------|
| Pre-tax profit | 23,755,387 | |
| Nominal tax rate under Italian law | (5,701,293) | -24.00% |
| Effects of local taxes | (152,000) | -0.60% |
| Tax effect on dividends | 5,857,040 | 24.70% |
| Tax effects - previous years | 654,630 | 2.80% |
| Other effects | 1,177,756 | 4.96% |
| Consolidated effective tax rate | 1,836,133 | 7.73% |

Notice of independent auditors' fees

Pursuant to article 149-duodecies of the Issuer Regulation, implementing Legislative Decree 58 of 24 February

1998, the following is the summary schedule of fees pertaining to the year 2016 provided by the independent auditors and divided in auditing and other services.

| | Fees for auditing services | Other remuneration |
|---------------|----------------------------|--------------------|
| Datalogic Spa | 296,000 | - |

RELATED-PARTY TRANSACTIONS

| Related parties (Euro) | Hydra Spa | Hydra Immobiliare S.n.c. | Group company DL SRL | Group company Real Estate |
|---|-----------|--------------------------|----------------------|---------------------------|
| Receivables | | | | |
| Trade receivables | - | - | 30,661,646 | 18,667 |
| Receivables pursuant to tax consolidation | - | - | - | - |
| other receivables/prepaid expenses | - | - | - | - |
| Receivables for cash pooling | - | - | - | - |
| Financial receivables | - | - | 234,739,897 | - |
| Payables | | | | |
| Liabilities pursuant to tax consolidation | 252,762 | - | - | - |
| Trade payables | - | 8,060 | 635,101 | 9,804 |
| Other payables | - | - | - | - |
| Financial payables | - | - | 180,126,245 | 3,737,005 |
| Costs | | | | |
| Sales/service expenses | - | 113,018 | 592,692 | - |
| Financial costs | - | - | 311,256 | 3,531 |
| Revenues | | | | |
| Commercial revenues | - | - | 28,097,614 | 80,560 |
| Financial income | - | - | 5,137,218 | - |

| Related parties (Euro) | Informatics | Datalogic Ip Tech Srl | CAEN RFID | TOTAL 31.12.2017 |
|---|-------------|-----------------------|-----------|------------------|
| Receivables | | | | |
| Trade receivables | 58,939 | 589,177 | - | 31,328,428 |
| Receivables pursuant to tax consolidation | - | - | - | - |
| other receivables/prepaid expenses | - | - | - | - |
| Receivables for cash pooling | - | - | - | - |
| Financial receivables | 2,291,333 | 26,327,044 | - | 263,358,273 |
| Payables | | | | |
| Liabilities pursuant to tax consolidation | - | 2,716,703 | - | 2,969,465 |
| Trade payables | - | 687 | - | 653,652 |
| Other payables | - | - | - | - |
| Financial payables | - | - | - | 3,917,132 |
| Costs | | | | |
| Sales/service expenses | - | 4,445 | 13,719 | 723,874 |
| Financial costs | - | - | - | 314,787 |
| Revenues | | | | |
| Commercial revenues | 61,449 | 549,473 | - | 28,789,096 |
| Financial income | 49,403 | 56,021 | - | 5,242,642 |

TRANSACTIONS WITH COMPANIES CONTROLLED BY SHAREHOLDERS

Transactions with Hydra Immobiliare, a company controlled by the reference shareholders of the Company, refer to the rental of property by the Company (€133,018).

Company transactions with the parent company (Hydra Spa) mainly relate to the IRES payable of €252,762; the Company has joined the tax consolidation scheme, as a consolidated company (Hydra is the consolidator).



The Chairman of the Board of Directors
(Mr. Romano Volta)

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

For this information, please refer to the report on remuneration which will be published pursuant to article 123-ter of the T.U.F. [Consolidated Law on Finance] and will be published on the website www.datalogic.com.



Annexes

Annexes 1.
Rested consolidated income statement - 2016

| (Euro/000) | Note | 31.12.2016 | Reclassifications | 31.12.2016 Restated |
|---|------|------------|-------------------|------------------------|
| 1) Total revenues | 17 | 576,482 | | 576,482 |
| Revenues from sale of products | | 545,821 | | 545,821 |
| Revenues from services | | 30,661 | | 30,661 |
| of which non-recurring | | | | |
| of which from related parties | | 5,577 | | 5,577 |
| 2) Cost of goods sold | 18 | 311,278 | 154 | 311,432 |
| of which non-recurring | 18 | 86 | | 86 |
| of which from related parties | | 356 | | 356 |
| Gross profit (1-2) | | 265,204 | (154) | 265,050 |
| 3) Other operating revenues | 19 | 3,278 | | 3,278 |
| of which non-recurring | 19 | 0 | | 0 |
| of which from related parties | | 7 | | 7 |
| 4) R&D expenses | 18 | 50,542 | | 50,542 |
| of which non-recurring | 18 | 16 | | 16 |
| of which amortisation, depreciation and write-downs pertaining to acquisitions | | 105 | | 105 |
| of which from related parties | 18 | 99 | | 99 |
| 5) Distribution expenses | 18 | 101,541 | (3,752) | 97,789 |
| of which non-recurring | 18 | 333 | | 333 |
| of which from related parties | | 200 | (180) | 20 |
| 6) General and administrative expenses | 18 | 43,571 | 3,598 | 47,169 |
| of which non-recurring | 18 | | | 0 |
| of which amortisation, depreciation and write-downs pertaining to acquisitions | 18 | 988 | | 988 |
| of which to the parent company | | 4,809 | | 4,809 |
| of which from related parties | | 1,202 | 180 | 1,382 |
| 7) Other operating expenses | 18 | 2,583 | | 2,583 |
| of which non-recurring | 18 | (444) | | (444) |
| of which from related parties | | 0 | | 0 |
| Total operating costs | | 198,237 | (154) | 198,083 |

| (Euro/000) | Note | 31.12.2016 | Riclassifiche | 31.12.2016 Riclassificato |
|--|-------------|-------------------|----------------------|--------------------------------------|
| Operating result | | 70,245 | 0 | 70,245 |
| 8) Financial income | 20 | 19,502 | | 19,502 |
| of which from related parties | | 0 | | 0 |
| 9) Financial expenses | 20 | 22,537 | | 22,537 |
| Net financial income (expenses) (8-9) | | (3,035) | 0 | (3,035) |
| 10) Profits from associates | 3 | (318) | | (318) |
| Profit (loss) before taxes from the operating assets | | 66,892 | 0 | 66,892 |
| Income tax | 21 | 21,046 | | 21,046 |
| Profit/(loss) for the period | | 45,846 | 0 | 45,846 |
| Basic earnings/(loss) per share (€) | 22 | 0.79 | | 0.79 |
| Diluted earnings/(loss) per share (€) | 22 | 0.79 | | 0.79 |

Note: It should be noted that, since 2017, some costs have been reclassified under various items. Comparative data as at 31 December 2016 have therefore been disclosed accordingly.

Annexes 2.
**List of equity investments in subsidiaries and affiliates as at 31 December 2017
(art. 2427 No. 5 Of the Italian civil code)**

| Company | Registered office | Cur | Share capital in local currency | SHAREHOLDERS' EQUITY in Euro/000 | | |
|-----------------------------------|--------------------------|-----|---------------------------------|----------------------------------|---------------------|--|
| | | | | Total amount | Pro-rata amount (A) | |
| Informatics Holdings Inc. | Plano (Texas) - USA | USD | 9,996,000 | 13,987 | 13,987 | |
| Datalogic S.r.l. | Bologna - Italy | EUR | 10,000,000 | 159,600 | 159,600 | |
| Datalogic Real Estate France Sas | Paris - France | EUR | 2,227,500 | 3,560 | 3,560 | |
| Datalogic Real Estate UK Ltd, | Redbourn - UK | GBP | 3,500,000 | 4,390 | 4,390 | |
| Datalogic Real Estate GermanyGMBH | Erkenbrechtsweiler - DE | EUR | 1,025,000 | 1,389 | 1,389 | |
| Datalogic IP Tech s.r.l. | Bologna - Italy | EUR | 65,677 | 10,921 | 10,921 | |
| SORED I Touch Systems Gmbh | Olching (Munich)-Germany | EUR | 25,000 | 1,961 | 1,961 | |
| Total subsidiaries | | | | 195,808 | 193,847 | |
| CAEN RFID Srl | Viareggio (Lu)-Italy | EUR | 150,000 | 1,160 | 232 | |
| R4I S.r.l. | Benevento - Italy | EUR | 105,000 | 298 | 60 | |
| Total associates | | | | 1,458 | 292 | |
| Mandarin Capital Partners | | EUR | 1,779,186 | 1,975 | 12 | |
| Nomisma SpA | Bologna - Italy | EUR | 6,963,500 | 7,444 | 6 | |
| Conai | | | | | | |
| Caaf Ind. Emilia Romagna | Bologna - Italy | EUR | 377,884 | 667 | 6 | |
| T3 LAB Consortium | | | | | | |
| Crit srl | Bologna - Italy | EUR | 413,800 | 612 | - | |
| IDEC Corporation | Osaka - Japan | YEN | 10,056,605,173 | 240,178 | - | |
| Total other companies | | | | 250,876 | 24 | |

| NET PROFIT (LOSS) FOR THE YEAR in Euro/000 | | Ownership | Carrying value incl. provision for future charges Euro/000 | | DIFFERENCES | |
|---|--------------------|-----------|---|---------|-------------|------------------|
| Total amount | Pro-rata amount | | | (B) | (B)-(A) | |
| (541) | (541) | 100% | | 11,011 | (2,976) | |
| 22,584 | 22,584 | 100% | | 139,113 | (20,487) | |
| 56 | 56 | 100% | | 3,919 | 359 | |
| 118 | 118 | 100% | | 3,668 | (722) | |
| (6) | (6) | 100% | | 1,806 | 417 | |
| 8,520 | 8,520 | 100% | | 15,082 | 4,161 | |
| 336 | 336 | 100% | | 9,568 | 7,607 | |
| 31,067 | 31,067 | | | 184,167 | (11,641) | |
| 39 | 8 | 20% | | 550 | 318 | as at 31/12/2016 |
| 76 | 15 | 20% | | 150 | 90 | as at 31/12/2016 |
| 115 | 23 | | | 700 | 408 | |
| (166) | (1) | 1% | | 7 | (5) | as at 31/12/2016 |
| 267 | - | 0% | | 7 | 1 | as at 31/12/2016 |
| | | | | - | n.a. | |
| 3 | - | 1% | | 4 | (3) | as at 31/08/2017 |
| | | | | 7 | n.a. | |
| 22 | - | 0% | | 52 | 52 | as at 31/12/2016 |
| - | - | 1% | | 9,495 | n.a. | as at 31/03/2017 |
| 126 | 0 | 1% | | 9,572 | 45 | |

Annexes 3.a

Attestazione Bilancio consolidato 2017

Attestazione del Bilancio consolidato ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Valentina Volta, in qualità di Amministratore Delegato e Alessandro D'Aniello, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso dell'esercizio 2017.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2017 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control - Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

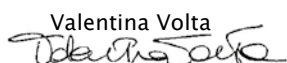
3.1 il Bilancio consolidato:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

3.2 La Relazione sulla Gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Lippo di Calderara di Reno (BO), 20 marzo 2017

L'Amministratore Delegato

Valentina Volta


Il Dirigente Preposto alla redazione
dei documenti contabili

Alessandro D'Aniello


Annexes 3.b

Attestazione Bilancio civilistico 2017

Attestazione del bilancio d'esercizio ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Valentina Volta, in qualità di Amministratore Delegato, e Alessandro D'Aniello, in qualità di Dirigente Preposto, alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso dell'esercizio 2017.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2017 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control – Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

3.1 il bilancio d'esercizio:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

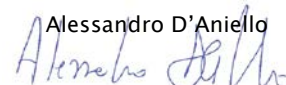
3.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Lippo di Calderara di Reno (BO), 20 marzo 2018

L'Amministratore Delegato

Valentina Volta


Il Dirigente Preposto alla redazione
documenti contabili

Alessandro D'Aniello


Annexes 4.a

Independent auditor's report



EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Datalogic Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, changes in consolidated shareholders' equity and consolidated statement of cash flow for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Datalogic S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

| Key Audit Matter | Audit Response |
|--|--|
| <p>Revenue Recognition, net of rebates, discounts and returns</p> <p>Datalogic Group recognizes to its customers rebates, discounts and returns in accordance with sales' general terms and conditions; such revenue adjustments are recorded as an offset to revenues, while the estimated year-end accrual is recorded in the balance sheet and settled in the following year.</p> <p>The processes and methodologies to determine the estimate of rebates, discounts and returns are based on sales' general terms and conditions, as well as on internal accounting and operating data prepared by the Group companies and external data communicated by the sales network.</p> <p>Considering the judgment required in the assumptions made in the estimate, the number of variables and sources of information involved, we considered this area as a key audit matter.</p> <p>The disclosures related the estimate of rebates, discounts and returns are included in the note "Use of estimates" in the paragraph "Accounting Policies and Standards Applied" to the consolidated financial statements.</p> | <p>The audit procedures performed to address this key audit matter include, among others:</p> <ul style="list-style-type: none"> • the assessment of the process and key controls implemented by the Group; • the execution of test of key controls and substantive testing of a sample of transactions in order to validate contractual and operating data on sales and returns; • the execution of analytical review procedures comparing historical and forecasted data provided by Management; • the execution of analytical review procedures comparing prior period estimates and actual data; • the analysis of credit notes issued after financial statements closing date. <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements related to this key audit matter.</p> |
| <p>Valuation of Goodwill</p> <p>The Goodwill balance as at 31 December 2017 amounts to Euro 174 million, and it is allocated to the different Cash Generating Units (CGUs) of Datalogic Group.</p> <p>The processes and valuation methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions that, by their nature, are sensitive to future market trends and economic scenarios, and require the forecast of future cash flows for each CGUs, the determination of normalized cash flows as a basis for the terminal value, as well as of the long-term growth rates and discount rates applied to the cash flows forecasts.</p> | <p>The audit procedures performed to address this key audit matter include, among others:</p> <ul style="list-style-type: none"> • the assessment of the process and key controls implemented by the Group regarding the assessment of Goodwill; • the assessment of the adequacy of CGUs perimeter and the allocation of the carrying values of the assets and liabilities to the individual CGUs; • the assessment of forecasted future cash flows, in particular on revenues and margins' growth, also considering industry's trend; • the assessment of the accuracy of forecasted data as compared to actual data from previous years; • the assessment of the long-term growth rates and discounting rates. |

Considering the judgment required in the assumptions used in the estimate of the recoverable amount of the goodwill, we considered this area as a key audit matter.

The disclosures related to Goodwill valuation are included in note 2 “Intangible Assets” and in note “Use of estimates” in the paragraph “Accounting Policies and Standards Applied” to the consolidated financial statements.

In performing our audit procedures, we also involved our valuation specialists who independently performed their calculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable amount.

Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to the valuation of Goodwill.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group’s ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they intend either to liquidate the Parent Company Datalogic S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated

financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Datalogic S.p.A., in the general meeting held on 29 April 2010, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2010 to 31 December 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Datalogic S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Datalogic as at 31 December 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Datalogic Group as at 31 December 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Datalogic Group as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Datalogic S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, 29 March 2018

EY S.p.A.

Signed by: Gianluca Focaccia, partner

This report has been translated into the English language solely for the convenience of international readers.

EY S.p.A.
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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000594 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Annexes 4.b

Independent auditor's report



EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Datalogic S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2017, and the income statement, the statement of comprehensive income, changes in shareholders' equity and cash flow statement for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are not key audit matters to be communicated in the hereby report.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they intend either to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Datalogic S.p.A., in the general meeting held on 29 April 2010, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2010 to 31 December 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Datalogic S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Datalogic S.p.A. as at 31 December 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Datalogic S.p.A. as at 31 December 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Datalogic S.p.A. as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Datalogic S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, 29 March 2018

EY S.p.A.

Signed by: Gianluca Focaccia, partner

This report has been translated into the English language solely for the convenience of international readers.

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P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
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Annexes 5

Relazione del Collegio Sindacale 2017

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI DI DATALOGIC S.P.A. AI SENSI DELL'ART. 153 D.LGS. 58/1998 E DELL'ART. 2429, COMMA 3, DEL CODICE CIVILE

Signori Azionisti,

nel corso dell'esercizio chiuso al 31 dicembre 2017, il Collegio Sindacale di Datalogic S.p.a. ("Datalogic" o la "Società") ha svolto le attività di vigilanza previste dalla legge, tenendo anche conto dei principi di comportamento raccomandati dai Consigli Nazionali dei Dottori Commercialisti ed Esperti Contabili e delle comunicazioni Consob in materia di controlli societari e attività del Collegio Sindacale. La presente relazione è stata redatta in conformità alle raccomandazioni ed indicazioni fornite dalla stessa Consob con comunicazione del 6 aprile 2001 n. DEM/1025564, modificata e integrata con comunicazione del 4 aprile 2003 DEM/ 3021582 e comunicazione del 7 aprile 2006 DEM/6031329.

Premessa

Il Collegio Sindacale attualmente in carica è stato nominato dall'Assemblea degli azionisti del 2 maggio 2016 e scade con l'approvazione del bilancio d'esercizio chiuso al 31 dicembre 2018.

Il Consiglio di Amministrazione attualmente in carica è stato nominato dall'Assemblea degli azionisti del 28 aprile 2015 e scade con l'approvazione del bilancio d'esercizio chiuso al 31 dicembre 2017.

L'incarico di revisione legale a norma del d.lgs. n. 58/1998 e del d.lgs. n. 39/2010 è svolto dalla società EY S.p.A., come deliberato dall'Assemblea del 29 aprile 2010, per la durata di nove esercizi (2010-2018).

Nel corso dell'esercizio 2017, si sono tenute:

- 7 riunioni del Collegio Sindacale;
- 9 riunioni del Consiglio di Amministrazione;
- 6 riunioni del Comitato Controllo, Rischi, Remunerazione e Nomine (presente in seno al Consiglio di Amministrazione).

Nel corso dell'esercizio 2018, sino alla data della relazione, si sono tenute:

- 2 riunioni del Collegio Sindacale;
- 2 riunioni del Consiglio di Amministrazione;
- 2 riunioni del Comitato Controllo, Rischi, Remunerazione e Nomine.

Il Collegio Sindacale ha preso parte alle citate riunioni degli organi sociali.

Al sensi della normativa vigente, al Collegio Sindacale è affidato il compito di vigilare su:

- osservanza della legge e dello Statuto;
- rispetto dei principi di corretta amministrazione;
- adeguatezza della struttura organizzativa per gli aspetti di competenza, del sistema di controllo interno e del sistema amministrativo-contabile nonché sull'affidabilità di quest'ultimo nel rappresentare correttamente i fatti di gestione;
- modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina a cui Datalogic ha dichiarato di attenersi;
- adeguatezza delle disposizioni impartite alle società controllate in relazione agli obblighi di comunicazione delle informazioni "price sensitive".

Inoltre, ai sensi e per gli effetti di cui al d.lgs. 39/2010, il Collegio Sindacale:

- a) informa l'organo di amministrazione dell'ente sottoposto a revisione dell'esito della revisione legale e trasmette a tale organo la relazione aggiuntiva di cui all'articolo 11 del Regolamento europeo 537/2014, corredata da eventuali osservazioni;
- b) monitora il processo di informativa finanziaria e presenta le raccomandazioni o le proposte volte a garantirne l'integrità;
- c) controlla l'efficacia dei sistemi di controllo interno e di gestione del rischio dell'impresa e della revisione interna, senza violare l'indipendenza dell'ente;
- d) monitora la revisione legale del bilancio d'esercizio e del bilancio consolidato;
- e) verifica e monitora l'indipendenza delle società di revisione legale a norma degli articoli 10, 10-bis, 10-ter, 10-quater e 17 del d.lgs. 39/2010 e dell'articolo 6 del Regolamento europeo 537/2014, in particolare per quanto concerne l'adeguatezza della prestazione di servizi diversi dalla revisione all'ente

sottoposto a revisione, conformemente all'articolo 5 di tale regolamento;

- f) è responsabile della procedura volta alla selezione delle società di revisione legale e raccomanda le imprese di revisione legale da designare ai sensi dell'articolo 16 del Regolamento europeo.

Il Collegio Sindacale, altresì, vigila sull'osservanza degli obblighi relativi alle informazioni di carattere non finanziario di cui al D.lgs. n. 254/2016.

Con riferimento all'attività di propria competenza, nel corso dell'esercizio 2017 e sino all'approvazione della Relazione finanziaria annuale 2017 da parte del Consiglio di Amministrazione, il Collegio Sindacale dichiara di avere:

- ricevuto dagli amministratori, in particolare quelli esecutivi, adeguate informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo strategico, patrimoniale, economico e finanziario effettuate dalla Società e dalle sue controllate;
- acquisito gli elementi necessari per svolgere l'attività di verifica del rispetto della legge, dello statuto, dei principi di corretta amministrazione e dell'adeguatezza della struttura organizzativa della Società e del Gruppo ad essa facente capo, attraverso indagini dirette, acquisizione di documenti e di informazioni dai responsabili delle diverse funzioni interessate, periodici scambi di informazioni con la società incaricata della revisione legale dei conti annuali e consolidati;
- vigilato sul funzionamento e sull'efficacia dei sistemi di controllo interno e sull'adeguatezza del sistema amministrativo e contabile, in particolare sotto il profilo dell'affidabilità di quest'ultimo a rappresentare i fatti di gestione;
- svolto l'attività di vigilanza in conformità all'art. 9 del d.lgs. 39/2010;
- effettuato il periodico scambio di informazioni con i rappresentanti della società di revisione in merito all'attività esercitata nel corso di diversi incontri avvenuti nel corso delle riunioni del Collegio Sindacale, nonché attraverso l'esame dei risultati del lavoro svolto dal revisore e la ricezione delle relazioni previste dal d.lgs. 39/2010;
- ricevuto la dichiarazione di conferma dell'indipendenza della società di revisione che non evidenzia situazioni che ne abbiano compromesso

l'indipendenza o cause di incompatibilità;

- ricevuto la Relazione aggiuntiva del revisore di cui all'art. 11 del regolamento europeo 537/2014 (che sarà trasmessa al Consiglio di Amministrazione), dall'esame della quale non sono emersi aspetti che debbano essere evidenziati nella presente relazione;
- monitorato la funzionalità del sistema di controllo sulle società del Gruppo e l'adeguatezza delle disposizioni ad esse impartite, anche ai sensi dell'art. 114, 2° comma del d.lgs. 58/1998;
- monitorato l'attuazione delle regole di governo societario adottate dalla Società in conformità al Codice di Autodisciplina di Borsa Italiana cui Datalogic aderisce;
- vigilato sulla conformità della Procedura per le operazioni con parti correlate adottata dalla Società rispetto ai principi indicati nel relativo Regolamento CONSOB adottato con delibera n. 17221 del 12 marzo 2010 e successive modifiche, nonché sulla osservanza dello stesso Regolamento;
- vigilato sul processo di informativa societaria, verificando l'osservanza da parte degli Amministratori delle norme procedurali inerenti alla redazione, approvazione e pubblicazione della Relazione finanziaria annuale;
- verificato, in termini di coerenza ed adeguatezza delle procedure utilizzate, i test di "impairment" effettuati in vista dell'approvazione della Relazione finanziaria annuale 2017 e la metodologica adottata, constatando il rispetto delle raccomandazioni Consob anche in termini procedurali;
- analizzato la Relazione finanziaria annuale 2017, la Relazione sul governo societario e gli assetti proprietari predisposta ai sensi e per gli effetti di cui all'art. 123-bis del TUF rilevando la conformità di tali relazioni alla normativa vigente;
- vigilato sull'osservanza delle disposizioni stabilite dal d. lgs. 254/2016 ed ha esaminato la Relazione consolidata di carattere non finanziario rilevando la conformità di tale relazione alla normativa vigente.

Nel corso dell'attività di vigilanza svolta, sulla base delle informazioni e dei dati acquisiti, non sono emersi fatti da cui desumere il mancato rispetto della legge e dell'atto costitutivo o tali da giustificare segnalazioni alle Autorità di Vigilanza o la menzione nella presente relazione.

Relazione

Di seguito vengono fornite le ulteriori indicazioni richieste dalla Comunicazione Consob n. DEM/1025564 del 6 aprile 2001 come successivamente modificata.

1. Operazioni di maggior rilievo strategico, economico, finanziario e patrimoniale effettuate nell'esercizio:

Gennaio: concentrazione in un'unica entità legale di tutte le attività del Gruppo Datalogic relative alle Divisioni ADC (Automatic Data Capture) e IA (Industrial Automation) in esecuzione del progetto denominato "Tripod";

Aprile: firmato un contratto per una nuova linea di credito del valore di 250 milioni di euro, con scadenza 2023. L'operazione è stata conclusa ad un tasso fisso, in modo da consentire a Datalogic S.p.A. di usufruire dei tassi d'interesse ancora favorevoli, disponibili sul mercato e di bloccare il costo della provvista del Gruppo Datalogic per i prossimi anni;

Luglio: acquisizione di SOREDI Touch Systems GmbH, con un impegno finanziario complessivo massimo di Datalogic pari a 10 milioni di Euro, di cui 8 milioni di Euro in cash e 2 milioni di Euro in azioni proprie;

Agosto: nomina dell'avv. Luca Sirotti quale Presidente dell'Organismo di Vigilanza ex d.lgs. 231/2001, in seguito alle dimissioni dell'avv. Pier Luigi Morara;

Novembre: dimissioni del rag. Pier Paolo Caruso dalla carica di Consigliere e della dott.ssa Sonia Magnani dalla carica di Sindaco Supplente di Datalogic.

Sulla base delle informazioni fornite dalla Società e dei dati acquisiti relativamente alle citate operazioni, il Collegio Sindacale ne ha accertato la conformità alla legge, all'atto costitutivo e ai principi di corretta amministrazione, assicurandosi che le medesime non fossero manifestamente imprudenti o azzardate, in potenziale conflitto d'interessi ovvero tali da compromettere l'integrità del patrimonio aziendale.

2. Il Collegio Sindacale non ha riscontrato, nel corso dell'esercizio 2017 e successivamente alla chiusura dello stesso, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate (ivi comprese le società del Gruppo).

3. Le operazioni infragruppo e le operazioni con parti correlate sono state realizzate nell'ambito dell'ordinaria gestione e a normali condizioni di mercato. Le operazioni con parti correlate si riferiscono prevalentemente ad operazioni di natura commerciale, immobiliare e professionale, nonché all'adesione al consolidato fiscale. Nessuna di tali operazioni assume particolare rilievo, anche in considerazione dell'incidenza economica delle stesse sui valori complessivi di bilancio.

A tal proposito si segnala che l'organo di controllo ha vigilato sulla conformità delle Procedure per le operazioni con parti correlate adottata dalla Società.

4. Il Collegio Sindacale ritiene che le informazioni rese dagli Amministratori nella Relazione finanziaria annuale 2017 in ordine alle operazioni infragruppo e con le parti correlate siano adeguate.
5. La società di revisione EY S.p.A. ha rilasciato in data 29 marzo 2018 la relazione ai sensi dell'art. 14 del D.Lgs. 39/2010 in cui attesta che il bilancio di esercizio e il bilancio consolidato al 31 dicembre 2017 (i) sono conformi agli International Financial Reporting Standards (IFRS) adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del d.lgs. n. 38 del 2005, (ii) rappresentano in modo veritiero e corretto la situazione patrimoniale, finanziaria, i flussi di cassa e il risultato economico d'esercizio e consolidato della Società e del Gruppo.
6. La società di revisione ritiene, altresì, che la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f) l) e m) e al comma 2, lett. b) dell'art. 123-bis del TUF inserite nella Relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.

La società di revisione ha altresì verificato che nella Relazione sul governo societario e gli assetti proprietari sono state fornite le informazioni di cui al comma 2, lettere a), c), d) e d-bis) dell'art. 123-bis del TUF.

7. La società di revisione ha dichiarato, ai sensi dell'art. 14, comma 2, lett. e) del D. Lgs. 39/2010 che per quanto riguarda eventuali errori significativi nella Relazione sulla gestione, sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, di non avere nulla da riportare.
8. La società di revisione ha inoltre rilasciato, in data 29 marzo 2018, la relazione

sulla dichiarazione consolidata di carattere non finanziario redatta ai sensi dell'art. 3, comma 10, del D. Lgs. 254/2016 e dell'art. 5 del Regolamento Consob n. 20267/2018, con la quale attesta che non sono pervenuti all'attenzione della stessa elementi che facciano ritenere che la dichiarazione consolidata di carattere non finanziario del Gruppo Datalogic, relativa all'esercizio chiuso al 31 dicembre 2017, non sia stata redatta in tutti gli aspetti significativi, in conformità a quanto richiesto dagli artt. 3 e 4 del predetto decreto e dal GRI Standards, con riferimento alla selezione di GRI Standards indicati nel paragrafo "Nota metodologica" della dichiarazione.

9. Nel corso del 2017, non sono state presentate al Collegio Sindacale denunce ai sensi dell'art. 2408 del codice civile.
10. Nel corso del 2017, non sono stati presentati al Collegio Sindacale esposti.
11. Oltre all'incarico di revisione contabile del bilancio civilistico e consolidato, di revisione contabile limitata della relazione semestrale, all'attività di verifica della regolare tenuta della contabilità e della corretta rilevazione dei fatti di gestione nelle scritture contabili, non sono stati conferiti ulteriori incarichi nel 2017 alla società EY S.p.A.
12. Nel corso dell'esercizio 2017 e successivamente alla chiusura dello stesso, sino alla data della presente relazione, la Società non ha conferito incarichi a società appartenenti alla rete legata alla società di revisione EY S.p.a.
13. Nel corso dell'esercizio 2017 e successivamente alla chiusura dello stesso, sino alla data della relazione, il Collegio Sindacale ha rilasciato, ai sensi della normativa (anche regolamentare e autoregolamentare), i prescritti pareri circa:
 - l'adozione della Politica sulla remunerazione di Datalogic;
 - la proposta di ripartizione del compenso globale massimo dei componenti il Consiglio di Amministrazione deliberato dall'Assemblea degli azionisti;
 - la remunerazione variabile del Presidente e Amministratore delegato;
 - la remunerazione del Responsabile della funzione Internal Audit;
 - la corretta applicazione dei criteri e delle procedure di accertamento adottate dal Consiglio di Amministrazione per valutare l'indipendenza dei Consiglieri qualificati tali in sede di nomina;
 - l'approvazione del Piano di Audit;

- la coerenza ed adeguatezza delle procedure di "impairment" utilizzate.
14. In relazione alla frequenza e numero di riunioni degli organi sociali, si rinvia alla premesse.
 15. Il Collegio Sindacale ha preso conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolte di informazioni dai responsabili delle funzioni aziendali, dall'Amministratore incaricato del sistema di controllo interno e gestione dei rischi, incontri con il Comitato Controllo, Rischi, Remunerazione e Nomine e con i responsabili della Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti. In particolare, per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio Sindacale ha accertato, anche mediante la partecipazione diretta alle adunanze consiliari, la conformità alla legge e allo Statuto Sociale delle scelte gestionali operate dagli Amministratori e ha verificato che le relative delibere fossero assistite da analisi e pareri – prodotti all'interno o, quando necessario, da professionisti esterni – riguardanti soprattutto la congruità economico-finanziaria delle operazioni e la loro conseguente rispondenza all'interesse della Società.
 16. Il Collegio Sindacale ha acquisito conoscenza e vigilato sull'adeguatezza della struttura organizzativa della Società e sul relativo funzionamento, mediante raccolta di informazioni dalle strutture preposte, audizioni dei responsabili delle competenti funzioni aziendali, incontri con i responsabili della revisione interna ed esterna e a tale riguardo non ha osservazioni particolari da riferire.
 17. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e gestione dei rischi della Società rilevando l'assenza di particolari criticità e/o segnalazioni da portare all'attenzione dei Soci.
 18. Il coordinamento tra i soggetti coinvolti nel sistema di controllo interno e di gestione dei rischi viene assicurato per il tramite di un costante confronto e continuo scambio di informazioni (anche nel corso delle riunioni degli organi sociali) tra tutti i soggetti coinvolti in tale "sistema" e segnatamente:
 - il Comitato con compiti in materia di controllo interno e governo dei rischi;
 - l'amministratore incaricato del sistema di controllo interno e di gestione dei rischi;

- il Responsabile della funzione Internal Audit;
 - il Dirigente preposto alla redazione dei documenti contabili societari;
 - il Collegio Sindacale;
 - la Società di Revisione;
 - l'Organismo di Vigilanza.
19. Nell'ambito di verifica dell'adeguatezza del sistema di controllo interno rispetto al D. Lgs. n. 231/2001, che disciplina la responsabilità degli enti per illeciti amministrativi dipendenti da reati, il Collegio Sindacale rileva che la Società ha adottato un Modello Organizzativo volto a prevenire la commissione dei reati che possono determinare una responsabilità della Società. Il Modello Organizzativo è soggetto a revisioni periodiche sia per tener conto dell'esperienza operativa, sia per tener conto delle variazioni normative che prevedono l'estensione ad ulteriori fattispecie penali quali reati-presupposto. L'Organismo di Vigilanza vigila sul funzionamento e sull'osservanza del Modello Organizzativo; nel 2017 l'Organismo si è riunito 5 volte.
20. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile e sulla relativa affidabilità a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni aziendali competenti (tra cui il Dirigente preposto alla redazione dei documenti contabili societari e il Responsabile della funzione Internal Audit), l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione EY S.p.A..
21. Il Collegio Sindacale ha altresì preso atto delle attestazioni rilasciate - ai sensi e per gli effetti di cui all'art. 154-bis, comma 5 del TUF - dall'Amministratore Delegato e dal Dirigente Preposto alla redazione dei documenti contabili societari del Gruppo in merito all'adeguatezza e all'effettiva applicazione, nel corso del 2017, delle procedure amministrative e contabili per la formazione del bilancio d'esercizio e consolidato.
22. Il Collegio Sindacale ha anche potuto verificare l'avvenuta attestazione - ai sensi e per gli effetti di cui all'art. 154-bis, comma 2 del TUF - degli atti e delle comunicazioni della Società, diffusi al mercato, relativi all'informativa contabile anche infrannuale.
23. Il Collegio Sindacale ha vigilato sull'adeguatezza del complesso delle disposizioni impartite dalla Società alle proprie controllate, ai sensi dell'art. 114,

comma 2, del d.lgs. 58/98 e le ritiene idonee al fine di adempiere agli obblighi di comunicazione previsti dalla legge.

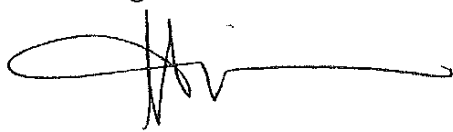
24. Il Collegio Sindacale ha accertato tramite verifiche dirette ed informazioni assunte dalla società di revisione EY S.p.A., l'osservanza dei principi IAS/IFRS nonché di norme e di leggi inerenti alla formazione e all'impostazione del bilancio di esercizio, del bilancio consolidato e della relazione sulla gestione.
25. La Società aderisce ai principi e alle raccomandazioni compendiate nel Codice di Autodisciplina di Borsa Italiana (edizione luglio 2015).
26. Il Consiglio di Amministrazione ha costituito al proprio interno un comitato unico (Comitato Controllo, Rischi, Remunerazione e Nomine), composto integralmente da tre Amministratori non esecutivi, di cui due indipendenti. Sempre in tema di Amministratori indipendenti, si segnala che la Società ha istituito la figura del "Lead Independent Director", punto di riferimento e coordinamento delle istanze e dei contributi degli Amministratori indipendenti, a garanzia della più ampia autonomia di giudizio di questi ultimi rispetto all'operato del management. Al "Lead Independent Director" è attribuita, tra l'altro, la facoltà di convocare apposite riunioni di soli Amministratori indipendenti per la disamina di temi inerenti all'attività gestionale ovvero al funzionamento del Consiglio di Amministrazione. Per ulteriori approfondimenti sulla Corporate Governance della Società si fa rinvio alla Relazione predisposta e approvata dagli Amministratori.
27. Il Consiglio di Amministrazione ha condotto anche per il 2017 il processo di autovalutazione affidando al Collegio Sindacale la conduzione del processo e la formulazione di una relazione a riguardo, che è stata presentata al Consiglio il 20 marzo 2018. Tutti i Consiglieri hanno valutato positivamente la dimensione, la composizione e il funzionamento del Consiglio, nonché la struttura di "governance" del gruppo.
28. Il Collegio Sindacale ha effettuato la verifica della propria indipendenza, ai sensi sia dell'art. 148, terzo comma del TUF sia dei criteri stabiliti dal Codice di Autodisciplina.
29. Ai sensi dell'art. 144-quinquiesdecies del Regolamento Emittenti, gli incarichi di amministrazione e controllo ricoperti dai componenti del Collegio Sindacale presso altre società alla data di emissione della presente relazione sono pubblicati dalla Consob e resi disponibili nel sito internet della stessa Consob

nei limiti di quanto previsto dall'art. 144-quaterdecies del Regolamento Emittenti.

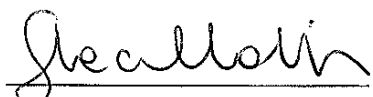
30. Il Collegio Sindacale esprime una valutazione positiva sul sistema di Corporate Governance della Società.
31. Dall'attività di vigilanza e controllo non sono emersi fatti significativi suscettibili di segnalazione agli Organi di vigilanza e controllo o di menzione nella presente Relazione.
32. Il Collegio Sindacale, preso atto delle risultanze del bilancio di esercizio chiuso al 31 dicembre 2017, non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione del risultato di esercizio.

Lippo di Calderara, 29 marzo 2018

Il Collegio Sindacale



Salvatore Marco Fiorenza



Elena Lancellotti



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