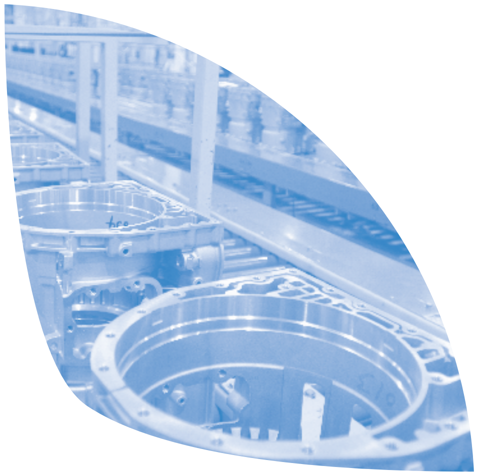
DATALOGIC
THE VISION IS YOURS



MANUFACTURING

RETAIL

FINANCIAL REPORT 2016

TRANSPORTATION
& LOGISTICS

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Retail

DATALOGIC
THE VISION IS YOURS

2016 WAS A PARTICULARLY POSITIVE YEAR THAT BROUGHT SIGNIFICANT CHANGES FOR THE DATALOGIC GROUP. THE COMPANY WAS ABLE TO TRANSFORM, REORGANIZE AND EXCEL DESPITE UNCERTAIN POLITICAL AND ECONOMIC SITUATIONS IN WHICH IT OPERATED IN KEY TARGET MARKETS.

Dear Shareholders,

we are pleased to share with you the best results ever achieved by our Group.

2016 was a particularly positive year that brought significant changes for the Datalogic Group. The Company was able to transform, reorganize and excel despite uncertain political and economic situations in which it operated in key target markets.

We will mention just two of the main events that changed the world's economic and political structure in 2016: Brexit and the election of a new President of the United States. In addition to these two events, which have put into question the economic model of globalization, as well as the EU as an institution, events of much greater magnitude unfortunately occurred. Terrorism and wars have generated a climate of "wait and see" and of fear that is still dominant.

Against this uncertain backdrop, the sector in which our Group operates has seen a significant growth in demand, mainly driven by increasing industrial automation.

Industry 4.0 propels the manufacturing sector into the digital era and opens the way to new business models. The Internet of Things and Services, enhanced and pervasive communication within the digital factory, and the availability of a large amount of data in real time will be accompanied by unprecedented levels of productivity and security. With growing industry digitization, process automation will play an increasingly important role. In turn, industrial automation sustains the growth of robotics worldwide - so much that annual sales of robots are expected to double by 2018. With the growth of e-commerce, technology is about to revolutionize the future of retail sales and the retail sector in general. Augmented reality will provide customers with personalized suggestions and services, while offering solutions that will make the in-store experience preferable to mere online purchasing.

Datalogic has faced these macroeconomic events, which so deeply affected its main target markets, in a proactive manner rather than a "wait and see" attitude. To better address future challenges, the Company has evolved, defined new strategic levers, identified the key growth drivers of its target markets and of each of the 30 countries where it operates directly, and reorganized its structure in order to seize the opportunities of a constantly evolving market.

Against this backdrop, the Company set up a new governance structure, effective from 1st January 2017. This has given rise to a new organizational structure in line with our latest strategy based centrally on the end customer. This involved the consolidation of the two companies, Industrial Automation and Automatic Data Capture, into a single Datalogic to provide partners and customers with a single, comprehensive and consistent offering of products and solutions, targeting our four main market: Retail, Manufacturing, Transport & Logistics, and Healthcare.

The reorganization of our corporate structure is a consequence of the new strategy we have developed for the next few years, i.e. the objective we want to achieve, where we want to compete, and above all the competitive advantage and uniqueness we want to offer our customers. This competitive advantage lies in our Group's ability to meet our customers' needs along their entire value chain, fully understanding their requirements and anticipating their future needs leveraging our unequalled product and solution portfolio.

Despite the uncertain macroeconomic environment described above, these strategic choices translated in 2016 into excellent results for the Group, with sales revenues at 576.5 million Euros (up 7.7% compared to the previous year), EBITDA up by over 22% at 90.4 million Euros, EBITDA Margin at 15.7%, and a 13.1% increase in net profit, which stood at 45.8 million Euros. These results were achieved while maintaining a high level of investments in Research and Development (approximately 50 million Euros), a major driver of our growth. We have continued to believe in R&D investments, which amounted to about 9% of revenues, with a view to developing breakthrough products and solutions while expanding our patent portfolio. Testifying to the Group's ability to offer reliable and innovative high technology solutions, in the course of this year we were awarded several international recognitions, including the Innovation Award, received at the London Retail Business Technology Expo 2016, the Italian Popai Awards 2016 in the Digital and Technological Innovation – Apps category, and first prize awarded by the Inspect magazine.

The generation of high operating cash flow (90 million Euros) resulted in the net financial position turning positive again at 3.5 million Euros, compared to a negative 21 million Euros in the previous year. This result did not prevent us from investing almost 3% of our revenues in capital expenditures.

To expand our production capacity in line with our growth plans, and ensure greater flexibility and maximum quality of the manufacturing process, we opened a new industrial site in Balatonboglar, Hungary, mainly devoted to the production of equipment for our Manufacturing customers. We have also invested in sophisticated SMT equipment for the production of electronic boards, and renovated our headquarters in Italy, France and the UK, in order to present a consistent image to our customers.

Growth and ability to create value are also reflected in the performance of the Datalogic stock price, which in 2016 outperformed the benchmarks and in March of this year reached its all-time peak of 24.5 Euros.

This year's results have allowed us to improve our competitive positioning in the target markets, and would not have been possible without the talent, passion and teamwork of Datalogic people. They are our major strength and unparalleled competitive advantage, represented by the best skills focused on innovation and technological development. This is why we want to thank first and foremost all of our employees.

We also thank our Customers worldwide along with our Business Partners for their confidence in our products, solutions and people. We are grateful to our Suppliers, who have played an important role in these positive developments, and last but not least our Shareholders for believing in our Group.

We believe that in 2016 we laid the foundation to continue to meet and exceed our Customers' expectations and to surprise them in the years to come.

Romano Volta
Chairman

Valentina Volta
Chief Executive Officer

Innovation is our *tradition*

TECHNOLOGICAL SOLUTIONS TO SIMPLIFY OUR CUSTOMERS' BUSINESS

VISION

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

MISSION

Datalogic's mission is to provide customers in the Retail, Manufacturing, Transport & Logistics, and Healthcare sectors with the highest quality and efficiency in data collection and automation processes thanks to advanced technology, innovative products and superior solutions and a team of highly talented people.

THE GROUP

Datalogic is a global technology leader worldwide in automatic data capture and process automation. The Company specializes in the design and manufacture of bar code readers, mobile computers, RFID, detection, measurement and security sensors, vision systems and laser marking. Its cutting-edge solutions help to increase process efficiency and quality along the entire value chain in the Retail, Manufacturing, Transport & Logistics, and Healthcare sectors.

Over the course of 45 years, Datalogic has successfully continued on the path of innovation, achieving outstanding results:

2,700 EMPLOYEES IN 30 COUNTRIES

450 ENGINEERS WORKING IN THE NEW "DATALOGIC LABS" IN BOLOGNA (ITALY), EUGENE (OREGON, USA) AND PASADENA (CALIFORNIA, USA)

1,200 PATENTS IN DIFFERENT JURISDICTIONS AND 300 MORE PENDING

10 RESEARCH & DEVELOPMENT CENTRES IN ITALY, USA AND CHINA

PRODUCTION PLANTS IN ITALY, SLOVAKIA, HUNGARY AND VIETNAM

AUTHORIZED DISTRIBUTORS AND TECHNICAL SUPPORT IN OVER 40 COUNTRIES

KEY INTERNATIONAL CUSTOMERS PARTNERS THROUGHOUT FIVE CONTINENTS

NET PROMOTER SCORE OF 54.3% (GLOBAL BENCHMARK FOR TECHNOLOGY & ELECTRONICS COMPANIES: 37%)

Today, Datalogic products are used by most supermarkets and stores, major airports, the best postal and delivery services, and large industries and hospitals worldwide.

A NEW STRATEGY

CUSTOMER-CENTRIC ORGANIZATION

The Company's philosophy is based on the awareness that customers and their interests are the key element around its business revolves and from which all actions stem. This is why Datalogic has changed its business model from a product-centric to a customer-centric organization. This was also intended to ensure the implementation of the new strategy set out during the year.

In order to provide the best service and ensure a thorough understanding of the four main areas of operation, the Company is now organized into four Industry Units, each corresponding to one of the main target sectors: Manufacturing, Retail, Transport & Logistics, and Healthcare.

OBJECTIVES

Steady growth above market average and significant increase in margins.

POSITIONING

Continue to be a product business with renewed emphasis on solutions that meet end customers' needs in the following sectors: Retail, Healthcare, T&L, and Manufacturing.

Become a major player in North America, improve our positioning in APAC, and increase our presence in the Chinese market.

Strengthen our leadership in EMEA.

BENEFITS

Evolve from product business to customer-focused business, leveraging a broad product portfolio able to meet customers' needs both in data capture and in process automation, and to provide solutions along the entire value chain.

Main *events* of the years

NEW CUSTOMERS
NEW LOCATIONS
NEW PRODUCTS
RECOGNITIONS
PATENTS
TRADE SHOWS
SOCIAL RESPONSIBILITY

January

Datalogic is among the protagonists of the most important fair of the Retail industry, the New York NRF, where we present to 33,000 participants and 3,300 exhibitor companies a wide range of products designed to ensure efficiency, productivity and service quality to the world of Food and Non-Food Retail.

The largest distributor and retailer of products for home improvement, DIY, construction, gardening and interior decoration in the US starts negotiations for the purchase of the Datalogic PowerScan series imager scanner, featuring fast and intuitive omnidirectional reading and proven durability.

February

Datalogic participates in HIMSS 2016, the conference that gathers in Las Vegas more than 40,000 professionals on healthcare issues, where we present our full line of automatic data capture solutions for healthcare and hospital environments, equipped with special disinfectant-resistant anti-microbial plastics.

March

Datalogic receives the much sought after Innovation Award assigned by the London Retail Business Technology Expo 2016. Among sixteen finalists, the award panel, composed of retailers such as Marks & Spencer and White Stuff, selected Magellan™ 9800i, a Datalogic scanner/scale that can read bar codes invisible to the human eye, printed with the revolutionary Digital Watermarking technology.

Datalogic Skorpio won the contract to supply Skorpio™ X3 mobile computers to improve price management processes at House of Fraser, the historic British department store with over 61 stores in the United Kingdom.

In partnership with Randstad, Datalogic launches a Master's degree in Mechanical Engineering, dedicated to 10 mechanical engineers from all over Italy.

April

Datalogic introduces AV7000, the most powerful linear camera available in the Auto-ID market, designed for the Transport & Logistics business. Developed to meet the needs of the major couriers and distribution centres, AV7000 is the ideal solution for conveyor, tilt tray and cross belt high-speed parcel sorting.

Datalogic inaugurates a new plant in Balatonboglar, Hungary: 7,000 square meters dedicated to the production of devices for manufacturing customers worldwide.

Datalogic receives the first of a series of orders from a leading Taiwanese corporation specialized in electronics, for the purchase, along with other products, of Matrix 300, the Datalogic bar code scanner designed for maximum reading performance in complex applications, with direct marking codes or high handling speeds, thanks to an innovative optical system.

May

Datalogic introduces the new MX-E series vision processors and with GigE connectivity. Equipped with IMPACT, Datalogic's powerful software, they boast unprecedented computing speed, ideal for a number of applications in the Automotive, Electronics and Packaging industries.

Along with Camst and the Diocesan Caritas of Bologna, Datalogic launches a food collection project for uneaten meals at the soup kitchen of the Lippo di Calderara headquarters.

First order of the year from the largest US chain operating in the large retail distribution channel. The order concerns Magellan 8400 and 9800, Datalogic's next-generation in-counter scanners, ideal for high-volume checkouts, based on digital imaging technology and designed for optimizing store transactions at checkout.

Datalogic launches DL-AXIST™, the new Full Touch mobile PDA running on Android and SoftSpot™ technology, suitable for industrial environments as well as for traditional Retail applications for assisted sales, merchandising, inventory and mobile use.

Datalogic participates in the SPS IPC DRIVES in Parma, the most important Italian event for the automation industry, where it presents imaging technology and industrial laser scanning solutions, sensors and safety devices.

Datalogic inaugurated its new office in Cologno Monzese (Milan), confirming its willingness to invest more and more in the domestic market and provide customers with maximum support and increasingly targeted service.

The Belgian division of a leading postal service and logistics company, specialized in the management of overnight shipments and goods handling, signs an important purchase order for AV7000, a Datalogic the high-performance linear camera, designed for Transport & Logistics applications.

June

Datalogic wins first prize in the Digital and Technological Innovation – Apps category of the Italian Popai Awards 2016 for its Shopevolution™ 7 & Joya™ Touch solutions. The prestigious recognition in the Retail area is organized by POPAI, an international non-profit organization with the mission to promote the store culture as a whole.

Datalogic inaugurates in Redbourn the new commercial spaces and the new showroom of the UK headquarters for the UK and Ireland area.

The Dublin JC Supermarket adopts Magellan™ 9800i, the bar code scanner solution with scale function, to improve the performance and efficiency of its checkouts.

July

Datalogic inaugurates its new office in Warsaw, together with local customers and partners.

Datalogic launches Web Sentinel PLUS, the most advanced information monitoring and collecting solution for companies operating in the Industrial Automation and Transport & Logistics sectors.

August

Datalogic introduces Joya™ Touch, a new easy-to-use, intuitive multipurpose device for the Retail market that manages on the same device applications such as self-shopping, queue busting and point collection, as well as operational functions like shelf stocking.

September

Datalogic signs a partnership with Tallink, a leading transportation service provider in the Baltic region, for the management of the self-shopping solution in the supermarket on board Helsinki-Tallinn fast ferry.

Datalogic introduces the cloud-ready middleware Shopevolution™ 7, ideal to manage in-store self-shopping, queue busting and data collection functions.

October

Inco Cash & Carry buys more than 600 Joya™ Touch Datalogic devices for two brand new automated stores in Copenhagen and Glostrup, Denmark.

In Venice Datalogic presents the Datalogic Retail Festival 2016, the largest event for its end customers, to present all its Retail solutions.

Datalogic assigns the Leonardo Da Vinci Award, a recognition presented annually to the Group's inventors who have filed the most innovative patent applications.

November

Datalogic launches RIDA™ DBT6400, a new portable bar code scanner based on area imager technology, available in versions for Retail and Healthcare applications.

Datalogic supports Antoniano ONLUS, a Bologna-based foundation that carries out charity, social and healthcare projects for the underprivileged, by funding 1,000 meals and 20 training workshops.

At the Nuremberg SPS IPC Drives, the world trade fair for industrial automation, Datalogic presents a preview of the new Matrix 120, the smallest industrial high-performance scanner available on the market. The only ultra-compact scanner based on 2D imager technology that can be easily integrated into any production environment.

December

At the Inspect Awards 2017, Datalogic is awarded by Inspect, the leading magazine for the machine vision and optical metrology business, for IMPACT+ OCR, a solution for the optical recognition of characters printed on the packaging of food products.

PayPoint, a well-known British payment systems integrator, chooses Datalogic's Heron HD3430 bar code scanners for the new PayPoint One EPoS platform to monitor promotions, activate reports and manage back-office services.


Manufacturing
DATALOGIC
THE VISION IS YOURS

Constant *growth*

THE VALUE
OF INNOVATION
RECOGNIZED
BY THE MARKET

2016 STOCK MARKET DATA

SEGMENT

STAR - MTA

BLOOMBERG CODE

DAL.IM

REUTERS CODE

DAL.MI

MKT CAP

1,092.4 million

Euros as at 31st December 2016

NUMBER OF SHARES

58,446,491

(including n. 302,229 treasury shares)

2016 MAX

19.3 Euros

5th October 2016

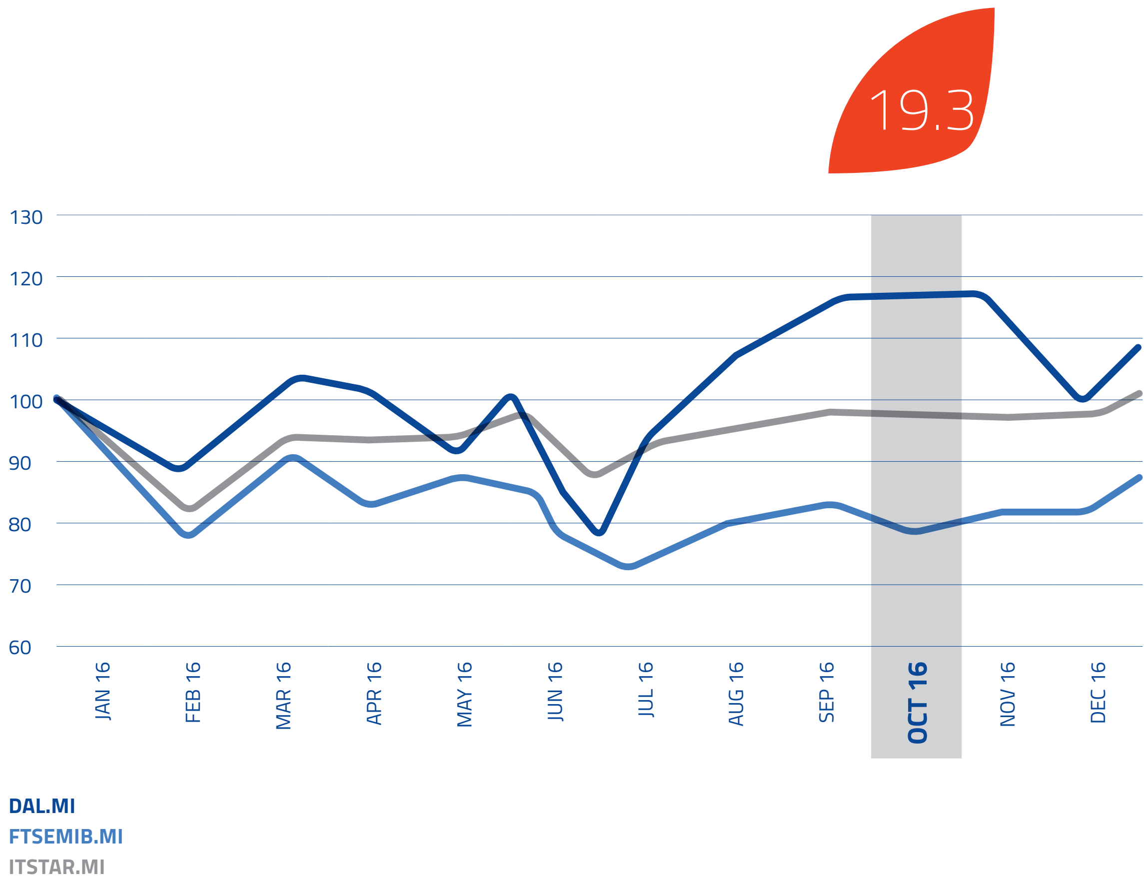
2016 MIN

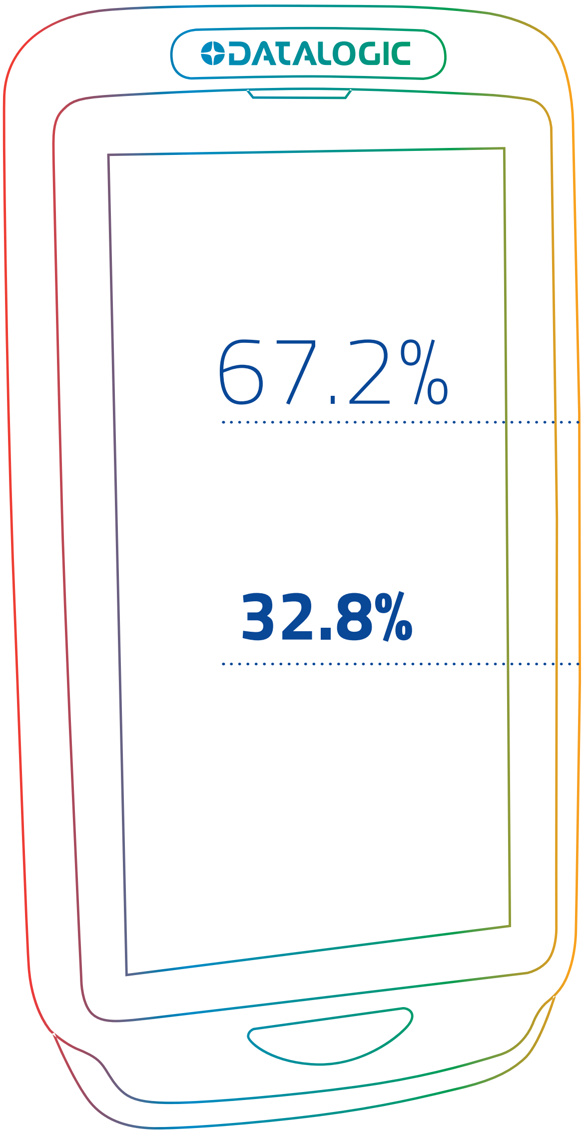
11.3 Euros

27th June 2016

Constant *growth*

Over the course of 2016, the stock showed a positive growth of 15.9%, outperforming both the shares of the FTSE MIB Index, by 23.1% and the shares of the FTSE STAR index, by 9.9%. The stock reached a maximum of 19.30 Euros per share on 5 October 2016 and a low of 11.30 Euros on 27 June 2016. The average daily volumes traded in 2016 were about 39,670 shares (compared to the average value recorded in the previous year of approximately 74,277 shares).





Shareholder structure

67.2%	HYDRA S.P.A.
32.8%	MARKET

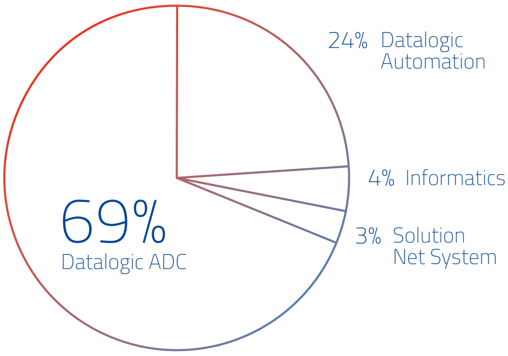
Transportation & Logistics

THE VISION IS YOURS

Constant *growth*

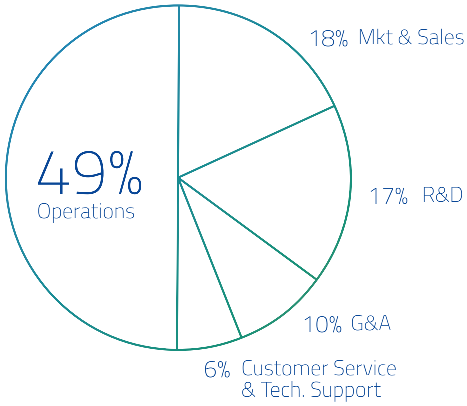
2016 Revenues

BY DIVISION

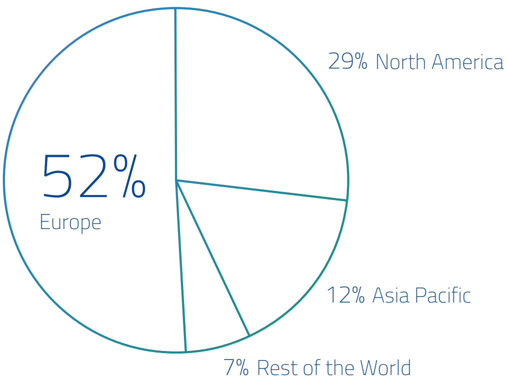


2016 Employees

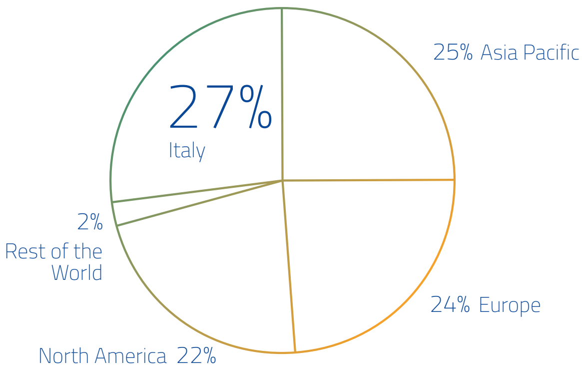
BY FUNCTIONAL AREA



BY GEOGRAPHIC AREA



BY GEOGRAPHIC AREA



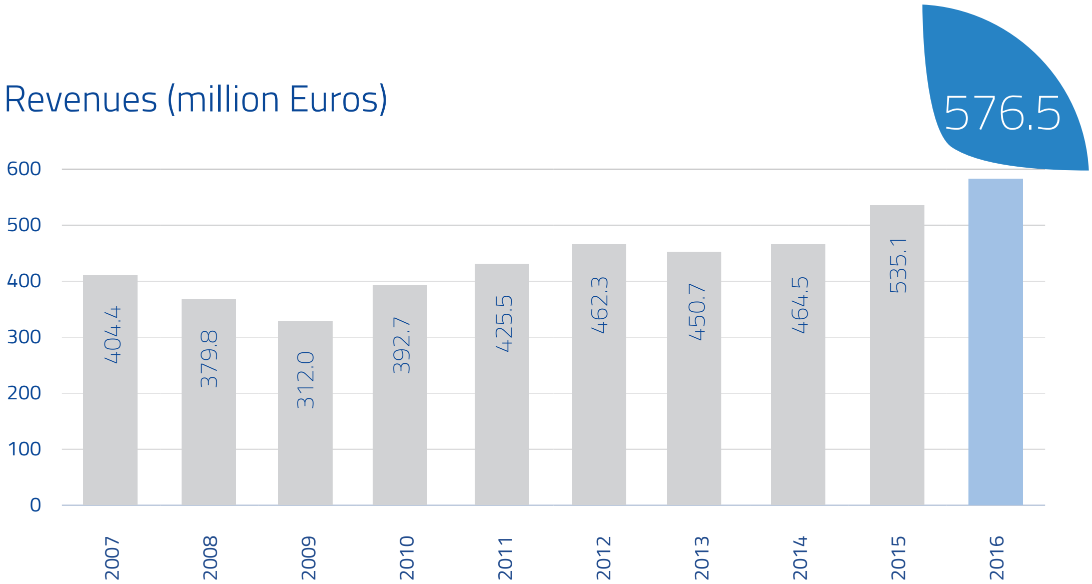
TOTAL

576.5 million Euros

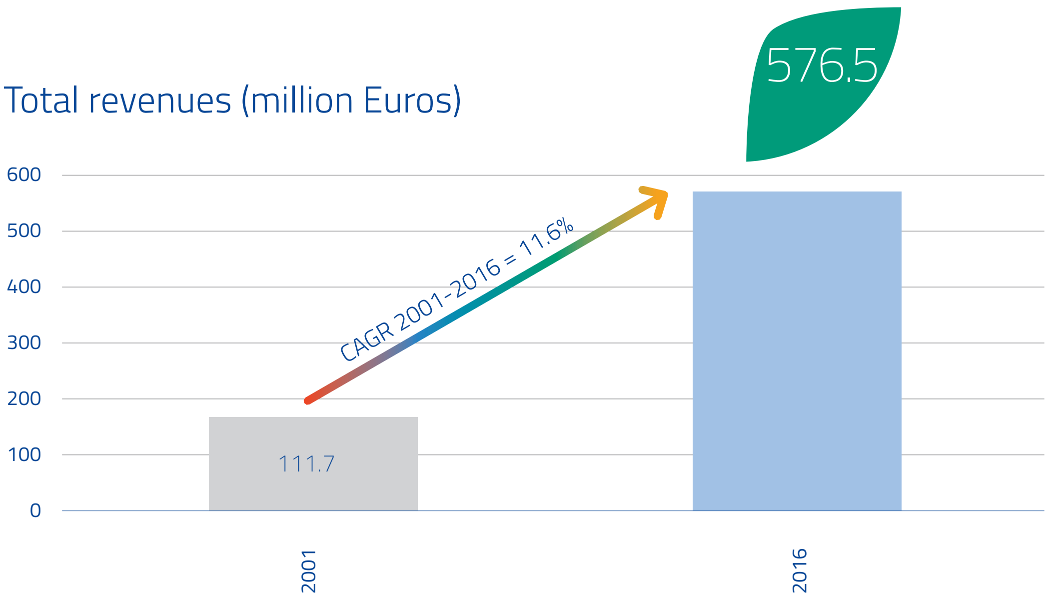
2,696

Constant *growth*

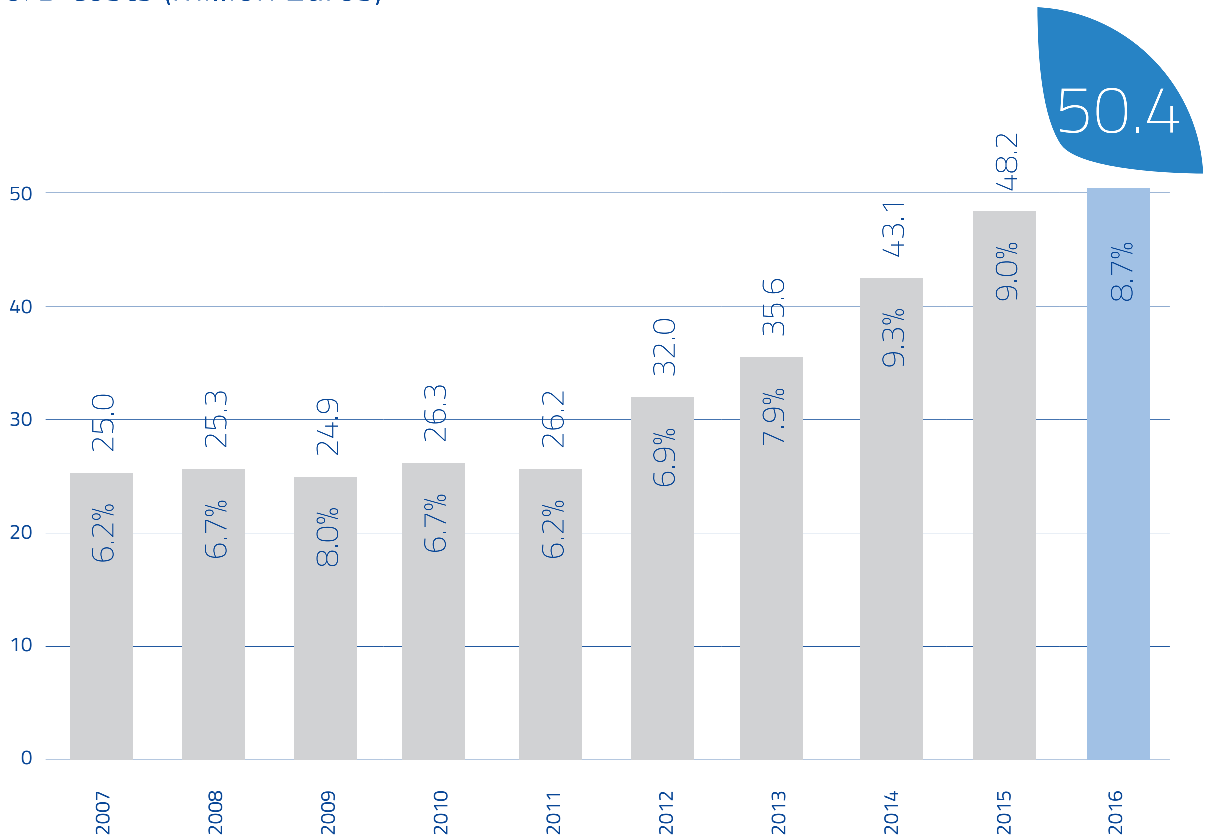
Revenues (million Euros)



Total revenues (million Euros)



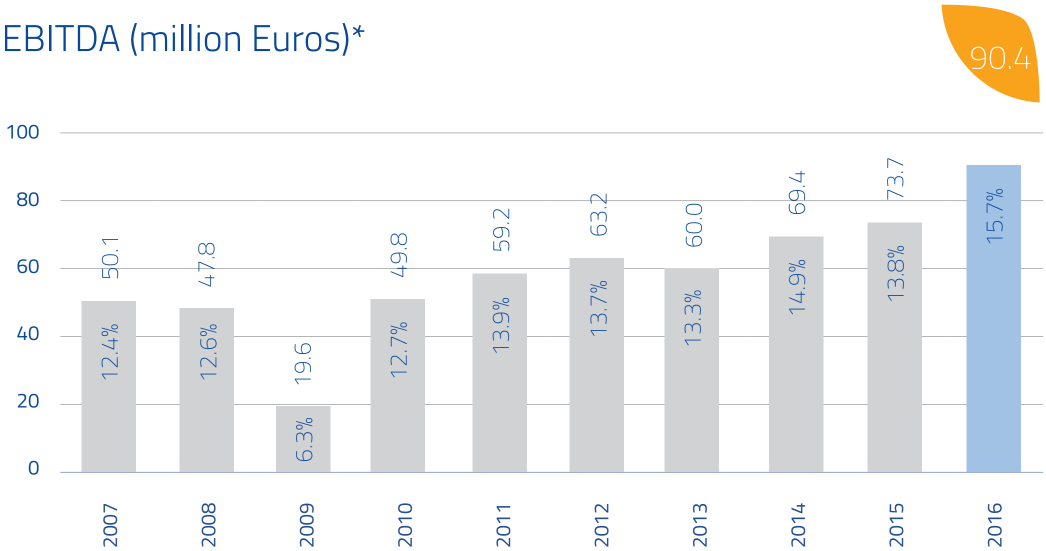
R & D costs (million Euros)*



* % on revenues

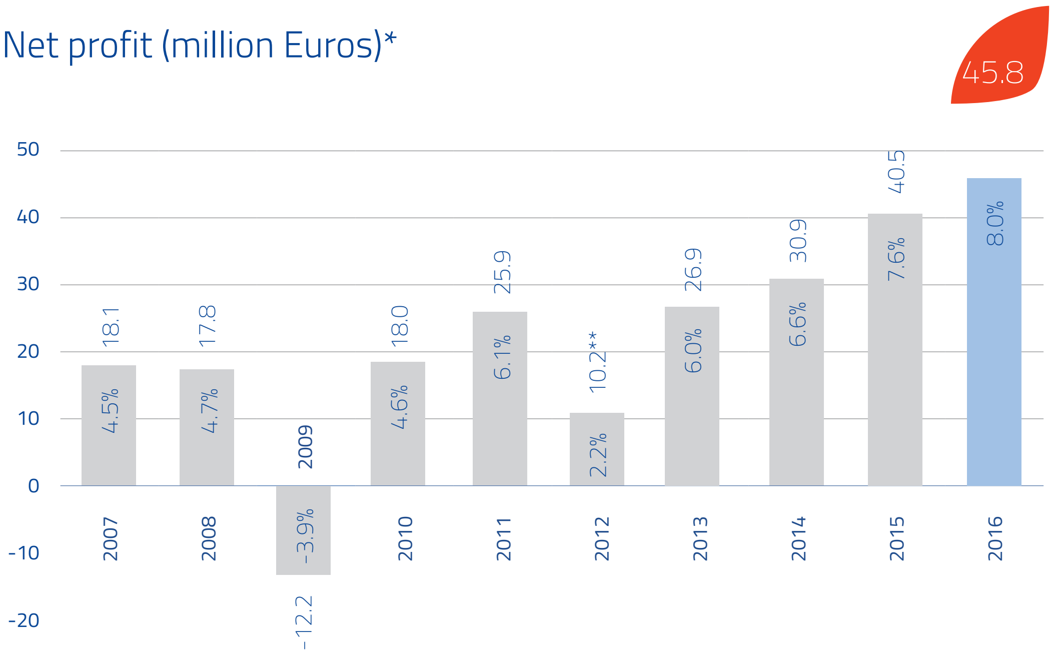
Constant *growth*

EBITDA (million Euros)*



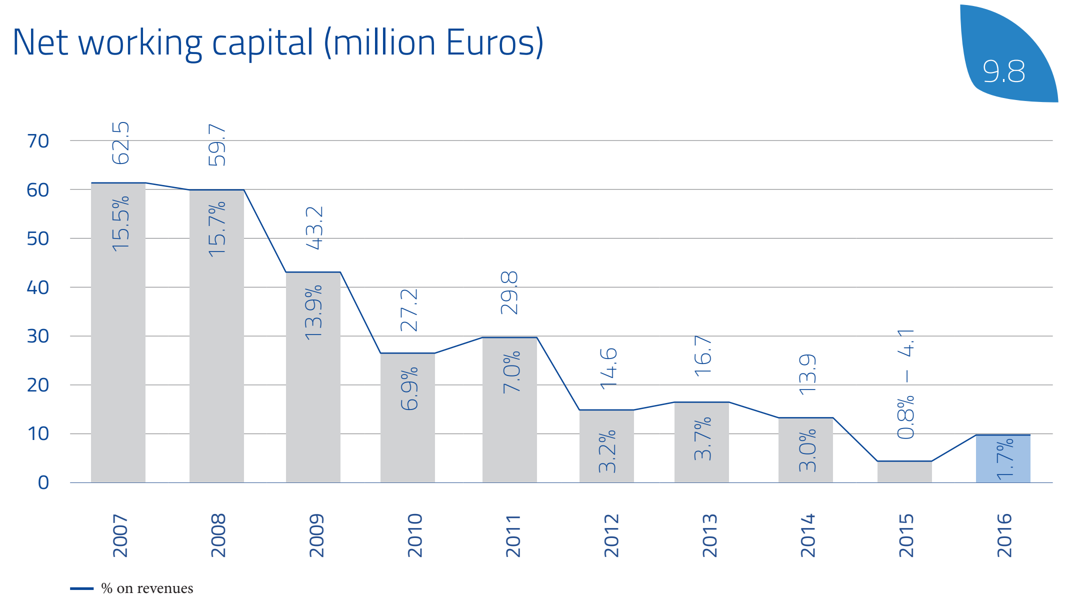
* % on revenues

Net profit (million Euros)*

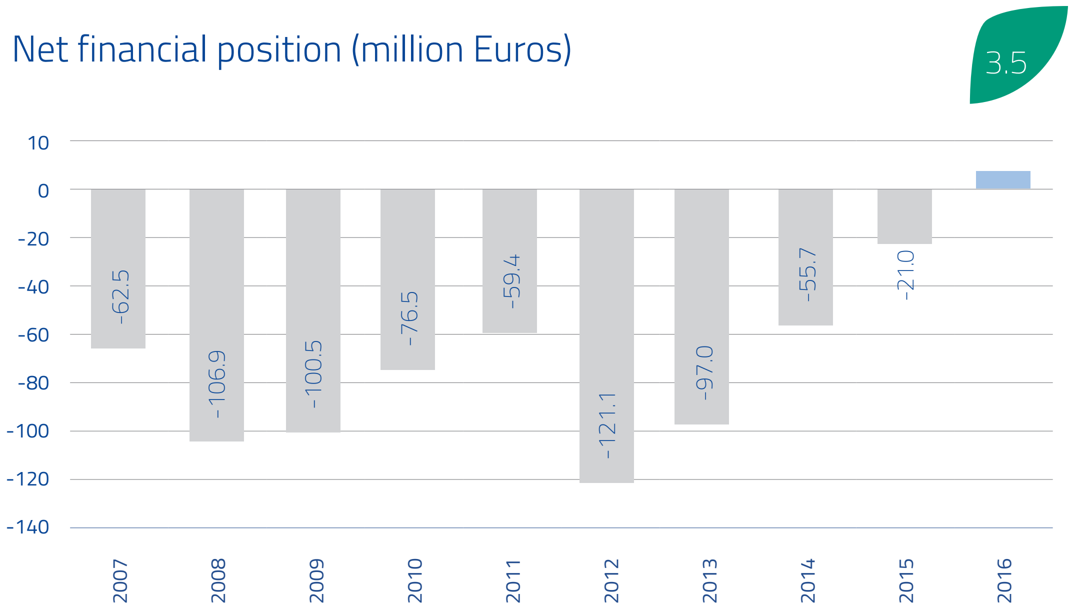


* % on revenues
** Net profit was affected by an impairment for 27 million Euros

Net working capital (million Euros)



Net financial position (million Euros)



Constant *growth*

Consolidated profit and loss

million Euros	2001	2002	2003	2004	2005	2006	2007	2008 [4]	2009	2010	2011	2012 [5]	2013	2014	2015	**2016**
TOTAL REVENUES	111.7	118.0	131.5	146.3	205.9	381.6	404.0	379.8	312.0	392.7	425.5	462.3	450.7	464.5	535.1	**576.5**
EBITDA	16.1	17.0	21.3	25.2	31.5	38.2	50.1	47.8	19.6	49.8	59.2	63.2	60.0	69.4	73.7	**90.4**
% on revenues	14.4	14.4	16.2	17.2	15.3	10.0	12.4	12.6	6.3	12.7	13.9	13.7	13.3	14.9	13.8	**15.7**
EBITANR [1]	8.6	7.9	11.0	19.6	24.8	26.0	37.8	35.3	6.2	38.1	48.8	53.4	50.1	58.0	61.2	**76.1**
% on revenues	7.7	6.7	8.4	13.4	12.0	6.8	9.4	9.3	2.0	9.7	11.5	11.6	11.1	12.5	11.4	**13.2**
EBT	2.6	6.7	10.3	18.7	22.7	9.0	26.6	25.9	-12.8	28.2	33.2	9.5	35.5	39.2	51.6	**66.9**
% on revenues	2.3	5.7	7.8	12.8	11.0	2.4	6.6	6.8	-4.1	7.2	7.8	2.1	7.9	8.4	9.6	**11.6**
NET PROFIT	0.8	5.4	7.2	11.2	13.0	4.1	18.1	17.8	-12.2	18.0	25.9	10.2	26.9	30.9	40.5	**45.8**
% on revenues	0.7	4.6	5.5	7.7	6.3	1.1	4.5	4.7	-3.9	4.6	6.1	2.2	6.0	6.6	7.6	**8.0**
NUMBER OF EMPLOYEES	698	735	775	875	1,808	1,897	1,906	2,202	1,982	2,019	2,427	2,384	2,364	2,470	2,567	**2,696**
DIVIDEND PER SHARE (Euro)	0.05	0.15	0.18	1.22 [2]	0.22	0.06 [3]	0.07	0.035	-	0.15	0.15	0.15	0.16	0.18	0.25	**0.3**
DIVIDEND PAID (million Euros)	-	0.58	1.70	2.11	15.04	3.5	3.8	4.1	1.9	-	8.1	8.5	8.5	9.4	10.5	**14.5**

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

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

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

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

[5] 2012 figures have been restated to reflect the application of IAS 19R.

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

Consolidated balance sheet

million Euros	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 [6]	2013	2014	2015	**2016**
FIXED ASSETS	37.3	38.1	34.7	71.5	254.0	227.3	207.0	216.5	203.4	223.5	244.2	313.6	300.4	326.2	363.8	**371.7**
CURRENT ASSETS	62.4	65.6	72.4	75.1	145.9	142.9	152.8	152.4	122.0	131.5	150.9	157.3	150.2	164.0	166.8	**192.0**
CURRENT LIABILITIES	-21.1	-29.6	-34.7	-40.4	-74.7	-78.0	-90.3	-92.7	-78.8	-104.2	-121.0	-142.7	-133.6	-150.1	-162.7	**-182.2**
NET WORKING CAPITAL	41.3	36.0	37.7	34.7	71.3	64.9	62.5	59.7	43.2	27.2	29.8	14.6	16.7	13.9	4.1	**9.8**
INVESTED CAPITAL	73.7	68.9	66.5	80.3	255.6	245.0	236.0	242.8	217.2	216.7	229.7	294.5	282.3	297.0	319.2	**332.9**
NET EQUITY	98.6	102.3	106.0	116.2	129.8	186.6	173.5	135.8	116.7	140.2	170.2	173.4	185.3	241.3	298.3	**336.4**
NET FINANCIAL POSITION [7]	24.9	33.4	39.5	35.9	-125.7	-58.4	-62.5	-106.9	-100.5	-76.5	-59.4	-121.1	-97.0	-55.7	-21.0	**3.5**
CAPEX	10.0	6.8	5.1	18.1	6.8	7.9	12.6	9.4	7.3	7.8	13.6	14.4	17.1	12.7	22.0	**16.5**
% on revenues	9.0	5.8	3.9	12.4	3.3	2.1	3.1	2.5	2.3	2.0	3.2	3.1	3.8	2.7	4.1	**2.9**
NWC (Net Working Capital) %	41.3	36.0	37.7	34.7	71.3	64.9	62.5	59.7	43.2	27.2	29.8	14.6	16.7	13.9	4.1	**9.8**
% on revenues	37.0	30.5	28.7	23.7	34.6	17.0	15.5	15.7	13.9	6.9	7.0	3.2	3.7	3.0	0.8	**1.7**
ROE %	1.2	5.4	6.9	10.1	10.6	2.6	10.0	11.5	-9.6	14.0	16.7	5.9	15.0	14.5	15.0	**14.4**
DEBT/EQUITY %	-25.3	-32.6	-37.3	-30.9	96.8	31.3	36.0	78.7	86.1	54.6	34.9	69.8	52.4	23.1	7.0	**1.0**

[6] 2012 figures have been restated to reflect the application of IAS 19R.

[7] In 2005, the acquisitions of Laservall, Informatics and PSC had an impact of 178 million Euros.
In January 2006, conclusion of capital increase for a total value of 76.6 million Euros.
During 2008 Datasensor S.p.A. was acquired for 45 million Euros.
During 2010, Evolution Robotics Retail Inc. was acquired for 20.96 million Euros.
During 2011, PPT Vision Inc. was acquired for 4.1 million Euros and "one-shot" costs were born for approx. 12 million Euros, of which 10.2 million related to the WCO project and 1.7 million for acquisitions.
During 2012, Accu-Sort Systems Inc. was acquired for 100.3 million Euros.

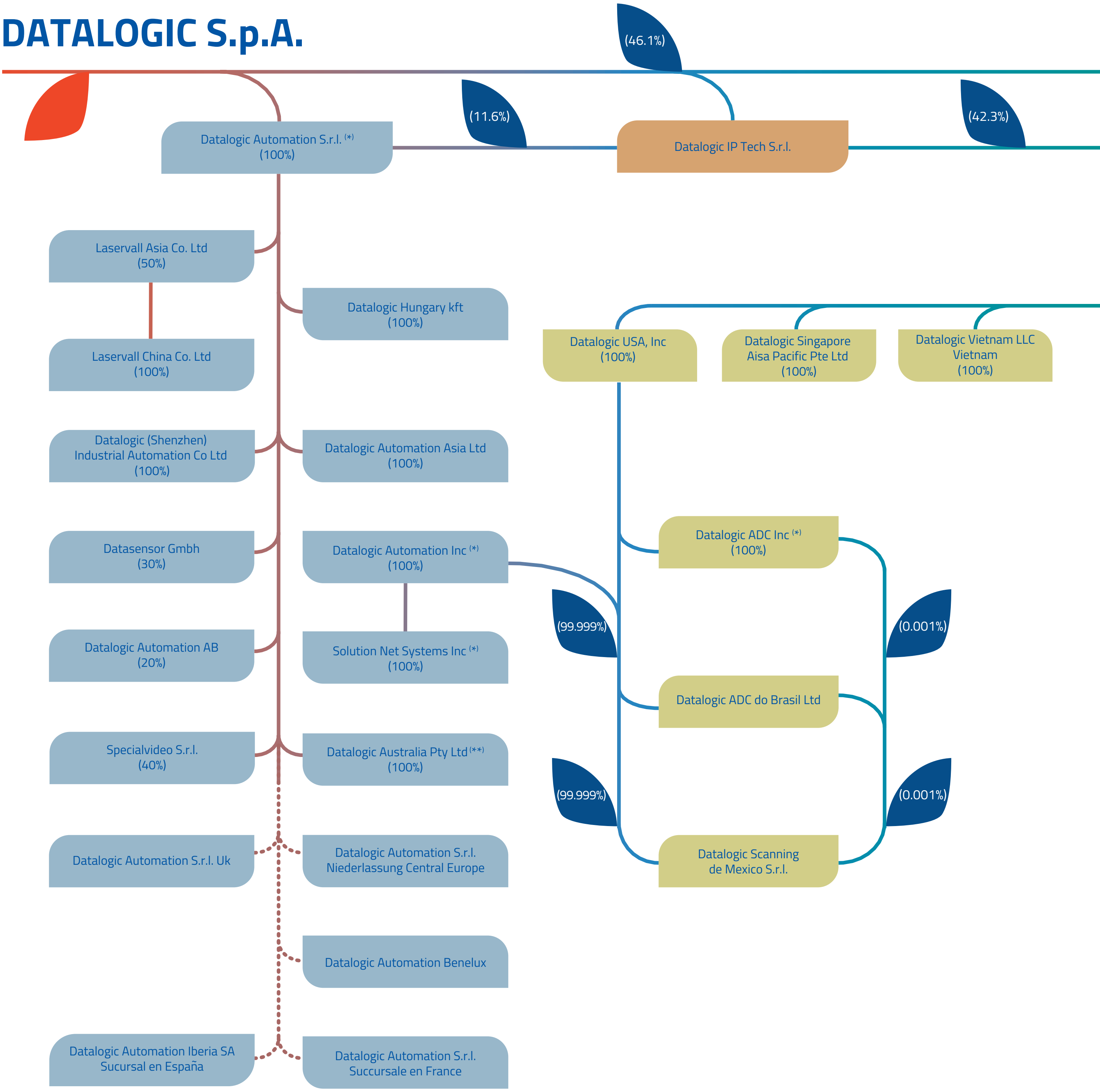
Annual results from 2001 to 2003 are prepared in accordance with Italian Accounting Standards; annual results from 2004 are prepared in accordance with IAS/IFRS.

Healthcare

DATALOGIC
THE VISION IS YOURS

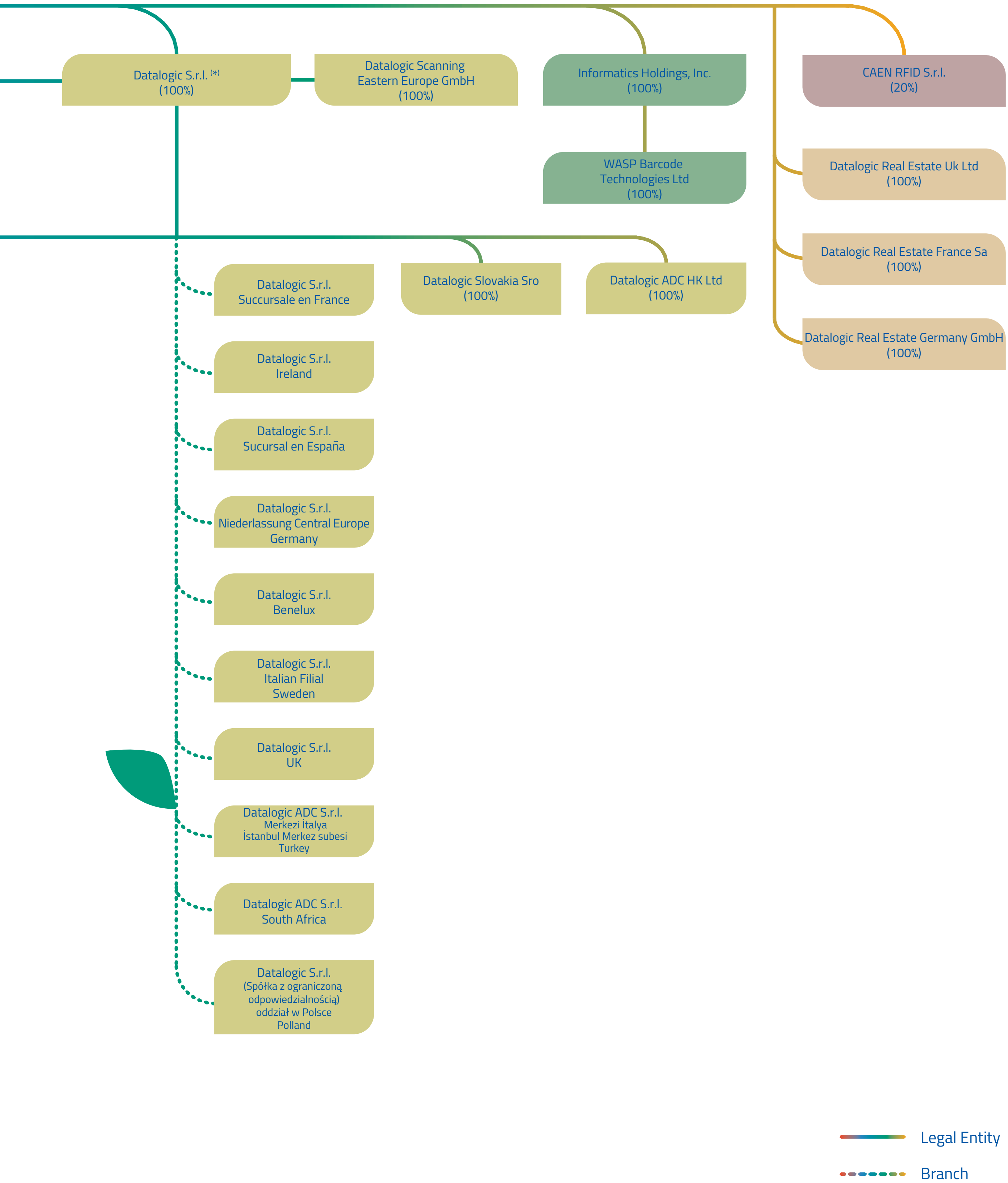
DATALOGIC GROUP STRUCTURE

DATALOGIC S.p.A.



(*) As from 1 January 2017:
- Datalogic Automation S.r.l. was merged into Datalogic S.r.l. (formerly named Datalogic ADC S.r.l.), by effect of the merger deed of 15 December 2016;
- Datalogic ADC Inc. and Datalogic Automation Inc. were merged into Datalogic USA Inc. (formerly named Datalogic Holdings Inc. until 12 December 2016)

(**) With effect on 31 December 2016:
- Datalogic ADC Pty. Ltd was merged into Datalogic Automation Pty. Ltd, which changed its name into Datalogic Australia Pty. Ltd.



Datalogic S.r.l. (*)
(100%)
Datalogic Scanning
Eastern Europe GmbH
(100%)
Informatics Holdings, Inc.
(100%)
WASP Barcode
Technologies Ltd
(100%)
CAEN RFID S.r.l.
(20%)
Datalogic Real Estate Uk Ltd
(100%)
Datalogic Real Estate France Sa
(100%)
Datalogic Real Estate Germany GmbH
(100%)
Datalogic Slovakia Sro
(100%)
Datalogic ADC HK Ltd
(100%)
Datalogic S.r.l.
Succursale en France
Datalogic S.r.l.
Ireland
Datalogic S.r.l.
Sucursal en España
Datalogic S.r.l.
Niederlassung Central Europe
Germany
Datalogic S.r.l.
Benelux
Datalogic S.r.l.
Italian Filial
Sweden
Datalogic S.r.l.
UK
Datalogic ADC S.r.l.
Merkezi İtalya
İstanbul Merkez subesi
Turkey
Datalogic ADC S.r.l.
South Africa
Datalogic S.r.l.
(Spółka z ograniczoną
odpowiedzialnością)
oddział w Polsce
Polland
Legal Entity
Branch

COMPOSITION OF CORPORATE BODIES

BOARD OF DIRECTORS [1]

Romano Volta
Chairman [2]

Valentina Volta
Director & Chief Executive Officer [2]

Carlo Achille Aversa
Director

Pier Paolo Caruso
Director

Luigi Di Stefano
Independent Director

Gaia Mazzalveri
Independent Director

Pietro Todescato
Director

Filippo Maria Volta
Director

STATUTORY AUDITORS [3]

Salvatore Marco Andrea Fiorenza
Chairman

Roberto Santagostino
Statutory Auditor

Elena Lancellotti
Statutory Auditor

Paolo Prandi
Alternate Statutory Auditor

Mario Fuzzi
Alternate Statutory Auditor

Sonia Magnani
Alternate Statutory Auditor

Auditing Company

Reconta Ernst & Young S.p.A.

[1] The Board of Directors will remain in office until the General Meeting that approves the accounts for the financial year ending 31 December 2017.
[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.

MANAGEMENT REPORT

REPORT ON OPERATIONS

To our Shareholders,

the report for the year ended 31 December 2016, which we submit to you for review, has been prepared in compliance with the instructions in the Borsa Italiana Regulations.

Specifically, consolidated Financial Statements apply the approach set forth by International Accounting Standards (IASs/IFRSs) adopted by the European Union.

COMMENTS ON OPERATING AND FINANCIAL RESULTS

The following table summarises the Datalogic Group's key operating and financial results as at 31 December 2016 in comparison with the same period a year earlier (figures in Euro thousands):

(Euro/000)	31.12.2016	31.12.2015	Change	Change %
Total revenues	**576,482**	**535,068**	**41,414**	**7.7%**
EBITDA (*)	**90,366**	**73,748**	**16,618**	**22.5%**
% of total revenues	15.7%	13.8%		
Group net profit/loss	**45,846**	**40,547**	**5,299**	**13.1%**
% of total revenues	8.0%	7.6%		
Net Financial Position (NFP) (**)	**3,503**	**(20,961)**	**24,464**	**n.a.**

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

(**) For the criteria defining the **Net Financial Position** please see page 42.

The results for the year confirmed the strong growth of all economic indicators and the unchanged positive trend that had already been reported in the first nine months of the year. In particular, EBITDA reported a strong improvement (22.5%) to €90.4 million, with a growing margin from 13.8% to 15.7%, the best over the last 12 years. EBIT grew by 32.7%, to €70.2 million. Net profit grew by 13.1%, reporting €45.8 million compared to €40.5 million in the previous year, despite the higher tax burden recorded in 2016 compared to 2015.

Net Financial Position was positive again, reporting €3.5 million thanks to the high cash generation (€39 million) before dividend distribution, amounting to €14.5 million, compared to a net debt equal to €21 million recorded as at 31 December 2015.

EVENTS IN 2016

New business model and corporate reorganisation

During the year, the Group adopted a new model of corporate organisation, which reflects Datalogic's new market positioning approach. The new organisation model, whose project has already been notified on 4 August 2016, was effective on 1 January 2017.

This reorganisation envisages that the Group corporate processes, previously product-oriented, should now be customer-oriented, with the aim of rendering Datalogic more and more "Customer Centric". This would not only permit to improve Customer Satisfaction, but also to anticipate and meet the most peculiar need of the four reference sectors (Retail, Transportation & Logistics, Manufacturing and Healthcare), also through the definition of *ad hoc* corporate structure, which would be therefore more effective.

The new corporate organisation led to the merger of the assets of ADC (Automatic Data Capture) and IA (Industrial Automation), divisions in one single legal entity in each region where the Group operates.
The new model allows for the following:

(i) all Datalogic customers will benefit from further services, specially studied to offer the utmost quality and efficacy for each single business sectors (Industries, Retail, Transportation & Logistics, Manufacturing, Healthcare);
(ii) streamlining of Group organisation and improvement of Group management;
(iii) rationalisation of Corporate Governance;
(iv) improvement of competitiveness of the Datalogic Group.

Further events occurred over the year

On 16 April 2016, the new industrial plant of 7,000 sqm was inaugurated in Balatonboglar, Hungary. This plant is mainly dedicated to the production of Factory Automation appliances. The target of the investment, equal to over €9 million, apportioned over the 2014-2016 years, is twofold: on the one side the widening of the production capacity, consistent with the Group growth plans, and on the other side higher flexibility and quality ensured to production processes, thanks to the adoption of three new SMT lines.

The Shareholders' Meeting, held on 2 May 2016, also appointed the Company's "new" Board of Statutory Auditors for the 2016/2018 three-year period:

- Fiorenza Salvatore Marco Andrea – Chairman;
- Santagostino Roberto – Standing Auditor;
- Lancellotti Elena – Standing Auditor.

On 28 June 2016, the Company communicated the inception of the program aimed at purchasing treasury shares, in execution of the resolution taken by the Shareholders' Meeting.

The spin off of the Systems Business Unit became effective on 1 October 2016. This transaction envisaged the establishment, by Datalogic Automation, Inc. (US subsidiary of the Company), of a newco - Solution Net Systems, Inc., headquartered in Quakertown, Pennsylvania (USA) - to which all assets related to the Systems BU were conferred. Since that date, Solution Net Systems, Inc. has been supplying all customers of the Datalogic Group with the integrated solutions of automated distribution for the postal and retail segments that were previously supplied by the Systems Business Unit of the Industrial Automation Division.

On 18 October 2016, Mr. Alessandro D'Aniello was appointed new Group CCFO and Manager in charge of drawing up the Company's accounting statements of the Datalogic Group.

On 20 December 2016, the Company announced that the Board of Directors appointed, effective 1 January 2017, Mrs. Valentina Volta, already Director of the Company and Managing Director of the IA division, as Managing Director of the Datalogic Group, vested with all executive powers, except for the two "M&A" e "Real Estate" areas, which will exclusively refer to the Chairman, Mr. Romano Volta.
Mr. Pietro Todescato, already CTO of the Datalogic Group and Director of the Company, was also vested with the responsibility of the Global Product Marketing function, focused on the product breakthrough innovation.
This redefinition of powers, within the project disclosed on 4 August 2016, was resolved at the end of the rationalisation process of the corporate structure, and it is aimed at implementing a go to market, customer- centred model.

SOCIAL, POLITICAL AND TRADE UNION CLIMATE

The year 2016 was characterised by the renewal process of strategy and preparation activities for the launching of the new corporate organisation, strongly endorsed by the Group CEO, through the identification of three key actions:
- customer's-focused approach and Customer's satisfaction;
- definition of the four reference markets (i.e. Industries): Retail, Manufacturing, Transportation & Logistics, Healthcare;
- an innovative portfolio of products and solutions;
- the continuous development of human resources.

As regards investing in the working environment and human resource management, the study of investment solutions in the management platforms of Human Resources continued in 2016, with the definition of new opportunities to be seized during 2017.

Customer orientation, as well as Innovation and Long-life expectancy, were confirmed to be the three key pillars of the expected behaviour of employees within the organisation.

In 2016 as well, still striving to improve services to internal customers, the Company continued to hire new persons in the Human Resource Function, above all in the regional areas.

Datalogic also consistently implemented staff training initiatives. The Company took advantage of most of the resources available for the financed training, with a focus on: skill development in R&D, methodologies and knowledge of instruments used and project management. Moreover, a remarkable portion of training hours was dedicated to the fulfilment of regulatory obligations as regards security and health on workplace, as set forth in the Leg. Decree 81/08 and the 2011 Agreement between the central Government and Italian Regions. This year as well, attention was paid to the need for English courses.

As regards Industrial Relations, in 2016 negotiations continued with Trade Unions for the renewal of the second level Agreement, and the agreement on the Production Bonus for the three-year 2015-2018 period was renewed for the Italian employees, based on the same growth and profitability targets established in the Group Budget.

The aforesaid contributed to reinforce the corporate spirit and the feeling of belonging.

ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA

The following table shows the main Income Statementitems for the Datalogic Group compared with the same period in the previous year:

(€/000)	31.12.2016		31.12.2015		Change	Change %
Total Revenues	**576,482**	**100.0%**	**535,068**	**100.0%**	**41,414**	**7.7%**
Cost of sales	(311,192)	-54.0%	(286,450)	-53.5%	(24,742)	8.6%
Gross profit	**265,290**	**46.0%**	**248,618**	**46.5%**	**16,672**	**6.7%**
Other revenues	3,278	0.6%	3,504	0.7%	(226)	-6.4%
Research and development expenses	(50,421)	-8.7%	(48,244)	-9.0%	(2,177)	4.5%
Distribution expenses	(101,208)	-17.6%	(101,095)	-18.9%	(113)	0.1%
General and administrative expenses	(37,774)	-6.6%	(39,521)	-7.4%	1,747	-4.4%
Other operating costs	(3,027)	-0.5%	(2,041)	-0.4%	(986)	48.3%
Total Operating costs and other costs	**(192,430)**	**-33.4%**	**(190,901)**	**-35.7%**	**(1,529)**	**0.8%**
Ordinary operating result before non-recurring costs and revenues and administrative costs arising from acquisitions (EBITANR)	**76,138**	**13.2%**	**61,221**	**11.4%**	**14,917**	**24.4%**
Non-recurring costs and revenues	(979)	-0.2%	(2,564)	-0.5%	1,585	-61.8%
Depreciation and amortisation due to acquisitions (*)	(4,914)	-0.9%	(5,712)	-1.1%	798	-14.0%
Operating result (EBIT)	**70,245**	**12.2%**	**52,945**	**9.9%**	**17,300**	**32.7%**
Net financial income (expenses)	(3,055)	-0.5%	(4,622)	-0.9%	1,567	-33.9%
Profits/(Losses) from associates	(318)	-0.1%	174	0.0%	(492)	n.a.
Foreign exchange differences	20	0.0%	3,087	0.6%	(3,067)	-99.4%
Pre-tax profit/(Loss)	**66,892**	**11.6%**	**51,584**	**9.6%**	**15,308**	**29.7%**
Taxes	(21,046)	-3.7%	(11,037)	-2.1%	(10,009)	90.7%
Group Net Profit/(Loss)	**45,846**	**8.0%**	**40,547**	**7.6%**	**5,299**	**13.1%**
Amortisation and write-downs of intangible assets	(9,363)	-1.6%	(7,812)	-1.5%	(1,551)	19.9%
Amortisation and write-downs of intangible assets	(4,865)	-0.8%	(4,715)	-0.9%	(150)	3.2%
EBITDA	**90,366**	**15.7%**	**73,748**	**13.8%**	**16,618**	**22.5%**

(*) This item includes costs for amortisation arising from acquisitions. To provide a better representation of the Group's ordinary profitability, we chose – in all tables in this section concerning information on operating performance – to show an operating result before the impact of non-recurring costs/revenues and of depreciation and amortisation due to acquisitions, which we have called EBITANR (Earnings before interests, tax, acquisitions and not recurring), **hereinafter referred to as "Ordinary operating result"**. To permit comparability with the Financial Statements, we have in any case included a further intermediate profit margin ("Operating result") that includes non-recurring costs/revenues and depreciation and amortisation due to acquisitions and which matches figures reported in year-end Financial Statements.

As at 31 December 2016, the **Datalogic Group had revenues of €576,482 thousand (€535,068 thousand in the same period of the previous year)**, of which €545,821 thousand derived from product sales and €30,661 thousand from services. Revenues increased by 7.7% compared to the previous year (+7.6% at constant Euro/Dollar exchange rate).
The impact on turnover generated by new products (launched in the last 24 months) amounted to 24.3% in 2016.
The booking (already acquired orders) over the period, achieved €586 million, up by 4% compared to the same period of 2015.

The **Gross Profit**, equal to €265,290 thousand, increased by 6.7% against €248,618 thousand reported in the previous year (+6.5% at constant Euro/Dollar exchange rates), while its impact on revenues slightly decreased from 46.5% in 2015 to 46%% in 2016, above all due to the physiological reduction in prices, which was not entirely offset by the improvement in the mix and purchase efficiencies.

The **Operating Costs** are equal to €192,430 thousand, with a growth less than 1% compared to €190,901 thousand in 2015, while highlighting a strong improvement as per impact on sales, from 35.7% to 33.4%. Higher costs for R&D, equal to €50,421 thousand, were recorded, up by 4.5% compared to €48,244 thousand invested in 2015, with 8.7% impact on revenues, which remained substantially unchanged compared to 9% of 2015.

Distribution costs and general and administrative expenses reported an improvement both in terms of impact on turnover, from 26.3% in 2015 to 24.1% in 2016, and in absolute terms, from €140.6 million in 2015 to €139.0 million in 2016.

As at 31 December 2016, item non-recurring cost and (revenues) shows a balance of €979 thousand. The item is broken down as follows:

Item (€/000)	Amount	Type of cost
1) "Cost of goods sold"	86	early retirement incentives
2) "R&D expenses"	16	Transformation plan
3) "Distribution expenses"	166	early retirement incentives
3) "Distribution expenses"	167	Transformation plan
4) "General and administrative expenses"	988	Transformation plan
5) "Other expenses"	(444)	release of other provisioning
Total non-recurring costs/(revenues)	**979**	

Costs related to the Transformation Plan (equal to €1,171 thousand) are borne for the study, start-up and implementation of the important reorganisation of the Datalogic Group, in place since January 2017. They mainly consist of consultancy expenses and EDP costs (€1,011 thousand), expenses incurred for travels, meetings and other trade costs (€160 thousand). Extraordinary revenues, equal to €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.

As at 31 December 2016, depreciation and amortisation due to acquisitions (totalling €4,914 thousand) broke down as follows:

(€/000)	31.12.2016	31.12.2015	Change
Acquisition of the PSC Group (on 30 November 2006)	1,828	2,513	(685)
Acquisition of Informatics Inc. (on 28 February 2005)	0	120	(120)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	633	631	2
Acquisition of Accu-Sort Inc. (on 20 January 2012)	2,453	2,448	5
Total	**4,914**	**5,712**	**(798)**

EBITDA marked a strong improvement (22.5%) and stood at €90,366 thousand compared to €73,748 thousand in 2015 (+22.2% at constant Euro/Dollar exchange rates), with an increased impact on revenues (EBITDA margin) of 1.9%, thus reaching 15.7%, the best over the last 12 years, compared to 13.8% of the previous year, above all thanks to the reduced Operating Costs, which remained substantially in line with those recorded in 2015.

The "Ordinary Operating Result" (EBITANR) was €76,138 thousand (13.2% of revenues) and up by 24.4% over the amount reported for the same period of the previous year (€61,221 thousand).

The **Operating Result (EBIT)** increased by 32.7%, from €52,945 thousand, recorded in the previous year, to €70,245 thousand (32.2% at constant Euro/Dollar exchange rates).

The next table compares the main operating results achieved in the fourth quarter of 2016 with the same period in 2015 and the third quarter of 2016.

(€/000)	QIV 2016			QIV 2015	Change	Change %
Total revenues	154,729	100.0%	143,773	100.0%	10,956	7.6%
EBITDA	23,727	15.3%	20,670	14.4%	3,057	14.8%
Ordinary Operating Result (EBITANR) (*)	19,881	12.8%	17,409	12.1%	2,472	14.2%
Operating Result (EBIT)	17,495	11.3%	14,856	10.3%	2,639	17.8%

(€/000)	QIV 2016			QIV 2016	Change	Change %
Total revenues	154,729	100.0%	139,911	100.0%	14,818	10.6%
EBITDA	23,727	15.3%	21,682	15.5%	2,045	9.4%
Ordinary Operating Result (EBITANR) (*)	19,881	12.8%	18,137	13.0%	1,744	9.6%
Operating Result (EBIT)	17,495	11.3%	17,437	12.5%	58	0.3%

(*) see definition on page 33

The fourth quarter of 2016 was the best fourth quarter in the Group's history in terms of revenues and EBITDA. It reported a boost, compared to the fourth quarter of the previous year, with revenues amounting to €154,729 thousand, up by 10.6% compared to the previous quarter and 7.6% compared to the fourth quarter 2015 (+7% at constant Euro/Dollar exchange rates).

EBITDA increased over the quarter to €23,727 thousand, with 9.4% growth compared to the third quarter 2016 and 14.8% compared to the fourth quarter 2015.

The booking (already acquired orders) during the fourth quarter was equal to €161 million, up by 16.4% compared to the previous quarter and by 1.7% compared to the fourth quarter 2015.

SEGMENT DISCLOSURE

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

The Group operates in the following business segments up to 2016:

ADC – the ADC Division (Automation Data Capture) is the global leader in fixed scanners for retail and the major EMEA supplier of manual bar code readers, as well as the leading player in the mobile computer market for warehouse management, staff-assisted selling and shelf reorganisation at stores. The ADC Division also includes self-scanning solutions and high-performance bottom of the basket prevention solutions.

Industrial Automation – the Industrial Automation Division, among the major manufacturers in the world of products and solutions for automatic identification, recognition and marketing in the industrial automation market, covers the increasing demand for tracking, inspection and recognition solutions in the manufacturing and logistics processes, mainly couriers, areas. It includes product lines related to: fixed bar code readers using imager and laser technology, the photoelectric sensors and equipment for industrial automation and security, smart remote cameras and software for artificial vision, industrial laser markers. It should be noted that the spin off of the Systems Business Unit became effective on 1 October 2016. This transaction envisaged the establishment, by Datalogic Automation, Inc. (US subsidiary of the Company), of a newco - Solution Net Systems, Inc., based in Quakertown, Pennsylvania (USA). Since that date, Solution Net Systems, Inc. will therefore supply all customers of the Datalogic Group with the integrated solutions of automated distribution for the postal and retail segments that were previously supplied by the Systems BU of the Industrial Automation Division.

For the purpose of segment disclosure, figures as at 31 December 2016 include the new company Solution Net Systems, Inc., in line with the first three quarters of 2016 and with the previous year.

Informatics – this Company, which is headquartered in the United States, sells and distributes products and solutions for the management of inventories and mobile assets tailored for small and medium sized companies.

Corporate – it includes the operations of the holding company, the real estate operations of the Group and Datalogic IP Tech, which manages the Group's industrial property and research activities.

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

The financial information relating to operating segments as at 31 December 2016 and 31 December 2015 are as follows (€/000):

(€/000)	ADC		Industrial Automation		Informatics		Corporate		Adjustments		Total Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External sales	394,632	361,635	157,491	146,050	24,351	27,383	18,068	0	(18,060)	0	576,482	535,068
Intersegment sales	3,015	2,331	1,045	34	14	0	23,510	36,451	(27,584)	(38,816)	0	0
Total sales	**397,647**	**363,966**	**158,536**	**146,084**	**24,365**	**27,383**	**41,578**	**36,451**	**(45,644)**	**(38,816)**	**576,482**	**535,068**
Divisional ordinary operating result (Divisional EBITANR)	**88,039**	**73,630**	**7,480**	**6,108**	**(1,878)**	**(223)**	**11,196**	**5,179**	**(28,699)**	**(23,473)**	**76,138**	**61,221**
% of revenues	22.14%	20.23%	4.72%	4.18%	(7.71)%	(0.81)%	26.93%	14.21%	62.88%	60.47%	13.21%	11.44%
Operating result (EBIT)	**61,656**	**49,589**	**44**	**(678)**	**(1,600)**	**(343)**	**10,476**	**4,693**	**(331)**	**(315)**	**70,245**	**52,945**
% of revenues	15.51%	13.62%	0.03%	(0.46)%	(6.57)%	(1.25)%	25.20%	12.87%	0.73%	0.81%	12.19%	9.90%
Financial income (Expenses)	**(6,157)**	**(6,947)**	**(4,154)**	**(1,640)**	**(219)**	**(289)**	**50,432**	**27,744**	**(43,255)**	**(20,229)**	**(3,353)**	**(1,361)**
Fiscal income (Expenses)	**(17,745)**	**(7,724)**	**1,426**	**803**	**561**	**256**	**(5,266)**	**(4,406)**	**(22)**	**34**	**(21,046)**	**(11,037)**
Amortisation, depreciation and write-downs	**(10,177)**	**(10,714)**	**(6,169)**	**(4,903)**	**(345)**	**(329)**	**(2,475)**	**(2,304)**	**24**	**11**	**(19,142)**	**(18,239)**
Divisional EBITDA	**95,755**	**81,199**	**11,196**	**8,564**	**(1,533)**	**(14)**	**13,671**	**7,483**	**(28,723)**	**(23,484)**	**90,366**	**73,748**
% of revenues	24.08%	22.31%	7.06%	5.86%	(6.29)%	(0.05)%	32.88%	20.53%	62.93%	60.50%	15.68%	13.78%
R&D expenses	**(41,406)**	**(39,027)**	**(18,922)**	**(17,942)**	**(1,488)**	**(1,180)**	**(13,660)**	**(13,596)**	**25,055**	**23,501**	**(50,421)**	**(48,244)**
% of revenues	(10.41)%	(10.72)%	(11.94)%	(12.28)%	(6.11)%	(4.31)%	(32.85)%	(37.30)%	(54.89)%	(60.54)%	(8.75)%	(9.02)%

For the purpose of a better disclosure of operating results for each single division, the Management deemed it appropriate to highlight the Divisional EBITDA as monitoring KPI of the financial performance of the various operating segments in line with data that are periodically reviewed by the top Management, for a decision making on resources to be allocated to the segments and the evaluation of the results obtained by the same.

As previously described, during 2016 the Group implemented a thorough corporate reorganisation, which marked a shift from a product-based approach to a customer-focused approach, where needs are met and anticipated through a special-purpose organisation and consequent expected improvement of efficiency and quality of solutions offered and services rendered. Being close to customers, considering and anticipating their needs is the driver of growth; moreover, technological innovation boots future development. This strategy determined a corporate reorganisation, which involved that, with effect as from 1 January 2017, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) be merged into one single legal entity in every region where the Group operates.

In light of the new business operating structure and corporate reorganisation, in 2017 the operating sectors will be redefined accordingly and periodically remeasured by the top management, according to provisions set out by IFRS 8. As regards the year 2016, the operating segments therefore remained unchanged compared to the previous year.

For a better understanding and clarity of disclosures, it is specified that the definition of CGUs, determined for impairment testing purposes and based on prospective data, takes account of the new operating and management organisation, effective as from 1 January 2017: the ACD and IA CGUs were merged into the the DATALOGIC CGU. The latter, starting from 2017, will correspond to an operating segment determined according to the same criteria.

Reconciliation between **EBITDA, EBITANR and pre-tax Profit/(Loss)** is as follows:

(€/000)	31.12.2016	31.12.2015
EBITDA	**90,366**	**73,748**
Depreciation and write-downs of tangible assets	(9,363)	(7,812)
Amortisation and write-downs of intangible assets	(4,865)	(4,715)
EBITANR (*)	**76,138**	**61,221**
Non-recurring costs and revenues	(979)	(2,564)
Depreciation and amortisation due to acquisitions (*)	(4,914)	(5,712)
EBIT (Operating Result)	**70,245**	**52,945**
Financial income	942	1,217
Financial expenses	(3,997)	(5,839)
Foreign exchange gains/(losses)	20	3,087
Net financial income (expenses)	**(3,035)**	**(1,535)**
Profits from associates	(318)	174
Pre-tax profit/(loss)	**66,892**	**51,584**

(*) see definition on page 33

Datalogic ADC

The ADC Division (Automatic Data Capture), specialised in the manufacture of fixed bar code readers for the retail market, manual readers and mobile computer for warehouse management, recorded a turnover of €397.6 million, with a 9.3% increase (+9.1% at constant Euro/Dollar exchange rate) compared to €364 million in 2015, and of €105 million in the third quarter, up by 9.1% (+8.4% at constant Euro/Dollar exchange rate) compared to the fourth quarter of 2015, driven above all by the sale of imaging technology bench scanners and mobile computers both in Europe and the Americas.

The Gross Profit, equal to €186.4 million, increased by 8.2% compared to the previous year, while its impact on revenues decreased by 0.4%.

The Operating Costs, which include R&D and distribution and general and administrative expenses, amounted to €100.6 million, and, in absolute terms, remained substantially unchanged compared to the previous year, but down by around 2.4 percentage points as regards their impact on revenue.

Profitability strongly improved, with a Divisional EBITDA increase from €81.2 million in 2015 to €95.8 million in 2016 (+17.9%), and an EBITDA Margin of 24.1% compared to 22.3% in 2015.

Net Profit as at 31 December 2016 was equal to €37.8 million (€34.9 million as at 31 December 2015), with 9.5% impact on total revenues.

Datalogic Industrial Automation

The Industrial Automation Division, specialised in the production of automatic identification systems, security, detection and marking for the Industrial Automation market, reported revenues equal to €158.5 million, as at 31 December 2016, an increase of 8.5% compared to €146.1 million recorded in the previous year (+8.8% at constant Euro/Dollar exchange rates). The division benefited from a strong growth in both T&L and Manufacturing sectors in Europe, China and, above all in the last quarter, North America, where a double-digit growth was reported.

In the fourth quarter 2016, the Division recorded a turnover of €45.7 million, highlighting 7% growth compared to the fourth quarter 2015.

The newly incorporated Solution Net Systems Inc., resulting from the spin off of the Systems Business Unit, reported revenues equal to €6.4 million in the fourth quarter 2016.

The Gross Profit, equal to €69.8 million, increased by 6.6% compared to the previous year, while its impact on revenues decreased by 0.8%.

The Operating Costs, which include R&D and distribution and general and administrative expenses, amounted to €65.1 million, and, in absolute terms, increased by €1.3 million compared to the previous year, but down by around 2.6 percentage points as regards their impact on revenue.

Divisional EBITDA was €11.2 thousand, corresponding to 7.1% of total revenues, an increase compared to 30.7% over the previous year. The Divisional EBITDA of the Systems Business Unit and the company Solution Net Systems Inc. is negative by €1.0 million (-9.1% impact on revenue). Excluding the results of the Systems Business Unit and the newly incorporated Solution Net Systems Inc., the Divisional EBITDA amounted to €12.2 million, equal to 8.8% in terms of impact on revenue.

Lastly, **Informatics** reported a turnover of €24.4 million compared to €27.4 million in 2015. Over the fourth quarter, turnover amounted to €5.8 million, up by 9.1% (+7.4% at constant Euro/Dollar exchange rates) compared to the fourth quarter 2015.

The Statement of Financial Position information relating to operating sectors as at 31 December 2016 compared with the information as at 31 December 2015 is as follows (€/000):

(€/000)	ADC		Industrial Automation		Informatics		Corporate		Adjustments		Totalt Group	
	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
Total Assets	**565,270**	**644,360**	**252,307**	**302,179**	**24,635**	**24,604**	**637,622**	**782,593**	**(736,987)**	**(1,064.560)**	**742,847**	**689,176**
Tangible and intangible fixed assets	**160,005**	**159,226**	**100,985**	**99,247**	**16,222**	**15,270**	**35,506**	**33,635**	**295**	**573**	**313,013**	**307,951**
Tangible assets	**20,351**	**19,226**	**20,664**	**18,671**	**2,769**	**2,711**	**28,559**	**27,806**	**(261)**	**(30)**	**72,082**	**68,384**
Intangible assets	**139,654**	**140,000**	**80,321**	**80,576**	**13,453**	**12,559**	**6,947**	**5,829**	**556**	**603**	**240,931**	**239,567**
Equity investments in associates	**78,451**	**76,241**	**7,850**	**6,387**			**155,740**	**155,740**	**(239,827)**	**(235,836)**	**2,214**	**2,532**
Total Liabilities	**340,812**	**423,679**	**200,220**	**245,880**	**8,042**	**7,245**	**352,825**	**541,641**	**(495,446)**	**(827,529)**	**406,453**	**390,916**

Sector information by region, as at 31 December 2016 and 31 December 2015, breaks down as follows (€/000):

(€/000)	**31.12.2016**	31.12.2015	Change	Change %
Revenues geographical area				
Revenues in Italy	50,783	45,798	4,985	10.88%
Revenues in rest of Europe	249,911	222,735	27,176	12.20%
Total Europe	**300,694**	**268,533**	**32,161**	**11.98%**
Revenues in North America	167,332	161,063	6,269	3.89%
Revenues in Asia & Pacific	69,576	71,490	(1,914)	-2.68%
Revenues in rest of the world	38,880	33,982	4,898	14.41%
Total Revenues	**576,482**	**535,068**	**41,414**	**7.74%**

As regards the geographical areas, the European market (also including Italy), which is over 50% of turnover, continues to record a significant growth (+12% YoY), in both divisions. The lower growth rate reported in North America, compared to the previous quarters, is instead substantially attributable to significant projects concluded by the ADC Division in the last quarter 2015, which were only partially offset by the double-digit growth recorded in the same area by the IA Division.

(€/000)	31.12.2016	31.12.2015	Adjustments 31.12.2016	Adjustments 31.12.2015	Consolidated 31.12.2016	Consolidated 31.12.2015	Change
Non-current assets							
Italy	382,854	381,456			382,854	381,456	0.4%
Europe	37,215	35,062			37,215	35,062	6.1%
North America	408,495	392,696			408,495	392,696	4.0%
Rest of the world	18,168	16,198			18,168	16,198	12.2%
Eliminations and adjustments			(442,867)	(429,333)	(442,867)	(429,333)	3.2%
Total	**846,732**	**825,412**	**(442,867)**	**(429,333)**	**403,865**	**396,079**	**2.0%**

PERFORMANCE BY BUSINESS SEGMENT AND R&D ACTIVITIES

Datalogic ADC

Research and Development expenses for the year amounted to €41.4 million, with respect to ADC Division. The R&D activities carried out during 2016 by the ADC Division are described hereunder. The ADC Division has three R&D centres situated in Italy, America and Vietnam.

Handheld readers (HHRs)

In 2016, the Group further strengthened its leader position in the market of handheld readers, especially multiple use readers.
Positive inputs are also coming by the Original Equipment Manufacturing (OEM) business and the growth in 2D readers, which, at global level, had a 20% greater increase compared to 2015.

The main products introduced in 2016 are as follows:

- **RIDA DBT 6400**: this is a pocket wireless Bluetooth® device, equipped with imager area reading technology, which can be easily connected to tablets, smartphones and PCs. It is small, ergonomic and features a modern and elegant design. The RIDA DBT 6400 scanner imager can be easily connected to Android™, Apple® iOS e Windows® Mobile® devices, as well as laptops with Bluetooth wireless technology. This new and compact area imager is able to read both 1D and 2D bar codes with a low contrast or damaged and badly printed. It can also read codes displayed on mobile phones. Its main characteristics are the capacity to read a wide range of images, the white illumination light and the code-reading aiming system.
  This device is available for both office/retail and healthcare applications, as it is equipped with special disinfectant ready plastics, treated with antimicrobial additives, which are useful to avoid the dissemination of infections.
- **PowerScan 9300 laser family**: the Powerscan laser family was enlarged by the introduction of the PowerScan 9300 scanner laser, which combines its ruggedness with its high-speed laser reading abilities.
  The PowerScan 9300 laser family is able to meet all customers' needs and it is available in both the laser standard range and the laser long range, with cable or with Bluetooth® wireless technology.
  PowerScan PM9300 is the version with display and a full 16-key keyboard. The latter solution significantly increased the scanner versatility, thanks to the greater interaction with the host system, making it suitable for applications that would normally require a more expensive portable data terminal.
- **PowerScan 9500-RT**: 2D imager reader, available both corded and cordless. This PowerScan 9500 Retail series is the first scanner on the market capable of reading digital watermarks including Digimarc® bar codes. Its main features are: outstanding ruggedness, IP65 sealing rating, Bluetooth® cordless technology and vertical cradle for presentation mode scanning.
  The PowerScan 9500-RT family offers both the corded version and the cordless one with Bluetooth® wireless technology with a radio range of over 90m/295ft for outdoor use. This device ensures the same reading performance and reliability of the PowerScan 9500 series, but with a greater freedom in movements in wide spaces, with no cable limitations.
  PowerScan Retail PM9500-RT is available with optional display and configurable 4-key keypad or full 16-key keyboard. With this solution, a greater interaction between host and user and a bidirectional exchange of information are therefore granted, thus improving efficiency and efficacy of the communication process.

Checkout scanners
Datalogic is the world leader in developing solutions for the automatic acquisition of data for the retail sector with revolutionary retail sale solutions, as well as innovations in the high-performance checkout solutions, automatic scanning, advanced imaging readers, personal shopping and visual recognition.
The Magellan brand is world renowned for its top quality and extreme reliability. Sales of these products increased by over 20% compared to the previous years, with the highest sales peaks for Magellan 9800i and the new Magellan 9300i and 9400i.
During 2016, Datalogic continued its development activity of products capable of reading Digimarc® labels.
On the occasion of the NFR in New York, held in January 2017, the Group announced that the new single-plane scanners, Magellan 3450i and Magellan 3550i, as well as Lanehawk 5 will be introduced on the market in the first half of 2017.

Mobile computing store automation
The Datalogic position in the Mobile Computers further strengthened in 2016.
This year, Datalogic launched various new products, including an innovative self-shopping device and a DPA, Android version.

The main products introduced in 2016 are as follows:
- **DL-Axist**: is the new full touch PDAc with Android™ operating system. This is extremely rugged and equipped with a 5-inch full touch HD display, suited to manage applications of the industrial type, both outdoor and indoor, also thanks to the rubber protection cover and the Corning® Gorilla® Glass 3 screen. The mobile DL-Axist professional computer is equipped with multi-purpose 2D imager technology, which allows for an easy and rapid data acquisition, also on high-density bar codes, as well as with the new Datalogic SoftSpot™, which allows for the positioning of a virtual trigger at any point of the large touch display to maximise ergonomics and productivity. The SoftSpot can be used as reading trigger in scan intensive applications or can be programmed to activate any type of application preset by the user.
- **Joya Touch**: is the multi-purpose device for use throughout retail, specially studied for applications like self-shopping, pricing, stock management, shop data collection, access control and much more. The large HD touchscreen display permits an easy use of the device in all situations. This innovative professional device is the first in its category to use the wireless recharge technology, and eliminates the need for cleaning the device contacts as well as dispensers, which are easily worn up. Batteries need only 2.5 hours to recharge and, with the 'Boost recharge' function, 80 minutes of use are guaranteed after only 15 minute recharge. The Joya Touch device supports the Beacon technology for the geolocalisation of the shop. The Bluetooth® wireless technology and BLE can be also used to connect a wide range of devices, such as the payment systems or the printers.
- **Shopevolution 7**: is the cloud-ready omni-channel middleware, which allows for the simultaneous management of various shops by retailers, with consequent time saving and remarkable cost reduction. Shopevolution 7 supports both the new Datalogic Joya™ Touch and the previous Joya models, various types of smartphones and other portable devices. It also ensures an omni-channel shopping, without limitations for customers, by using the same graphical user interface (GUI) on different devices.
- **Joya Touch Android**: on the occasion of NFR 2017, the next evolution of Joya touch with Android 6 was presented. This device is endowed with vocal support and other important novelties and will be available on the market as from the second half of 2017.

Datalogic Industrial Automation
Research and Development expenses for the year amounted to €18.9 million, with respect to Industrial Automation Division. The R&D activities carried out during 2016 by the Datalogic Industrial Automation Division are described hereunder.

Identification
The year 2016 was an extremely positive year for the Identification product range, which recorded boosted sales on all markets, thus reaping the benefits of the technological innovations implemented over the last few years. The new Matrix 120 family was launched in November. This industrial reader, with the most reduced size now available on the market, features a wide range of models and unique functionalities, with respect to competitors, that confer the device optimal features, capable to satisfy entry level applications in the Manufacturing and OEM sectors. The innovative DL.CODE graphical user interface was adopted on the entire 2D range for greater versatility and user-friendliness. In addition to Matrix 120, the new DS5100 laser scanner was unveiled on the occasion of the prestigious exhibition SPS on Industrial Automation. This device will be launched in 2017 and it is intended to strengthen Datalogic's presence in the interlogistics and automated warehouses sectors.
The ID Business Units, amongst the liveliest in the production of Intellectual Properties, carried out numerous R&D activities on Industry 4.0 issues. In particular, it should be noted that the new R&D project, named AIDA, ranked first in the POR FESR 2014-2020 regional tender of the Emilia Romagna region and received a contribution of €846 thousand.

Lasermarking
During the year, this Business Unit completed the development of a new, highly innovative, laser product called AREX 20MW.
This marker is based on the MOPA Laser technology and features distinctive elements such as high selection flexibility of impulse parameters, a wider radio-frequency range and a new marking controller. It was launched on the market in October 2016.

In 2016, the Lasermarking Business Unit developed a project aimed at improving quality in the existing product platform, which allowed for a significant improvement on all the product lines in terms of reliability and marking stability. In 2016, the Lasermarking Business Unit has also started a new project for a review of the product line related to the AREX family, which will allow for the upgrading of the devices to the latest technology for further strengthening the positioning of these devices on the market.

Sensors & Safety

With regard to security devices, the development of a new Safety Laserscanner, named Laser Sentinel, was carried out in 2016. This is the comprehensive solution for the safety monitoring in the Factory Automation and Interlogistics sectors. This product will be characterised by high detection capacities in terms of scanning angle and maximum safety distance, as well as by a reliable operation in industrial contexts, easy maintenance and a user interface oriented to self-learning applications. The prototype was unveiled at the Norimberga exhibition in November 2016. Its development will be completed during 2017.
In the area of sensors and photoelectric devices, S65-M is the new Long Range Background Suppressor based on light Time Of Flight technology. The S65-M can easily detect objects at a distance up to 5 meters. This device is based on the innovative System On Chip technology and an Infrared LED emission, which is risk-free compared to laser sources. The user interface of the product is simple and intuitive, with two user configurable outputs and IO-Link V1.1 connection. The rugged and compact 50x50 mm housing of this device features IP67 protection from water and dust.

Vision

During 2016, the Machine Vision Business Unit introduced the MX-E family, a state-of-the-art family of vision processors, packed in a rugged chassis ensuring robustness and longevity.
Compared with the previous MX vision processor generation, the MX-E processors ensure faster inspections and extend camera support to the new high-speed CMOS PoE cameras of the E100 GigE Series.
Within the robotics segments, a new calibration procedure is now available, thus allowing for flexible integration of the visual technology with robots and laser markers for the automobile and electronics industries.
In the software development area, the new SDK (SW Development Kit) was launched, essential to monitor visual applications dedicated to the industrial automation market. Significant upgrading was implemented to the Pattern Sorting Tool, core of important applications both in the Automation and Transportation & Logistics sectors.
For the same industry, as evolution of the proposals that simplify the use of artificial vision, in 2016 the solution IMPACT + OBJECT DETECTOR was issued. This is extremely effective for object detection applications on various transportation means for the utmost logistics efficiency. This solution is based on the P-Series platform, like the IMPACT+OCR product, which was launched last year as innovative solution for inspections on the printing of variable data in the food industry. At the 2016 Vision Show in Stuttgart, this solution won the first 2017 inspection prize in the Automation category, an important acknowledgement.

Datalogic IP Tech

Datalogic Ip Tech incorporates a R&D centralised group, named DLLABS, as well as a patent department that deals with the management of intellectual properties generated by Group companies. The core activity of DLLABS is to supply the other Group R&S Departments with highly innovative optical modules and software components that might be used in the new products. In the past years, this type of modules were supplied by our competitors: in 2015, the activity of DLLABS led to the substantial independence and autonomy of Datalogic for this type of supplies. The year 2016 marked a further and decisive step towards autonomy and the remaining orders will be ended in 2017. The modules developed in DLLABS are not finished products, as those developed in the ADC and IA Divisions, albeit they are endowed with peculiar features (patented). These modules have already been proposed on the OEM market and have obtained the first important successes in this type of market.
Although the core business of DLLABS is the development of modules, they are also asked to tackle other issues concerning technology breakthrough and design backup to other R&D teams within the Datalogic Group.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

The following table shows the main financial and equity items for the Datalogic Group as at 31 December 2016, compared with 31 December 2015.

(€/000)	31.12.2016	31.12.2015
Net intangible assets	51,997	56,547
Goodwill	188,934	183,020
Net tangible assets	72,082	68,384
Unconsolidated equity investments	6,928	6,607
Other non-current assets	51,807	49,288
Non-current capital	**371,748**	**363,846**
Net trade receivables from Customers	75,477	68,765
Amounts due to Suppliers	(104,585)	(101,711)
Inventories	82,344	69,477
Net working capital, trading	**53,236**	**36,531**
Other current assets	34,184	28,643
Other current liabilities and provisions for short term risks	(77,625)	(61,025)
Net working capital	**9,795**	**4,149**
Other M/L term liabilities	(30,836)	(26,773)
Employee severance indemnity	(6,647)	(6,814)
Provisions for risks	(11,169)	(15,187)
Net invested capital	**332,891**	**319,221**
Total Shareholders' Equity	**(336,394)**	**(298,260)**
Net Financial Position	**3,503**	**(20,961)**

As at 31 December 2016, the Net Working Capital in the trading segment amounted to €53,236 thousand (equal to 9.2% of revenues), up compared to €36,531 thousand as at 31 December 2015 (equal to 6.8% of revenues), mainly due to the higher growth rate in demand.

Net Working Capital as at 31 December 2016 amounted to €9,795 thousand (€4,149 thousand as at 31 December 2015).

As at 31 December 2016, the Net Financial Position is broken down as follows:

(€/000)	31.12.2016	31.12.2015
A. Cash and bank deposits	146,930	126,166
B. Other cash and cash equivalents	47	46
b1. Restricted cash deposit	47	46
C. Securities held for trading	0	361
c1. Short-term	0	0
c2. Long-term	0	361
D. Cash and equivalents (A) + (B) + (C)	**146,977**	**126,573**
E. Current financial receivables	0	0
F. Other current financial receivables	0	0
f1. Hedging transactions	0	0
G. Bank overdrafts	212	45
H. Current portion of non-current debt	30,180	32,973
I. Other current financial payables	5,878	6,355
i1. Hedging transactions	37	6
i2. Payables for leasing	248	260
i3. Vurrent financial payables	5,593	6,089
J. Current financial debt (G) + (H) + (I)	**36,270**	**39,373**
K. Current financial debt, net (J) - (D) - (E) - (F)	**(110,707)**	**(87,200)**
L. Non-current bank borrowing	139,321	139,639
M. Other non-current financial assets	32,117	31,872
N. Other non-current liabilities	0	394
n1. Hedging transactions	0	115
n2. Payables for lease	0	279
O. Non-current financial debt (L) - (M) + (N)	**107,204**	**108,161**
P. Net financial debt (K) + (O)	**(3,503)**	**20,961**

Net Financial Position as at 31 December 2016 was positive by €3,503 thousand, an improvement of €24,464 thousand compared to 31 December 2015 (negative by €20,961 thousand), thanks to the continuous and strong cash generation, also after dividend distribution.

Note that the following transactions were carried out in the period:

- payment of dividends of €14,543 thousand;
- cash outflows for leaving incentives for managers, amounting to €4,744 thousand;
- payments related to leaving incentives totalling €901 thousand (related to costs allocated in 2015);
- the purchase of treasury shares (no. 27,619) of €368 thousand.

Investments were also made, net of disposals, amounting to €16,516 thousand.

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

(€/000)	31.12.2016		31.12.2015	
	Total equity	Period results	Total equity	Period results
Parent Company Shareholders' Equity and profit	**291,677**	**52,334**	**250,417**	**27,474**
Difference between consolidated companies' Shareholders' Equity and their carrying value in the Parent Company's Financial Statements; effect of equity-based valuation	111,061	51,183	108,261	76,703
Reversal of dividends		(53,387)		(63,097)
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	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(17,700)	(4,231)	(11,826)	(244)
Reversal of write-downs and capital gains on equity investments	5,517	(604)	6,121	
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,193)	(61)	(1,133)	(324)
Deferred taxes	4,659	612	4,047	35
Group Shareholders' Equity	**336,394**	**45,846**	**298,260**	**40,547**

ORDINARY SHARES AND TREASURY SHARES

The item "Treasury shares", amounting to €4,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€6,941 thousand). In 2016, the Group purchased 27,619 treasury shares for a total amount of €368 thousand, accounted for excluding purchase costs (€1 thousand).
For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,821 thousand, was made unavailable by using the Share premium reserve.

FINANCIAL INCOME/(EXPENSES)

(€/000)	31.12.2016	31.12.2015	Change
Financial income/(expenses)	(1,637)	(2,262)	625
Foreign exchange differences	20	3,087	(3,067)
Bank expenses	(1,828)	(3,304)	1,476
Other	410	944	(534)
Total Net Financial Income (expenses)	**(3,035)**	**(1,535)**	**(1,500)**

Financial Income was negative by €3,035 thousand, compared to a negative result of €1,535 thousand related to the same period of the previous year, mainly due to a more unfavourable trend of Foreign exchange differences, while bank fees decreased by €1,476 thousand.
The item "Financial income/(expenses)" improved by €625 thousand, mainly due to the consolidation and rationalisation activity of the Group financial structure, implemented in the first half of 2015, which permitted to increase the average life of the financial debt and therefore reduce the related charges.

The item "Bank fees" (improved by €1,476 thousand), also includes:
- the portion pertaining to the upfront fees period, paid upon opening of long-term loans, in the amount of €207 thousand (€1,428 thousand as at 31 December 2015, of which €1,250 thousand connected with the early redemption of some long-term loans);
- factoring costs, amounting to €609 thousand (€839 thousand as at 31 December 2015), related to commissions without recourse.

Losses generated by companies carried at equity were recognised in the amount of €318 thousand (compared with profits of €174 thousand as at 31 December 2015).

EXPOSURE TO VARIOUS TYPES OF RISK

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

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 (such as managerial training programmes) 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, the Group has made considerable investments in the area of intellectual property over several years, and today holds more than 1,200 patents (including patents granted and patents for which an application was filed).
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 Datalogic Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the company. To mitigate the risk associated with these events, the company maintains a high level of investment in Research & Development (around 8.7% of revenues as at 31 December 2016) and a large portfolio of patents which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Group monitors each of the financial risks mentioned, duly intervening in order to minimise them, sometimes with hedging derivatives. The Parent Company manages most of the market and liquidity risks, whereas credit risks are managed by the Group's operating units. For more information on financials 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 2016, separate from the management report, 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 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 36.

It should be however stated that Datalogic is fully complying with provisions set out in Article 36 of the above-mentioned Consob Regulation 16191/2007, 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.

RELATED PARTIES

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 Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 1 January 2016 to 31 December 2016, the Company's Board of Directors did not approve any relevant transaction, as set out by Article 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.

OUTLOOK FOR CURRENT YEAR

For the year 2017, growth in revenue is expected with a higher rate compared to that of the reference markets, with a special focus on North America and APAC, while in EMEA, the Company deems that it will further consolidate its leadership.
Growth driver is the new strategy and new organisation and operating model, adopted as from 1 January 2017: focus on the end customer through new organisation structures dedicated to the four reference industries - Retail, Manufacturing, Transportation & Logistics and Healthcare; Datalogic's capacity of offering the entire product range and innovative solutions in each of these structures, a unique feature in the reference competition context; combined maintenance of a strong presence, while focusing on distribution partners, through the newly established Group Channel department.
The Group will continue to invest remarkable amounts in R&D, made stronger by the creation of a new department focused on "breakthrough innovation", as well as on the improvement of custom-oriented service levels, assigned to the new Customer Service department.
It is also deemed that, in a substantially stable global macroecomic scenario, the endless streamlining of operations and the strong control of production and Operating Costs will permit the achievement of targets for a further improvement of the financial position and profitability, over a medium/long term period.

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 2016, the share reported a positive performance of 15.9%, and outperformed both the shares belonging to the FTSE MIB by 23.1% and shares belonging to the FTSE STAR by 9.9%. The security reached a maximum value of €19.30 per share on 5 October 2016 and a minimum value of €11.30 on 27 June 2016. The average daily volumes exchanged in 2016 were approximately 39,670 shares (compared to the average daily volumes of approximately 74,277 shares reported in the previous year).

Stock Exchange 2016

SEGMENT STAR - MTA

MKT CAP 1,092.4 million
as at 31 December 2016

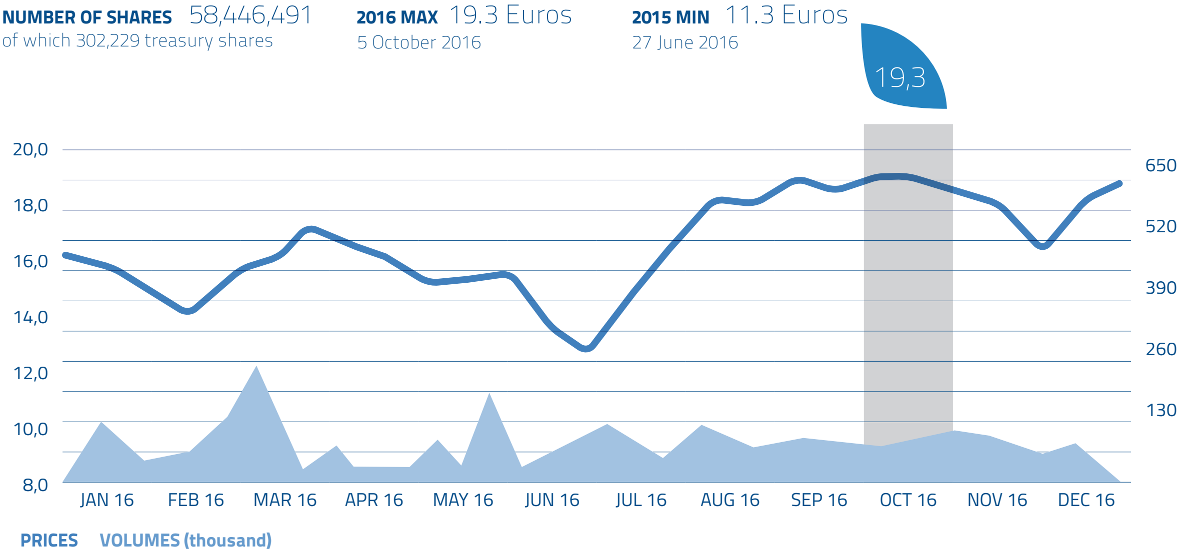
BLOOMBERG CODE DAL.IM

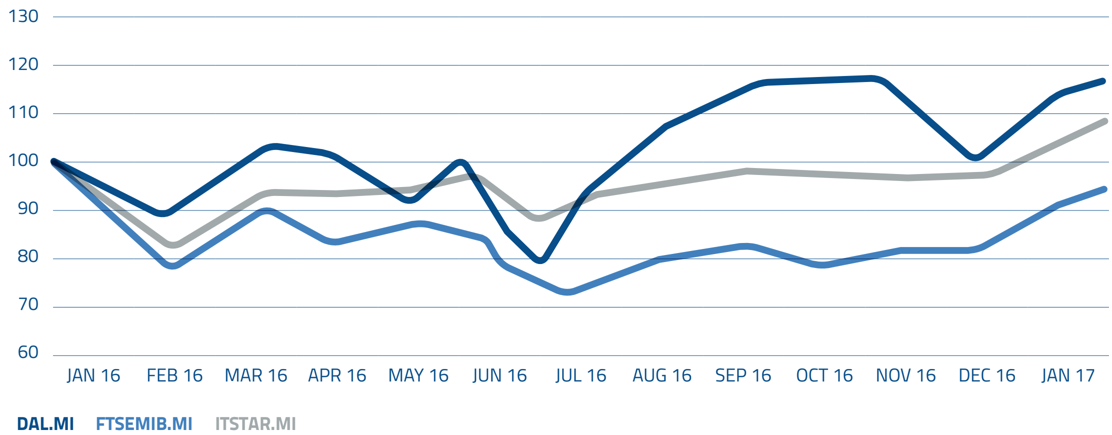
REUTERS CODE DAL.MI

NUMBER OF SHARES 58,446,491
of which 302,229 treasury shares

2016 MAX 19.3 Euros
5 October 2016

2015 MIN 11.3 Euros
27 June 2016





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 2016, the Company met over 190 institutional investors, up by 19% over the prior year, in "one to one, lunch meeting" and the following corporate events:

- Roadshow Svizzera Equita Sim – 15/16 February
- European Midcap Event Francoforte – 17 February
- France Reverse Roadshow Kepler – 18 February
- Star Conference Milan – 15 March
- Kepler Investment Conference Milan – 9 June
- Star Conference London – 7 October
- Conference Call on the financial results.

SECONDARY LOCATIONS

The Parent Company has no secondary locations.

ALLOCATION OF THE YEAR'S EARNINGS

To our Shareholders,

We believe that the Management Report, which accompanies the statutory year-end accounts of the Company and the Datalogic Group's consolidated year-end Financial Statements, provides exhaustive illustration of the performance and results achieved in 2016.

Since the Financial Statements of Datalogic S.p.A. show a net operating profit for the year of €52,334,217, 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 30 cents per share with coupon detachment on 8 May 2017 (record date 9 May 2017) and payment from 10 May 2017, for a maximum amount of €17,533,947;
- allocate €218,777 of earnings to the reserve for unrealised gains on exchange, pursuant to Art. 2426 8-bis of the Italian Civil Code;
- carry forward the remainder of the year's earnings.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Note	31.12.2016	31.12.2015
A) Non-current assets (1+2+3+4+5+6+7)		**403.865**	**396.079**
1) Tangible assets		**72.082**	**68.384**
Land	1	8.218	5.763
Buildings	1	31.014	32.299
Other assets	1	30.175	28.029
Assets in progress and payments on account	1	2.675	2.293
2) Intangible assets		**240.931**	**239.567**
Goodwill	2	188.934	183.020
Development costs	2	4.302	5.349
Other	2	43.534	47.829
Assets in progress and payments on account	2	4.161	3.369
3) Equity investments in associates	**3**	**2.214**	**2.532**
4) Financial assets		**35.721**	**35.168**
Equity investments	5	4.714	4.075
Securities	5	0	361
Other	5	31.007	30.732
5) Loans	**5**	**1.110**	**1.140**
6) Trade and other receivables	**7**	**2.394**	**1.929**
7) Deferred tax assets	**13**	**49.413**	**47.359**
B) Current assets(8+9+10+11+12+13+14)		**338.982**	**293.097**
8) Inventories		**82.344**	**69.477**
raw and ancillary materials and consumables	8	29.699	26.693
work in progress and semi-finished products	8	25.724	20.133
finished products and goods	8	26.921	22.651
9) Trade and other receivables	**7**	**91.526**	**82.345**
Trade receivables	**7**	**75.477**	**68.765**
trade receivables from third parties	7	74.490	67.309
trade receivables from associates	7	979	1.447
trade receivables from related parties	7	8	9
Other receivables - accrued income and prepaid expenses	**7**	**16.049**	**13.580**
of which from related parties		75	75
10) Tax receivables	**9**	**18.135**	**15.063**
of which from the Parent Company		8.010	7.383
11) Financial assets	**5**	**0**	**0**
12) Loans		**0**	**0**
13) Financial assets - Derivative instruments	**6**	**0**	**0**
14) Cash and cash equivalents	**10**	**146.977**	**126.212**
Total assets (A+B)		**742.847**	**689.176**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (€/000)		Note	31.12.2016	31.12.2015
A)	**Total Shareholders' Equity (1+2+3+4+5)**	**11**	**336,394**	**298,260**
1)	Share capital	11	146,291	146,659
2)	Reserves	11	42,817	35,618
3)	Profits/(losses) of previous years	11	101,440	75,436
4)	Group profit/(loss) for the period/year	11	45,846	40,547
5)	Minority interests	11	0	0
B)	**Non-current liabilities (6+7+8+9+10+11+12)**		**187,973**	**188,807**
6)	Financial payables	12	139,321	139,918
7)	Financial liabilities - Derivative instruments	6		115
8)	Tax payables	9	44	52
9)	Deferred tax liabilities	13	26,498	23,172
10)	Post-employment benefits	14	6,647	6,814
11)	Provisions for risks and charges	15	11,169	15,187
12)	Other liabilities	16	4,294	3,549
C)	**Current liabilities (13+14+15+16+17)**		**218,480**	**202,109**
13)	Trade and other payables	16	151,494	143,818
	Trade payables	16	104,585	101,711
	trade payables to third parties	16	104,058	101,468
	trade payables to Parent Company	16	106	
	trade payables to associates	16	24	84
	trade payables to related parties	16	397	159
	Other payables - accrued liabilities and deferred income	16	46,909	42,107
14)	Tax payables	9	21,032	10,577
	of which to the Parent Company		15,114	4,781
15)	Provisions for risks and charges	15	9,684	8,341
16)	Financial liabilities - Derivative instruments	6	37	6
17)	Financial payables	12	36,233	39,367
Total liabilities (A+B+C)			**742,847**	**689,176**

CONSOLIDATED INCOME STATEMENT

(€/000)	Note	31.12.2016	31.12.2015
1) Total revenues	**17**	**576,482**	**535,068**
Revenues from sale of products		545,821	508,338
Revenues from services		30,661	26,730
of which from related parties		5,577	5,660
2) Cost of goods sold	**18**	**311,278**	**286,691**
of which non-recurring	18	86	241
of which from related parties		356	342
Gross profit (1-2)		**265,204**	**248,377**
3) Other operating revenues	**19**	**3,278**	**3,504**
of which from related parties		7	8
4) R&D expenses	**18**	**50,542**	**48,441**
of which non-recurring	18	16	92
of which amortisation, depreciation and write-downs pertaining to acquisitions		105	105
of which from related parties	18	99	4
5) Distribution expenses	**18**	**101,541**	**102,093**
of which non-recurring	18	333	998
of which from related parties		200	133
6) General and administrative expenses	**18**	**43,571**	**46,361**
of which non-recurring	18	988	1,233
of which amortisation, depreciation and write-downs pertaining to acquisitions	18	4,809	5,607
of which from related parties		1,202	926
7) Other operating expenses	**18**	**2,583**	**2,041**
of which non-recurring		(444)	0
of which from related parties	18	0	4
Total operating costs		**198,237**	**198,936**
Operating result		**70,245**	**52,945**
8) Financial income	**20**	**19,502**	**37,617**
of which from related parties		0	16
9) Financial expenses	**20**	**22,537**	**39,152**
Net financial income (expenses) (8-9)		**(3,035)**	**(1,535)**
10) Profits from associates	**3**	**(318)**	**174**
Profit (loss) before taxes from the operating assets		**66,892**	**51,584**
Income tax	21	21,046	11,037
Profit/(loss) for the period		**45,846**	**40,547**
Basic earnings/(loss) per share (€)	22	0.7879	0.6969
Diluted earnings/(loss) per share (€)	22	0.7879	0.6969

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	Note	31.12.2016	31.12.2015
Net profit/(loss) for the period		**45,846**	**40,547**
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	64	98
of which tax effect		(21)	(43)
Profit/(loss) due to translation of the accounts of foreign companies	11	3,268	19,466
Profit (loss) on exchange rate adjustments for financial assets available for sale	11	(19)	291
of which tax effect		0	77
Reserve for exchange rate adjustment	11	3,886	7,862
of which tax effect		(1,337)	(1,941)
Total other components of the Statement of Comprehensive Income which will be restated under profit/(loss) for the year		**7,199**	**27,717**
Other components of the Statement of Comprehensive Income which will be restated under profit/(loss) for the year:			
Actuarial (loss)/gain on defined-benefit plans			
of which tax effect			7
Total other components of the Statement of Comprehensive Income which will be restated under profit/(loss) for the year		**0**	**7**
Total profit/(loss) of Comprehensive Income Statement		**7,199**	**27,724**
Total net profit/(loss) for the period		**53,045**	**68,271**
Attributable to:			
Parent Company Shareholders		53,045	68,271
Minority interests		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(€/000)	Note	31.12.2016	31.12.2015
Pre-tax profit		**66,892**	**51,584**
Depreciation of tangible assets and write-downs	1, 2	9,363	7,812
Amortisation of intangible assets and write-downs	1, 2	9,779	10,427
Capital losses from sale of assets	18	5	69
Capital gains from sale of assets	19	(135)	(67)
Change in provisions for risks and charges	15	(2,675)	3,927
Change in employee benefits reserve	14	(167)	(387)
Bad debt provisions	18	762	34
Net financial expenses including exchange rate differences	20	3,997	5,839
Net financial income including exchange rate differences	20	(942)	(1,217)
Foreign exchange differences	20	(20)	(3,087)
Adjustments to value of financial assets	3	318	(174)
Cash flow from operations before changes in working capital		**87,177**	**74,760**
Change in trade receivables (including provision)	7	(7,474)	1,385
Change in final inventories	8	(12,867)	(7,061)
Change in current assets	7	(2,469)	1,019
Change in other medium-/long-term assets	7	(465)	(208)
Change in trade payables	16	2,874	9,544
Change in other current liabilities	16	4,802	3,395
Other medium/long-term liabilities	16	745	468
Commercial foreign exchange differences	20	(2,755)	(3,479)
Foreign exchange effect of working capital		303	(782)
Cash flow from operations after changes in working capital		**69,871**	**79,041**
Change in tax		(12,399)	(14,692)
Foreign exchange effect of tax		1,208	1,954
Interest paid and banking expenses	20	(3,055)	(4,622)
Cash flow generated from operations (A)		**55,625**	**61,681**
Increase in intangible assets excluding exchange rate effect	2	(3,933)	(4,493)
Decrease in intangible assets excluding exchange rate effect	2	208	60
Increase in tangible assets excluding exchange rate effect	1	(12,899)	(18,097)
Decrease in tangible assets excluding exchange rate effect	1	238	518
Change in unconsolidated equity investments	5	(639)	(1,144)
Changes generated by investment activity (B)		**(17,025)**	**(23,156)**
Change in LT/ST financial receivables	5	115	(8,234)
Change in short-term and medium-/long-term financial debt	12, 6	(3,982)	13,746
Financial foreign exchange differences	20	2,775	6,566
Purchase/sale of treasury shares	11	(368)	(831)
Changes in reserves	11	45	396
Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets	11, 1, 2	(2,045)	572
Dividend payment	11	(14,543)	(10,471)
Cash flow generated (absorbed) by financial activity (C)		**(18,003)**	**1,744**
Net increase (decrease) in available cash (A+B+C)	**10**	**20,597**	**40,269**
Net cash and cash equivalents at beginning of period (Note 10)	**10**	**126,121**	**85,852**
Net cash and cash equivalents at end of period (Note 10)	**10**	**146,718**	**126,121**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Description (€/000)	**Share capital and capital reserves**	**Reserves of Statement of Comprehensive Income**					
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income
01.01.2015	**147,490**	**(190)**	**2,702**	**5,542**	**(378)**	**218**	**7,894**
Allocation of earnings	**0**						**0**
Dividends			0				**0**
Translation reserve	**0**						**0**
Change in IAS reserve	**0**						**0**
Sale/purchase of treasury shares	**(831)**						**0**
Other changes							**0**
Profit/(loss) as at 31.12.2015	**0**						**0**
Total other components of the Statement of Comprehensive Income		98	19,466	7,862	7	291	**27,724**
31.12.2015	**146,659**	**(92)**	**22,168**	**13,404**	**(371)**	**509**	**35,618**

Description (€/000)	**Share capital and capital reserves**	**Reserves of Statement of Comprehensive Income**					
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income
01.01.2016	**146,659**	**(92)**	**22,168**	**13,404**	**(371)**	**509**	**35,618**
Allocation of earnings	**0**						**0**
Dividends			0				**0**
Translation reserve	**0**						**0**
Change in IAS reserve	**0**						**0**
Sale/purchase of treasury shares	**(368)**						**0**
Other changes							**0**
Profit/(loss) as at 31.12.2016	**0**						**0**
Total other components of the Statement of Comprehensive Income		64	3,268	3,886		(19)	**7,199**
31.12.2016	**146,291**	**(28)**	**25,436**	**17,290**	**(371)**	**490**	**42,817**

Profit for prior periods

Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group Shareholders' Equity
40,674	**958**	**4,735**	**8,683**	**55,050**	**30,857**	**241,291**
29,675		1,182		**30,857**	**(30,857)**	**0**
(10,471)				**(10,471)**		**(10,471)**
				0		**0**
				0		**0**
				0		**(831)**
				0		**0**
				0	**40,547**	**40,547**
				0		**27,724**
59,878	**958**	**5,917**	**8,683**	**75,436**	**40,547**	**298,260**

Profit for prior periods

Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group Shareholders' Equity
59,878	**958**	**5,917**	**8,683**	**75,436**	**40,547**	**298,260**
40,386		161		**40,547**	**(40,547)**	**0**
(14,543)				**(14,543)**		**(14,543)**
				0		**0**
				0		**0**
				0		**(368)**
0				**0**		**0**
				0	**45,846**	**45,846**
				0		**7,199**
85,721	**958**	**6,078**	**8,683**	**101,440**	**45,846**	**336,394**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

The Datalogic Group is the world leader in the manufacture of fixed bar code readers, mobile computers, RFID-Radiofrequency Identification technology, detection, measurement and security sensors, vision and laser marking systems. Solutions offered by Datalogic increase efficiency and quality of processes, along the entire value chain, in the Large-scale Distribution, Transport and Logistics, Manufacturing Industry 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 2016 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 2016 of the Datalogic Group was authorised by resolution of the Board of Directors dated 9 March 2017.

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the European Regulation no, 1606/2002, and from 2005, the Financial Statements have been prepared in compliance with the International Accounting Standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee ("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 2016 consist of Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes.

We specify that, in the Statement of Financial Position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the company's normal operational cycle or in the 12 months following the reporting date; current liabilities are those whose extinction is envisaged during the company's normal operating cycle or in the 12 months after the reporting date.

The Income Statement reflects analysis of costs grouped by function, as this classification was deemed more meaningful for comprehension of the Group's business result.
The Statement of Comprehensive Income presents the components that determine gain/(loss) for the period and the costs and revenues reported directly under Shareholders' Equity for transactions other than those set up with shareholders.

The 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.
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 at all Group companies and for all periods presented.

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

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 under consolidation.
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 at reporting date, in the measurement of inventories have been eliminated where they exist.
Company 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 Measurement, must be recognised in the Income Statement.
Goodwill is initially measured at cost, which is the surplus of the consideration paid and the amount recognised for the minority interests, 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.
Our consolidated Financial Statements for the year as at 31 December 2016 include our share of the profits and losses of associates, recognised in equity, from the date when significant influence over operations began until cessation of the same.
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.

ACCOUNTING POLICIES AND STANDARDS APPLIED

The accounting criteria used to prepare the Datalogic Group's consolidated Financial Statements for the year ended 31 December 2016 are described below. The accounting standards described have been consistently applied by all Group entities.

Property, plant and equipment (IAS 16)

Owned tangible assets are initially recognised at the cost of 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 1 January 2004 (IFRS transition date) and this value was used as the deemed cost. The fair value was determined according to appraisals made 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 Statementin 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 disappear in later years, the original value is reinstated. The residual value and useful life of assets are renewed at least at each year-end in order to assess any significant changes in value.

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

Assets held under finance lease contracts (IAS 17)

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 (IAS 38)

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 difference between the consideration paid and the amount recognised for the minority interests as compared to the net identifiable assets acquired and the liabilities assumed by the Group, according to the partial goodwill approach. If the consideration is less than the fair value of the net assets 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 Statementat 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;
- a licence agreement arranged during the course of the fourth quarter 2010 and then renewed upon expiration.

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.

The useful life for each category is detailed below:

Description	Useful Life - years
Goodwill	Indefinite useful life
Development costs	5
Other intangible assets:	
- Software licences (other than SAP licences)	3/5
- Patents (formerly PSC)	20
- Customers (formerly PSC)	10
- Trademarks	3/10
- "Service agreement" (formerly PSC)	4
- Know-how (Laservall)	7
- Commercial structure (Laservall)	10
- Commercial structure (Informatics)	10
- 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

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

Impairment (IAS 36)

Tangible and intangible assets are tested for impairment in the presence of specific indicators of loss of value, and at least annually for intangible assets with an indefinite life 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 Cash Generating Unit to which presumable realisation value refers.

If the recoverable value of the asset or Cash Generating Unit, 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 Statementfor the period.

Impairment losses relating to Cash Generating Unit 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. In the case of goodwill, impairment value is never reversed.

Financial assets (IAS 39)

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

Financial assets at fair value with contra entry in the Income Statement: these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; they are recognised at fair value and any changes during the period are recognised in the Income Statement. Within the Group this category includes securities classified among current assets.

Loans and receivables: these are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method. They are classified as "current assets", apart from those due after 12 months, which are classified as non-current assets. Within the Group, this category includes trade receivables, other receivables and cash.

Available for sale financial assets: these are financial assets other than derivatives, which are not classified in other categories; they are valued at fair value and related changes are entered in an equity reserve. They are classified under non-current assets, unless they are intended to be sold within 12 months. Within the Group this category includes investments in other companies and securities.
The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Group establishes fair value by using recent transactions taking place close to balance sheet date or by referring to other instruments of substantially the same kind or using Discounted Cash-Flow (DCF) models.
In some circumstances, the Group does not have sufficient information to calculate the fair value of these financial assets. In this case, they are maintained at cost.
A financial asset (or, where applicable, the portion of a financial asset or part of a group of similar financial assets) is removed from the Financial Statements when:

- the rights to receive the cash flows from the asset have been extinguished;
- 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:
  (a) has transferred essentially all the risks and benefits of ownership of the financial asset or
  (b) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

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

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

The basis of measurement of hedging instruments is their fair value on the designated date. The fair value of currency derivatives is calculated in relation to their intrinsic value and their time value. At each annual reporting date, hedging instruments are tested for effectiveness to see whether the hedge qualifies as an effective hedge and is therefore eligible for hedge accounting.

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

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

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

Cash flow hedge – If a financial derivative is designated as a hedge for exposure to the variability of future cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the changes in the hedge's fair value are recognised in equity for the effective portion of the hedge (intrinsic value), while the part relating to time value and any ineffective portion (over-hedging) is recognised in the Income Statement.
If a hedge or hedging relationship has ended but the hedged transaction has not yet taken place, cumulative profits and losses recognised thus far in equity are recognised in the Income Statementwhen the related transaction takes place. If the hedged transaction is no longer considered probable, the still unrealised profits and losses suspended in equity are immediately recognised in the Income Statement.
If hedge accounting cannot be applied, gains and losses arising from fair-value measurement of the financial derivative are immediately recognised in the Income Statement.

Inventories (IAS 2)

Inventories are measured at the lower 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). Net realisable value is the estimated selling price in the normal course of business, less any selling costs.

Trade receivables (IAS 32, 39)

Trade receivables are amounts due from customers following the sale of products and services.
Receivables are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses. 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 (IAS 32 and 39)

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.
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, as required by IAS 32. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Group 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.

Interest-bearing financial liabilities (IAS 32 and 39)

Interest-bearing financial liabilities are initially recorded at fair value, net of ancillary costs.
After initial recognition, interesting-bearing financial liabilities are measured at amortised cost using the effective interest rate method.

A financial obligation is written off when the obligation underlying the liability has been extinguished or 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 income of any differences involving the carrying values.

Liabilities for employee benefits (IAS 19)

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

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

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

Until 31 December 2006, severance indemnity provision came within the scope of post-employment defined-benefit plans and was measured in accordance with IAS 19, by independent actuaries, using the projected unit credit method.
Actuarial gains and losses as at 1 January 2004 – the date of transition to IFRSs – were recognised in specific equity reserved. Actuarial gains and losses after that date are recognised in the Income Statement on an accrual accounting basis, i.e. not using the "corridor" method envisaged by IAS 19.
Following the reform of supplemental pensions, employees can allocate the new severance indemnity provision accruing to supplemental pension systems, or opt to keep it in the company (in the case of companies with less than 50 employees) or to transfer them to the INPS – the state pension and welfare agency (in the case of companies with more than 50 employees).

Based on these rules, and also basing itself on the generally accepted interpretation, the Group decided that:
- for the portion of severance indemnities accruing up to 31 December 2006, the provision in question constituted a defined-benefit plan, to be valued according to the actuarial rules, but no longer including the component relating to future salary increases. The difference resulting from the new calculation in relation to the previous one was treated as curtailment as defined by IAS 19, paragraph 109, and consequently entered in the Income Statement for the year ended 31 December 2007;
- subsequent portions of severance indemnities accruing, both in the case of opting for supplemental pension planning and in the case of allocation to the central treasury fund c/o the INPS, come within the scope of defined-contribution plans, thus excluding – in calculating the cost for the year – components relating to actuarial estimates.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognised on the 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 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 (IAS 12)

Income taxes include current and deferred taxes. Income taxes are generally recognised in the Income Statement, except when they relate to items entered directly in equity, in which case the tax effect is recognised directly in equity.
Current income taxes are 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 Parent Company Datalogic S.p.A. and numerous Italian subsidiaries fall within the scope of the "domestic tax consolidation" of Hydra S.p.A.. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income for the Group or a single tax loss carried forward, as the algebraic sum of the income and/or losses, and therefore files a single tax liability or credit with the Tax Authorities.

Trade and other payables (IAS 32 and 39)

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 (IAS 18)

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.

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.

Government grants (IAS 20)

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

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

Rental and operating lease costs (IAS 17)

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

Dividends distributed (IAS 1 and 10)

Dividends are recognised when shareholders have the right to receive payment. This normally corresponds to the date of the annual general shareholder meeting that approves dividend distribution.
The dividends distributable to Group Shareholders are recognised as an equity movement in the year when they are approved by the Shareholders' Meeting.

Earnings per share - EPS (IAS 33)

Basic

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

Diluted

Diluted EPS is calculated by dividing the Group's profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculation of diluted EPS, the weighted average number of outstanding shares is determined assuming 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 (IAS 21)

Functional presentation currency

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

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. The exchange differences are recognised in the Income Statement.
Foreign-currency non-monetary items measured at cost are converted using the exchange rate in force on the transaction date.
Non-monetary items recognised at fair value are converted using the exchange rate in force when carrying value is calculated.
Foreign exchange gains and losses arising from the collection of foreign currency receivables or payment of foreign currency payables are recognised in the Income Statement.

Translation of foreign currency financial statements

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

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

The exchange differences deriving from the conversion were recognised in the Statement of Comprehensive Income. In the event of disposal of a foreign equity investment, cumulative foreign exchange differences recognised in the equity reserve are recycled to the Income Statement.
Goodwill and fair value adjustment of assets and liabilities acquired as part of a foreign business combination are considered as assets and liabilities converted into Euro at the exchange rate in force on balance sheet date.

The exchange rates recorded by the Italian Foreign Exchange Bureau and used for translation into Euro of the foreign companies' Financial Statements are as follows:

Currency (ISO Code)	Quantity of currency/1 Euro			
	2016 Final exchange rate	**2016 Average exchange rate**	2015 Final exchange rate	2015 Average exchange rate
US Dollar (USD)	1.0541	1.1069	1.0887	1.1095
British Pound Sterling (GBP)	0.8562	0.8195	0.7340	0.7258
Swedish Krona (SEK)	9.5525	9.4689	9.1895	9.3535
Singapore Dollar (SGD)	1.5234	1.5275	1.5417	1.5255
Japanese Yen (JPY)	123.4000	120.1967	131.0700	134.3140
Australian Dollar (AUD)	1.4596	1.4883	1.4897	1.4777
Hong Kong Dollar (HKD)	8.1751	8.5922	8.4376	8.6014
Chinese Renminbi (CNY)	7.3202	7.3522	7.0608	6.9733
Real (BRL)	3.4305	3.8561	4.3117	3.7004
Mexican Pesos (MXN)	21.7719	20.6673	18.9145	17.6157
Hungarian Forint (HUF)	309.8300	311.4379	315.9800	309.9956

Segment reporting (IFRS 8)

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

Adoption of the principle of continuity of values for the accounting of business combinations under common control (IAS 8)

Business combinations under common control are excluded from the application field of IFRS 3. In the absence of a reference to a specific IFRS standard or interpretation that specifically applies to a transaction, it is worth recalling that IAS 1.13 requires, in general terms, that the Financial Statements give a reliable and relevant disclosure of the effects of transactions, other events and conditions in compliance with definitions and reporting criteria provided for by the IFRS Framework for assets, liabilities, income and expenses and that IAS 1.15 sets out that companies, in compliance with the hierarchy set out by IAS 8, shall select the accounting criteria suited to achieve the general target of a reliable and relevant disclosure. Given the specificity of these transactions and the fact that IFRS Standards do not consider them specifically, the Company's management deemed that the most suited accounting principle should refer to the general policies set forth by IAS 8.

As clearly shown in IAS 8.11, the IAS/IFRS criteria may be defined as a "closed" system. Therefore, the solution to the issue of transactions under common control shall be found at first instance within the IFRS standards. A derogation related, for example, to a system of national standards or segment accounting treatments might therefore be inappropriate. In particular, IAS 8.10 standard sets out that, in the absence of an IFRS standard or interpretation that specifically applies to a transaction, other event or condition, management must use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant as to the economic decisions by users;

(b) reliable, so that the Financial Statements:

- (I) give a true vision of the entity's financial position, financial performance and cash flows;
- (II) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
- (III) are neutral, i.e. without prejudices;
- (IV) are prudent;
- (V) relate to all relevant issues.

In making that judgement, management must refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements and guidance in standards and interpretations dealing with similar or related issues;

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

In expressing the aforementioned judgement, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted sector practices, to the extent that these do not conflict with the above-mentioned sources. In finding an accounting policy within the conceptual framework and meeting the criteria set out by IAS 8.10, the key element is represented by the fact that the accounting policy selected to disclose transactions "under common control" must reflect their economic substance, independently from their juridical form. The presence or absence of "economic substance", therefore, seems to be the key element for the selection of an accounting policy.
As shown also in the Assirevi OPI 1 document on the "Accounting treatment of 'business combinations of entities under common control'", the economic substance must be a generation of added value for the entirety of the parties involved (such as higher income, cost-saving, realisation of synergies) which results in significant changes in cash flows, before and after the transaction of transferred assets. The application of the value continuity principle results in the disclosure, in the Statement of Financial Position, of amounts equal to those that would have been disclosed if the companies under business combination had always been combined together. Net assets of the acquired entity and the acquiring entity have therefore been measured at the carrying values which were disclosed in the related accounts before the transaction in question.

Long-term construction contracts (IAS 11)

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 till 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);

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Accounting standards, amendments and interpretations applied as of 1 January 2016

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 2015. The Group adopted some accounting standards and amendments that are applied for annual periods beginning on or after 1 January 2016. 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 2016, they had no significant impact on the Group consolidated Financial Statements. The nature and impact of any new principle/amendment are specified hereunder:

- **Amendments to IFRS 11 - Accounting for acquisition of interests in joint operations**
  The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control agreement in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 - Business Combinations, on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest in the same joint control agreement. Moreover, for clarification purposes, the following was excluded from the scope of the IFRS 11. Amendments are not applicable when the parties in a joint control, including the entity that prepares the Financial Statements, are subject to the mutual control of the same ultimate controlling entity.
  Amendments are applicable to both the acquisition of the initial interest in a joint-control agreement, and the acquisition of any further interest in the same joint control agreement and must be applied prospectively. These amendments have no impact on the Group as, over the period, no interests in joint operations were acquired.

- **Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation**
  These amendments clarify the principle, included in IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets, that revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate properties, plant and machinery and could be used only in very restricted circumstances when amortising intangible assets. The amendments must be applied prospectively and had no impact on the Group, given that the Group does not use revenue-based methods for the amortisation/depreciation of non-current assets.

- **Amendments to IAS 27 - Equity Method in Separate Financial Statements**
  The amendments will reinstate the equity method as an accounting option for equity investments in subsidiaries, joint ventures and associates in an entity's separate Financial Statements. Entities that are already applying the IFRS standards and elect to modify the accounting principles by adopting the equity method to their separate Financial Statements should apply the amendment retrospectively. These amendments had no impact on the Group's consolidated Financial Statements.

- **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations**
  Assets (or disposal group) are generally disposed of through the sale, or the distribution to Shareholders. This amendment clarifies that the change from either disposal methods should not be considered as a new plan to sell, but rather the continuation of the original one. Therefore, there is no discontinuation in the application of requirements of IFRS 5. This amendment shall be applied prospectively. These amendments had no impact on the Group's consolidated Financial Statements.

- **IFRS 7 - Financial Instruments: Disclosures**
  (i) Servicing contracts
  The amendment clarifies that a servicing contract envisaging a remuneration can entail a continuing involvement of a financial asset. The entity shall define the type of remuneration and of agreement based on the guidance contained in the IFRS 7 on the continuing involvement, in order to evaluate whether a clarification is required. The definition of what type of servicing contract represents a continuing involvement must be made retrospectively. In any case, the information required shall not be disclosed for annual periods before the first-time application date of this amendment.

  (ii) Applicability of amendments to IFRS 7 to condensed interim Financial Statements.
  The amendment clarifies that disclosure requirements on remuneration are not applied to condensed interim Financial Statements, unless this disclosure constitutes a significant updating of information given in the most recent annual Financial Statements. This amendment shall be applied retrospectively.
  These amendments had no impact on the Group's consolidated Financial Statements.

- **IAS 19 - Employee Benefits**
  The amendment clarifies that the deep market of high quality corporate bonds should be determined on a currency basis (currency in which the bond is issued), rather than on a country basis (in which the benefits are to be paid). When there is no deep market for high quality corporate bonds in that currency, government bonds should be used to establish the discount rate. This amendment shall be applied prospectively. These amendments had no impact on the Group's consolidated Financial Statements.

- **IAS 34 - Interim Financial Reporting**
  The amendment clarifies that disclosures required should be included either in the interim Financial Statements or by cross-reference between the interim Financial Statements and the section of the interim financial report where disclosure is included (e.g. the Management Report or the risk oversight report on risks). Other information disclosed in the interim Financial Statements shall be available to users of the Financial Statements at the same terms and conditions and same timing as the interim Financial Statements themselves. This amendment shall be applied retrospectively. The amendment had no impact on the Group.

- **Amendments to IAS 1 - Disclosures**
  Amendments to IAS 1 clarify, rather than significantly modify, some already existing requirements of IAS 1. The amendments clarify:
  - the requirement of materiality in IAS 1;
  - the fact that specific lines in the statements of profit/(loss) for the year or other components in the Statement of Comprehensive Income or in the Statement of Financial Position may be unbundled;
  - that entities can disclose the Notes to the Financial Statements in a flexible way;
  - that the portion of other components in the Statement of Comprehensive Income, related to associated companies and joint ventures and accounted for by using the equity method, must be disclosed in aggregate in one single line, and classified under items that will not be subsequently reclassified in the Income Statement.

Moreover, amendments clarify the requirements that are applied when sub-totals are disclosed in the statements of profit/(loss) for the year or other components are disclosed in the Statement of Comprehensive Income or Statement of Financial Position. These amendments have no impact on the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Allying the Consolidation Exception**
  These amendments concern issues which arose in the application of the exception related to the investment entities as per IFRS 10. Amendments to IFRS 10 clarify that the exemption to the presentation of the consolidation Financial Statements is applied to the Parent Company, which is the subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.
  Moreover, amendments to IFRS 10 clarify that a subsidiary of an investment entity must be consolidated only if it is not an investment entity in itself and supplies support services to the investment entity. All the other subsidiaries of an investment entity are measured at fair value. Amendments to IAS 28 Investments in Associates and Joint Ventures permit that, in application of the equity method, the investor maintains the measurement at fair value applied by associated companies or joint ventures of an investment entity also in the measurement of its equity investments in subsidiaries.
  These amendment must be applied retrospectively and have no impact on the Group as the latter does not apply any consolidation exemptions.

STANDARDS ISSUED BUT NOT YET IN FORCE

Following are the standards which, on the date that the Group consolidated Financial Statements were prepared, had already been issued but were not yet in force.

- **IFRS 9 - Financial Instruments**
  In July 2015, 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.
  The Group will adopt this new standard at its effective date. In 2017, the Group is planning to define the potential effects of IFRS 9 on its consolidated Financial Statements. However, no significant impacts are expected.

  a) Measurement and Recognition
  No significant impact is expected by the Group on its Financial Statements and Shareholders' Equity, following the application of the measurement and recognition requirements envisaged by IFRS 9. The Group intends to continue the measurement at fair value of all financial assets that are currently accounted for at fair value. Listed shares, that are currently classified as available for sale, with gains and losses recognised in other items of the Comprehensive Income Statement will be instead measured at fair value with contra entry in the Income Statement, which will increase volatility of results. The provision related to available-for-sale financial assets, which is currently recognised under other items of the Comprehensive Income Statement, will be reclassified with contra entry in the opening earnings carried forward. In the foreseeable future, the Group intends to keep equity investments in unlisted companies in portfolio. The Group intends to apply the option to disclose changes in fair value under the other items of the Income Statement, and it therefore deems that no significant impact will occur with the application of IFRS 9. If the Group did not apply this option, shares would be measured at fair value and changes would be disclosed directly to profit or loss, which would increase the volatility of results. Loans, as well as trade receivables, are held to be collected at the contractual maturity, and cash flows are expected to be generated only from the collection of the related principal and interest. The Group therefore envisages that they will continue to be measured at amortised cost, in compliance with IFRS 9. In any case, the Group will analyse more thoroughly the characteristics of contract cash flows of these instruments before assessing that all meet the criteria for the measurement at amortised cost, as set forth by IFRS 9.

  b) Impairment
  IFRS 9 requires that expected credit losses be recognised for all bonds, loans and trade receivables of the Group, on an annual base, and according to the residual lifetime. The Group envisages to apply the simplified approach and recognises expected credit losses on all trade receivables, based on the residual lifetime. No significant impact is expected on the Group's Shareholders Equity, by reason of the fact that the Group's receivables and loans are not hedged. The Group shall have to carry out a deeper analysis taking into account all reasonable and supportable information, including provisional issues, in order to define the amount of the impact.

c) Hedge accounting
The Group deems that, in compliance with IFRS 9, all existing hedging relations that are currently designated as effective hedges will continue to be suited for hedge accounting. Given the fact that IFRS 9 does not change the general principle according to which the entity recognises effective hedges, the Group does not expect any significant impact from the application of the standard.

- **IFRS 15 - Revenue from Contracts with Customers**
  The IFRS 15 standard was issued in May 2014 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 replace 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 Group is planning to 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. The analysis aimed at determining the quantity impact and the first adoption modality of the standard. Moreover, the Group is evaluating the clarifications issued by IASB in the exposure draft dated April 2016 and will evaluate any further development.

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 is performing assessments on the allocation of revenues based on the prices related to each single service.

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. A great number of disclosures required by IFRS 15 are totally new. In 2016, the Group began to assess any impact on the systems, the internal control, as well as on policies and procedures necessary for the collection and presentation of disclosures required.

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

- **IAS 7 - Disclosure Initiative - Amendment to IAS 7**
  Amendments to IAS 7 - Financial Statement are included in the Disclosure Initiative of IASB and require that an entity supplies supplementary information which would allow users of the Financial Statements to evaluate changes in liabilities connected with loans, including both changes related to cash flows and non-monetary changes. Upon the first application of this amendment, no comparative information, related to previous years, must be submitted by the entity. These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

- **IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12**
  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.
  These amendments should be applied retrospectively by entities. In any case, upon first adoption of amendments, the change in opening Shareholders' Equity of the first comparison period might be recognised under opening earnings carried forward (or under other Shareholders' Equity items, as the case may be), with no need for allocating the change under opening earnings carried forward and other Shareholders' Equity items. Entities that apply the aforesaid facilitation should give notice accordingly. These amendments are effective

for annual periods beginning on or after 1 January 2017. Early application is permitted. If an early adoption is applied by an entity, it should give notice accordingly. No impact due to the application of these amendments is expected by the Group.

- **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 1 January 2018. Early 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 moths 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 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 periods beginning on 1 January 2019, or later. 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 2017, the Group expects to define the possible effects of IFRS 16 on its consolidated Financial Statements.

USE OF ESTIMATES

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

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

Impairment of non financial assets (Goodwill, Tangible and Intangible Assets)

An impairment occurs when the book value of an asset or Cash Generating Unit 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 Cash Generating Unit, 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 Generating Units, including a sensitivity analysis, are thoroughly described in Note 2.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, 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.

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 hypotheses, which might differ from the effects of future developments. These hypotheses concern the determination of discount rates, future wage increases, the mortality rate and pension increases.

Other (Provisions for risks and charges, doubtful accounts, inventories write-down)

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

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, relating to the Group's exposure to financial instruments that generate interest.
- **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 does not hold significant quantities of listed securities in its portfolio, nor 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. Market and liquidity risk is managed on a centralised basis by the Parent Company.
According to the Parent Company's directives, the Group uses derivative contracts relating to underlying financial assets or liabilities or future transactions. More specifically, management of these risks is centralised in the Central Treasury Dept., which has the task of assessing risks and performing related hedging. The Central Treasury Dept. operates directly on the market, possibly also on behalf of subsidiary and investee companies.

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

Market risk

a) Foreign exchange risk

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

Translation risk relates to the conversion into euro during consolidation of items in the individual Financial Statements of companies outside the Eurozone. The key currencies are the US Dollar, the Australian dollar and the British pound 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 (for companies in the Eurozone).

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 2016:

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rates		**1.0541**	**1.1595**	**1.1068**	**1.0646**	**1.0436**	**1.0014**	**0.9487**
Financial assets								
Cash and cash equivalents	146,977	64,290	(5,845)	(3,061)	(637)	649	3,384	7,143
Trade and other receivables	93,920	41,445	(3,768)	(1,974)	(410)	419	2,181	4,605
Financial assets and loans	1,110							
Income-statement impact			**(9,612)**	**(5,035)**	**(1,047)**	**1,068**	**5,565**	**11,748**
Financial liabilities								
Loans	175,554	2,253	205	107	22	(23)	(119)	(250)
Trade and other payables	155,788	88,028	8,003	4,192	872	(889)	(4,633)	(9,781)
Income-statement impact			**8,207**	**4,299**	**894**	**(912)**	**(4,752)**	**(10,031)**
Income-statement impact, net			**(1,405)**	**(736)**	**(153)**	**156**	**813**	**1,717**

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 2016, Datalogic had interest rate swaps in place with financial counterparties of premier standing, for a notional total of around €3 million, while transforming this portion of loans from variable interest rate to fixed interest rate.
Datalogic has also a fixed-rate loan in place, granted in October 2016, for an amount of €30 million.
Thanks to this loan, together with the above-mentioned derivatives, the Datalogic Group is protected from the risk of interest rate growth on around 20% of its overall bank payables.

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 20 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2016:

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

Euribor (€/000)	Carrying value	of which exposed to exchange rate risk	20bp	-20bp
Financial assets			**Profit/(loss)**	**Profit/(loss)**
Cash and cash equivalents	146,977	73,711	147	(147)
Financial assets and loans	1,110		0	0
Income-statement impact			**147**	**(147)**
Financial liabilities			**Profit/(loss)**	**Profit/(loss)**
Loans	42,997	6,734	(13)	13
0% Floor loans	132,557	132,557	(265)	
Income-statement impact			**(278)**	**13**
Total increases/(decreases)			**(131)**	**(134)**

USD Libor	Carrying value	of which exposed to exchange rate risk	+10bp	-10bp
Financial assets			**Profit/(loss)**	**Profit/(loss)**
Cash and cash equivalents	146,977	64,290	64	(64)
Financial assets and loans	1,110	0		
Income-statement impact			**64**	**(64)**
Financial liabilities			**Profit/(loss)**	**Profit/(loss)**
Loans	175,554	2,253	(2)	2
Income-statement impact			**(2)**	**2**
Total increases/(decreases)			**62**	**(62)**

Items exposed to interest rate risk with impact on the Equity before taxes:

Euribor	Notional value	of which exposed to exchange rate risk	+20bp	-20bp
Financial liabilities			**Profit/(loss)**	**Profit/(loss)**
Derivative instruments	3,000	3,000	(6)	6

Credit risk

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

The Group protects itself against credit risk also through the subscription of a factoring contract without recourse. As at 31 December 2016, the trade receivables assigned to factoring amounted to €29,193 thousand (compared to €26,180 thousand at end 2015).
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 optimizing the management of financial resources, by primarily using automatic mechanisms as the 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 have made it possible to reduce the costs of short-term indebtedness and obtain higher interest income. We also report that, as at 31 December 2016, the Group's Liquidity Reserve – which includes uncommitted but undrawn credit lines of €209 million – is considered largely sufficient to meet commitments existing as at balance-sheet date.

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

The following table shows financial liabilities by maturity:

(€/000)	31 December 2016		
	0 - 1 year	1 - 5 years	> 5 years
Loans	30,180	139,166	155
Bank overdrafts	212		
Payables for leasing	248	0	
Payables to factoring companies	5,593		
Financial derivatives (IRS)	37		
Trade and other payables	151,494	4,294	
Total	**187,764**	**143,460**	**155**

CAPITAL RISK MANAGEMENT

The Group manages capital with the intention of protecting its own continuity and optimising Shareholder value, maintaining an optimum capital structure while reducing its cost.
In line with sector practice, the Group monitors capital based on the gearing ratio. This indicator is calculated as a ratio between net indebtedness (see Note 10) and total capital.

(€/000)	31.12.2016	31.12.2015
Net indebtedness (A)	(3,503)	20,961
Shareholders' Equity (B)	336,394	298,260
Total capital [(A)+(B)]=C	**332,891**	**319,221**
"Gearing ratio" (A)/(C)	**-1.05%**	**6.57%**

SEGMENT INFORMATION

Operating segments are identified based on the management reporting used by senior management to allocate resources and evaluate results.
The Group operates in the following business segments up to 2016:

ADC – The ADC Division (Automation Data Capture) is the global leader in high performance fixed scanners for retail and the major EMEA supplier of manual bar code readers as well as the leading player in the mobile computer market for warehouse management, automation of sales and field forces and the collection of data at stores. The manual reader product lines, fixed readers, mobile computers, self-scanning solutions and cashier technologies are included.

Industrial Automation – The Industrial Automation Division, among the major manufacturers in the world of products and solutions for automatic identification, recognition and marketing in the industrial automation market, covers the increasing demand for tracking, inspection and recognition solutions in the manufacturing and logistics processes, mainly couriers, areas. It includes product lines related to: fixed bar code readers using imager and laser technology, the photoelectric sensors and equipment for industrial automation and security, smart remote cameras and software for artificial vision, industrial laser markers. It should be noted that the spin off of the Systems Business Unit became effective on 1 October 2016. This transaction involved the incorporation, by Datalogic Automation, Inc. (US subsidiary of the Company), of a newco - Solution Net Systems, Inc., based in Quakertown, Pennsylvania (USA). Since that date, Solution Net Systems, Inc. will therefore supply all customers of the Datalogic Group with the integrated solutions of automated distribution for the postal and retail segments that were previously supplied by the Systems Business Unit of the Industrial Automation Division.
For the purposes of segment disclosure, figures as at 31 December 2016 include the new company Solution Net Systems, Inc., in line with the first three quarters of 2016 and with the previous year.

Informatics – This Company, which is headquartered in the United States, sells and distributes products and solutions for the management of inventories and mobile assets tailored for small and medium sized companies.

Corporate – It includes the operations of the holding company, the real estate operations of the Group and Datalogic IP Tech S.r.l., which manages the Group's industrial property and research activities.

Intersegment sales transactions 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 2016 and 31 December 2015 are as follows (€/000):

(€/000)	ADC		Industrial Automation		Informatics		Corporate		Adjustments		Total Group	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
External sales	394,632	361,635	157,491	146,050	24,351	27,383	18,068	0	(18,060)	0	576,482	535,068
Intersegment sales	3,015	2,331	1,045	34	14	0	23,510	36,451	(27,584)	(38,816)	0	0
Total Sales	**397,647**	**363,966**	**158,536**	**146,084**	**24,365**	**27,383**	**41,578**	**36,451**	**(45,644)**	**(38,816)**	**576,482**	**535,068**
Divisional ordinary operating result (Divisional EBITANR)	**88,039**	**73,630**	**7,480**	**6,108**	**(1,878)**	**(223)**	**11,196**	**5,179**	**(28,699)**	**(23,473)**	**76,138**	**61,221**
% of revenues	22.14%	20.23%	4.72%	4.18%	(7.71)%	(0.81)%	26.93%	14.21%	62.88%	60.47%	13.21%	11.44%
Operating result (EBIT)	**61,656**	**49,589**	**44**	**(678)**	**(1,600)**	**(343)**	**10,476**	**4,693**	**(331)**	**(315)**	**70,245**	**52,945**
% of revenues	15.51%	13.62%	0.03%	(0.46)%	(6.57)%	(1.25)%	25.20%	12.87%	0.73%	0.81%	12.19%	9.90%
Financial income (expenses)	**(6,157)**	**(6,947)**	**(4,154)**	**(1,640)**	**(219)**	**(289)**	**50,432**	**27,744**	**(43,255)**	**(20,229)**	**(3,353)**	**(1,361)**
Fiscal income (expenses)	**(17,745)**	**(7,724)**	**1,426**	**803**	**561**	**256**	**(5,266)**	**(4,406)**	**(22)**	**34**	**(21,046)**	**(11,037)**
Amortisation, depreciation and write-downs	**(10,177)**	**(10,714)**	**(6,169)**	**(4,903)**	**(345)**	**(329)**	**(2,475)**	**(2,304)**	**24**	**11**	**(19,142)**	**(18,239)**
Divisional EBITDA	**95,755**	**81,199**	**11,196**	**8,564**	**(1,533)**	**(14)**	**13,671**	**7,483**	**(28,723)**	**(23,484)**	**90,366**	**73,748**
% of revenues	24.08%	22.31%	7.06%	5.86%	(6.29)%	(0.05)%	32.88%	20.53%	62.93%	60.50%	15.68%	13.78%
R&D expenses	**(41,406)**	**(39,027)**	**(18,922)**	**(17,942)**	**(1,488)**	**(1,180)**	**(13,660)**	**(13,596)**	**25,055**	**23,501**	**(50,421)**	**(48,244)**
% of revenues	(10.41)%	(10.72)%	(11.94)%	(12.28)%	(6.11)%	(4.31)%	(32.85)%	(37.30)%	(54.89)%	(60.54)%	(8.75)%	(9.02)%

For the purposes of a better disclosure of operating results for each single division, the Management deemed it appropriate to highlight the Divisional EBITDA as monitoring KPI of the financial performance of the various operating segments in line with data that are periodically reviewed by the top Management, for a decision making on resources to be allocated to the segments and the evaluation of the results obtained by the same.

As previously described, during 2016 the Group implemented a thorough corporate reorganisation, which marked a shift from a product-based approach to a customer-focused approach, where needs are met and anticipated through a special-purpose organisation and consequent expected improvement of efficiency and quality of solutions offered and services rendered. Being close to customers, considering and anticipating their needs is the driver of growth; moreover, technological innovation boots future development. This strategy determined a corporate reorganisation which involved that, with effect as from 1 January 2017, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) be merged into one single legal entity in every region where the Group operates.

In light of the new business operating structure and corporate reorganisation, in 2017 the operating sectors will be redefined accordingly and periodically remeasured by the top management, according to provisions set out by IFRS 8. As regards the year 2016, the operating segments therefore remained unchanged compared to the previous year.

For a better understanding and clarity of disclosures, it is specified that the definition of CGUs, determined for impairment testing purposes and based on prospective data, takes account of the new operating and management organisation, effective as from 1 January 2017: the ACD and IA CGUs were merged into the DATALOGIC CGU. The latter, starting from 2017, will correspond to an operating segment determined according to the same criteria.

The Statement of Financial Position information relating to operating sectors as at 31 December 2016 compared with the information as at 31 December 2015 is as follows (€/000):

(€/000)	ADC		Industrial Automation		Informatics		Corporate		Adjustments		Total Group	
	31.12.16	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15
Total Assets	**565,270**	**644,360**	**252,307**	**302,179**	**24,635**	**24,604**	**637,622**	**782,593**	**(736,987)**	**(1,064.560)**	**742,847**	**689,176**
Tangible and intangible fixed assets	**160,005**	**159,226**	**100,985**	**99,247**	**16,222**	**15,270**	**35,506**	**33,635**	**295**	**573**	**313,013**	**307,951**
Tangible	20,351	19,226	20,664	18,671	2,769	2,711	28,559	27,806	(261)	(30)	72,082	68,384
Intangible	139,654	140,000	80,321	80,576	13,453	12,559	6,947	5,829	556	603	240,931	239,567
Equity investments in associates	**78,451**	**76,241**	**7,850**	**6,387**			**155,740**	**155,740**	**(239,827)**	**(235,836)**	**2,214**	**2,532**
Total Liabilities	**340,812**	**423,679**	**200,220**	**245,880**	**8,042**	**7,245**	**352,825**	**541,641**	**(495,446)**	**(827,529)**	**406,453**	**390,916**

Sector information by region as at 31 December 2016 and 31 December 2015 breaks down as follows (€/000):

(€/000)	**31.12.2016**	31.12.2015	Change	Change %
Revenues in Italy	50,783	45,798	4,985	10.88%
Revenues in Rest of Europe	249,911	222,735	27,176	12.20%
Total Europe	**300,694**	**268,533**	**32,161**	**11.98%**
Revenues in North America	167,332	161,063	6,269	3.89%
Revenues in Asia & Pacific	69,576	71,490	(1,914)	-2.68%
Revenues in rest of the world	38,880	33,982	4,898	14.41%
Total Revenues	**576,482**	**535,068**	**41,414**	**7.74%**

(€/000)	**31.12.2016**	31.12.2015	Adjustments 31.12.2016	Adjustments 31.12.2015	Consolidated 31.12.2016	Consolidated 31.12.2015	Change
Non-current assets							
Italy	382,854	381,456			382,854	381,456	0.4%
Europe	37,215	35,062			37,215	35,062	6.1%
North America	408,495	392,696			408,495	392,696	4.0%
Rest of the world	18,168	16,198			18,168	16,198	12.2%
Eliminations and adjustments			(442,867)	(429,333)	(442,867)	(429,333)	3.2%
Total	**846,732**	**825,412**	**(442,867)**	**(429,333)**	**403,865**	**396,079**	**2.0%**

GROUP STRUCTURE

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

The companies consolidated on a line-by-line basis for the period ended 31 December 2016 are as follows:

Company	Registered office		Share capital	Total Shareholders' Equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Datalogic S.p.A.	Bologna - Italy	Euro	30,392.175	291,677	52,334	
Datalogic Real Estate France Sas	Paris - France	Euro	2,227.500	3,504	(12)	100%
Datalogic Real Estate Germany GmbH	Erkenbrechtsweiler - Germany	Euro	1,025.000	1,395	(120)	100%
Datalogic Real Estate UK Ltd	Redbourn - UK	GBP	3,500.000	4,436	100	100%
Datalogic IP Tech S.r.l.	Bologna - Italy	Euro	65,677	2,401	3,346	100%
Informatics Holdings, Inc.	Plano Texas - Usa	$USA	9,996.000	16,495	(1,333)	100%
Wasp Barcode Technologies Ltd	Redbourn - UK	GBP	-	98	76	100%
Datalogic Automation S.r.l. (**)	Monte San Pietro (BO) - Italy	Euro	10,000.000	15,257	2,811	100%
Datalogic Automation Inc. (**)	Telford - USA	$USA	6,009.352	28,962	(6,408)	100%
Datalogic Automation Asia Ltd	Hong-Kong - China	HKD	7,000.000	(456)	7	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd	Shenzhen - China	CNY	2,136.696	1,364	376	100%
Datalogic Hungary Kft	Fonyod - Hungary	HUF	3,000.000	1,924	1,027	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		6,038	360	100%
Datalogic S.r.l. (*)	Bologna - Italy	Euro	10,000	145,261	10,546	100%
Datalogic ADC HK Ltd	Hong-Kong - China	HKD	100,000	109	(7)	100%
Datalogic Slovakia S.r.o.	Trnava - Slovakia	Euro	66,388	5,324	5,251	100%
Datalogic USA Inc. (*)	Eugene OR - USA	$USA	100	90,832	(3,592)	100%
Datalogic ADC Inc. (**)	Eugene OR - USA	$USA	11	104,339	5,262	100%
Datalogic ADC do Brazil Ltd	Sao Paulo - Brazil	R$	159,525	(2,034)	(401)	100%
Datalogic Scanning de Mexico S.r.l.	Colonia Cuauhtemoc - Mexico	$USA	-	22	(2)	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt - Germany	Euro	25,000	4,476	156	100%
Datalogic Australia Pty Ltd (***)	Mount Waverley (Melbourne) - Australia	$AUD	3,188.120	347	110	100%
Datalogic Vietnam Llc	Vietnam	USD	3,000.000	65,849	34,581	100%
Datalogic Singapore Asia Pacific Pte Ltd (*)	Singapore	SGD	100,000	1,315	548	100%

(*) The following companies changed their names:
- from Datalogic ADC S.r.l. to Datalogic S.r.l. on 28 September 2016 and therefore all its branches changed their names accordingly;
- from Datalogic Holdings Inc. to Datalogic USA Inc. on 12 December 2016;
- from Datalogic ADC Singapore Pte Ltd to Datalogic Singapore Asia Pacific Pte Ltd on 13 December 2016.

(**) As from 1 January 2017:
- Datalogic Automation S.r.l. was merged into Datalogic S.r.l. (formerly named Datalogic ADC S.r.l.), by effect of the merger deed of 15 December 2016;
- Datalogic ADC Inc. and Datalogic Automation Inc. were merged into Datalogic USA Inc. (formerly named Datalogic Holdings Inc.)

(***) With effect on 31 December 2016, Datalogic ADC Pty., Ltd was merged into Datalogic Automation Pty. Ltd, which changed its name into Datalogic Australia Pty. Ltd.

The following companies were consolidated at equity as at 31 December 2016:

Company	Registered office		Share capital	Total Shareholders' Equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Laservall Asia Co. Ltd	Hong-Kong – Cina	HKD	460,000	3,176	(636)	50%
CAEN RFID S.r.l. (*)	Viareggio LU - Italy	Euro	150,000	1,121	21	20%

(*) Financial Statements as at 31 December 2015.

The following companies were consolidated at cost as at 31 December 2016:

Company	Registered office		Share capital	Total Shareholders' Equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Datasensor Gmbh (**)	Otterfing - Germany	Euro	150,000	0	(3)	30%
Datalogic Automation AB (*)	Malmö - Sweden	KRS	100,000	486	155	20%
Specialvideo S.r.l. (**)	Imola - Italy	Euro	10,000	380	152	40%

(*) Annual financial statements as at 30 June 2015
(**) Financial statements as at 31 December 2015.

Change in scope of consolidation

In 2016, no changes occurred in the consolidation area.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

NOTE 1. TANGIBLE ASSETS

Details of movements as at 31 December 2016 and 31 December 2015 are as follows:

(€/000)	31.12.2016	31.12.2015	Change
Land	8,218	5,763	2,455
Buildings	31,014	32,299	(1,285)
Other assets	30,175	28,029	2,146
Assets in progress and payments on account	2,675	2,293	382
Total	**72,082**	**68,384**	**3,698**

Details of movements as at 31 December 2015 and 31 December 2016 are as follows:

(€/000)	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	5,365	29,059	111,188	4,421	150,033
Accumulated depreciation	0	(4,361)	(88,515)	0	(92,876)
Net initial value as at 01.01.2015	**5,365**	**24,698**	**22,673**	**4,421**	**57,157**
Increases - 31.12.2015					
Investments	259	4,653	11,384	2,461	18,757
Total	**259**	**4,653**	**11,384**	**2,461**	**18,757**
Decreases 31.12.2015					
Disposals, historical cost			(1,616)	(433)	(2,049)
Disposals, accum. depreciation			1,531		1,531
Write-down			(29)		(29)
Depreciation		(562)	(7,221)		(7,783)
Total	**0**	**(562)**	**(7,335)**	**(433)**	**(8,330)**
Reclass. & other changes 31.12.2015					
Incoming transfers at historical cost		2,978	304	(4,336)	(1,054)
(outgoing transfers, accum. depreciation)		13	381		394
Diff. exchange in historical cost	139	661	2,963	180	3,943
Diff. exchange in accum. depreciation		(142)	(2,341)		(2,483)
Total	**139**	**3,510**	**1,307**	**(4,156)**	**800**
Historical cost	5,763	37,351	124,223	2,293	169,630
Accumulated depreciation	0	(5,052)	(96,194)	0	(101,246)
Net closing value as at 31.12.2015	**5,763**	**32,299**	**28,029**	**2,293**	**68,384**

(€/000)	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 opening 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)
Disposals, accum. depreciation			5,939		5,939
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)
Diff. exchange in historical cost	(40)	(8)	1,514	37	1,503
Diff. exchange 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 closing value as at 31.12.2016	**8,218**	**31,014**	**30,175**	**2,675**	**72,082**

The increase in item "Land" (€2,495 thousand) is related mainly to American companies (€1,939 thousand) for the widening of their presence on the territory.

The increase in item "Buildings" (€1,439 thousand) is related mainly to the restructuring works on buildings owned by the Group.

The "Other assets" item as at 31 December 2016 mainly includes the following categories: Industrial equipment and moulds (€10,844 thousand), Plant and machinery (€8,426 thousand), Office furniture and machines (€6,660 thousand), Maintenance on third-party assets (€1,650 thousand), General plants (€2,068 thousand), Motor vehicles (€111 thousand) and Commercial equipment and demo room (€324 thousand).

This item increased by €6,441 thousand mainly due to:
- investments related to purchases of Office furniture and machines (€1,939 thousand);
- investments for the building of plants and machinery (€1,216 thousand);
- purchase of moulds (€1,776 thousand);
- plants related to buildings (€262 thousand).

Divestments in item "Other assets" relate mainly to the scrapping of assets that are entirely depreciated and no longer used.

The balance of "Assets in progress and payments on account", equal to €2,675 thousand, consists of €755 thousand for investments related to the enlargement of the facility in Hungary, €321 thousand for ameliorations to buildings owned by the Group and, for the remaining portion, to down payments for equipment, instruments and moulds for normal production activities.

NOTE 2. INTANGIBLE ASSETS

Details of movements as at 31 December 2016 and 31 December 2015 are as follows:

(€/000)	31.12.2016	31.12.2015	Change
Goodwill	188,934	183,020	5,914
Development costs	4,302	5,349	(1,047)
Other	43,534	47,829	(4,295)
Assets in progress and payments on account	4,161	3,369	792
Total	**240,931**	**239,567**	**1,364**

Details of movements as at 31 December 2015 and 31 December 2016 are as follows:

(€/000)	Goodwill	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	164,412	16,017	127,708	1,187	309,324
Accumulated amortisation	0	(9,208)	(78,677)	0	(87,885)
Net initial value as at 01.01.2015	**164,412**	**6,809**	**49,031**	**1,187**	**221,439**
Increases 31.12.15					
Investments			1,517	2,493	4,010
Total	**0**	**0**	**1,517**	**2,493**	**4,010**
Decreases 31.12.15					
Disposals, historical cost	0		(21)	(45)	(66)
Disposals, accum. amortisation			4		4
Amortisation		(1,956)	(8,471)		(10,427)
Total	**0**	**(1,956)**	**(8,488)**	**(45)**	**(10,489)**
Reclass. & other changes 31.12.15					
Incoming transfers			786		786
(Outgoing transfers)			(24)	(279)	(303)
Diff. exchange in historical cost	18,608	675	10,226	13	29,522
Diff. exchange in accum. amortisation		(179)	(5,219)		(5,398)
Total	**18,608**	**496**	**5,769**	**(266)**	**24,607**
Historical cost	183,020	16,692	140,192	3,369	343,273
Accumulated amortisation	0	(11,343)	(92,363)	0	(103,706)
Net closing value at 31.12.15	**183,020**	**5,349**	**47,829**	**3,369**	**239,567**

(€/000)	Goodwill	Development 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 opening 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
Totale	**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)
Diff. exchange in historical cost	5,914	262	3,441	7	9,624
Diff. exchange 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 closing value as at 31.12.2016	**188,934**	**4,302**	**43,534**	**4,161**	**240,931**

"**Goodwill**", totalling €188,934 thousand, consisted of the following items:

(€/000)	31.12.2016	31.12.2015	Change
CGU Datalogic	174,750	169,195	5,555
CGU Informatics	14,184	13,825	359
Total	**188,934**	**183,020**	**5,914**

Changes in item "Goodwill", compared to 31 December 2016, is mainly attributable to translation differences, as most of the goodwill is expressed in US Dollars.

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 Cash Generating Unit related to Goodwill was reviewed according to the new organisational structure that the Group will have as from 1 January 2017. In particular, according to the corporate reorganisation, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions will be 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 Cash Generating Units, 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 Cash Generating Units – during production and at the time of its retirement – to present value using a certain discount rate, based on the Discounted Cash Flow method.

There were no write-downs as at 31 December 2016.

The cash flows of the individual CGUs have been taken from their respective 2017 Budgets and forward-looking plans prepared by Management. These plans represent the best estimate of foreseeable operating performance, based on business strategies and growth indicators in the sector to which the Group belongs and in its reference markets.
The assumptions used for the purposes of impairment, and the consequent results, have been approved by the Datalogic S.p.A. Audit and Risk Management Committee, Remuneration and Appointments Committee and the Board of Directors of each Company, for the related Goodwill.

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

= EBIT
- taxes on EBIT
= NOPLAT (Net operating profit 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 2017-2021, 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 9.72% to 9.88% 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 1 January 2017, following the corporate reorganisation described in the Management Report, and the breakdown of the growth assumptions made in the forecast plans and the discount rates used:

(€/000)	CGU Datalogic	Informatics
Goodwill at acquisition date	**174,750**	**14,184**
Weighted average cost of capital (WACC)	9.88%	9.72%
Long-term growth rate (G)	1%	1%

CGU DATALOGIC

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

The recoverable value of the Datalogic 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 9.88% (10.07% for the ADC Division and 10.14% for the IA Division in 2015) and cash flows over five years have been inferred based on 1% growth rate (2015: 2%), which is prudentially lower than the growth rate expected in reference markets.
During testing for impairment, goodwill of CGU Datalogic confirmed its carrying value.

CGU Informatics

Goodwill attributed to Cash Generating Unit Informatics results from the acquisition of Informatics Inc. in 2005. The recoverable value of the Informatics Cash Generating Unit 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 9.72% (2015: 8.76%) and cash flows over five years have been inferred based on 1% growth rate (2015: 2%), which is prudentially lower than the growth rate expected in reference markets. During testing for impairment, goodwill of Informatics Cash Generating Unit confirmed its carrying 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 Cash Generating Unit, 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 2016, 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 carrying value is lower than the fair value resulting from current market prices.

"**Development costs**", which amount to €4,302 thousand, consist of specific development projects capitalised when they meet IAS 38 requirements and in compliance with Group policies, which call for the capitalisation only of projects relating to development of products featuring significant innovation.

The "**Others**" item, which amounts to €43,534 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:

(€/000)	31.12.2016	31.12.2015	Useful life
Acquisition of the PSC group (on 30 November 2006)	**17,273**	**18,582**	
Patents	17,273	18,582	20
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	**2,326**	**2,895**	
Patents	388	482	10
Trade secrets	1,938	2,413	10
Acquisition of Accu-Sort Inc. (on 20 January 2012)	**13,675**	**15,734**	
Patents	8,088	9,305	10
Trade secrets	5,587	6,429	10
Licence agreement	**4,796**	**5,800**	**5-15**
Other	**5,464**	**4,818**	
Total other intangible assets	**43,534**	**47,829**	

The "Others" item mainly consists of software licences.

The "Assets in progress and payments on account" item, equal to €4,161 thousand, is attributable, in the amount of €3,577 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 €584 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 2016 were as follows:

(€/000)	31.12.2015	Increases	Decreases	Exch. gains/ (losses)	Share of profit	31.12.2016
Associates						
Laservall Asia Co. Ltd	1,906				(318)	1,588
Caen RFID S.r.l.	550					550
Datalogic Automation AB	2					2
Specialvideo S.r.l.	29					29
Datasensor Gmbh	45					45
Total associates	**2,532**	**0**	**0**	**0**	**(318)**	**2,214**

The change in the "Associates" item is due to the Group result realised by the associate Laservall Asia Co..

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:

31.12.2015 (€/000)	Loans and receivables	Financial assets at fair value charged to the Income Statement	Available for sale	Total
Non-current financial assets	**3,069**	**30,732**	**4,436**	**38,237**
Financial assets - Equity investments (5)			4,075	4,075
Financial assets - Securities			361	361
Financial assets - Loans	1,140			1,140
Financial assets - Other		30,732		30,732
Other receivables (7)	1,929			1,929
Current financial assets	**207,026**	**0**	**0**	**207,026**
Trade receivables from third parties (7)	67,309			67,309
Other receivables from third parties (7)	13,505			13,505
Financial assets - Other (5)	0			0
Financial assets - Securities (5)	0			0
Cash and cash equivalents (10)	126,212			126,212
Total	**210,095**	**30,732**	**4,436**	**245,263**

31.12.2016 (€/000)	Loans and receivables	Financial assets at fair value charged to the Income Statement	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**

31.12.2015 (€/000)	Derivatives	Other financial liabilities	Total
Non-current financial liabilities	**115**	**143,467**	**143,582**
Financial payables (12)		139,918	139,918
Financial liabilities - Derivative instruments (6)	115		115
Other payables (16)		3,549	3,549
Current financial liabilities	**6**	**183,097**	**183,103**
Trade payables to third parties (16)		101,468	101,468
Other payables (16)		42,107	42,107
Financial liabilities - Derivative instruments (6)	6		6
Short-term financial payables (12)		39,367	39,367
Total	**121**	**326,409**	**326,530**

31.12.2016 (€/000)	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**

Fair value – hierarchy

The Group measures at fair value all financial instruments such as derivatives and financial assets at each annual reporting date.
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, as provided for by IFRS 13, 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.

31.12.2016 (€/000)	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	4,227		487	4,714
Financial assets - LT securities (5)	0			0
Financial assets - Other LTs (5)	9,879	21,128		31,007
Financial assets - Other (5)			0	0
Financial assets - Loans	0		1,110	1,110
Financial assets - ST Derivative instruments (6)				0
Total assets measured at fair value	**14,106**	**21,128**	**1,597**	**36,831**
Liabilities measured at fair value				
Financial liabilities - LT derivative instruments (6)				0
Financial liabilities - ST derivative instruments (6)		37		37
Total liabilities measured at fair value	**0**	**37**	**0**	**37**

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.

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

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

(€/000)	31.12.2016	31.12.2015	Change
Other equity investments	4,714	4,075	639
Long-term government bonds	0	361	(361)
Other long-term financial assets	31,007	30,732	275
Total other long-term financial assets	**35,721**	**35,168**	**553**
Long-term loans	1,110	1,140	(30)
Total financial assets	**36,831**	**36,308**	**523**

The "Other LT 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 2016, equity investments held by the Group in other companies were as follows:

(€/000)	31.12.2015	Increases	Decreases	Adj. to fair value	Adjustment on exchange rates	31.12.2016
Listed equity investments	3,998			(19)	248	4,227
Unlisted equity investments	77	410	0	0	0	487
Total Shareholdings	**4,075**	**410**	**0**	**(19)**	**248**	**4,714**

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.

Changes in item "Unlisted equity investments" reflect the increase related to the payment made on 9 November 2016 for the future capital increase of the company Suzhou Mobilead Electronic Technology Co., Ltd.

It should be highlighted that the Parent Company holds a minority interest in the Alien Technology Corporation, which was written down completely as at 31 December 2010.

NOTE 6. FINANCIAL DERIVATIVES

(€/000)	31.12.2016		31.12.2015	
	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	115
Interest rate derivatives - ST cash flow hedges	0	37	0	6
Total	**0**	**37**	**0**	**121**

Interest rate derivatives

The Group has entered into interest rate derivative contracts to manage the risk stemming from changes in interest rates on bank borrowings, converting them from variable to fixed-rate via interest rate swaps having the same amortisation plan as the hedged underlying asset. As envisaged by IAS 39, the fair value of these contracts, totalling €37 thousand, is recognised in a specific equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.
As at 31 December 2016, the notional principal of interest swaps totalled €3,000 thousand (€7,875 thousand as at 31 December 2015).

Currency derivatives

As at 31 December 2016, the Group had no active forward contracts for exchange rate risk.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

(€/000)	31.12.2016	31.12.2015	Change
Third-party trade receivables	75,914	68,492	7,422
Less provision for doubtful receivables	1,424	1,183	241
Net third-party trade receivables	**74,490**	**67,309**	**7,181**
Receivables from associates	**979**	**1,447**	**(468)**
Laservall Asia	0	541	(541)
Datasensor Gmbh	54	88	(34)
Specialvideo S.r.l.	2	1	1
Datalogic Automation AB	923	817	106
Related-party receivables	**8**	**9**	**(1)**
Total Trade receivables	**75,477**	**68,765**	**6,712**
Other receivables - current accrued income and prepaid expenses	16,049	13,580	2,469
Other receivables - non-current accrued income and prepaid expenses	2,394	1,929	465
Total Other receivables - accrued income and prepaid expenses	**18,443**	**15,509**	**2,934**
Less non-current portion	2,394	1,929	465
Trade and other receivables - current portion	**91,526**	**82,345**	**9,181**

Trade receivables

"Trade receivables falling due within 12 months" as at 31 December 2016, equal to €75,477 thousand, decreased as at 31 December 2015 by €6,712 thousand but, net of the exchange rate effect, they would have decreased by €5,487 thousand (+8%).
As at 31 December 2016, trade receivables assigned to the factoring amounted to €29,193 thousand (compared to €26,180 thousand at the end of 2015).
Receivables from associates arise from commercial transactions carried out at arm's length conditions.

As at 31 December 2016 the breakdown of the item by due date is as follows:

(€/000)	2016	2015
Not yet due	64,909	56,778
Past due by 30 days	7,571	8,130
Past due by 31 - 90 days	1,296	1,826
Past due by more than 90 days	714	574
Total	**74,490**	**67,309**

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

Currency	2016	2015
Euro	29,719	25,716
US Dollar (USD)	37,985	35,495
British Pound Sterling (GBP)	2,638	2,512
Australian Dollar (AUD)	1,364	1,024
Canadian Dollar (CAD)	52	128
Japanese Yen (JPY)	821	1,024
Danish krone (DKK)	0	3
Swedish Krona (SEK)	0	455
Chinese Renminbi (CNY)	184	87
Vietnam Dong (VND)	249	224
Brazilian Real (BRL)	1,478	643
Total	**74,490**	**67,309**

Customer trade receivables are posted net of bad debt provisions totalling €1,424 thousand (€1,183 thousand as at 31 December 2015).

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

(€/000)	2016	2015
As at 1 January	**1,183**	**1,635**
Exchange-rate change	39	5
Bad debt provisions	917	218
Unused and reversed amounts	(155)	(184)
Reclassifications	0	(32)
Receivables reversed as considered uncollectable in the year	(560)	(459)
As at 31 December	**1,424**	**1,183**

The increase in the allocation to the bad debt provision is attributable, in the amount of €537 thousand, to special disputed with Asian customers.

Other receivables - accrued income and prepaid expenses

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

(€/000)	31.12.2016	31.12.2015	Change
Other short-term receivables	1,778	2,848	(1,070)
Other long-term receivables	2,394	1,929	465
VAT receivables	11,615	8,369	3,246
Accrued liabilities and deferred income	2,656	2,363	293
Total	**18,443**	**15,509**	**2,934**

NOTE 8. INVENTORIES

(€/000)	31.12.2016	31.12.2015	Change
Raw and ancillary materials and consumables	29,699	26,693	3,006
Work in progress and semi-finished products	25,724	20,133	5,591
Finished products and goods	26,921	22,651	4,270
Total	**82,344**	**69,477**	**12,867**

The increase in Inventories, net of the exchange rate effect, would result equal to €10,991 thousand.

Inventories are shown net of an obsolescence provision that, as at 31 December 2016, amounted to €8,907 thousand (€7,167 thousand as at 31 December 2015). The movements of this provision as at 31 December of each year is shown hereunder:

(€/000)	2016	2015
1 January	**7,167**	**8,548**
Exchange-rate change	184	581
Allocations	2,807	2,644
Release for scrap and other utilisations	(1,251)	(4,606)
31 December	**8,907**	**7,167**

NOTE 9. TAX PAYABLES AND RECEIVABLES

As at 31 December 2016, "Tax receivables" amounted to €18,135 thousand, up by €3,072 thousand (€15,063 thousand as at 31 December 2015). The receivables for IRES tax from the Parent Company Hydra S.p.A. are classified under this item. This amount is due to the tax consolidation and totals €8,010 thousand, up by €627 thousand (€7,383 thousand as at 31 December 2015).

As at 31 December 2016, "Tax payables" amounted to €21,032 thousand, up by €10,455 thousand (€10,577 thousand as at 31 December 2015). The payables for IRES tax due to the Parent Company Hydra S.p.A. are classified under this item. This amount is due to the tax consolidation and as at 31 December 2016, totalled €15,114 thousand. As at 31 December 2015, it amounted to €4,781 thousand.

NOTE 10. CASH AND CASH EQUIVALENTS

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

(€/000)	31.12.2016	31.12.2015	Change
Cash and cash equivalents shown on financial statements	146,977	126,212	20,765
Restricted cash	(47)	(46)	(1)
Current account overdrafts	(212)	(45)	(167)
Cash and cash equivalents for Statement	**146,718**	**126,121**	**20,597**

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

(€/000)	31.12.2016	31.12.2015
A. Cash and bank deposits	146,930	126,166
B. Other cash and cash equivalents	47	46
b1. Restricted cash deposit	47	46
C. Securities held for trading	0	361
c1. Short-term	0	0
c2. Long-term	0	361
D. Cash and equivalents (A) + (B) + (C)	**146,977**	**126,573**
E. Current financial receivables	0	0
F. Other current financial receivables	0	0
f1. Hedging transactions	0	0
G. Bank overdrafts	212	45
H. Current portion of non-current debt	30,180	32,973
I. Other current financial payables	5,878	6,355
i1. Hedging transactions	37	6
i2. Payables for leasing	248	260
i3. Vurrent financial payables	5,593	6,089
J. Current financial debt (G) + (H) + (I)	**36,270**	**39,373**
K. Current financial debt, net (J) - (D) - (E) - (F)	**(110,707)**	**(87,200)**
L. Non-current bank borrowing	139,321	139,639
M. Other non-current financial assets	32,117	31,872
N. Other non-current liabilities	0	394
n1. Hedging transactions	0	115
n2. Payables for lease	0	279
O. Non-current financial debt (L) - (M) + (N)	**107,204**	**108,161**
P. Net financial debt (K) + (O)	**(3,503)**	**20,961**

Net Financial Debt as at 31 December 2016 was positive by €3,503 thousand, an improvement of €24,464 thousand compared to 31 December 2015 (negative by €20,961 thousand).

Note that the following transactions were carried out in the period:
- payment of dividends of €14,543 thousand;
- cash outflows for leaving incentives for managers, amounting to €4,744 thousand;
- payments related to leaving incentives totalling €901 thousand (related to costs allocated in 2015);
- the purchase of treasury shares (no. 27,619) of €368 thousand.

Investments were also made, net of disposals, amounting to €16,516 thousand.

INFORMATION ON SHAREHOLDERS' EQUITY AND STATEMENT OF FINANCIAL POSITION

Liabilities

NOTE 11. SHAREHOLDERS' EQUITY

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

(€/000)	31.12.2016	31.12.2015
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	4,120	4,488
Treasury share reserve	2,821	2,453
Share premium reserve	106,145	106,513
Share capital and capital reserves	**146,291**	**146,659**
Cash-flow hedge reserve	(28)	(92)
Translation reserve	25,436	22,168
Reserve for exchange rate adjustment	17,290	13,404
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	490	509
Other reserves	**42,817**	**35,618**
Retained earnings	**101,440**	**75,436**
Earnings carried forward	85,721	59,878
Capital contribution reserve	958	958
Legal reserve	6,078	5,917
IAS reserve	8,683	8,683
Profit for the year	45,846	40,547
Total Group Shareholders' Equity	**336,394**	**298,260**

Share capital

Movements in share capital as at 31 December 2015 and 31 December 2016 are reported below (in €/000):

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2015	**58,254.398**	**30,392**	**2,813**	**5,319**	**1,624**	**107,342**	**147,490**
Purchase of treasury shares	(82,517)			(829)	829	(829)	(829)
Costs for the purchase/ sale of treasury shares				(2)			(2)
31.12.2015	**58,171.881**	**30,392**	**2,813**	**4,488**	**2,453**	**106,513**	**146,659**

(€/000)	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**

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, a 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 2016, the total number of ordinary shares was 58,446,491, including 302,229 held as treasury shares, making the number of shares in circulation at that date 58,144,262. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares
The item "Treasury shares", amounting to €4,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€6,941 thousand). In 2016, the Group purchased 27,619 treasury shares for a total amount of €368 thousand, accounted for excluding purchase costs (€1 thousand).
For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,821 thousand, was made unavailable by using the Share premium reserve.

Other Reserves

Cash-flow hedge reserve
Following adoption of 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 have been concluded to hedge exposure to the risk of interest rate fluctuations on variable-rate loans (negative by €37 thousand) and amounts are shown net of the tax effect (€9 thousand).

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 application to IAS 21.15, 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 Holdings Inc. For these loans no regulation and/or a 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 19R, this reserve includes actuarial gains and losses, which are now recognised under other components in the Comprehensive Income Statement and permanently excluded from the Income Statement.

Retained earnings

IAS reserve
This reserve was created upon first-time adoption of International Accounting Standards as at 1 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 2 May 2016, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.25 per share (€0.18 in 2015). The overall dividends began to be paid starting from 11 May 2016 and had been paid in full by 31 December.

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

(€/000)	31 December 2016		31 December 2015	
	Total equity	Period results	Total equity	Period results
Parent Company Shareholders' Equity and profit	**291,677**	**52,334**	**250,417**	**27,474**
Difference between consolidated companies' Shareholders' Equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	111,061	51,183	108,261	76,703
Reversal of dividends		(53,387)		(63,097)
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	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(17,700)	(4,231)	(11,826)	(244)
Reversal of write-downs and capital gains on equity investments	5,517	(604)	6,121	
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,193)	(61)	(1,133)	(324)
Deferred taxes	4,659	612	4,047	35
Group Shareholders' Equity	**336,394**	**45,846**	**298,260**	**40,547**

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

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

(€/000)	31.12.2016	31.12.2015	Change
Long-term financial payables	139,321	139,918	(597)
Short-term financial payables	36,233	39,367	(3,134)
Total financial payables	**175,554**	**179,285**	**(3,731)**

The breakdown of this item is as detailed below:

(€/000)	31.12.2016	31.12.2015	Change
Bank loans	169,501	172,612	(3,111)
Other	0	80	(80)
Payables to factoring companies	5,593	6,009	(416)
Payables for leasing	248	539	(291)
Bank overdrafts (ordinary current accounts)	212	45	167
Total financial payables	**175,554**	**179,285**	**(3,731)**

The breakdown of changes in the "Bank loans" item as at 31 December 2016 and 31 December 2015 is shown below:

(€/000)	2016	2015
1 January	**172,612**	**163,649**
Foreign exchange differences	0	930
Increases	29,840	139,277
Repayments	(20,000)	(125,263)
Decreases for loan repayments	(12,951)	(5,981)
31 December	**169,501**	**172,612**

On 4 October 2016, European Investment Bank (EIB) granted Datalogic S.p.A. €30 million as per the loan agreement already signed by the Parties on 18 September 2015.

The **decrease** of the repayment mainly refers to the hot money in the amount of €20,000 thousand, in addition to repayments of loan instalments in the amount of €12,951 thousand.
The fair value of the loans (current and non-current) coincides substantially with their book value.

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

(€/000)	31.12.2016	31.12.2015
Variable rate	**138,516**	**151,332**
Due < 1 year	24,020	12,815
Due > 1 year	114,496	138,517
Fixed rate	**30,985**	**21,280**
Due < 1 year	6,161	20,158
Due > 1 year	24,669	770
Due > 5 year	155	352
Total financial payables	**169,501**	**172,612**

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

Currency	2016	2015
Euro	169,501	172,612

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

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	Outstanding debt	Covenant		Frequency	Reference statements
Mediobanca	1	Datalogic S.p.A.	Euro	6,000,000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group
Club Deal	2	Datalogic S.p.A.	Euro	133,000,000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group
B.E.I.	3	Datalogic S.p.A.	Euro	30,000,000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group

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

As at 31 December 2016, all covenants were respected.

Financial leases

(€/000)	**31 December 2016**		31 December 2015	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within the year	254	248	280	260
After one year but within 5 years			285	279
> 5 years				
Total minimum payments	**254**	**248**	**565**	**539**
Less interest expenses	(6)		(26)	
Current value of lease costs	**248**	**248**	**539**	**539**

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 consolidated balance-sheet assets and liabilities and their relevant taxable value.

In provisioning deferred tax assets, each single Group company critically assessed the existence of future recoverability assumptions of these assets, based on updated strategic plans, complete with related tax plans.

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

Deferred tax assets (€/000)	Losses and receivables on taxes paid abroad	Adjustment on exchange rates	Amortisation	Write-down of assets	Provisions	Operations deriving from acquisitions	Other	IP redemption	Consolidation adjustments	Total
As at 1 January 2016	**23,889**	**3,194**	**91**	**506**	**11,043**	**2,374**	**(38)**	**4,730**	**1,570**	**47,359**
Provisioned in (released from) Income Statement	1,217	506	(58)	(47)	(156)	(101)	346	(1,799)	688	596
Provisioned in (released from) Shareholders' Equity		147					(21)			126
Foreign exchange differences	831	118	(2)		323	70	(10)		2	1,332
Reclassifications				344	(344)					
As at 31 December 2016	**25,937**	**3,965**	**31**	**803**	**10,866**	**2,343**	**277**	**2,931**	**2,260**	**49,413**

Deferred tax liabilities (€/000)	Reserve for prevision losses	Adjustment on exchange rates	Amortisation	Provisions	Operations deriving from acquisitions	Other	IAS Reserves	Consolidation adjustments	Total
As at 1 January 2016	**16**	**7,106**	**4,106**	**1,279**	**9,547**	**959**	**315**	**(156)**	**23,172**
Provisioned in (released from) Income Statement		(111)	1,393	29	(55)	(2)		141	1,395
Provisioned in (released from) Shareholders' Equity		1,196						287	1,483
Foreign exchange differences			126	13	290			19	448
Reclassifications			(11)	(12)	6	9		8	0
As at 31 December 2016	**16**	**8,191**	**5,614**	**1,309**	**9,788**	**966**	**315**	**299**	**26,498**

NOTE 14. POST-EMPLOYMENT BENEFITS

The breakdown of changes in the "Post-employment benefits" item as at 31 December 2016 and 31 December 2015 is shown below:

(€/000)	**2016**	2015
1 January	**6,814**	**7,201**
Amount allocated in the period	1,599	1,451
Uses	(842)	(1,183)
Other movements	17	(45)
Social security receivables for the employee severance indemnity reserve	(941)	(610)
31 December	**6,647**	**6,814**

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

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

(€/000)	31.12.2016	31.12.2015	Change
Short-term provisions for risks and charges	9,684	8,341	1,343
Long-term provisions for risks and charges	11,169	15,187	(4,018)
Total	**20,853**	**23,528**	**(2,675)**

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

(€/000)	31.12.2015	Increases	(Uses) and (Releases)	Transfers	Exchange rate diff.	31.12.2016
Product warranty provision	9,775	1,484	0		227	11,486
Provision for management incentive scheme	8,441	0	(5,166)		47	3,322
"Stock rotation" provision	2,882	387	0		56	3,325
Other	2,430	2,049	(2,069)	266	44	2,720
Total Provisions for risks and charges	**23,528**	**3,920**	**(7,235)**	**266**	**374**	**20,853**

The "**Product warranty provision**" covers the estimated cost of repairing products sold as up to 31 December 2016 and covered by periodical warranty; it amounts to €11,486 thousand (of which €7,436 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 estimate on the portion pertaining to the provision for a long-term plan for directors and managers. The decrease is due to the payment of the portion related to the plan for the 2013-2015 period.

The "**Stock rotation provision**", equal to €3,325 thousand, is related to the ADC Group and Informatics.

The "**Other**" item mainly comprises:
- €1,418 thousand for a pending tax dispute related to some Group companies;
- €882 thousand for transactions in progress with employees;
- €342 thousand for agent termination indemnities.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

(€/000)	31.12.2016	31.12.2015	Change
Trade payables due within 12 months	104,058	101,468	2,590
Third-party trade payables	**104,058**	**101,468**	**2,590**
Payables to associates	**24**	**84**	**(60)**
Laservall Asia Co. Ltd	14	82	(68)
Datalogic Automation AB	10	2	8
Payables to the parent company	**106**	**0**	**106**
Hydra S.p.A.	106	0	106
Payables to related parties	**397**	**159**	**238**
Total Trade payables	**104,585**	**101,711**	**2,874**
Other payables - current accrued liabilities and deferred income	46,909	42,107	4,802
Other payables - non-current accrued liabilities and deferred income	4,294	3,549	745
Total Other payables - accrued liabilities and deferred income	**51,203**	**45,656**	**5,547**
Less non-current portion	4,294	3,549	745
Current portion	**151,494**	**143,818**	**7,676**

The increase in trade payables, equal to €2,874 thousand, is attributable, in the amount of €1,877 thousand, to the exchange rate effect.

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Other long-term payables	**4,294**	**3,549**	**745**
Other short-term payables:	**23,115**	**21,398**	**1,717**
Payables to employees	15,061	14,790	271
Payables to pension and social security agencies	5,005	4,813	192
Other payables	3,049	1,795	1,254
VAT liabilities	**2,869**	**1,868**	**1,001**
Accrued liabilities and deferred income	**20,925**	**18,841**	**2,084**
Total	**51,203**	**45,656**	**5,547**

Payables to employees are the amounts due for wages and salaries and holidays, accrued with respect to staff at reporting date. It is worth noting that this item includes €39 thousand related to the debt for the management incentive scheme related to re-organisation occurred in 2015.

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

INFORMATION ON THE STATEMENT OF INCOME

NOTE 17. REVENUES

(€/000)	31.12.2016	31.12.2015	Change
Revenues from sale of products	545,821	508,338	37,483
Revenues from services	30,661	26,730	3,931
Total Revenues	**576,482**	**535,068**	**41,414**

Revenues earned from sales of goods and services increased by 7.7% compared to the same period of the previous year (7.6% at constant Euro/Dollar exchange rates).

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

(€/000)	31.12.2016	31.12.2015	Change	Change %
Revenues in Italy	50,783	45,798	4,985	10.88%
Revenues in rest of Europe	249,911	222,735	27,176	12.20%
Total Europe	**300,694**	**268,533**	**32,161**	**11.98%**
Revenues in North America	167,332	161,063	6,269	3.89%
Revenues in Asia & Pacific	69,576	71,490	(1,914)	-2.68%
Revenues in rest of the World	38,880	33,982	4,898	14.41%
Total Revenues	**576,482**	**535,068**	**41,414**	**7.74%**

NOTE 18. COST OF GOODS SOLD AND OPERATING COSTS

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

(€/000)	31.12.2016	31.12.2015	Change
Total cost of goods sold (1)	**311,278**	**286,691**	**24,587**
of which non-recurring	86	241	(155)
Total operating costs (2)	**198,237**	**198,936**	**(699)**
Research and Development expenses	50,542	48,441	2,101
of which non-recurring	16	92	(76)
of which amortisation, depreciation pertaining to acquisitions	105	105	0
Distribution expenses	101,541	102,093	(552)
of which non-recurring	333	998	(665)
General and administrative expenses	43,571	46,361	(2,790)
of which non-recurring	988	1,233	(245)
of which amortisation, depreciation pertaining to acquisitions	4,809	5,607	(798)
Other operating costs	2,583	2,041	542
of which non-recurring	(444)	0	(444)
TOTAL (1+2)	**509,515**	**485,627**	**23,888**
of which non-recurring costs/(revenues)	**979**	**2,564**	**(1,585)**
of which amortisation, depreciation pertaining to acquisitions	**4,914**	**5,712**	**(798)**

The item non-recurring costs and (revenues), as at 31 December 2016, shows a positive amount of €979 thousand. The breakdown of this item is as follows:

Item (€/000)	Amount	Type of cost
1) "Cost of goods sold"	86	early retirement incentives
2) "R&D expenses"	16	transformation plan
3) "Distribution expenses"	166	early retirement incentives
3) "Distribution expenses"	167	transformation plan
4) "General and administrative expenses"	988	transformation plan
5) "Other expenses"	(444)	release of other provisioning
Total non-recurring costs/(revenues)	**979**	

Costs related to the Transformation Plan (equal to €1,171 thousand) are borne for the study, start-up and implementation of the important reorganisation of the Datalogic Group, in place since January 2017. They mainly consist of consultancy expenses and EDP costs (€1,011 thousand), expenses incurred for travels, meetings and other trade costs (€160 thousand).

Extraordinary revenues, equal to €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.

Amortisation from acquisitions (equal to €4,914 thousand) mainly included under "General and administrative expenses" (€4,809) are comprised of:

(€/000)	31.12.2016	31.12.2015	Change
Acquisition of the PSC Group (on 30 November 2006)	1,828	2,513	(685)
Acquisition of Informatics Inc. (on 28 February 2005)	0	120	(120)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	633	631	2
Acquisition of Accu-Sort Inc. (on 20 January 2012)	2,453	2,448	5
Total	**4,914**	**5,712**	**(798)**

Total Cost of goods sold (1)

This item, less non-recurring costs, increased by 8.6% compared to the same period in 2015. This percentage remained unchanged at constant Euro/Dollar exchange rate.

Total operating costs (2)

The Operating Costs, excluding non-recurring costs and the amortisation inherent in the acquisitions, are equal to €192,430 thousand, with a growth less than 1% compared to €190,901 thousand in 2015, while highlight a strong improvement as per impact on sales, from 35.7% to 33.4%. At constant exchange rates and net of extraordinary costs, the increase was slightly higher (+1.04%).

In particular:

- **"R&D expenses"** amounted to €50,542 thousand and increased, net of non-recurring costs, by €2,177 thousand compared to the same period of the previous year (+€2,142 thousand, at constant exchange rates and net of non-recurring costs). This increase is primarily attributable to the increase in payroll & employee benefits, expenses for patents and trademarks, as well as consumables.

- **"Distribution expenses"** amounted to €101,541 thousand and, net of non-recurring costs, increased by €113 thousand with respect to the comparison period (+€531 thousand at constant exchange rates and net of non-recurring costs). This increase is mainly determined by an increase in payroll & employee benefits and an increase in shipment and entertainment costs, offset by a decrease in travel and accommodation expenses, costs for meetings and advertising costs and other trade costs. The decreased impact on total revenues (-1.3 percentage points) is to be noted.

- **“General and administrative expenses”** amounted to €43,571 thousand. This item, net of non-recurring costs, decreased by €1,747 thousand, compared to the same period of the previous year (same decrease at constant exchange rates, and net of non-recurring costs), especially by reason of a decrease in payroll & employee benefits and advisory services.

The breakdown of **“Other Operating Costs”** is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Non-income taxes	1,932	1,389	543
Provisions for doubtful accounts	762	34	728
Contingent liabilities	95	193	(98)
Capital losses on assets	5	69	(64)
Other	44	26	18
Cost charge backs	161	309	(148)
Allocation to the risk reserve	(416)	21	(437)
of which non-recurring	(444)	0	(444)
Total	**2,583**	**2,041**	**542**

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:

(€/000)	31.12.2016	31.12.2015	Change
Purchases	235,379	208,894	26,485
Inventory change	(12,014)	(4,310)	(7,704)
Payroll & employee benefits	157,413	158,757	(1,344)
Amortisation, depreciation and write-downs	19,142	18,239	903
Goods receipt & shipment	19,397	18,018	1,379
Technical, legal and tax advisory services	10,876	9,902	974
Marketing expenses	9,242	9,677	(435)
Travel & accommodation	9,040	9,299	(259)
Repairs and installations	6,252	5,514	738
Building expenses	6,179	6,599	(420)
Material collected from the warehouse	4,687	4,893	(206)
Royalties	4,229	2,735	1,494
EDP expenses	3,640	3,758	(118)
Consumables and R&D materials	3,399	3,062	337
Subcontracted work	3,326	3,354	(28)
Telephone expenses	2,456	2,540	(84)
Utilities	2,021	1,967	54
Sundry service costs	1,777	1,719	58
Commissions	1,767	2,074	(307)
Quality certification expenses	1,753	1,410	343
Entertainment expenses	1,417	981	436
Directors' remuneration	1,411	1,439	(28)
Meeting expenses	1,245	1,717	(472)
Expenses for plant and machinery and other assets	1,156	1,030	126
Accounts certification expenses	1,057	1,114	(57)
Vehicle expenses	1,054	1,016	38
Insurance	961	1,094	(133)
Training courses for employees	542	529	13
Stationery and printings	301	362	(61)
Other	10,410	8,244	2,166
Total Cost of goods sold and operating costs	**509,515**	**485,627**	**23,888**

Expenses reported in item "Goods receipt & shipment" increased due to the increase in sales and production volumes, while the impact remained in line with 2015.

The item "Marketing expenses", equal to €9,242 thousand, decreased by €435 thousand compared to the same period of 2015, mainly due to the decrease in advertising and commercial costs, which offset the increase in Marketing co-participation expenses with trade partners and costs for exhibitions.

The item "Technical, legal and tax advisory services", equal to €10,876 thousand, reported an increase of €974 thousand compared to the same period of 2015 (+€472 thousand, less non-recurring costs). Specifically, "Expenses for patents and trademarks" and for "Technical advisory services" increased, in relation to the assignment of the development of some projects to external consultants, partly offset by the decrease in other advisory services.

The item "EDP expenses" amounted to €3,640 thousand and mainly includes the subscription to software maintenance fees for software systems and outsourcing costs for some support activities (helpdesk and servers).

The items "Entertainment expenses" and "Meeting expenses", amounting to €1,417 thousand and €1,245 thousand, respectively, are primarily attributable to important meetings of the sales force and with external customers.

The "Other" item mainly consists of several costs all of which are lower than €100 thousand.

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

(€/000)	31.12.2016	31.12.2015	Change
Wages & salaries	123,212	120,744	2,468
Social security charges	21,312	21,662	(350)
Employee severance indemnities	1,615	1,544	71
Retirement and similar benefits	1,342	1,350	(8)
Medium- to long-term managerial incentive plan	(368)	3,535	(3,903)
Vehicle expenses for employees	3,158	3,139	19
Other costs	5,031	4,927	104
Early retirement incentives	2,111	1,856	255
Total	**157,413**	**158,757**	**(1,344)**

The "Wages and salaries" item, equal to €123,212 thousand, includes sales commissions and incentives of €15,479 thousand (€14,917 thousand as at 31 December 2015). The increase in item "Wages and salaries" is primarily related to increased in-house R&D activities and the hiring of personnel in the commercial sector.

The "Early retirement incentives" item includes costs, totalling €252 thousand, stated under item "Non-recurring costs and revenues" and result from the re-organisation activities internal to the Group (€1,846 thousand as at 31 December 2015).

NOTE 19. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Miscellaneous income and revenues	1,271	1,838	(567)
Grants to Research and Development expenses	1,384	823	561
Contingent assets	355	630	(275)
Capital gains on asset disposals	135	67	68
Rents	85	69	16
Other	48	77	(29)
Total	**3,278**	**3,504**	**(226)**

The item "Grants to Research and Development expenses" amounted to €1,384 thousand and, in the amount of €1,240 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 item “Contingent assets” includes €300 thousand, related to the successful conclusion of a transaction agreement on a trade receivable that has become payable.

The item “Miscellaneous income and revenues” mainly includes revenues for self-manufactured equipment and reimbursements from employees for the use of vehicles for the pertaining portion.

The increase in item “Capital gains on asset disposals” is mainly attributable to the sale of some patents.

NOTE 20. NET FINANCIAL INCOME/(EXPENSES)

(€/000)	31.12.2016	31.12.2015	Change
Financial income/(expenses)	(1,637)	(2,262)	625
Foreign exchange differences	20	3,087	(3,067)
Bank expenses	(1,828)	(3,304)	1,476
Other	410	944	(534)
Total Net Financial Income (expenses)	**(3,035)**	**(1,535)**	**(1,500)**

Financial income was negative by €3,035 thousand, compared to a negative result of €1,535 thousand related to the same period of the previous year, mainly due to a more unfavourable trend of Foreign exchange differences, while bank fees decreased by €1,476 thousand.

The item “Financial income/(expenses)” improved by €625 thousand, mainly due to the consolidation and rationalisation activity of the Group financial structure, implemented in the first half of 2015, which permitted to increase the average life of the financial debt and therefore reduce the related charges.

The item “Bank fees” (improved by €1,476 thousand), also includes:
- the portion pertaining to the upfront fees period, paid upon opening of long-term loans, in the amount of €207 thousand, (€1,428 thousand as at 31 December 2015, of which €1,250 thousand connected with the early redemption of some long-term loans);
- factoring costs, amounting to €609 thousand (€839 thousand as at 31 December 2015), related to commissions without recourse.

Losses generated by companies carried at equity were recognised in the amount of €318 thousand (compared with profits of €174 thousand as at 31 December 2015).

NOTE 21. TAXES

(€/000)	31.12.2016	31.12.2015	Change
Income tax	17,764	13,549	4,215
Substitute and other taxes	2,483	2,678	(195)
Deferred taxes	799	(5,190)	5,989
Total	**21,046**	**11,037**	**10,009**

The average tax rate comes to 31.5% (21.4% as at 31 December 2015).

Law no. 190/2014, par. 37-45, as amended by Art. 5 of Leg. Decree no. 3/2015, introduced the so-called “Patent box optional regime” in the Italian legislation. This envisages the reduced tax regime on income resulting from the use of some types of intangible assets and earned by the owners of the company’s income who also carry out certain R&D activities.

Based on this measure, some Italian companies within the Group adhered to this optional regime and, over the third quarter of 2016, they reported the benefit, equal to €1,775 thousand, in terms of reduced taxation on 2015, in the Income Statement.

The reconciliation for 2016 of the nominal tax rate set out in Italian law and the effective rate in the separate Financial Statements is as follows:

(€/000)	2016		2015	
Pre-tax profit	**66,892**		**51,584**	
Nominal tax rate under Italian law	**(18,396)**	**(27.5)%**	**(14,186)**	**(27.5)%**
Regional tax	(1,003)	(1.5)%	(1,795)	(3.5)%
Non-deductible expenses for IRES	(1,626)	(2.4)%	(507)	(1.0)%
Other effects	(798)	(1.2)%	(305)	(0.6)%
Tax on dividend distribution	(7,231)	(10.8)%	(663)	(1.3)%
Recoverable tax losses related to subsidiaries	(817)	(1.2)%	(100)	(0.2)%
Cumulative effect of different tax rates applied in foreign countries	7,049	10.5%	5,864	11.4%
Effect of the change in rate of IRES tax, It. comp.	(75)	(0.1)%	(332)	(0.6)%
Labour cost benefit - IRAP tax	76	0.1%	986	1.9%
Patent Box Benefit	1,775	2.7%		
Consolidated effective tax rate	**(21,046)**	**(31.5)%**	**(11,037)**	**(21.4)%**

The higher tax burden of 2016 (31.5%), compared to 2015 (21.4%), is mainly due to the recent changes in the reference Italian laws for the treatment of foreign dividends and the reduction in US tax receivables.

NOTE 22. EARNINGS/LOSS PER SHARE

Earnings/loss per share

(Euro)	31.12.2016	31.12.2015
Group earnings/(loss) for the period	45,846.000	40,547.000
Average number of shares	58,187.992	58,179.970
Earnings/(loss) per share	**0,7879**	**0,6969**

EPS as at 31 December 2016 was calculated by dividing Group net profit of €45,846 thousand (Group net profit of €40,547 thousand as at 31 December 2015) by the average number of ordinary shares outstanding as at 31 December 2016, equal to 58,187,992 shares (58,179,970 as at 31 December 2015).

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 2015 provided by the independent auditors.
The table below shows the fees for the audit activity and other services, mainly including due diligence and integration processes following acquisitions and the Group reorganisation.

(€/000)	2016
Fees for services supplied by the Auditing Firm to the Parent Company and to the subsidiaries	
Datalogic S.p.A. - auditing	162
Italian subsidiaries - auditing	240
Foreign subsidiaries - auditing	427
Total auditing	**829**
Non-auditing services	82
Total	**911**

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 (finally amended on 24 July 2015 "OPC procedure"), and that is available on the Company's internet site www.datalogic.com.

The parent company of the Datalogic Group is Hydra S.p.A..

Infragroup transactions are executed as part of the ordinary operations and at arm's length conditions. Furthermore, there are other relationships with related parties, 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 Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 1 January 2016 - 31 December 2016, the Company's Board of Directors did not approve any relevant transaction, as set out by Article 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).

Related parties (€/000)	Hydra (Parent Company)	Hydra Immobiliare and Aczon	Automation Group companies	CAEN	Studio Associato Caruso	Natural person	Macoa Gmbh	Natural person	Natural person	Laservall Asia	**Total 31.12.2016**
	Parent Company	company controlled by Chairman of BoD	unconsolidat. associates	unconsolidat. associate	company controlled by a company Body member	Key manager	company controlled by a company Body member	member of BoD	Close relative of a Director	associated company	
Partecipazioni	**0**	**0**	**76**	**550**	**0**	**0**	**0**	**0**	**0**	**1,588**	**2,214**
Datalogic S.p.A.				550							550
IA Group			76							1,588	1,664
Trade receivables - accrued income and prepaid expenses	**0**	**83**	**979**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,062**
IA Group		83	914								997
ADC Group			65								65
Receivables pursuant to tax consolidation	**8,010**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,010**
Datalogic IPTech S.r.l.	8,010										8,010
Financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities pursuant to tax consolidation	**15,114**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**15,114**
Datalogic ADC S.r.l.	10,026										10,026
Datalogic Automation S.r.l.	3,529										3,529
Datalogic S.p.A.	1,559										1,559
Trade payables	**0**	**121**	**10**		**72**	**134**	**47**	**9**	**0**	**14**	**407**
Datalogic S.p.A.		1			46	134	(16)	7			173
Datalogic IPTech S.r.l.					5			2			7
ADC Group		4	10		10		62				87
IA Group		115			11					14	140
Financial payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Sales / service expenses	**0**	**705**	**5**	**0**	**550**	**134**	**239**	**19**	**4**	**112**	**1,768**
Datalogic S.p.A.		73			443	134	179				829
Datalogic IPTech S.r.l.					19			19			38
ADC Group		133	5		44		60		4		246
IA Group		499			44					112	655
Commercial revenues	**0**	**7**	**3,882**	**0**	**0**	**0**	**0**	**0**	**0**	**1,695**	**5,584**
Profits/(losses) from associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(318)**	**(318)**
IA Group										(318)	(318)

NUMBER OF EMPLOYEES

	31.12.2016	31.12.2015	Change
Industrial Automation Group	923	824	99
Automatic Data Capture Group	1,528	1,503	25
Corporate Group	143	137	6
Informatics	102	103	(1)
Total	**2,696**	**2,567**	**129**

EVENTS OCCURRING AFTER YEAR END

Since the beginning of the year, the new organisation of the Group has been focused on all customer-oriented corporate processes, as well as on the streamlining of the corporate structure, which led to the merger of the assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions in one single legal entity in each region where the Group operates. Thanks to this reorganisation, Datalogic customers of the Industries Retail, Transportation & Logistics, Manufacturing and Healthcase Divisions will be able to further benefit from the utmost quality in terms of product and effectiveness of services offered.

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

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS (Euro)		Note	31.12.2016	31.12.2015
A)	**NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)**		**236,188,981**	**236,494,271**
1)	**Tangible assets**	**1**	**21,480,033**	**21,587,906**
	Land	1	2,465,710	2,465,710
	Buildings	1	15,631,040	15,765,824
	Other assets	1	3,062,477	3,356,372
	Assets in progress and payments on account	1	320,806	-
2)	**Non-instrumental property**		**-**	**-**
2)	**Intangible assets**	**2**	**2,771,669**	**2,570,293**
	Goodwill			
	Development costs	2		
	Other	2	2,771,669	2,570,293
3)	**Equity investments in affiliates**	**3**	**175,148,858**	**174,598,858**
4)	**Financial assets**	**5**	**35,310,016**	**35,717,503**
	Equity investments	5	4,303,493	4,624,371
	Securities	5	-	360,659
	Other	5	31,006,523	30,732,473
5)	**Loans to subsidiaries**	**9**	**-**	**-**
6)	**Trade and other receivables**	**7**	**171,973**	**172,072**
7)	**Deferred tax assets**	**13**	**1,306,432**	**1,847,639**
B)	**Current assets (9+10+11+12+13+14+15)**		**399,090,856**	**355,750,960**
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**	**10,500,365**	**9,285,470**
	Trade receivables	**7**	**9,558,568**	**8,333,216**
	within 12 months	7	22,355	15,415
	after 12 months		-	-
	receivables from affiliates		-	-
	receivables from subsidiaries	7	9,536,213	8,317,801
	receivables from the Parent Company	7	-	-
	receivables from related parties		-	-
	Other receivables - accrued income and prepaid expenses	**7**	**941,797**	**952,254**
	of which other receivables from subsidiaries	7	-	-
11)	**Tax receivables**	**8**	**1,172,666**	**1,802,408**
	of which to the Parent Company	8	-	597,450
12)	**Financial assets**	**5**	**-**	**-**
	Securities	5	-	-
13)	**Loans to subsidiaries**	**9**	**309,195,037**	**268,199,419**
		9	309,195,037	268,199,419
14)	**Financial assets - Derivative instruments**	**6**	**-**	**-**
15)	**Cash and cash equivalents**	**10**	**78,222,788**	**76,463,663**
Total assets (A+B)			**635,279,837**	**592,245,231**

STATEMENT OF FINANCIAL POSITION

LIABILITIES (Euro)		Note	31.12.2016	31.12.2015
A)	**TOTAL SHAREHOLDERS' EQUITY (1+2+3+4+5)**	**11**	**291,677,840**	**250,417,249**
1)	**Share capital**	**11**	**146,291,261**	**146,659,417**
	Share capital	11	30,392,175	30,392,175
	Treasury shares	11	4,119,564	4,487,720
	Share premium reserve	11	108,958,705	109,326,127
	Treasury share reserve	11	2,820,817	2,453,395
2)	**Reserves**	**11**	**549,769**	**504,188**
	Employee severance indemnity discounting reserves	11	88,146	88,146
	Cash-flow hedge reserve	11	(28,125)	(91,708)
	Valuation reserve for financial assets held for sale	11	489,748	507,750
3)	**Retained earnings/losses**		**92,502,593**	**75,779,902**
	Profits/(losses) of previous years	11	37,961,518	28,630,513
	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	5,916,945
	Temporary reserve for exchange rate adjustment	11	23,672,937	16,442,741
	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**		**52,334,217**	**27,473,742**
B)	**NON-CURRENT LIABILITIES (6+7+8+9+10+11)**	**12**	**149,233,544**	**150,968,088**
5)	**Financial payables**	**12**	**138,387,917**	**138,789,112**
	of which from related parties			
6)	**Financial liabilities - Derivative instruments (*)**	**6**	**-**	**114,621**
7)	**Tax payables**		**-**	**-**
8)	**Deferred tax liabilities**	**13**	**9,457,480**	**8,468,532**
9)	**Post-employment benefits**	**14**	**484,422**	**527,123**
10)	**Provisions for risks and charges**	**15**	**903,725**	**3,068,700**
11)	**Other liabilities**		**-**	**-**
C)	**CURRENT LIABILITIES (12+13+14+15+16)**		**194,368,453**	**190,859,894**
12)	**Trade and other payables**	**16**	**8,335,747**	**8,908,428**
	Trade payables	**16**	**4,570,820**	**3,239,354**
	within 12 months	16	4,030,551	2,855,331
	after 12 months		-	
	payables to subsidiaries	16	247,437	382,605
	payables to the Parent Company		105,884	1,418
	payables to related parties	16	186,948	-
	Other payables - accrued liabilities and deferred income	**16**	**3,764,927**	**5,669,074**
	other payables to subsidiaries		298,192	2,439,558
13)	**Tax payables**	**17**	**2,211,291**	**446,931**
	of which to the Parent Company	17	1,558,707	-
14)	**Provisions for risks and charges**		**82,854**	**76,852**
15)	**Financial liabilities - Derivative instruments**	**6**	**37,007**	**6,339**
16)	**Short-term financial payables**	**12**	**183,701,554**	**181,421,344**
	of which to related parties		153,469,193	148,273,322
Total liabilities (A+B+C)			**635,279,837**	**592,245,231**

INCOME STATEMENT

(Euro)	Note	2016	2015
1) Total revenues	**18**	**24,035,109**	**21,426,967**
Revenues from sale of products	18	-	-
Revenues from services	18	24,035,109	21,426,967
2) Cost of goods sold	**19**	**1,470,216**	**1,680,551**
Gross profit (1-2)		**22,564,893**	**19,746,416**
3) Other operating revenues	**20**	**645,544**	**606,974**
4) R&D expenses	**19**	**396,276**	**429,131**
5) Distribution expenses	**19**	**1,848,076**	**810,997**
of which non-recurring costs		9,340	
6) General and administrative expenses	**19**	**17,181,973**	**15,835,836**
of which non-recurring costs		710,943	484,613
7) Other operating expenses	**19**	**(1,057,116)**	**910,679**
Total operating costs (4+5+6+7)		18,369,209	17,986,643
Operating result		**4,841,228**	**2,366,747**
8) Financial income	**21**	**53,755,533**	**43,059,357**
9) Financial expenses	**21**	**3,224,197**	**15,038,217**
Net financial income (expenses) (8-9)		50,531,336	28,021,140
Pre-tax profit/(loss)		**55,372,564**	**30,387,887**
Taxes	22	3,038,347	2,914,145
Net profit/(loss) for the period		**52,334,217**	**27,473,742**

For comparability purposes, data related to allocations for LTMIP related to the previous year, originally stated under item General and administrative expenses, were reclassified under Other operating expenses.

STATEMENT OF COMPREHENSIVE INCOME

(Euro)	Note	2016	2015
Net profit/(loss) for the period		**52,334,217**	**27,473,742**
Other components of the Statement of Comprehensive Income:			
Profit/(loss) on cash flow hedges	11	63,583	98,580
of which tax effect		(20,371)	(42,926)
Adjustment on exchange rates	11	3,791,919	9,933,579
of which tax effect		(1,197,448)	(2,723,452)
Profit (loss) on exchange rate adjustments for financial assets available for sale	11	(18,002)	290,147
of which tax effect		219	76,372
Total other components of the Statement of Comprehensive Income which will be restated under profit/(loss) for the year		3,837,500	10,322,306
Actuarial gains/(losses) on defined-benefit plans	11	-	8
of which tax effect		-	8
Total other components of the Statement of Comprehensive Income which will be restated under profit/(loss) for the year		-	8
Total other profit/(loss) net of the tax effect		**3,837,500**	**10,322,314**
Comprehensive net profit/(loss) for the period		**56,171,717**	**37,796,056**

CASH FLOW STATEMENT

(Euro)	Note	2016	2015
Pre-tax profit		**55,372,564**	**30,387,887**
Depreciation of tangible assets and amortisation of intangible assets	1, 2	1,795,407	1,671,308
Change in employee benefits reserve	14	(42,701)	(65,877)
Bad debt provisions			
Net financial expenses/(income) including exchange rate differences	21	(50,531,336)	(28,021,140)
adjustments to value of financial assets			
Cash flow from operations before changes in working capital		**6,593,934**	**3,972,178**
Change in trade receivables (net of provisions)	7	(1,225,352)	(2,410,216)
Change in final inventories		-	-
Change in other current assets	7	10,457	(184,254)
Other medium-/long-term assets	5	(273,951)	(10,441,545)
Change in trade payables	16	1,331,466	(833,646)
Change in other current liabilities	16	(1,904,147)	2,146,074
Other medium/long-term liabilities		-	-
Change in provisions for risks and charges	15	(2,158,973)	669,552
Commercial foreign exchange differences		-	-
		2,373,434	**(7,081,857)**
Change in tax	13, 17, 22	885,910	1,950,271
Foreign exchange effect of tax		-	-
Interest and bank expenses	21	3,809,793	3,393,425
Cash flow generated from operations (A)		**7,069,137**	**(1,738,161)**
(Increase)/Decrease in intangible assets	1	(994,101)	(851,913)
(Increase)/Decrease in tangible assets	2	(894,809)	(979,593)
Change in equity investments	5	-	(539,681)
Changes generated by investment activity (B)		**(1,888,910)**	**(2,371,187)**
Change in LT/ST financial receivables	9	(40,864,081)	(12,581,626)
Change in short-term and medium/long-term financial payables	12, 6	1,795,062	15,897,416
Financial foreign exchange differences		3,320,614	3,618,714
Purchase of treasury shares	11	(368,156)	(831,280)
Changes in reserves	11	3,837,500	10,329,929
Collection/(Payment) of Dividends	21, 11	28,857,959	10,538,064
Cash flow generated (absorbed) by financial activity (C)		**(3,421,102)**	**26,971,217**
Net increase (decrease) in available cash (A+B+C)		**1,759,125**	**22,861,869**
Net cash and cash equivalents at beginning of period	**10**	**76,463,663**	**53,601,794**
Net cash and cash equivalents at end of period	**10**	**78,222,788**	**76,463,663**

CHANGES IN SHAREHOLDERS' EQUITY

Description (Euro)	Share capital	Treasury shares	Total share capital	Other reserves			
				Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves
01.01.2015	**30,392,175**	**117,098,264**	**147,490,439**	**(190,288)**	**217,603**	**80,662**	**107,977**
Allocation of earnings			0				0
Dividends							
Sale/purchase of treasury shares		(831,021)	**(831,021)**				**0**
Cash flow hedge adjustment			0	98,580			**98,580**
Other movements			0		290,147	7,484	**297,631**
Net profit (Loss) as at 31.12.2015			0				0
31.12.2015	**30,392,175**	**116,267,243**	**146,659,418**	**(91,708)**	**507,750**	**88,146**	**504,188**

Description (Euro)	Share capital	Treasury shares	Total share capital	Other reserves			
				Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves
01.01.2016	**30,392,175**	**116,267,243**	**146,659,418**	**(91,708)**	**507,750**	**88,146**	**504,188**
Allocation of earnings			0				0
Dividends			0				
Sale/purchase of treasury shares		(368,157)	**(368,157)**				**0**
Cash flow hedge adjustment			0	63,583			**63,583**
Severance indemnity provision adjustment			0				**0**
Capital contribution reserve			0				**0**
Cancellation of treasury shares			0				0
Other movements			0		(18,002)		**(18,002)**
Net profit (Loss) as at 31.12.2015			0				0
31.12.2016	**30,392,175**	**115,899,086**	**146,291,261**	**(28,125)**	**489,748**	**88,146**	**549,769**

Profit previous years							Profit for the year	Total Shareholders' Equity
Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves	Reserve for exchange rate adjustment	IAS Reserve	Total		
31,841,015	**203,538**	**958,347**	**4,734,588**	**6,509,162**	**8,423,473**	**52,670,123**	**23,647,138**	**223,915,677**
22,464,781			1,182,357			**23,647,138**	**(23,647,138)**	**0**
(10,470,938)						**(10,470,938)**		**(10,470,938)**
0						**0**		**(831,021)**
						0		**98,580**
				9,933,579		**9,933,579**		**10,231,210**
						0	**27,473,742**	**27,473,742**
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**

Profit previous years							Profit for the year	Total Shareholders' Equity
Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves	Reserve for exchange rate adjustment	IAS Reserve	Total		
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)**	**0**
(14,542,970)						**(14,542,970)**		**(14,542,970)**
0						**0**		**(368,157)**
						0		**63,583**
						0		**0**
						0		**0**
0						**0**		**0**
				3,791,919		**3,791,919**		**3,773,917**
						0	**52,334,217**	**52,334,217**
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**

EXPLANATORY NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

INTRODUCTION

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

The Company is a subsidiary of Hydra S.p.A., which is also based in Bologna and is controlled by the Volta family.
These Financial Statements were prepared by the Board of Directors on 9 March 2017.

PRESENTATION AND CONTENT OF THE FINANCIAL STATEMENTS

The Company's Financial Statements have been prepared in compliance with the International Accounting Standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee ("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 2016 consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes.
We specify that, in the Statement of Financial Position, assets and liabilities are classified according to the "current/non-current" criterion, with specific separation of assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those set to be realised, sold or used during the Company's normal operational cycle or in the 12 months following the reporting date; current liabilities are those whose extinction is envisaged during the Company's normal operating cycle or in the 12 months after the reporting date.
The Income Statement reflects analysis of costs grouped by function as this classification was deemed more meaningful for comprehension of the Company's business result.
The Statement of Comprehensive Income presents the components that determine gain/(loss) for the period and the costs and revenues reported directly under Shareholders' Equity for transactions other than those set up with Shareholders.
The 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.
In preparing the 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 should be made to the section describing the main estimates made in these Financial Statements.

These Financial Statements are drawn up in thousands of Euro. The tables in these Explanatory Notes are shown in thousands of Euro, which is the Group's "functional" and "presentation" currency as envisaged by IAS 21, unless otherwise indicated.

ACCOUNTING POLICIES AND STANDARDS APPLIED

Below we indicate the policies adopted for preparation of the Company's Financial Statements as at 31 December 2016.

Property, plant and equipment (IAS 16)

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

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

Costs incurred after purchase (maintenance and repair costs and replacement costs) are recognised in the asset's carrying value, or are recognised as a separate asset, only if it is thought likely that the future economic benefits associated with the asset will be enjoyed and the asset's cost can be reliably measured. Maintenance and repair costs or replacement costs that do not have the above characteristics are recognised in the Income Statementin 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 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	10% - 6.67% - 4%
Production equipment & electronic instruments	20% - 10%
Moulds	20%
Electronic office machinery	33% - 20% - 10%
Office furniture and fittings	10% - 6.67% - 5%
Cars	25%
Freight vehicles	14%
Trade show & exhibition equipment	11% - 20%
Improvements to third-party assets	Contract duration

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

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

Assets held under finance lease contracts (IAS 17)

Assets held under finance lease contracts are those 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 (IAS 38)

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

Amortisation

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
Other intangible assets:	
- Software licences (other than SAP licences)	3/5
- Trademarks	3
- Know-how	7
- SAP licences	10
- User licences	Contract duration

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

Impairment (IAS 36)

Tangible, intangible and financial 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, intangible and financial 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 Cash Generating Unit to which presumable realisation value refers.
Given their autonomous ability to generate cash flows, the Company's CGUs are defined as being the individual consolidated companies.

If the recoverable value of the asset or Cash Generating Unit, 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 Statementfor 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. In the case of goodwill, impairment value is never reversed.

Calculation of presumed recoverable value

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

Reversal of impairment losses

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount of what would have been the book value, net of amortisation of the historical cost, if no impairment had been recognised.
Any reinstatements of value are recognised in the Income Statement. In the case of goodwill, impairment value is never reversed.

Equity investments in subsidiaries

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 cost.

Other equity investments

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

Financial assets (IAS 39)

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

Financial assets at fair value with contra entry in the Income Statement: these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; they are recognised at fair value and any changes during the period are recognised in the Income Statement. Within the Company, this category includes securities classified among current assets.

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. They are classified as "current assets", apart from those due after 12 months, which are classified as non-current assets. Within the Company, this category includes trade receivables, other receivables and available cash.

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

The fair value of listed securities is based on current market prices. If a financial asset's market is not active, the Company establishes fair value by using recent transactions taking place close to the reporting date or by referring to other instruments of substantially the same kind or using Discounted Cash-Flow (DCF) models.
In some circumstances, the Company does not have sufficient information to calculate the fair value of these financial assets. In this case, they are maintained at cost.
A financial asset (or, where applicable, the portion of a financial asset or part of a group of similar financial assets) is removed from the Financial Statements when:

- the rights to receive the cash flows from the asset have been extinguished;
- 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:
  (a) has transferred essentially all the risks and benefits of ownership of the financial asset or
  (b) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

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

- at the inception of a hedge, there is formal documentation of the hedging relationship, of the entity's risk management objectives, and of the strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedge) or in cash flows (cash flow hedge) attributable to the risk hedged;

- for cash flow hedges, an expected transaction that is hedged must be highly probable and feature exposure to changes in cash flows that could ultimately affect profit or loss;
- the hedge's effectiveness can be reliably assessed, i.e. the fair value or cash values of the item hedged and the hedging instrument's fair value can be reliably measured;
- the hedge has been assessed on the basis of a recurrent criterion and is considered highly effective throughout the derivative's life.

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

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

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

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

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

Cash flow hedge – If a financial derivative is designated as a hedge for exposure to the variability of future cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the changes in the hedge's fair value are recognised in Equity for the effective portion of the hedge (intrinsic value), while the part relating to time value and any ineffective portion (over-hedging) is recognised in the Income Statement.
If a hedge or hedging relationship has ended but the hedged transaction has not yet taken place, cumulative profits and losses recognised thus far in equity are recognised in the Income Statement when the related transaction takes place. If the hedged transaction is no longer considered probable, the still unrealised profits and losses suspended in equity are immediately recognised in the Income Statement.

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

Trade and other receivables (IAS 32 and 39)

Receivables, with due dates consistent with normal terms of trade in the sector in which the Company is active, or that earn interest at market rates, are not discounted to present value. They are recognised at cost (identified as face value), net of provisions for doubtful accounts, which are shown as a direct deduction from such receivables in order to align them with their fair value. Receivables whose due date exceeds normal terms of trade (i.e. due dates longer than one year) are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses.
The estimated impairment of receivables is recognised when it becomes evident that the past-due receivable cannot be recovered, due to financial difficulties of the customer that might lead to its bankruptcy or financial restructuring.

Cash and cash equivalents (IAS 32 and 39)

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.
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, as required by IAS 32. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Company 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.

Interest-bearing financial liabilities (IAS 32 and 39)

Interest-bearing financial liabilities are initially recorded at fair value, net of ancillary costs.
After initial recognition, interesting-bearing financial liabilities are measured at amortised cost using the effective interest rate method.

A financial obligation is written off when the obligation underlying the liability has been extinguished or 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 income of any differences involving the carrying values.

Liabilities for employee benefits (IAS 19)

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either "defined-contribution programmes" or "defined-benefit programmes".
Employee benefits mainly consist of severance indemnities for the Company.
Italian Law no. 296 of 27 December 2006 ("2007 National Budget Law") and subsequent decrees and regulations enacted during 2007 introduced – as part of overall reform of the Italian pension system – significant changes regarding the ultimate use of the portions of severance-indemnity provision accruing.

Until 31 December 2006, severance indemnity provision came within the scope of post-employment defined-benefit plans and was measured in accordance with IAS 19, by independent actuaries, using the projected unit credit method.
Actuarial gains and losses as at 1 January 2005 – the date of transition to IFRSs – were recognised in specific equity reserved. Actuarial gains and losses after that date are recognised in the Income Statement on an accrual accounting basis, i.e. not using the "corridor" method envisaged by IAS 19.
Following the reform of supplemental pensions, employees can allocate the new severance indemnity provision accruing to supplemental pension systems, or opt to keep it in the company (in the case of companies with less than 50 employees) or to transfer them to the INPS – the state pension and welfare agency (in the case of companies with more than 50 employees).
Based on these rules, and also basing itself on the generally accepted interpretation, the Company decided that:

- for the portion of severance indemnities accruing up to 31 December 2006, the provision in question constituted a defined-benefit plan, to be valued according to the actuarial rules, but no longer including the component relating to future salary increases. The difference resulting from the new calculation in relation to the previous one was treated as curtailment as defined by IAS 19, paragraph 109 and consequently entered in the Income Statement for the year ended 31 December 2007;
- subsequent portions of severance indemnities accruing, both in the case of opting for supplemental pension planning and in the case of allocation to the central treasury fund c/o the INPS, come within the scope of defined-contribution plans, thus excluding – in calculating the cost for the year – components relating to actuarial estimates.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognised on the 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.

Income taxes (IAS 12)

Income taxes include current and deferred taxes. Income taxes are generally recognised in the Income Statement, except when they relate to items entered directly in equity, in which case the tax effect is recognised directly in Equity.
Current income taxes are the taxes that are expected to be paid, calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to 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 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 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 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 (IAS 32 and 39)

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 (IAS 18)

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.

Rental and operating lease costs (IAS 17)

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

Dividends distributed (IAS 1 and 10)

Dividends are recognised when Shareholders have the right to receive payment. This normally corresponds to the date of the annual general Shareholder meeting that approves dividend distribution.
The dividends distributable to Company Shareholders are recognised as an equity movement in the year when they are approved by the Shareholders' meeting.

Treatment of foreign currency items (IAS 21)

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 of 1 January 2016

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 2015. The Company adopted some accounting standards and amendments that are applied for annual periods beginning on or after 1 January 2016. 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 2016, 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 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation**
  These amendments clarify the principle, included in IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets, that revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate Properties, Plant and Machinery and could be used only in very restricted circumstances when amortising intangible assets. The amendments must be applied prospectively and had no impact on the Company, given that the Company does not use revenue-based methods for the amortisation/depreciation of non-current assets.

- **IFRS 5 - Non-current assets held for sale and discontinued operations**
  Assets (or disposal group) are generally disposed of through the sale, or the distribution to Shareholders. This amendment clarifies that the change from either disposal methods should not be considered as a new plan to sell, but rather the continuation of the original one. Therefore, there is no discontinuation in the application of requirements of IFRS 5. This amendment shall be applied prospectively. These amendments had no impact on the Company's Financial Statements.

- **IFRS 7 - Financial instruments: disclosures**
  (i) Servicing contracts
  The amendment clarifies that a servicing contract envisaging a remuneration can entail a continuing involvement of a financial asset. The entity shall define the type of remuneration and of agreement based on the guidance contained in the IFRS 7 on the continuing involvement, in order to evaluate whether a clarification is required. The definition of what type of servicing contract represents a continuing involvement must be made retrospectively. In any case, the information required shall not be disclosed for annual periods before the first-time application date of this amendment.
  (ii) Applicability of amendments to IFRS 7 to condensed interim Financial Statements.
  The amendment clarifies that disclosure requirements on remuneration are not applied to condensed interim Financial Statements, unless this disclosure constitutes a significant updating of information given in the most recent annual Financial Statements. This amendment shall be applied retrospectively.
  These amendments had no impact on the Company's consolidated Financial Statements.

- **IAS 19 - employee benefits**
  The amendment clarifies that the deep market of high quality corporate bonds should be determined on a currency basis (currency in which the bond is issued), rather than on a country basis (in which the benefits are to be paid). When there is no deep market for high quality corporate bonds in that currency, government bonds should be used to establish the discount rate. This amendment shall be applied prospectively. These amendments had no impact on the Company's consolidated Financial Statements.

- **Amendments to IAS 1 - Disclosures**
  Amendments to IAS 1 clarify, rather than significantly modify, some already existing requirements of IAS 1. The amendments clarify:
  - the requirement of materiality in IAS 1;
  - the fact that specific lines in the statements of profit/(loss) for the year or other components in the Statement of Comprehensive Income or in the Statement of Financial Position may be unbundled;
  - that entities can disclose the Notes to the Financial Statements in a flexible way;
  - that the portion of other components in the Statement of Comprehensive Income, related to associated companies and joint ventures and accounted for by using the equity method, must be disclosed in aggregate in one single line, and classified under items that will not be subsequently reclassified in the Income Statement.

Moreover, amendments clarify the requirements that are applied when sub-totals are disclosed in the statements of profit/(loss) for the year or other components are disclosed in the Statement of Comprehensive Income or Statement of Financial Position. These amendments have no impact on the Company.

STANDARDS ISSUED WHICH ARE NOT YET IN FORCE

Following are the standards which, on the date that the Financial Statements were prepared, had already been issued but were not yet in force.

- **IFRS 9 – Financial Instruments**
  In July 2015, 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.
  The Company will adopt this new standard at its effective date. In 2017 the Company will asses the potential effects of IFRS 9 on its Financial Statements. However, no significant impacts are expected.

  a) Measurement and Recognition
  No significant impact is expected by the Company on its Financial Statements and Shareholders' Equity, following the application of the measurement and recognition requirements envisaged by IFRS 9. The Group intends to continue the measurement at fair value of all financial assets that are currently accounted for at fair value. Listed shares, that are currently classified as available for sale, with gains and losses recognised in other items of the comprehensive Income Statement will be instead measured at fair value with contra entry in the Income Statement, which will increase volatility of results. The provision related to available-for-sale financial assets, which is currently recognised under other items of the Comprehensive Income Statement, will be reclassified with contra entry in the opening earnings carried forward. In the foreseeable future, the Company intends to keep equity investments in unlisted companies in portfolio. The Company intends to apply the option to disclose changes in fair value under the other items of the Income Statement, and it therefore deems that no significant impact will occur with the application of IFRS 9. If the Company did not apply this option, shares would be measured at fair value and changes would be disclosed directly to profit or loss, which would increase the volatility of results. Loans, as well as trade receivables, are held to be collected at the contractual maturity, and cash flows are expected to be generated only from the collection of the related principal and interest. The Company therefore envisages that they will continue to be measured at amortised cost, in compliance with IFRS 9. In any case, the Company will analyse more thoroughly the characteristics of contract cash flows of these instruments before assessing that all meet the criteria for the measurement at amortised cost, as set forth by IFRS 9.

  b) Impairment
  IFRS 9 requires that expected credit losses be recognised for all bonds, loans and trade receivables of the Company, on an annual basis, and according to the residual lifetime. The Company envisages to apply the simplified approach and recognises expected credit losses on all trade receivables, based on the residual lifetime. No significant impact is expected on the Company's Sharehold-

ers Equity, by reason of the fact that the Group's receivables and loans are not hedged. The Group shall have to carry out a deeper analysis taking into account all reasonable and supportable information, including provisional issues, in order to define the amount of the impact.

c) Hedge accounting

The Company deems that, in compliance with IFRS 9, all existing hedging relations that are currently designated as effective hedges will continue to be suited for hedge accounting. Given the fact that IFRS 9 does not change the general principle according to which the entity recognises effective hedges, the Company does not expect any significant impact from the application of the standard.

- **IFRS 15 - Revenue from contracts with customers**

  The IFRS 15 standard was issued in May 2014 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 replace all current requirements included in IFRS on recognition of revenues. The standard is effective for annual periods beginning on or after 1 January 2018, with fully retrospective or modified application. Early application is permitted.

  The Company is planning to 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. The analysis aimed at determining the quantity impact and the first adoption modality of the standard. Moreover, the Company is evaluating the clarifications issued by IASB in the exposure draft dated April 2016 and will evaluate any further development. The Company recognises revenues for infragroup services and royalties on the trademark. In compliance with IFRS 15, the Company is performing assessments on the allocation of revenues based on the prices related to each single service. 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. A great number of disclosures required by IFRS 15 is totally new. In 2016, the Company began to assess any impact on the systems, the internal control, as well as on policies and procedures necessary for the collection and presentation of disclosures required.

- **Amendments to IAS 10 and IAS 28: Sale or transfer of assets between the Parent Company and its associated company or joint venture**

  Amendments are related to the conflict between 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.

- **IAS 7 Disclosure Initiative - Amendment to IAS 7**

  Amendments to IAS 7 - Financial Statement are included in the Disclosure Initiative of IASB and require that an entity supplies supplementary information which would allow users of the Financial Statements to evaluate changes in liabilities connected with loans, including both changes related to cash flows and non-monetary changes. Upon the first application of this amendment, no comparative information, related to previous years, must be submitted by the entity. These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

- **IAS 12 - Recognition of deferred tax assets for unrealised losses - Amendments to IAS 12**

  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.
  These amendments should be applied retrospectively by entities. In any case, upon first adoption of amendments, the change in opening Shareholders' Equity of the first comparison period might be recognised under opening earnings carried forward (or under other Shareholders' Equity items, as the case may be), with no need for allocating the change under opening earnings carried forward and other Shareholders' Equity items. Entities that apply the aforesaid facilitation should give notice accordingly. These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted. If an early adoption is applied by an entity, it should give notice accordingly. No impact due to the application of these amendments is expected by the Company.

- **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 1 January 2018. Early 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 moths 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 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 periods beginning on 1 January 2019, or later. 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.

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 are based on historic experience and assumptions considered reasonable and realistic based on circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in Financial Statements, i.e. the Statement of Financial Position, Income Statement, and Cash Flow Statement, as well as the information disclosed. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might be different from those reported in the Financial Statements due to the uncertainty characterising the assumptions and conditions on which estimates are based.
Below we list the accounting items that, more than others, require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumptions made could have a significant impact on the Company's Financial Statements.

Impairment of non financial assets (Goodwill, Tangible and Intangible Assets and Non-current Financial Assets)

An impairment occurs when the book value of an asset or Cash Generating Unit 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 Cash Generating Unit, 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.

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 hypotheses, which might differ from the effects of future developments. These hypotheses 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 the historic data and hypotheses, which are, from time to time, 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:

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

The Company is not exposed to price risks as it does not hold significant quantities of listed securities in portfolio.
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. 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 trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) to/from Group companies 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:

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

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rates		**1,0541**	**1,1595**	**1,1068**	**1,0646**	**1,0436**	**1,0014**	**0,9487**
Financial assets								
Cash and cash equivalents	78,223	6,985	(635)	(333)	(69)	71	368	776
Trade and other receivables	10,670	932	(85)	(44)	(9)	9	49	104
Loans	317,789	79,332	(7,212)	(3,778)	(785)	801	4,175	8,815
Loans (netting)	(8,594)	(2,410)	219	115	24	(24)	(127)	(268)
Total Loans	309,195							
			(7,713)	**(4,040)**	**(839)**	**857**	**4,465**	**9,427**
Financial liabilities								
Loans	326,776	19,569	1,779	932	194	(198)	(1,030)	(2,174)
Loans (netting)	(4,686)	(4,686)	(426)	(223)	(46)	47	247	521
Total Loans	322,090							
Trade and other payables	8,334	137	12	7	1	(1)	(7)	(15)
			1,365	**716**	**149**	**(152)**	**(790)**	**(1,668)**
Pre-tax impact on Income Statement, net			**(6,348)**	**(3,324)**	**(690)**	**705**	**3,675**	**7,759**

Items exposed to exchange rate risk with impact on Equity

As at 31 December 2016, 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		**1,2141**	**1,3355**	**1,2748**	**1,2262**	**1,2020**	**1,1534**	**1,0927**
Financial assets								
Loans	309,195	158,678	(14,425)	(7,556)	(1,571)	1,603	8,351	17,631
Net impact at Equity			**(14,425)**	**(7,556)**	**(1,571)**	**1,603**	**8,351**	**17,631**

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 2016, Datalogic had interest rate swaps in place with financial counterparties of premier standing for a notional total of €3 million, while transforming this portion of loans from variable to fixed rate.

Datalogic has also a fixed-rate loan in place, granted in October 2016, for an amount of €30 million.

Bank borrowings, mortgages and other short-/long-term loans (€/000)	Amount	%
Variable rate	135,537	80%
Fixed rate	29,862	18%
Variable rate hedged through derivative instruments	2,980	2%
Lease	242	0.1%
Total	**168,621**	**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 2016:

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

Euribor (€/000)	Carrying value	of which exposed to exchange rate risk	20bp	-20bp
Financial assets				
Cash and cash equivalents	78,223	70,382	141	(141)
Loans	317,789	68,689	137	(137)
Loans (netting)	(8,594)	(6,184)	(12)	12
Loans	309,195		266	(266)
Financial liabilities				
Loans	194,219	139,634	(279)	279
Floor loans	132,557	132,557	(265)	
Loans (netting)	(4,686)			
Loans	322,090		(544)	**279**
Total increases/(decreases)			**(278)**	**13**

Libor (USD)	Carrying value	of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	78,223	6,985	7	(7)
Loans	317,789	79,332	79	(79)
Loans (netting)	(8,594)	(2,409)	(2)	2
Total Loans	309,195		84	(84)
Financial liabilities				
Loans	326,776	19,569	(20)	20
Loans (netting)	(4,686)	(4,686)	5	(5)
Loans	322,090		(15)	15
Total increases/(decreases)			**69**	**(69)**

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

Euribor (€/000)	Carrying value	of which exposed to exchange rate risk	20bp	-20bp
Financial liabilities				
Derivative instruments	3,000	3,000	(6)	6

Libor (USD)	Carrying value	of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Loans	309,195	158,677	159	(159)

Credit risk

Datalogic S.p.A., having no direct relations with customers but only with subsidiaries, was not in fact exposed to this risk. However, its subsidiaries are exposed to credit risk, combined with commercial transactions, which were the object of risk protection measures in order to keep the amounts outstanding to a minimum, i.e. a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, with whom, statistically, no problems connected with credit recoverability have been encountered. In any case, trade receivables are subjected to individual impairment testing.

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. Especially, automatic mechanisms, such as the cash pooling with the consequent easier maintenance of cash availability. The Central Treasury manages and negotiates medium/long-term financing and credit lines to meet the Company's requirements. Specifically, Group companies have operating lines for short-term requirements (revolving credit lines and on the receivables book) while Datalogic S.p.A., as the Parent Company, has cash credit lines. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Group's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income.
The Company mainly operates with major historic banks, including some international institutions, which have provided important support on foreign investments.
The following table details the financial liabilities and derivative financial liabilities settled on a net basis by the Company, grouping them according to residual contractual maturity as at the reporting date. The amounts shown are contractual cash flows not discounted to present value.

The following table analyses financial liabilities by maturity as at 31 December 2016 and 31 December 2015:

(€/000)	**As at 31 December 2016**		
	0 - 1 year	1 - 5 years	> 5 years
Bank loans and mortgages	29,991	138,388	
Payables for leasing	242	-	
Financial derivatives (IRS)	37	-	
Trade and other payables	8,334	-	
Loans by Group Companies	153,469	-	
Total	**192,073**	**138,388**	

(€/000)	As at 31 December 2015		
	0 - 1 year	1 - 5 years	> 5 years
Bank loans and mortgages	32,814	138,517	
Payables for leasing	254	272	
Other	80	-	
Financial derivatives (IRS)	6	114	
Trade and other payables	8,909	-	
Loans by Group companies	148,274	-	
Total	**190,337**	**138,903**	

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION - ASSETS

NOTE 1. TANGIBLE ASSETS

Details of movements as at 31 December 2016 and 31 December 2015 are as follows:

(€/000)	31.12.2016	31.12.2015	Change
Land	2,466	2,466	-
Buildings	15,631	15,766	(135)
Other assets	3,062	3,356	(294)
Assets in progress and payments on account	321	-	321
Total	**21,480**	**21,588**	**(108)**

Changes taking place in the period are as follows:

(€/000)	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	2,466	17,691	9,956	-	30,113
Accumulated depreciation	-	(1,925)	(6,600)	-	(8,525)
Net initial value at 01.01.2016	**2,466**	**15,766**	**3,356**	**-**	**21,588**
Increases 31.12.2016					
Investments	-	90	491	321	902
Depreciation reversal	-	-	67	-	67
total	**-**	**90**	**558**	**321**	**969**
Decreases 31.12.2016					
Disposals	-	-	(74)	-	(74)
Depreciation	-	(225)	(778)	-	(1,003)
total	**-**	**(225)**	**(852)**	**-**	**(1,077)**
Historical cost	2,466	17,781	10,373	321	30,941
Accumulated depreciation	-	(2,150)	(7,311)	-	(9,461)
Net closing value at 31.12.2016	**2,466**	**15,631**	**3,062**	**321**	**21,480**

The increase for the year of €491 thousand in the "Other assets" item primarily breaks down as follows:

- €326 thousand for the purchase of office/hardware equipment, new servers and a backup system;
- €66 thousand for the purchase of new furniture and fittings;
- €99 thousand for new electrical, hydraulic and air-conditioning systems for the new buildings.

The increase in item "Assets in progress and payments on account", amounting to €321 thousand, refers to building works and refurbishment of the hydraulic and electric systems in the owned real estate property.

NOTE 2. INTANGIBLE ASSETS

Details of movements as at 31 December 2016 and 31 December 2015 are as follows:

(€/000)	31.12.2016	31.12.2015	Change
Goodwill	-	-	-
Development costs	-	-	-
Other	2,772	2,570	202
Total	**2,772**	**2,570**	**202**

Changes taking place in the period are as follows:

(€/000)	Goodwill	Development costs	Other	Total
Historical cost	-	-	9,260	9,260
(Accumulated amortisation)	-	-	(6,690)	(6,690)
Opening value as at 01.01.2016	**-**	**-**	**2,570**	**2,570**
Increases 31.12.2016				
Investments	-	-	995	995
Total	**-**	**-**	**995**	**995**
Decreases 31.12.2016				
Depreciation	-	-	(793)	(793)
Total	**-**	**-**	**(793)**	**(793)**
Historical cost	-	-	10,255	10,255
Accumulated amortisation	-	-	(7,483)	(7,483)
Net closing value at 31.12.2016	**-**	**-**	**2,772**	**2,772**

The increase for the year of €995 thousand in the item "Others" relates to:

- €339 thousand for software and primarily:
  - €90 thousand for implementations of some sHare software modules related to the hiring of new resources and the assessment of services;
  - €87 thousand for software for the protection of IT devices;
  - €52 thousand for software for IT infrastructures;
- €290 thousand for implementations of SAP managing software;
- €366 thousand for assets in progress, mainly related to new implementations of the management software and the development of a software solution for the customer service.

NOTE 3. EQUITY INVESTMENTS

Equity investments held by the Company as at 31 December 2016 were as follows:

(€/000)	Balance as at 31.12.2015	Increases	Decreases	Change	Balance as at 31.12.2016
Subsidiaries	175,149	-	-	-	175,149
Associates	-	-	-	-	0
Total associates	**175,149**	**0**	**0**	**0**	**175,149**

No change occurred over the year.
As at 31 December 2016, the Company, pursuant to IAS 36, compared the carrying values of equity investments disclosed in the Financial Statements with the corresponding share in Equity in order to assess whether these interests were not recorded at a value higher than their recoverable value and to detect the presence of any impairment indicators. For a comparison between the carrying value and the corresponding value recognised in the Shareholders' Equity of investees as at 31 December 2016, reference is made to Attachment 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:

31.12.2016 (€/000)	Loans and receivables	Financial assets at fair value charged to the Income Statement	Available for sale	Total
Non-current financial assets	**172**	**31,007**	**4,303**	**35,482**
Financial assets - Equity investments (5)	-	-	4,303	4,303
Financial assets - Other	-	31,007	-	31,007
Other receivables (7)	172	-	-	172
Current financial assets	**78,904**	**-**	**-**	**78,904**
Trade receivables from third parties (7)	22	-	-	22
Other receivables from third parties (7)	659	-	-	659
Cash and cash equivalents (10)	78,223	-	-	78,223
Total	**79,076**	**31,007**	**4,303**	**114,386**

31.12.2016 (€/000)	Derivatives	Other financial liabilities	Total
Non-current financial liabilities	**-**	**138,388**	**138,388**
Financial payables (12)	-	138,388	138,388
Financial liabilities - Derivative instruments (6)	-	-	-
Other payables (16)	-	-	-
Current financial liabilities	**37**	**37,262**	**37,299**
Trade payables to third parties (16)	-	4,030	4,030
Other payables (16)	-	2,999	2,999
Financial liabilities - Derivative instruments (6)	37	-	37
Short-term financial payables (12)	-	30,233	30,233
Total	**37**	**175,650**	**175,687**

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).

As at 31 December 2016, the Company held the following financial instruments measured at fair value:

(€/000)	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	4,227	-	76	4,303
Financial assets - Other LTs (5)	9,879	21,128	-	31,007
Total Assets measured at fair value	**14,106**	**21,128**	**76**	**35,310**
Liabilities measured at fair value				
Financial liabilities - ST derivative instruments (6)	-	37	-	37
Total Liabilities measured at fair value	**-**	**37**	**-**	**37**

There are no transferrals among the hierarchical levels of fair-value compared to 31 December 2015 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:

(€/000)	31.12.2016	31.12.2015	Change
Securities	**-**	**361**	**(361)**
Long-term government bonds	-	361	(361)
Other financial assets	**31,007**	**30,732**	**275**
Other long-term financial assets	31,007	30,732	275
Other equity investments	**4,303**	**4,074**	**229**
Total	**35,310**	**35,167**	**143**

The "Other LT 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 2016, equity investments held in other companies were as follows:

(€/000)	31.12.2015	Adjustment to fair value	Adjustment on exchange rates	31.12.2016
Unlisted equity investments	76	-	-	76
Listed equity investments	3,998	(19)	248	4,227
Total shareholdings	**4,074**	**(19)**	**248**	**4,303**

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.

It should be highlighted that the Company holds a minority interest in the Alien Technology Corporation, which was written down completely as at 31 December 2010.

NOTE 6. DERIVATIVES

(€/000)	31.12.2016		31.12.2015	
	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	-	-	-	114
Interest rate derivatives - ST cash flow hedges	-	37	-	6
Financial instruments measured at fair value and recognised in the Income Statement				
Total	**0**	**37**	**0**	**120**

Interest rate derivatives

The Company sets up interest rate derivatives to manage the risk stemming from changes in rates of interest on bank borrowings, converting part of them from variable to fixed rate via interest rate swaps having the same amortisation plan as the underlying hedged. As envisaged by IAS 39, the fair value of these contracts, totalling €37 thousand, is recognised in a specific equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 31 December 2016, the notional principal of interest swaps totalled €3,000 thousand (€7,875 thousand as at 31 December 2015).

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

(€/000)	31.12.2016	31.12.2015	Change
Trade receivables within 12 months	22	15	7
Trade receivables after 12 months	-	-	-
Receivables from subsidiaries	9,535	8,318	1,217
Trade receivables	**9,557**	**8,333**	**1,224**
Other receivables - accrued income and prepaid expenses	1,113	1,124	(11)
Other receivables from subsidiaries	-	-	-
Other receivables - accrued income and prepaid expenses	**1,113**	**1,124**	**(11)**
Trade and other receivables	**10,670**	**9,457**	**1,213**

"Trade receivables" of €9,535 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.

As at 31 December 2016 the breakdown of the item by due date is as follows:

(€/000)	2016	2015
Not yet due	8,600	7,251
Past due by 30 days	- 135	56
Past due by 30 - 60 days	214	415
Past due by more than 60 days	878	611
Total	**9,557**	**8,333**

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

Currency	2016	2015
Euro	8,604	7,368
US Dollar (USD)	930	956
British Pound Sterling (GBP)	14	3
Australian Dollar (AUD)	9	6
Total	**9,557**	**8,333**

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

(€/000)	31.12.2016	31.12.2015	Change
Advances paid to suppliers	273	544	(271)
Other social security receivables	3	5	(2)
Other	124	68	56
Guarantee deposits	16	16	-
Accrued liabilities and deferred income	282	107	175
VAT tax receivables	415	384	31
Sundry receivables from subsidiaries	-	-	-
Total	**1,113**	**1,124**	**(11)**

NOTE 8. TAX RECEIVABLES

(€/000)	31.12.2016	31.12.2015	Change
Receivables from Parent Company	-	597	(597)
Tax receivables	1,173	1,206	(33)
Short-term tax receivables	**1,173**	**1,803**	**(630)**

"Tax receivables", totalling €1,173 thousand, are broken down as follows:

- €1,085 thousand relate to receivables for withholding taxes abroad;
- €84 thousand receivables related to payments on account for IRAP tax;
- €4 thousand receivables for withholding tax on bank interest income.

NOTE 9. LOANS TO SUBSIDIARIES

(€/000)	31.12.2016	31.12.2015	Change
Non-current loans to subsidiaries	-	-	-
Current loans to subsidiaries	309,195	268,200	40,995
Total	**309,195**	**268,200**	**40,995**

"Loans to subsidiaries" breaks down as follows:

	Euro	Amount in foreign currency	
Loans			
Datalogic Holdings Inc.	95,827	USD	101,012
Datalogic Automation Inc.	42,690	USD	45,000
Datalogic Automation S.r.l.	19,211	USD	20,250
Datalogic ADC Singapore	949	USD	1,000
Datalogic Hungary Kft	9,310		-
Datalogic Automation Pty	1,781	AUD	2,600
Cash pooling			
Datalogic Holdings Inc.	30,369		
Datalogic Automation S.r.l.	34,175		
Datalogic Automation Inc.	36,005		
Datalogic IP-Tech S.r.l.	21,115		
Datalogic ADC S.r.l. Sweden (branch)	5,833		
Datalogic Adc S.r.l. Spain (branch)	4,752		
Datalogic ADC S.r.l. UK (branch)	2,849		
Datalogic ADC S.r.l. France (branch)	2,459		
Informatics Holdings Inc.	1,870		
Total	**309,195**		

Loans to subsidiaries include, in the amount of €169,768 thousand, short-term loans granted to Group companies for their normal investment and corporate operations and, in the amount of €139,427 thousand, cash pooling balances with subsidiaries. As at 31 December 2016, the Company assessed the recoverability of the aforesaid receivables without any risk. As aforesaid, subsidiaries are exposed to credit risks in relation to commercial transactions with third parties, which were the object of risk protection measures aimed at keeping the outstanding amounts to a minimum through a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. Statistically, the customer portfolio of subsidiaries has never determined significant problems connected to the recoverability of trade receivables, which allow for the same subsidiaries to tackle their exposure towards the Parent Company.

NOTE 10. CASH AND CASH EQUIVALENTS

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

(€/000)	**31.12.2016**	31.12.2015	Change
Bank and post office deposits and cash pooling	78,219	76,449	1,770
Cash and valuables on hand	4	15	(11)
Cash and cash equivalents for statement	**78,223**	**76,464**	**1,759**

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

(€/000)	31.12.2016	31.12.2015
A. Cash and bank deposits	78,223	76,464
B. Other cash and cash equivalents	-	-
C. Securities held for trading	-	361
c1. Short-term	-	-
c2. Long-term	-	361
D. Cash and equivalents (A) + (B) + (C)	**78,223**	**76,825**
E. Current financial receivables	309,195	268,200
F. Other current financial receivables	-	-
f1. hedging transactions	-	-
G. Bank overdrafts	-	-
H. Current portion of non-current debt	183,702	181,422
I. Other current financial payables	37	6
I1. Financial liabilities vs member of BoD	-	-
I2. Hedging transactions	37	6
I3 Other current financial payables	-	-
J. Current financial debt (G) + (H) + (I)	**183,739**	**181,428**
K. Current financial debt, net (J) - (D) - (E) - (F)	**(203,679)**	**(163,597)**
L. Non-current bank borrowing	138,388	138,789
M. Other non-current financial receivables and assets	31,007	30,732
N. Other non-current liabilities	-	114
n1. Financial liabilities vs member of BoD	-	-
n2. Hedging transactions	-	114
O. Non-current financial debt (L) - (M) + (N)	**107,381**	**108,171**
P. Net financial debt (K) + (O)	**(96,298)**	**(55,426)**

Net Financial Position as at 31 December 2016 was €96,298 thousand, an improvement of €40,872 thousand compared to 31 December 2015, (€55,426 thousand).

Note that the following transactions were carried out in the period:
- payment of dividends of €14,543 thousand;
- cash outflows for leaving incentives for managers, amounting to €750 thousand;
- purchase of treasury shares (no. 27,619), which generated a negative cash flow amounting to €368 thousand.

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:

(€/000)	31.12.2016	31.12.2015
Share capital	30,392	30,392
Share premium reserve	106,145	106,513
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	4,120	4,488
Treasury share reserve	2,821	2,453
Share capital	**146,291**	**146,659**
Cash-flow hedge reserve	(28)	(92)
Valuation reserve at current value	490	508
Severance indemnity discounting reserve	88	88
Other reserves	**550**	**504**
Retained earnings	**92,502**	**75,780**
Earnings carried forward	37,962	28,630
Temporary reserve for exchange rate adjustment	23,673	16,443
Capital contribution reserve	958	958
Reserve for surplus from cancellation, Datalogic RE S.r.l.	204	204
Legal reserve	6,078	5,917
IAS reserve	8,423	8,423
Capital contribution reserve	15,204	15,204
Profit for the year	**52,334**	**27,474**
Total Shareholders' Equity	**291,677**	**250,417**

Share capital

The share capital as at 31 December 2015 and 31 December 2016 is reported below (in €/000):

(€/000)	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2016	**58,171.881**	**30,392**	**2,813**	**106,513**	**4,488**	**2,453**	**146,659**
Purchase of treasury shares	(27,619)	-	-	(368)	(367)	368	(367)
Sale of treasury shares	-	-	-			-	-
Costs for the purchase of treasury shares	-	-	-	-	(1)	-	(1)
31.12.2016	**58,144.262**	**30,392**	**2,813**	**106,145**	**4,120**	**2,821**	**146,291**

Ordinary shares
As at 31 December 2016, the total number of ordinary shares was 58,446,491, including 302,229 held as treasury shares, making the number of shares in circulation at that date 58,144,262.

Treasury shares
The item "Treasury shares", amounting to €4,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€6,941 thousand). In 2016, the Company purchased 27,619 treasury shares for a total amount of €368 thousand, accounted for excluding purchase costs (€1 thousand).

For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,821 thousand, was made unavailable by using the Share premium reserve.

Other Reserves

Cash-flow hedge reserve
Following adoption of 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 have been concluded to hedge exposure to the risk of interest rate fluctuations on variable-rate loans (negative by €37 thousand) and amounts are shown net of the tax effect (€9 thousand).

Capital contribution reserve
This reserve has been created after the recording under 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 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 2 May 2016, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.25 per share (€0.18 in 2015). The overall dividends began to be paid starting from 11 May 2016 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**				
Capital reserves	**131,565**				
Share premium reserve	106,145	A,B	106,145	-	-
Extraordinary share-cancellation reserve	2,813	A,B,C	2,813	-	-
Treasury share reserve	2,821	-	-	-	6,876
Capital contribution reserve	15,204	A,B,C	15,204	-	-
Merger surplus	204	A,B,C	204	-	-
Revaluation reserves	258	A,B	-	-	-
Treasury share reserve	4,120	-	4,120	-	-
Other reserves	**550**				
Cash-flow hedge reserve	(28)	-	-	-	-
Valuation reserve for financial assets held for sale	490	-	-	-	-
Severance indemnity discounting reserve	88	-	-	-	-
Retained earnings	**76,836**				
Earnings carried forward	35,306	A,B,C	35,306	-	5,480
Reserve for deferred tax assets	2,655	A,B	2,655	-	-
Reserve for exchange rate adjustment	23,673	A,B	23,673	-	-
Capital contribution reserve	958	B	-	-	-
Legal reserve	6,078	B	-	-	-
IAS/IFRS transition reserve	8,166	A,B,C	-	-	-
Total			**190,120**		
Non-distributable portion			136,593		
Distributable residual portion			53,527		

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. In particular, €20.235 thousand are related to the effect of exchange rates measurement at year-end for receivables for loans in US Dollars supplied to the subsidiaries Datalogic Automation Inc., Datalogic Automation S.r.l., Datalogic Holdings Inc and Datalogic ADC Singapore, and the loan granted in 2016 in Australian dollars to Datalogic Automation Pty. No regulation and/or a defined reimbursement plan is provided for these loans, nor is it deemed probable that they will be reimbursed in the foreseeable future. €3,438 thousand of earnings to the reserve for unrealised gains on exchange, pursuant to Art. 2426 8-bis of the Italian Civil Code.

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:

(€/000)	31.12.2016	31.12.2015	Change
Bank loans	168,379	171,331	(2,952)
Loans by the Company/cash pooling - netting	153,469	148,274	5,195
Payables for leasing	242	526	(284)
Other loans	-	80	(80)
Total financial payables	**322,090**	**320,211**	**1,879**

Financial payables are represented as follows:

(€/000)	within 12 months	after 12 months	after 5 years	Total
Current accounts/cash pooling	153,469	-	-	153,469
Bank loans, mortgages and other financial institutions	30,233	138,388	-	168,621
Total	**183,702**	**138,388**	**-**	**322,090**

The "Current accounts/cash pooling" item relates to payables to Group companies owing to cash pooling agreements for centralised liquidity management.

Bank loans

Following is the breakdown of changes in "bank loans" as at 31 December 2016:

	2016	2015
Opening balance	**171,331**	**162,166**
Foreign exchange differences	-	930
Increases	29,841	139,277
Repayments	(20,000)	(125,218)
Decreases for loan repayments	(12,793)	(5,824)
Closing balance	**168,379**	**171,331**

On 4 October 2016, European Investment Bank (EIB) granted to the Company €30 million as per the loan agreement already signed by the Parties on 18 September 2015.

The **decrease** of the repayment mainly refers to the hot money in the amount of €20,000 thousand, in addition to repayments of loan instalments in the amount of €12,793 thousand.
The fair value of the loans (current and non-current) coincides substantially with their book value.

Guarantees given by banks in the Company's favour total €735 thousand. Moreover, the Company issued a credit mandate in the amount of €3,589 related to the issue of trade guarantees in the interest of subsidiaries.

Covenants

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

Bank		Company	Currency	Outstanding debt		Covenant	Frequency	Reference statements
Mediobanca	1	Datalogic S.p.A.	Euro	6,000.000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group
Club Deal	2	Datalogic S.p.A.	Euro	133,000.000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group
B.E.I.	3	Datalogic S.p.A.	Euro	30,000.000	Ebitda/OFN	PFN/Ebitda	semi-annual	Datalogic Group

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

As at 31 December 2016, all covenants were respected.

Financial leases

In past years, the Company entered a financial lease agreement for the telepresence system this year. The following table shows the amount of future instalments deriving from financial leases and the current value of the instalments:

(€/000)	**31.12.2016**		31.12.2015	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within the year	248	242	273	253
After one year but within 5 years	-	-	279	273
> 5 years	-	-	-	-
Total minimum payments	248	242	552	526
Less interest expenses	(6)	-	(26)	-
Current value of lease costs	**242**	**242**	**526**	**526**

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(€/000)	Exchange rate adjust.	Deprec. and Amort.	Provisions	Other	Total
As at 1 January 2016	**7,106**	**1,401**	**(89)**	**51**	**8,469**
Provisioned in (released from) Income Statement	(111)	(58)	(39)		(208)
Provisioned in (released from) Shareholders' Equity	1,196	-	-		1,196
As at 31 December 2016	**8,191**	**1,343**	**(128)**	**51**	**9,457**

Deferred tax assets (€/000)	Exchange rate adjust.	Asset write-downs	Allocations	Other	Total
As at 1 January 2016	**1,075**	**-**	**749**	**24**	**1,848**
Provisioned in (released from) Income Statement	-	-	(521)	-	(521)
Provisioned in (released from) Shareholders' Equity	-	-	-	(21)	(21)
Other movements	-	-	-	-	-
As at 31 December 2016	**1,075**	**-**	**228**	**3**	**1,306**

NOTE 14. POST-EMPLOYMENT BENEFITS

(€/000)	31.12.2016	31.12.2015
01.01.2016	527	593
Amount allocated in the period	224	219
Amount transferred for transfer of employment relationships	(18)	6
Uses	(118)	(292)
Social security receivables for the employee severance indemnity reserve	(131)	1
31.12.2016	**484**	**527**

The item Uses is related to €74 thousand for resignations and €44 thousand for requests of advance payments.

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the "Risks and charges" item is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Long-term provisions for risks and charges	904	3,069	(2,165)
Short-term provisions for risks and charges	83	77	6
Total Provisions for risks and charges	**987**	**3,146**	**(2,159)**

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

(€/000)	31.12.2015	Increases	(Decreases)	31.12.2016
Provision for management incentive scheme	3,069	-	(2,165)	904
Provision for tax liabilities	77	75	(69)	83
Other	-	-	-	-
Total provisions for risks and charges	**3,146**	**75**	**(2,234)**	**987**

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 decrease of €2,165 thousand referred to releases and uses for the period.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

(€/000)	31.12.2016	31.12.2015	Change
Trade payables	**4,570**	**3,239**	**1,331**
Trade payables due within 12 months	4,030	2,856	1,174
Payables to the Group	540	383	157
Other short-term payables	**3,298**	**5,185**	**(1,887)**
Accrued liabilities and deferred income	**467**	**485**	**(18)**

Other payables – accrued liabilities and deferred income

The detailed breakdown of "Other payables" was as follows:

(€/000)	31.12.2016	31.12.2015	Change
Payables to pension and social security agencies	932	821	111
Payables to employees	1,495	1,556	(61)
Directors' remuneration payable	480	284	196
Deferred income on investment grants	466	483	(17)
Other payables to the Group	44	2,440	(2,396)
Group VAT payables	254	-	254
Other payables	94	86	8
Total	**3,765**	**5,670**	**(1,905)**

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 €465 thousand 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

(€/000)	31.12.2016	31.12.2015	Change
Short-term tax payables	2,211	447	1,764
Long-term tax payables	-	-	-
Total tax payables	**2,211**	**447**	**1,764**

Income tax payables only include liabilities for definite and calculated tax due and it is composed as follows:

- €1,559 thousand, payables for taxes towards the subsidiary Hydra S.p.A., following the adhesion of the tax consolidation regime.
- €389 thousand, Irpef withholding taxes related to employees;
- €209 thousand, amount payable related to a judicial conciliation settlement for tax assessment;
- €54 thousand, withholding taxes on remuneration to freelancers.

INFORMATION ON THE INCOME STATEMENT

NOTE 18. REVENUES

(€/000)	31.12.2016	31.12.2015	Change
Revenues from services	24,035	21,427	2,608
Total revenues	**24,035**	**21,427**	**2,608**

Revenues from sales and services rose by €2,608 thousand compared to the previous year.
They refer mainly to royalties related to trademark and corporate services in favour of Group companies.

NOTE 19. COST OF GOODS SOLD AND OPERATING COSTS

(€/000)	31.12.2016	31.12.2015	Change
Total cost of goods sold (1)	**1,470**	**1,681**	**(211)**
of which non-recurring	-	-	
Total operating costs (2)	**18,371**	**17,986**	**385**
R&D expenses	**397**	**430**	**(33)**
of which non-recurring	-	-	
Distribution expenses	**1,848**	**814**	**1,034**
of which non-recurring	9	-	**9**
General and administrative expenses	**17,183**	**16,538**	**645**
of which non-recurring	711	486	225
Other operating costs	**(1,057)**	**204**	**(1,261)**
of which non-recurring	-	-	
Total (1+2)	**19,841**	**19,667**	**174**
of which non-recurring costs	720	486	234

Non-recurring costs refer mainly to professional advisory services and they were borne in relation to the implementation plan of the new setting of the Datalogic Group, described in the Management Report, at the paragraph Events, which characterised 2016 - New business model and corporate reorganisation.

Total operating costs (2)

"Research and Development" expenses amounted to €397 thousand and are made up as follows:
- Personnel costs € 88 thousand
- Other costs € 284 thousand
- Amortisation € 25 thousand

In "Other costs" item, the most relevant items are costs due to maintenance and software assistance, in the amount of €281 thousand.

"Distribution" expenses amounted to €1,848 thousand and are made up as follows:
- Personnel costs € 1,195 thousand
- Advertising costs € 425 thousand
- Other costs € 179 thousand
- Amortisation € 49 thousand

The most significant items in "Other costs" are represented by costs for maintenance and software assistance for €33 thousand, and external consulting costs of €28 thousand.

"General and administration" expenses totalled €17,183 thousand, and consisted of:
- Personnel costs € 7,893 thousand
- Other costs € 7,588 thousand
- Amortisation € 1,702 thousand

The most significant items in "Other costs" were:
- Costs for administrative consultancy and other costs € 1,837 thousand
- Software and hardware maintenance and assistance € 1,817 thousand
- Remuneration to directors and proxies € 1,194 thousand
- Costs for use of telephones, faxes and modem € 659 thousand
- Rental expenses and maintenance of buildings € 321 thousand
- Employee travel expenses € 292 thousand
- Costs for electricity and gas utilities € 272 thousand

- Accounts certification expenses € 178 thousand
- Costs for subscriptions € 175 thousand
- Vehicle leasing expenses € 141 thousand
- Stock exchange costs € 134 thousand
- Entertainment costs € 108 thousand
- Advertising and marketing costs € 90 thousand
- Remuneration of board of statutory auditors € 60 thousand
- Insurances € 46 thousand

The breakdown of "Other Operating Costs" is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Capital losses on assets	5	-	5
Contingent liabilities	12	10	2
Non-income taxes	340	194	146
Release of Provision for management incentive scheme	(1,414)	707	(2,121)
Total other operating costs	**(1,057)**	**911**	**(1,968)**

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:

(€/000)	31.12.2016	31.12.2015	Change
Payroll & employee benefits	10,268	8,867	1,401
Amortisation	1,777	1,653	124
Directors' remuneration	1,194	948	246
Technical, legal and tax advisory services	2,095	1,816	279
Rental and building maintenance	345	402	(57)
Software maintenance and assistance	2,131	1,992	139
Utilities and telephone subscriptions	948	939	9
Non-income taxes	340	194	146
Accounts certification expenses	178	180	(2)
Vehicle leasing and maintenance	100	351	(251)
Advertising and marketing	563	507	56
Travel & accommodation	408	327	81
Stock Exchange costs and membership fees	321	270	51
Board of Statutory Auditors' remuneration	60	68	(8)
Entertainment expenses	117	69	48
Patents	17	44	(27)
Release of provision for management incentive scheme	(1,037)	707	(1,744)
Other costs	**16**	**333**	**(317)**
Total (1+2)	**19,841**	**19,667**	**174**

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

(€/000)	31.12.2016	31.12.2015	Change
Wages & salaries	6,822	6,255	567
Social security charges	1,772	1,784	(12)
Employee severance indemnities	235	245	(10)
Retirement and similar benefits	230	186	44
Reimbursements for seconded personnel	(9)	(53)	44
Other costs	1,218	449	769
Total	**10,268**	**8,866**	**1,402**

The item "Other costs" includes € 666 thousand of early retirement incentives.

NOTE 20. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

(€/000)	31.12.2016	31.12.2015	Change
Reimbursement of miscellaneous costs	-	13	(13)
Incidental income and cost cancellation	34	-	34
Rents	510	521	(11)
Other	102	73	29
Total other revenues	**646**	**607**	**39**

21. NET FINANCIAL INCOME

(€/000)	2016	2015	Change
Financial income/(expenses)	3,464	4,501	(1,037)
Foreign exchange differences	3,321	3,619	(298)
Bank expenses	(268)	(1,518)	1,250
Dividends	43,401	21,009	22,392
Other	615	411	204
Total Net Financial Income/(expenses)	**50,532**	**28,021**	**22,511**

Financial income was positive by €50,532 thousand, compared to a positive result of €28,021 thousand related to the same period of the previous year, mainly to the higher dividends received.

NOTE 22. TAXES

(€/000)	31.12.2016	31.12.2015
Income tax	2,726	2,673
Deferred taxes	312	241
Total	**3,038**	**2,914**

Law no. 190/2014, par. 37-45, and following amendments by Art. 5 of Leg. Decree no. 3/2015, introduced the so-called "Patent box optional regime" in the Italian legislation. This envisages the reduced tax regime on income resulting from the use of some types of intangible assets and earned by the owners of the company's income who also carry out certain R&D activities.

Based on this measure, the Company adhered to this optional regime and reported the benefit in the Income Statement, in terms of reduced taxation on 2015, equal to €1,112 thousand.
The reconciliation for 2016 of the nominal tax rate set out in Italian law and the effective rate in the separate Financial Statements is as follows:

(€/000)	2016	
Pre-tax profit	**55,373**	
Nominal tax rate under Italian Law	**(15,228)**	**(27,5)%**
Regional tax	(174)	(0,3)%
Non-deductible expenses for IRES	(210)	(0,4)%
Other effects	(99)	(0,2)%
Tax on dividend distribution	11,339	20.5%
Recoverable tax losses related to subsidiaries	59	0.1%
Effect of the change in rate of IRES tax, It. comp.	160	0.3%
Labour cost benefit - IRAP tax	2	0.0%
Patent Box Benefit	1,112	2.0%
Consolidated effective tax rate	**(3,038)**	**(5,5)%**

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 2016 provided by the independent auditors and divided in auditing and other services.

(€/000)	Fees for auditing services	Other remuneration
Datalogic S.p.A.	162	82

Related-party transactions

Related parties (€/000)	Hydra S.p.A. Parent Company	Hydra Immobiliare S.n.c. company owned by the Chairman of the BoD	Studio Associato Caruso company owned by a member of the BoD	Natural Person Key Manager	Natural Person Member of BoD	Macoa GmbH company owned by a member of the BoD
Receivables						
Trade receivables	-	-	-	-	-	-
Receivables pursuant to tax consolidation	-	-	-	-	-	-
other receivables/prepaid expenses	-	-	-	-	-	-
Receivables for cash pooling	-	-	-	-	-	-
Financial receivables	-	-	-	-	-	-
Payables						
Liabilities pursuant to tax consolidation	1,559	-	-	-	-	-
Trade payables	-	1	46	134	7	16
Other payables	-	-	-			
Financial payables	-	-	-	-	-	-
Costs						
Sales / service expenses	-	73	443	134	30	149
Financial costs	-	-	-	-	-	-
Revenues						
Commercial revenues	-	-	-	-	-	-
Financial income	-	-	-	-	-	-

Related parties (€/000)	Group company DL AUTOMATION	Group company DL ADC	Group company Real Estate	Informatics Inc.	Datalogic Ip Tech S.r.l.	Total 31.12.2016
Receivables						
Trade receivables	2,532	5,971	129	420	410	**9,461**
Receivables pursuant to tax consolidation	-	-	-	-	-	**-**
other receivables/prepaid expenses	-	-	-	-	-	**-**
Receivables for cash pooling	-	-	-	-	-	**-**
Financial receivables	64,477	221,715	-	1,870	21,115	**309,177**
Payables						
Liabilities pursuant to tax consolidation	-	-	-	-	255	**1,814**
Trade payables	18	250	6	2	1	**588**
Other payables	-	-	-	-	-	**-**
Financial payables	37,417	685	3,361	-	-	**41,464**
Costs						
Sales / service expenses	17	242	-	-	6	**1,185**
Financial costs	60	210	4	-	-	**274**
Revenues						
Commercial revenues	7,028	18,971	85	393	667	**27,144**
Financial income	803	4,990	-	17	55	**5,864**

Infragroup 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 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 Company 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 Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 1 January 2016 - 31 December 2016, the Company's Board of Directors did not approve any relevant transaction, as set out by Article 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Company's equity position or profit/(loss).

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.

Events occurring after year end

Since the beginning of the year, the new organisation of the Datalogic Group has been focused on all customer-oriented corporate processes, as well as on the completion of the related corporate operations, which led to the merger of the assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions in one single legal entity in each region where the Group operates. Thanks to this reorganisation, Datalogic customers of the Industries Retail, Transportation & Logistics, Manufacturing and Healthcase Divisions will be able to further benefit from the utmost quality in terms of product and effectiveness of services offered.

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 €52,334,217, 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 30 cents per share with coupon detachment on 8 May 2017 (record date 9 May 2017) and payment from 10 May 2017, for a maximum amount of €17,533,947;
- allocate €218,777 of earnings to the reserve for unrealised gains on exchange, pursuant to Art. 2426 8bis of the Italian Civil Code;
- carry forward the remainder of the year's earnings.

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

ANNEX

ANNEX 1

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AND AFFILIATES AS AT 31 DECEMBER 2016 (ART. 2427 NO. 5 OF THE ITALIAN CIVIL CODE)

Company	Registered office	Currency	Share Capital in local currency	Shareholders' Equity (€/000)
				Total amount
Informatics Inc.	Plano (Texas) - USA	USD	9,996.000	16,593
Datalogic Automation S.r.l.	Monte San Pietro (Bo) - Italy	EUR	10,000.000	15,257
Datalogic S.r.l.	Bologna - Italy	EUR	10,000.000	145,261
Datalogic Real Estate France	Paris - France	EUR	2,227.500	3,504
Datalogic Real Estate UK	Redbourn - UK	GBP	3,500.000	4,436
Datalogic Real Estate Gmbh	Erkenbrechtsweiler - Germany	EUR	1,025.000	1,395
Datalogic IP Tech S.r.l.	Bologna - Italy	EUR	65,677	10,347
Total subsidiaries				**196,793**
CAEN RFID S.r.l.	Viareggio (Lu) - Italy	EUR	150,000	1,121
Total associates				**1,121**
Mandarin Capital Partners		EUR	1,779.186	2,142
Nomisma S.p.A.	Bologna - Italy	EUR	6,963.500	7,177
Conai				
Caaf Ind. Emilia Romagna	Bologna - Italy	EUR	377,884	664
Consorzio T3 LAB				
Crit S.r.l.	Bologna - Italy	EUR	413,800	590
Idec Corporation	Osaka - Japan	YEN	10,056.605,173	251,840
Total other companies				**262,413**

Shareholders' Equity (€/000)	Net profit (loss) for the year (€/000)		Ownership	Carrying value incl. provision for future charges	Differences	
Pro-rata amount (A)	Total amount	Pro-rata amount		(B)	(B)-(A)	
16,593	(1,257)	(1,257)	1	11,011	(5,582)	
15,257	2,811	2,811	1	33,650	18,393	
145,261	10,546	10,546	1	105,463	(39,798)	
3,504	(12)	(12)	1	3,919	415	
4,436	100	100	1	3,668	(768)	
1,395	(120)	(120)	1	1,806	411	
4,770	(491)	(226)	0	15,082	10,312	
191,216	**11,577**	**11,842**		**174,599**	**(16,617)**	
224	21	4	0	550	326	as at 31.12.2015
224	**21**	**4**	**0**	**550**	**326**	
13	(39,192)	(235)	0	7	(6)	as at 31.12.2015
6	214	-	0	7	1	as at 31.12.2015
				0	n.a.	
6	116	1	0	4	(3)	as at 31.08.2015
				7	n.a.	
-	3	-	0	52	52	as at 31.12.2015
-	-	-	0	4,226	n.a.	as at 31.12.2016
25	**(38,859)**	**(233)**		**4,303**	**44**	

ANNEX 2a

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 2016.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del Bilancio consolidato al 31 dicembre 2016 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), 9 marzo 2017

L'Amministratore Delegato
Valentina Volta

Il Dirigente Preposto alla redazione dei documenti contabili
Alessandro D'Aniello

ANNEX 2b

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 civilistico nel corso dell'esercizio 2016.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del Bilancio consolidato al 31 dicembre 2016 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), 9 marzo 2017

L'Amministratore Delegato
Valentina Volta

Il Dirigente Preposto alla redazione dei documenti contabili
Alessandro D'Aniello

ANNEX 3a

Independent auditor's report

EY
Building a better working world

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 in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Datalogic Group, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of Datalogic Group are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Datalogic Group as at December 31, 2016, 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 article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Datalogic Group are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Datalogic Group as at December 31, 2016.

Bologna, March 29, 2017

EY S.p.A.
Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.

ANNEX 3b

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 in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Datalogic S.p.A., which comprise the statement of financial position as at December 31, 2016, and the statement of income, the statement of comprehensive income, the statement of shareholders' equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of Datalogic S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Datalogic S.p.A. as at December 31, 2016, 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 article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. 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 the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Datalogic S.p.A. as at December 31, 2016.

Bologna, 29 marzo 2017

EY S.p.A.
Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.

ANNEX 4

Relazione del Collegio Sindacale

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI DI DATALOGIC S.P.A. AI SENSI DELL'ART. 153 D.LGS. 58/1998 E DELL'ART. 2429, COMMA 3, DEL CODICE CIVILE

Signori azionisti,

nel corso dell'esercizio chiuso al 31 dicembre 2016, 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 Reconta Ernst & Young S.p.A., come deliberato dall'Assemblea del 29 aprile 2010, per la durata di nove esercizi (2010-2018).

A far data dalla nomina del nuovo Collegio Sindacale, nel corso dell'esercizio 2016, si sono tenute:

- 4 riunioni del Collegio Sindacale;
- 8 riunioni del Consiglio di Amministrazione;

- 7 riunioni del Comitato Controllo, Rischi, Remunerazione e Nomine (presente in seno al Consiglio di Amministrazione).

Nel corso dell'esercizio 2017, sino alla data della relazione, si sono tenute:

- 2 riunioni del Collegio Sindacale;
- 2 riunioni del Consiglio di Amministrazione;
- 1 riunioni del Comitato Controllo, Rischi, Remunerazione e Nomine.

Il Collegio Sindacale – per il tramite di almeno un proprio componente – ha preso parte alle citate riunioni degli organi sociali.

Ai 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 vigila su:

a) processo di informativa finanziaria;
b) efficacia dei sistemi di controllo interno, di revisione interna, e gestione del rischio;
c) revisione legale dei conti annuali e dei conti consolidati;
d) indipendenza del revisore legale o della società di revisione legale, in particolare per quanto concerne la prestazione di servizi non di revisione all'ente sottoposto alla revisione legale dei conti.

Con riferimento all'attività di propria competenza, nel corso dell'esercizio 2016 e sino all'approvazione della Relazione finanziaria annuale 2016 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 prescritta dall'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, anche attraverso l'esame dei risultati del lavoro svolto e la ricezione delle relazioni previste dall'art. 14 e dall'art. 19, 3° comma, del d.lgs. 39/2010, nonché della dichiarazione di conferma dell'indipendenza di cui all'art. 17, 9° comma, lett. a) del d.lgs. 39/2010;
- 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 2016, costatando il rispetto delle raccomandazioni Consob anche in termini procedurali;

- analizzato la Relazione finanziaria annuale 2016 e 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.

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.

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Relazione

Di seguito vengono fornite le ulteriori indicazioni richieste dalla Comunicazione Consob n. DEM/1025564 del 6 aprile 2001come successivamente modificata.

1. Operazioni di maggior rilievo strategico, economico, finanziario e patrimoniale effettuate nell'esercizio:

   Aprile : inaugurazione di nuovo impianto industriale a Balatonboglar (Ungheria) dedicato alla produzione di apparecchi per il "Factory Automation" con un investimento di oltre nove milioni di euro ripartito sul triennio 2014-2016 ;

   Giugno : avvio del programma di acquisto di azioni proprie come da delibera dell'Assemblea degli Azionisti ;

   Ottobre : costituzione della Solution Net Systems Inc. con sede in Pennsylvania (USA) come spin-off degli assets della B.U. Systems dalla società Datalogic Automation Inc. (controllata statunitense) ;

   Ottobre : nomina del dr. Alessandro D'Aniello come nuovo CFO del Gruppo Datalogic e Dirigente preposto alla redazione dei documenti contabili e societari del Gruppo;

   Novembre :Investimento nel settore della progettazione, produzione e commercializzazione di mobile computers, per il tramite della controllata Datalogic (Shenzhen) Industrial Automation Co. Ltd. nel capitale sociale di Mobilead Electronic Technology Co. Ltd. (società con sede a Suzhou) con una quota del 20%;

Dicembre : nomina della Dott.ssa Valentina Volta quale Amministratore Delegato del Gruppo Datalogic con tutte le deleghe esecutive ad eccezione di "M & A " e "Real Estate" .

Dicembre : sviluppo e realizzazione del Progetto Tripod, con efficacia giuridica 1 gennaio 2017 , mediante la concentrazione in un'unica entità legale di tutte le attività del Gruppo relative alle Divisioni ADC (Automatic Data Capture) e IA (Industrial Automation).

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 2016 e successivamente alla chiusura dello stesso, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate (ivi comprese le società del Gruppo).

   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 Procedura per le operazioni con parti correlate adottata dalla Società .

3. Il Collegio Sindacale ritiene che le informazioni rese dagli Amministratori nella Relazione finanziaria annuale 2016 in ordine alle operazioni infragruppo e con le parti correlate siano adeguate.

4. La società di revisione Reconta Ernst & Young S.p.A. ha rilasciato in data 29 marzo 2017 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 2016 (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) sono redatti con chiarezza e rappresentano in modo veritiero e corretto la situazione patrimoniale, finanziaria e il risultato economico d'esercizio e consolidato della Società e del Gruppo.
La società di revisione ritiene, altresì, che la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f) l) e m) e al comma 2, lett. b) dell'art. 123-bis del 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.

5. Nel corso del 2016, non sono state presentate al Collegio Sindacale denunce ai sensi dell'art. 2408 del codice civile.

6. Nel corso del 2016, non sono stati presentati al Collegio Sindacale esposti.

7. 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, è stato conferito un ulteriore incarico nel 2016 alla società Reconta Ernst & Young S.p.A. relativo al supporto alla Società in merito alle procedure interne inerenti il progetto "Patent box ". Il precedente Collegio Sindacale , in carica alla data del 3 febbraio 2016 , ha potuto riscontrare che il citato incarico non era tale da pregiudicare l'indipendenza del revisore legale dei conti.

8. Nel corso dell'esercizio 2016 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 Reconta Ernst & Young S.p.a.
9. Nel corso dell'esercizio 2016 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 nomina del Dirigente preposto;
- 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.

10. In relazione alla frequenza e numero di riunioni degli organi sociali, si rinvia alla premesse.

11. Il Collegio Sindacale ha preso conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolte di informazioni dai responsabili delle funzioni aziendali, dall'Amministratore incaricato del sistema di controllo interno e gestione dei rischi, incontri con i comitati consiliari (unico Comitato a seguito della nomina del "nuovo" organo amministrativo) e con i responsabili della Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti. In particolare, per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio Sindacale ha accertato, anche mediante la partecipazione diretta alle adunanze consiliari, la conformità alla legge e allo Statuto Sociale delle scelte gestionali operate dagli Amministratori e ha verificato che le relative delibere fossero assistite da analisi e pareri – prodotti all'interno o, quando necessario, da professionisti esterni – riguardanti soprattutto la congruità

economico-finanziaria delle operazioni e la loro conseguente rispondenza all'interesse della Società.

12. Il Collegio Sindacale ha acquisito conoscenza e vigilato sull'adeguatezza della struttura organizzativa della Società e sul relativo funzionamento, mediante raccolta di informazioni dalle strutture preposte, audizioni dei responsabili delle competenti funzioni aziendali, incontri con i responsabili della revisione interna ed esterna e a tale riguardo non ha osservazioni particolari da riferire.

13. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e gestione dei rischi della Società rilevando l'assenza di particolari criticità e/o segnalazioni da portare all'attenzione dei Soci.
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.

    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 (da ultimo lo scorso novembre per adeguamento del

Modello 231, da un lato, al nuovo assetto di *governance* di cui Datalogic si è dotato e, dall'altro, all'introduzione, nell'ordinamento giuridico italiano, del nuovo reato di autoriciclaggio, nonché alle modifiche apportate ai reati societari).

L'Organismo di Vigilanza vigila sul funzionamento e sull'osservanza del Modello Organizzativo : nel 2016 l'Organismo si è riunito 6 volte.

14. 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 Reconta Ernst & Young S.p.A. .

    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 2016, delle procedure amministrative e contabili per la formazione del bilancio d'esercizio e consolidato.

    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.

15. 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.

16. Il Collegio Sindacale ha accertato tramite verifiche dirette ed informazioni assunte dalla società di revisione Reconta Ernst & Young S.p.A., l'osservanza dei principi IAS/IFRS nonché di norme e di leggi inerenti alla formazione e

all'impostazione del bilancio di esercizio, del bilancio consolidato e della relazione sulla gestione.

17. La Società aderisce ai principi e alle raccomandazioni compendiate nel Codice di Autodisciplina di Borsa Italiana (edizione luglio 2015).

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.

Il Consiglio di Amministrazione ha condotto anche per il 2016 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 27 gennaio 2017. Tutti i Consiglieri hanno valutato positivamente la dimensione, la composizione e il funzionamento del Consiglio, nonché la struttura di "governance" del gruppo, salvo alcune risposte di un Consigliere che sono state portate all'attenzione del Consiglio di Amministrazione dal Collegio Sindacale nella suddetta relazione.

Il Consiglio di Amministrazione ha, quindi, richiesto al Collegio Sindacale di raccogliere le motivazioni sottostanti tali risposte per consentire, se del caso, di attuare eventuali miglioramenti o contromisure che si rendessero necessarie e che il Consiglio di Amministrazione valuterà nel corso dell'esercizio 2017. Alla data della presente Relazione il Collegio Sindacale, nonostante la ricerca di un approfondimento, non ha ricevuto alcun elemento preciso e concreto in merito alle osservazioni espresse in sede di "processo di autovalutazione" .

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.

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.

Il Collegio Sindacale esprime una valutazione positiva sul sistema di Corporate Governance della Società.

18. Dall'attività di vigilanza e controllo non sono emersi fatti significativi suscettibili di segnalazione agli Organi di vigilanza e controllo o di menzione nella presente Relazione.

19. Il Collegio Sindacale, preso atto delle risultanze del bilancio di esercizio chiuso al 31 dicembre 2016, 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 , 30 marzo 2017

Il Collegio Sindacale

Salvatore Marco Fiorenza

Roberto Santagostino

Elena Lancellotti

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DATALOGIC S.p.A.
VIA CANDINI, 2
40012 LIPPO DI CALDERARA DI RENO
BOLOGNA - ITALY

T +39 051 3147011
F +39 051 3147205

E corporate@datalogic.com