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2017

FINANCIAL REPORT

DATALOGIC GROUP

2017 Financial Report

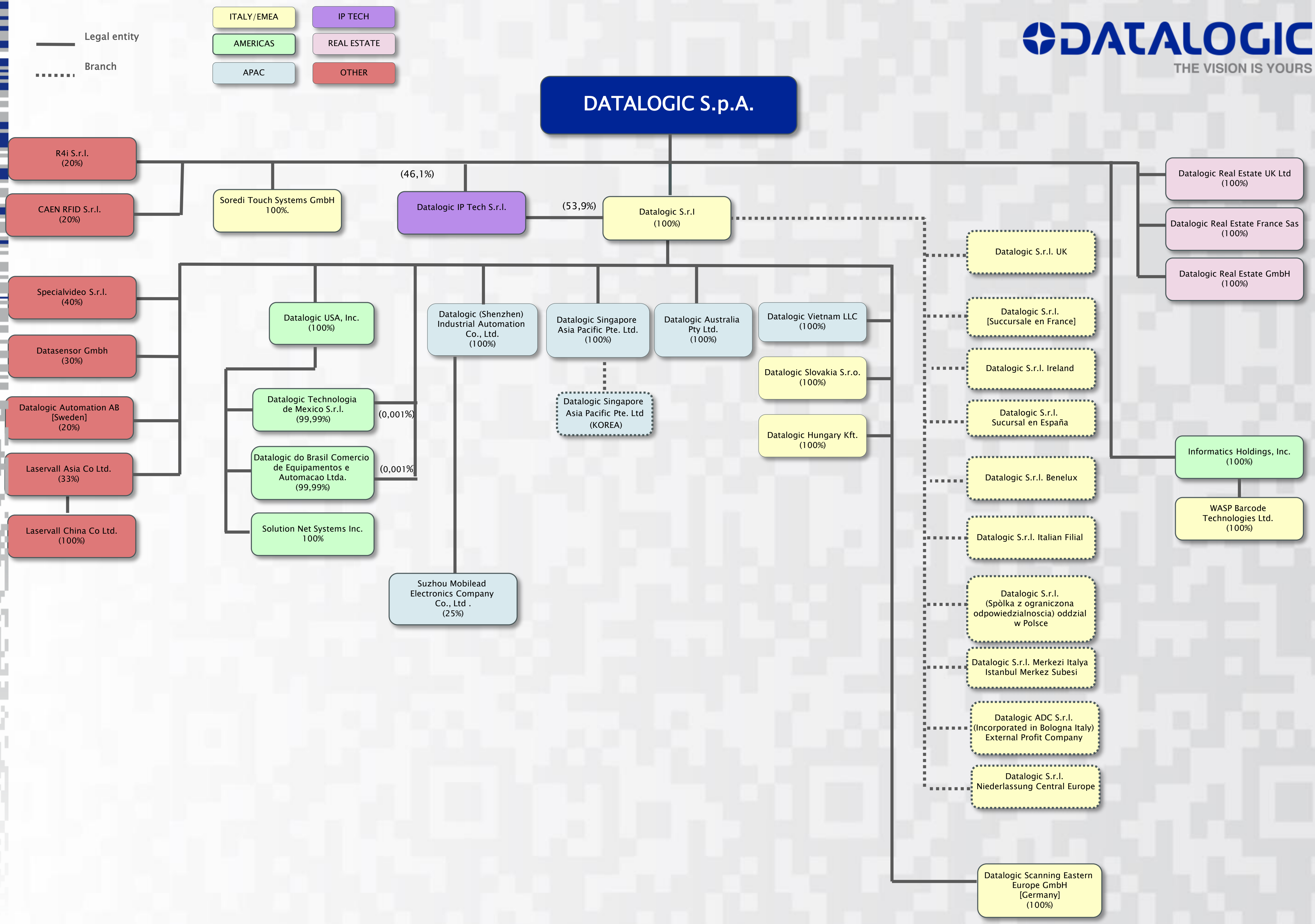
DATALOGIC S.p.A.

2017 Financial Report

FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ANNEXES



Legal entity
Branch
ITALY/EMEA
IP TECH
AMERICAS
REAL ESTATE
APAC
OTHER
DATALOGIC
THE VISION IS YOURS
DATALOGIC S.p.A.
R4i S.r.l. (20%)
CAEN RFID S.r.l. (20%)
Soredi Touch Systems GmbH 100%.
(46,1%)
Datalogic IP Tech S.r.l.
(53,9%)
Datalogic S.r.l (100%)
Datalogic Real Estate UK Ltd (100%)
Datalogic Real Estate France Sas (100%)
Datalogic Real Estate GmbH (100%)
Datalogic S.r.l. UK
Datalogic S.r.l. [Succursale en France]
Datalogic S.r.l. Ireland
Datalogic S.r.l. Sucursal en España
Datalogic S.r.l. Benelux
Datalogic S.r.l. Italian Filial
Datalogic S.r.l. (Spòlka z ograniczona odpowiedzialnoscia) oddzial w Polsce
Datalogic S.r.l. Merkezi Italya Istanbul Merkez Subesi
Datalogic ADC S.r.l. (Incorporated in Bologna Italy) External Profit Company
Datalogic S.r.l. Niederlassung Central Europe
Datalogic Scanning Eastern Europe GmbH [Germany] (100%)
Specialvideo S.r.l. (40%)
Datasensor Gmbh (30%)
Datalogic Automation AB [Sweden] (20%)
Laservall Asia Co Ltd. (33%)
Laservall China Co Ltd. (100%)
Datalogic USA, Inc. (100%)
Datalogic Technologia de Mexico S.r.l. (99,99%)
(0,001%)
Datalogic do Brasil Comercio de Equipamentos e Automacao Ltda. (99,99%)
(0,001%)
Solution Net Systems Inc. 100%
Datalogic (Shenzhen) Industrial Automation Co., Ltd. (100%)
Suzhou Mobilead Electronics Company Co., Ltd . (25%)
Datalogic Singapore Asia Pacific Pte. Ltd. (100%)
Datalogic Singapore Asia Pacific Pte. Ltd (KOREA)
Datalogic Australia Pty Ltd. (100%)
Datalogic Vietnam LLC (100%)
Datalogic Slovakia S.r.o. (100%)
Datalogic Hungary Kft. (100%)
Informatics Holdings, Inc. (100%)
WASP Barcode Technologies Ltd. (100%)

COMPOSITION OF CORPORATE BODIES

Board of Directors (1)

Volta Romano
Chairman (2)

Volta Valentina
Director & Chief Executive Officer (2)

Aversa Carlo Achille
Director

Di Stefano Luigi
Independent Director

Mazzalveri Gaia
Independent Director

Todescato Pietro
Director

Volta Filippo Maria
Director

Statutory Auditors (3)

Fiorenza Salvatore Marco Andrea
Chairman

Santagostino Roberto
Statutory Auditor

Lancellotti Elena
Statutory Auditor

Prandi Paolo
Alternate Statutory Auditor

Fuzzi Mario
Alternate Statutory Auditor

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. On 23 November 2017, Mr. Pier Paolo Caruso and Mrs. Sonia Magnani resigned from their offices as member of the Datalogic Board of Directors and Alternate Statutory Auditor.
(2) Legal representative with respect to third parties.
(3) The Statutory Auditors in office until the approval of the accounts for the financial year ending 31 December 2018.

MANAGEMENT REPORT

INTRODUCTION

This annual Financial Report as at 31 December 2017 was drawn up pursuant to Art. 154 of T.U.F. [Consolidated Law on Finance] and was prepared in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union.
The amounts reported in the Management Report are expressed in thousands of Euro. The Explanatory Notes to the accounts are expressed in millions of Euro.

GROUP PROFILE

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

HIGHLIGHTS FOR THE YEAR AND THE FOURTH QUARTER

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

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

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

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

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

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

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

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

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

PERFORMANCE INDICATORS

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

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)**: this indicator is defined as Profit/Loss for the period before depreciation and amortisation of tangible and intangible assets, non-recurring costs/revenues, financial income and expenses and income taxes;

- **EBIT (Earnings Before Interests and Taxes) or Operating result:** operating result, as inferable from the Income Statement.

- **Net working capital in the trading segment:** this indicator is calculated as the sum of Inventories and Trade Receivables, less Trade Payables.

- **Net Working Capital**: this indicator is calculated as the sum of Net Working Capital in the trading segment and Other Assets, as well as of Current Liabilities, including short-term Provisions for risks and charges.

- **Net Invested Capital:** this indicator is the total of current and non-current Assets, excluding financial assets, less current and non-current Liabilities, excluding financial liabilities.

- **PFP (Net Financial Position) or Net Financial Debt:** this indicator is calculated based on provisions set out by Consob Communication no. 15519 of 28 July 2006, also including "Other financial assets" represented by temporary liquidity investments.

GROUP RECLASSIFIED ECONOMIC RESULTS FOR THE YEAR

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

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

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

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

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

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

Gross profit, equal to €288.4 million, increased by 8.8% against €265.1 million reported in the same period of the previous year (+9.4% at constant Euro/Dollar exchange rate), while its impact on revenues increased by 1.6%, from 46% in 2016 to 47.6% in 2017. The improvement is attributable mainly to the increase of sales volumes, the improvement of mix, as well as to efficiencies of the main components of cost of goods sold.

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

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

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

Financial income

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

Financial income was negative by €7.3 million, compared to a negative result of €3 million related to the same period of the previous year, which mainly refers to the trend of foreign exchange differences, negative by €3 million, due to both a purely accounting translation effect resulting from the derecognition of intercompany economic items and the effect of depreciation of the US Dollar on Group net balances. The increase in financial expenses is attributable to the increase in gross indebtedness, while the increase in bank fees was affected by the release of upfront fees, amounting to €437 thousand, related to the early redemption of the long-term loan occurred in the first half of the year.

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

REVENUES BY GEOGRAPHICAL AREA FOR THE YEAR AND THE FOURTH QUARTER

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

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

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

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

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

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

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

A slightly positive trend was recorded in revenues for the fourth quarter (+0.4%), despite the constant negative Euro/Dollar exchange rate. At constant Euro/Dollar exchange rate, the growth recorded compared to the same period of 2016 was +3.7%. The growth is due mainly to the excellent performance in China and EMEA, which also benefits from the recent acquisition of Soredi Touch System, while a reduction in North and Latin America was recorded.

ANNUAL ECONOMIC RESULTS BY DIVISION

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

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

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

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, RFID, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute for higher efficiency and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics and health, along the entire value chain;

- **Solution Net Systems,** specialised in supplying and installing integrated solutions for automated distribution for the postal segment and distribution centres in the Retail sector;

- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

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

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

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

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

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

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

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

Datalogic Division

In the fourth quarter, the **Datalogic Division** reported a turnover of €146.2 million, up by 2.1% compared to the same period of 2016 (+5.2% at constant Euro/Dollar exchange rate), with a very positive performance in EMEA and APAC; especially in China, where a growth of over 90% was recorded.
In 2017, this Division reported a turnover of €564 million, up 5.6% (+6.3% at constant Euro/Dollar exchange rate), compared to 2016.

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

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

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

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

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

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

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

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

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

Solution Net Systems Division

The **Solution Net Systems Division** reported 15.3% drop in the fourth quarter of 2017 (down by 9.3% at constant Euro/Dollar exchange rate), with a turnover of €5.4 million due to the seasonality of products. In 2017, the Division recorded a turnover of €24.7 million, highlighting 22.5% growth compared to 2016 (+25% at constant Euro/Dollar exchange rate).
EBITDA related to the Division amounted to €2.9 million (negative by 1 million in the same period of 2016), with an impact on sales of 11.5%.

Informatics Division

In the fourth quarter, the **Informatics Division** recorded a turnover of €4.2 million, down 27.2% (-21.2% at constant Euro/Dollar exchange rate) compared to the fourth quarter of 2016.
In 2017, this division reported a turnover of €20.6 million, down by 15.5% (-14.3% at constant Euro/Dollar exchange rate), compared to 2016.
EBITDA related to the Division amounted to €0.1 million (negative by 1.5 million in the same period of 2016).

ANALYSIS OF FINANCIAL AND CAPITAL DATA

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

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

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

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

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

The Net Financial Position as at 31 December 2017 was positive by €30.1 million, an improvement of €26.6 million compared to 31 December 2016 (positive by €3.5 million) thanks to the continuous and strong cash generation, also after the distribution of the dividend.

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

	31.12.2017
Net Financial Position /(Net Financial Debt) at the beginning of the period	**3,503**
EBITDA	103,299
Change in the net working capital in the trading segment	(6,615)
Net investments	(13,880)
Tax payment	*(17,316)*
Cash flows related to the financial management	*(5,828)*
Dividend distribution	(17,443)
Acquisition of the equity investment in Soredi Touch Systems GmbH and Trademark	(8,000)
Other changes	(7,583)
Changes in Net Financial Position)/(Net Financial Debt)	**26,634**
(Net Financial Position)/Net Financial Debt at year end	**30,137**

RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

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

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

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

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

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

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

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

Recruiting: an ambitious hiring plan was launched in 2017. It concerned mainly the R&D area, where more than 80 people are expected to be hired in Italy. To achieve this objective, the Group has implemented various strategies and initiatives aimed at luring talents and highlighting the numerous opportunities that the

Group offers on the occasion of career days dedicated to the presentation of both the company and the posts available, as well as aimed at opening the headquarters to students on the occasion of an entire day dedicated to orientation and meetings with managers.

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

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

As regards relations with Trade Unions, the 2016-2018 integrative second-level trade union agreement was signed at the beginning of 2017, which confirmed the company’s investments as regards employment, above all in the Research & Development segment. Moreover, the company introduced and improved some economic elements related to the management of daily life and work hours (e.g. increased travel allowances, increased leaves for medical visits, etc.). In 2017 the Company made a Welfare platform available to employees who could elect to take advantage from a range of flexible benefits provided for by law, based on the use of the converted amount related to performance premiums and of the Welfare amount made available for them according to the Metalmechanica Labour Contract, in addition to converted variable premiums for some categories of employees. Various conventions were also made available to all employees within the same portal, which increased the expense power of some goods and services for leisure.

RECONCILIATION STATEMENT BETWEEN THE RESULT FOR THE PERIOD AND THE SHAREHOLDERS' EQUITY OF THE GROUP PARENT COMPANY

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

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

STOCK MARKET PERFORMANCE

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

During 2017, the share reported a positive performance of 63.5%, and outperformed both the shares belonging to the FTSE MIB by 51.8% and shares belonging to the FTSE STAR by 31.4%. The security reached a maximum value of €34.11 per share on 31 October 2017 and a minimum value of €18.26 on 09 January 2017. The average daily volumes exchanged in 2017 were approximately 75,100 shares (the double compared to the average daily volumes of approximately 36,670 shares reported in the previous year).

STOCK EXCHANGE 2017

Segment	STAR - MTA
Bloomberg Code	DAL.IM
Reuters Code	DAL.MI
MKT Cap	€1,801.3 million as at 31 December 2017
Number of shares	58,446,491 (of which 217,014 treasury shares)
2017 min	€18.26 (09 January 2017)
2017 max	€34.11 (31 October 2017)

Relations with institutional investors and shareholders

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

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

EXPOSURE TO VARIOUS TYPES OF RISK

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

a) Staff skills: the Group's business is closely related to the technical skills of its employees, especially in the areas of Research and Development. To limit this risk, the Group carries out actions with a view to increasing its ability to attract and maintain highly qualified personnel, including implementation of advanced human resources management tools and a positive work environment.

b) Protection of technology: the Group reference market is characterised by the design and production of high-tech products, with the resulting risk that the technologies adopted might be copied and used by other operators in the sector. With regard to this risk, over the last few years the Group has already made significant investments in intellectual property.

c) Difficult procurement: the Group is exposed to contained procurement risk thanks to a strategy whereby every component is sourced from several suppliers. In the few cases when components are sourced from a single supplier, the Group maintains adequate inventories of the critical components, in order to minimize the risks related to this situation.

d) Competition: the Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the company. To mitigate the risk associated with these events, the company maintains a high level of investment in research & development (around 9.1% of revenues as at 31 December 2017 and 9.5% in the core business represented by the Datalogic Division) and a large portfolio of patents, which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The market risk consists in possible oscillations in the exchange rate (**exchange rate risk**) or in the interest rate (**interest rate risk**), which might have a negative impact on the value of assets, liabilities or estimated cash flows.

The Group manages each of the financial risks mentioned, in order to minimise them, sometimes with hedging derivatives. The Parent Company manages the market and liquidity risks, whereas credit risks are managed by the Group's operating units, under the supervision of the Parent Company. For more information on 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 2017, 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 15 of the Consob Regulation 20249/2017 (former Article 36 of the Consob Regulation 16191/2007) on the market regulation ("Market Regulation").

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

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

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

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

NUMBER AND VALUE OF TREASURY SHARES

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

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

RELATED-PARTY TRANSACTIONS

Transactions with related parties, as disclosed in the financial statements, and described in detail in the related Notes to the Income Statements items, to which reference is made, cannot be quantified as atypical or unusual, given that they can be included in the normal business of the Group companies, and are governed at arm's length.

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

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

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

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

TAX CONSOLIDATION

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

EVENTS IN 2017

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

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

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

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

BUSINESS OUTLOOK

The global macroeconomic scenario highlights an unchanged economic recovery that is underway in the main areas in which the Group operates.
The sector in which the Group operates continues to report a constant growth trend in all reference business segments, driven by the ever-increasing needs for industrial automation and corporate processes aimed at improving productivity, achieving higher efficiency and even higher quality control standards in production. The main growth trends that the Group will be able to seize and meet through its offer, in the next few years, concern private initiatives and government plans aimed at fostering investments in technology transformation (Industrial Plan 4.0) and in robotics development in the Manufacturing sector. These initiatives and plans are also focused on accelerated e-commerce, development of multichannels as well as data collection and analysis on the habits of end consumers, aimed at improving customer experience in the Retail sector, constant evolution of regulations in view of higher safety standards in more regulated sectors such as Healthcare, and airport systems in Transportation & Logistics.
The Group's growth strategy envisages a continuous increase in R&S, an improvement of service levels offered to customers, a further improvement of all commercial organisations in the main development areas, with special focus on North America and the optimisation of production costs, combined with a thorough control on operating costs and overheads.
In the absence of significant changes in ongoing economic and sectorial trends, the Group expects to achieve growth targets in revenues and profitability, in 2018 as well, while maintaining its financial position and cash generation level.

SECONDARY LOCATIONS

The Parent Company has no secondary locations.

The Chairman of the Board of Directors

(Mr. Romano Volta)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Euro/000)	Note	31.12.2017	31.12.2016
A) Non-current assets (1+2+3+4+5+6+7)		**379.315**	**403.865**
1) Tangible assets		**69.733**	**72.082**
land	1	7.719	8.218
buildings	1	29.369	31.014
other assets	1	30.495	30.175
assets in progress and payments on account	1	2.150	2.675
of which from related parties		*258*	
2) Intangible assets		**216.323**	**240.931**
goodwill	2	174.343	188.934
development costs	2	3.863	4.302
other	2	34.352	43.534
assets in progress and payments on account	2	3.765	4.161
3) Equity investments in associates	3	**2.184**	**2.214**
4) Financial assets		**41.017**	**35.721**
equity investments	5	9.573	4.714
securities	5	0	0
other	5	31.444	31.007
5) Loans	**5**	**0**	**1.110**
6) Trade and other receivables	7	**2.194**	**2.394**
7) Deferred tax assets	13	**47.864**	**49.413**
B) Current assets (8+9+10+11+12+13+14)		**456.466**	**338.982**
8) Inventories		**85.938**	**82.344**
raw and ancillary materials and consumables	8	33.101	29.954
work in progress and semi-finished products	8	25.417	25.883
finished products and goods	8	27.420	26.507
9) Trade and other receivables	7	**102.886**	**91.526**
trade receivables	7	**83.195**	**75.477**
trade receivables from third parties	7	82.402	74.490
trade receivables from associates	*7*	*784*	*979*
trade receivables from related parties	*7*	*9*	*8*
other receivables - accrued income and prepaid expenses	7	**19.691**	**16.049**
of which from associated parties		*587*	
of which from related parties		*76*	*75*
10) Tax receivables	9	**11.430**	**18.135**
of which to the parent company		*6.771*	*8.010*
11) Financial assets	5	**0**	**0**
12) Loans		**0**	**0**
13) Financial assets - Derivative instruments	6	**0**	**0**
14) Cash and cash equivalents	10	**256.212**	**146.977**
C) Held-for-sale assets		**1.021**	
Total assets (A+B+C)		**836.802**	**742.847**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (Euro/000)	**Note**	**31.12.2017**	**31.12.2016**
A) Total shareholders' equity (1+2+3+4+5)	11	**353.029**	**336.394**
1) Share capital	11	**148.291**	**146.291**
2) Reserves	11	**14.815**	**42.817**
3) Profits (losses) of previous years	11	**129.843**	**101.440**
4) Group profit (loss) for the period/year	11	**60.080**	**45.846**
5) Minority interests	11	**0**	**0**
B) Non-current liabilities (6+7+8+9+10+11+12)		**253.388**	**187.973**
6) Financial payables	12	**206.406**	**139.321**
7) Financial liabilities - Derivative instruments	6		
8) Tax payables	9	**43**	**44**
9) Deferred tax liabilities	13	**23.138**	**26.498**
10) Post-employment benefits	14	**6.633**	**6.647**
11) Provisions for risks and charges	15	**13.602**	**11.169**
12) Other liabilities	16	**3.566**	**4.294**
C) Current liabilities (13+14+15+16+17)		**230.385**	**218.480**
13) Trade and other payables	16	**157.924**	**151.494**
trade payables	16	**107.651**	**104.585**
trade payables to third parties	16	107.051	104.058
trade payables to parent company	16	0	106
trade payables to associates	*16*	*347*	*24*
trade payables to related parties	*16*	*253*	*397*
other payables - accrued liabilities and deferred income	16	**50.273**	**46.909**
14) Tax payables	9	**14.191**	**21.032**
of which to the parent company		*4.865*	*15.114*
15) Provisions for risks and charges	15	**7.157**	**9.684**
16) Financial liabilities - Derivative instruments	6		**37**
17) Financial payables	12	**51.113**	**36.233**
Total liabilities (A+B+C)		**836.802**	**742.847**

CONSOLIDATED STATEMENT OF INCOME

(Euro/000)	Note	31.12.2017	31.12.2016
1) Total revenues	17	**606.022**	**576.482**
Revenues from sale of products		572.736	545.821
Revenues from services		33.286	30.661
of which from related parties and associates		*5.680*	*5.577*
2) Cost of goods sold	18	**317.949**	**311.432**
of which non-recurring	18	320	86
of which from related parties and associates		*1.135*	*356*
Gross profit (1-2)		**288.073**	**265.050**
3) Other operating revenues	19	**2.964**	**3.278**
of which non-recurring	19	0	0
of which from related parties		*7*	*7*
4) R&D expenses	18	**55.561**	**50.542**
of which non-recurring	18	183	16
of which amortisation, depreciation and write-downs pertaining		103	105
of which from related parties and associates	18	*784*	*99*
5) Distribution expenses	18	**99.703**	**97.789**
of which non-recurring	18	2	333
of which from related parties and associates		*14*	*20*
6) General and administrative expenses	18	**49.935**	**47.169**
of which non-recurring	18	419	988
of which amortisation, depreciation and write-downs pertaining	18	4.712	4.809
of which to the parent company		*0*	
of which from related parties and associates		*381*	*1.382*
7) Other operating expenses	18	**2.959**	**2.583**
of which non-recurring		0	(444)
of which from related parties and associates	18	*414*	*0*
Total operating costs		**208.158**	**198.083**
Operating result		**82.879**	**70.245**
8) Financial income	20	**29.050**	**19.502**
of which from related parties and associates		*0*	*0*
9) Financial expenses	20	**36.390**	**22.537**
Net financial income (expenses) (8-9)		**(7.340)**	**(3.035)**
10) Profits from associates	3	**(85)**	**(318)**
Profit (loss) before taxes from the operating assets		**75.454**	**66.892**
Income tax	21	15.374	21.046
Profit/(loss) for the period		**60.080**	**45.846**
Basic earnings/(loss) per share (€)	22	1,03	0,79
Diluted earnings/(loss) per share (€)	22	1,03	0,79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro/000)	Note	31.12.2017	31.12.2016
Net profit/(loss) for the period		**60.080**	**45.846**
Other components of the statement of comprehensive income:			
Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:			
Profit/(loss) on cash flow hedges	11	(920)	64
of which tax effect			*(21)*
Profit/(loss) due to translation of the accounts of foreign companies	11	(19.497)	3.268
Profit/(loss) on exchange rate adjustments for financial assets available for sale	11	5.205	(19)
of which tax effect		*(63)*	
Reserve for exchange rate adjustment	11	(12.790)	3.886
of which tax effect		*4.011*	*(1.337)*
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		**(28.002)**	**7.199**
Total net profit/(loss) for the period		**32.078**	**53.045**
Attributable to:			
Parent company shareholders		32.078	53.045
Minority interests		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro/000)	Note	31.12.2017	31.12.2016
Pre-tax profit		**75.454**	**66.892**
Depreciation of tangible assets and write-downs	1, 2	10.273	9.363
Amortisation of intangible assets and write-downs	1, 2	9.223	9.779
Capital losses from sale of assets	18	101	5
Capital gains from sale of assets	19	(8)	(135)
Change in provisions for risks and charges (*)	15	(388)	(2.675)
Effect of change in provisions for risks and charges		1.304	(374)
Change in employee benefits reserve	14	(14)	(167)
Bad debt provisions	18	40	762
Net financial expenses including exchange rate differences	20	5.427	3.997
Net financial income including exchange rate differences	20	(1.097)	(942)
Foreign exchange differences	20	3.010	(20)
Adjustments to value of financial assets	3	85	318
Cash flow generated (absorbed) from operations before changes in working capital		**103.410**	**86.803**
Change in trade receivables (including provision) (*)	7	(6.938)	(7.474)
Change in final inventories (*)	8	(2.047)	(12.867)
Change in current assets (*)	7	(3.590)	(2.469)
Change in other medium-/long-term assets	7	200	(465)
Change in trade payables (*)	16	2.330	2.874
Change in other current liabilities (*)	16	3.273	4.802
Other medium/long-term liabilities	16	(728)	745
Commercial foreign exchange differences	20	3.242	(2.755)
Foreign exchange effect of working capital		(1.216)	677
Cash flow generated (absorbed) from operations after changes in working capital		**97.936**	**69.871**
Change in tax		(17.316)	(12.399)
Foreign exchange effect of tax		(3.746)	1.208
Interest paid and banking expenses	20	(4.330)	(3.055)
Cash flow generated (absorbed) from operations (A)		**72.544**	**55.625**
Increase in intangible assets excluding exchange rate effect	2	(4.358)	(3.933)
Decrease in intangible assets excluding exchange rate effect	2	245	208
Increase in tangible assets excluding exchange rate effect	1	(11.270)	(12.899)
Decrease in tangible assets excluding exchange rate effect	1	978	238
Change in unconsolidated equity investments	5	417	(639)
Acquisition of an equity investment		(5.434)	
Cash flow generated (absorbed) from investments (B)		**(19.422)**	**(17.025)**
Change in LT/ST financial receivables	5	(401)	115
Change in short-term and medium-/long-term financial debt (*)	12, 6	80.048	(3.982)
Financial foreign exchange differences	20	(6.252)	2.775
Purchase/sale of treasury shares (*)	11	0	(368)
Change in reserves Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets (*)	11, 1, 2	317	45
Dividend payment	11	(17.443)	(14.543)
Cash flow generated (absorbed) by financial activity (C)		**56.269**	**(18.003)**
Net increase (decrease) in available cash (A+B+C) (*)	10	**109.391**	**20.597**
Net cash and cash equivalents at beginning of period	10	**146.718**	**126.121**
Net cash and cash equivalents at end of period	10	**256.109**	**146.718**

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

STATEMENT OF SHAREHOLDERS' EQUITY (Note 11)

Description	Share capital and capital reserves			Reserves of Statement of Comprehensive Income						Profits for prior periods					
	Share capital	Treasury shares	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group shareholders' equity
01.01.2016	**30.392**	**116.267**	**146.659**	**(92)**	**22.168**	**13.404**	**(371)**	**509**	**35.618**	**59.878**	**958**	**5.917**	**8.683**	**75.436**	**40.547**	**298.260**
Allocation of earnings			**0**						**0**	40.386		161		**40.547**	**(40.547)**	**0**
Dividends					0				**0**	(14.543)				**(14.543)**		**(14.543)**
Translation reserve			**0**						**0**					**0**		**0**
Change in IAS reserve			**0**						**0**					**0**		**0**
Sale/purchase of treasury shares		**(368)**	**(368)**						**0**					**0**		**(368)**
Other changes									**0**					**0**		**0**
Profit/(loss) as at 31.12.2016			**0**						**0**					**0**	**45.846**	**45.846**
Total other components of the statement of comprehensive income				64	3.268	3.886		(19)	**7.199**					**0**		**7.199**
31.12.2016	**30.392**	**115.899**	**146.291**	**(28)**	**25.436**	**17.290**	**(371)**	**490**	**42.817**	**85.721**	**958**	**6.078**	**8.683**	**101.440**	**45.846**	**336.394**

Description	Share capital and capital reserves			Reserves of Statement of Comprehensive Income						Profits for prior periods					
	Share capital	Treasury shares	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group shareholders' equity
01.01.2017	**30.392**	**115.899**	**146.291**	**(28)**	**25.436**	**17.290**	**(371)**	**490**	**42.817**	**85.721**	**958**	**6.078**	**8.683**	**101.440**	**45.846**	**336.394**
Allocation of earnings			**0**						**0**	45.846				**45.846**	**(45.846)**	**0**
Dividends									**0**	(17.443)				**(17.443)**		**(17.443)**
Translation reserve			**0**						**0**					**0**		**0**
Change in IAS reserve			**0**						**0**					**0**		**0**
Sale/purchase of treasury shares		**2.000**	**2.000**						**0**					**0**		**2.000**
Other changes									**0**	65			(65)	**0**		**0**
Profit/(loss) as at 31.12.2017			**0**						**0**					**0**	**60.080**	**60.080**
Total other components of the statement of comprehensive income				(920)	(19.497)	(12.790)		5.205	**(28.002)**					**0**		**(28.002)**
31.12.2017	**30.392**	**117.899**	**148.291**	**(948)**	**5.939**	**4.500**	**(371)**	**5.695**	**14.815**	**114.189**	**958**	**6.078**	**8.618**	**129.843**	**60.080**	**353.029**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

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

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

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

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

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Consolidated Financial Statements were prepared based on the draft Financial Statements as at 31 December 2017, prepared by the Boards of Directors or, if available, based on the financial statements

approved by the Shareholders' Meetings of the related consolidated companies, duly adjusted, if applicable, to align them to the classification and accounting criteria adopted by the Group.
The Consolidated Financial Statements were prepared in compliance with the general criterion of a reliable and true vision of the Group's financial position, financial performance and cash flows, on an ongoing concern and on an accrual basis, in compliance with the general principles of consistency of presentation, relevance and aggregation, no offsetting and comparability of information.

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

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

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

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

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

The Accounting Standards were uniformly applied to all Group companies and for all periods presented.

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

CONSOLIDATION STANDARDS AND POLICIES

Subsidiaries

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

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

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

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

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

In order to ensure consistency with the Group accounting policies, when necessary the financial statements of the investees are adequately adjusted. All assets and liabilities, Shareholders' Equity, revenues, costs and intercompany cash flows related to transactions between Group entities are entirely derecognised when consolidated.
Changes in equity investments in an investee that do not entail the loss of control are recognised in Shareholders' Equity.
If the Group loses control in an investee, all related assets (including goodwill), liabilities, minority interests and other components in the Shareholders' Equity must be derecognised, while any possible profit or loss will be recognised in the Income Statement. The equity interest possibly maintained must be recognised at fair value.
Reciprocal payables and receivables and cost and revenue transactions between consolidated companies and the effects of all significant transactions between them have been eliminated.
More specifically, profits not yet realised with third parties, stemming from infragroup transactions and those included, as of the reporting date, in the measurement of inventories have been eliminated where they exist.

Business Combinations

Business combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value on the acquisition date and the amount of minority interests in the acquired company. For all business combinations, the Group assesses whether to measure the minority interests in the acquired company at fair value or as a proportion of the minority shareholdings in the net identifiable assets of the acquired company. The acquisition costs are written off in the year and recognised under administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the financial liabilities assumed according to the terms of the contract, the economic terms and conditions in the other pertinent conditions as at the acquisition date. This includes the verification of whether an incorporated derivative must be separated from the primary contract.
If the business combination is carried out in more than one step, the equity investment previously held is recalculated at fair value at the acquisition date and any resulting profit or loss is recognised in the Income Statement.
Any contingent consideration, to be recognised, is measured by the purchaser at fair value on the acquisition date. The change in fair value of the potential amount stated as asset or liability, as financial instrument under the scope of IAS 39 Financial instruments: Recognition and Measurement, must be recognised in the Income Statement.
Goodwill is initially measured at cost, which is the surplus of the consideration paid, as compared to the net identifiable assets acquired and the liabilities undertaken by the Group. If the fair value of the acquired net assets exceeds the aggregate amount paid, the Group assesses whether all assets acquired and liabilities undertaken have been correctly identified and then reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the new measurement highlights a fair value of net assets acquired, which is higher than the amount paid, the difference (profit) is recognised in the Income Statement.
After initial recognition, goodwill is measured at cost, less any cumulative impairment losses. In impairment testing, goodwill acquired in a business combination is allocated, since the acquisition date, to each Group CGU, which is expected will benefit from synergies of the business combination, regardless of the fact that other assets or liabilities related to the acquired entity are allocated to those CGUs.

Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. In the absence of this assumption, the Group assesses specific facts and circumstances to check the presence of significant influence.
Under the equity method, the equity investment in an associate is initially recognised at cost and the carrying value is increased or decreased to recognise the portion of the profits or losses of the investee that are realised after the acquisition. The goodwill concerning the associate is included in the carrying value of the investment and is not subject to amortisation, nor to an individual impairment test.
The Group’s share of associates’ post-acquisition profits or losses is recognised in the Income Statement, whereas its post-acquisition share of changes in reserves is recognised in reserves. Cumulative post-acquisition changes are included in the investment’s carrying value.
Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group’s interests in such associates. Unrealised losses are also eliminated unless the loss is considered to represent impairment of the assets transferred. Accounting standards adopted by associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

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

Translation criteria of items in foreign currency

Translation of financial statements of foreign companies

The Financial Statements of the Group companies, included in the consolidated financial statements, are expressed by using the currency of the primary market in which they operate (functional currency). The Group Consolidated Financial Statements are presented in euro, the euro being the Parent Company's functional currency. At the reporting date for the year, assets and liabilities of subsidiaries, associates and joint ventures, with a functional currency other than the Euro, are translated in the currency used to draw up the Group consolidated accounts, at the exchange rate effective at that date. The items in the Income Statement ware translated at the average exchange rate for the year (as it is deemed representative of the average of the main exchange rates at the dates of each single translation). The differences resulting from the adjustment of the initial Shareholders' Equity at year-end current exchange rates and the differences resulting from the different method used for the translation of the result for the year are accounted for in a special item in the Shareholders' Equity. In the event of subsequent disposal of consolidated foreign companies, the cumulated value of the related translation differences is recognised in the Income Statement.

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

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

ACCOUNTING POLICIES AND STANDARDS APPLIED

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

Property, plant and equipment

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

Some tangible assets in the "Land and buildings" categories, in line with IAS 16 provisions, were measured at fair value (market value) as at 01 January 2004 (IFRS transition date) and this value was used as the deemed cost. Fair Value was calculated based on evaluation expertises performed by independent external consultants. Buildings are depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

The depreciation rates applied by the Group are as follows:

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

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

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

Assets held under finance lease contracts

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

Intangible assets

Intangible assets are recognised under assets in the Statement of Financial Position when it is likely that use of the asset will generate future economic benefits and when the asset's costs can be reliably calculated. They are initially recognised at the value of contribution or at acquisition or production cost, inclusive of any ancillary costs.
Gains and losses on disposals are calculated by comparing the selling price with net carrying value. The amount thus determined is recognised in the Income Statement.

Goodwill

Goodwill is initially valued at cost, which is the surplus between the cost of the business combination and the portion pertaining to the Group in the net identifiable assets acquired and the liabilities undertaken by the Group, according to the partial goodwill approach. If the consideration is less than the fair value of the net 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 Statement at the time when the costs are incurred.
Development costs for projects concerning significantly innovative products or processes are capitalised only if it is possible to demonstrate:

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

In the absence of any one of the above requirements, the costs in question are fully recognised in the Income Statement at the time when they are borne.
Development costs have a finite useful life and are capitalised and amortised on a straight-line basis from the start of the product's commercial production for a period equal to the useful life of the products to which they relate, generally estimated to be five years.

Other intangible assets

Other intangible assets consist of:

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

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

Amortisation

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

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
- 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. The residual values, the useful lives and the amortisation of intangible assets are reviewed at each year end and, when required, corrected prospectively. The useful lives remained unchanged compared to the previous year.

Impairment

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

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

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

If the reasons causing it cease to exist, impairment is reversed within the limits of the amount of what would have been the book value, net of amortisation of the historical cost, if no impairment had been recognised. Any reinstatements of value are recognised in the Income Statement. The value of goodwill, previously impaired, cannot be recovered, as envisaged by the International Accounting Standards.

Financial assets and liabilities

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

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:
• in the main market of the asset or liability; or
• when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Group. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.
The Group uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - listed prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than listed prices included in Level 1 which can be observed, either directly or indirectly for the asset or liability to be measured;
- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

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

Financial instruments

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

Financial assets

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

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

- **Loans and receivables:** they are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method, less impairment. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the Income Statement. Write downs arising from impairment are recognised as financial expenses in the Income Statement. This category usually includes trade receivables and other receivables. As regards the financial assets accounted for at amortised cost, the Group has initially assessed whether there was an impairment on each significant financial asset, and collectively on financial assets of irrelevant amount. The carrying value of assets is reduced through the accounting of a provision for write-downs and the amount of the loss is recognised in the Income Statement. The loans and related provisions for write-downs are reversed when the possibility of a future recovery is not realistic and guarantees have been put in place or transferred to the Group. If, in a subsequent year, the amount of estimated impairment increases or decreases due to an event occurred after the recognition of the impairment, the latter will be increased or reduced through an adjustment of the provision. They are recognised under Current Assets, except for the portion with a maturity term over 12 months, which is classified under non-current assets.

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

Financial assets are derecognised from the financial statements when the right to receive cash no longer exists, the Group has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.
In the cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.
Equity investments in other companies are measured at fair value. When the fair value cannot be reliably determined, equity investments are measured at cost, adjusted for impairment.

Financial liabilities

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

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

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

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

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

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

Offsetting financial instruments

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

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

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

Financial derivatives

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

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

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

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

rate payables).
The effective portion of fair value change, related to the portion of derivative contracts designated as hedge derivatives pursuant to IAS 39, is recognised as component of the Statement of Comprehensive Income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the Income Statement.
The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid IAS 39, is instead recognised directly in the Income Statement.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Finished product, semi-finished product and raw material costs include the cost of raw materials, direct labour, and other production costs that are directly and indirectly allocable (in this case on the basis of normal production capacity). As regards raw and ancillary materials and consumables, the estimated net realisable value is the replacement cost. As regards finished and semi-finished products, the estimated net realisable value is the sales price estimated at arm’s length, less the estimated completion and sales costs.
Obsolete and slow turnover inventories are written-down based on their estimated possible use or future sale, through their entry in a special provision, adjusted by the value of inventories.

Non-current Assets Held for Sale and Discontinued Operations

The Group classifies discontinued non-current assets as held for sale if their carrying value will be recovered mainly with a sale, instead than through their continuous use. These discontinued non-current assets, classified as held for sale, are measured at the lower of its carrying amount or fair value, less sales costs of sale. Sales costs are any costs directly attributable to the sale, excluding financial charges and taxes.
The condition precedent to classify these assets as held for sale is deemed as fulfilled only when the sale is highly probable and the activity, or the discontinued group of assets, is available for immediate sale in its current conditions. The actions required for completing the sale should indicate that it is improbable thatsignificant changes in the sale might occur or that the sale be cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.
The depreciation of property, plant and machinery and amortisation of the intangible assets ceases when they are classified as available for sale.
The assets and liabilities classified as held for sale are presented separately under the financial statement items.
Assets to be discontinued are not included in the result of operational activities and are presented in the profit/(loss) statement for the year on a single line as Net profit/(loss) coming from assets to be discontinued.
All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

Trade receivables

Trade receivables are amounts due from customers following the sale of products and services.
Receivables are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses. Short term payables are not discounted, since the effect of discounting the cash flows is not significant.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank and post office deposits, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.
Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the Cash Flow Statement.

Shareholders' Equity

Share capital consists of the ordinary shares outstanding, which are posted at par value.
Costs relating to the issue of new shares or options are classified in Shareholders' Equity (net of associated tax benefit relating to them) as a deduction from the proceeds of the issuance of such instruments.

Treasury shares

In the case of buyback of treasury shares, the price paid, inclusive of any directly attributable accessory costs, is deducted from the Group's Shareholders' Equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Group Shareholders' Equity.
Consequently, no profit or loss is entered in the consolidated Income Statement at the time of purchase, sale or cancellation of treasury shares.

Liabilities for employee benefits

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

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

Defined contribution plans

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

Defined-benefit plans and other long-term benefits

Defined-benefit plans are programmes of post-employment benefits that represent a future obligation for the Company. The entity bears actuarial and investment risks related to the scheme.
The Group uses the projected unit credit method to determine the current value of liabilities of the scheme and the cost of services.

This actuarial calculation method requires the use of objective actuarial hypotheses, compatible and based on demographic variables (mortality rates, personnel turnover) and financial variables (discount rate, future increases of salaries and wages and benefits). When a defined-benefit plan is entirely or partially financed by contributions paid to a fund, legally separate from the company, or to an insurance company, the assets in support of the above scheme are measured at fair value. The amount of the obligation is therefore accounted for, less the fair value of assets in support of the scheme that the entity would pay to settle the obligation itself.
The revaluations, including actuarial profits and losses, the changes in the maximum threshold of assets (excluding net interest) and the yield of assets in support of the scheme (excluding net interests), are recognised immediately in the Statement of Financial Position, while debiting or crediting retained earnings through other components in the Statement of Comprehensive Income in the year in which they occur. Revaluations are not reclassified in the Income Statement in subsequent years. The other long-term benefits are intended for employees and differ from post-employment benefits. The accounting is similar to defined-benefit plans.

Provisions for risks and charges

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

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

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

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market’s current evaluation of the cost of money over time. When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as finance expense.
The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. When the Group deems that an allocation to the provisions for risks and charges will be partly or fully redeemed, e.g in the event of risks covered by insurance policies, the indemnity is recognised separately in the Assets if, and only if, it is certain. In this case, the cost of any allocation is disclosed in the Income Statement, less the amount recognised as indemnity. The provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the period in which the change occurred.
The Group established restructuring provisions if there exists an implicit restructuring obligation and a formal plan for the restructuring that created in interested third parties the reasonable expectation that the company will carry out the restructuring or because it has begun its realisation or because it has already communicated its main aspects to interested third parties.

Income taxes

Income taxes include current and deferred taxes. Income taxes are generally recognised in the income statement, except when they relate to items entered directly in equity, in which case the tax effect is recognised directly in equity.
Current income taxes are calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to taxes related to prior periods.

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the Consolidated Financial Statements and the corresponding amounts recognised for tax purposes, except as follows:

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

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

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

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

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to realise them. The carrying amount of the deferred tax assets is reviewed every year end and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets that are not recognised, are reviewed at every reporting date and are recognised to the extent it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.
The Parent Company Datalogic S.p.A. and numerous Italian subsidiaries fall within the scope of the "domestic tax consolidation" of Hydra S.p.A. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income for the Group or a single tax loss carried forward, as the algebraic sum of the income and/or losses, and therefore files a single tax liability or credit with the Tax Authorities.

Trade and other payables

Trade and other payables are measured at cost, which represents their discharge value.
Short-term payables are not discounted, since the effect of discounting the cash flows is not significant.

Revenue recognition

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

Sale of goods

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

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

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

Rendering of services

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

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

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

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

Work in progress

A construction contract, as defined by IAS 11 ("Long-term construction contracts"), is a contract specifically negotiated for the construction of an asset or a group of strictly linked or interrelated assets as regards their design, technology and function or their final use. The costs of a construction contract are recognised in the year in which they are borne. Revenues are recognised in proportion to the stage of completion of this contract at balance-sheet date, when the result can be estimated reliably.
When the outcome of a contract cannot be estimated reliably, revenues should be recognised only to the extent that contract costs incurred are expected to be recoverable. When total contract costs are likely to

exceed the total contract revenues, the total expected loss should be recognised immediately as an expense.
The contract revenues are recognised in proportion to the stage of completion of contract activity, based on the cost-to-cost method, which provides for the proportion between contract costs incurred for the works performed until the reference date and the total expected contract costs.

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

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

Government grants

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

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

Rental and operating lease costs

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

Dividends paid out

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

Earnings per share

Basic

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

Diluted

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

Treatment of foreign currency items

Functional presentation currency

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

Transactions in currencies other than the functional currency

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

Segment Reporting

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

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

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

- Datalogic;
- Solution Net System;
- Informatics.

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

a) the nature of products;

b) the nature of production processes;

c) the type of customers;

d) the methods used to distribute products/services;

e) the economic characteristics.

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

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Accounting standards, amendments and interpretations applied as from 01 January 2017

The accounting standards adopted for preparation of the Consolidated Financial Statements are consistent with those used for the preparation of the Consolidated Financial Statements as at 31 December 2017. The Group adopted for the first time some accounting standards and amendments that are applied for annual reporting periods beginning on or after 01 January 2017. The Group has not yet adopted any standard, interpretation or amendment that has been published, but is not yet effective.
The nature and impact of any new principle/amendment are specified hereunder. Albeit these new standards and amendments were applied for the first time in 2017, they had no significant impact on the Group Consolidated Financial Statements. The nature and impact of any new Standard/amendment are specified hereunder:

- **Amendments to IAS 7 - Cash Flow Statement**

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

- **Amendments to IAS 12 - Income tax**

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

- **Amendments to IFRS 12 Disclosure of Interests in Other Entities**

The amendments clarify that the disclosures required by IFRS 12, other than information envisaged in paragraphs B10-B16, apply to equity investments (or a portion of interests in a joint venture or associate) of an entity in a subsidiary, joint venture or associate, which is classified (or included in a classified disposal group) as available for sale.

STANDARDS ISSUED WHICH ARE NOT YET IN FORCE

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

- **IFRS 9 - Financial Instruments**

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

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

- **IFRS 15 - Revenue from Contracts with Customers**

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

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

The Group will apply the new standard on the mandatory effective date. In 2016, the Group started the preliminary assessment of effects related to IFRS 15, which is still in force. In 2017, this assessment was completed with a more comprehensive analysis, aimed at determining the quantity impact and the first adoption modality of the Standard.

a) Sale of goods

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

b) Rendering of services

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

c) Presentation and required disclosures

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

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

Amendments clarify provisions of IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture. Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No impact is expected on the Group Consolidated Financial Statements.

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

IASB issued the amendments to IFRS 2 Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.
Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are effective for annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted. No impact is expected on the Group Consolidated Financial Statements.

- **IFRS 16 Leases**

IFRS 16 was published in January 2016 and supersedes IAS 17 - Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Lease - Incentives and SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The Standard envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/depreciation of the right-of-use asset.
The lease liability is subsequently remeasured to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in 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 reporting periods beginning on or after 01 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits.
In 2018, the Group expects to define the possible effects of IFRS 16 on its Consolidated Financial Statements.

- **Amendments to IAS 40 – Transfers of Investment Property**

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

2014-2016 annual improvements

These improvements include:

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

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

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

The amendments clarify the following:

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

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

Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

The interpretation specifically concerns the following items:

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

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

USE OF ESTIMATES

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

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

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

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

Taxes

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

Fair value of financial instruments

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

Employee benefits

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

Development costs

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

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

Provisions for risks and charges are based on measurements and estimates relating to historic data and assumptions, which in turn are deemed reasonable and realistic according to the related circumstances.
The recognition process of Group revenues include estimates related to both the extent of revenues, based on the criterion of completion percentage, and the determination of discounts and returns granted to customers, but still unclaimed. Evaluation processes and modalities, as well as the determination of such estimates are based on assumptions that, for their nature, involve the evaluation of Directors.

FINANCIAL RISK MANAGEMENT

Risk factors

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

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

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

Market risk

a) Foreign exchange risk

Datalogic operates in an international environment and is exposed to translation and transaction exchange risk.
Translation risk relates to the conversion into Euro during consolidation of items in the individual financial statements of foreign companies whose functional and presentation currency is not the Euro. The key currencies are the US dollar, the Chinese Renminbi, the Singapore Dollar and the Hungarian Forint.
Transaction risk relates to trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) of Group companies in currencies other than their functional currency. The key currency is the US dollar.

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

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

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

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

b) Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2017, Datalogic had no interest rate swaps in place. On that date, almost all the medium/long-term loans of the Datalogic Group were at fixed rate.

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

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

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

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

Credit risk

The Group is exposed to credit risk, combined with commercial transactions. It therefore envisaged protection measures in order to keep the amounts outstanding to a minimum level, i.e. a specific check on receivables due, management of client credit-line limits and gathering of financial information on companies with higher exposure. A large part of Datalogic's business is conveyed on a network of known clients/distributors, with whom, statistically, no problems connected with credit recoverability have been encountered. Customers requesting deferred conditions of payment are subjected to screening procedures concerning their creditworthiness grade (degree of solvency) and an analysis of the specific deal. If they are significant, trade receivables are subjected to individual impairment testing if they report potential and significant impairment indicators.
No significant impact was reported with the adoption, as from 01 January 2018, of the expected credit loss model envisaged in application of the IFRS 9 standard.

The Group protects itself against credit risk also through the subscription of a factoring contract without recourse. As at 31 December 2017, factored trade accounts receivables amounted to €33,377 thousand (compared to €29,193 thousand at the end of 2016).
The maximum exposure to credit risk on the balance sheet date is the carrying amount of each class of financial asset presented in Note 4.

Liquidity risk

The Datalogic Group's liquidity risk is minimised by specific central management by the Parent Company. Bank indebtedness and the management of liquidity are handled centrally via a series of instruments aimed at optimising the management of financial resources, including cash pooling. The Parent Company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, Datalogic S.p.A., as Parent Company, has cash credit lines available for future requirements to the benefit of the Group. Centralised negotiation of credit lines and loans, on the one hand, and centralised management of the Group's cash resources, on the other hand, it is functional to the optimisation of net indebtedness costs.
We also report that, as at 31 December 2017, the Group's Liquidity Reserve – which includes uncommitted but undrawn credit lines of €319 million – is considered largely sufficient to meet commitments existing as at the reporting date.

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

The following table shows financial liabilities by maturity:

	31 December 2017		
	0 - 1 year	**1 - 5 years**	**> 5 years**
Loans	48,108	184,699	20,957
Other	1,250	750	
Bank overdrafts	92		
Payables to factoring companies	1,663		
Trade and other payables	157,924	3,566	
TOTAL	**209,037**	**189,015**	**20,957**

Changes in liabilities resulting from financial assets

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

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

CAPITAL RISK MANAGEMENT

The Group manages capital with the intention of protecting its own continuity and optimising shareholder value, maintaining an optimum capital structure while reducing its cost.
In line with sector practice, the Group monitors capital based on the gearing ratio. This indicator is calculated as a ratio between (Net Financial Position)/Net Indebtedness (see Note 10) and Total Capital.

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

SEGMENT DISCLOSURE

As shown in the consolidated financial statements as at 31 December 2016, during the year the Group started a strategic plan, which led to define a new business operating structure with a customer-oriented go to market model based on four sectors (Retail, Manufacturing, Transportation & Logistics, Healthcare), thus overcoming the departmental structure (ADC/IA) centred on product diversification. The plans also led to corporate reorganisation, which reflects this new operating model.
Effective on 01 January 2017, the companies related to the ADC (Automatic Data Capture) Division and IA (Industrial Automation) Division therefore merged into the various geographical areas where the Group operates.
In light of the new business operating structure and corporate reorganisation, effective on 01 January 2017, the operating sectors were redefined accordingly and periodically remeasured by the top management, according to provisions set out by IFRS 8, as described hereunder:

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, RFID, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute for higher efficiency and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics and health, along the entire value chain;

- **Solution Net Systems**, specialised in supplying and installing integrated solutions for automated distribution for the postal segment and distribution centres in the Retail sector;

- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

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

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

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

The **balance-sheet information relating to operating sectors** as at 31 December 2017, as redefined in compliance with the Group's new organisational model, compared with the information as at 31 December 2016, is as follows:

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

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

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

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

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

GROUP STRUCTURE

The Consolidated Financial Statements include the financial statements of the Parent Company and of the companies that are directly and/or indirectly controlled by the Parent Company or on which the latter has a significant influence.
The financial statements of subsidiaries were duly adjusted, as necessary, to render them consistent with the accounting criteria of the Parent Company.
The companies included in the scope of consolidation as at 31 December 2017, as disclosed hereunder, were all consolidated on a line-by-line basis.

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

(*) The companies were put into liquidation during 2017

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

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

(*) data as at 31 December 2016

(**) data as at 30 June 2017

Change in scope of consolidation

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

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

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

BUSINESS COMBINATION

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

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

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

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

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

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

Since the acquisition is a business combination, the Group has recognised it using the purchase method, pursuant to the revised IFRS 3.
The ancillary costs borne, although directly attributable to the business combination, pursuant to IFRS 3 revised, were not considered as part of the acquisition cost but fully recognised in the Income Statement.

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

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

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

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

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

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

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

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

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

The increase for this item (€9,801 thousand) is mainly due to the following:
- investments related to purchases of office furniture and machines (€3,671 thousand);
- investments for the building of plants and machinery (€2,431 thousand);
- investments for the building of industrial equipment and moulds (€3,020 thousand).

The decrease in the item "Other assets" relates mainly to the depreciation expense for the period, the impairment of improvements to third-party assets and equipment no longer used and the scrapping of assets that are entirely depreciated and no longer used.
The balance of "Assets in progress and payments on account", equal to €2,150 thousand, consists of €449 thousand for investments related to the enlargement of the plant in Hungary and, for the remaining portion, to down payments for equipment, instruments and moulds for usual production activities.

Note 2. Intangible assets

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

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

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

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

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

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

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

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

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

Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain. It should be noted that the format of the CGU related to Goodwill was reviewed according to the new organisational structure that the Group adopted as from 01

January 2017. In particular, according to the corporate reorganisation, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions were transferred to one single business organisation, on which the corporate business plans are based (Datalogic CGU). The redetermination of CGUs led to no reallocation of Goodwill.
The estimated recoverable value of each CGU, associated with each goodwill item measured, consists of its corresponding value in use.
Value in use is calculated by discounting the future cash flows generated by the CGU – during production and at the time of its retirement – to present value using a certain discount rate, based on the Discounted Cash Flow method.

The cash flows of the individual CGUs have been taken from their respective 2018 Budgets and forward-looking plans prepared by Management. These plans represent the best estimate of foreseeable operating performance, based on business strategies and growth indicators in the sector to which the Group belongs and in its reference markets.
The assumptions used for the purposes of impairment, and the consequent results, were approved by the Board of Directors and the Audit and Risk Management Committee, Remuneration and Appointments Committee of Datalogic S.p.A., as well as by the Board of Directors of each company, for the related Goodwill on 04 February 2018.

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

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

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

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

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

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

In the table below we provide the Goodwill defined according to the new structure of the operating sectors, effective as from 01 January 2017, following the corporate reorganisation described in the Segment

Disclosure, and the breakdown of the growth assumptions made in the forecast plans and the discount rates used:

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

DATALOGIC CGU

Goodwill attributed to CGU Datalogic results from the following acquisitions:

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

The recoverable value of the Datalogic CGU was determined based on the calculation of the value in use, in which projected cash flows, resulting from the plan approved by the Board of Directors, have been used.
The discount rate before taxes applied to projected cash flows is 9.71% (2016: 9.88%%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2016), which is prudentially lower than the growth rate expected in reference markets.
During testing for impairment, goodwill of Datalogic CGU confirmed its book value.

Informatics CGU

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

Sensitivity to changes in assumptions

The calculation of value in use for selected CGUs is related to the following assumptions:
- Gross profit;
- Discount rates;
- Growth rate used to calculate cash flows after the forecast period.

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

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

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

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

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

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

The change in "Development costs" by comparison with 31 December 2016 is attributable to:
- negative change, equal to €2,182 thousand, for amortisation/depreciation for the period,
- negative change, equal to €349 thousand, for translation differences;
- positive change, equal to €2,092 thousand, for the recognition of two projects concluded during 2017 and previously recorded under assets in progress.

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

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

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

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

Note 3. Equity investments in associates

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

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

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

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

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

Note 4. Financial instruments by category

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

	Loans and receivables	Financial assets at fair value 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**

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

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

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

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

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

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

Fair value – hierarchy

All the financial instruments measured at fair value are classified in the three categories defined below:
Level 1: market prices;
Level 2: valuation techniques (based on observable market data);
Level 3: valuation techniques (not based on observable market data).

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

Note 5. Available-for-sale financial assets and Loans

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

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

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

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

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

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

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

Note 6. Financial derivatives

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

Interest rate derivatives

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

Currency derivatives

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

Note 7. Trade and other receivables

Trade and other receivables

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

Trade receivables

"Trade receivables", totalling €83,195 thousand as at 31 December 2017, included €831 thousand resulting from the first consolidation of the company Soredi Touch Systems GmbH.
As at 31 December 2017, factored Trade accounts receivables amounted to €33,377 thousand (compared to €29,193 thousand at the end of 2016).
Trade receivables from affiliates arise from commercial transactions carried out at arm's length conditions.

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

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

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

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

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

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

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

Other receivables - accrued income and prepaid expenses

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

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

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

Note 8. Inventories

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

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

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

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

Note 9. Tax payables and receivables

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

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

Note 10. Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

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

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

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

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

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

The change, compared to 31 December 2016, was mainly due to the payment of dividends, amounting to €17.4 million, to the acquisition of the company Soredi Touch Systems GmbH, occurred on 6 July 2017, which involved a decrease in Net Financial Position of around €8 million and to ordinary investments, net of disinvestments, amounting to €14 million.

INFORMATION ON STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

Note 11. Shareholders' Equity

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

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

Share capital

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

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

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total

01.01.2017	**58,144,262**	**30,392**	**2,813**	**4,120**	**2,821**	**106,145**	**146,291**
Purchase of treasury shares				0	0	0	0
Sale of treasury shares	85,215			795	(795)	795	795
Capital gains/(capital losses) from the sale of treasury shares				1,205			1,205
Costs for the purchase/sale of treasury shares				0		0	0
31.12.2017	**58,229,477**	**30,392**	**2,813**	**6,120**	**2,026**	**106,940**	**148,291**

Extraordinary share-cancellation reserve

The Extraordinary Shareholders' Meeting of Datalogic S.p.A., held on 20 February 2008, approved a reduction of share capital through the cancellation of 5,409,981 treasury shares (equal to 8.472% of the share capital), owned by the Company.
When these shares were cancelled, as resolved by the Extraordinary Shareholders' Meeting, an extraordinary share-cancellation reserve was set aside for the amount of €2,813 thousand, through the use of the share premium reserve. Therefore, this reserve remained classified under item “Share Capital”.

Ordinary shares

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

Treasury shares

The item “Treasury shares”, amounting to €6,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€8,146 thousand). During 2017, the Group sold 85,215 thousand treasury shares, with a value of €2 million for the acquisition of the company Soredi Touch Systems GmbH, with a capital gain of €1,205 thousand.

Other Reserves

Cash-flow hedge reserve

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

Translation reserve

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

Reserve for exchange rate adjustment

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

Actuarial gains/(losses) reserve

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

Retained earnings

IAS reserve

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

Profits/losses of previous years

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

Dividends

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

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

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

Note 12. Financial payables

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

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

The breakdown of this item is as detailed below:

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

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

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

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

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

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

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

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

Currency	31.12.2017	31.12.2016
Euro	253,764	169,501
Total	**253,764**	**169,501**

Covenants

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

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

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

As at 31 December 2017, all covenants were respected.

Financial leases

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

Note 13. Deferred taxes

Deferred tax assets and liabilities result both from temporary differences connected with positive and negative items already recognised and subject to deferred taxation under current tax regulations and from temporary differences between consolidated balance-sheet assets and liabilities and their taxable value.
Deferred tax assets and liabilities were determined by taking account current tax rates for years where it is reasonably deemed that the related temporary differences would occur.

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

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

- an amount of €17,570 thousand related to deferred tax assets due to tax losses available and usable to offset taxable income and taxes paid abroad on income gained there and that can be offset in subsequent years;
- an amount of €13,719 thousand related to temporary differences in charges accounted for on an accrual basis, in compliance with International Accounting Standards and deductible in following years, pursuant to regulations in force, including, but not limited to, allocations for guarantees, incentives to employees, provision for inventories write-downs, etc.;
- an amount of €9,782 thousand related to deferred tax assets due to unrealised exchange rate differences.

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

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

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

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

Note 14. Post-employment benefits

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

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

Note 15. Provisions for risks and charges

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

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

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

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

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

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

The "**Provision for management incentive scheme**" is attributable to the long-term incentive plan for directors and top managers.

The "**Other**" item mainly comprises:

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

Note 16. Trade and other payables

This table shows the details of trade and other payables:

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

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

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

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

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at the reporting date.
“Accrued liabilities and deferred income” are mainly composed of deferred income related to multi-annual maintenance contracts.
The decrease in the item “Other payables” is attributable, in the amount of €505 thousand, to the payment of debt relating to land purchased in December 2016.

INFORMATION ON THE INCOME STATEMENT

Note 17. Revenues

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

In 2017, the consolidated net revenues amounted to €606,022 thousand, an increase of 5.1% compared to €576,482 thousand as at 31 December 2016 (+6% at constant Euro/Dollar exchange rate). Group revenues include the best estimates related to discounts and returns granted to customers and pertaining to the year, but not yet claimed, and amounting to €13,045 thousand.

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

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

(*) EMEA: Europe, Middle East and Africa

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

Note 18. Cost of goods sold and operating costs

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

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

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

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

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

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

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

Total Cost of goods sold (1)

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

Total operating costs (2)

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

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

In particular:

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

- “**Distribution expenses**” amounted to €99,703 thousand and, net of non-recurring costs, increased by €2,245 thousand compared to the same period of the previous year (+€3,121 thousand at constant exchange rates), albeit they are in line with 2016 with respect to their impact on revenues. This increase is due mainly to an increase in personnel costs, which is partially offset by the decrease in costs related to marketing, entertainment, shipment and advisory services.

- “**General and administrative expenses**” amounted to €49,935 thousand. This item, net of non-recurring costs and amortisation resulting from acquisitions, increased by €3,432 thousand compared to the same period of the previous year (up €3,711 thousand at constant exchange rates) but remained in line as regards percentage impact on revenues. This increase is especially due to the increase in payroll & employee benefits, directors’ fees, EDP and telephone expenses, and rentals.

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

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

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

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

Breakdown of costs by type

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

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

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

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

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

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

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

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

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

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

Note 19. Other operating revenues

The detailed breakdown of this item is as follows:

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

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

- the amount of €1,139 thousand is related to the tax credit of companies that perform R&D activities, as envisaged by Art. 3 of the Law Decree no. 145 of 23 December 2013, converted into Law no. 9 of 21 February 2014, as amended by par. 35 of Art. 1 of Law no. 190 of 23 December 2014 (Stability Law 2015), Tax credit for R&D activities;
- the amount of €316 thousand is related to the grant for a project financed by the Emilia Romagna Region.

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

Note 20. Net financial income (expenses)

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

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

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

The "Financial income/(expenses)" item decreased by €1,327 thousand, mainly by reason of the increased gross indebtedness, due to the entering of a new loan agreement with a pool of banks for the amount of €250 million on 13 April 2017 and the redemption, at the same time, of pre-existing loan amounting to €126 million. This transaction permitted to increase the average life of the financial debt and therefore reduce the exposure to variable interest rates as the new contract is at fixed rate.

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

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

Note 21. Taxes

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

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

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

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

Pre-tax profit increased by €8,562 thousand, equal to 12.8% compared to the previous year, while total taxes, recognised in the Income Statement, amounted to €15,374 thousand, with 26.95% decrease compared to the previous year.
The effective impact of total current taxes on the 2017 profit for the year was 20.4% (31.5% in 2016), against the theoretical tax impact which resulted by applying the 24% tax rate envisaged by the Italian legislation for the IRES tax.
Amongst the most significant effects which affected the 2017 effective tax burden, a benefit of €6,975 thousand was reported, due to the non-recurring taxation of dividends, from CFC subsidiaries, occurred in the previous year and managed pursuant to regulations in force and the accounting of a decrease in net deferred tax assets, equal to around €1,455 thousand, following the reduction from 35% to 21% of the tax rate, as envisaged by the tax reform in the United States.
These benefits were partially offset by unfavourable tax effects, equal to €4,323 thousand, due to a different profit distribution among Group companies, in line with business development trends.

Note 22. Earnings/loss per share

Earnings/loss per share

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

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

NOTICE OF AUDITING FIRM'S FEES

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

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

TRANSACTIONS WITH SUBSIDIARIES THAT ARE NOT FULLY CONSOLIDATED, ASSOCIATES AND RELATED PARTIES

For the definition of "Related parties", see both IAS 24, approved by EC Regulation 1725/2003, and the Procedure for Transactions with Related Parties approved by the Board of Directors on 4 November 2010 (most recently amended on 24 July 2015), available on the Company's website www.datalogic.com.
The parent company of the Datalogic Group is Hydra S.p.A.
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 Art. 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2017 - 31/12/2017, the Company's Board of Directors did not approve any relevant transaction, as set out by Art. 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group's equity position or profit/(loss).

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

NUMBER OF EMPLOYEES

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

EVENTS OCCURRING AFTER YEAR END

No significant events are to be reported.

ALLOCATION OF THE YEAR'S EARNINGS

To our Shareholders,

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

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

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

DATALOGIC S.p.A.
STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31/12/2017	31/12/2016
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7+8)		**260.289.940**	**236.188.981**
1) Tangible assets	1	**22.085.545**	**21.480.033**
land	1	2.465.710	2.465.710
buildings	1	15.702.356	15.631.040
other assets	1	3.917.479	3.062.477
assets in progress and payments on account	1		320.806
2) Intangible assets	2	**3.809.429**	**2.771.669**
Goodwill			
Development costs	2		
Other	2	3.809.429	2.771.669
3) Equity investments in affiliates	3	**184.866.858**	**175.148.858**
4) Financial assets	5	**41.016.403**	**35.310.016**
equity investments	5	9.572.215	4.303.493
securities	5		0
other	5	31.444.188	31.006.523
5) Loans to subsidiaries	9	-	-
6) Trade and other receivables	7	**181.251**	**171.973**
7) Deferred tax assets	13	**8.330.453**	**1.306.432**
B) CURRENT ASSETS (9+10+11+12+13+14+15)		**493.207.397**	**399.090.856**
8) Inventories		-	-
raw and ancillary materials and consumables			
work in progress and semi-finished products			
finished products and goods			
9) Commissioned work in progress		-	-
10) Trade and other receivables	7	**34.950.161**	**10.500.365**
trade receivables	7	**28.369.955**	**9.558.568**
within 12 months	7	10.774	22.355
after 12 months			
receivables from affiliates			
receivables from subsidiaries	7	28.359.181	9.536.213
receivables from the parent company	7		
receivables from related parties			
other receivables - accrued income and prepaid expenses	7	**6.580.206**	**941.797**
of which other receivables from subsidiaries	7	256.598	-
11) Tax receivables	8	**1.146.576**	**1.172.666**
of which to the parent company	8		
12) Financial assets	5	-	-
securities	5		
13) Loans to subsidiaries	9	**263.358.273**	**309.195.037**
	9	263.358.273	309.195.037
14) Financial assets - Derivative instruments	6	-	-
15) Cash and cash equivalents	10	**193.752.387**	**78.222.788**
TOTAL ASSETS (A+B)		**753.497.337**	**635.279.837**

DATALOGIC S.p.A.
STATEMENT OF FINANCIAL POSITION

LIABILITIES	Note	31/12/2017	31/12/2016
A) TOTAL SHAREHOLDERS' EQUITY (1+2+3+4+5)	11	**291.639.169**	**291.677.840**
1) Share capital	11	**148.291.261**	**146.291.261**
Share capital	11	30.392.175	30.392.175
Treasury shares	11	6.119.564	4.119.564
Share premium reserve	11	109.754.049	108.958.705
Treasury share reserve	11	2.025.473	2.820.817
2) Reserves	11	**4.835.326**	**549.769**
Employee severance indemnity discounting reserves	11	88.146	88.146
Cash-flow hedge reserve	11	(948.066)	(28.125)
Valuation reserve for financial assets held for sale	11	5.695.246	489.748
3) Retained earnings/losses		**112.921.062**	**92.502.593**
Profits (losses) of previous years	11	73.071.234	37.961.518
Merger surplus reserve of DL Real Estate		203.538	203.538
Capital contribution reserve, not subject to taxation	11	958.347	958.347
Legal reserve	11	6.078.435	6.078.435
Valuation reserve at current value	11		
Temporary reserve for exchange rate adjustment	11	8.981.690	23.672.937
Capital contribution reserve	11	15.204.345	15.204.345
IAS transition reserve	11	8.423.473	8.423.473
4) Profit (loss) for the period/year		**25.591.520**	**52.334.217**
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11)	12	**217.677.370**	**149.233.544**
5) Financial payables	12	**205.664.160**	**138.387.917**
of which to related parties			
6) Financial liabilities - Derivative instruments (*)	6	**-**	**-**
7) Tax payables		**-**	**-**
8) Deferred tax liabilities	13	**9.766.965**	**9.457.480**
9) Post-employment benefits	14	**498.245**	**484.422**
10) Provisions for risks and charges	15	**1.748.000**	**903.725**
11) Other liabilities		**-**	**-**
C) CURRENT LIABILITIES (12+13+14+15+16)		**244.180.799**	**194.368.453**
12) Trade and other payables	16	**10.027.858**	**8.335.747**
trade payables	16	**5.896.589**	**4.570.820**
within 12 months	16	5.237.829	4.030.551
after 12 months			
payables to subsidiaries	16	644.450	247.437
payables to the parent company			105.884
payables to related parties	16	14.310	186.948
other payables - accrued liabilities and deferred income	16	**4.131.269**	**3.764.927**
other payables from subsidiaries		235	298.192
13) Tax payables	17	**1.036.760**	**2.211.291**
of which to the parent company	17	252.762	1.558.707
14) Provisions for risks and charges		**85.854**	**82.854**
15) Financial liabilities - Derivative instruments	6	**-**	**37.007**
16) Short-term financial payables	12	**233.030.327**	**183.701.554**
of which to related parties		183.863.251	153.469.193
TOTAL LIABILITIES (A+B+C)		**753.497.337**	**635.279.837**

DATALOGIC S.p.A.
STATEMENT OF INCOME

	Note	31/12/2017	31/12/2016
1) TOTAL REVENUES	18	26.599.168	24.035.109
Revenues from sale of products	18	-	-
Revenues from services	18	26.599.168	24.035.109
2) Cost of goods sold	19	1.964.645	1.470.216
GROSS PROFIT (1-2)		24.634.523	22.564.893
3) Other operating revenues	20	620.042	645.544
4) R&D expenses	19	403.808	396.276
5) Distribution expenses	19	901.807	1.848.076
of which non-recurring costs		1.600	9.340
6) General and administrative expenses	19	20.947.309	17.181.973
of which non-recurring costs		*392.657*	*710.943*
7) Other operating expenses	19	675.480	-1.057.116
Total operating costs (4+5+6+7)		22.928.404	18.369.209
OPERATING RESULT		2.326.161	4.841.228
8) Financial income	21	34.475.784	53.755.533
9) Financial expenses	21	13.046.558	3.224.197
Net financial income (expenses) (8-9)		21.429.226	50.531.336
PRE-TAX PROFIT/(LOSS)		23.755.387	55.372.564
Taxes	22	(1.836.133)	3.038.347
NET PROFIT/(LOSS) FOR THE PERIOD		25.591.520	52.334.217

DATALOGIC S.p.A.
STATEMENT OF COMPREHENSIVE INCOME

	Note	2017	2016
NET PROFIT/(LOSS) FOR THE PERIOD		**25.591.520**	**52.334.217**
Other components of the statement of comprehensive income:			
Profit/(loss) on cash flow hedges	**11**	(919.941)	63.583
of which tax effect		-	*(20.371)*
Adjustment on exchange rates	**11**	(14.472.470)	3.791.919
of which tax effect		*4.570.254*	*(1.197.448)*
Profit/(loss) on exchange rate adjustments for financial assets available for sale	**11**	5.205.498	(18.002)
of which tax effect		*(63.224)*	*219*
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		(10.186.913)	3.837.500
Total other profit/(loss) net of the tax effect		**(10.186.913)**	**3.837.500**
COMPREHENSIVE NET PROFIT/(LOSS) FOR THE PERIOD		**15.404.607**	**56.171.717**

DATALOGIC S.p.A.
STATEMENT OF CASH FLOW

	Note	2017	2016
Pre-tax profit		23.755.387	55.372.564
Depreciation of tangible assets and amortisation of intangible assets	1 , 2	2.140.546	1.795.407
Capital losses from sale of assets		(2.598)	(4.929)
Capital gains from sale of assets		1.922	404
Change in provisions for risks and charges	15	847.275	(2.158.973)
Change in employee benefits reserve	14	13.823	(42.701)
Net financial income including exchange rate differences	21	(34.477.451)	(53.755.533)
Net financial expenses including exchange rate differences	21	13.048.225	3.224.197
Foreign exchange differences	21	(5.730.483)	3.320.614
Adjustments to value of financial assets/liabilities		(1.696.553)	(229.122)
Cash flow from operations before changes in working capital		**(2.099.907)**	**7.521.928**
Change in trade receivables	7	(18.811.387)	(1.225.352)
Change in other current assets	7	(2.868.409)	10.457
Other medium-/long-term assets	5	(9.278)	99
Change in trade payables	16	1.325.769	1.331.466
Change in other current liabilities	16	366.342	(1.904.147)
Change in tax	13 , 17 , 22	(6.026.844)	885.910
Interest paid and banking expenses	21	1.762.203	3.809.793
Cash flow generated from operations (A)		**(26.361.511)**	**10.430.154**
(Increase)/Decrease in intangible assets	1	(1.976.124)	(994.101)
(Increase)/Decrease in tangible assets	2	(1.806.845)	(890.284)
Change in equity investments	5	(150.000)	-
Acquisition of equity investment and trademark		(5.866.000)	-
Changes generated by investment activity (B)		**(9.798.969)**	**(1.884.385)**
Change in LT/ST financial receivables	9	42.629.099	(40.909.009)
Change in short-term and medium/long-term financial payables	12 , 6	118.568.009	1.795.062
Purchase of treasury shares	11	-	(368.156)
Changes in reserves	11	(14.691.247)	3.837.500
Dividends collected	21	22.627.506	43.400.929
Dividends paid	21, 11	(17.443.288)	(14.542.970)
Cash flow generated (absorbed) by financial activity (C)		**151.690.080**	**(6.786.644)**
Net increase (decrease) in available cash (A+B+C)		**115.529.600**	**1.759.125**
Net cash and cash equivalents at beginning of period	10	78.222.788	76.463.663
Net cash and cash equivalents at end of period	10	193.752.388	78.222.788

DATALOGIC S.p.A.
STATEMENT OF SHAREHOLDERS' EQUITY

Description	Share capital	Treasury shares	Total share capital	Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves	Earnings carried forward	Merger surplus	Capital contribution reserve	Legal reserve	Reserve for exchange rate adjustment	IAS reserve	Total	Profit for the year	Total shareholders' equity
01.01.2016	30.392.175	116.267.243	146.659.418	(91.708)	507.750	88.146	504.188	43.834.858	203.538	958.347	5.916.945	16.442.741	8.423.473	75.779.902	27.473.742	250.417.250
Allocation of earnings			-				-	23.873.975			161.490	3.438.277		27.473.742	(27.473.742)	-
Dividends			-					(14.542.970)						(14.542.970)		(14.542.970)
Increase in share capital			-				-							-		-
Translation reserve			-				-							-		-
Change in IAS reserve			-				-							-		-
Sale/purchase of treasury shares		(368.157)	(368.157)				-							-		(368.157)
Cash flow hedge adjustment			-	63.583			63.583							-		63.583
Severance indemnity provision adjustment			-				-							-		-
Capital contribution reserve			-				-							-		-
Cancellation of treasury shares			-				-							-		-
Other movements			-		(18.002)		(18.002)					3.791.919		3.791.919		3.773.917
Net profit (Loss) as at 31/12/2016			-				-							-	52.334.217	52.334.217
31.12.2016	30.392.175	115.899.086	146.291.261	(28.125)	489.748	88.146	549.769	53.165.863	203.538	958.347	6.078.435	23.672.937	8.423.473	92.502.593	52.334.217	291.677.840

Description	Share capital	Treasury shares	Total share capital	Cash-flow hedge reserve	Valuation reserve for financial assets held for sale	Severance indemnity discounting reserves	Total other reserves	Earnings carried forward	Merger surplus	Capital contribution reserve	Legal reserve	Reserve for exchange rate adjustment	IAS reserve	Total	Profit for the year	Total shareholders' equity
01.01.2017	30.392.175	115.899.086	146.291.261	(28.125)	489.748	88.146	549.769	53.165.863	203.538	958.347	6.078.435	23.672.937	8.423.473	92.502.593	52.334.217	291.677.840
Allocation of earnings			-				-	52.552.994				(218.777)		52.334.217	(52.334.217)	-
Dividends			-					(17.443.278)						(17.443.278)		(17.443.278)
Increase in share capital			-				-							-		-
Translation reserve			-				-							-		-
Change in IAS reserve			-				-							-		-
Sale/purchase of treasury shares		2.000.000	2.000.000				-							-		2.000.000
Cash flow hedge adjustment			-	(919.941)			(919.941)							-		(919.941)
Severance indemnity provision adjustment			-				-							-		-
Capital contribution reserve			-				-							-		-
Cancellation of treasury shares			-				-							-		-
Other movements			-		5.205.498		5.205.498					(14.472.470)		(14.472.470)		(9.266.972)
Net profit (Loss) as at 31/12/2017			-				-							-	25.591.520	25.591.520
31.12.2017	30.392.175	117.899.086	148.291.261	(948.066)	5.695.246	88.146	4.835.326	88.275.579	203.538	958.347	6.078.435	8.981.690	8.423.473	112.921.062	25.591.520	291.639.169

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOREWORD

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

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

These financial statements were prepared by the Board of Directors on 20 March 2018.

PRESENTATION AND CONTENT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES AND STANDARDS APPLIED

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

Property, plant and equipment

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

Some tangible assets in the "Land and buildings" categories, in line with IAS 16 provisions, were measured at fair value (market value) as at 01 January 2004 (IFRS transition date) and this value was used as the deemed cost. Fair Value was calculated based on evaluation expertises performed by independent external consultants. The cost of buildings is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

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

The depreciation rates applied by the Company are as follows:

Asset category	Annual depreciation rates
Property:	
Buildings	2% - 3.3%
Land	0%
Plant and equipment:	

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

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

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

Assets held under finance lease contracts

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

Intangible assets

Intangible assets are recognised under assets in the Statement of Financial Position when it is likely that use of the asset will generate future economic benefits and when the asset’s costs can be reliably calculated. They are initially recognised at the value of contribution or at acquisition or production cost, inclusive of any ancillary costs.
Gains and losses on disposals are calculated by comparing the selling price with net carrying value. The amount thus determined is recognised in the Income Statement.

Other intangible assets

Other intangible assets consist of:
- trademark;
- purchased software under license of use;
- license agreement.

Amortisation

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

The useful life for each category is detailed below:

DESCRIPTION	Useful Life - years
Trademark	Indefinite useful life
Other intangible assets:	
- Software licences (other than SAP licences)	3/5
- SAP licences	10
- User licences	Contract duration

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

Impairment

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

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

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

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

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

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

Financial assets and liabilities

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

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:
• in the main market of the asset or liability; or
• when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Company. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.
The Company uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

- Level 1 - listed prices (not adjusted) in active markets for identical assets or liabilities the entity of which is identifiable at the measurement date;
- Level 2 - input data other than listed prices included in Level 1 which can be observed, either directly or indirectly for the asset or liability to be measured;
- Level 3 - the valuation techniques for which input data cannot be observed for the asset or liability to be measured.

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

Financial instruments

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

Financial assets

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

- **Financial assets at fair value with contra entry in the income statement**: these are financial assets acquired primarily with the intention of making a profit from short-term price fluctuations and designated as such from the outset; they are recognised at fair value and any changes during the period are recognised in the Income Statement.

- **Loans and receivables:** they are financial assets other than derivatives with a fixed or calculable payment flow and which are not listed in an active market. They are recognised according to the amortised cost criterion using the effective interest rate method, less impairment. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the Income Statement. Write downs arising from impairment are recognised as financial expenses in the Income Statement. This category usually includes trade receivables and other receivables. As regards the financial assets accounted for at amortised cost, the Company has initially assessed whether there was an impairment on each significant financial asset, and collectively on financial assets of irrelevant amount. The carrying value of assets is reduced through the accounting of a provision for write-downs and the amount of the loss is recognised in the Income Statement. The loans and related provisions for write-downs are reversed when the possibility of a future recovery is not realistic and guarantees have been put in place or transferred to the Company. If, in a subsequent year, the amount of estimated impairment increases or decreases due to an event occurred after the recognition of the impairment, the latter will be increased or reduced through an adjustment of the provision. They are recognised under “Current assets” item, except for the portion with a maturity term after 12 months that is stated under Non-current assets.

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

Financial assets are derecognised from the financial statements when the right to receive cash no longer exists, the Company has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.
In the cases in which the Company has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.
Equity investments in other companies are measured at fair value. When the fair value cannot be reliably determined, equity investments are measured at cost, adjusted for impairment.

Financial liabilities
Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the Income Statement, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value, added to which - as in the case of mortgages, loans and payables - transaction costs directly attributable to them. The Company’s financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts, guarantees granted and derivative financial instruments.
Loans and payables (the most significant category for the Company) are measured with the amortised cost criterion using the effective interest rate method. Profits and losses are booked in the Income Statement

when the liability is settled, as well as through the amortisation process.
The amortised cost is calculated by recognising the rebates or premiums on the purchase and the fees or costs that are an integral part of the effective interest rate. Amortisation at the actual interest rate is included amongst financial expenses in the Income Statement.
Financial guarantees given are agreements envisaging a payment to repay the owner of a debt security against a loss incurred due to a non-payment by the debtor at the contract maturity term. If the financial guarantees are issued by the Company, they are initially recognised as liabilities at fair value, added by transaction costs that are directly attributable to the issue of the guarantee itself. The liability is then measured at the higher between the best estimated disbursement, required to fulfil the guaranteed obligation at the reporting date, and the initially recognised amount, less accumulated amortisation.
A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled. If an existing financial liability is replaced by another one from the same lender, under conditions that are essentially different, or if the terms and conditions of an existing liability are essentially amended, this change or amendment will be treated as a reversal of the original liability or the recognition of a new liability, with recognition in the Income Statement of any differences involving the carrying values.

Offsetting financial instruments

A financial asset and liability can be offset and the net balance can be shown on the Statement of Financial Position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.
Loans, payables and other financial and/or liabilities, with fixed or calculable maturity term, are initially recognised at their fair value, less debt issuance costs. The measurement criterion after initial recognition is the amortised cost criterion using the effective interest rate.
Long-term payables, for which an interest rate is not provided, are accounted for through the discounting of future cash flows at market rate if the increase of payables is due to the elapse of time, with following recognition of interest in the Income Statement, under item “Net financial income (charges)”. A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled.

Financial derivatives

Derivative instruments, including embedded derivatives, object matter of a separate agreement, are initially recognised at fair value.
Derivatives are classified as hedging instruments when the relation between derivatives and the object matter of the hedging is formally documented and the effectiveness of the hedging, which is periodically checked, is high.
When the hedging derivatives hedge the risk of changes in fair value of the hedged instruments, they are recognised at fair value, and the effects are charged to the Income Statement. Accordingly, the hedged instruments are adjusted to reflect the changes in fair value, associated to the hedged risk.
In the event of cash flow hedges, the derivatives are designated as a hedge for exposure to variable of cash flows attributable to risks that might subsequently affect the Income Statement. These risks are generally associated with an asset or liability recognised in the Financial Statements (as future payments on variable rate payables).
The effective portion of fair value change, related to the portion of derivative contracts designated as hedge derivatives pursuant to IAS 39, is recognised as component of the Statement of Comprehensive Income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the Income Statement.
The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid

IAS 39, is instead recognised directly in the Income Statement.

Equity investments in affiliates

Equity investments in subsidiaries, included in the financial statements, are disclosed based on IAS 27, by using the cost method, net of impairments.

Equity investments in associates

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

Other equity investments

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

Trade receivables

Trade receivables are amounts due from customers following the sale of products and services. Receivables are initially recognised at fair value and subsequently at amortised cost – using the effective interest rate method – net of related impairment losses. Short term payables are not discounted, since the effect of discounting the cash flows is not significant.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank and post office deposits, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.
Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the cash flow statement.

Shareholders' Equity

Share capital consists of the ordinary shares outstanding, which are posted at par value. Costs relating to the issue of new shares or options are classified in equity (net of associated tax benefit relating to them) as a deduction from the proceeds of the issuance of such instruments.

Treasury shares

In the case of buyback of treasury shares, the price paid, inclusive of any directly attributable accessory costs, is deducted from the Company's Shareholders' Equity until such shares are cancelled, re-issued, or sold. When treasury shares are resold or re-issued, the proceeds, net of any directly attributable accessory costs and related tax effect, are posted as Shareholders' Equity.
Consequently, no profit or loss is entered in the Company's Income Statement at the time of purchase, sale or cancellation of treasury shares.

Liabilities for employee benefits

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

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

Defined-contribution plans

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

Defined-benefit plans and other long-term benefits

Defined-benefit plans are programmes of post-employment benefits that represent a future obligation for the Company. The entity bears actuarial and investment risks related to the scheme.
The Company uses the projected unit credit method to determine the current value of liabilities of the scheme and the cost of services.
This actuarial calculation method requires the use of objective actuarial hypotheses, compatible and based on demographic variables (mortality rates, personnel turnover) and financial variables (discount rate, future increases of salaries and wages and benefits). When a defined-benefit plan is entirely or partially financed by contributions paid to a fund, legally separate from the company, or to an insurance company, the assets in support of the above scheme are measured at fair value. The amount of the obligation is therefore accounted for, less the fair value of assets in support of the scheme that the entity would pay to settle the obligation itself.
The revaluations, including actuarial profits and losses, the changes in the maximum threshold of assets (excluding net interest) and the yield of assets in support of the scheme (excluding net interests), are recognised immediately in the Statement of Financial Position, while debiting or crediting retained earnings through other components in the Statement of Comprehensive Income in the year in which they occur. Revaluations are not reclassified in the Income Statement in subsequent years. The other long-term benefits are intended for employees and differ from post-employment benefits. The accounting is similar to defined-benefit plans.

Provisions for risks and charges

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

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

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

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time. When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as finance expense.
The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. When the Company deems that an allocation to the provisions for risks and charges will be partly or fully redeemed, e.g in the event of risks covered by insurance policies, the indemnity is recognised separately in the Assets if, and only if, it is certain. In this case, the cost of any allocation is disclosed in the Income Statement, less the amount recognised as indemnity. The provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the period in which the change occurred.

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

Income taxes

Income taxes include current and deferred taxes. Income taxes are generally recognised in the income statement, except when they relate to items entered directly in equity, in which case the tax effect is recognised directly in equity.
Current income taxes are calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to taxes related to prior periods.

Deferred taxes are calculated using the liability method applied to temporary differences between the amount of assets and liabilities in the Company's Financial Statements and the corresponding amounts recognised for tax purposes, except as follows:

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

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

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

temporary differences will be reversed in the foreseeable future and that there are adequate taxable profits against which the temporary differences can be used.

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

Deferred tax assets are recognised only if it is probable that sufficient taxable income will be generated in subsequent years to realise them. The carrying amount of the deferred tax assets is reviewed every year end and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets that are not recognised, are reviewed at every reporting date and are recognised to the extent it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.
The Parent Company Datalogic S.p.A. and numerous Italian subsidiaries fall within the scope of the "domestic tax consolidation" of Hydra S.p.A. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income for the Company or a single tax loss carried forward, as the algebraic sum of the income and/or losses, and therefore files a single tax liability or credit with the Tax Authorities.

Trade and other payables

Trade and other payables are measured at cost, which represents their discharge value.
Short-term payables are not discounted, since the effect of discounting the cash flows is not significant.

Government grants

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

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

Revenue recognition

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

Rendering of services

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

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

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

- dividends, when the right is established to receive dividend payment (with a receivable recognised in the statement of financial position when distribution is resolved);

- interest, with application of the effective interest rate method (IAS 39);
- royalties, on an accrual basis in accordance with the underlying contractual agreement.

Dividends paid out

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

Earnings per share

Basic

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

Diluted

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

Rental and operating lease costs

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

Treatment of foreign currency items

Transactions and balances

Foreign currency transactions are initially converted to euro at the exchange rate existing on the transaction date. At the reporting date, foreign-currency monetary assets and liabilities are converted at the exchange rate in force on that date.

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

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

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

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Accounting standards, amendments and interpretations applied as at 01 January 2017

The accounting standards adopted for preparation of the financial statements are consistent with those used for the preparation of the financial statements as at 31 December 2016. The Company adopted for the first

time some accounting standards and amendments that are applied for annual periods beginning on or after 01 January 2017. The Company has not yet adopted any standard, interpretation or amendment that has been published, but is not yet effective.
The nature and impact of any new principle/amendment are specified hereunder. Albeit these new standards and amendments were applied for the first time in 2017, they had no significant impact on the Company financial statements. The nature and impact of any new principle/amendment are specified hereunder:

- **Amendments to IAS 7 - Cash Flow Statement**

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

- **Amendments to IAS 12 - Income taxes**

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

- **Amendments to IFRS 12 - Disclosure of Interests in Other Entities**

The amendments clarify that the disclosures required by IFRS 12, other than information envisaged in paragraphs B10-B16, apply to equity investments (or a portion of interests in a joint venture or associate) of an entity in a subsidiary, joint venture or associate, which is classified (or included in a classified disposal group) as available for sale.

STANDARDS ISSUED WHICH ARE NOT YET IN FORCE

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

- **IFRS 9 - Financial Instruments**

In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 "Financial Instruments: Measurement and recognition and all previous versions of IFRS 9. IFRS 9 includes all the three aspects related to the accounting of financial instruments; classification and measurement, impairment and hedge accounting. IFRS 9 is effective to annual periods beginning on or after 1 January 2018. Early application is permitted. Except for hedge accounting, the standard shall be applied retrospectively, although the supply of comparative information is not mandatory. As regards hedge accounting, the standard generally applies prospectively, with a few exceptions.
No significant impact is expected on the Company Statement of Financial Position and Shareholders' Equity.

- **IFRS 15 - Revenue from Contracts with Customers**

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

The new principle will supersede all current requirements included in IFRS on recognition of revenues. The standard is effective for annual periods beginning on or after 01 January 2018, with fully retrospective or modified application. Early application is permitted.
The Company will apply the new standard on the mandatory effective date. In 2016, the Company started the preliminary assessment of effects related to IFRS 15, which is still in force. In 2017, this assessment was completed with a more comprehensive analysis, aimed at determining the quantity impact and the first adoption modality of the Standard.

(a) Rendering of services

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

(b) Presentation and required disclosures

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

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

Amendments clarify provisions of IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture. Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No impact is expected on the Company’s Financial Statements.

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

IASB issued the amendments to IFRS 2 Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.
Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are effective for annual periods beginning on or after 01 January 2018. Earlier application is permitted. No impact is expected on the Company’s Financial Statements.

- **IFRS 16 Leases**

IFRS 16 was published in January 2016 and supersedes IAS 17 - Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Lease - Incentives and SIC-27 - Evaluating the

Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The standard envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/depreciation of the right-of-use asset.
The lease liability is subsequently remeasured to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in future lease payments due to changes in an index or a rate used to calculate those payments). The lessee will generally recognise the amount of the lease liability remeasurement as an adjustment of the right-of-use asset. Accounting envisaged by IFRS 16 for lessors remains substantially unchanged compared to the current accounting method as per IAS 17. Lessors shall continue to classify all leases by using the same 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 or after 01 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits.
In 2018, the Company expects to define the possible effects of IFRS 16 on its financial statements.

- **Amendments to IAS 40 – Transfers of Investment Property**

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

2014-2016 annual improvements

These improvements include:

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

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

- **IAS 28 Equity investments in associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify the following:

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

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

- **Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts**

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

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

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

i) At the beginning of the year in which the entity applies the interpretation for the first time.

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

The interpretation is effective for annual reporting periods beginning on or after 01 January 2018. Earlier application is permitted, of which disclosure is required. Therefore, given the fact that the current accounting policy of the Company is aligned with the interpretation, the Company does not expect any effect on its Financial Statements.

- **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

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

The interpretation specifically concerns the following items:

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

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

USE OF ESTIMATES

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

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

Impairment of non financial assets (Tangible and Intangible Assets)

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

Taxes

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

Fair value of financial instruments

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

Employee benefits

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

Other (Provisions for risks and charges, doubtful accounts)

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

FINANCIAL RISK MANAGEMENT

Risk factors

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

- **market risk**, specifically:
    a) foreign exchange risk, relating to operations in currency areas other than that of the functional currency;
    b) interest rate risk, connected with the Company's level of exposure to financial instruments, generating interest and recognised in the Statement of Financial Position;

- **credit risk**, deriving from trade transactions or from financing activities;
- **liquidity risk**, relating to availability of financial resources and access to the credit market.

The Company is not exposed to any price risk, as it does not hold significant quantities of listed securities in its portfolio, nor is it otherwise exposed to the risk deriving from the trend of commodities traded on the financial markets.
The Company specifically monitors each of the aforementioned financial risks, taking prompt action in order to minimise such risk. The Company uses derivative contracts relating to underlying financial assets or liabilities or future transactions. The Central Treasury Department operates directly on the market on behalf of subsidiary and investee companies. The management of the market and liquidity risks therefore takes place within the Company and specifically the Central Treasury Department, while credit risks are managed by the Company's operating units. The sensitivity analysis is subsequently used to indicate the potential impact on the final results deriving from hypothetical fluctuations in the reference parameters. As provided for by IFRS7, the analyses are based on simplified scenarios applied to the final figures and, owing to their nature, they cannot be considered indicative of the actual effects of future changes.

Market risk

Foreign exchange risk

Datalogic operates internationally and is exposed to the risk associated with a variety of currencies.
Transaction risk mainly relates to financial transactions (foreign currency borrowings or loans) to/from subsidiaries in currencies other than their functional currency.
The key currency is the US dollar (USD).
To permit full understanding of the foreign exchange risk on the Company's financial statements, we have analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the exchange rate changes considered reasonably possible, with all other variables remaining equal.

The following tables show the results of this sensitivity analysis (Euro/000):

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

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1.00%	-5.00%	-10.00%
Exchange rates		**1.1993**	**1.3192**	**1.2593**	**1.2113**	**1.1873**	**1.1393**	**1.0794**
Financial assets								
Cash and cash equivalents	193,752	21,786	(1,981)	(1,037)	(216)	220	1,147	2,421
Trade and other receivables	35,131	821	(74)	(39)	(8)	9	44	92
Loans	264,497	28,862	(2,624)	(1,374)	(286)	292	1,519	3,207
Loans (netting)	(1,139)	(742)	67	35	7	(7)	(39)	(82)
Total Loans	263,358							
			(4,612)	*(2,415)*	*(503)*	*514*	*2,671*	*5,638*
Financial liabilities								
Loans	254,831							
Loans (netting)	194,752	38,355	3,487	1,827	380	(387)	(2,019)	(4,262)
Loans (netting)	(10,888)	(10,888)	(990)	(518)	(108)	110	573	1,210
Total Loans	438,695							
Trade and other payables	10,028	140	12	6	-	(2)	(8)	(17)
			2,509	*1,315*	*272*	*(279)*	*(1,454)*	*(3,069)*
Pre-tax impact on income statement, net			**(2,103)**	**(1,100)**	**(231)**	**235**	**1,217**	**2,569**

Items exposed to exchange rate risk with impact on Equity

As at 31 December 2017, the Company held the following items exposed to exchange rate risk, with impact on Equity:

USD	Carrying value	Portion exposed to exchange rate risk	+ 10%	+ 5%	+ 1%	-1%	-5%	-10%
Exchange rates		**1.1993**	**1.3192**	**1.2593**	**1.2113**	**1.1873**	**1.1393**	**1.0794**
Financial assets								
Loans	263,358	138,632	(12,603)	(6,601)	(1,372)	1,400	7,297	15,404
			(12,603)	(6,601)	(1,372)	1,400	7,297	15,404
Financial liabilities								
Loans	438,694							
Net impact at Equity			(12,603)	(6,601)	(1,372)	1,400	7,297	15,404

Interest rate risk

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

With regard to medium/long-term loans, as at 31 December 2017, Datalogic had no interest rate swaps in place. On that date, almost all the medium/long-term loans of the Company were at fixed rate.

Bank borrowings, mortgages and other short-/long-term loans	Amount	%
Fixed rate	252,831,236	99%
Other	2,000,000	1%
Total	**254,831,236**	**100%**

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

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

Euribor	carrying value	of which exposed to exchange rate risk	20bp	-20bp
Financial assets				
Cash and cash equivalents	193,752	171,960	344	(344)
Loans (netting)	264,497	87,693	175	(175)
Loans (netting)	(1,139)	(397)	(1)	1
Loans	263,358	-	518	(518)
Financial liabilities				
Loans	254,831	-	-	-
Loans (netting)	194,752	155,798	(312)	312
Loans (netting)	(10,888)	-	-	-
Loans	438,695	-	(312)	312
Total increases (decreases)			**206**	**(206)**

USD Libor	carrying value	of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	193,752	21,786	22	(22)
Loans (netting)	264,497	10,888	11	(11)
Loans (netting)	(1,139)	(742)	(1)	1
Total Loans	263,358		32	(32)
Financial liabilities				
Loans	254,831	-	-	-
Loans (netting)	194,752	38,388	(38)	38
Loans (netting)	(10,888)	(10,888)	11	(11)
Loans	449,583	-	(27)	27
Total increases (decreases)			**5**	**(5)**

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

Euribor	carrying value	of which exposed to exchange rate risk	20bp	-20bp
Loans	263,358	9,310	19	(19)

Credit risk

Datalogic S.p.A, having no direct relations with customers but only with associates, was not in fact exposed to this risk.

Liquidity risk

The Company's liquidity risk is minimised by careful management by the Central Treasury Department. Bank indebtedness and the management of liquidity are handled via a series of instruments used to optimise the management of financial resources. Firstly, there are automatic mechanisms such as cash pooling (subsidiaries are in the process of being integrated into existing arrangements) with consequently easier maintenance of levels of availability. The Central Treasury manages and negotiates medium/long-term financing and credit lines to meet the Company's requirements. Specifically, following the company restructuring described above, each division's subholding companies have operating lines for short-term requirements (revolving credit lines and on the receivables book) while Datalogic SpA, as the Parent Company, has cash credit lines for future requirements in favour of the Company. Centralised negotiation of credit lines and loans on the one hand and centralised management of the Company's cash resources on the other have made it possible to reduce the costs of short-term indebtedness and increase interest income. The Company mainly operates with major historic banks, including some international institutions, which have provided important support on foreign investments.
The following table details the financial liabilities and derivative financial liabilities settled on a net basis by the Company, grouping them according to residual contractual maturity as at the reporting date. The amounts shown are contractual cash flows not discounted to present value.

The following table analyses liabilities by maturity as at 31 December 2017 and 31 December 2016:

As at 31 December 2017			
	0 - 1 year	**1 - 5 years**	**> 5 years**
Bank loans and mortgages	47,917,076	184,080,827	20,833,333
Other	1,250,000	750,000	
Trade and other payables	10,027,858	0	
Loans by Group Companies	183,863,251	0	
Total	**243,058,185**	**184,830,827**	**20,833,333**

As at 31 December 2016			
	0 - 1 year	**1 - 5 years**	**> 5 years**
Bank loans and mortgages	29,990,778	138,387,917	-
Payables for leasing	241,583	-	-
Financial derivatives (IRS)	37,007	-	-
Trade and other payables	8,335,747	-	-
Loans by Group Companies	153,469,193	-	-
Total	**192,074,308**	**138,387,917**	**0**

Changes in liabilities resulting from financial assets

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

Changes in Liabilities resulting from financial assets	01.01.2017	Cash Flows	Change in Business Combination	New contracts	31.12.2017
Bank loans - current portion	29,990,779	(29,990,779)	-	47,917,076	47,917,076
Bank loans - non-current portion	138,387,917	(138,387,917)	-	204,914,160	204,914,160
Loans by Group/cash pooling netting - current portion	153,469,193	30,394,058	-	-	183,863,251
Lease payables - current portion	241,583	(241,583)	-	-	-
Other financial payables - current portion	-		1,250,000	-	1,250,000
Other financial payables - non-current portion	-		750,000	-	750,000
Total liabilities resulting from financial assets	**322,089,471**	**(138,226,220)**	**2,000,000**	**252,831,236**	**438,694,486**

INFORMATION ON STATEMENT OF FINANCIAL POSITION - ASSETS

Note 1. Tangible assets

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

	31.12.2017	31.12.2016	*Change*
Land	2,465,710	2,465,710	-
Buildings	15,702,356	15,631,040	*71,316*
Other assets	3,917,479	3,062,477	855,002
Assets in progress and payments on account	-	320,806	*(320,806)*
Total	**22,085,545**	**21,480,033**	**605,512**

Changes taking place in the period are as follows:

	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	2,465,710	17,780,669	10,370,242	320806	30,937,427
Accumulated depreciation	-	(2,149,629)	(7,307,765)	-	(9,457,394)
Net initial value at 01.01.2017	**2,465,710**	**15,631,040**	**3,062,477**	**320,806**	**21,480,033**
Increases 31.12.2017					
Investments	-	108,563	1,703,565	-	1,812,128
Reclassifications	-			-	-
Transfers	-	192,175	128,631	-	320,806
Depreciation reversal	-	-	162,378	-	162,378
total	-	*300,738*	*1,994,574*	-	*2,295,312*
Decreases 31.12.2017					
Disposals	-	-	(166,812)	-	(166,812)
Reclassifications	-	-	0	-	-
Transfers	-	-	0	(320,806)	(320,806)
Depreciation	-	(229,422)	(972,760)	0	(1,202,182)
total	-	*(229,422)*	*(1,139,572)*	*(320,806)*	*(1,689,800)*
Historical cost	2,465,710	18,081,407	12,035,626	0	32,582,743
Accumulated depreciation	-	(2,379,051)	(8,118,147)	-	(10,497,198)
Net closing value at 31.12.2017	**2,465,710**	**15,702,356**	***3,917,479***	**0**	**22,085,545**

The “Buildings” item increased by €108,563 for the completion of building works in the owned property.

The increase for the year of €1,703,565 thousand in the “Other assets” item primarily breaks down as follows:

- €1,484,709 for the purchase of a new hardware and, in particular, €1,019,388 for the new telephone system;
- €155,167 for the purchase of new furniture and fittings;

- €63,689 for new electrical, hydraulic and air-conditioning systems for the new buildings

Note 2. Intangible assets

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

	31.12.2017	31.12.2016	*Change*
Other	3,809,429	2,771,669	1,037,760
Total	**3,809,429**	**2,771,669**	**1,037,760**

Changes taking place in the period are as follows:

	Other	Total
Historical cost	10,255,912	10,255,912
(Accumulated amortisation)	(7,484,243)	(7,484,243)
Opening value as at 01.01.2017	**2,771,669**	**2,771,669**
Increases 31.12.2017		
Investments	1,992,107	1,992,107
Reclassifications	-	-
Amortisation reversal	5,328	5,328
Total	**1,997,435**	**1,997,435**
Decreases 31.12.2017		
Disposals	(21,311)	(21,311)
Reclassifications	-	-
Amortisation	(938,364)	(938,364)
Total	**(959,675)**	**(959,675)**
Historical cost	12,226,708	12,226,708
Accumulated amortisation	(8,417,279)	(8,417,279)
Net closing value at 31.12.2017	**3,809,429**	**3,809,429**

The increase for the year of €1,992,107 the item “Others" relates to:

- €1,014,132 for software and primarily:
    a. €58,765, software for videoconference system;
    b. €201.207, software for customer service solutions;
    c. €75,000, software for the management of printers;
    d. €99,020 for software for IT infrastructures;
    e. €68,823, software for the management of human resources.
- €258,821 for implementations of SAP managing software;
- €432,000 for the acquisition of a new Trademark;
- €287,154 for intangible assets in progress.

Note 3. Equity investments

Equity investments held by the Company as at 31 December 2017 were as follows:

	Balance as at 31.12.2016	Increases	Decreases	Change	Balance as at 31.12.2017
Subsidiaries	174,598,858	9,568,000	-	9,568,000	184,166,858
Associates	550,000	150,000	-	-	700,000
Total Associates	**175,148,858**	**9,718,000**	**0**	**9,568,000**	**184,866,858**

On 6 July 2017, Datalogic S.p.A. acquired 100% share capital of the company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals, with registered office in Olching (Munich - Germany). The maximum total investment of the Group for the acquisition of Soredi Touch Systems GmbH, amounted to €9.6 million including the acquired net financial position and the best estimate of earn-outs depending on the achievement of sales and profitability targets to be paid over the next few years. At closing, Datalogic S.p.A. paid €5.6 million cash and €2 million treasury shares (equal to 85,215 shares). Datalogic will make the residual payment, equal to €2 million, within 2021.

The increase of related equity investments refers to the purchase, occurred on 15 November 2017, of 20% of the company R4I (acronym of Research for Innovation), an innovative SME in Benevento (Italy), specialised in the development of solutions based on the RFIS (Radiofrequency Identification) technology.

For a comparison between the carrying value and the corresponding value recognised in the Shareholders' Equity of investees as at 31 December 2017, reference is made to Annex 1. Negative differentials disclosed herein are not considered as impairment losses. No adjustment was therefore carried out on the amount recognised in the Assets.

Note 4. Financial instruments by category

The financial statement items coming within the scope of "financial instruments" as defined by IAS/IFRSs are as follows:

31.12.2017	Loans and receivables	Financial assets at fair value charged to the income statement	Available for sale	Total
Non-current financial assets	**181,251**	**31,444,188**	**9,572,215**	**41,197,654**
Financial assets - Equity investments (5)	-	-	9,572,215	9,572,215
Financial assets - Other	-	31,444,188	-	31,444,188
Other receivables (7)	181,251	-	-	181,251
Current financial assets	**199,040,265**	**-**	**-**	**199,040,265**
Trade receivables from third parties (7)	10,774	-	-	10,774
Other receivables from third parties (7)	5,277,104	-	-	5,277,104
Cash and cash equivalents (10)	193,752,387	-	-	193,752,387
TOTAL	**199,221,516**	**31,444,188**	**9,572,215**	**240,237,919**

31.12.2017	Other financial liabilities	Total
Non-current financial liabilities	**205,664,160**	**205,664,160**
Financial payables (12)	205,664,160	205,664,160
Financial liabilities - Derivative instruments (6)	-	-
Other payables (16)	-	-
Current financial liabilities	**58,084,637**	**58,084,637**
Trade payables to third parties (16)	5,237,829	5,237,829
Other payables (16)	3,679,732	3,679,732
Financial liabilities - Derivative instruments (6)	-	-
Short-term financial payables (12)	49,167,076	49,167,076
TOTAL	**263,748,797**	**263,748,797**

Fair value – hierarchy

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

Level 1: market prices,

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

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

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	9,495,486	-	76,729	9,572,215
Financial assets - Other LTs (5)	9,963,913	21,480,275	-	31,444,188
Total Assets measured at fair value	**19,459,399**	**21,480,275**	**76,729**	**41,016,403**
Total Liabilities measured at fair value	**-**	**-**	**-**	**-**

There are no transferrals among the hierarchical levels of fair-value compared to 31 December 2016 and in the comparison period. There have also been no changes in the allocation of the financial instruments that resulted in a differing classification for them.

Note 5. Financial assets

The financial assets include the following items:

	31/12/2017	31/12/2016	Change
Other financial assets	**31,444,188**	**31,006,523**	**437,665**
Other financial assets	31,444,188	31,006,523	437,665
Other equity investments	**9,572,215**	**4,303,493**	**5,268,722**
Total	**41,016,403**	**35,310,016**	**5,706,387**

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

Other equity investments

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

	31.12.2016	Adjustment on exchange rates	Adj. to fair value	31.12.2017
Unlisted equity investments	76,729	-	-	76,729
Listed equity investments	4,226,764	(893,376)	6,162,098	9,495,486
Total Equity investments	**4,303,493**	**(893,376)**	**6,162,098**	**9,572,215**

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

Note 6. Derivatives

	31.12.2017		31.12.2016	
Interest rate derivatives - €/000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - (on loans in euro)	-	-	-	37,007
Interest rate swaps - (on loans in USD)	-	-	-	
Total	**-**	**-**	**-**	**37,007**

Interest rate derivatives

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

Currency derivatives

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

Note 7. Trade and other receivables

Trade and other receivables

	31.12.2017	31.12.2016	*Change*
Trade receivables within 12 months	10,774	22,355	(11,581)
Trade receivables after 12 months	-	-	-
Receivables from subsidiaries	28,359,181	9,536,213	18,822,968
Trade receivables	**28,369,955**	**9,558,568**	**18,811,387**
Other receivables - accrued income and prepaid expenses	6,761,457	1,113,770	5,647,687
Other receivables from subsidiaries	-	-	-
Other receivables - accrued income and prepaid expenses	**6,761,457**	**1,113,770**	**5,647,687**
Trade and other receivables	**35,131,412**	**10,672,338**	**24,459,074**

"Trade receivables" of €28,359,181 thousand mainly refer to trade receivables relating to royalties for the use of the trademark and services provided by the Company as stipulated in contracts between the parties. The change is due to the different invoicing timing for services rendered to subsidiaries.
As at 31 December 2017 the breakdown of the item by due date is as follows:

	2017	2016
Not yet due	27,789,215	8,601,840
Past due by 30 days	6,667	(135,136)
Past due by 30 - 60 days	19,209	214,189
Past due by more than 60 days	554,864	877,675
Total	**28,369,955**	**9,558,568**

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

Currency	2017	2016
EURO	27,749,705	8,606,070
US Dollar (USD)	601,103	929,763
British Pound Sterling (GBP)	13,378	13,863
Australian Dollar (AUD)	5,770	8,872
TOTAL	**28,369,955**	**9,558,568**

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

	31.12.2017	31.12.2016	*Change*
Advances paid to suppliers	194,895	273,089	(78,194)
Other social security receivables	12,530	2,630	9,900
Other	35,499	125,059	(89,560)
Guarantee deposits	25,398	16,120	9,278
Accrued income and prepaid expenses	1,046,504	282,281	764,223
VAT tax receivables	5,190,033	414,591	4,775,442
Payables for consolidated VAT	(2,716,703)	-	(2,716,703)
Sundry receivables from subsidiaries	2,973,301	-	2,973,301
Total	**6,761,457**	**1,113,770**	**5,647,687**

The "Accrued income and prepaid expenses" item concerns costs pertaining to 2018, mainly referred to hardware/software maintenance and assistance
fees and costs for software licenses.

The VAT receivables as at 31 December 2017 increased due to the different periodical invoicing of services rendered to subsidiaries.
The increase in the "Sundry receivables from subsidiaries" item is due primarily to dividends to be received from the subsidiary Datalogic Srl.

Note 8. Tax receivables

	31/12/2017	31/12/2016	Change
Receivables from parent company	-	-	-
Tax receivables	1,146,576	1,172,666	(26,090)
Short-term tax receivables	**1,146,576**	**1,172,666**	**(26,090)**

“Tax receivables”, totalling €1,146,576, are broken down as follows:

- €860,807 relate to receivables for withholding taxes abroad;
- €265,390 receivables related to payments on account for IRAP tax;
- €20,380 receivables for withholding tax on bank interest income.

Note 9. Loans to subsidiaries

	31/12/2017	31/12/2016	Change
Non-current loans to subsidiaries	-	-	-
Current loans to subsidiaries	263,358,273	309,195,037	(45,836,764)
Total	**263,358,273**	**309,195,037**	**(45,836,764)**

“Loans to subsidiaries” breaks down as follows:

	31/12/2017	31/12/2016	Amount in foreign currency
Loans			
Datalogic USA Inc	121,747,275	138,517,700	USD 146,011,507
Datalogic Srl	16,884,850	19,210,701	USD 20,250,000
Datalogic Hungary Kft	9,310,000	9,310,000	-
Datalogic Australia Pty	-	1,781,310	AUD 2.600.000
Datalogic Singapore Ltd	-	948,677	USD 1,000,000
Cash pooling			
Datalogic USA Inc	16,945,654	66,373,738	
Datalogic Srl	59,590,724	34,174,949	
Datalogic IP-Tech Srl	26,327,044	21,115,215	
Datalogic Srl - Sweden (branch)	6,019,246	5,832,997	
Datalogic Srl - Spain (branch)	2,833,061	4,752,364	
Informatics	2,291,333	1,869,693	
Datalogic Srl - UK (branch)	1,208,602	2,848,385	
Datalogic Srl - France (branch)	200,484	2,459,309	
Total	**263,358,273**	**309,195,038**	

During the year, the subsidiaries Datalogic Australia Pty and Datalogic Singapore Ltd repaid the Company of the loans granted.

Note 10. Cash and cash equivalents

Cash and cash equivalents are broken down as follows for the purposes of the cash flow statement:

	31.12.2017	31.12.2016	Change
Bank and post office deposits and cash pooling	193,748,512	78,219,083	115,529,429
Cash and valuables on hand	3,875	3,705	170
Cash and cash equivalents for statement	**193,752,387**	**78,222,788**	**115,529,599**

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

	31.12.2017	31.12.2016
(Euro/000)		
A. Cash and bank deposits	193,752,387	78,222,788
B. Other cash and cash equivalents	-	-
C. Securities held for trading	-	-
c1. Short-term	-	-
c2. Long-term	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**193,752,387**	**78,222,788**
E. Current financial receivables	263,358,273	309,195,037
F. Other current financial receivables	-	-
G. Bank overdrafts	-	-
H. Current portion of non-current debt	233,030,327	183,701,554
I. Other current financial payables	-	37,007
I2. Hedging transactions	-	37,007
J. Current financial debt (G) + (H) +(I)	**233,030,327**	**183,738,561**
K. Current financial debt, net (J) - (D) - (E) - (F)	**(224,080,333)**	**(203,679,264)**
L. Non-current bank borrowing	205,664,160	138,387,917
M. Other financial assets	31,444,188	31,006,523
N. Other non-current liabilities	-	-
O. Non-current financial debt (L) - (M) + (N)	**174,219,972**	**107,381,394**
P. Net financial debt (K) + (O)	**(49,860,361)**	**(96,297,870)**

Net financial position as at 31 December 2017 was €49,860,361, a decrease of €46,437,509 compared to 31 December 2016 (EUR 96,297,870).

Note that the following transactions were carried out in the period:
- payment of dividends of €17,443,278.60;
- acquisition of the company Soredi Touch System Gmbh and the trademark, occurred on 06 July 2017, which involved a disbursement of €5,866,000;
- new credit line for the value of €250 million, with maturity term in 2023 (for further details, reference is made to Note 12);
- reimbursement of loans from subsidiaries Datalogic Australia Ltd and Datalogic Singapore Ltd for a total amount of €1,933,250.

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

INFORMATION ON STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

Note 11. Shareholders' Equity

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

	31.12.2017	31.12.2016
Share capital	30,392,175	30,392,175
Share premium reserve	106,940,859	106,145,515
Extraordinary share-cancellation reserve	2,813,190	2,813,190
Treasury shares held in portfolio	6,119,564	4,119,564
Treasury share reserve	2,025,473	2,820,817
Share capital	**148,291,261**	**146,291,261**
Cash-flow hedge reserve	(948,066)	(28,125)
Valuation reserve at current value	5,695,246	489,748
Severance indemnity discounting reserve	88,146	88,146
Other reserves	**4,835,326**	**549,769**
Retained earnings	**112,921,061**	**92,502,593**
Earnings carried forward	73,071,234	37,961,518
Temporary reserve for exchange rate adjustment	8,981,690	23,672,937
Capital contribution reserve	958,347	958,347
Reserve for surplus from cancellation, Datalogic RE Srl	203,538	203,538
Legal reserve	6,078,435	6,078,436
IAS reserve	8,423,473	8,423,473
Capital contribution reserve	15,204,344	15,204,344
Profit for the year	**25,591,520**	**52,334,217**
Total Shareholders' Equity	**291,639,168**	**291,677,840**

Share capital

The share capital as at 31 December 2016 and 31 December 2017 is reported below (in €/000):

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2017	**58,144,262**	**30,392,175**	**2,813,190**	**106,145,515**	**4,119,564**	**2,820,817**	**146,291,261**
Purchase of treasury shares	0	-	-	-	-	-	-
Sale of treasury shares	85,215	-	-	795,344	795,344	(795,344)	795,344
Capital gain on sale of treasury shares	-	-	-	-	1,204,656	-	1,204,656
31.12.2017	**58,229,477**	**30,392,175**	**2,813,190**	**106,940,859**	**6,119,564**	**2,025,473**	**148,291,261**

Ordinary shares

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

Treasury shares

The “Treasury shares” item, amounting to €6,119,564, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€8,145,037). During 2017, the Company sold 85,215 treasury shares, with a value of €2,000,000 for the acquisition of the company SOREDI Touch Systems GmbH, with a capital gain of €1,204,656.

For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,025,473, was made unavailable by using the Share premium reserve.

Other Reserves

Cash-flow hedge reserve

Pursuant to provisions set forth by IAS 39, the change in fair value of derivative contracts, designated as effective hedging instruments, is recognised in accounts directly with Shareholders’ Equity, in the cash-flow hedge reserve. These contracts were entered to hedge exposure to the risk of interest rate fluctuations on variable-rate loans. The reserve, negative by €948,066, includes the fair value of the hedging instrument related to refinancing.

Capital contribution reserve

This reserve has been created after the recording, under the Company’s assets, of the equity investments in the company Datalogic IP Tech S.r.l.

Reserve for surplus from cancellation, Datalogic Real Estate S.r.l.

This reserve has been created after the cancellation of the Company’s equity investment in the company Datalogic Real Estate S.r.l.

Retained earnings

IAS reserve

This reserve was created upon first-time adoption of international accounting standards at 1 January 2006 in accordance with IFRS 1.

Dividends

On 4 May 2017, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.30 per share (€0.25 in 2016). The overall dividends began to be paid starting from 10 May 2017 and had been paid in full by 31 December.

Classification of Shareholders' equity items

NATURE/DESCRIPTION	AMOUNT	POSSIBLE USE	AMOUNT AVAILABLE	Summary of uses made in the 3 previous years	
				For hedging against losses	For other reasons
Share capital	**30,392,175**				
Capital reserves	**133,564,485**				
Share premium reserve	106,940,859	A,B	106,940,859	-	-
Extraordinary share-cancellation reserve	2,813,190	A,B,C	2,813,190	-	-
Treasury share reserve	2,025,473	-	-	-	5,282,262
Capital contribution reserve	15,204,345	A,B,C	15,204,345	-	-
Merger surplus	203,538	A,B,C	203,538	-	-
Revaluation reserves	257,516	A,B	-	-	-
Treasury share reserve	6,119,564	-	6,119,564	-	-
Other reserves	**4,835,326**				
Cash-flow hedge reserve	(948,066)	-	-	-	-
Valuation reserve for financial assets held for sale	5,695,246	-	-	-	-
Severance indemnity discounting reserve	88,146	-	-	-	-
Retained earnings	**97,255,662**				
Earnings carried forward	70,415,921	A,B,C	70,415,921	-	2,776,423
Reserve for deferred tax assets	2,655,313	A,B	2,655,313	-	-
Reserve for exchange rate adjustment	8,981,690	A,B	8,981,690	-	-
Capital contribution reserve	958,347	B	-	-	-
Legal reserve	6,078,435	B	-	-	-
IAS/IFRS transition reserve	8,165,956	A,B,C	-	-	-
Total			***213,334,420***		
Non-distributable portion			124,697,426		
Distributable residual portion			88,636,994		

Key: A: for capital increase B: to cover losses C: for payments to shareholders

The Deferred tax reserve is a reserve temporarily non-distributable until the date on which the deferred tax assets posted on the statement of financial position are realised.

The Temporary reserve for adjustment on exchange rates was created in application to IAS 21.15. This reserve comprises profit/losses generated by monetary elements, which are an integral part of the net investment of foreign managements. €8,981,690 are related to the effect of exchange rates measurement at year-end for receivables for loans in US dollars granted to the subsidiaries Datalogic USA Inc. and Datalogic

S.r.l.. For these loans no regulation and/or defined reimbursement plan are provided, nor is it deemed probable that they will be reimbursed in the foreseeable future.
The Actuarial gains and losses reserve comprises the Income Statement profit and losses pursuant to provisions set out by IAS 19R.

Note 12. Short/long-term borrowings and financial liabilities

The breakdown of this item is as detailed below:

	31.12.2017	31.12.2016	Change
Bank loans	252,831,236	168,378,695	84,452,541
Loans by Group Companies/cash pooling - netting	183,863,251	153,469,193	30,394,058
Payables for leasing	-	241,583	(241,583)
Other financial liabilities	2,000,000	-	2,000,000
Total Financial payables	**438,694,487**	**322,089,471**	**116,605,016**

Financial payables are represented as follows:

	within 12 months	after 12 months	after 5 years	Total
Current accounts/cash pooling	183,863,251	-	-	183,863,251
Bank loans, mortgages and other financial institutions	47,917,076	184,080,827	20,833,333	252,831,236
Other	1,250,000	750,000	-	2,000,000
Total	**233,030,327**	**184,830,827**	**20,833,333**	**438,694,487**

The "current accounts/cash pooling" item relates to payables to Group companies owing to cash pooling agreements for centralised liquidity management.
The "Others" item includes the financial debt related to the acquisition of the company SOREDI Touch Systems GmbH, which will be paid by 2021.

Bank loans

Following is the breakdown of changes in "bank loans" as at 31 December 2017:

	2017	2016
Opening balance	**168,378,695**	**171,330,830**
Increases	249,249,304	29,841,000
Repayments	(125,580,667)	(20,000,000)
Decreases for loan repayments	(39,216,096)	(12,793,135)
Closing balance	**252,831,236**	**168,378,695**

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

The transaction was concluded at a fixed rate, so as to allow the Company to take advantage of the favourable interest rates currently available on the market and to lock in the cost of the Datalogic Group funding over the coming years.

Guarantees given by banks in the Company's favour total €735,362. Moreover, the Company issued a credit mandate in the amount of €2,598,055 related to the issue of trade guarantees in the interest of subsidiaries and a guarantee of €1,973,504 in favour of the Inland Revenue Office, for VAT credit of the company Datalogic Iptech Srl.

Financial leases

In past years, the Company entered a financial lease agreement for the telepresence system, which expired this year:

	31 December 2017		31 December 2016	
EURO/000	**Minimum payments**	**Current value of payments**	**Minimum payments**	**Current value of payments**
Within the year			248	242
Total minimum payments			248	242
Less interest expenses			(6)	
Current value of lease costs			**242**	**242**

Note 13. Deferred taxes

Deferred tax assets and liabilities stem both from positive items already recognised in the income statement and subject to deferred taxation under current tax regulations and temporary differences between balance-sheet assets and liabilities and their relevant taxable value.
Below we show the main items forming deferred tax assets and deferred tax liabilities and changes occurring in them over the year:

Deferred tax liabilities	Adjustment on exchange rates	Deprec. and Amort.	Provisions	Other	Round.	Total
As at 01 January 2017	8,191,000	1,343,000	(128,000)	51,000	480	9,457,480
Provisioned in (released from) Income Statement	(62,000)	(51,313)	-	33,240	-	(80,073)
Provisioned in (released from) Shareholders' Equity	76,076	-	-	-	-	76,076
Reclassifications	82,000	100,000	18,962	113,000	(480)	313,482
As at 31 December 2017	**8,287,076**	**1,391,687**	**(109,038)**	**(197,240)**	**-**	**9,766,965**

Deferred tax assets	Adjustment on exchange rates	Deprec. and Amort.	Allocations	Other	Round.	Total
As at 01 January 2017	**1,075,000**	**-**	**228,000**	**3,000**	**432**	**1,306,432**
Provisioned in (released from) Income Statement	1,765,000	35,000	271,517	65,000	**-**	**2,136,517**
Provisioned in (released from) Shareholders' Equity	4,583,000	-	-	(8,064)	**-**	**4,574,936**
Reclassifications	82,000	100,000	18,000	113,000	(432)	**312,568**
As at 31 December 2017	**7,505,000**	**135,000**	**517,517**	**172,936**	**-**	**8,330,453**

Note 14. Post-employment benefits

	31.12.2017	31.12.2016
01.01.2017	484,422	527,123
Amount allocated in the period	215,023	224,409
Amount transferred for transfer of employment relationships	8,495	(18,091)
Uses	(134,970)	(122,322)
Social security receivables for the employee severance indemnity reserve	(74,725)	(126,697)
31.12.2017	**498,245**	**484,422**

The item Uses is related to €103,387 for resignations and €26,255 for requests of advance payments.

Note 15. Provisions for risks and charges

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

	31.12.2017	31.12.2016	*change*
Long-term provisions for risks and charges	1,748,000	903,725	844,275
Short-term provisions for risks and charges	85,854	82,854	3,000
Total Provisions for risks and charges	**1,833,854**	**986,579**	**847,275**

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

	31.12.2016	Increases	(decreases)	31.12.2016
Provision for management incentive scheme	903,725	844,275	-	1,748,000
Provision for tax liabilities	7,854	-	-	7,854
Other funds	75,000	538,446	(535,446)	78,000
Total Provisions for risks and charges	**986,579**	**1,382,721**	**(535,446)**	**1,833,854**

The “Provision for management incentive scheme” is attributable to the estimate on the portion pertaining to the provision for a long-term plan for directors and managers.

The “Other funds” item refers to transactions in place with employees.

Note 16. Trade and other payables

This table shows the details of trade and other payables:

	31.12.2017	31.12.2016	Change
Trade payables	5,896,589	4,570,820	1,325,769
Trade payables due within 12 months	*5,237,829*	*4,030,551*	*1,207,278*
Payables to Group companies	*658,760*	*540,269*	*118,491*
Other short-term payables	3,679,967	3,300,020	379,947
Accrued liabilities and deferred income	451,302	464,907	(13,605)

The change in the “Trade payables falling due within 12 months” item is primarily due to a higher number of projects implemented in 2017 compared to the previous year, following the Group’s organisational changes. In particular, the change in payables at year end is determined above all by new maintenance fees and software assistance.

Other payables – accrued liabilities and deferred income

The detailed breakdown of “Other payables” was as follows:

	31.12.2017	31.12.2016	Change
Payables to pension and social security agencies	1,055,745	932,485	123,260
Payables to employees	1,821,730	1,494,717	327,013
Directors’ remuneration payable	740,849	479,778	261,071
Deferred income on investment grants	451,302	464,907	(13,605)
Other payables to the Group	235	44,339	(44,104)
Group VAT payables	-	254,854	(254,854)
Other payables	61,408	93,847	(32,439)
Total	**4,131,269**	**3,764,927**	**366,342**

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

The item “Deferred income on investment grants” totalling €451,302 relates to the reclassification of public capital grants on assets.

These grants were reversed from equity reserves based on the provisions of IAS 20 and reallocated among deferred income, in order to match them with the actual cost incurred, i.e. with depreciation of the assets to which they refer.

Note 17. Tax payables

	31.12.2017	31.12.2016	Change
Short-term tax payables	1,036,760	2,211,291	(1,174,531)
Long-term tax payables	-	-	-
Total Tax payables	**1,036,760**	**2,211,291**	**(1,174,531)**

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

- €398,547, Irpef withholding taxes related to employees;
- €252,762, payables for taxes towards the subsidiary Hydra S.p.a., following the adhesion of the tax consolidation regime.
- €228,838, amount payable for IRAP regional tax
- €153,548, amount payable related to a judicial conciliation settlement for tax assessment
- €3,065, withholding taxes on remuneration to freelancers.

INFORMATION ON THE INCOME STATEMENT

Note 18. Revenues

	31.12.2017	31.12.2016	Change
Royalties for the uses of the trademark	15,684,736	14,657,809	1,026,927
Services rendered to subsidiaries	10,914,432	9,377,300	1,537,132
Total Revenues	**26,599,168**	**24,035,109**	**2,564,059**

Revenues for services rendered to subsidiaries refer mainly, in the amount of €6,234,569 to costs for Information Technology, in the amount of €1,041,409 to structural costs and in the amount of €809,117 to payroll services and centralised HR services.

Note 19. Cost of goods sold and operating costs

	31.12.2017	31.12.2016	Change
TOTAL COST OF GOODS SOLD (1)	**1,964,645**	**1,470,216**	**494,429**
TOTAL OPERATING COSTS (2)	**22,928,404**	**18,369,209**	**4,559,195**
R&D expenses	**403,808**	**396,276**	**7,532**
of which non-recurring	-	-	
Distribution expenses	**901,807**	**1,848,076**	**(946,269)**
of which non-recurring	*1,600*	*9,340*	(7,740)
General and administrative expenses	**20,947,309**	**17,181,973**	**3,765,336**
of which non-recurring	*392,657*	*710,943*	(318,286)
Other operating costs	**675,480**	**(1,057,116)**	**1,732,596**
of which non-recurring	-	-	
Total (1+2)	**24,893,049**	**19,839,425**	**5,053,624**
of which non-recurring costs	*394,257*	*720,283*	(326,026)

Non-recurring costs refer to the implementation plan for the new organisation of the Company Datalogic and refer primarily to professional advisory services.

Total Cost of goods sold (1)

Expenses related to the “Cost of goods sold” item are broken down as follows:

	31.12.2017	31.12.2016	Change
Personnel costs	1,417,536	1,101,780	315,756
Technical, legal and tax advisory services	383,909	216,461	167,448
Travel & accommodation	55,576	79,539	(23,963)
Rental and building maintenance	34,019	16,136	17,883
Utilities and telephone subscriptions	24,221	11,592	12,629
Vehicle leasing and maintenance	18,472	18,898	(426)
Costs for training of employees	16,068	3,058	13,010
Other costs	12,928	22,284	(9,356)
Amortisation/depreciation	2,165	538	1,627
Total Cost of goods sold	**1,964,894**	**1,470,286**	**494,608**

Total Operating costs (2)

"Research and Development" expenses are made up as follows:

	31.12.2017	31.12.2016	Change
Software maintenance and assistance	363,121	280,637	82,484
Amortisation	26,276	25,366	910
Technical, legal and tax advisory services	14,400	0	14,400
Other costs	11	863	(852)
Personnel costs	0	87,587	*(87,587)*
Vehicle leasing and maintenance	0	1,429	(1,429)
Total Costs for Research and Development	**403,808**	**395,882**	**7,926**

The "distribution" expenses are broken down as follows:

	31.12.2017	31.12.2016	Change
Personnel costs	434,422	1,194,781	(760,359)
Advertising and Marketing	252,280	465,106	(212,826)
Software maintenance and assistance	62,911	32,913	29,998
Amortisation	51,342	48,809	2,533
Other costs	35,221	29,704	5,517
Technical, legal and tax advisory services	33,042	24,284	8,758
Travel & accommodation	13,545	28,147	(14,602)
Entertainment expenses	12,203	19,084	(6,881)
Utilities and telephone subscriptions	6,840	5,218	1,622
Total Operating costs	**901,806**	**1,848,046**	**(946,240)**

The change over the year is primarily due to:

- "Personnel cost", amounting to €760,359 for a reduced number of resources in the Marketing area;
- "Advertising and marketing", amounting to €212,826 for the insourcing of the press office activities.

The "General and administrative" expenses are broken down as follows:

	31.12.2017	31.12.2016	Change
Personnel costs	9,306,528	7,893,257	1,413,271
Software maintenance and assistance	2,249,062	1,817,391	431,671
Amortisation	2,047,158	1,702,423	344,735
Directors' remuneration	1,966,235	1,193,862	772,373
Technical, legal and tax advisory services	1,728,382	1,854,926	(126,544)
Utilities and telephone subscriptions	1,124,336	930,626	193,710
Rental and building maintenance	423,958	320,899	103,059
Service costs rendered by subsidiary	412,028	0	412,028
Travel & accommodation	308,369	299,767	8,602
Other costs	282,365	191,902	90,463

Accounts certification expenses	240,562	177,669	62,893
Membership fees	181,968	176,181	5,787
Stock exchange costs	168,480	133,947	34,533
Entertainment expenses	137,838	107,551	30,287
Board of Statutory Auditors' remuneration	84,283	59,580	24,703
Advertising and Marketing	78,205	89,118	(10,913)
Vehicle leasing and maintenance	73,534	74,061	(527)
Costs for training of employees	58,553	96,464	(37,911)
Insurance costs	42,915	45,763	(2,848)
Patent costs	32,550	16,588	15,962
Total Administrative and general costs	**20,947,309**	**17,181,975**	**3,765,334**

The change over the year is primarily due to:

- "Personnel costs", amounting to €1,413,271, due to allocations to the Provision for management incentive scheme and to the hiring of new managers;
- "Software maintenance and assistance", amounting to €431,671 for new licences;
- "Service costs rendered by subsidiaries", amounting to €412,028, referring to costs charged to Datalogic Srl, which centrally manages invoicing of expenses borne by one or more companies for administrative, commercial activities or activities of some subsidiaries and the parent company.

The detail of the "Other operating costs" item is as follows:

	31.12.2017	31.12.2016	*Change*
Allocation to provisions for risks	414,142	-	*414,142*
Capital losses on assets	2,598	4,929	*(2,331)*
Contingent and unsubstantiated liabilities	34,651	11,938	*22,713*
Non-income taxes	165,737	339,562	*(173,825)*
Release of Provision for management incentive scheme		(1,413,545)	*1,413,545*
Other	58,352	-	*58,352*
Total Other operating costs	**675,480**	**(1,057,116)**	***1,732,596***

The "Release of Provision for management incentive scheme" item refers to last year's release of the provision for management incentive scheme due to redundancies.

Breakdown of costs by type

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

	31.12.2017	31.12.2016	Change
Personnel costs	11,158,486	10,268,404	890,082
Software maintenance and assistance	2,675,244	2,130,941	544,303
Technical, legal and tax advisory services	2,159,733	2,095,673	64,060
Amortisation	2,126,941	1,777,136	349,805
Directors' remuneration	1,966,235	1,193,862	772,373
Utilities and telephone subscriptions	1,155,397	947,968	207,429
Other costs	1,117,339	354,505	762,834
Rental and building maintenance	462,769	344,644	118,125
Service costs rendered by subsidiary	412,028	0	412,028
Travel & accommodation	377,490	407,534	-30,044
Stock exchange costs and membership fees	351,643	320,932	30,711
Advertising and Marketing	334,332	563,224	-228,892
Accounts certification expenses	240,562	177,669	62,893
Entertainment expenses	141,616	116,763	24,853
Vehicle leasing and maintenance	96,401	101,002	-4,601
Board of Statutory Auditors' remuneration	84,283	59,580	24,703
Patents	32,550	16,588	15,962
Release of Provision for management incentive scheme	0	-1,037,000	1,037,000
Total (1+2)	**24,893,049**	**19,839,425**	**5,053,624**

Costs related to “Software maintenance and assistance” increased by €544,303 due to new licenses.

Cost related to “Directors' remuneration” increased following the resolution of the Shareholders' Meeting held on 04 May 2017.

The “Release of Provision for management incentive scheme” item refers to last year's release of the provision for management incentive scheme due to redundancies.

The amount of €412,028 in item “Service costs rendered by subsidiary” refers to expenses charged by subsidiaries for costs pertaining to the Parent Company.

The detailed breakdown of Personnel costs is as follows:

	31.12.2017	31.12.2016	Change
Wages & salaries	7,159,623	6,822,156	337,467
Social security charges	1,849,543	1,772,580	76,963
Employee severance indemnities	234,679	234,925	(245)
Retirement and similar benefits	240,867	229,720	11,147
Medium- to long-term managerial incentive plan	844,275	0	844,275
Reimbursements for seconded personnel	0	(9,267)	9,267
Other costs	829,498	1,218,290	(388,792)
Total	**11,158,486**	**10,268,404**	**890,082**

The “Other costs” item includes €258,794 of Early retirement incentives and €358,602 of costs for the hiring of staff.

Note 20. Other operating revenues

The detailed breakdown of this item is as follows:

	31.12.2017	31.12.2016	Change
Incidental income and cost cancellation	16,021	34,000	(17,979)
Rents	510,382	509,188	1,194
Ordinary capital gains	1,922	404	1,518
Other	91,717	101,957	(10,240)
Total Other revenues	**620,042**	**645,549**	**(25,507)**

21. Net financial income

	2017	2016	Change
Financial income/(expenses)	1,754,077	3,464,023	(1,709,946)
Bank expenses	(593,205)	(267,797)	(325,409)
Foreign exchange loss	(8,886,175)	(539,766)	(8,346,409)
Foreign exchange gains	3,155,692	3,860,380	(704,688)
Dividends	25,397,506	43,400,928	(18,003,422)
Other	601,331	613,567	(12,236)
Total Net financial income (expenses)	**21,429,226**	**50,531,336**	**(29,102,110)**

Total Financial expenses

The “Foreign exchange losses” item equals €8,886,175 and is detailed as follows:

- €8,376,130 for alignment with the end-of-period exchange rate;
- €400,902 in foreign exchange losses relating to loans and current accounts in foreign currency;
- €109,143 in foreign exchange losses relating to commercial transactions;

The item “Bank expenses” of €593,205 relates to:

- €590,939 in ordinary banking commissions relating to the movements of current accounts and the taking out of medium-/long-term loans;
- €2,266 for fees on sureties.

Total Financial income

The item “Foreign exchange gains” of €3,155,692 relates to:

- €3,055,482 for alignment with the end-of-period exchange rate;
- €58,312 in foreign exchange gains relating to loans and current accounts in foreign currency;
- €41,898 in foreign exchange gains relating to commercial transactions.

The “Dividends” item, amounting to €25,397,506, relates to earnings distributed during 2017 as follows:

- Subsidiary Datalogic Srl for €25,268,987;
- Company Idec Corporation €128,519.

Note 22. Taxes

	31.12.2017	31.12.2016
Income tax	380,254	2,725,792
Deferred taxes	(2,216,387)	312,555
Total	**(1,836,133)**	**3,038,347**

Deferred taxes were calculated according to global allocation criteria, considering the cumulative amount of all interim differences, based on the average rates expected to be in force at the time these temporary differences had an effect.

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

	2017	
Pre-tax profit	**23,755,387**	
Nominal tax rate under Italian law	**(5,701,293)**	**-24.00%**
Effects of local taxes	(152,000)	-0.60%
Tax effect on dividends	5,857,040	24.70%
Tax effects - previous years	654,630	2.80%
Other effects	1,177,756	4.96%
Consolidated effective tax rate	**1,836,133**	**7.73%**

NOTICE OF INDEPENDENT AUDTORS’ FEES

Pursuant to article 149-duodecies of the Issuer Regulation, implementing Legislative Decree 58 of 24 February 1998, the following is the summary schedule of fees pertaining to the year 2016 provided by the independent auditors and divided in auditing and other services.

	Fees for auditing services	Other remuneration
Datalogic Spa	296,000	-

Related-party transactions

Euro				
RELATED PARTIES	**Hydra Spa**	**Hydra Immobiliare S.n.c.**	**Group company DL SRL**	**Group company Real Estate**
Receivables				
Trade receivables	-	-	30,661,646	18,667
Receivables pursuant to tax consolidation	-	-	-	-
other receivables/prepaid expenses	-	-	-	-
Receivables for cash pooling	-	-	-	-
Financial receivables	-	-	234,739,897	-
Payables				
Liabilities pursuant to tax consolidation	252,762	-	-	-
Trade payables	-	8,060	635,101	9,804
Other payables	-	-		-
Financial payables	-	-	180,126,245	3,737,005
Costs				
Sales/service expenses	-	113,018	592,692	-
Financial costs	-	-	311,256	3,531
Revenues				
Commercial revenues	-	-	28,097,614	80,560
Financial income	-	-	5,137,218	-

Euro				
RELATED PARTIES	**Informatics**	**Datalogic Ip Tech Srl**	**CAEN RFID**	**TOTAL 31.12.2017**
Receivables				
Trade receivables	58,939	589,177	-	31,328,428
Receivables pursuant to tax consolidation	-	-	-	-
other receivables/prepaid expenses	-	-		-
Receivables for cash pooling	-	-		-
Financial receivables	2,291,333	26,327,044	-	263,358,273
Payables				
Liabilities pursuant to tax consolidation	-	2,716,703	-	2,969,465
Trade payables	-	687	-	653,652
Other payables	-	-		-
Financial payables	-	-	-	3,917,132
Costs				
Sales/service expenses	-	4,445	13,719	723,874
Financial costs	-	-	-	314,787
Revenues				
Commercial revenues	61,449	549,473	-	28,789,096
Financial income	49,403	56,021	-	5,242,642

Transactions with companies controlled by shareholders

Transactions with Hydra Immobiliare, a company controlled by the reference shareholders of the Company, refer to the rental of property by the Company (€133,018).

Company transactions with the parent company (Hydra Spa) mainly relate to the IRES payable of €252,762; the Company has joined the tax consolidation scheme, as a consolidated company (Hydra is the consolidator).

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.

The Chairman of the Board of Directors

(Mr. Romano Volta)

Annex 1

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AND AFFILIATES AS AT 31 December 2017 (ART. 2427 no. 5 of the Italian Civil Code)

Company	Registered office	Cur	Share capital in local currency	SHAREHOLDERS' EQUITY in Euro/000		NET PROFIT (LOSS) FOR THE YEAR in Euro/000		Ownership	Carrying value incl. provision for future charges Euro/000	DIFFERENCES	
				Total amount	Pro-rata amount (A)	Total amount	Pro-rata amount		(B)	(B)-(A)	
Informatics Holdings Inc.	Plano (Texas) - USA	USD	9.996.000	13.987	13.987	(541)	(541)	100%	11.011	(2.976)	
Datalogic S.r.l.	Bologna - Italy	EUR	10.000.000	159.600	159.600	22.584	22.584	100%	139.113	(20.487)	
Datalogic Real Estate France Sas	Paris – France	EUR	2.227.500	3.560	3.560	56	56	100%	3.919	359	
Datalogic Real Estate UK Ltd,	Redbourn - UK	GBP	3.500.000	4.390	4.390	118	118	100%	3.668	(722)	
Datalogic Real Estate GermanyGMBH	Erkenbrechtsweiler - DE	EUR	1.025.000	1.389	1.389	(6)	(6)	100%	1.806	417	
Datalogic IP Tech s.r.l.	Bologna - Italy	EUR	65.677	10.921	10.921	8.520	8.520	100%	15.082	4.161	
SOREDI Touch Systems Gmbh	Olching (Munich)-Germany	EUR	25.000	1.961	1.961	336	336	100%	9.568	7.607	
Total subsidiaries				**195.808**	**193.847**	**31.067**	**31.067**		**184.167**	**(11.641)**	
CAEN RFID Srl	Viareggio (Lu)-Italy	EUR	150.000	1.160	232	39	8	20%	550	318	as at 31/12/20
R4I S.r.l.	Benevento - Italy	EUR	105.000	298	60	76	15	20%	150	90	as at 31/12/20
Total associates				**1.458**	**292**	**115**	**23**		**700**	**408**	
Mandarin Capital Partners		EUR	1.779.186	1.975	12	(166)	(1)	1%	7	(5)	as at 31/12/20
Nomisma SpA	Bologna - Italy	EUR	6.963.500	7.444	6	267	0	0%	7	1	as at 31/12/20
Conai									0	n.a.	
Caaf Ind. Emilia Romagna	Bologna - Italy	EUR	377.884	667	6	3	0	1%	4	(3)	as at 31/08/20
T3 LAB Consortium									7	n.a.	
Crit srl	Bologna - Italy	EUR	413.800	612	0	22	0	0%	52	52	as at 31/12/20
IDEC Corporation	Osaka - Japan	YEN	10.056.605.173	240.178	0	0	0	1%	9.495	n.a.	as at 31/03/20
Total other companies				**250.876**	**24**	**126**	**0**		**9.572**	**45**	

Annex 2
RESTATED CONSOLIDATED STATEMENT OF INCOME - 2016

(Euro/000)	Note	31.12.2016	Reclassifications	31.12.2016 Restated
1) Total revenues	17	**576.482**		**576.482**
Revenues from sale of products		545.821		545.821
Revenues from services		30.661		30.661
of which non-recurring				
of which from related parties		*5.577*		5.577
2) Cost of goods sold	18	**311.278**	**154**	**311.432**
of which non-recurring	18	86		86
of which from related parties		*356*		356
Gross profit (1-2)		**265.204**	**(154)**	**265.050**
3) Other operating revenues	19	**3.278**		**3.278**
of which non-recurring	19	0		0
of which from related parties		*7*		7
4) R&D expenses	18	**50.542**		**50.542**
of which non-recurring	18	16		16
of which amortisation, depreciation and write-downs		105		105
of which from related parties	18	*99*		99
5) Distribution expenses	18	**101.541**	**(3.752)**	**97.789**
of which non-recurring	18	333		333
of which from related parties		*200*	(180)	20
6) General and administrative expenses	18	**43.571**	**3.598**	**47.169**
of which non-recurring	18			0
of which amortisation, depreciation and write-downs	18	988		988
of which to the parent company		4.809		4.809
of which from related parties		*1.202*	*180*	1.382
7) Other operating expenses	18	**2.583**		**2.583**
of which non-recurring	18	(444)		(444)
of which from related parties		*0*		*0*
Total operating costs		**198.237**	**(154)**	**198.083**
Operating result		**70.245**	**0**	**70.245**
8) Financial income	20	**19.502**		**19.502**
of which from related parties		*0*		*0*
9) Financial expenses	20	**22.537**		**22.537**
Net financial income (expenses) (8-9)		**(3.035)**	**0**	**(3.035)**
10) Profits from associates	3	**(318)**		**(318)**
Profit (loss) before taxes from the operating assets		**66.892**	**0**	**66.892**
Income tax	21	21.046		21.046
Profit/(loss) for the period		**45.846**	**0**	**45.846**
Basic earnings/(loss) per share (€)	22	0,79		0,79
Diluted earnings/(loss) per share (€)	22	0,79		0,79

Note: It should be noted that, since 2017, some costs have been reclassified under various items.
Comparative data as at 31 December 2016 have therefore been disclosed accordingly.

Attestazione del Bilancio consolidato ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Valentina Volta, in qualità di Amministratore Delegato e Alessandro D'Aniello, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso dell'esercizio 2017.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2017 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control – Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

3.1 il Bilancio consolidato:

a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
b) corrisponde alle risultanze dei libri e delle scritture contabili;
c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento;

3.2 La Relazione sulla Gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Lippo di Calderara di Reno (BO), 20 marzo 2017

L'Amministratore Delegato

Valentina Volta

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

Attestazione del bilancio d'esercizio ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Valentina Volta, in qualità di Amministratore Delegato, e Alessandro D'Aniello, in qualità di Dirigente Preposto, alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso dell'esercizio 2017.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato al 31 dicembre 2017 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello Internal Control - Integrated Framework emesso dal Committee of Sponsoring Organizations of the Treadway Commission che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

3.1 il bilancio d'esercizio:

a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
b) corrisponde alle risultanze dei libri e delle scritture contabili;
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3.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Lippo di Calderara di Reno (BO), 20 marzo 2018

L'Amministratore Delegato

Valentina Volta

Il Dirigente Preposto alla redazione documenti contabili

Alessandro D'Aniello