DATALOGIC

EMPOWER YOUR VISION

Financial Report 2018

OFFICIAL DOCUMENTS ARE IN ITALIAN

Financial Report 2018

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Dear Shareholders,

I am very pleased to share with you the results achieved by Datalogic in 2018. Growing results achieved in a macroeconomic context characterized by uncertain scenarios, in which Datalogic has demonstrated great strength and dynamism, especially thanks above all to forward-looking actions implemented in the recent past, regarding both the organizational side and investments in new products and their development.

The implementation phase of our strategy, which was defined in 2017 and led to the adoption of a new organizational model, continued in 2018. We believe that there are still many benefits to be gained through excellent execution of the Group's strategy, particularly in terms of acquiring new customers, cross-selling and improving the level of satisfaction and service for our customers. In 2018, we made significant progress in terms of R&D investment, a key component of our strategy. As a high-tech company, Datalogic focuses on continuous innovation, investing in both "core" and emerging technologies in order to develop new products and solutions that meet the current and latent needs of its customers. Consequently, in 2018 we approved a 12% increase of investment in innovation, with a 9.8% ratio to revenues, in order to promote the creation of new products and platforms, as in the case of the new PDA Android ™ Memor 10 full touch, a unique, high-performance device that can support

> In 2018, we made significant progress in terms of R&D investment, a key component of our strategy.

a multitude of applications in various environments, demonstrating our company's ability to offer the market increasingly advanced and versatile solutions. Further evidence of the validity of the new PDA was its inclusion, in September 2018, in the "Android Enterprise Recommended" program, a recognition that Google attributes to the best-performing devices developed by companies that require the use of the Android operating system. This result further convinced us of the importance of focusing on innovation and investment in order to attract staff dedicated to research and development and to improve their expertise. In 2018, we hired almost 100 engineers to support research and development in line with the new product plan based on our customers' requests. Every effort in this regard is aimed at the achievement of major results in the coming years, which we expect to be significant both in terms of creating new patents and inventions and with regard to penetrating key markets and expanding our customer base. The latter, fundamental goal was pursued in 2018 by increasing the financial commitment intended to improve the turnover generated by our presence in strategic foreign markets, such as the United States and China. Also in this case the plan, not only in investment terms, translated into a strengthened sales force dedicated to these markets, which has increased by over 100 people. These numbers reveal the company's significant momentum in relation to the expansion of the workforce, which in 2018 reached a record overall level of nearly 250 new hires, leading to a total of 3,157 employees. This investment plan did not however impact the profitability of our business in the year just ended, thanks to major efficiency improvements. 2018 saw an increase in revenues, up 4.1% and 6.4% at constant exchange rates, thanks to the double-digit growth of results reported in China, in particular in the manufacturing industry, and in the United States in the retail and transportation and logistics industries. We are particularly proud of the results in the United States where we have signed new supply contracts with companies listed in the top 500 by Forbes. North America, which a high-tech company like Datalogic must necessarily continue to focus on, contributed almost 25 million to the growth of the Group's turnover, while the results achieved in the European markets were less impressive, particularly in Italy, hampered by an economic context that is still characterized by uncertainty and poor growth.

Despite significant investment in innovation and in the consolidation of commercial networks, profitability in 2018 remained substantially in line with the previous year. EBITDA was 105.5 million, amounting to 16.7% of revenue, thanks to improvement of the gross margin, which amounted to 48.5% of revenue, up from 47.6% in 2017, mainly due to cost-cutting in relation to materials and to control of administrative and general expenses. Net profit was 62.2 million, a 3.5% increase over 2017.

2018 was also a memorable year in terms of our presence abroad. The 40th anniversary of our presence in overseas markets provided an opportunity to open a new sales office this year in Las Colinas, in the Dallas area, Datalogic's sixth branch in the United States. Considerable effort was also invested in preparations for the celebration in early 2019 of the 10th anniversary of the establishment of our most important production site in Vietnam. In conclusion, for Datalogic 2018 was a year of major investments necessary for continuing along the path that it embarked on in early 2017 with the definition of our new customer centric organizational model. At Datalogic we are aware of the value of our skills, of the results we can achieve and of our corporate responsibility. This awareness has always been central to the company's approach and it is evident throughout the entire workforce and all its functions. I would firstly like to thank all our employees for their achievements, as well as our customers, who every year confirm their confidence in our ability to always be one step ahead of our limits, offering products and solutions for their most advanced fields of application. I would also like to thank our suppliers, all the other stakeholders and our shareholders who support our development. We are ready to continue, with the strength and enthusiasm of our founder and president, on our successful path towards achieving even more ambitious goals.

Valentina Volta
CEO

Highlights

Our Company

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

Datalogic was born in 1972 by the will of **Eng. Romano Volta**, who first sensed the revolutionary scope of the bar code, and in 1974 developed a manual barcode reader. Datalogic introduced this technology to the Retail world, then applied it to the Manufacturing industry in the 80s. To meet the needs of Customers along the whole value chain, over the years the Datalogic Group has developed an extensive and diversified range of products, becoming **the only true Barcode company in the world**. Thanks to our spirit of continuous innovation, we are the only player that can boast a wide and consolidated experience in both the **automatic data capture** and **industrial automation processes, areas in which we are market leaders**.

Our **strongly high-tech** company specializes in the design and production of barcode readers, mobile computers, RFID, sensors for detection, measurement and security, vision and laser marking systems. With products used in the majority of supermarkets and points of sale, at major airports, at top shipping and postal services, and in the largest factories and hospitals worldwide, Datalogic guarantees its Customers a complete portfolio that covers all the market needs and whose technology is the ultimate result of decades of expertise.

Since 2017 **Datalogic has been structured by type of Customer** with dedicated sales and support teams for the Retail, Manufacturing, Transportation & Logistics and Healthcare industries.

Datalogic has adopted a performance indicator of Customer satisfaction called the Net Promoter Score (NPS) used by many Fortune 500 Companies.

Our commitment is to constantly exceed ourselves.

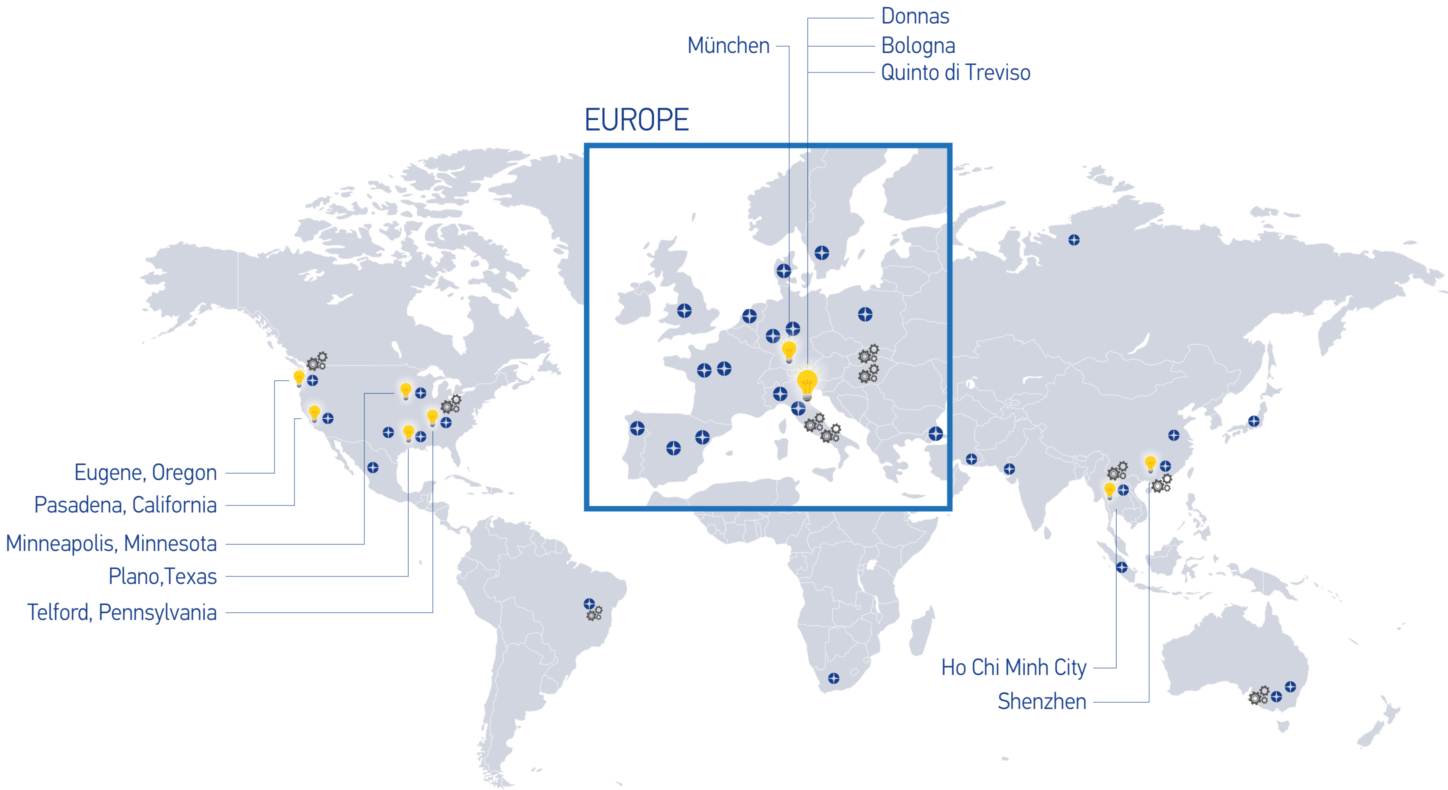
Vision

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

Mission

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

International Footprint



10 Manufacturing & Repair Sites

11 R&D Centers, 3 DL Labs

Direct presence in 28 countries

Values

OWNERSHIP
Feel and act as an owner of Datalogic.

EFFICIENCY
Treat company expenses as you would your own.

FOCUSING ON RESULTS
Deliver what you promise.

REALISM
Face reality and fix what is wrong.

NO SHORT CUTS
Don’t compromise on strategy, culture or achieving results.

Our strategy: always be a step forward

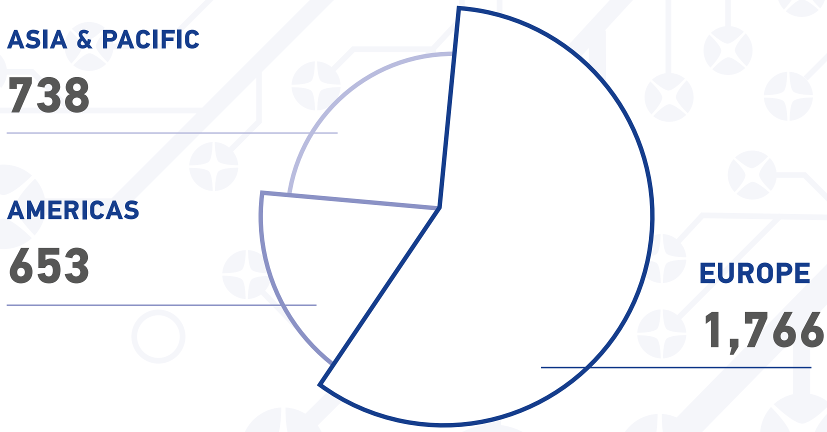
Datalogic is a **global high-tech company** founded on innovation. Our **huge and continuous investments in Research & Development**, together with a policy of growth and acquisitions, are the key elements that allow us to accompany our Customers towards the future, anticipating and managing the introduction of complementary or alternative technologies to the barcode. In its 47 years of history, Datalogic boasts extraordinary results: over 1,200 patents in multiple jurisdictions, 11 Research & Development centers and 500 specialized resources (mostly engineers) dedicated to the creation of new products and solutions.

With nearly **3,200 employees across Europe, America and Asia**, we firmly believe that people are our most important competitive advantage. For this reason, the Datalogic Group is constantly looking all over the world for the best talents graduated from technical faculties, attracting them with extremely advantageous professional growth opportunities. Our staff stands out on one hand for the great passion for innovation and, on the other hand, for the special attention paid to Customer satisfaction. In 2018 we recorded a **growth of 8.4% in the number of employees** compared to 2017.

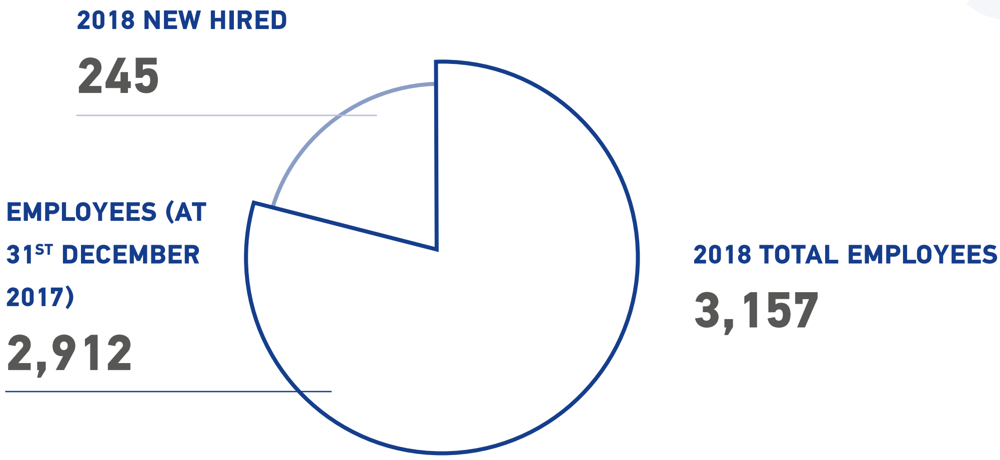
One of the most important technological achievements of 2018 was the inclusion of the new Memor 10 professional mobile computer, among the few rugged devices included in the **"Android Enterprise Recommended"** program. This initiative, launched by Google™, helps companies choose, use and manage Android™ devices and services in their activities. Google has certified that the Memor 10 meets the stringent requirements that rugged devices must have.

Another fundamental goal reached by Datalogic during the year was the implementation of the **Wireless Charging System** on its mobile computers and portable scanners. A highly advanced feature for recharging the battery in hand held scanners and mobile computers, with numerous advantages in terms of reduction of the TCO for the Customer. Following the **customer-centric strategy** that characterizes us, we continue to support our Customers, together with our important network of distributors and authorized resellers, towards the new challenges imposed by a constantly evolving market. Our wide and unique offering of products and solutions allows us to meet the needs of our Customers in the 4 industries in which we operate along their entire value chain: Retail, Manufacturing, Transportation & Logistics and Healthcare. Understanding and alignment with Customer expectations are fundamental drivers, adapted through initiatives to improve the Customer Experience that Datalogic puts in place every day.

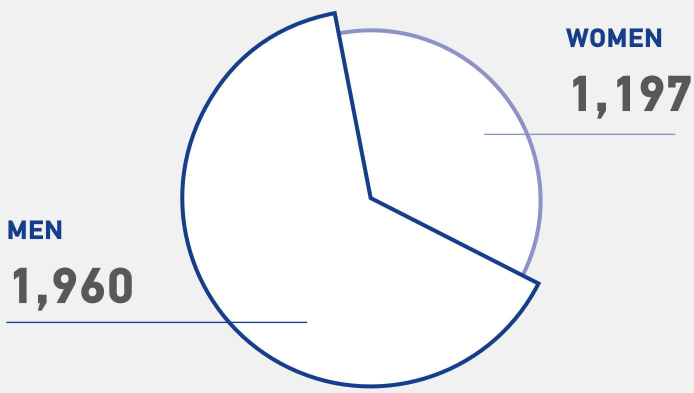
2018 EMPLOYEES BY GEOGRAPHIC AREA



2018 HEADCOUNT GROWTH



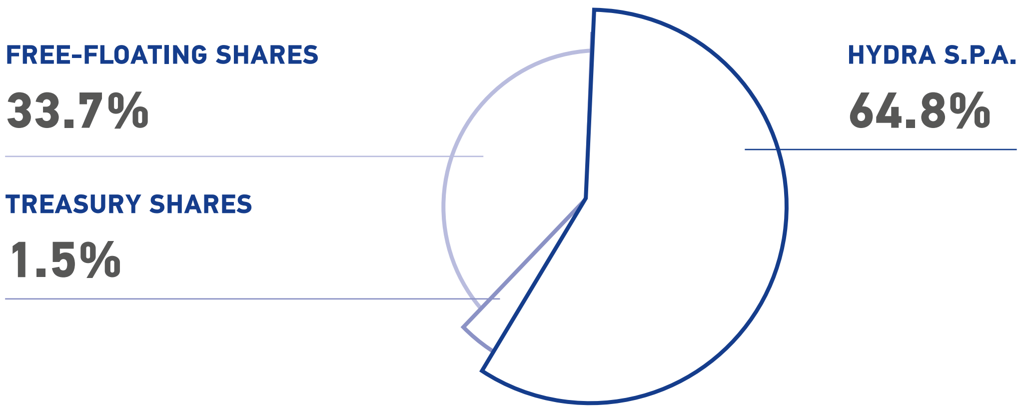
2018 EMPLOYEES BY GENDER



Stock market data

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

Over the course of 2018, the stock showed a negative growth of 33.8%. The stock reached a maximum of 34.25 Euros per share on January 23, 2018 and a minimum of 20.10 Euros per share on December 21, 2018. The average daily volumes traded in 2018 were about 83k shares, compared to 73k the previous year.



SEGMENT	BLOOMBERG CODE	REUTERS CODE
STAR - MTA	DAL.IM	DAL.MI

ANNUAL GRAPH SHARE PERFORMANCE / VOLUMES DATALOGIC

NUMBER OF SHARES

58,446,491

Including n. 895,949 treasury shares

2018 MAX

34.25 EUROS

at 23rd January 2018

2018 MIN

20.10 EUROS

at 21st December 2018

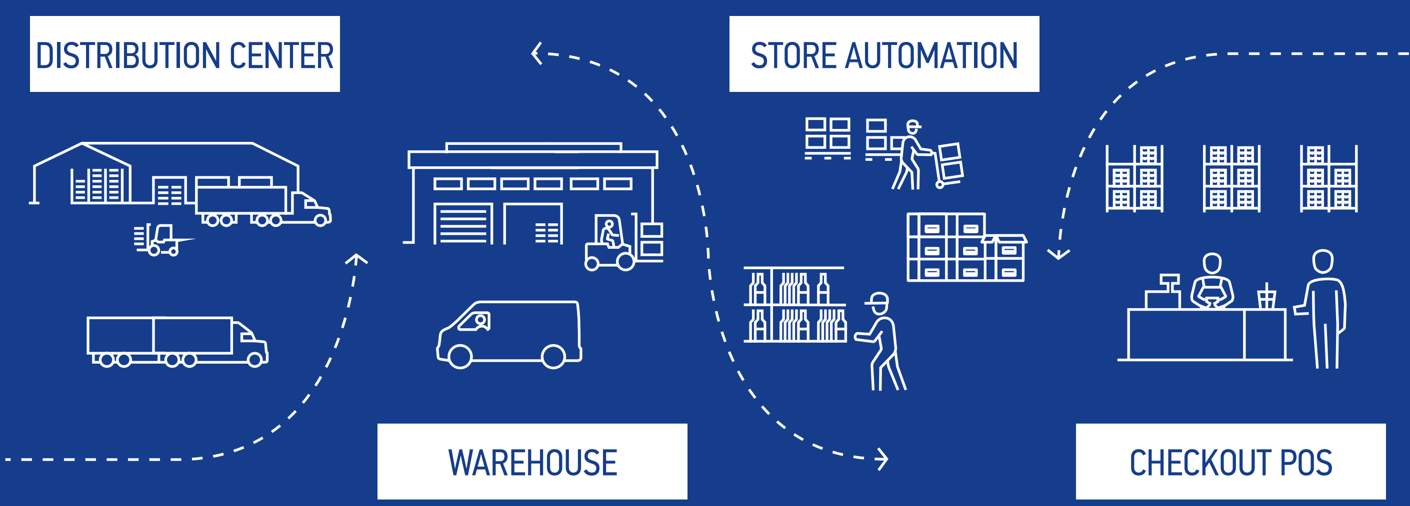
MARKET CAPITALIZATION

1,192.31 MLN EUROS

at 31st December 2018

RETAIL

We satisfy globally the Retailers business needs, **from Distribution Center to Checkout and Shoppers' Home**.



Datalogic covers the demand of Retail applications:

DISTRIBUTION CENTER
- Receiving
- Transportation
- Picking & Shipping
- Sorting

WAREHOUSE
- Inventory Management
- Receiving
- Storage
- Reverse Logistics
- Picking & Shipping

STORE AUTOMATION
- Shelf Replenishment
- Inventory
- Price Checking
- Mark Downs
- Gift Registry

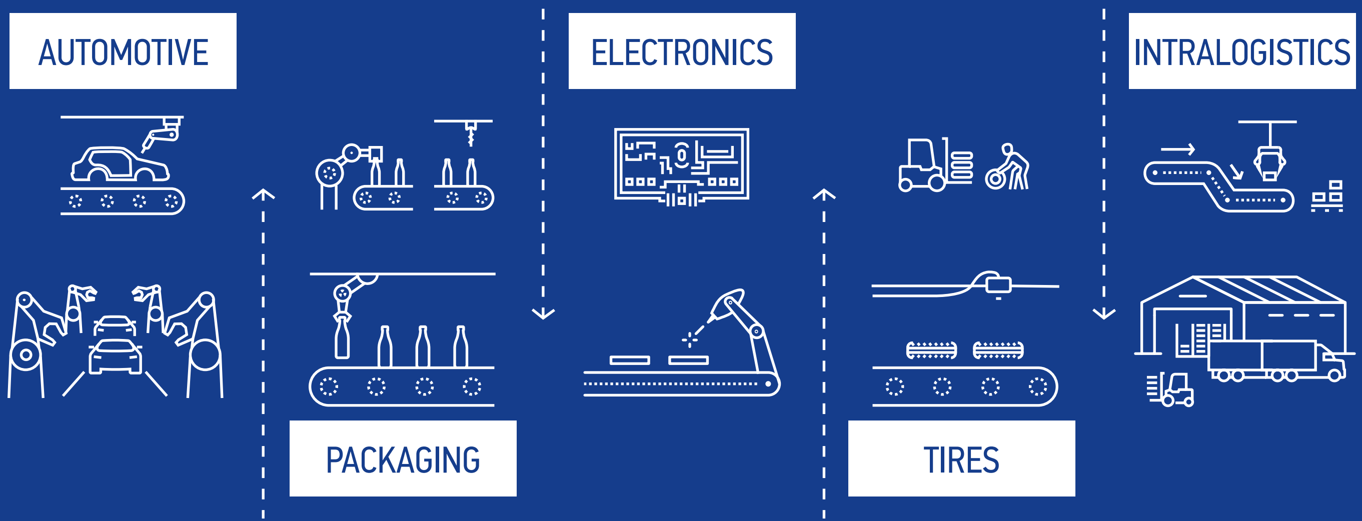
CHECKOUT POS
- Fast Checkout
- Self-Shopping
- Queue Boosting
- Mpos
- Loss Prevention
- Automated Scanning

In 2018 the Retail Industry confirmed Datalogic's leadership in the checkout scanner segment, where the company is a world leader. In particular, the expansion of the Medi (convenience stores) formats in EMEA and North America enabled the acceleration, which had already begun in 2016, to be maintained.
The remaining segments have maintained the development trend in line with market growth, also thanks to the emerging trend of Consumer Engagement.

We have collected a series of significant successes in serving our Customers beyond the perimeter of the store, supporting the push of the Omni-channel market and in particular qualifying our action in the supply chain where we can count on high performance solutions both for the logistics of the distribution center and for the traceability of goods along the supply chain. In these applications, in addition to hand scanners and mobile terminals, we have relied on industrial fixed scanners and vision systems.

MANUFACTURING

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



Datalogic covers the demand of Manufacturing Industry applications:

AUTOMOTIVE & ROBOTICS
- Direct Part Marking
- Robot Safety
- Work in Progress
- Traceability
- Assembly Verification
- Robot Guidance

AUTOMATED MACHINERY
- Label Print and Check
- Detection
- Configuration
- Traceability
- Verification and Inspection
- Safety

ELECTRONICS
- DPM Code Verification
- Machine Setup
- Machinery Safeguarding
- Inspection
- Laser Marking
- Traceability

TIRES
- Sorting
- Final Finishing and Inspection
- Hazardous Area Protection
- Tire Height Measurement

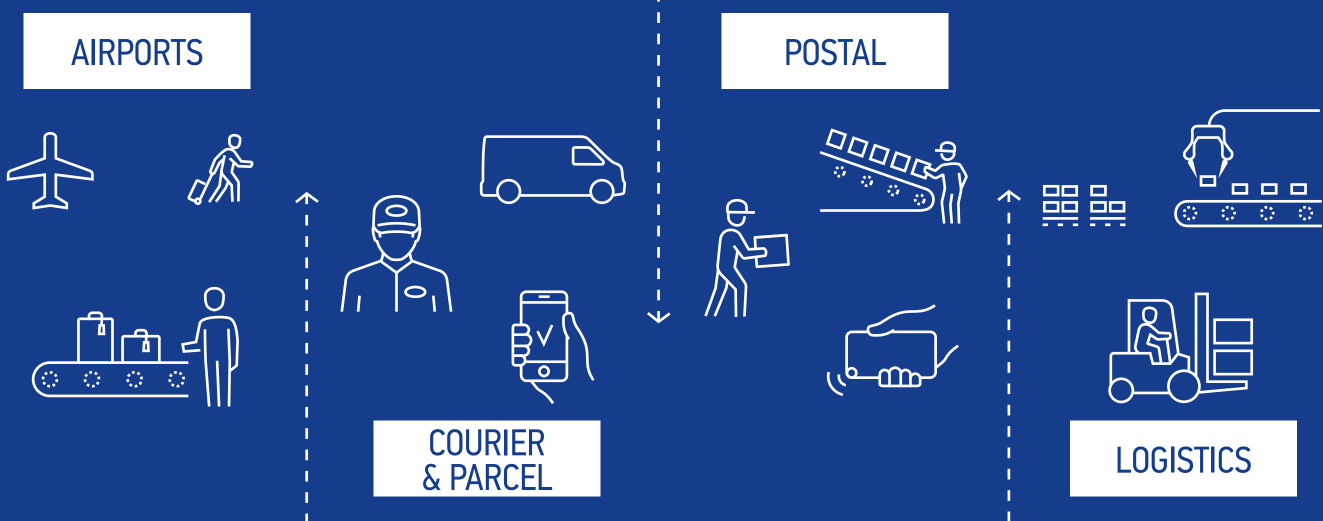
INTRALOGISTICS
- Palletizing
- Manual Induction
- Warehouse Management
- Cold Storage
- Sorting and Shipping
- Automated Guided Vehicles
- Automated Order Processing Verification

Datalogic has solutions that fit the entire manufacturing process, from identifying received goods, to validating work in process, from verification of completed components to identification and tracking of packaged and shipped products.
The Datalogic Manufacturing Industry sector has grown significantly in 2018. In China, we have witnessed a strong increase in the sales of our products in the consumer electronics segment. Our highly competitive solutions have been successful in this market segment thanks to their considerable competitiveness in terms of innovation and economic value.

We have also recorded particularly significant growth in the distribution of our safety devices, hand held scanners and laser markers.
A further confirmation of the value of our offer, which responds efficiently and effectively to all the needs of a Manufacturing company.
In addition, we have strengthened our teams in all geographic areas globally, particularly in North America, a market to which Datalogic is turning more and more attention and allocating resources with the desire to consolidate its expansion and territorial coverage.

TRANSPORTATION & LOGISTICS

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



Datalogic covers the demand of T&L general applications:

AIR SERVICES

- Airports
- Airlines
- Air Cargo

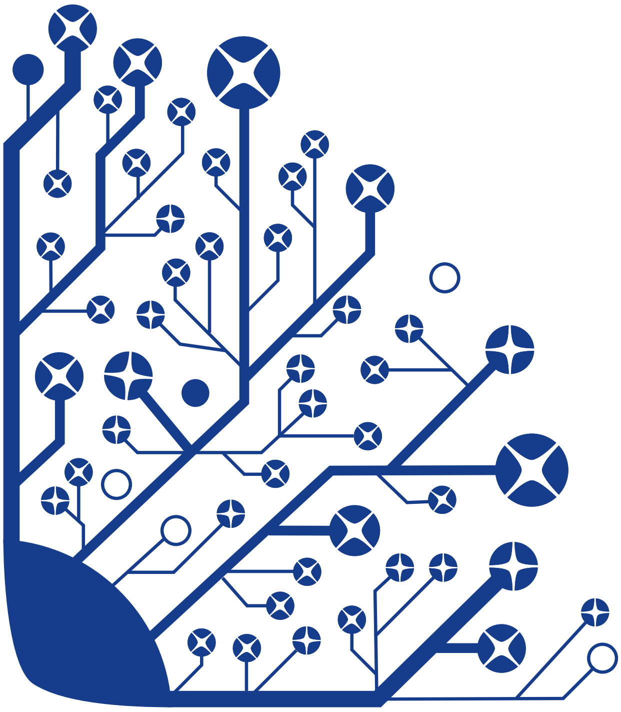
CEP (COURIER, EXPRESS AND PARCEL)

- Express network
- Couriers and logistics services
- Postal organisations

LOGISTICS

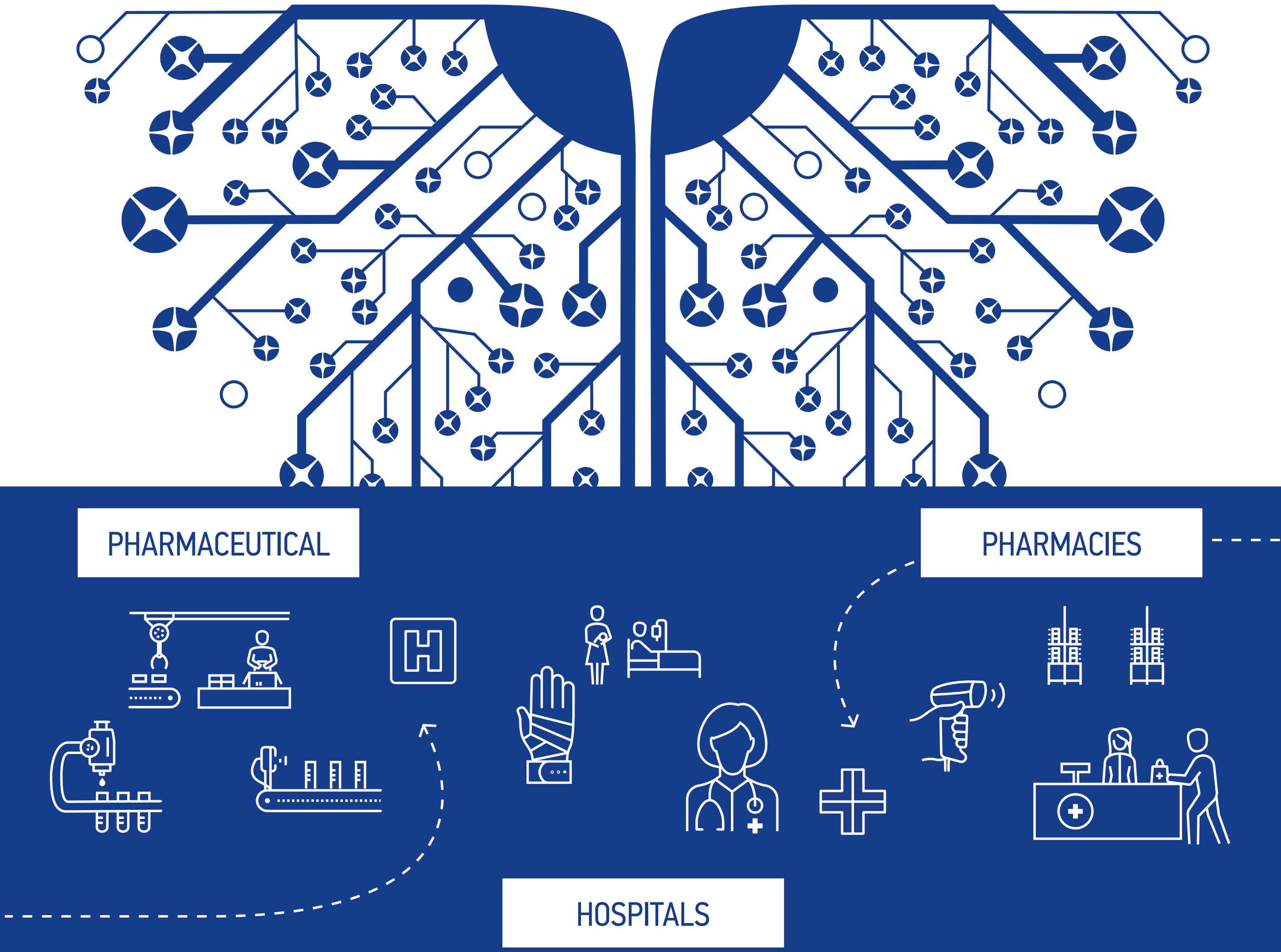
- 3/4 PL
- Freight forwarders
- Distribution
- E-Commerce

Datalogic covers the demand of T&L general applications: from Sorting to Track and Trace, Shipping, Delivery, Revenue Recovery and Warehouse Management. The technologies involved include: stationary and hand held scanners, vision systems and measurement DWS (Dimension, Weight, Scan), mobile computing and Software for Identification (Code, OCR, VDC), Visualization and remote management. 2018 has brought great results in the CEP field with two and three figures increase in North America, thanks to the acquirement of particularly important projects with the market leaders. General significant growth in sales was also registered in Europe and thanks to the system integrators channel of “handling” material. Within airports, large international hubs have acquired new Datalogic multi-technology solutions for reading the IATA barcode label and the RFID tag it contains.



HEALTHCARE

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



Datalogic covers the demand of Healthcare applications:

HOSPITAL
- Admittance
- Patient Bed Care
- Laboratory Analysis
- Surgery Tool Verification
- Inventory Management

PHARMACIES
- Point Of Sale
- In-Store Operation
- Inventory
- Receiving

PHARMACEUTICAL
- Drugs Production
- Pharmaceutical Product Distribution
- Warehousing

Datalogic is the only barcode reader manufacturer offering a complete line of Healthcare data capture solutions designed specifically to help increase patient safety, help prevent the spread of infection, and increase operational efficiency. Datalogic Healthcare models feature Disinfectant-Ready enclosures designed to withstand daily cleaning with harsh disinfectant chemical solutions to effectively fight germs and bacteria.

The addition of silver ions embedded within the enclosure plastics offers an ISO022196/JISZ 2801 compliant anti-microbial feature and provides an additional line of defense against the spread of infection.

Data capture in Healthcare ensures a higher level of care, proper medication distribution, increased safety for patients while also advancing inventory control, asset tracking, lab specimen tracking and pharmacy drug verifications.

In 2018 Datalogic Healthcare Industry obtained good results in selling scanning capabilities to Companies specialized in Blood Management Solutions. In Europe, we also registered a good growth in the selling of Presentation and Hand Held Scanners to Hospital and Retail Pharmacies, also thanks to the EU FMD (Falsified Medicine Directive) regulations, which required serialization systems to become fully operational by February 2019.

A unique offering of products allows us to meet the needs of Our Customers in the 4 verticals along their value chain

2018 Major Events and New Products Highlights

The main purpose of our organization is to satisfy Customers through utmost product quality and continuous improvement of the service offered, guaranteeing qualified pre-sales assistance, prompt delivery, timely and decisive after-sales technical assistance directly or through our partners.

MARCH

Datalogic announced the launch of the next generation of industrial computers, featuring the **SH15 Blackline™** and **SH21 Blackline™** series. Datalogic entered the market of industrial vehicle mount computers in 2017, thanks to the acquisition of SOREDI Touch Systems GmbH, of Munich (Germany), a global technology leader for industrial computers. After the recent introduction of the Rhino II™ 10" and 12" vehicle mount computers (VMC), setting new standards for ruggedness in the warehouse, Datalogic now extends the industrial computer line to factory shop-floor applications: SH15 Blackline and SH21 Blackline series are industrial touch screen computers, the perfect solution when rugged and sealed devices are mandatory.

Datalogic also introduced **MARVIS™**, the first solution dedicated to the integration of laser marking technology with direct part marking (DPM) validation. MARVIS combines Datalogic's Laser Marking and AutoID products into a unified software environment, with a single GUI (Graphical User Interface) for setup, runtime and daily operations. The MARVIS solution is dedicated to the most demanding industries where reliable traceability is a must such as Automotive. Part tracking and traceability are primary foundations of modern automotive supply processes, where countless safety-critical components are manufactured and have to be inspected and tracked from top to bottom to secure error-proof processes throughout the entire supply chain.

JUNE

Datalogic announced the introduction of **Advanced models of SG4 FIELDBUS**, the perfect light Curtain for Industry 4.0, the first one fully integrated into a high-performance, real-time and safe communication protocol based on Industrial Ethernet: openSAFETY (the most advanced and versatile protocol for functional safety on the automation market) over POWERLINK (the standard for high-performance real-time Industrial Ethernet communication).

AUGUST

Datalogic announced the new **Gryphon™ I GD4500 2D scanner**. Since the current Gryphon family was first launched, millions of units have been sold throughout the world, endorsing Gryphon as the market leading solution for POS scanning/data capture needs.
Now the Best gets even Better! A higher standard

has been set, achieving the world leading excellence in 2D scanning, for leaders in Retail Operations and Information Technology who wish to provide associates with the best tools to ensure a consistent, reliable and user friendly scanning experience. Gryphon GD4500 is the market leading general-purpose imager for Retail applications as it offers an array of technologies that enables superior performance with an attractive, comfortable ergonomic form factor.

SEPTEMBER

Of particular significance was the completion of the **technological switch to the Android operating system** of our entire mobility products line. In September we achieve **"Android Enterprise Recommended" Google product certification for Memor 10**, the first of a new family of PDA products with unique features in the market, that will be an important component of the strong pipeline expected for the coming year. It is a Google-led initiative that helps businesses confidently select, deploy, and manage the Android devices that meet the strict requirements set by Google.

OCTOBER

Datalogic celebrated **the opening of a brand new office at Las Colinas**, in the Dallas area, that will serve as a business development hub for the North America Market.

Datalogic already has offices in 5 locations across the U.S.: Telford (PA), Eugene (OR), Minneapolis (MN), Pasadena (CA) and Plano (TX). The Dallas office opening is a testament not only to Datalogic's growth in the United States (where the company already employs over 500 people and has four R&D centers), but also to Dallas, an essential hub for Datalogic's pre-sales and inside-sales teams.

The new team will be responsible for generating new leads based on interest, converting those into sales opportunities. Application engineers will support the sales team in demo activities on specific products across all verticals in which Datalogic operates.

Datalogic proudly announced the release of **IMPACT Software 12.0**, the latest version of the well-known software by Datalogic for Vision Guided Robotics applications. This enhanced release makes it easier to locate objects, quickly compile and format data, and then communicate that data to other automation systems or databases, ensuring product identification and location for all industries. IMPACT 12.0 delivers new inspection tools and improvements such as the new Pattern Find Tool for Vision Guided Robotic applications demanding fast locating and extremely high accuracy and repeatability, making it easier and faster to integrate Datalogic machine vision with any robot.

NOVEMBER

Datalogic, leader and co-ordinator of the consortium set up to participate in the **European Horizon 2020 framework program** on "Effective Industrial Human-Robot Collaboration", announces in November the **launch of the ROSSINI project** (Robot enhanced SenSing, Intelligence and actuation to Improve job quality in manufacturing).

The aim of the ROSSINI project is to develop an intrinsically safe hardware-software platform for the design and implementation of human-robot collaboration (HRC) applications in the Manufacturing sector. Combining innovative detection and identification technologies, implementation and control (developed by large industrial Stakeholders, world leaders in their technology and in their target market) and integrating them in an open development environment, the ROSSINI platform will allow the implementation of HRC applications in which robots and human operators will become members of the same team, increasing the quality of work, flexibility of production, efficiency and, consequently, productivity.

A six-year collaboration framework agreement was signed between Alma Mater Studiorum of Bologna and Datalogic to carry out activities of teaching, research, development and innovation in the area of data acquisition and management.
The collaboration involves the planning of commissioned research activities, the joint participation in calls for proposals and regional, national, European and international research programs, the funding of research grants and PhD scholarships, as well as training activities, technology transfer initiatives and co-branding.

Datalogic announces **SLS-SA5**, the stand alone model of the LASER SENTINEL safety laser scanner family. A new model with even more features that will cover a larger variety of applications in factory automation and intralogistics. The world's largest automotive companies have already shown great interest in the new Datalogic Safety Laser Scanner.

Datalogic introduced the new **AREX400** family of laser markers based on fiber technology for industrial applications. Equipped with an exceptionally small and robust scanner head machined from solid aluminum, the AREX400 laser markers are unbeatable in tight space installations where a small footprint is mandatory and reliability is a must. Traceability is a core competence of Datalogic, whose laser markers are unbeatable in Direct Part Marking (DPM) product's identification codes such as serial numbers, lot and batch numbers, 1D and 2D bar codes and human readable codes.

DECEMBER

Datalogic announced that NRF 2019 would feature **two new products with wireless charging.**
Datalogic is the first manufacturer to offer this technology in mobile computers and hand held scanners. Based on inductive-charging technology now widespread in numerous consumer electronic products, Datalogic's Wireless Charging System eliminates battery contacts and pins, that often get dirty, bent, or broken over time – and this removes a key point of failure for devices used in industrial and retail functions.
Routine charging system maintenance and cleaning procedures are eliminated, which means lower down time, and a lower TCO for Datalogic systems. Datalogic's Wireless Charging System is also faster than traditional charging solutions.
Battery levels can be safely and rapidly "topped-up" between shifts, and fully-recharged in the shortest possible time – all without over-stressing contacts, pins, and cables. For devices used round the clock, or with only short breaks between shifts, this is a great operational advantage.

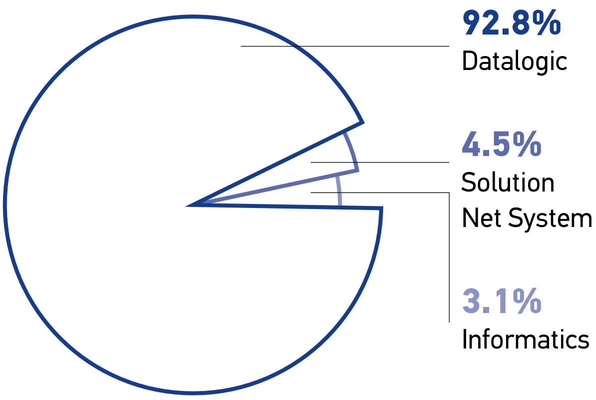
Datalogic introduces the new **Matrix 220™ imager**, the most compact image based barcode reader capable of providing top performance with the highest flexibility. The ease of installation and integration in tight spaces, thanks to its ultra-compact dimension and rotating connectors, makes the Matrix 220 an ideal image reader for Electronics, Automotive, Packaging and Document Handling applications.

A constant growth

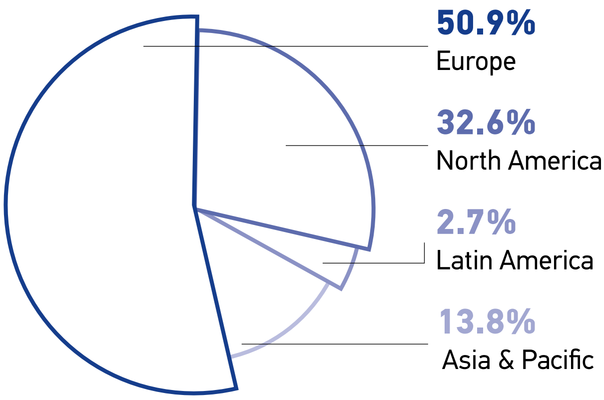
2018 REVENUES

Total **631.0 MLN EUROS**

By division



By geographic area

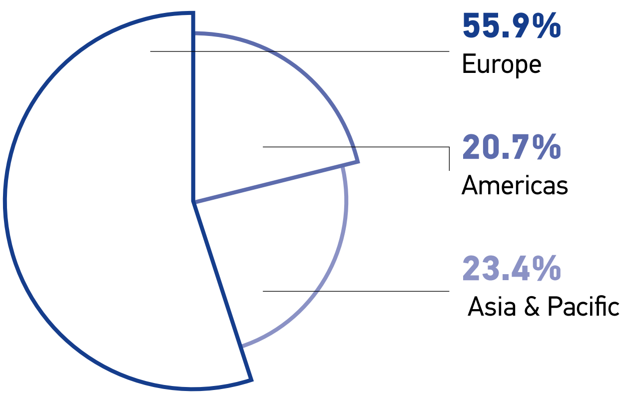


(-0,4% other)

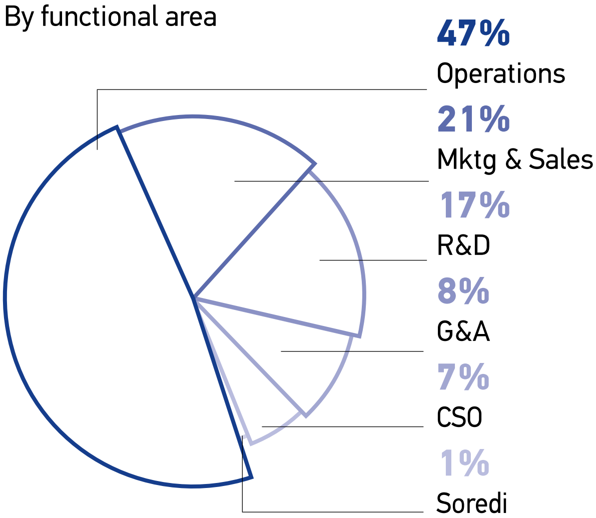
2018 EMPLOYEES

Total **3,157**

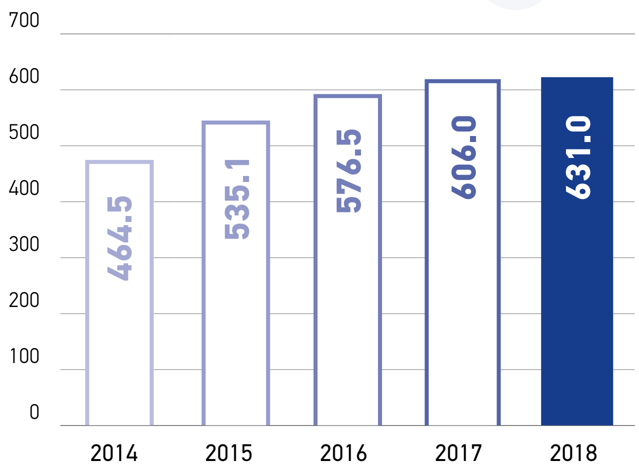
By geographic area



By functional area

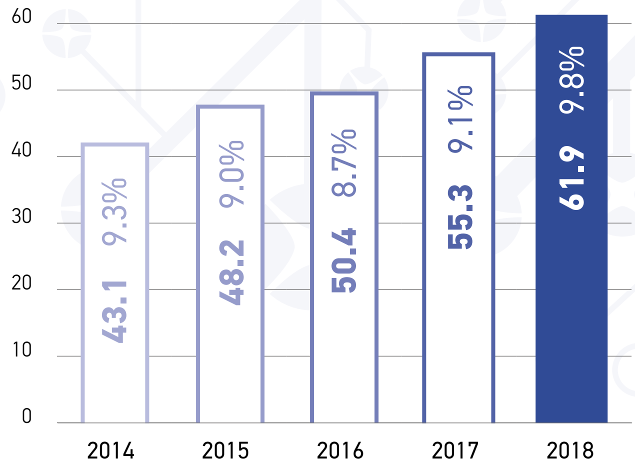


REVENUES (MLN EUROS)



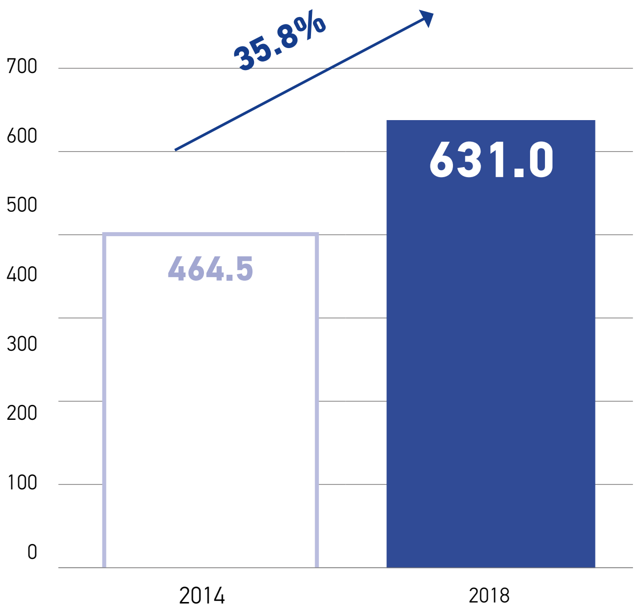
(+4.1% vs. 2017)

R&D (MLN EUROS)*



* % on revenues

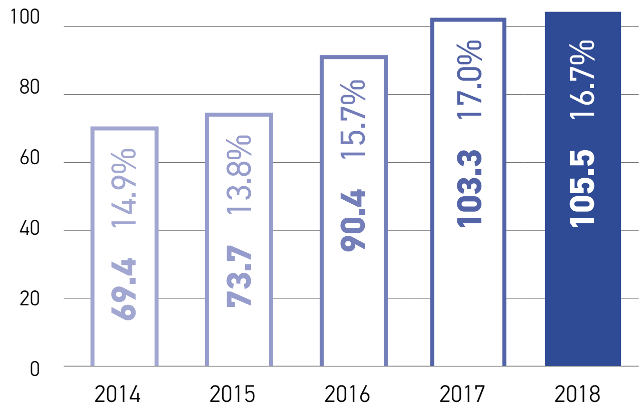
TOTAL REVENUES (MLN EUROS)



CAGR 2014-2018

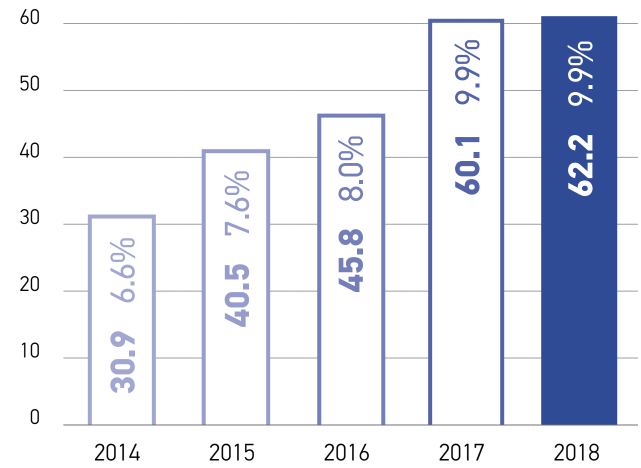
8.0%

EBITDA
(MLN EUROS)*



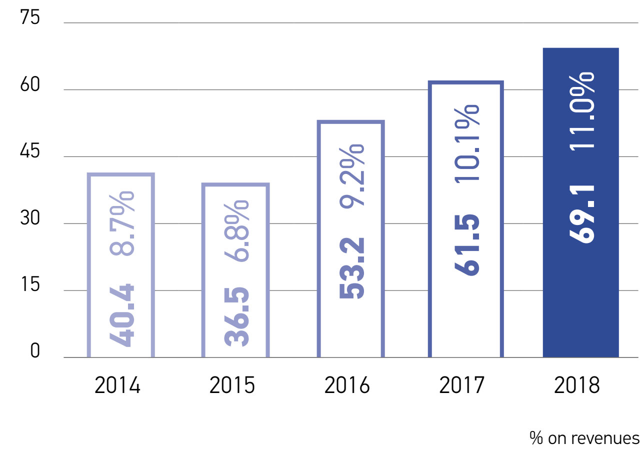
* % on revenues

NET INCOME
(MLN EUROS)*

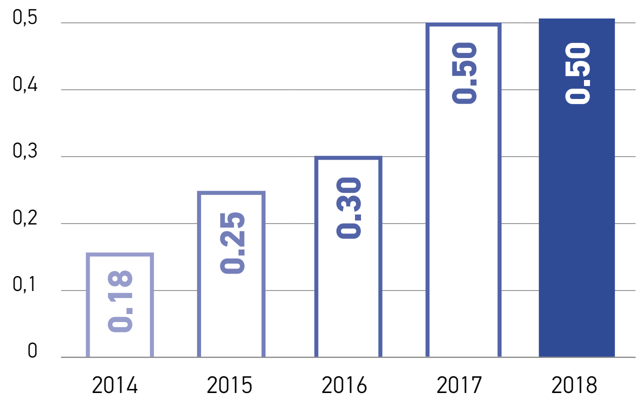


* % on revenues

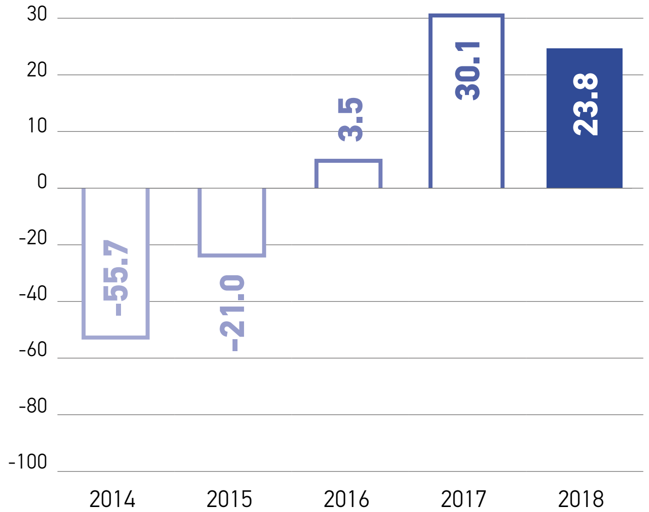
NET TRADE WORKING CAPITAL
(MLN EUROS)*



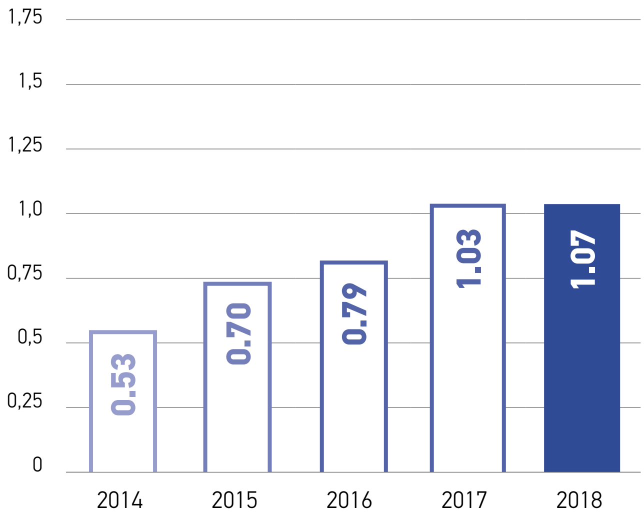
DIVIDEND PER SHARE
(DPS - EUROS)*



NET FINANCIAL POSITION
(MLN EUROS)



EARNINGS PER SHARE
(EPS - EUROS)



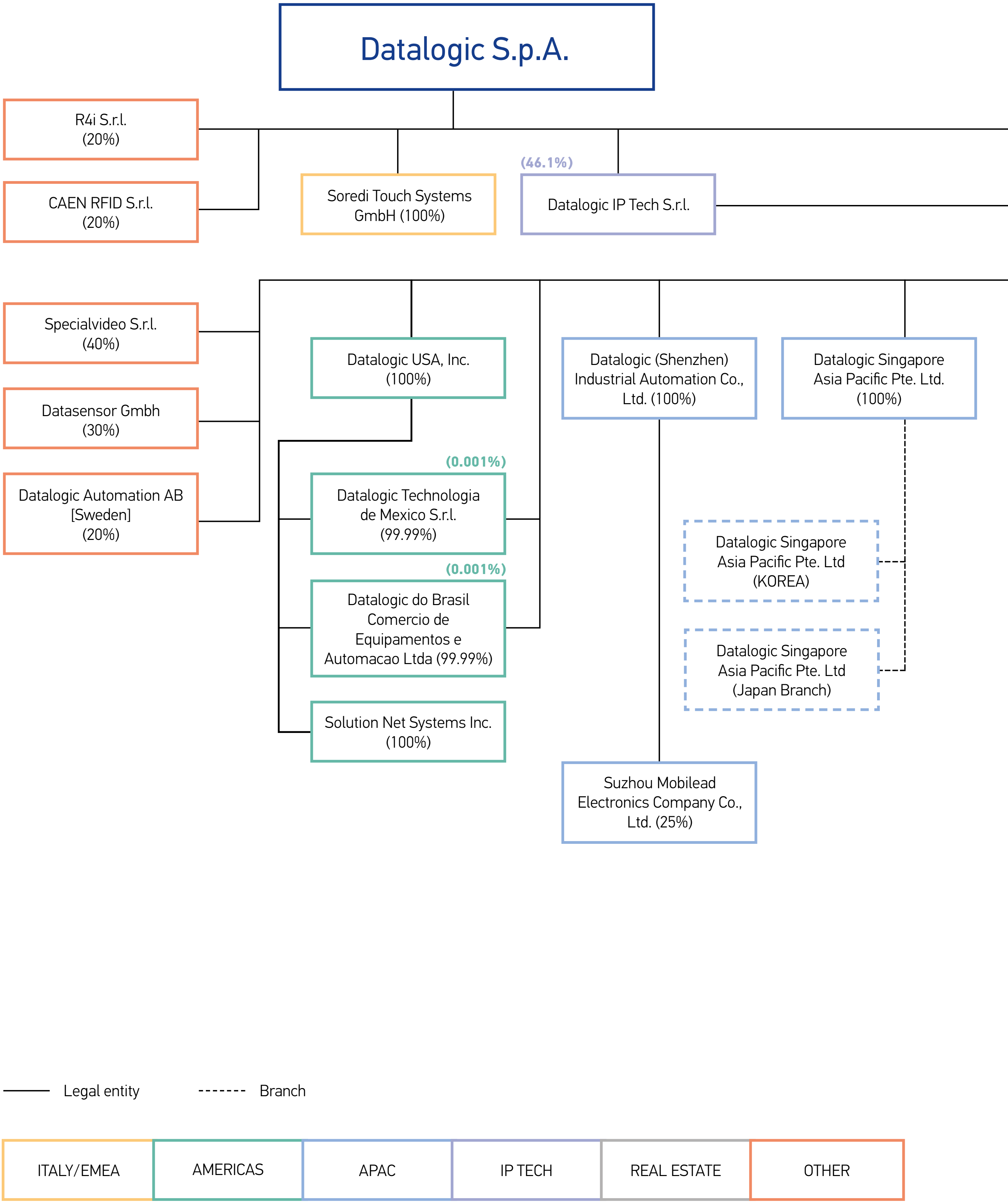
INCOME STATEMENT

MLN EUROS	2014	2015	2016	2017	2018
REVENUES	**464.5**	**535.1**	**576.5**	**606.0**	**631.0**
EBITDA	**69.4**	**73.7**	**90.4**	**103.3**	**105.5**
% on revenues	14.9	13.8	15.7	17.0	16.7
EBT	**39.2**	**51.6**	**66.9**	**75.4**	**77.8**
% on revenues	8.4	9.6	11.6	12.5	12.3
NET INCOME	**30.9**	**40.5**	**45.8**	**60.1**	**62.2**
% on revenues	6.6	7.6	8.0	9.9	9.9
EMPLOYEES GROWTH	**2,470**	**2,567**	**2,696**	**2,912**	**3,157**
DIVIDEND PER SHARE (EUROS)	**0.18**	**0.25**	**0.3**	**0.5**	**0.5**
DIVIDEND DISTRIBUTION (MLN EUROS)	**9.4**	**10.5**	**14.5**	**17.4**	**28.9**

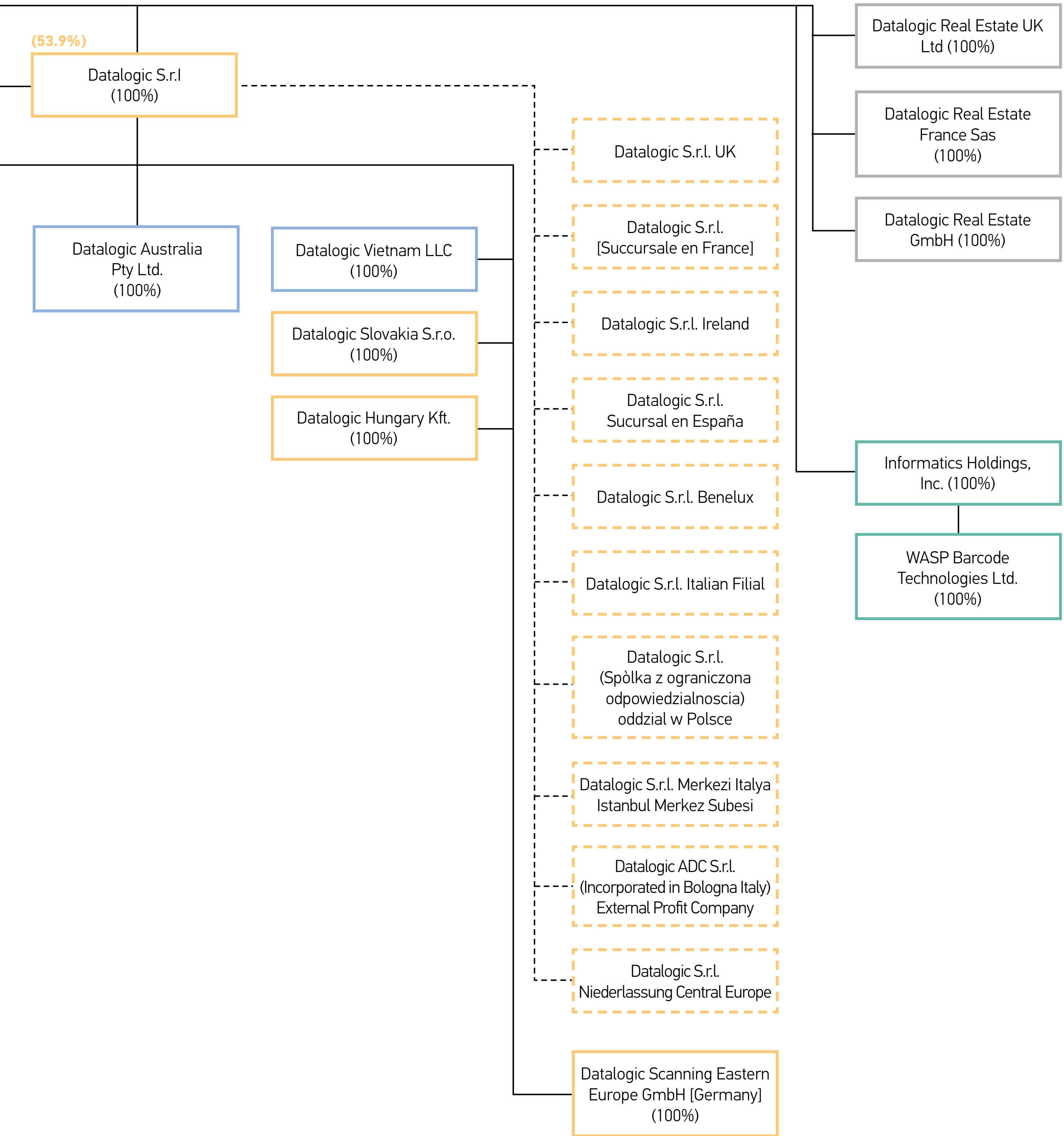
BALANCE SHEET

MLN EUROS	2014	2015	2016	2017	2018
FIXED ASSETS	326.2	363.8	371.7	347.9	369.7
CURRENT ASSETS	164.0	166.8	192.0	203.9	228.1
CURRENT LIABILITIES	-150.1	-162.7	-182.2	-181.9	-195.2
NET WORKING CAPITAL	13.9	4.1	9.8	22.0	32.9
NET INVESTED CAPITAL	297.0	319.2	332.9	322.9	352.0
EQUITY	241.3	298.3	336.4	353.0	375.8
NET FINANCIAL POSITION	-55.7	-21.0	3.5	30.1	23.8
CAPEX	12.7	22.0	16.5	13.9	28.9
% on revenues	2.7	4.1	2.9	2.3	4.6
NET TRADE WORKING CAPITAL	40.4	36.5	53.2	61.5	69.1
% on revenues	8.7	6.8	9.2	10.1	11.0
ROE%	14.5	15.0	14.4	17.4	17.1
DEB/EQUITY%	+23.1	+7.0	-1.0	-8.5	-6.3

Group structure



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.
Specialvideo S.r.l. (40%)
Datasensor Gmbh (30%)
Datalogic Automation AB [Sweden] (20%)
Datalogic USA, Inc. (100%)
(0.001%)
Datalogic Technologia de Mexico S.r.l. (99.99%)
(0.001%)
Datalogic do Brasil Comercio de Equipamentos e Automacao Ltda (99.99%)
Solution Net Systems Inc. (100%)
Datalogic (Shenzhen) Industrial Automation Co., Ltd. (100%)
Datalogic Singapore Asia Pacific Pte. Ltd. (100%)
Datalogic Singapore Asia Pacific Pte. Ltd (KOREA)
Datalogic Singapore Asia Pacific Pte. Ltd (Japan Branch)
Suzhou Mobilead Electronics Company Co., Ltd. (25%)
Legal entity
Branch
ITALY/EMEA
AMERICAS
APAC
IP TECH
REAL ESTATE
OTHER


(53.9%)
Datalogic S.r.l (100%)
Datalogic Australia Pty Ltd. (100%)
Datalogic Vietnam LLC (100%)
Datalogic Slovakia S.r.o. (100%)
Datalogic Hungary Kft. (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%)
Datalogic Real Estate UK Ltd (100%)
Datalogic Real Estate France Sas (100%)
Datalogic Real Estate GmbH (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]

Giovannucci Orlandi Chiara
Independent Director

Lancellotti Roberto
Independent Director

Manaresi Angelo
Independent Director

Negri Zamagni Vera[3]
Independent Director

Todescato Pietro
Director

Volta Filippo Maria
Non-executive Director

Statutory Auditors[3]

Fiorenza Salvatore Marco Andrea
Chairman

Lancellotti Elena
Statutory Auditor

Santagostino Roberto
Statutory Auditor

Cornale Patrizia
Alternate Statutory Auditor

Fuzzi Mario
Alternate Statutory Auditor

Prandi Paolo
Alternate Statutory Auditor

Indipendent Auditor[5]

EY S.p.A.

(1) The Board of Directors was appointed by the Shareholders' Meeting on 23 May 2018 and will remain in office until the general meeting that approves the accounts for the financial year ending 31 December 2020.

(2) Legal representative with respect to third parties.

(3) On August 9th 2018, Mr. Angelo Busani resigned from his offices and the Board of Directors co-opted Mrs. Vera Negri who will remain in office until the approval of the accounts for the financial year ending 31 December 2018.

(4) The Statutory Auditors in office until the approval of the accounts for the financial year ending 31 December 2018. The Shareholders' Meeting on May 23rd 2018 appointed Patrizia Cornale as Alternate Statutory Auditor, for the same duration of the Statutory Auditors.

(5) The Independent Auditor will remain in charge until the approval of the Financial Statements for the financial year ending 31 December 2018.

Report on operations

Introduction

This annual Financial Report as at 31 December 2018 was drawn up pursuant to Art. 154 of T.U.F. and was prepared in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union. The amounts reported in the Report on Operations are expressed in thousands of Euro. The Explanatory Notes to the accounts are expressed in millions of Euro.

Group profile

The Datalogic Group is the global leader in the markets of automatic data capture and process automation. The Group is specialised in the design and production of bar code readers, mobile computers, detection, measurement and security sensors, vision and laser marking systems and RFID. 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

The following table summarises the Datalogic Group's key economic and financial results as at 31 December 2018 in comparison with the same period a year earlier:

	2018	% on Revenues	2017	% on Revenues	Change	%	% ch. at constant exch. rate
Total Revenues	631,015	100.0%	606,022	100.0%	24,993	4.1%	6.4%
(EBITDA)	105,549	16.7%	103,299	17.0%	2,250	2.2%	1.4%
Operating result (EBIT)	83,517	13.2%	82,879	13.7%	638	0.8%	
Group net profit/loss	62,210	9.9%	60,080	9.9%	2,130	3.5%	
Net financial position (NFP)	23,843		30,137		(6,294)		

The results of the year 2018 highlight a growth in all the main economic indicators, thus confirming the positive trend reported over the last few years and achieving again the best performance since the year in which the Group was established.

Though hampered by an unfavourable Euro/Dollar exchange rate, consolidated sales revenues grew 4.1% (+6.4% at constant exchange rate).

While benefiting from an improvement in gross profit, financial performance reflects higher investments in R&D and the strengthening of the sales organisations necessary to continue the Group's growth.

EBITDA grew by 2.2%, to €105.5 million. EBITDA margin stood at 16.7% of revenues, EBIT grew 0.8% (€83.5 million) and net profit improved by 3.5% (€62.2 million).

The Net Financial Position is positive by €23.8 million, with an improvement of €6.3 million compared to 31 December 2017.

Performance indicators

To allow for a better valuation of the Group's performance, management adopted certain alternative performance indicators that are not identified as accounting measures within IFRS (NON-GAAP measures). The measurement criteria applied by the Group might not be consistent with those adopted by other groups and the indicators might not be comparable with indicators calculated by the latter. These performance indicators, determined according to provisions set out by Guidelines on alternative 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 Trade Working Capital:** 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 Trade Working Capital and Other Current Assets and 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.

- **NFP (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.

Group reclassified economic results for the year

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

	2018		2017		Change	%
Total Revenues	**631,015**	**100.0%**	**606,022**	**100.0%**	**24,993**	**4.1%**
Cost of goods sold	(325,064)	-51.5%	(317,629)	-52.4%	(7,435)	2.3%
Gross Operating Margin	**305,951**	**48.5%**	**288,393**	**47.6%**	**17,558**	**6.1%**
Research and Development expenses	(61,920)	-9.8%	(55,275)	-9.1%	(6,645)	12.0%
Distribution expenses	(112,225)	-17.8%	(99,701)	-16.5%	(12,524)	12.6%
General and Administrative expenses	(43,156)	-6.8%	(44,804)	-7.4%	1,648	-3.7%
Other operating income (expenses)	1,732	0.3%	5	0.0%	1,727	n.a.
Total Operating expenses and others	**(215,569)**	**-34.2%**	**(199,775)**	**-33.0%**	**(15,794)**	**7.9%**
Non-recurring costs/revenues	(2,260)	-0.4%	(924)	-0.2%	(1,336)	144.6%
Amortisation Intangible assets from acquisitions	(4,605)	-0.7%	(4,815)	-0.8%	210	-4.4%
Operating result (EBIT)	**83,517**	**13.2%**	**82,879**	**13.7%**	**638**	**0.8%**
Financial income (expenses)	(2,938)	-0.5%	(4,330)	-0.7%	1,392	-32.1%
Profits/(losses) from associates	0	0.0%	(85)	0.0%	85	-100.0%
Foreign exchange gains/(losses)	(2,730)	-0.4%	(3,010)	-0.5%	280	-9.3%
Profit/(Loss) before taxes (EBT)	**77,849**	**12.3%**	**75,454**	**12.5%**	**2,395**	**3.2%**
Taxes	(15,639)	-2.5%	(15,374)	-2.5%	(265)	1.7%
NET PROFIT/(LOSS)	**62,210**	**9.9%**	**60,080**	**9.9%**	**2,130**	**3.5%**
Non-recurring costs/revenues	(2,260)	-0.4%	(924)	-0.2%	(1,336)	144.6%
Depreciation	(10,580)	-1.7%	(10,273)	-1.7%	(307)	3.0%
Amortisation	(9,192)	-1.5%	(9,223)	-1.5%	31	-0.3%
EBITDA	**105,549**	**16.7%**	**103,299**	**17.0%**	**2,250**	**2.2%**

Consolidated net revenues amounted to €631.0 million, and, despite an unfavourable trend in the Euro/Dollar exchange rate, increased 4.1% compared to €606 million reported in 2017 (+6.4% at constant exchange rate), above all thanks to an improvement in the mix.

Gross Operating Margin, equal to €306.0 million, increased by 6.1% against €288.4 million reported in the same period of the previous year, while as a percentage of revenues it increased by 0.9 percentage points, from 47.6% in 2017 to 48.5% in 2018. The improvement is attributable primarily to efficiency achieved in procurement and reduction in fixed production costs.

Operating expenses and others, equal to €215.6 million, increased by 7.9% compared to €199.8 million in 2017, and increased by 1.2 percentage points in proportion to revenues, from 33% to 34.2%. This increase was primarily due to the increase in Research and Development expenses (+12%) and Distribution expenses (+12.6%), partially offset by the reduction in General and Administrative expenses.

Research and Development expenses amounted to €61.9 million (9.8% of revenues compared to 9.1% recorded in 2017.

Distribution expenses, equal to €112.2 million, with a percentage of revenues of 17.8% compared to 16.5% recorded in 2017, following investments made by the Group during the year on the distribution and sales network.

General and Administrative expenses amounted to €43.2 million, decreased compared to €44.8 million in 2017, attributable to steady cost control initiatives, while its percentage of revenues fell to 6.8% from 7.4% in 2017.

EBITDA stood at €105.5 million, showed 2.2% increase, compared to €103.3 million recorded in 2017 (+1.4% at constant exchange rate), while, as a percentage of revenues (EBITDA margin), it decreased from 17% in 2017 to 16.7% in 2018, mainly due to the aforementioned higher investments in R& D and the strengthening of sales organisations, partially offset by the improvement in gross profit and the containment of general and administrative expenses.

EBIT, equal to €83.5 million, decreased by 0.8% compared to €82.9 million, while its percentage of revenues dropped from 13.7% in 2017 to 13.2% in 2018.

Non-recurring costs/revenues and write-downs, equal to €2.3 million (€0.9 million in 2017), related primarily to the reorganization of industrial and distribution footprint and the reorganisation of some corporate departments.

Net Financial Income (Expenses) was negative for €5.7 million, compared to a negative result of €7.3 million in the same period of 2017. The improvement is mainly attributable to benefits from renegotiating the cost of outstanding loans and the reduction in bank expenses and the reduction in commercial exchange rate differences recorded for positions in foreign currencies.

	2018	2017	Change
Financial income (expenses)	(1,153)	(2,964)	1,811
Foreign exchange- differences	(2,730)	(3,010)	280
Bank expenses	(1,474)	(2,062)	588
Other	(311)	696	(1,007)
Total Net financial income (expenses)	**(5,668)**	**(7,340)**	**1,672**

The **Group net profit**, amounting to €62.2 million, increased by 3.5% compared to the profit recorded in the same period of the previous year (€60.1 million). This figure corresponds to 9.9% of revenues, in line with 2017.

ANNUAL ECONOMIC RESULTS BY DIVISION

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

For 2018, the operating segments were included in the following divisions:

- **Datalogic**, which represents the Group's core business and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, vision and laser marking and RFID systems that contribute to increasing the 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** 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 2018 and 2017 is as follows (€/000):

	Informatics		Solution Net System		Datalogic		Adjustments		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	19,582	20,586	28,320	24,728	583,114	560,707	0	0	631,016	606,022
Intersegment revenues	4	9	0	12	2,610	3,273	(2,615)	(3,294)	(1)	0
Total Revenues	**19,586**	**20,595**	**28,320**	**24,740**	**585,724**	**563,980**	**(2,615)**	**(3,294)**	**631,015**	**606,022**
Operating result (EBIT)	**182**	**(281)**	**2,872**	**2,785**	**80,619**	**79,916**	**(156)**	**458**	**83,517**	**82,879**
% of revenues	0.9%	-1.4%	10.1%	11.3%	13.8%	14.2%	6.0%	-13.9%	13.2%	13.7%
Non-recurring costs/revenues	**0**	**0**	**0**	**0**	**(2,260)**	**(924)**	**0**	**0**	**(2,260)**	**(924)**
Amortisation, depreciation and write-downs	(487)	(427)	(67)	(69)	(19,218)	(19,327)	0	327	(19,772)	(19,496)
EBITDA	**669**	**146**	**2,939**	**2,854**	**102,097**	**100,167**	**(156)**	**131**	**105,549**	**103,298**
Financial income (expenses)	**(208)**	**(104)**	**(83)**	**(127)**	**(5,411)**	**(7,083)**	**34**	**(111)**	**(5,668)**	**(7,425)**
Taxes	**9**	**(125)**	**(711)**	**(1,033)**	**(14,937)**	**(14,171)**	**0**	**(45)**	**(15,639)**	**(15,374)**
R&D expenses	**(1,542)**	**(1,394)**	**(489)**	**(485)**	**(59,889)**	**(53,396)**	**0**	**0**	**(61,920)**	**(55,275)**
% on revenues	-7.9%	-6.8%	-1.7%	-2.0%	-10.2%	-9.5%	0.0%	0.0%	-9.8%	-9.1%

Datalogic Division

In 2018, the **Datalogic Division** reported turnover of €585.7 million, up 3.9% compared to 2017 (+5.9% at constant exchange rate), with a particularly positive trend in North America, which grew 15.6% compared to the previous year (+20% at constant exchange rate) and APAC, especially China, where growth of 13.9% was recorded (+16.7% at constant exchange rate).

EBITDA related to the division amounted to €102.1 million, up 1.9%, corresponding to 17.4% of turnover (17.8% in 2017).

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

	2018	%	2017	%	Change	%	% ch. at constant exch. rate
Retail	295,435	50.4%	280,284	49.7%	15,151	5.4%	8.0%
Manufacturing	174,586	29.8%	156,520	27.8%	18,066	11.5%	13.1%
Transportation & Logistic	69,220	11.8%	60,950	10.8%	8,270	13.6%	15.8%
Healthcare	20,208	3.5%	28,289	5.0%	(8,081)	-28.6%	-26.9%
Channel (Unallocated) (*)	26,275	4.5%	37,937	6.7%	(11,662)	-30.7%	-30.3%
Total Revenues	**585,724**	**100.0%**	**563,980**	**100.0%**	**21,744**	**3.9%**	**5.9%**

(*) The Channel sector (unallocated) includes revenues not directly attributable to the 4 areas identified.
It is noted that data for 2017 have been reclassified.

The **Retail** sector reported 5.4% increase compared to last year (+8% at constant exchange rate) thanks to a considerable growth in North America, equal to 35.1% (+40.2% at constant exchange rate), which more than offset 5.3% reduction in EMEA (-4.5% at constant exchange rate) and in the other geographical areas.

The **Manufacturing** sector confirmed its expansion trend, up by 11.5% compared to the previous year (+13.1% at constant exchange rate), mainly driven by 29.7% growth in China (+32.8%); in North America 8.5% growth was reported (+13.2% at constant exchange rate) and in EMEA 6.8% growth (+6.9% at constant exchange rate).

The **Transportation & Logistics** sector reported the highest growth, with 13.6% crease in revenues compared to 2017 (+15.8% at constant exchange rate), thanks to a very positive performance in North America, where 33.7% growth (+38.3% at constant exchange rate) was recorded. In EMEA, 3.8% growth was recorded (+3.9% at constant exchange rate).

The **Healthcare** sector reported a 28.6% decrease (-26.9% at constant exchange rate), compared to 2017, which had posted exceptionally positive results due to the acquisition of important orders in some of the leading US hospital chains.

The sales through distribution channel, especially to small and medium-sized customers, not directly attributable to any of the four main sectors, reported a 30.7% decrease due to the seasonal trend of stock reduction in the main distributors that occurred in the first half of the year, as well as the reduction in direct sales from distributors to small-medium businesses (SMBs).

Solution Net Systems Division

The **Solution Net Systems Division** reported revenues for €28.3 million, up by 14.5% compared to 2017 (+20.2% at constant exchange rate), due primarily to important orders in the postal sector.

EBITDA related to the Division amounted to €2.9 million, substantially in line with the previous year; the percentage of revenues was 10.4%.

Informatics Division

In 2018, the **Informatics Division** recorded turnover of €19.6 million, down 4.9% (-0.5% at constant exchange rate) compared to 2017, albeit profitability improved. The division's EBITDA, in fact, was positive by €0.7 million (€0.1 million in 2017), with a percentage on revenues from 0.7 to 3.4%.

REVENUES BY GEOGRAPHICAL AREA FOR THE PERIOD

The following table shows the breakdown by **geographical area** of Group revenues achieved in 2018, compared with the same period of 2017:

	2018	%	2017	%	Change	%	% ch. at constant exch. rate
Italy	53,013	8.4%	58,479	9.6%	(5,466)	-9.3%	
EMEA (except Italy)	267,868	42.5%	269,027	44.4%	(1,159)	-0.4%	
Total EMEA (*)	320,881	50.9%	327,506	54.0%	(6,625)	-2.0%	-1.6%
North America	205,567	32.6%	180,698	29.8%	24,869	13.8%	18.4%
Latin America	17,224	2.7%	18,183	3.0%	(959)	-5.3%	2.0%
APAC (*)	87,343	13.8%	79,635	13.1%	7,708	9.7%	13.3%
Total Revenues	**631,015**	**100.0%**	**606,022**	**100.0%**	**24,993**	**4.1%**	**6.4%**

(*) EMEA: Europe, Middle East and Africa; APAC: Asia & Pacific (including China)
As at 31 December 2018, sales in Mexico were included in the North America region, data as at 31 December 2017 were reclassified accordingly.

In 2018, in North America 13.8% growth was recorded (+18.4% at constant exchange rate), in APAC growth was 9.7% (+13.3% at constant exchange rate), driven by China, which recorded 13.9% growth (+16.7% at constant exchange rate).

Group reclassified economic results for the fourth quarter

The following table compares the main operating results achieved in the fourth quarter 2018 with the same period of 2017.

Total revenues in the fourth quarter of 2018 amounted to €164.9 million, up 6.2% compared to the fourth quarter of 2017 (+5.1% at constant exchange rate).

EBITDA in the fourth quarter increased 10.3%. The percentage on revenues stood at 17% (16.4% in the fourth quarter of 2017).

	4Q 2018	% on Revenues	4Q 2017	% on Revenues	Change	%	% ch. at constant exch. rate
Total Revenues	**164,927**	100.0%	**155,311**	100.0%	**9,616**	6.2%	5.1%
EBITDA	**28,004**	17.0%	**25,394**	16.4%	**2,610**	10.3%	10.3%
Operating result (EBIT)	**22,441**	13.6%	**20,413**	13.1%	**2,028**	9.9%	
Group net profit/loss	**18,632**	11.3%	**15,009**	9.7%	**3,623**	24.1%	

FOURTH QUARTER FINANCIAL RESULTS BY DIVISION

	Revenues			EBITDA		
	4Q 2018	4Q 2017	% change	4Q 2018	4Q 2017	% change
Datalogic	154,642	146,235	5.8%	28,569	25,008	14.2%
Solution Net Systems	5,897	5,433	8.5%	(679)	14	n.a.
Informatics	4,985	4,229	17.9%	205	261	-21.5%
Adjustments	(597)	(587)	1.7%	(91)	110	n.a.
Total Revenues	**164,927**	**155,311**	**6.2%**	**28,004**	**25,394**	**10.3%**

Datalogic Division

In the fourth quarter, the **Datalogic Division** reported turnover of €154.6 million, up by 5.8% compared to the same period of 2017 (+4.8% at constant exchange rate), with especially positive performance in North America, where growth of +42.2% was recorded.

EBITDA related to the division amounted to 28.6 million, up 14.2%, corresponding to 18.5% of turnover (17.1% in the fourth quarter of 2017).

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

	4Q 2018	%	4Q 2017 (**)	%	Change	%	% ch. at constant exch. rate
Retail	81,247	52.5%	74,314	50.8%	6,933	9.3%	7.8%
Manufacturing	43,798	28.3%	41,417	28.3%	2,381	5.7%	5.4%
Transportation & Logistic	18,620	12.0%	20,175	13.8%	(1,555)	-7.7%	-8.7%
Healthcare	6,560	4.2%	6,958	4.8%	(398)	-5.7%	-7.2%
Channel (Unallocated) (*)	4,417	2.9%	3,371	2.3%	1,046	31.0%	32.0%
Total Revenues	**154,642**	**100.0%**	**146,235**	**100.0%**	**8,407**	**5.7%**	**4.8%**

(*) The Channel sector (unallocated) includes revenues not directly attributable to the 4 areas identified.
(**) It is noted that data for 2017 have been restated.

The **Retail** sector reported 9.3% increase compared to the fourth quarter of 2017 (+7.8% at constant exchange rate), thanks mainly to the signature of important deals in North America.

The **Manufacturing** sector, second in importance within the Division, confirmed its positive trend in the fourth quarter, albeit with a drop in its growth trend. It reported 5.7% growth compared to the same period of 2017 (+5.4% at constant exchange rate), with a positive trend in all areas.

The **Transportation & Logistics** sector dropped by 7.7% compared to the fourth quarter of 2017 (-8.7% at constant exchange rate), mainly due to the expected seasonal effect, after the signature of important deals in North America in the third quarter of 2018 and the postponement to 2019 for the execution of new contracts acquired in the last quarter of the year.

The **Healthcare** sector reported a 5.7% decrease (-7.2% at constant exchange rate), compared to the fourth quarter of 2017.

The sales through distribution channel, especially to small and medium-sized customers, not directly attributable to any of the four main sectors, reported 31% increase compared to the fourth quarter of 2017.

Solution Net Systems Division

The **Solution Net Systems Division** recorded revenues amounting to €5.9 million, up by 8.5% compared to the fourth quarter of 2017.

EBITDA was negative in the amount of €0.7 million.

Informatics Division

In the fourth quarter, the **Informatics Division** recorded turnover of €4.9 million, up 17.9% (+14.3% at constant exchange rate) compared to the fourth quarter of 2017.

EBITDA of the Division amounted to €0.2 million.

FOURTH QUARTER REVENUES BY GEOGRAPHIC AREA

	4Q 2018	%	4Q 2017	%	Change	%	% ch. at constant exch. rate
Italy	12,891	7.8%	17,355	11.2%	(4,464)	-25.7%	
EMEA (except Italy)	69,969	42.4%	72,425	46.6%	(2,456)	-3.4%	
Total EMEA (*)	82,860	50.2%	89,780	57.8%	(6,920)	-7.7%	-7.9%
North America	52,935	32.1%	39,518	25.4%	13,417	34.0%	29.7%
Latin America	6,093	3.7%	5,485	3.5%	608	11.1%	14.7%
APAC (*)	23,039	14.0%	20,528	13.2%	2,511	12.2%	11.7%
Total Revenues	**164,927**	**100.0%**	**155,311**	**100.0%**	**9,616**	**6.2%**	**5.1%**

(*) EMEA: Europe, Middle East and Africa; APAC: Asia & Pacific (including China)
As at 31 December 2018, sales in Mexico were included in the North America region, comparison data was reclassified accordingly.

During the fourth quarter of 2018, North America recorded double-digit growth equal to 34% (+29.7% at constant exchange rate).

In EMEA, at constant exchange rate, 7.9% drop was recorded, while in APAC growth was 12.2% (+11.7% at constant exchange rate).

Analysis of financial data

The following table shows the main financial and equity items for the Datalogic Group as at 31 December 2018, compared with 31 December 2017.

	31.12.2018	31.12.2017	Change
Intangible assets	44,506	41,980	2,526
Goodwill	181,149	174,343	6,806
Tangible assets	77,995	69,733	8,262
Equity investments in associates	9,397	11,757	(2,360)
Other fixed assets	56,665	50,058	6,607
Total Fixed Assets	**369,712**	**347,871**	**21,841**
Trade receivables	90,439	85,832	4,607
Trade payables	(117,139)	(110,288)	(6,851)
Inventories	95,826	85,938	9,888
Net Trade working capital	**69,126**	**61,482**	**7,644**
Other current assets	41,855	31,121	10,734
Assets held-for-sale	0	1,021	(1,021)
Other ST payables and ST provision for risks	(78,037)	(71,621)	(6,416)
Net Working Capital	**32,944**	**22,003**	**10,941**
Other LT liabilities	(37,829)	(26,747)	(11,082)
Post-employment benefits	(6,541)	(6,633)	92
LT provision for risks and future charges	(6,320)	(13,602)	7,282
Net Invested Capital	**351,966**	**322,892**	**29,074**
Shareholders' Equity	**(375,809)**	**(353,029)**	**(22,780)**
Net financial position (NFP)	**23,843**	**30,137**	**(6,294)**

The **Net Trade Working Capital** as at 31 December 2018 amounted to €69.1 million, up by €7.6 million compared to 31 December 2017, with 11.0% percentage of revenues (10.1% as at 31 December 2017), due to increased inventories.

The **Net Invested Capital**, equal to around €352 million, increased by €29 million (+9%) due to the increased working capital and increased net investments in non-current assets, amounting to around €22 million, mainly related to product development, software licenses as well as industrial equipment and moulds.

As at 31 December 2018, the net financial debt/(net financial position) is broken down as follows:

	31.12.2018	31.12.2017
A. Cash and bank deposits	181,418	256,201
B. Other cash equivalents	12	11
b1. restricted cash	12	11
C. Securities held for trading	0	0
D. Cash and cash equivalents (A) + (B) + (C)	**181,430**	**256,212**
E. Current financial receivables	0	0
F. Other current financial assets	50,896	31,444
f1. hedging instruments	0	0
G. Bank overdrafts	29	92
H. Current portion of non-current debt	47,314	48,108
I. Other current financial liabilities	3,733	2,913
i1.hedging instruments	0	0
i2.lease payables	0	0
i3.current financial liabilities	3,733	2,913
J. Current financial debt/(net financial position) (G) + (H) + (I)	**51,076**	**51,113**
K. Current net financial debt/(current net financial position) (J) - (D) - (E) - (F)	**(181,250)**	**(236,543)**
L. Non-current bank borrowing	157,407	205,656
M. Other financial assets	0	0
N. Other non-current liabilities	0	750
n1. hedging instruments		0
n2. lease payables	0	0
n3. non-current financial payables	0	750
O. Non-current financial debt (L) - (M) + (N)	**157,407**	**206,406**
P. Net financial debt/(net financial position) (K) + (O)	**(23,843)**	**(30,137)**

The Net Financial Position, as at 31 December 2018, was positive by €23.8 million, down by €6.3 million compared to 31 December 2017 (positive by €30.1 million).

Cash flows, which brought about the change in the Group's consolidated net financial position as at 31 December 2018, are summarised as follows.

	31.12.2018
Net Financial Position /(Net Financial Debt) at the beginning of the period	**30,137**
EBITDA	105,549
Change in net trade working capital	(7,644)
Net investments	(28,851)
Change in taxes	(17,832)
Net financial income (expenses)	(5,668)
Dividend distribution	(28,914)
Treasury shares	(16,930)
Other changes	(6,004)
Change in Net Financial Position/(Net Financial Debt) at year end	**(6,294)**
Net Financial Position/(Net Financial Debt) at year end	**23,843**

Net of the treasury share purchases and dividend distribution, cash generation for the period deriving from business activities was positive by €39.5 million, a decrease compared to the previous year, in which cash generation would have been positive by €52.1 million, excluding the dividend distribution and acquisition of Soredi Touch Systems GMBH.

Research and development expenses

In the market in which the Group operates, the ability to develop products and innovative solutions is one of the key competitiveness factors. For this reason, Datalogic continues to keep a high level of investment in Research and Development activities, equal to around 9.8% in Revenues for 2018 and 10.2% in the core business represented by the Datalogic division.

The innovation process is governed by a special procedure ("New Product Development"), based on the "Product Roadmap" guidelines, stemming from a medium and long-term planning, which is annually updated and that involves the entire top management. The Products Roadmap represents the mandate that is granted by the CEO to the R&D Division.

The disruptive innovation is controlled through the "DL LABS", whose core business 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 Research and Development division employs around 500 persons in Datalogic. The results of the innovation processes are patented. At end 2018, the Group's IP portfolio included around 1,200 patents.

In 2018, 24 new products were announced, the most important are briefly described hereunder.

HANDHELD READERS (HHRS)

- Gryphon 2D: this is a new generation of the Gryphon family, leader product in the Retail sector, featuring a distinctive scanning performance. In its wireless version, it is the first handheld reader that implements the wireless charging technology, which allows for the total elimination of contacts required to recharge the device, which are the main cause of maintenance needs and malfunction of devices on field. Healthcare and Digimarc models are also available.

MOBILE COMPUTING

- Memor 10: this is a PDA, based on Android 8.1 (Oreo) with GMS and a state-of-the-art Octa-core platform. This is the first terminal to implement the wireless charging technology and inter-changeable battery. It is one of the first devices in the world to be included by Google in the "Android Enterprise Recommended" for industrial devices.
- Memor 1: this is the first Datalogic terminal, GMS certified, based on the Qualcomm platform.
- Falcon X4: this represents the fourth generation of the Falcon family of personal digital terminals (PDTs) for industrial use, based on the OMAP platform and with Windows WEC7 and Android operating systems.
- Rhino II Android: Android version of the new vehicle mount computer, specially designed to be used on forklifts and industrial vehicles.

FIXED BARCODE SCANNERS

- Matrix 220: this is an image-based scanner, specialized for DPM (Direct Part Marking) bar code reading. It is equipped with a sophisticated illumination system, which allows scanning on any type of surface.

SAFETY SENSORS AND DEVICES

- S5N: this is a new generation of tubular products, which first implemented the new ASIC, specially developed for photoelectric sensors and equipped with the IO-link cutting-edge technology for Industry 4.0 applications.
- Laser Sentinel: the development of the Laser Sentinel was completed with the release of the Stand Alone and Master Slave models.

LASER MARKING DEVICES

- AREX 400: this fiber-based laser marker family features greater ruggedness for outdoor use, assembly compatibility on robot arms and total native fieldbus connectivity.

MACHINE VISION

- Impact 11.12 is a solution that includes new Pattern Find Tool algorithms, thus repositioning the Datalogic state-of-the-art offer within the market.

In the same period, the development of two new solutions was completed:

- Marvis: system for the integrated solution of laser markers and Matrix devices for the in-line validation of marked codes.
- OEM Module: to simplify the adoption of the Scan Engine Datalogic by OEM's customers.

Human resources and industrial relations

In 2018, the HR structure was strengthened with the acquisition of strategic skills, aimed at strengthening the management processes of the Human Capital in order to even more adequately meet the development needs of both business and Group. The HR Management operates in Bologna in the Headquarters of Lippo di Calderara. The Senior Vice President and the Chief Human Resources Officer is supported by regional HR Managers (EMEA, APAC and AMERICAS), as well as by HR Business Partners, responsible for the management and development of Professional Families, at global level, and COE (Centres of Expertise), responsible for the definition and implementation of functional Process Policies and pertaining technical components, while defining related standards and KPIs, like Organisational Development, Talent Hiring, Compensation and Benefit, and Leadership Development.

STAFF RECRUITMENT

As regards staff recruitment, in 2018 the staff recruitment plan, which was begun in 2017, continued above all in relation of Research and Development and Sales. Datalogic's workforce grew by 245 persons compared to 2017. 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. The Company attended the main 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 open days dedicated to orientation and meetings with managers.
The instrument that fostered this strong growth is an Information System that manages Human Resources. In 2018, this IT system was further implemented with modules concerning Compensation and Benefit, Organisational Development, Talent Hiring, as well as the restructuring of the Datalogic website, with special section dedicated to human resources (Career). In order to remain a strong competitor with respect to the other companies operating within the territory, the Company provided for a remuneration package aligned with the market benchmark, based on a market analysis made by international companies like Radford/Hay. In addition to the aforesaid initiatives, the Employer Branding activity was consolidated, aiming at strengthening the Company's external image. Datalogic's target talents are oriented to the best employment within the company, also using advanced instruments like Self-Assessment, PPA (Personal Profile Analysis) and Assessment on Learning Ability.

TRAINING

Training is a key process to maintain high competence at all levels and averts both the rapid obsolescence of skills and turnover. For a better implementation of actions and to strengthen the efficacy of investments made, a centralisation of the process was started in 2018. The Group had defined a procedure and instruments to detect training needs, in a global viewpoint, while preparing a unified catalogue of training opportunities, available to all employees who ask for them, after the approval of the Leadership Development and Training COE, the central organisational responsible of training paths. The instrument to detect the training needs is focused on the multiple needs and training solutions that will be grouped in catalogues divided based on the following categories: Technical Skills, IT Skills, Foreign Languages, Manage Yourself, Manage Others, Manage the Business.

ASSESSMENT OF PERFORMANCE

The Assessment of Performance is a well-established process within the Group. At global level, the entire personnel is involved in annual performance assessments, with special focus on employees entitled to receive a corporate and individual target-related variable incentive (MIP). Specifically, the performance management process is divided in various steps:

Assignment of Targets, Self-assessment, Manager's Assessment, Calibration of Assessments and Feedback.

RELATIONS WITH TRADE UNIONS

As regards relations with Trade Unions, the 2016-2018 integrative second-level trade union agreement was effective during 2018, thus confirming 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 2018, the Welfare platform was fully operating, thus allowing employees 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 National Labour Contract, in addition to converted variable premiums for some categories of employees. Various conventions were made available to all employees within the Welfare 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 2018 and 2017, as envisaged in Consob Communication no. DEM/6064293 of 28 July 2006, are disclosed here below.

	31 December 2018		31 December 2017	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	**278,267**	**29,340**	**291,639**	**25,592**
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	156,298	136,617	121,084	62,913
Elimination of dividends	0	(104,684)	0	(30,428)
Amortisation of "business combination" intangible assets	(5,827)	0	(5,827)	0
Effect of acquisition under common control	(31,733)	0	(31,733)	0
Elimination of capital gain on sale of business branch	(17,067)	0	(17,067)	183
Elimination of intercompany transactions	(12,277)	(1)	(12,276)	1,769
Adjustment of write-downs and capital gains on equity investments	4,581	(936)	5,517	0
Goodwill impairment	(1,395)	0	(1,395)	0
Other	834	2,182	(1,349)	(137)
Deferred taxes	4,128	(308)	4,436	188
Group shareholders' equity and profit	**375,809**	**62,210**	**353,029**	**60,080**

Stock 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 2018, the share reported a negative performance of 33.8%. The security reached a maximum value of €34.25 per share on 23 January 2018 and a minimum value of €20.10 on 21 December 2018. The average daily volumes exchanged in 2018 were approximately 83,000 shares, up compared to the average daily volumes of 73,000 shares reported in the previous year.

Stock exchange 2018

SEGMENT	BLOOMBERG CODE	REUTERS CODE	MKT CAP
STAR - MTA	**DAL.IM**	**DAL.MI**	**€ 1,192.31 MILLION** As at 31 december 2018

NUMBER OF SHARES	2018 MAX	2018 MIN
58,446,491 (of which 895,949 treasury shares)	**€ 34.25** (23 January 2018)	**€ 20.10** (21 December 2018)

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 2018, the Company met over 260 institutional investors, up by 6% 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. Competences of Resources: 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. Procurement: the Group is exposed to contained procurement risk thanks to a strategy whereby every component is sourced from several suppliers. In the few cases when components are sourced from a single supplier, the Group maintains adequate inventories of the critical components, in order to minimize the risks related to this situation.

d. Competition: the Datalogic Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the company. To mitigate the risk associated with these events, the company maintains a high level of investment in research & development (around 9.8% of revenues as at 31 December 2018 and 10.2% 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 through 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 2018, separate from the Report on Operations, containing information pursuant to paragraphs 1 and 2 of article 123-bis above.
This report is available to the public on the Company's Internet site **www.datalogic.com.**

Other information

Datalogic S.p.A. indirectly controls some companies established and governed by non-European Union countries and that have a relevant importance as per Article 15 of the Consob Regulation 20249/2017 (former Article 36 of the Consob Regulation 16191/2007) on the market regulation ("Market Regulation").

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

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

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

Pursuant to provisions set out by Article 5, paragraph 3, letter b, of the Legislative Decree 254/2016, the Group provided separately for the Consolidated Non-Financial Report. The 2017 Consolidated Non-Financial Report, 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 2018, the total number of ordinary shares was 58,446,491, including 895,949 held as treasury shares, making the number of outstanding shares at that date 57,550,542. Moreover, 6,000 shares were allocated to the "Performance Share Plan". The shares have a nominal unit value of €0.52 and are fully paid up.

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 01/01/2018 - 31/12/2018, 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 2018

On 3 April, in implementation of the Shareholders' Meeting resolution of 4 May 2017 authorising the purchase and sale of treasury shares, Datalogic S.p.A. signed a buy-back agreement with a broker for the repurchase of treasury shares on the market. This agreement was concluded in advance, on 10 May. In particular, in the period between 3 April 2018 and 10 May 2018, the Company repurchased 396,773 treasury shares out of the maximum envisaged of 500,000 shares.

On 11 May, in implementation of the Shareholders' Meeting resolution of 4 May 2017 authorising the purchase and sale of treasury shares, Datalogic S.p.A. assigned a mandate to launch a liquidity support programme for Datalogic shares with a duration of one year, in order to facilitate stability in trading transactions and avoid swings in prices that were not consistent with market trends, in accordance with market practice no. 1, permitted by Consob with Resolution no. 16839 of 19 March 2009. The initiatives supporting liquidity were started on 16 May 2018, pursuant to the market procedure no. 1 admitted by Consob with Resolution no. 16839 of 19 March 2009, and then concluded early on 23 November 2018.

On 23 May 2018, the Board of Directors of Datalogic S.p.A., confirming the governance system previously communicated to the market, appointed Ms. Valentina Volta as CEO of Datalogic Group, vested with all executive powers, with the exception of the two “M&A” and “Real Estate” areas, which will continue to report exclusively to the Chairman, Mr. Romano Volta. Moreover, note that the powers relating to the “Markets - Sales & Marketing” area are attributed exclusively to Ms. Volta, and that all other powers that are not attributed exclusively to the CEO (“Markets - Sales & Marketing”) or exclusively to the Chairman (“M&A” and “Real Estate”) are shared between the two functions, with separate powers.

On 9 August 2018, the Notary Angelo Busani resigned from his office of Director in order to allow for the Board of Directors to even more enhance the diversity of gender. At the same time, the Board of Directors co-opted Mrs. Vera Negri Zamagni.

On 30 November 2018, Mr. Alessandro D’Aniello, Group CFO and Manager in charge of drawing up the Company’s accounting statements, resigned as from 20 January 2019. On 7 February 2019, after hearing the opinions of the Board of Statutory Auditors and the Audit and Risk Management Committee and the Remuneration and Appointments Committee, the Board of Directors of Datalogic S.p.A. resolved on appointing Mr. Marco Carnovale as Manager in charge of drawing up the Company’s accounting statements, pursuant to Art 154-bis of the T.U.F. [Consolidated Law on Finance].

Business outlook

The global macroeconomic scenario shows some elements of political uncertainty and some slowdown signs have arisen in the markets.
Some macro-trends of a long-term development in all the main reference Industries are confirmed in the sector in which the Group operates. Over the next few years, Datalogic will be able to meet these needs with its offer: industrial automation and robotics development in the Manufacturing sector; investments in technologies to reduce costs and improve customer experience in the Retail sector; increase in volumes of shipments following the development of e-commerce and consequent increase of investments in technologies aimed at minimizing mistakes and reduce delivery times in the Transportation & Logistics sector; evolution of standard towards higher safety in the Healthcase sector.

The Group’s growth strategy envisages a continuous increase in R&S, an improvement of service levels offered to customers, the continuous streamlining of production costs, accompanied by a strong monitoring of operating costs and overheads.

The geographical area in which the greater growth is expected in 2019 is North America.

In the absence of significant changes in ongoing economic and sectorial trends, in 2019 as well, the Group expects to achieve growth targets in revenues over the current year, while maintaining its profitability and financial position.

Secondary locations

The Parent Company has no secondary locations.

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

Consolidated financial statements

Consolidated statement of financial position

ASSETS (Euro/000)	Note	31.12.2018	31.12.2017
A) NON-CURRENT ASSETS (1+2+3+4+5+6+7)		**369,712**	**347,871**
1) Tangible assets		**77,995**	**69,733**
land	1	8,349	7,719
buildings	1	30,548	29,369
other assets	1	34,932	30,495
assets in progress and payments on account	1	4,166	2,150
2) Intangible assets		**225,655**	**216,323**
goodwill	2	181,149	174,343
development costs	2	10,381	3,863
other	2	32,454	34,352
assets in progress and payments on account	2	1,671	3,765
3) Equity investments in associates	**3**	**2,173**	**2,184**
4) Financial assets		**7,224**	**9,573**
equity investments	5	7,224	9,573
securities	5	0	0
other	5	0	0
5) Loans	**5**	**0**	**0**
6) Trade and other receivables	**7**	**2,268**	**2,194**
7) Deferred tax assets	**13**	**54,397**	**47,864**
B) CURRENT ASSETS (8+9+10+11+12+13+14)		**460,446**	**490,547**
8) Inventories		**95,826**	**85,938**
raw and ancillary materials and consumables	8	40,369	33,101
work in progress and semi-finished products	8	24,440	25,417
finished products and goods	8	31,017	27,420
9) Trade and other receivables	**7**	**113,633**	**105,523**
trade receivables	**7**	**90,439**	**85,832**
trade receivables from third parties	7	89,417	85,039
trade receivables from associates	*7*	*1,014*	*784*
trade receivables from related parties	*7*	*8*	*9*
other receivables - accrued income and prepaid expenses	**7**	**23,194**	**19,691**
of which from associated parties		*106*	*587*
of which from related parties		*76*	*76*
10) Tax receivables	**9**	**18,661**	**11,430**
of which to the parent company		*11,276*	*6,771*
11) Financial assets	**5**	**50,896**	**31,444**
other		50,896	31,444
12) Loans		**0**	**0**
13) Financial assets - Derivative instruments	**6**	**0**	**0**
14) Cash and cash equivalents	**10**	**181,430**	**256,212**
C) HELD-FOR-SALE ASSETS		**0**	**1,021**
TOTAL ASSETS (A+B+C)		**830,158**	**839,439**

Consolidated statement of financial position

LIABILITIES (Euro/000)	Note	31.12.2018	31.12.2017
A) TOTAL SHAREHOLDERS' EQUITY (1+2+3+4+5)	11	375,809	353,029
1) Share capital	11	131,362	148,291
2) Reserves	11	22,769	14,815
3) Retained Earnings	11	159,469	129,843
4) Group Net profit (loss)	11	62,210	60,080
5) Minority interests	11	0	0
B) NON-CURRENT LIABILITIES (6+7+8+9+10+11+12)		208,097	253,388
6) Financial payables	12	157,407	206,406
7) Financial liabilities - Derivative instruments	6	0	0
8) Tax payables	9	43	43
9) Deferred tax liabilities	13	32,518	23,138
10) Post-employment benefits	14	6,541	6,633
11) Provisions for risks and charges	15	6,320	13,602
12) Other liabilities	16	5,268	3,566
C) CURRENT LIABILITIES (13+14+15+16+17)		246,252	233,022
13) Trade and other payables	16	171,597	160,561
trade payables	16	117,139	110,288
trade payables to third parties	*16*	*116,731*	*109,688*
trade payables to parent company	*16*	*0*	*0*
trade payables to associates	*16*	*260*	*347*
trade payables to related parties	*16*	*148*	*253*
other payables - accrued liabilities and deferred income	16	54,458	50,273
14) Tax payables	9	16,382	14,191
of which to the parent company		*9,557*	*4,865*
15) Provisions for risks and charges	15	7,197	7,157
16) Financial liabilities - Derivative instruments	6	0	0
17) Financial payables	12	51,076	51,113
TOTAL LIABILITIES (A+B+C)		830,158	839,439

Consolidated income statement

(Euro/000)	Note	31.12.2018	31.12.2017
1) Total revenues	**17**	**631,015**	**606,022**
Revenues from sale of products		596,540	572,736
Revenues from services		34,475	33,286
of which from related parties and associates		4,699	5,680
2) Cost of goods sold	**18**	**325,798**	**317,949**
of which non-recurring	**18**	**734**	**320**
of which from related parties and associates		1,056	1,135
GROSS PROFIT (1-2)		**305,217**	**288,073**
3) Other operating revenues	**19**	**3,994**	**2,964**
of which from related parties		7	7
4) R&D expenses	**18**	**62,019**	**55,561**
of which non-recurring	**18**	**0**	**183**
of which amortisation, depreciation and write-downs pertaining to acquisitions		99	103
of which from related parties and associates	18	3,304	784
5) Distribution expenses	**18**	**112,225**	**99,703**
of which non-recurring	**18**	**0**	**2**
of which from related parties and associates		**225**	**14**
6) General and administrative expenses	**18**	**49,135**	**49,935**
of which non-recurring	**18**	**1,473**	**419**
of which amortisation, depreciation and write-downs pertaining to acquisitions	**18**	**4,506**	**4,712**
of which from related parties and associates		276	381
7) Other operating expenses	**18**	**2,315**	**2,959**
of which non-recurring		53	0
of which from related parties and associates	**18**	**1**	**414**
TOTAL OPERATING COSTS		**225,694**	**208,158**
OPERATING RESULT		**83,517**	**82,879**
8) Financial income	**20**	**31,267**	**29,050**
9) Financial expenses	**20**	**36,935**	**36,390**
NET FINANCIAL INCOME (EXPENSES) (8-9)		**(5,668)**	**(7,340)**
10) Profits from associates	**3**	**0**	**(85)**
Profit (loss) before taxes		**77,849**	**75,454**
Income taxes	21	15,639	15,374
NET PROFIT/(LOSS)		**62,210**	**60,080**
Earnings/(loss) per share (€)	22	1.07	1.03
Diluted earnings/(loss) per share (€)	22	1.07	1.03

Consolidated statement of comprehensive income

(Euro/000)	Note	31.12.2018	31.12.2017
NET PROFIT/(LOSS)		**62,210**	**60,080**
Other components of the statement of comprehensive income:			
Other components of the statement of comprehensive income which will be subsequentely reclassified to net profit/loss:		0	0
Profit/(loss) on derivatives fnancial instruments (cash flow hedge)	11	**305**	(920)
of which tax effect			
Profit/(loss) due to translation of the accounts of foreign companies	11	5,192	(19,497)
Profit/(loss) on foreign exchange rate translation of financial assets available for sale	11	(2,313)	5,205
of which tax effect		*28*	*(73)*
Reserve for foreign exchange rate translation	11	4,770	(12,790)
of which tax effect		(1,610)	4,011
Total other components of the statement of comprehensive income which will be subsequently reclassified to net profit/loss		**7,954**	**(28,002)**
TOTAL NET COMPREHENSIVE PROFIT/(LOSS)		**70,164**	**32,078**
Attributable to:			
Parent company shareholders		70,164	32,078
Minority interests		0	0

Consolidated statement of cash flow

(Euro/000)	Note	31.12.2018	31.12.2017
Profit (loss) before taxes		**77,849**	**75,454**
Depreciation of tangible assets and write-downs	1.2	10,600	10,273
Amortisation of intangible assets and write-downs	1.2	10,136	9,223
Losses from disposal of assets	18	30	101
Income from disposal of assets	19	(161)	(8)
Change in provisions for risks and charges	15	(6,866)	(388)
Foreign currency exchange differences effect of change in provisions for risks and charges		(376)	1,304
Change in employee benefits reserve	14	(92)	(14)
Change in bad debt provision	18	1,713	40
Net financial income (expenses)	20	5,668	7,340
Adjustments to value of financial assets	3	0	85
Cash flow generated (absorbed) from operations before changes in working capital		**98,501**	**103,410**
Change in trade receivables (including provision)	7	(6,320)	(6,938)
Change in inventories	8	(9,888)	(2,047)
Change in current assets	7	(3,503)	(3,590)
Change in other LT assets	7	(74)	200
Change in trade payables	16	6,851	2,330
Change in other current liabilities	16	4,185	3,273
Other medium/long-term liabilities	16	1,702	(728)
Commercial Foreign currency exchange differences		(3,596)	3,242
Working capital Foreign currency exchange differences		(321)	(1,216)
Cash flow generated (absorbed) from operations after changes in working capital		**87,537**	**97,936**
Change in taxes		(17,832)	(17,316)
Taxes Foreign currency exchange differences		1,383	(3,746)
Interest paid		(2,938)	(4,330)
Other changes		(91)	0
Cash flow generated (absorbed) from operations (A)		**68,059**	**72,544**
Increase in intangible assets excluding foreign exchange rate effect	2	(10,516)	(4,358)
Decrease in intangible assets excluding foreign exchange rate effect	2	117	245
Increase in tangible assets excluding foreign exchange rate effect	1	(18,902)	(11,270)
Decrease in tangible assets excluding foreign exchange rate effect	1	466	978
Change in unconsolidated equity investments	5	5,694	417
Business Combination		0	(5,434)
Collection of public capital grants - research projects		1,882	0

(Euro/000)	Note	31.12.2018	31.12.2017
Cash flow generated (absorbed) from investments (B)		**(21,259)**	**(19,422)**
Change in LT/ST financial receivables	5	(24,222)	(401)
Change in LT/ST financial payables	12.6	(49,341)	80,048
Financial Foreign currency exchange differences		(2,072)	(6,252)
(Purchase)/sale of treasury shares	11	(16,930)	0
Changes in Reserves	11, 1.2	0	317
Dividend payment	11	(28,914)	(17,443)
Cash flow generated (absorbed) from financial activity (C)		**(121,479)**	**56,269**
Net increase (decrease) in available cash (A+B+C)	**10**	**(74,679)**	**109,391**
Net cash and cash equivalents at beginning of period	**10**	**256,109**	**146,718**
Net cash and cash equivalents at end of period	**10**	**181,430**	**256,109**

Changes in consolidated shareholders' equity

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income				
	Total share capital and capital reserves	Cash-flow hedge reserve	Tran-slation reserve	Reserve for foreign curren-cies exchange rate	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve
01.01.2017	**146,291**	**(28)**	**25,436**	**17,290**	**(371)**	**490**
Allocation of earnings	0					
Dividends						
Translation reserve	0					
Change in IAS reserve	0					
Sale/purchase of treasury shares	2,000					
Other changes						
Profit/(loss) as at 31.12.2017	0					
Total other components of the statement of comprehensive income		(920)	(19,497)	(12,790)		5,205
31.12.2017	**148,291**	**(948)**	**5,939**	**4,500**	**(371)**	**5,695**

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income				
	Total share capital and capital reserves	Cash-flow hedge reserve	Tran-slation reserve	Reserve for foreign curren-cies exchange rate	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve
01.01.2018	**148,291**	**(948)**	**5,939**	**4,500**	**(371)**	**5,695**
Effect of the adoption of the new standards						
01.01.2018 Restated						
Allocation of earnings	0					
Dividends						
Translation reserve	0					
Change in IAS reserve	0					
Sale/purchase of treasury shares	(16,930)					
Stock Grant	0					
Profit/(loss) as at 31.12.2018	0					
Total other components of the statement of comprehensive income		305	5,192	4,770		(2,313)
31.12.2018	**131,361**	**(643)**	**11,131**	**9,270**	**(371)**	**3,382**

			Retained earnings						
	Total Reserves of Statement of Comprehensive Income	Stock grant reserve	Retained Earnings	Capital contribution reserve	Legal reserve	IAS reserve	Total	Net Profit (Loss)	Total Group shareholders' equity
	42,817	**0**	**85,721**	**958**	**6,078**	**8,683**	**101,440**	**45,846**	**336,394**
	0		45,846				45,846	(45,846)	0
	0		(17,443)				(17,443)		(17,443)
	0						0		0
	0						0		0
	0						0		2,000
	0		65			(65)	0		0
	0						0	60,080	60,080
	(28,002)						0		(28,002)
	14,815	**0**	**114,189**	**958**	**6,078**	**8,618**	**129,843**	**60,080**	**353,029**

			Retained earnings						
	Total Reserves of Statement of Comprehensive Income	Stock grant reserve	Retained Earnings	Capital contribution reserve	Legal reserve	IAS reserve	Total	Net Profit (Loss)	Total Group shareholders' equity
	14,815	**0**	**114,189**	**958**	**6,078**	**8,618**	**129,843**	**60,080**	**353,029**
			(1,715)				(1,715)		(1,715)
			112,474						**351,314**
	0		60,080				60,080	(60,080)	0
	0		(28,914)				(28,914)		(28,914)
	0						0		0
	0						0		0
	0						0		(16,930)
	0	177					177		177
	0						0	62,210	62,210
	7,954		0			(2)	(2)		7,952
	22,769	**177**	**143,640**	**958**	**6,078**	**8,616**	**159,469**	**62,210**	**375,809**

Explanatory notes to the consolidated financial statements

General information

Datalogic is the world leader in the markets of automatic data capture and process automation. The company is specialised in the design and production of bar code readers, mobile computers, detection, measurement and security sensors, vision and laser marking systems and RFID.

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.

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

These Consolidated Financial Statements as at 31 December 2018 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 2018 of the Datalogic Group was authorised by resolution of the Board of Directors dated 19 March 2019.

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 2018 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 2018, 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 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.
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 intercompany transactions and those included, as of the reporting date, in the measurement of inventories have been eliminated where they exist.

BUSINESS COMBINATIONS

Company combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value on the acquisition date and the amount of minority interests in the acquired company. For all business combinations, the Group assesses whether to measure the minority interests in the acquired company at fair value or as a proportion of the minority shareholdings in the net identifiable assets of the acquired company. The acquisition costs are written off in the year and recognised under administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the financial liabilities assumed according to the terms of the contract, the economic terms and conditions in the other pertinent conditions as at the acquisition date. This includes the verification of whether an incorporated derivative must be separated from the primary contract.
If the business combination is carried out in more than one step, the equity investment previously held is recalculated at fair value at the acquisition date and any resulting profit or loss is recognised in the Income Statement.
Any contingent consideration, to be recognised, is measured by the purchaser at fair value on the acquisition date. The change in fair value of the potential amount stated as asset or liability, as financial instrument under the scope of IAS 39 Financial instruments: Recognition and Measurement, must be recognised in the Income Statement.
Goodwill is initially measured at cost, which is the surplus of the consideration paid, 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 OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY OF FOREIGN COMPANIES

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

Exchange Bureau and used for translation into euro of the foreign companies' financial statements are as follows:

Currency (ISO Code)	Quantity of currency/1 euro			
	2018		2017	
	Final exchange rate	Average exchange rate	Final exchange rate	Average exchange rate
US Dollar (USD)	1.1450	1.1810	1.1993	1.1297
British Pound Sterling (GBP)	0.8945	0.8847	0.8872	0.8767
Swedish Krona (SEK)	10.2548	10.2583	9.8438	9.6351
Singapore Dollar (SGD)	1.5591	1.5926	1.6024	1.5588
Japanese Yen (JPY)	125.8500	130.3959	135.0100	126.7112
Australian Dollar (AUD)	1.6220	1.5797	1.5346	1.4732
Hong Kong Dollar (HKD)	8.9675	9.2559	9.3720	8.8045
Chinese Renminbi (CNY)	7.8751	7.8081	7.8044	7.6290
Real (BRL)	4.4440	4.3085	3.9729	3.6054
Mexican Pesos (MXN)	22.4921	22.7054	23.6612	21.3286
Hungarian Forint (HUF)	320.9800	318.8897	310.3300	309.1933

Accounting policies and standards applied

The accounting criteria used to prepare the Group's Consolidated Financial Statements for the year ended 31 December 2018 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 1 January 2004 (IFRS transition date) and this value was used as the deemed cost. 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%
Leasehold improvements	Contract duration

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

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.

If property, plant and equipment and intangible assets are sold, the date of disposal will be the date when the purchaser obtains the control of the assets, pursuant to requirements set forth on performance obligations by the IFRS 15 standard. The revenue or loss generated by the consideration is accounted for in the Income Statement and it is determined according to requirements to determine the transaction price envisaged by IFRS 15. The following amendments to the estimated consideration used to determine the revenue or loss must be recognised pursuant to requirements set forth by IFRS 15 in relation to changes in the transaction price.

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 FIXED 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	3/5
Patents (formerly PSC)	20
Patents	10
Trade Secret	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

If a financial asset not measured at fair value, is recognised in the Income Statement, the financial assets are initially recognised at their fair value, including their ancillary charges. Trade receivables that do not include a significant financing component are excluded. For these receivables the Group applies the practical expedient and measures them at the transaction price, as determined pursuant to IFRS 15. Upon recognition, for future measurements, financial assets are stated based on four possible measurement modalities:

- Financial assets at amortised cost;
- Financial assets at fair value, recognised in the comprehensive income statement with a reclassification of cumulative revenues and losses;
- Financial assets at fair value, recognised in the comprehensive income statement without reversal of cumulative revenues and losses when eliminated (equity instruments);
- Financial assets at fair value recognised in the income statement.

The selection of the classification of financial assets depends on the following:

- nature of financial assets, determined primarily by the characteristics of expected contractual cash flows;
- business model that the Group applies to the management of the financial assets in order to generate cash flows, which might result from the collection of contractual cash flows, as well as from the sale of financial assets or from both.

In order to classify and measure a financial asset at amortised cost or at fair value, recognised in the comprehensive income statement, this asset shall generate cash flows that depends solely on payments of principal and interest (SPPI). This measurement is defined as SPPI test and it is performed at instrument level.

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 (expenses)". A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled.

Financial derivatives

Derivatives, including embedded derivatives, separate from the main contract, 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 the standard, 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 expenses and taxes.
The condition precedent to classify these assets as held for sale is deemed as fulfilled only when the sale is highly probable and the activity, or the discontinued group of assets, is available for immediate sale in its current conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale be cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.
The depreciation of property, plant and machinery and amortisation of the intangible assets ceases when they are classified as available for sale.
The assets and liabilities classified as held for sale are presented separately under the financial statement items.
Assets to be discontinued are not included in the result of operational activities and are presented in the profit/(loss) statement for the year on a single line as Net profit/(loss) coming from assets to be discontinued.
All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

TRADE RECEIVABLES

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

As regards trade receivables and contract-related assets, the Group applies a simplified approach in calculating the expected losses. Therefore, the Group does not monitor changes in credit risk, but the expected loss is fully recognised at each reference date. As an instrument to determine the expected losses, the Group has defined a matrix system based on historical information, reviewed to take account of prospective elements, with reference to the specific types of debtors and their economic environment.

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 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.

SHARE-BASED PAYMENTS

EQUITY-SETTLED TRANSACTIONS

Some Group employees receive a portion of their compensation under the form of share-based payments. Therefore employees render their services against shares (Equity-settled transactions).
The cost of equity-settled transactions is determined by fair value at the date of the assignment, by using an adequate measurement method.
This cost, together with the corresponding increase in

Shareholders' Equity, is recognised under personnel costs for the period in which terms and conditions related to the achievement of targets and/or the performance of the services are fulfilled. Cumulative expenses, recognised in relation to these transactions at the reporting date of each financial year, until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will be effectively accrued.

Service or performance conditions are not taken into account when the fair value of the plan is defined at the grant date. The probability that these conditions be satisfied is however taken in to account while defining the best estimate of the number of equity instruments that will be held to maturity. Arm's length conditions are reflected in the fair value at the grant date. Any other term and condition related to the plan and that would not entail a performance obligation, shall not be considered as a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and entail the prompt accounting of the expense related to the plan, unless there are also service or performance conditions.

No expense will be recognised in relation to rights that have not been accrued by reason of the non-satisfaction of performance and/or service obligations. When the rights include a market condition, or a non-vesting condition, these rights are considered as they have been accrued regardless of the fact that market conditions or other non-vesting conditions have been fulfilled or not. It is understood that all other performance and/or service obligations must be satisfied.

If the conditions of the plan are modified, the minimum expense to be recognised is measured at fair value at the grant date, in the absence of the amendment of the plan itself, provided that the original conditions of the plan be fulfilled. Moreover, an expense for each change is recognised if it entails the increase in total fair value of the payment plan, or if this change is in any case favourable for employees. This expense is measured with reference to the change date. When a plan is cancelled by the entity or the counterpart, any remaining fair value element in the plan is immediately charged to income statement.

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 Group's characteristic business activity.
Revenues are disclosed net of VAT, returns, discounts and reductions and after eliminating Group intercompany sales.

Pursuant to IFRS 15, the Group recognises revenues after identifying the contracts with its customers, as well as performance obligations to be fulfilled, determining the consideration to which it expects to be entitles in exchange for transferring the goods and services, and after evaluating the ways to satisfy a performance obligation (satisfaction at point in time or over the time).

Pursuant to provisions set out by IFRS 15, the Group recognises revenues only when the following obligations have been satisfied:

- the parties in a contract have approved the contract and have undertook themselves to satisfy the related performance obligations;
- the rights of either party can be defined as regards goods and services to be transferred;
- payment terms of transferable goods and services can be defined;
- the contract is of a commercial type;
- the consideration in exchange of goods sold or services transferred will be received.

If the aforesaid requirements are fulfilled, the Group recognises the revenues by applying the above-mentioned rules.

Sale of goods

Revenue resulted from the sale of equipment was recognised when the control of the asset is transferred to the customer.

The Group deems that other covenants are included in the contract that represent obligations to perform actions, based on which a portion of the consideration related to the transaction should be allocated (e.g. warranties, loyalty plans for customers). In determining the transaction price for the sale of the equipment, the Group considered the impact resulting from the existence of the variable consideration, significant financing components, non-monetary considerations and considerations to be paid to the customer (if applicable).

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

The Group provides installation, maintenance, repair and technical support services. The services are rendered both separately, based on contracts signed with customers, and jointly with the sale of the goods to customers.

The Group recognises revenues resulting from services over time and only when the stage of completion of the service can be reliably estimated at the measurement date.

As regards contracts related to both the sale of assets and the rendering of services, the Group recognised two separate obligations as the promises to transfer equipment and supply services can be divided and can be identified separately. As a consequence, the Group allocated the transaction price based on the related prices for the sale of assets and services.

Revenues on construction contract

Construction contracts that envisage the building of an asset or the combination of strictly-connected assets and services, are obligations for actions over time.
Revenues related to these construction contracts are recognised when the control of assets and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange of the same, based on the stage of completion of performance obligations.

The Statement of Financial Position is disclosed as follows:

- The amount due from customers for contract works should be shown as an asset, under item “trade receivables from third parties”, 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 to third parties”, 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 term.

REVENUE RELATING TO DIVIDENDS AND INTEREST

Revenue relating to dividends, interest 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.

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 DISCLOSURE

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 1 JANUARY 2018

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 amendments to accounting standards and amendments that are applied for annual periods beginning on or after 1 January 2018. 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 2018, they had no significant impact on the Group Consolidated Financial Statements. The nature and impact of any new Standard/amendment are specified hereunder:

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial instruments: Recognition and Measurement" as from financial statements for reporting periods beginning on or after 1 January 2018, by grouping all three accounting aspects of financial instruments: classification and measurement, impairment and hedge accounting.

(a) Measurement and Recognition

Pursuant to IFRS 9, debt instruments are then measured at fair value, recognised at amortised cost in the income statement or at fair value in the comprehensive income statement. The classification is based on two criteria: the Group's business model for asset management and on the outstanding principal if the contractual cash flows of instruments are solely payments of principal and interest.

There were no material impacts on the Group's financial statements following the application of the measurement and recognition requirements envisaged by IFRS 9, with the exception of that which is discussed in Note 5. Loans, as well as trade receivables, are held to be collected at the contractual maturity, and cash flows are expected to be generated only from the collection of the related principal and interest. Thus, the Group will continue to measure these at amortised cost, in compliance with IFRS 9.

(b) Impairment

The adoption of IFRS 9 has substantially modified the accounting of impairment losses of the Group's financial assets, by replacing the IAS 39 approach adopted for losses borne with an approach based on expected credit losses (ECL). The IFRS 9 standard requires that the Group recognises an impairment

equal to ECL for all debt instruments that are not held at the fair value recognised in the income statement and for contractual assets.
The Group applies the simplified approach, i.e. the approach that envisages the ECL calculation by using three calculation meters: (i) exposure in relation to a counterpart, (ii) probability that the counterpart is in default within a determined period of time, (iii) the percentage of effective loss given default and that envisages the exemption from the monitoring of credit risk.
The Group elected to adopt the Provision Matrix in cases in which the amounts to be used for the simplified approach cannot be determined. According to the Provision Matrix, the Loss rate is determined based on the historical collection ability of the Group. The loss rates applied were determined according to time buckets and homogeneous clusters of customers.

The Group reported no significant effects on its Shareholders' Equity, given that its trade receivables are largely from counterparties with high credit standing and almost all from intercompany relations.

IFRS 15 – Revenue from Contracts with Customers

The IFRS 15 standard was issued in May 2014 and amended in April 2016, and provides a new five-step model that applies to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right of payment the entity believes to have against the sale of goods or services to customers. The new standard will supersede all other requirements contained in IFRS standards in relation to revenue recognition. The standard is effective for all financial years beginning on or after 1 January 2018, with full retroactive or modified application.

The Group applied the new IFRS 15 standard by using the modified retrospective method for contracts that were not completed as at 1 January 2018. The application of this standard had no significant impact on the Group's Shareholders' Equity as at 31 December 2017.

Presentation and required disclosures

Provisions set out by IFRS 15 concerning presentation and required disclosures are more detailed than those envisaged in previous standards. The Group applied the provisions set forth in the new standard by supplementing the disclosure information provided within its financial statements.

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. This Interpretation had no impact on the Group's 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. These amendments had no impact on the Group's consolidated financial statements.

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

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 had no impact on the Group's consolidated financial statements.

Amendments to 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 that 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. These amendments had no impact on the Group's consolidated financial statements.

Amendments to 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. This amendment had no impact on the Group's consolidated financial statements.

Standards issued which are not yet in force

Following are the standards which, on the date that the Group's consolidated financial statements were prepared, had already been issued but were not yet in force. The Group intends to adopt these standards and interpretations, if applicable, when they will enter into force.

IFRS 16

The IFRS 16 standard was issued in January 2016 and supersedes the following standards: IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
IFRS 16 sets forth principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all lease contracts in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17.
This standard envisages two exemptions: lessees may elect not to recognise assets or liabilities for low value assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability related

to lease costs (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the lease (i.e. the right-of-use asset). Interest payable on liabilities for leases and amortisation/depreciation on the right of use shall be recognised separately by lessees.

The Group has started and is completing the preliminary assessment project of possible impacts resulting from the application of the new standard at the transition date (1 January 2019). This process was implemented in various steps, including the complete mapping of contracts that might contain a lease and their analysis in order to understand the main clauses that are relevant for the purposes of IFRS 16.
The implementation process of this standard is being completed. It envisages the setting of the IT structure for the accounting management in relation to the standard and the alignment of the administrative processes and controls monitoring the critical areas covered by the standard itself.
The Group elected to apply this standard retrospectively on 1 January 2019 (modified retrospective method). In particular, as regards lease contracts that were previously classified as operating lease contracts, the Company will account for the following:

- a financial liability, equal to the current value of future residual payments at the transition date, discounted by using the incremental borrowing rate for each single contract, applicable at the transition date and adjusted, for each subsidiary, according to the economic context in which the company operates;
- a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the reporting date of these financial statements.

During the transition period, this standard will be applied prospectively as from 1 January 2019. A preliminary calculation will be made on the impact of between €15 million and €17 million for the first-time application on financial liabilities and property, plant and equipment.

IFRIC 23 - Interpretation - 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. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Pursuant to IFRS 9, a debt instrument can be measured at amortised cos or at fair value in the comprehensive income statement provided that contractual cash flows are solely related to payments of principal and interest (SPPI criterion) and the instruments be classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset overcomes the SPPI

criterion regardless of the event or circumstance that caused the early termination of the contract and of the party who pays, or receives, a reasonable compensation for the early termination of the contract.
The amendments should be applied retrospectively as from 1 January 2019. Earlier application is permitted. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments are related to the conflict between IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture. Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. The Group will apply these amendments when they will enter into force.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 define the accounting rules in the event the plan is amended, curtailed or settled during the reference period. The amendments specify that, when a plan amendment, curtailment or settlement occurs during the financial year, an entity shall:

- determine the service cost for the remaining time after the amendment, curtailment or settlement of the plan, by using reference actuarial assumptions to remeasure net liabilities (assets) for defined-benefits in order to reflect benefits offered by the plan and the plan assets after this event;
- determine both the net interest for the remainder period after the amendment, curtailment or settlement of the plant (the net liability (asset) for defined benefits that reflects the benefits offered by the plan and the assets of the plan after this event), and the discount rate used to remeasure the net liabilities (assets) for defined benefits.

The amendments also clarify that an entity must firstly quantify all costs related to the previous work services, rather than the profit or loss that arose upon settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss for the year.
After the amendment, curtailment or settlement of the plan, the entity will then quantify the effect of the asset ceiling. Any change to this purpose, except for amounts already included in net interests, shall be recognised in other components of the comprehensive income statements.
Changes apply to amendments, curtailments or settlements of the plan occurring on or after 1 January 2019. Early application is permitted.
These changes will be applicable only to any possible future amendments of the plan, curtailments or transactions of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

These amendments specify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture (long-term interests), but to which the equity method is not applied.
This clarification is relevant as it implies that the model of expected losses on receivables, envisaged in IFRS 9, applies to these long-term interests.
These amendments also clarify that, in applying the IFRS 9 standard, an entity must not take account of any losses related to the associate or joint venture, or

of any impairment in interests that are recognised as adjustments of the net investments in the associate or joint venture resulting from the application of IAS 28 Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and they are effective as from 1 January 2019. Earlier application is permitted. By reason of the fact that the Group holds no long-term interests in its associate and joint venture, these amendments will have no impact on the consolidated financial statements.

2015-2017 ANNUAL IMPROVEMENTS (ISSUED IN DECEMBER 2017)

The following improvements, whose impact is expected on these consolidated financial statements, are not considered as relevant:

- **IFRS 3 Business Combinations.** The amendments outline that, when an entity obtains control of a business (joint operation), it applies the requirements for a business combination established in various steps, including the remeasurement at fair value of the interests previously held in assets and liabilities of the joint operation. In doing so, the acquirer will write up the entire interests previously held in the joint operation. The entity will apply these amendments to business combinations with an acquisition date on or after the first financial year, as from 1 January 2019. Early application is permitted.

- **IFRS 11 Joint Arrangements.** A party that takes part in a joint operation, without holding a joint control, might obtain the joint control of the joint operation if the activities of the same can be defined as a business as per IFRS 3. These amendments clarify that interests previously held in such joint operation are not remeasured. An entity will apply these amendments to transactions in which it holds joint control on or after 1 January 2019. Early application is permitted.

- **IAS 12 Income Taxes.** The amendments clarify that income tax consequences of dividends are connected mostly to past transactions or events that generated distributable profits, rather than to distributions to shareholders. Therefore, an entity recognises income tax consequences of dividends in profit or loss for the year, in other components of the comprehensive income statement or in the Shareholders' Equity, consistently with the way in which the entity has previously recognised such transactions or past events. The entity applies these amendments to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When the entity applies these amendments for the first time, they are applied to the income tax consequences of dividends measured as from the beginning of the first year.

- **IAS 23 Borrowing Costs.** The amendments clarify that an entity treats as non-qualifying funds any borrowings which were specifically intended to develop a business, if all actions necessary to obtain that qualifying asset for its intended use or sale are completed. An entity applies these amendments to financial expenses borne as from the beginning of the year in which the entity applied these amendments for the first time. The entity applies these amendments to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

Use of estimates

Preparation of IFRS-compliant consolidated financial statements and of the relevant notes requires directors to apply accounting standards 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 hypotheses 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 the historic data and hypotheses, which are, from time to time, 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 currency 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 the financial statements of foreign companies that has not adopted the Euro as functional and disclosure currency. 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 2018:

USD	Carrying value	Portion exposed to exchange rate risk	+ 5%	- 5%
Exchange rates		**1.1450**	**1.2023**	**1.0878**
Financial assets				
Cash and cash equivalents	181,430	67,528	(3,216)	3,554
Trade and other receivables	117,038	55,625	(2,649)	2,928
Financial assets and loans	50,896	0	0	0
Income-statement impact			*(5,865)*	*6,482*
Financial liabilities				
Borrowings	208,483	0	0	0
Trade and other payables	176,721	85,260	4,060	(4,487)
Income-statement impact			*4,060*	*(4,487)*
Income-statement impact, net			**(1,805)**	**1,994**

As at 31 December 2018, 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 2018, 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 10 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 2018:

ITEMS EXPOSED TO INTEREST RATE RISK WITH IMPACT ON THE INCOME STATEMENT BEFORE TAXES

Euribor	Carrying value	of which exposed to exchange rate risk	10bp	-10bp
Financial assets			**Profit (loss)**	**Profit (loss)**
Cash and cash equivalents	181,430	95,444	95	(95)
Financial assets and loans	50,896	50,896	51	(51)
Income-statement impact			146	(146)
Financial liabilities			**Profit (loss)**	**Profit (loss)**
Borrowings	208,483	3,732	(4)	4
Income-statement impact			(4)	4
Total increases (decreases)			**142**	**(142)**

USD Libor	Carrying value	of which exposed to exchange rate risk	10bp	-10bp
Financial assets			**Profit (loss)**	**Profit (loss)**
Cash and cash equivalents	181,430	67,528	68	(68)
Financial assets and loans	50,896	0		
income-statement impact			68	(68)
Financial liabilities			**Profit (loss)**	**Profit (loss)**
Borrowings	208,483	0	(0)	0
Income-statement impact			0	0
Total increases (decreases)			**68**	**(68)**

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. Clients requesting deferred conditions of payment are subjected to screening procedures concerning their creditworthiness grade (degree of solvency) and an analysis of the specific deal. If they are significant, trade receivables are subjected to individual impairment testing if they report potential and significant impairment indicators. The Group protects itself against credit risk also through the subscription of a factoring contract without recourse. As at 31 December 2018, factored trade receivables amounted to €24,896 thousand (compared to €33,377 thousand at the end of 2017).
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 2018, the Group's Liquidity Reserve – which includes uncommitted but undrawn credit lines of €254 million – is considered largely sufficient to meet commitments existing as at balance-sheet 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 2018		
	0 - 1 year	1 - 5 years	> 5 years
Borrowings	47,314	157,314	93
Other	1,680	0	
Bank overdrafts	29		
Payables to factoring companies	2,053		
Trade and other payables	171,453	5,268	
Total	**222,529**	**162,582**	**93**

CHANGES IN LIABILITIES RESULTING FROM CASH FLOWS

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

	01.01. 2018	Cash Flows	Transfers from Long Term to Short Term	Change in Business Combi-nation	Change in exchange rates	Fair value in-creases/ decrea-ses	New contracts	Other	31.12. 2018
Borrowings - current portion	48,108	(47,829)	47,278					(243)	47,314
Borrowings - non-current portion	205,656		(47,278)					(971)	157,407
Payables to factoring companies	1,663	390							2,053
Lease payables - current portion	0	0							0
Liabilities for Derivative Financial Instruments	0	0							0
Other Financial Payables - current portion	1,250	(550)		(200)			1,180		1,680
Other Financial Payables - non-current portion	750			(750)					0
Bank overdrafts	92	(63)							29
Total liabilities resulting from financial assets	**257,519**	**(48,052)**	**0**	**(950)**	**0**	**0**	**1,180**	**(1,214)**	**208,483**

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.

	31.12.2018	31.12.2017
Net indebtedness (A)	(23,843)	(30,137)
Shareholders' Equity (B)	375,809	353,029
Total capital [(A)+(B)]=C	351,966	322,892
"Gearing ratio" (A)/(C)	**-6.77%**	**-9.33%**

SEGMENT DISCLOSURE

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

For 2018, the operating segments were included in the following divisions:

- **Datalogic,** which represents the Group's core business and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, vision and laser marking and RFID systems that contribute to increasing the efficiency and quality of processes in the areas of Retail, Manufacturing, Transportation & Logistics and Healthcare;

- **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,** 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 2018 and 31 December 2017 are as follows:

	Informatics		Solution Net System		Datalogic		Adjustments		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	19,582	20,586	28,320	24,728	583,114	560,707	0	0	631,016	606,022
Intersegment revenues	4	9	0	12	2,610	3,273	(2,615)	(3,294)	(1)	0
Total Revenues	**19,586**	**20,595**	**28,320**	**24,740**	**585,724**	**563,980**	**(2,615)**	**(3,294)**	**631,015**	**606,022**
Operating result (EBIT)	**182**	**(281)**	**2,872**	**2,785**	**80,619**	**79,916**	**(156)**	**458**	**83,517**	**82,879**
% of revenues	0.9%	-1.4%	10.1%	11.3%	13.8%	14.2%	6.0%	-13.9%	13.2%	13.7%
Non-recurring costs/revenues and write-downs	**0**	**0**	**0**	**0**	**(2,260)**	**(924)**	**0**	**0**	**(2,260)**	**(924)**
Amortisation, depreciation and write-downs	**(487)**	**(427)**	**(67)**	**(69)**	**(19,218)**	**(19,327)**	**0**	**327**	**(19,772)**	**(19,496)**
EBITDA	**669**	**146**	**2,939**	**2,854**	**102,097**	**100,167**	**(156)**	**131**	**105,549**	**103,298**
Financial income (expenses)	**(208)**	**(104)**	**(83)**	**(127)**	**(5,411)**	**(7,083)**	**34**	**(111)**	**(5,668)**	**(7,425)**
Fiscal income (expenses)	**9**	**(125)**	**(711)**	**(1,033)**	**(14,937)**	**(14,171)**	**0**	**(45)**	**(15,639)**	**(15,374)**
Research and Development expenses	**(1,542)**	(1,394)	**(489)**	**(485)**	**(59,889)**	**(53,396)**	**0**	**0**	**(61,920)**	**(55,275)**
% of revenues	-7.9%	-6.8%	-1.7%	-2.0%	-10.2%	-9.5%	0.0%	0.0%	-9.8%	-9.1%

The **balance-sheet information relating to operating segments** as at 31 December 2018, as redefined in compliance with the Group's new organisational model, compared with the information as at 31 December 2017, is as follows:

	Informatics		Solution Net System		Datalogic		Adjustments		Total Group	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Total Assets	**21,119**	**20,549**	**15,066**	**16,464**	**829,580**	**839,406**	**(35,607)**	**(36,980)**	**830,158**	**839,439**
Total Liabilities	**6,481**	**6,431**	**6,892**	**9,626**	**444,521**	**475,641**	**(3,545)**	**(5,288)**	**454,349**	**486,410**
Shareholders' Equity	**14,638**	**14,118**	**8,174**	**6,838**	**385,060**	**363,765**	**(32,063)**	**(31,692)**	**375,809**	**353,029**

Group structure

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

Interim reports 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 2018, as disclosed hereunder, were all consolidated on a line-by-line basis.

Company	Registered office	Share capital		Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Datalogic S.p.A.	Bologna – Italy	Euro	30,392,175	278,267	29,340	
Datalogic Real Estate France Sas	Paris – France	Euro	2,227,500	3,638	78	100%
Datalogic Real Estate GmbH	Erkenbrechtsweiler Germany	Euro	1,025,000	1,382	(3)	100%
Datalogic Real Estate UK Ltd.	Redbourn-England	GBP	3,500,000	4,588	241	100%
Datalogic IP Tech S.r.l.	Bologna – Italy	Euro	65,677	15,096	4,174	100%
Informatics Holdings, Inc.	Plano Texas - USA	USD	1,568	14,569	(80)	100%
Wasp Barcode Technologies Ltd	Redbourn-England	GBP	0	187	59	100%
Datalogic Automation Asia Ltd.(*)	Hong Kong - China	HKD	7,000,000	(8)	66	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd.	Shenzhen - China	CNY	2,136,696	2,151	747	100%
Datalogic Hungary Kft	Fonyod - Hungary	HUF	3,000,000	3,888	1,453	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		8,174	2,077	100%
Datalogic S.r.l.	Bologna – Italy	Euro	10,000,000	235,125	97,533	100%
Datalogic ADC HK Ltd.(*)	Hong Kong - China	HKD	100,000	77	0	100%
Datalogic Slovakia S.r.o.	Trnava - Slovakia	Euro	66,388	11,920	11,848	100%
Datalogic USA Inc.	Eugene OR - USA	USD	100	82,261	5,428	100%
Datalogic do Brazil Comercio de Equipamentos e Automacao Ltda.	Sao Paulo - Brazil	R$	206,926	(3,117)	(391)	100%
Datalogic Technologia de Mexico S.r.l.	Colonia Cuauhtemoc - Mexico	USD	0	(181)	(107)	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt Germany	Euro	25,000	3,755	22	100%
Datalogic Australia Pty Ltd	Mount Waverley (Melbourne) Australia	AUD	3,188,120	771	237	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	15,754	12,464	100%
Datalogic Singapore Asia Pacific Pte Ltd.	Singapore	SGD	3	1,946	475	100%
SOREDI Touch Systems GmbH	Olching (Munich) Germany	Euro	25,000	2,144	185	100%

(*) The companies were put into liquidation during 2017

The following companies were consolidated at cost as at 31 December 2018:

Company	Registered office	Share capital		Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Specialvideo S.r.l.(*)	Imola - Italy	Euro	10,000	655	175	40%
Datasensor Gmbh(*)	Otterfing Germany	Euro	150,000	1	(4)	30%
Suzhou Mobilead Electronic Technology Co,LTd(*)	China	CNY	7,273,910	1,128	(301)	25%
CAEN RFID S.r.l.(*)	Viareggio LU - Italy	Euro	150,000	1,184	24	20%
R4I S.r.l.(*)	Benevento	Euro	131,250	446	(3)	20%
Datalogic Automation AB(**)	Malmö, Sweden	KRS	100,000	762	244	20%

(*) data as at 31 December 2017
(**) data as at 30 June 2017

CHANGE IN SCOPE OF CONSOLIDATION

During 2018, no changes occurred in the scope of consolidation.

Information on the statement of financial position assets

NOTE 1. TANGIBLE ASSETS

Tangible assets are broken down as at 31 December 2018 and 31 December 2017 as follows:

	31.12.2018	31.12.2017	Change
Land	8,349	7,719	630
Buildings	30,548	29,369	1,179
Other assets	34,932	30,495	4,437
Assets in progress and payments on account	4,166	2,150	2,016
Total	**77,995**	**69,733**	**8,262**

Details of movements as at 31 December 2017 and 31 December 2018 are as follows:

	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**

	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	7,719	34,632	134,960	2,150	179,461
Accumulated depreciation	0	(5,263)	(104,465)	0	(109,728)
Net initial value as at 01.01.2018	**7,719**	**29,369**	**30,495**	**2,150**	**69,733**
Increases - 31.12.2018					
Investments	536	1,586	13,849	2,931	18,902
Acquisitions					0
Total	**536**	**1,586**	**13,849**	**2,931**	**18,902**
Decreases - 31.12.2018					
Disposals, historical cost			(1,199)	(2)	(1,201)
Write-down					0
Disposals, accum. depreciation			694		694
Write-down			41		41
Depreciation		(538)	(10,103)		(10,641)
Acquisitions					0
Total	**0**	**(538)**	**(10,567)**	**(2)**	**(11,107)**
Reclass. & other changes 31.12.2018					
Incoming transfers at historical cost		8	942	(951)	(1)
(outgoing transfers, accum. depreciation)			0		0
Exchange diff. in historical cost	94	184	1,422	38	1,738
Exchange diff. in accum. depreciation		(61)	(1,209)		(1,270)
Total	**94**	**131**	**1,155**	**(913)**	**467**
Historical cost	8,349	36,410	149,974	4,166	198,899
Accumulated depreciation	0	(5,862)	(115,042)	0	(120,904)
Net value as at 31.12.2018	**8,349**	**30,548**	**34,932**	**4,166**	**77,995**

The “Other assets” item as at 31 December 2018 mainly includes the following categories: Industrial equipment and moulds (€10,603 thousand), Plant and machinery (€10,232 thousand), Office furniture and machines (€10,467 thousand), General plants related to buildings (€1,646 thousand), Maintenance on third-party assets (€918 thousand), Commercial equipment and demo room (€891 thousand) and Motor vehicles (€96 thousand).

The increase for this item (€13,849 thousand) is mainly due to the following:

- investments related to purchases of Office furniture and machines (€5,208 thousand);
- investments related to new Plant and machinery (€3,497 thousand);
- investments for the building of industrial equipment and moulds (€3,982 thousand).

The decrease in the "Other assets" item relates mainly to the depreciation expense for the period (€10,103 thousand).

The balance of the item "Assets in progress and payments on account", equal to €4,166 thousand, is broken down into:

- €1,530 thousand for moulds under construction;
- €1,423 thousand for investments related to building or expanding Group facilities;
- €1,128 thousand for self-manufactured equipment and production lines;
- €85 thousand for assets in progress.

NOTE 2. INTANGIBLE ASSETS

Intangible assets are broken down as at 31 December 2018 and 31 December 2017 as follows:

	31.12.2018	31.12.2017	Change
Goodwill	181,149	174,343	6,806
Development costs	10,381	3,863	6,518
Other	32,454	34,352	(1,898)
Assets in progress and payments on account	1,671	3,765	(2,094)
Total	**225,655**	**216,323**	**9,332**

Details of movements as at 31 December 2017 and 31 December 2018 are as follows:

	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	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	174,343	19,020	134,925	3,765	332,053
Accumulated amortisation	0	(15,157)	(100,573)	0	(115,730)
Net initial value as at 01.01.2018	**174,343**	**3,863**	**34,352**	**3,765**	**216,323**
Increases - 31.12.2018					
Investments		672	3,412	6,600	10,684
Total	**0**	**672**	**3,412**	**6,600**	**10,684**
Decreases - 31.12.2018					
Disposals, historical cost			(257)		(257)
Soredi	(950)				(950)
Disposals, accum. amortisation			206		206
Amortisation		(2,154)	(7,083)		(9,186)
Write-downs					0
Total	**(950)**	**(2,154)**	**(7,083)**	**0**	**(10,187)**
Reclass. & other changes 31.12.2018					
Incoming transfers		8,108	586		8,694
(Outgoing transfers)		(163)		(8,694)	(8,857)
Exchange diff. in historical cost	7,756	347	4,262		12,365
Exchange diff. in accum. amortisation		(292)	(3,075)		(3,367)
Total	**7,756**	**8,000**	**1,773**	**(8,694)**	**8,835**
Historical cost	181,149	27,984	142,928	1,671	353,732
Accumulated amortisation	0	(17,603)	(110,474)	0	(128,077)
Net value as at 31.12.2018	**181,149**	**10,381**	**32,454**	**1,671**	**225,655**

"Goodwill", totalling €181,149 thousand, consisted of the following items:

	31.12.2018	31.12.2017	Change
CGU Datalogic	167,868	161,538	6,330
CGU Informatics	13,281	12,805	476
Total	**181,149**	**174,343**	**6,806**

The change in "Goodwill" with respect to 31 December 2017 is attributable to:

- Increase of €7,756 thousand, due to translation differences, as most of the goodwill is expressed in US dollars,
- Decrease of €950 thousand, due to the final accounting of purchase price allocation, occurred in the first half of 2018 of the company Soredi Touch Systems GmbH, as shown in the following table.

Purchase Price Allocation Soredi Touch System GmbH	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			**8,618**
Goodwill at acquisition date			**6,991**

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 1 January 2017.
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 2019 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 29 January and 7 February 2019, respectively.
Based on use of an Unlevered approach, we have used, through the discounted cash flow method, Unlevered Free Cash Flows from Operations (FCFO) as detailed below:

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

To expected flows for the period 2019-2023, 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 7.19% to 8.65% depending on the goodwill measured – reflects the return opportunity for all capital contributions, for whichever reason they are made.

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

	CGU Datalogic	CGU Informatics
Goodwill at acquisition date	**167,868**	**13,281**
Weighted average cost of capital (WACC)	8.65%	7.19%
Long-term growth rate (G)	1%	1%

CGU Datalogic

Goodwill attributed to CGU Datalogic results from the following acquisitions:

- PSC Group, occurred in 2005
- EVO Inc. occurred in 2010;
- IDWARE S.r.l. occurred in 1998;
- Gruppo Laservall occurred in 2004;
- INFRA S.r.l., occurred in 2004;
- PPT Vision Inc., occurred in 2011;
- Accu-Sort Systems Inc., occurred in 2012;
- 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 8.65% (2017 equal to 9.71%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2017), which is prudentially lower than the growth rate expected in reference markets.
During testing for impairment, goodwill of Datalogic CGU confirmed its book value.

CGU Informatics

Goodwill attributed to CGU Informatics 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 7.19% (2017 equal to 8.82%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2017), which is prudentially lower than the growth rate expected in reference markets. During testing for impairment, goodwill of Informatics CGU confirmed its carrying value.

Sensitivity to changes in assumptions

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

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

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

Discount rates – Discount rates reflect the market estimate of risks specific to each 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 2018, 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 €10,381 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" compared to 31 December 2017 is primarily attributable to:

- negative change, equal to €2,154 thousand, related to amortisation for the period;
- positive change, equal to €8,780 thousand, for the recognition of two projects concluded during 2018, including €8,108 previously recorded under assets in progress. In detail, the following was recorded:

a. €4,612 thousand for the "DL35" project
b. €3,209 thousand for the "Safety Laser Scan" project
c. €633 thousand for the "Stand Alone" project
d. €215 thousand for the "Firefly" project.

The **"Other"** item, amounting to €32,454 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:

	31.12.2018	31.12.2017	Useful life
Acquisition of the PSC group (on 30 November 2006)	**12,368**	**13,495**	
Patents	12,368	13,495	20
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	**918**	**1,460**	
Patents	153	243	10
Trade secrets	765	1,217	10
Acquisition of Accu-Sort Inc. (on 20 January 2012)	**7,848**	**9,756**	
Patents	4,642	5,770	10
Trade secrets	3,206	3,986	10
Licence agreement	**3,396**	**3,729**	**5-15**
Other	**7,924**	**5,912**	
Total Other intangible assets	**32,454**	**34,352**	

The "Other" item mainly consists of software licences. The "Assets under development and payments on account" item, equal to €1,671 thousand, is attributable, in the amount of €895 thousand, to the capitalisation of costs relating to Research and Development projects and are currently underway, as well as, in the amount of €776 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 2018 were as follows:

	31.12.2017	Increases	Decreases	Exchange differences	Transfers	Share of profit	31.12.2018
Associates							
CAEN RFID Srl	550						550
Suzhou Mobilead Electronic Technology Co., Ltd.	1,408			(11)			1,397
R4I	150						150
Datalogic Automation AB	2						2
Specialvideo Srl	29						29
Datasensor GMBH	45						45
Total	**2,184**	**0**	**0**	**(11)**	**0**	**0**	**2,173**

Compared to 31 December 2017, the change in the "Equity investments in associates" item is attributable to translation differences related to the equity investments in the company Suzhou Mobilead Electronic Technology Co., Ltd., as it is expressed in Chinese Renminbi (CNY).

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 2017 and 31 December 2018 are as follows:

31.12.2017	Receivables	Financial assets at FV charged to the income statement	Financial assets at FV charged to OCI	Total
Non-current financial assets	**2,194**	**0**	**9,573**	**11,767**
Financial assets - Equity investments (5)			9,573	9,573
Financial assets - Securities				0
Financial assets - Loans				0
Financial assets - Other				0
Other receivables (7)	2,194			2,194
Current financial assets	**360,279**	**31,444**	**0**	**391,723**
Third-party trade receivables (7)	85,039			85,039
Other receivables from third parties (7)	19,028			19,028
Financial assets - Other (5)		31,444		31,444
Financial assets - Securities (5)				0
Cash and cash equivalents (10)	256,212			256,212
Total	**362,473**	**31,444**	**9,573**	**403,490**

31.12.2018	Receivables	Financial assets at FV charged to the income statement	Financial assets FV charged to OCI	Total
Non-current financial assets	**2,268**	**0**	**7,224**	**9,492**
Financial assets - Equity investments (5)			7,224	7,224
Financial assets - Securities				0
Financial assets - Loans				0
Financial assets - Other				0
Other receivables (7)	2,268			2,268
Current financial assets	**293,859**	**50,896**	**0**	**344,755**
Third-party trade receivables (7)	89,417			89,417
Other receivables from third parties (7)	23,012			23,012
Financial assets - Other (5)		50,896		50,896
Financial assets - Securities (5)				
Cash and cash equivalents (10)	181,430			181,430
Total	**296,127**	**50,896**	**7,224**	**354,247**

31.12.2017	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**	**211,074**	**211,074**
Trade payables to third parties (16)		109,688	109,688
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**	**421,046**	**421,046**

31.12.2018	Derivatives	Other financial liabilities	Total
Non-current financial liabilities	**0**	**162,675**	**162,675**
Financial payables (12)		157,407	157,407
Financial liabilities - Derivative instruments (6)			0
Other payables (16)		5,268	5,268
Current financial liabilities	**0**	**222,265**	**222,265**
Trade payables to third parties (16)		116,731	116,731
Other payables (16)		54,458	54,458
Financial liabilities - Derivative instruments (6)	0		0
Short-term financial payables (12)		51,076	51,076
Total	**0**	**384,940**	**384,940**

Most 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).

As at 31 December 2018, the Group held the following financial instruments measured at fair value:

31.12.2018	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	7,154		70	7,224
Financial assets - LT securities (5)	0			0
Financial assets - Other LT (5)				0
Financial assets - Other (5)	29,067	21,829		50,896
Financial assets - Loans				0
Financial assets - ST derivative instruments (6)				0
Total Assets measured at fair value	**36,221**	**21,829**	**70**	**58,120**
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. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current and non-current available-for-sale financial assets include the following items:

	31.12.2018	31.12.2017	Change
Other equity investments	7,224	9,573	(2,349)
Other financial assets	50,896	31,444	19,452
Total Financial assets	**58,120**	**41,017**	**17,103**

The "Other financial assets" item consists of investments of corporate liquidity, readily convertible into cash and broken down as follows:

- insurance policies, subscribed in May and July 2014, amounting to €21,829 thousand;
- two mutual investment funds, subscribed in August 2015 and April 2018, amounting to €19,371 thousand;
- an asset management contract signed in April 2018, amounting to €9,696 thousand.

Based on the provisions of IFRS 9, these investments were classified as short-term as at 31 December 2018, and the figure as at 31 December 2017 was reclassified accordingly.

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

	31.12. 2017	Increases	Decreases	Adj. to fair value	Adj. on exchange rates	Reclassifica-tions	31.12.2018
Listed equity investments	9,496			(2,827)	485		7,154
Unlisted equity investments	77		(7)				70
Total shareholdings	**9,573**	**0**	**(7)**	**(2,827)**	**485**	**0**	**7,224**

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 over the period is attributable to the fair value adjustment and effect of exchange rates.

NOTE 6. FINANCIAL DERIVATIVES

Interest rate derivatives

As at 31 December 2018, the Group had no interest rate swap contracts in place.

Currency derivatives

As at 31 December 2018, the Group had no active forward contracts for exchange rate risk.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

	31.12.2018	31.12.2017	Change
Third-party trade receivables	81,815	80,170	1,645
Contract-related assets	10,492	6,674	3,818
Less: bad debt provisions	2,890	1,805	1,085
Net third-party trade receivables	**89,417**	**85,039**	**4,378**
Receivables from associates	**1,014**	**784**	**230**
Laservall Asia	0	3	(3)
Suzhou Mobilead	5	0	5
Datasensor GMBH	247	83	164
Datalogic Automation AB	761	698	63
Trade receivables from related parties	**8**	**9**	**(1)**
Total Trade receivables	**90,439**	**85,832**	**4,607**
Other receivables - current accrued income and prepaid expenses	23,194	19,691	3,503
Other receivables - non-current accrued income and prepaid expenses	2,268	2,194	74
Total Other receivables - accrued income and prepaid expenses	**25,462**	**21,885**	**3,577**
Less: non-current portion	2,268	2,194	74
Trade and other receivables - current portion	**113,633**	**105,523**	**8,110**

Trade receivables

Trade receivables amounted to €90,439 thousand as at 31 December 2018, representing an increase of 5.4%. The figures as at 31 December 2017 were adjusted following the reclassification of contract-related advance payments from customers from trade receivables to trade payables (€2,637 thousand), following the adoption of IFRS 15.

As at 31 December 2018, Factored trade receivables amounted to €24,896 thousand (compared to €33,377 thousand at the end of 2017).

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

As at 31 December 2018, the breakdown of the item by maturity terms, compared with the same period of the previous year, was as follows:

	2018	2017
Not yet due	75,039	71,550
Past due by 30 days	11,520	5,902
Past due by 31 - 90 days	2,721	2,325
Past due by more than 90 days	137	393
Total	**89,417**	**80,170**

The following table shows the breakdown of trade receivables by currency as at 31 December 2018 and 31 December 2017:

	2018	2017
Euro	26,848	37,885
US Dollar (USD)	50,868	34,109
British Pound Sterling (GBP)	2,318	2,384
Australian Dollar (AUD)	962	1,825
Canadian Dollar (CAD)	1,303	847
Japanese Yen (JPY)	934	796
Singapore Dollar (SGD)	(489)	(272)
Hungarian Forint (HUF)	4	(8)
Chinese Renminbi (CNY)	3,982	1,242
Vietnam Dong (VND)	320	274
Brazilian Real (BRL)	2,366	1,088
Total	**89,417**	**80,170**

Customer trade receivables are posted net of bad debt provisions totalling €2,890 thousand (€2,892 thousand as at 31 December 2017).

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

	2018	2017	Change
As at 1 January	**1,177**	**1,424**	**(247)**
Allocations to Shareholders' Equity due to adoption of IFRS 9	1,715		1,715
As at 1 January - restated	**2,892**	**1,424**	**1,468**
Foreign exchange-rate differences	76	(79)	155
Allocations	371	697	(326)
Releases	(190)	(657)	467
Uses	(259)	(208)	(51)
As at 31 December	**2,890**	**1,177**	**1,713**

Other receivables – accrued income and prepaid expenses

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

	31.12.2018	31.12.2017	Change
Other short-term receivables	2,872	1,755	1,117
Other long-term receivables	2,268	2,194	74
VAT receivables	17,002	14,870	2,132
Accrued liabilities and deferred income	3,320	3,066	254
Total	**25,462**	**21,885**	**3,577**

The "Accrued income and prepaid expenses" item is mainly composed of prepaid expenses related to insurance and hardware and software fees.

NOTE 8. INVENTORIES

	31.12.2018	31.12.2017	Change
Raw and ancillary materials and consumables	40,369	33,101	7,268
Work in progress and semi-finished products	24,440	25,417	(977)
Finished products and goods	31,017	27,420	3,597
Total	**95,826**	**85,938**	**9,888**

Inventories are shown net of an obsolescence provision that, as at 31 December 2018, amounted to €11,222 thousand (€9,605 thousand as at 31 December 2017).

The movements of this provision as at 31 December of each year is shown hereunder:

	2018	2017
1 January	**9,605**	**9,325**
Foreign exchange-rate differences	218	(679)
Allocations	2,672	4,618
Release for scrap and other utilisations	(1,273)	(3,659)
31 December	**11,222**	**9,605**

NOTE 9. TAX PAYABLES AND RECEIVABLES

"Tax receivables" amounted to €18,661 thousand as at 31 December, up €7,231 thousand compared to the end of 2017 (€11,430 thousand as at 31 December 2017). The receivables for IRES tax from the parent company Hydra, equal to €11,276 thousand (€6,771 thousand as at 31 December 2017) are classified under this item. This amount is due under tax consolidation.

As at 31 December 2018, "Tax payables" amounted to €16,382 thousand, an increase of €2,083 thousand (€14,191 thousand as at 31 December 2017). The amount payable to the parent company Hydra for IRES tax, due under tax consolidation, is classified in this item and amounted to €9,557 thousand (€4,865 thousand as at 31 December 2017).

NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	31.12.2018	31.12.2017	Change
Cash and cash equivalents	181,430	256,212	(74,782)
Restricted cash deposit	(12)	(11)	(1)
Bank overdrafts	(29)	(92)	63
Cash and cash equivalents	**181,389**	**256,109**	**(74,720)**

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

	31.12.2018	31.12.2017
A. Cash and bank deposits	181,418	256,201
B. Other cash and cash equivalents	12	11
b1. restricted cash deposit	*12*	*11*
C. Securities held for trading	0	0
D. Cash and cash equivalents (A) + (B) + (C)	**181,430**	**256,212**
E. Current financial receivables	0	0
F. Other current financial assets	50,896	31,444
f1. hedging instruments	*0*	*0*
G. Bank overdrafts	29	92
H. Current portion of non-current debt	47,314	48,108
I. Other current financial liabilities	3,733	2,913
i1. hedging instruments	*0*	*0*
i2. lease payables	*0*	*0*
i3. current financial liabilities	*3,733*	*2,913*
J. Current financial debt/(net financial position) (G) + (H) + (I)	**51,076**	**51,113**
K. Current net financial debt/(current net financial position) (J) - (D) - (E) - (F)	**(181,250)**	**(236,543)**
L. Non-current bank borrowing	157,407	205,656
M. Other financial assets	0	0
N. Other non-current liabilities	0	750
n1. hedging instruments		*0*
n2. lease payables	*0*	*0*
n3. non-current financial payables	*0*	*750*
O. Non-current financial debt (L) - (M) + (N)	**157,407**	**206,406**
P. Net financial debt/(net financial position) (K) + (O)	**(23,843)**	**(30,137)**

The "Other current 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 2018 amounted to €23,843 thousand, a decrease of €6,294 thousand compared to 31 December 2017 (€30,137 thousand).
It should be also noted that, during the period, dividends of €28,914 thousand were paid and transactions in treasury shares generated a cash outflow totalling €16,930 thousand.

Investments for the period, net of disposals, amounted to €27,945 thousand.

Information on the Statement of Financial Position Shareholders' Equity and Liabilities

NOTE 11. SHAREHOLDERS' EQUITY

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

	31.12.2018	31.12.2017
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	(10,810)	6,120
Stock grant	176	0
Treasury share reserve	20,297	2,026
Share premium reserve	88,670	106,940
Share capital and capital reserves	**131,538**	**148,291**
Cash-flow hedge reserve	(643)	(948)
Translation reserve	11,131	5,939
Reserve for foreign currency exchange rate translation	9,270	4,500
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	3,382	5,695
Other reserves	**22,769**	**14,815**
Retained earnings	**159,292**	**129,843**
Retained Earnings	143,640	114,189
Capital contribution reserve	958	958
Legal reserve	6,078	6,078
IAS reserve	8,616	8,618
Profit for the period	62,210	60,080
Total Group Shareholders' equity	**375,809**	**353,029**

Share capital

Movements in share capital as at 31 December 2017 and 31 December 2018 are reported below:

	Number of shares	Share capital	Extraordinary share-cancel-lation 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/(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**

	Number of shares	Share capital	Extraordinary share-cancel-lation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2018	**58,229,477**	**30,392**	**2,813**	**6,120**	**2,026**	**106,940**	**148,291**
Purchase of treasury shares	(890,327)			(22,934)	18,422	(18,422)	(22,934)
Sale of treasury shares	211,392			4,662	(151)	151	4,662
Capital gains/(losses) from the sale of treasury shares				1,365			1,365
Stock grant				177			177
Costs for the purchase/ sale of treasury shares				(23)			(23)
31.12.2018	**57,550,542**	**30,392**	**2,813**	**(10,633)**	**20,297**	**88,669**	**131,538**

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 2018, the total number of ordinary shares was 58,446,491, including 895,949

held as treasury shares, making the number of outstanding shares at that date 57,550,542. Furthermore 6,000 shares have been assigned to the Stock Grant plan.
The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

The "Treasury shares" item, negative by €10,633 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€9,487 thousand), and the amount recorded in 2018 in relation to the stock grant plan (€177 thousand). In 2018, the Group purchased 890,327 treasury shares and sold 211,392, with a capital gain of €1,365 thousand.
For these purchases, in accordance with Art. 2357 of the Italian Civil Code, capital reserves (i.e., the treasury share reserve) in the amount of €20,297 thousand have been restricted.

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 financial statements as a balancing entry directly to Shareholders' Equity, in the cash-flow hedge reserve. These contracts were entered to hedge exposure to the risk of interest rate fluctuations on loans. The reserve, negative by €643 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.

Stock grant reserve

On 23 April 2018, the Board of Directors of Datalogic S.p.A., after hearing the opinions of the Audit and Risk Management Committee and the Remuneration and Appointments Committee, resolved on the framework of the new "2018-2021 Remuneration Plan" for a select group of managers, other than Directors and executives with key strategic responsibilities. This plan assigns the right to receive ordinary shares of the Company free of charge, conditioned on obtaining performance objectives and after a vesting period.
This reserve was established following the accounting recognition of the plan according to IFRS 2.

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 1 January 2004 (Consolidated Financial Statements as at 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 23 May 2018, the Ordinary Shareholders' Meeting of Datalogic S.p.A. approved the distribution of an ordinary dividend of €0.50 per share, inclusive of legal withholdings (€0.30 in 2017). The overall dividends began to be paid starting from 30 May 2018 and had been paid in full by 31 December.

NOTE 12. FINANCIAL PAYABLES

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

	31.12.2018	31.12.2017	Change
Long-term financial payables	157,407	206,406	(48,999)
Short-term financial payables	51,076	51,113	(37)
Total Financial payables	**208,483**	**257,519**	**(49,036)**

The breakdown of this item is detailed below:

	31.12.2018	31.12.2017	Change
Borrowings from Bank	204,721	253,764	(49,043)
Other	1,680	2,000	(320)
Payables to factoring companies	2,053	1,663	390
Bank overdrafts	29	92	(63)
Total Financial payables	**208,483**	**257,519**	**(49,036)**

The breakdown of changes in the “Borrowings from Bank” item as at 31 December 2018 and 31 December 2017 is shown below:

	2018	2017
1 January	**253,764**	**169,501**
Increases	0	250,000
Repayments	0	(125,581)
Decreases for loan repayments	(47,831)	(39,929)
Recalculation of amortised cost	(1,212)	(227)
31 December	**204,721**	**253,764**

On 27 April 2018, the borrowing that had been signed on 13 April 2017 was renegotiated, reducing the interest rate. Therefore, the amortised cost of the loan was adjusted, resulting in the recognition of €1.6 million in income in the income statement.

The “Other” item includes the financial debt related to the acquisition of the company Soredi Touch Systems GmbH and to payables due to the still undistributed portion for the members of the consortium for the Rossini project.

The breakdown of the “Borrowings from Bank” item by maturity is as follows:

	31.12.2018	31.12.2017
Variable rate	**0**	**0**
Due < 1 year	0	0
Due > 1 year	0	0
Fixed rate	**204,721**	**253,764**
Due < 1 year	47,314	48,108
Due > 1 year	157,314	184,699
Due > 5 years	93	20,957
Total	**204,721**	**253,764**

The breakdown of the “Borrowings from Bank” item by currency is as follows:

Currency	2018	2017
Euro	204,721	253,764
Total	**204,721**	**253,764**

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	Convenant	Frequency	Reference statements
Club Deal	1	Datalogic SpA	Eur	187,500,000	PFN/Ebitda	semi-annual	Datalogic Group
I.E.B.	2	Datalogic SpA	Eur	18,000,000	PFN/Ebitda	semi-annual	Datalogic Group

As at 31 December 2018, the aforesaid covenants were respected.

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 assumptions of the future recoverability of the temporary differences that originated them, or based on economic and fiscal strategic plans.

Deferred tax assets were accounted for as at 31 December 2018 in the amount of €54,397 thousand, with a decrease of €6,533 thousand compared to the previous year. The balance, at year end, includes:

- an amount of €19,883 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 €12,376 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 €9,018 thousand related to deferred tax assets due to unrealised exchange rate differences.

With reference to deferred tax liabilities, equal to €32,518 thousand, a decrease of €9,380 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 €10,420 thousand and differences in tax liabilities, amounting to €8,674 thousand, accounted for business combination transactions occurred in previous years.

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

Deferred tax assets	NOLs and Foreign Tax Credits	Adjust-ment on exchange rates	De-prec. and Amort.	Asset write-downs	Provi-sions	Operations deriving from acqui-sitions	Other	IP re-demption	Conso-lidation adjust-ments	Total
As at 01 January 2018	17,570	9,782	361	926	13,719	1,178	602	1,351	2,375	47,864
Provisioned in (released from) Income Statement	949	(769)	103	300	(1,405)	253	6,901	(1,254)	476	5,554
Foreign Eechange-rate differences	864	5	4		62	58			(7)	986
Reclassifications									(7)	(7)
As at 31 December 2018	19,383	9,018	468	1,226	12,376	1,489	7,503	97	2,837	54,397

Deferred tax liabilities	NOLs	Adjust-ment on exchange rates	Deprec. and Amort.	Provisions	Operations deriving from acquisitions	Other	IAS Reserves	Consolida-tion adjust-ments	Total
As at 01 January 2018	**16**	**9,755**	**2,648**	**1,115**	**7,709**	**1,123**	**315**	**457**	**23,138**
Provisioned in (released from) Income State-ment		(872)	(93)	(97)	609	7,612		286	7,445
Provisioned in (released from) Shareholders' Equity		1,537							1,537
Foreign Eechange- rate differences			29	5	356				390
Reclassifications			8						8
As at 31 December 2018	**16**	**10,420**	**2,592**	**1,023**	**8,674**	**8,735**	**315**	**743**	**32,518**

NOTE 14. POST-EMPLOYMENT BENEFITS

The breakdown of changes in the "Post-employment benefits" item as at 31 December 2018 and 31 December 2017 is shown below:

	2018	2017
1 January	**6,633**	**6,647**
Amount allocated in the period	2,124	1,735
Uses	(1,179)	(613)
Other movements	(22)	25
Social security receivables for post-employment benefits	(1,015)	(1,161)
31 December	**6,541**	**6,633**

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2018	31.12.2017	Change
Short-term provisions for risks and charges	7,197	7,157	40
Long-term provisions for risks and charges	6,320	13,602	(7,282)
Total	**13,517**	**20,759**	**(7,242)**

The detailed breakdown of and changes in this item are presented below:

	31.12.2017	Increases	(Uses) and (Releases)	Acquisition	transfers	Exchange rate diff.	31.12.2018
Product warranty provision	11,618	108	(1,333)	0	0	301	10,694
Provision for management incentive plan	6,264	0	(6,291)	0	0	27	0
"Stock rotation" provision	1,664	256	(513)	0	0	41	1,448
Other	1,213	650	(495)	0	0	7	1,375
Total Provisions for risks and charges	**20,759**	**1,014**	**(8,632)**	**0**	**0**	**376**	**13,517**

The **"Product warranty provision"** covers the estimated cost of repairing products sold up to 31 December 2018 and covered by a warranty period. It amounts to €10,694 thousand (of which €6,057 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

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

- €733 thousand for contingent tax liabilities;
- €258 thousand for agent termination indemnities.

It should be noted that the item "Provision for management incentive plan", formed in the last 3 years (2016-2018) was fully released due to the non-achievement of plan targets.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

	31.12.2018	31.12.2017	Change
Trade payables due within 12 months	113,314	107,051	6,263
Contract-related liabilities	3,417	2,637	780
Third-party trade payables	**116,731**	**109,688**	**7,043**
Payables to associates	**260**	**347**	**(87)**
Laservall Asia	*0*	*7*	*(7)*
R4I		*61*	*(61)*
Caen	*27*	*277*	*(250)*
Suzhou Mobilead	*126*	*0*	*126*
Datalogic Automation AB	*107*	*2*	*105*
Payables to the parent company	**0**	**0**	**0**
Hydra	*0*	*0*	*0*
Payables to related parties	**148**	**253**	**(105)**
Total Trade payables	**117,139**	**110,288**	**6,851**
Other payables - current accrued liabilities and deferred income	54,458	50,273	4,185
Other payables - non-current accrued liabilities and deferred income	5,268	3,566	1,702
Total Other payables - accrued liabilities and deferred income	**59,726**	**53,839**	**5,887**
Less: non-current portion	5,268	3,566	1,702
Current portion	**171,597**	**160,561**	**11,036**

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	31.12.2018	31.12.2017	Change
Other long-term payables	5,268	3,566	1,702
Other short-term payables:	28,165	25,849	2,316
Payables to employees	18,737	17,220	1,517
Payables to pension and social security agencies	6,523	6,021	502
Other payables	2,905	2,608	297
VAT liabilities	1,800	2,982	(1,182)
Accrued liabilities and deferred income	24,493	21,442	3,051
Total	**59,726**	**53,839**	**5,887**

Amounts payable to employees represent the amount due for salaries and vacations accrued by employees as at the reporting date.
The item "Accrued liabilities and deferred income" is mainly composed of deferred income related to multi-annual maintenance contracts.

Information on the income statement

NOTE 17. REVENUES

As described in section "Accounting Standards, amendments and interpretations applied as from 1 January 2018", the Group applied the new IFRS 15 standard by using the modified retrospective method for contracts that were not completed as at 1 January 2018. By reason of the fact that the application of this standard had no significant impact on the Group's Shareholders' Equity as at 31 December 2017, information is given on broken down revenues also compared to the previous year, for which provisions of IAS 18 and IAS 11 were applied.

Revenues divided by type are shown in the following table:

	2018	2017	Change
Revenues from sale of products	596,540	572,736	23,804
Revenues from services	34,475	33,286	1,189
Total Revenues	**631,015**	**606,022**	**24,993**

In 2018, the consolidated net revenues amounted to €631,015 thousand, an increase of 4.1% compared to €606,022 thousand as at 31 December 2017 (+6.4% at constant Euro/Dollar exchange rate).

The following table shows the breakdown of revenues per geographical areas, compared with data related to the previous year:

	2018	%	2017	%	Change		% ch. at constant exch. rate
Italy	53,013	8.4%	58,479	9.6%	(5,466)	-9.3%	
EMEA (except Italy)	267,868	42.5%	269,027	44.4%	(1,159)	-0.4%	
Total EMEA(*)	320,881	50.9%	327,506	54.0%	(6,625)	-2.0%	-1.6%
North America	205,567	32.6%	180,698	29.8%	24,869	13.8%	18.4%
Latin America	17,224	2.7%	18,183	3.0%	(959)	-5.3%	2.0%
APAC(*)	87,343	13.8%	79,635	13.1%	7,708	9.7%	13.3%
Total Revenues	**631,015**	**100.0%**	**606,022**	**100.0%**	**24,993**	**4.1%**	**6.4%**

(*) EMEA: Europe, Middle East and Africa; APAC: Asia & Pacific (including China)
As at 31 December 2018, sales in Mexico were included in the North America region, data as at 31 December 2017 were reclassified accordingly.

The Group's revenues, divided by geographic area and operating segment, are broken down as follows:

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Revenues by geographic area					
Italy	53,013				53,013
Europe	267,868				267,868
North America	160,276	28,320	19,586	(2,615)	205,567
Latin America	17,224				17,224
APAC	87,343				87,343
Total	**585,724**	**28,320**	**19,586**	**(2,615)**	**631,015**

The Group's revenues, divided by industry and operating segment, are broken down as follows:

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Revenues by industry					
Retail	295,435				295,435
Manufacturing	174,586				174,586
Transportation & Logistics	69,220				69,220
Helthcare	20,208				20,208
Group Channel	26,275				26,275
Solution Net Systems		28,320			28,320
Informatics			19,586		19,586
Adjustments				(2,615)	(2,615)
Total	**585,724**	**28,320**	**19,586**	**(2,615)**	**631,015**

As regards the year 2018, the operating segment Datalogic confirmed to be the Group's core business, with revenues amounting to €585,724 thousand and a particularly positive performance in Europe and North America. The business segments that contribute the most as regards revenues over the year are Retail and Manufacturing.

The Group's revenues, divided by recognition method and operating segment, are broken down as follows:

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Revenues broken down by recognition method					
Revenues from the sale of goods and services - at a point in time	540,518	2,685	17,715	(2,615)	558,303
Revenues from the sale of goods and services - over time	45,206	25,634	1,871		72,711
Total	**585,724**	**28,320**	**19,586**	**(2,615)**	**631,015**

The Group recognises revenues from the sale of assets and services in a specific moment, when the control of the assets has been transferred to the customer, generally upon delivery of the asset or the rendering of the service.

Conversely, revenues are generally recognised over time, based on the stage of completion of contract performance obligations. This item includes revenues resulting from contracts and postponement contracts related to a multi-annual warranty.

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Revenues broken down by type					
Sale of goods	554,262	26,669	18,224	(2,615)	596,540
Sale of services	31,462	1,651	1,362		34,475
Total	**585,724**	**28,320**	**19,586**	**(2,615)**	**631,015**

NOTE 18. COST OF GOODS SOLD AND OPERATING COSTS

	2018	2017	Change
TOTAL COST OF GOODS SOLD (1)	**325,798**	**317,949**	**7,849**
of which non-recurring	*734*	*320*	*414*
TOTAL OPERATING COSTS (2)	**225,694**	**208,158**	**17,536**
Research and development expenses	62,019	55,561	6,458
of which non-recurring	*0*	*183*	*(183)*
of which amortisation, depreciation pertaining to acquisitions	*99*	*103*	*(4)*
Distribution expenses	112,225	99,703	12,522
of which non-recurring	*0*	*2*	*(2)*
General and administrative expenses	49,135	49,935	(800)
of which non-recurring	*1,473*	*419*	*1,054*
of which amortisation, depreciation pertaining to acquisitions	*4,506*	*4,712*	*(206)*
Other operating expenses	2,315	2,959	(644)
of which non-recurring	*53*	*0*	*53*
TOTAL (1+2)	**551,492**	**526,107**	**25,385**
of which non-recurring costs	***2,260***	***924***	***1,336***
of which amortisation, depreciation pertaining to acquisitions	***4,605***	***4,815***	***(210)***

Non-recurring costs, equal to €2,260 thousand (€924 thousand in the corresponding period of 2017) are related primarily to restructuring of some corporate functions and the reorganisation of the logistics model.

Amortisation/depreciation from acquisitions (equal to €4,605 thousand), mainly included under "General and administrative expenses" (€4,506 thousand), are comprised of:

	2018	2017	Change
Acquisition of the PSC group (on 30 November 2006)	1,713	1,791	(78)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	593	621	(28)
Acquisition of Accu-Sort Inc. (on 20 January 2012)	2,299	2,403	(104)
Total	**4,605**	**4,815**	**(210)**

Cost of goods sold

This item is equal to €325,798 thousand and increased by 2.5% compared to the same period in 2017, decreasing 0.8 percentage points as a ratio of revenues. The increase is in line with the increase in the Group turnover, while the improved impact on revenues results from production efficiency within even higher cost savings.

Operating costs

Operating costs, less non-recurring items and amortisation/depreciation pertaining to acquisitions, increased by 8.3% from €202,739 thousand to €219,563 thousand, up from 33.5% to 34.8% on sales, or 1.3 percentage points.
In particular:

- **"Research and Development expenses"** amounting to €62,019 thousand and, less non-recurring costs and amortisation/depreciation from acquisitions, increased by €6,645 thousand compared to the previous year (+12%). This increase is primarily attributable to the increase in payroll & employee benefits, project consultancy services, consumables, quality certification expenses, and equipment constructed in-house.
- **"Distribution expenses"** amounted to €112,225 thousand and, net of non-recurring costs, increased by €12,524 thousand compared to the same period of the previous year. This increase is due mainly to an increase in payroll & employee benefits, travel and accommodation expenses, meetings and exhibitions, and other sales costs.
- **"General and administrative expenses"** amounted to €49,135 thousand. This item, net of non-recurring costs and amortisation resulting from acquisitions, slightly decreased compared to the previous year.

The breakdown of **"Other operating expenses"** is as follows:

	2018	2017	Change
Non-income taxes	1,670	1,749	(79)
Allocation to the risk reserve	19	412	(393)
Provisions for doubtful accounts	371	222	149
Loss on disposal of fixed assets	83	101	(18)
of which non-recurring	*53*	*0*	*53*
Contingent liabilities	3	238	(235)
Cost charge-backs	156	128	28
Other	13	109	(96)
Total	**2,315**	**2,959**	**(644)**

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:

	2018	2017	Variazione
Purchases of raw materials	246,248	235,580	10,669
Change in inventories	(9,873)	(5,311)	(4,563)
Labour cost	173,754	165,395	8,359
Amortisation, depreciation and write-downs	19,772	19,496	276
Distribution expenses	23,191	16,965	6,226
Travel and lodging expenses	11,738	9,032	2,706
Technical, legal and tax advisory services	10,748	11,302	(554)
Marketing expenses	8,640	8,183	457
Building expenses	6,902	6,469	433
Repairs and warranty provision accrual	6,749	7,613	(864)
Subcontracted work	5,911	4,647	1,264
Material collected from the warehouse	5,600	4,416	1,184
EDP expenses	4,482	4,281	201
Consumables and R&D materials	3,913	3,071	842
Royalties	3,793	3,967	(174)
Quality certification expenses	3,078	2,486	592
Telephone expenses	2,379	2,790	(411)

	2018	2017	Variazione
Utilities	2,118	2,001	117
Directors' remuneration	2,002	2,055	(53)
Sundry service costs	1,935	1,927	8
Commissions	1,799	1,769	30
Meeting expenses	1,568	1,217	351
Expenses for plant and machinery and other assets	1,486	1,928	(442)
Entertainment expenses	1,394	752	642
Vehicle expenses	1,369	1,194	175
Audit Fees	1,146	1,146	0
Insurance	889	911	(22)
Training courses for employees	756	514	242
Stationery and printing	248	279	(31)
Other	7,757	10,033	(2,276)
Total Cost of goods sold and operating costs	**551,492**	**526,107**	**25,385**

Costs for raw materials and changes in inventories increased by €6,106, compared to 2017, down 0.5% in terms of percentage on total revenues.

Costs related to "Subcontracted work" amounted to €5,911 thousand (up €1,264 thousand compared to the same period of 2017) and refer primarily to orders in the Solution Net Systems division.

Expenses reported in the "Travel and lodging expenses" item and in the "Meetings expenses" item increased due to the organisation of some sales events which involved a higher number of customers compared to the previous year.

The detailed breakdown of labour cost is as follows:

	2018	2017	Change
Wages and salaries	138,146	126,053	12,093
Social security charges	25,453	23,250	2,203
Employee severance indemnities	2,084	1,847	237
Retirement and similar benefits	1,658	1,371	287
Medium- to long-term managerial incentive plan	(6,251)	3,138	(9,389)
Vehicle expenses for employees	3,419	3,081	338
Other costs	8,011	5,474	2,537
Termination costs	1,234	1,181	53
Total	**173,754**	**165,395**	**8,359**

The "Wages and salaries" item, equal to €138,146 thousand, reported an increase of €12,093 thousand compared to the same period of the previous year due to the strengthening of the R&D structure and sales organisations, consistent with the Group's strategy. The Group's employees amounted to 3,157, an increase of 8.4% compared to 2,912 persons employed in 2017.

The "Termination costs" item includes costs, totalling €807 thousand, stated under "Non-recurring costs and revenues" and mainly result from the reorganisation of some corporate departments.

NOTE 19. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

	2018	2017	Change
Grants to research and development expenses	1,986	1,458	528
Miscellaneous income and revenues	1,589	1,363	226
Rents	92	116	(24)
Income on disposal of fixed assets	161	8	153
Contingent assets	58	(13)	71
Other	108	32	76
Total	**3,994**	**2,964**	**1,030**

The "Miscellaneous income and revenues" mainly includes revenues for internal building works, in the amount of €797 thousand as at 31 December 2018 (€714 thousand as at 31 December 2017).

Pursuant to provisions as per Law no. 124/2017, Art. 1, par. 125-129, it is noted that grants to Research and Development expenses, equal to €1,987 thousand, up by €528 thousand compared to the previous year, are due primarily to the portion pertaining to the year of grants received on the following projects:

- "Rossini (RObot enhanced SenSing, INtelligence and actuation to Improve job quality in manufacturing)" financed by the European Commission within the Horizon 2020 program, and;
- "AIDA (Automazione Industriale aDattativA attraverso sistemi di visione cyber-fisici)" (Adaptative industrial automation through cyber-physical vision systems), financed by the Emilia Romagna Region (POR FESR 2014-2020).

NOTE 20. NET FINANCIAL INCOME (EXPENSES)

	2018	2017	Change
Financial income/(expenses)	(1,153)	(2,964)	1,811
Foreign exchange-rate differences	(2,730)	(3,010)	280
Bank expenses	(1,474)	(2,062)	588
Other	(311)	696	(1,007)
Total Net financial income (expenses)	**(5,668)**	**(7,340)**	**1,672**

Net financial income (expenses) presents a negative balance of €5,668 thousand, compared to a negative balance of €7,340 thousand for the same period of 2017, benefiting from one-off income of €1,622 thousand related to the recognition in the income statement of the recalculation of the amortised cost of the outstanding loan following its renegotiation that entailed a reduced interest rate.

The exchange differences are negative by €2,730 thousand, primarily due to the effect of fluctuations of the main currencies with which the Group is interfaced. Bank expenses were down €588 thousand compared to the same period in the prior year, as a result of the fact that in 2017, following the early repayment of the long-term loan, the residual portion of up-front fees were reversed to the income statement (€419 thousand).

NOTE 21. TAXES

	2018	2017	Change
Profit/Loss before taxes	77,849	75,454	2,395
Income taxes	10,083	16,129	(6,046)
Deferred taxes	5,556	(755)	6,311
Total	**15,639**	**15,374**	**265**
Tax rate	**20.1%**	**20.4%**	**-0.3%**

The average rate is equivalent to 20.1% (20.4% as at 31 December 2017). Taxes were calculated by using the best estimate of the annual tax rate expected at the reporting date.

The reconciliation for 2018 of the nominal tax rate and the effective rate in the separate financial statements is shown in the following table:

	2018		2017	
Profit (loss) before taxes	**77,849**		**75,454**	
Nominal tax rate under Italian law	**(18,684)**	**-24.00%**	**(18,109)**	**-24.00%**
Effects of local taxes	(1,716)	-2.20%	(1,529)	-2.00%
Tax effect on intercompany dividends	662	0.90%	(256)	-0.30%
Tax effect on tax losses	81	0.10%	1,731	2.30%
Cumulative effect of different tax rates applied in foreign countries	1,920	2.50%	2,726	3.60%
Effect due to change in tax rates	0	0.00%	(1,455)	-1.90%
Tax effects - previous years	(431)	-0.60%	85	0.10%
Other effects	2,529	3.20%	1,434	1.90%
Consolidated effective tax rate	**(15,639)**	**-20.10%**	**(15,374)**	**-20.40%**

Profit (loss) before taxes increased by €2,395 thousand, equal to 3.17% compared to the previous year, while total taxes, recognised in the Income Statement, amounted to €15,639 thousand, substantially in line with the previous year.
The effective impact of total current taxes on the 2017 profit for the year was 20.1% (20.4% in 2017), 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 2018 effective tax burden, a lower negative effect, combined to the distribution of dividends within the Group, for a value of €918 thousand. Moreover, a positive decrease of effects following the different tax rates, amounting to €806 thousand, according to profit distribution among Group companies, in line with business development trends.

NOTE 22. EARNINGS PER SHARE

Earnings/loss per share

As required by IAS 33, information on data used to calculate the earning/loss per share is provided below. Basic EPS is calculated by dividing the profit and/or loss for the period, attributable to the shareholders of the Parent Company, by the weighted average number of ordinary shares outstanding during the reference period. For purposes of calculating diluted EPS, the weighted average number of outstanding shares is determined assuming translation of all potential shares with a dilutive effect (stock grant attributions), and the Group's net profit is adjusted for the post-tax effects of translation.

	2018	2017
Group earnings/(loss) for the period	62,210,000	60,080,000
Average number of shares	57,894,953	58,186,870
Basic earnings/(loss) per share	**1.07**	**1.03**
Diluted effect	8,214	0
Diluted earnings/(loss) per share	**1.07**	**1.03**

Audit 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 2018 provided by the Auditing Firm. The following table shows the remuneration for the audit activities.

Fees for services supplied by the Auditing Firm to the Parent Company and to the subsidiaries	2018
Datalogic S.p.A.- auditing	244
Italian subsidiaries - auditing	243
Foreign subsidiaries - auditing	392
Total Auditing	***879***
Non-auditing services	0
Total	**879**

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.

Intercompany 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 ordinary operations and at arm's length conditions, of an immaterial amount and in accordance with 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 01/01/2018 - 31/12/2018, 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	Company controlled by Chairman of BoD	Non-consolidated companies on a line-by-line basis	TOTAL 31.12.18
Equity investments	0	0	2,173	**2,173**
Held-for-sale assets	0	0	0	**0**
Trade receivables - accrued income and prepaid expenses	0	84	1,120	**1,204**
Receivables pursuant to tax consolidation	11,276	0	0	**11,276**
Financial receivables	0	0	0	**0**
Liabilities pursuant to tax consolidation	9,557	0	0	**9,557**
Trade payables	0	148	261	**409**
Financial payables	0	0	0	**0**
Operating costs	0	1,197	3,667	**4,864**
Revenues and other operating revenues	0	7	4,699	**4,706**
Financial income	0	0	0	**0**
Profits/(losses) from associates	0	0	0	**0**

Number of employees

	2018	2017	Change
Datalogic	3,029	2,793	236
Solution Net Systems	42	39	3
Informatics	86	80	6
Total	**3,157**	**2,912**	**245**

Events occurring after the end of the period

There were no events that occurred after the period was closed that require reporting.

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 €29,340,421, 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 to Shareholders an ordinary unit dividend, gross of legal withholdings, of 50 cents per share with coupon detachment on 27 May 2019 (record date 28 May 2019) and payment from 29 May 2019, for a maximum amount of €29,223,245, also taking resources from the reserve available related to the profit from previous years, to the extent necessary.

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

Financial statements

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

Assets	Note	31.12.2018	31.12.2017
A) Non-current assets (1+2+3+4+5+6+7)		**227,404,244**	**228,845,752**
1) Tangible assets	**1**	**23,598,039**	**22,085,545**
land	1	2,465,710	2,465,710
buildings	1	15,477,952	15,702,356
other assets	1	5,645,017	3,917,479
assets in progress and payments on account	1	9,360	
2) Intangible assets	**2**	**5,505,772**	**3,809,429**
goodwill			
development costs	2		
other	2	5,505,772	3,809,429
3) Equity investments in subsidiaries	**3**	**184,092,778**	**184,866,858**
4) Financial assets	**5**	**7,223,672**	**9,572,215**
equity investments	5	7,223,672	9,572,215
securities	5	0	0
other	5	0	0
5) Loans	**9**	**0**	**0**
6) Trade and other receivables	**7**	**184,590**	**181,251**
7) Deferred tax assets	**13**	**6,799,392**	**8,330,453**
B) Current assets (8+9+10+11+12+13+14)		**458,095,462**	**524,651,585**
8) Inventories		**0**	**0**
raw and ancillary materials and consumables		0	0
work in progress and semi-finished products		0	0
finished products and goods		0	0
9) Trade and other receivables	**7**	**15,065,452**	**34,950,161**
trade receivables	7	9,883,754	28,369,955
within 12 months	*7*	*24,601*	*10,774*
after 12 months		*0*	*0*
receivables from affiliates		0	0
receivables from subsidiaries	7	9,859,153	28,359,181
receivables from the parent company	7	0	0
receivables from related parties		0	0
other receivables - accrued income and prepaid expenses	7	5,181,698	6,580,206
of which other receivables from subsidiaries	*7*	*841,479*	*256,598*
10) Tax receivables	**8**	**2,248,061**	**1,146,576**
of which to the parent company	*8*	*767,190*	*0*
11) Financial assets	**5**	**50,895,777**	**31,444,188**
other	5	50,895,777	31,444,188
12) Loans to subsidiaries	**9**	**264,237,187**	**263,358,273**
loans to subsidiaries	9	264,237,187	263,358,273
13) Financial assets - Derivative instruments	**6**	**0**	**0**
14) Cash and cash equivalents	**10**	**125,648,985**	**193,752,387**
TOTAL ASSETS (A+B)		**685,499,706**	**753,497,337**

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

Liabilities	Note	31.12.2018	31.12.2017
A) Total shareholders' equity (1+2+3+4)	**11**	**278,266,613**	**291,639,168**
1) Share capital	**11**	**131,537,586**	**148,291,261**
share capital	11	30,392,175	30,392,175
treasury shares	11	(10,810,031)	6,119,564
share premium reserve	11	91,482,574	109,754,049
treasury share reserve	11	20,296,948	2,025,473
stock grant	11	175,920	0
2) Reserves	**11**	**2,834,227**	**4,835,326**
actuarial gains/(losses) reserve	11	88,146	88,146
consolidation reserve	11	0	0
translation reserve/(loss)	11	0	0
cash-flow hedge reserve	11	(635,936)	(948,066)
valuation reserve for financial assets held for sale	11	3,382,017	5,695,246
3) Retained earnings/losses		**114,554,379**	**112,921,062**
profits (losses) of previous years	11	69,748,968	73,071,234
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	6,078,434	6,078,434
reserve for foreign currencies exchange rate	11	13,937,274	8,981,690
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		**29,340,421**	**25,591,520**
B) Non-current liabilities (5+6+7+8+9+10+11)	**12**	**168,376,442**	**217,677,370**
5) Financial payables	**12**	**156,859,434**	**205,664,160**
of which from related parties			
6) Financial liabilities - Derivative instruments	**6**	**0**	**0**
7) Tax payables		**0**	**0**
8) Deferred tax liabilities	**13**	**11,121,550**	**9,766,965**
9) Post-employment benefits	**14**	**395,458**	**498,245**
10) Provisions for risks and charges	**15**	**0**	**1,748,000**
11) Other liabilities		**0**	**0**
C) Current liabilities (12+13+14+15+16)		**238,856,651**	**244,180,799**
12) Trade and other payables	**16**	**15,406,428**	**10,027,858**
trade payables	**16**	**6,811,596**	**5,896,589**
within 12 months	*16*	*6,405,682*	*5,237,829*
after 12 months			
payables to subsidiaries	16	403,972	644,450

Liabilities	Note	31.12.2018	31.12.2017
payables to the parent company			
payables to related parties	16	1,942	14,310
other payables - accrued liabilities and deferred income	**16**	**8,594,832**	**4,131,269**
other payables from subsidiaries		4,369,110	235
13) Tax payables	**17**	**773,260**	**1,036,760**
of which to the parent company	17	0	252,762
14) Provisions for risks and charges		**60,457**	**85,854**
15) Financial liabilities - Derivative instruments	**6**	**0**	**0**
16) Short-term financial payables	**12**	**222,616,506**	**233,030,327**
of which to related parties		174,995,567	183,863,251
TOTAL LIABILITIES (A+B+C)		**685,499,706**	**753,497,337**

Datalogic S.p.A. - Income statement

Income statement	Note	31.12.2018	31.12.2017
1) Total revenues	**18**	**29,058,857**	**26,599,168**
revenues from sale of products	18	0	0
revenues from services	18	29,058,857	26,599,168
2) Cost of goods sold	**19**	**1,437,537**	**1,964,645**
Gross profit (1-2)		**27,621,320**	**24,634,523**
3) Other operating revenues	**20**	**635,173**	**620,042**
4) Research and Development expenses	**19**	**860,878**	**403,808**
5) Distribution expenses	**19**	**932,029**	**901,807**
of which non-recurring costs		0	1,600
6) General and administrative expenses	**19**	**22,775,821**	**20,947,309**
of which non-recurring costs		496,000	392,657
7) Other operating expenses	**19**	**(1,476,907)**	**675,480**
Total operating costs (4+5+6+7)		**23,091,821**	**22,928,404**
Operating result		**5,164,672**	**2,326,161**
8) Financial income	**21**	**31,330,617**	**34,475,784**
9) Financial expenses	**21**	**6,448,363**	**13,046,558**
Net financial income (expenses) (8-9)		**24,882,254**	**21,429,226**
Profit (loss) before taxes		**30,046,926**	**23,755,387**
Income taxes	22	706,505	(1,836,133)
Net Profit/(loss)		**29,340,421**	**25,591,520**

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

Income statement	Note	31.12.2018	31.12.2017
Net profit/(loss)		**29,340,421**	**25,591,520**
Other components of the statement of comprehensive income:			
Profit/(loss) on derivatives financial instruments (cash flow hedge)	11	312,130	(919,941)
of which tax effect		*0*	*0*
Profit/(loss) due to translation of the accounts	11	4,955,584	(14,472,470)
of which tax effect		*(1,564,921)*	*4,570,254*
Profit/(loss) on foreign exchange rate translation of financial assets available for sale	11	(2,313,229)	5,205,498
of which tax effect		*28,096*	*(63,224)*
Total other components of the statement of comprehensive income which will be subsequentely reclassified to net profit/loss		**2,954,485**	**(10,186,913)**
Actuarial gains (losses) on defined-benefit plans	11	0	0
of which tax effect		*0*	*0*
Total other components of the statement of comprehensive income which will be subsequentely reclassified to net profit/loss		**0**	**0**
Total other profit/(loss) net of the tax effect		**2,954,485**	**(10,186,913)**
Total net comprehensive profit/(loss)		**32,294,906**	**15,404,607**

Datalogic S.p.A. - Statement of cash flow

Cash flow statement	Note	31.12.2018	31.12.2017
Profit (loss) before taxes from the operating assets		**30,046,926**	**23,755,387**
Depreciation of tangible assets and amortisation of intangible assets	1, 2	2,231,981	2,140,546
Losses from disposal of assets		0	(2,598)
Income from disposal of assets		0	1,922
Change in provisions for risks and charges	15	(1,773,397)	847,275
Change in employee benefits reserve	14	(128,184)	13,823
Change in bad debt provision		0	0
Net financial income (expenses)	21	(25,056,618)	(27,159,709)
Adjustments to value of financial assets/liabilities		35,314	(1,696,553)
Cash flow from operations before changes in working capital		**5,356,022**	**(2,099,907)**
Change in trade receivables	7	18,486,201	(18,811,387)
Change in other current assets	7	1,398,508	(2,868,409)
Change in other LT assets	5	(3,339)	(9,278)
Change in trade payables	16	915,007	1,325,769
Change in other current liabilities	16	4,463,563	366,342
Change in taxes	13, 17, 22	814,156	(6,026,844)
Interest paid and banking expenses	21	3,572,336	1,762,203
Other changes		25,396	0
Cash flow generated from operations (A)		**35,027,850**	**(26,361,511)**
(Increase)/Decrease in intangible assets	1	(2,725,773)	(1,976,124)
(Increase)/Decrease in tangible assets	2	(2,715,045)	(1,806,845)
(Increase)/Decrease in non-current financial assets	5	950,000	(150,000)
Acquisition of equity investment and trademark			(5,866,000)
Cash flow generated (absorbed) from investments (B)		**(4,490,818)**	**(9,798,969)**
Change in LT/ST financial receivables	9	(15,374,919)	42,629,099
Change in LT/ST financial payables	12, 6	(58,906,417)	118,568,009
Purchase of treasury shares	11	(16,929,595)	0
Changes in reserves	11	0	(14,691,247)
Dividends collected	21	21,484,283	22,627,506
Dividends paid	21, 11	(28,913,786)	(17,443,288)
Cash flow generated (absorbed) from financial activity (C)		**(98,640,434)**	**151,690,080**
Net increase (decrease) in available cash (A+B+C)		**(68,103,402)**	**115,529,600**
Net cash and cash equivalents at beginning of period	**10**	**193,752,388**	**78,222,788**
Net cash and cash equivalents at end of period	**10**	**125,648,985**	**193,752,388**

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

Description	Share capital and capital reserves			Reserves of Statement of Comprehensive Income			
	Share capital	Treasury shares	Total share capital and capital reserves	Cash-flow hedge reserve	Reserve for exchange rate adjustment	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve
01.01.2017	**30,392,175**	**115,899,086**	**146,291,261**	**(28,125)**	**23,672,937**	**88,146**	**489,748**
Allocation of earnings			0		(218,777)		
Dividends			0				
Translation reserve			0				
Change in IAS reserve			0				
Sale/purchase of treasury shares			0				
Other changes	0	2,000,000	2,000,000				
Profit/(loss) as at 31.12.2017			0				
Total other components of the statement of comprehensive income			0	(919,941)	(14,472,470)		5,205,498
31.12.2017	**30,392,175**	**117,899,086**	**148,291,261**	**(948,066)**	**8,981,690**	**88,146**	**5,695,246**

Description	Share capital and capital reserves			Reserves of Statement of Comprehensive Income			
	Share capital	Treasury shares	Total share capital and capital reserves	Cash-flow hedge reserve	Reserve for exchange rate adjustment	Actuarial gains/ (losses) reserve	Held-for-sale financial assets reserve
01.01.2018	**30,392,175**	**117,899,086**	**148,291,261**	**(948,066)**	**8,981,690**	**88,146**	**5,695,246**
Allocation of earnings			0				
Dividends			0				
Translation reserve			0				
Change in IAS reserve			0				
Sale/purchase of treasury shares		(16,929,595)	(16,929,595)				
Stock Grant		175,920	175,920				
Profit/(loss) as at 31.12.2018			0				
Total other components of the statement of comprehensive income				312,130	4,955,584		(2,313,229)
31.12.2018	**30,392,175**	**101,145,411**	**131,537,586**	**(635,936)**	**13,937,274**	**88,146**	**3,382,017**

	Retained earnings							
Total Reserves of Statement of Comprehensive Income	Retained Earnings	Merger surplus	Capital contribution reserve	Legal reserve	IAS reserve	Total	Net Profit (Loss)	Total shareholders' equity
24,222,706	**53,165,863**	**203,538**	**958,347**	**6,078,434**	**8,423,473**	**68,829,655**	**52,334,217**	**291,677,839**
(218,777)	52,552,994					52,552,994	(52,334,217)	0
0	(17,443,278)					(17,443,278)	0	(17,443,278)
0						0	0	0
0						0	0	0
0						0	0	0
0						0	0	2,000,000
0						0	0	0
(10,186,913)						0	25,591,520	15,404,607
13,817,016	**88,275,579**	**203,538**	**958,347**	**6,078,434**	**8,423,473**	**103,939,371**	**25,591,520**	**291,639,168**

	Retained earnings							
Total Reserves of Statement of Comprehensive Income	Retained Earnings	Merger surplus	Capital contribution reserve	Legal reserve	IAS reserve	Total	Net Profit (Loss)	Total shareholders' equity
13,817,016	**88,275,579**	**203,538**	**958,347**	**6,078,434**	**8,423,473**	**103,939,371**	**25,591,520**	**291,639,168**
0	25,591,520					25,591,520	(25,591,520)	0
0	(28,913,786)					(28,913,786)		(28,913,786)
0						0		0
0						0		0
0						0		(16,929,595)
0						0		175,920
0						0	29,340,421	29,340,421
2,954,485						0		2,954,485
16,771,501	**84,953,313**	**203,538**	**958,347**	**6,078,434**	**8,423,473**	**100,617,105**	**29,340,421**	**278,266,613**

Explanatory notes to the financial statements

Introduction

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

The Company is a subsidiary of Hydra S.p.A., which is also based in Bologna and is controlled by the Volta family.
These financial statements were prepared by the Board of Directors on 19 March 2019.

Presentation and content of the financial statements

Pursuant to the European Regulation no. 1606/2002, the Company's financial statements have been prepared in compliance with the international accounting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Standard 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 of the Parent Company 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 as at 31 December 2018 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 2018.

TANGIBLE ASSETS

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 disappear in later years, the original value is reinstated. The residual value and useful life of assets are renewed at least at each year-end in order to assess any significant changes in value.

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.

If property, plant and equipment and intangible assets are sold, the date of disposal will be the date when the purchaser obtains the control of the assets, pursuant to requirements set forth on performance obligations by the IFRS 15 standard. The revenue or loss generated by the consideration is accounted for in the Income Statement and it is determined according to requirements to determine the transaction price envisaged by IFRS 15. The following amendments to the estimated consideration used to determine the revenue or loss must be recognised pursuant to requirements set forth by IFRS 15 in relation to changes in the transaction price.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of:

- trademark;
- software;
- 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, increased by their ancillary charges if the financial assets are not recognised at their fair value in the income statement. Trade receivables that do not include a significant financing component are excluded. For these receivables the Company applies the practical expedient and measures them at the transaction price, as determined pursuant to IFRS 15.
Upon recognition, for future measurements, financial assets are stated based on four possible measurement modalities:

- Financial assets at amortised cost;
- Financial assets at fair value, recognised in the comprehensive income statement with a reclassification of cumulative revenues and losses;
- Financial assets at fair value, recognised in the comprehensive income statement without reversal of cumulative revenues and losses when eliminated (equity instruments);
- Financial assets at fair value recognised in the income statement.

The selection of the classification of financial assets depends on the following:
- nature of financial assets, determined primarily by the characteristics of expected contractual cash flows;
- business model that the Group applies to the management of the financial assets in order to generate cash flows, which might result from the collection of contractual cash flows, as well as from the sale of financial assets or from both.

In order to classify and measure a financial asset at amortised cost or at fair value, recognised in the comprehensive income statement, this asset shall generate cash flows that depends solely on payments of principal and interest (SPPI). This measurement is defined as SPPI test and it is performed at instrument level.

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 (expenses)". A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled.

Financial derivatives

Derivatives, including embedded derivatives, separate from the main contract, 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 the standard, 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 cost. 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 financial instruments, according to the definition established in IFRS 9, 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.

As regards trade receivables and contract-related assets, the Company applies a simplified approach in calculating the expected losses. Therefore, the Company does not monitor changes in credit risk, but the expected loss is fully recognised at each reference date. As an instrument to determine the expected losses, the Company has defined a matrix system based on historical information, reviewed to take account of prospective elements, with reference to the specific types of debtors and their economic environment.

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.

SHARE-BASED PAYMENT

EQUITY-SETTLED TRANSACTIONS

Some Group employees receive a portion of their compensation under the form of share-based payments. Therefore employees render their services against shares (Equity-settled transactions).

The cost of equity-settled transactions is determined by fair value at the date of the assignment, by using an adequate measurement method.

This cost, together with the corresponding increase in Shareholders' Equity, is recognised under personnel costs for the period in which terms and conditions related to the achievement of targets and/or the performance of the services are fulfilled. Cumulative expenses, recognised in relation to these transactions at the reporting date of each financial year, until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will be effectively accrued.

Service or performance conditions are not taken into account when the fair value of the plan is defined at the grant date. The probability that these conditions be satisfied is however taken in to account while defining the best estimate of the number of equity instruments that will be held to maturity. Arm's length conditions are reflected in the fair value at the grant date. Any other term and condition related to the plan and that would not entail a performance obligation, shall not be considered as a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and entail the prompt accounting of the expense related to the plan, unless there are also service or performance conditions.

No expense will be recognised in relation to rights that have not been accrued by reason of the non-satisfaction of performance and/or service obligations. When the rights include a market condition, or a non-vesting condition, these rights are considered as they have been accrued regardless of the fact that market conditions or other non-vesting conditions have been fulfilled or not. It is understood that all other performance and/or service obligations must be satisfied.

If the conditions of the plan are modified, the minimum expense to be recognised is measured at fair value at the grant date, in the absence of the amendment of the plan itself, provided that the original conditions of the plan be fulfilled. Moreover, an expense for each change is recognised if it entails the increase in total fair value of the payment plan, or if this change is in any case favourable for employees. This expense is measured with reference to the change date. When a plan is cancelled by the entity or the counterpart, any remaining fair value element in the plan is immediately charged to income statement.

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 its 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.

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.

Pursuant to IFRS 15, the Group recognises revenues after identifying the contracts with its customers, as well as performance obligations to be fulfilled, determining the consideration to which it expects to be entitles in exchange for transferring the goods and services, and after evaluating the ways to satisfy a performance obligation (satisfaction at point in time or over the time).

Pursuant to provisions set out by IFRS 15, the Group recognises revenues only when the following obligations have been satisfied:

- the parties in a contract have approved the contract and have undertook themselves to satisfy the related performance obligations;
- the rights of either party can be defined as regards goods and services to be transferred;
- payment terms of transferable goods and services can be defined;
- the contract is of a commercial type;
- the consideration in exchange of goods sold or services transferred will be received.

If the aforesaid requirements are fulfilled, the Group recognises the revenues by applying the above-mentioned rules.

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.

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;
- royalties, on an accrual basis in accordance with the underlying contractual agreement.

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 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.

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 FROM 01 JANUARY 2018

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 2017. The Company adopted for the first time some amendments to accounting standards and amendments that are applied for annual periods beginning on or after 01 January 2018. The Company has not yet adopted any other Standard, interpretation or amendment that has been published, but is not yet effective.

The nature and impact of any new Accounting Standard and amendment are specified hereunder. Albeit these new standards and amendments were applied for the first time in 2018, they had no significant impact on the Company financial statements.

The nature and impact of any new Standard/ amendment are specified hereunder:

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial instruments: Recognition and Measurement" as from financial statements for reporting periods beginning on or after 1 January 2018, by grouping all three accounting aspects of financial instruments: classification and measurement, impairment and hedge accounting.

(a) Measurement and Recognition

Pursuant to IFRS 9, debt instruments are then measured at fair value, recognised at amortised cost in the income statement or at fair value in the comprehensive income statement. The classification is based on two criteria: the Company's business model for asset management and on the outstanding principal if the contractual cash flows of instruments are solely payments of principal and interest.

There were no material impacts on the Company's financial statements following the application of the measurement and recognition requirements envisaged by IFRS 9, with the exception of that which is discussed in Note 5. Loans, as well as trade receivables, are held to be collected at the contractual maturity, and cash flows are expected to be generated only from the collection of the related principal and interest. Thus, the Company will continue to measure these at amortised cost, in compliance with IFRS 9.

(b) Impairment

The adoption of IFRS 9 has substantially modified the accounting of impairment losses of the Company's financial assets, by replacing the IAS 39 approach adopted for losses borne with an approach based on

expected credit losses (ECL). The IFRS 9 standard requires that the Company recognises an impairment equal to ECL for all debt instruments that are not held at the fair value recognised in the income statement and for contractual assets.
The Company applies the simplified approach, i.e. the approach that envisages the ECL calculation by using three calculation meters: (i) exposure in relation to a counterpart, (ii) probability that the counterpart is in default within a determined period of time, (iii) the percentage of effective loss given default and that envisages the exemption from the monitoring of credit risk.

The Company elected to adopt the Provision Matrix in cases in which the amounts to be used for the simplified approach cannot be determined. According to the Provision Matrix, the Loss rate is determined based on the historical collection ability of the Company. The loss rates applied were determined according to time buckets and homogeneous clusters of customers.

The Company reported no significant effects on its Shareholders' Equity, given that its trade receivables are largely from counterparties with high credit standing and almost all from intercompany relations.

IFRS 15 – Revenue from Contracts with Customers
The IFRS 15 standard was issued in May 2014 and amended in April 2016, and provides a new five-step model that applies to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right of payment the entity believes to have against the sale of goods or services to customers. The new standard will supersede all other requirements contained in IFRS standards in relation to revenue recognition. The standard is effective for all financial years beginning on or after 1 January 2018, with full retroactive or modified application.

The Company's revenues relate primarily to income from services rendered to Group companies.

The Company applied the new IFRS 15 standard by using the modified retrospective method for contracts that were not completed as at 1 January 2018. The application of this standard had no significant impact on the Company's Shareholders' Equity as at 31 December 2017.

Presentation and required disclosures
Provisions set out by IFRS 15 concerning presentation and required disclosures are more detailed than those envisaged in previous standards. The Company applied the provisions set forth in the new standard by supplementing the disclosure information provided within the financial statements.

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. This Interpretation had no impact on the Company's 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. These amendments had no impact on the Company's consolidated financial statements.

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

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 had no impact on the Company's financial statements.

Amendments to 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 that 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. These amendments had no impact on the Company's consolidated financial statements.

Amendments to 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. This amendment had no impact on the Company's financial statements.

STANDARDS ISSUED WHICH ARE NOT YET IN FORCE

Following are the standards which, on the date that the Company's financial statements were prepared, had already been issued but were not yet in force. The Company intends to adopt these standards and interpretations, if applicable, when they will enter into force.

IFRS 16

The IFRS 16 standard was issued in January 2016 and supersedes the following standards: IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
IFRS 16 sets forth principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all lease contracts in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17.

This standard envisages two exemptions: lessees may elect not to recognise assets or liabilities for low value assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability related to lease costs (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the lease (i.e. the right-of-use asset). Interest payable on liabilities for leases and amortisation/depreciation on the right of use shall be recognised separately by lessees.

The Company has started and is completing the preliminary assessment project of possible impacts resulting from the application of the new standard at the transition date (1 January 2019). This process was implemented in various steps, including the complete mapping of contracts that might contain a lease and their analysis in order to understand the main clauses that are relevant for the purposes of IFRS 16.

The implementation process of this standard is being completed. It envisages the setting of the IT structure for the accounting management in relation to the standard and the alignment of the administrative processes and controls monitoring the critical areas covered by the standard itself.

The Company elected to apply this standard retrospectively on 1 January 2019 (modified retrospective method). In particular, as regards lease contracts that were previously classified as operating lease contracts, the Company will account for the following:

- a financial liability, equal to the current value of future residual payments at the transition date, discounted by using the incremental borrowing rate for each single contract, applicable at the transition date and adjusted, for each subsidiary, according to the economic context in which the company operates;
- a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the reporting date of these financial statements.

During the transition period, this standard will be applied prospectively as from 1 January 2019. A preliminary calculation will be made on the impact of around €1 million for the first-time application on financial liabilities and property, plant and equipment.

IFRIC 23 - Interpretation - 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. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Pursuant to IFRS 9, a debt instrument can be measured at amortised cos or at fair value in the comprehensive income statement provided that contractual cash flows

are solely related to payments of principal and interest (SPPI criterion) and the instruments be classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset overcomes the SPPI criterion regardless of the event or circumstance that caused the early termination of the contract and of the party who pays, or receives, a reasonable compensation for the early termination of the contract.
The amendments should be applied retrospectively as from 01 January 2019. Earlier application is permitted. These amendments had no impact on the Company's financial statements.

Amendments to IAS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments are related to the conflict between IFRS 10 and IAS 28, with reference to the loss in control of an investee, which is sold or transferred to an associated company or a joint venture.
Amendments clarify that profit or loss resulting from the sale or transfer of assets representing a business, as defined by IFRS 3, between an investor and its associated company or joint venture, must be entirely recognised. Any profit or loss, resulting from the sale or transfer of assets, which do not represent a business, is however recognised only within the limits of the portion held by third-party investors in the associated company or joint venture.
IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. The Company will apply these amendments when they will enter into force.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 define the accounting rules in the event the plan is amended, curtailed or settled during the reference period. The amendments specify that, when a plan amendment, curtailment or settlement occurs during the financial year, an entity shall:

- determine the service cost for the remaining time after the amendment, curtailment or settlement of the plan, by using reference actuarial assumptions to remeasure net liabilities (assets) for defined-benefits in order to reflect benefits offered by the plan and the plan assets after this event;
- determine both the net interest for the remainder period after the amendment, curtailment or settlement of the plant (the net liability (asset) for defined benefits that reflects the benefits offered by the plan and the assets of the plan after this event), and the discount rate used to remeasure the net liabilities (assets) for defined benefits.

The amendments also clarify that an entity must firstly quantify all costs related to the previous work services, rather than the profit or loss that arose upon settlement, without considering the effect of the asset ceiling. This amount is recognised in profit/(loss) for the year.
After the amendment, curtailment or settlement of the plan, the entity will then quantify the effect of the asset ceiling. Any change to this purpose, except for amounts already included in net interests, shall be recognised in other components of the comprehensive income statements.
Changes apply to amendments, curtailments or settlements of the plan occurring on or after 1 January 2019. Early application is permitted.
These changes will be applicable only to any possible future amendments of the plan, curtailments or transactions of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

These amendments specify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture (long-term interests), but to which the equity method is not applied.
This clarification is relevant as it implies that the

model of expected losses on receivables, envisaged in IFRS 9, applies to these long-term interests.
These amendments also clarify that, in applying the IFRS 9 standard, an entity must not take account of any losses related to the associate or joint venture, or of any impairment in interests that are recognised as adjustments of the net investments in the associate or joint venture resulting from the application of IAS 28 Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and they are effective as from 1 January 2019. Earlier application is permitted. By reason of the fact that the Company holds no long-term interests in its associate and joint venture, these amendments will have no impact on the financial statements.

2015-2017 annual improvements (issued in December 2017)

The following improvements, whose impact is expected on these Financial Statements, are not considered as relevant:

- **IFRS 3 Business Combinations**

The amendments outline that, when an entity obtains control of a business (joint operation), it applies the requirements for a business combination established in various steps, including the remeasurement at fair value of the interests previously held in assets and liabilities of the joint operation. In doing so, the acquirer will write up the entire interests previously held in the joint operation.
The entity will apply these amendments to business combinations with an acquisition date on or after the first financial year, as from 1 January 2019. Early application is permitted.

- **IFRS 11 Joint Arrangements**

A party that takes part in a joint operation, without holding a joint control, might obtain the joint control of the joint operation if the activities of the same can be defined as a business as per IFRS 3.
These amendments clarify that interests previously held in such joint operation are not remeasured. An entity will apply these amendments to transactions in which it holds joint control on or after 1 January 2019. Early application is permitted.

- **IAS 12 Income Taxes**

The amendments clarify that income tax consequences of dividends are connected mostly to past transactions or events that generated distributable profits, rather than to distributions to shareholders. Therefore, an entity recognises income tax consequences of dividends in profit/(loss) for the year, in other components of the comprehensive income statement or in the Shareholders' Equity, consistently with the way in which the entity has previously recognised such transactions or past events.
The entity applies these amendments to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When the entity applies these amendments for the first time, they are applied to the income tax consequences of dividends measured as from the beginning of the first year.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as non-qualifying funds any borrowings which were specifically intended to develop a business, if all actions necessary to obtain that qualifying asset for its intended use or sale are completed.
An entity applies these amendments to financial expenses borne as from the beginning of the year in which the entity applied these amendments for the first time. The entity applies these amendments to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

USE OF ESTIMATES

Preparation of IFRS-compliant Financial Statements and of the relevant notes requires directors to apply accounting standards 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 and Non-current Financial 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.

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. 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 hypotheses concern the determination of discount rates, future wage increases, the mortality rate and pension increases.

Other (Provisions for risks and charges, doubtful accounts, revenues)

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

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 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 significantly 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	+5%	-5%
Exchange rates		*1.1450*	*1.2023*	*1.0878*
Financial assets				
Cash and cash equivalents	125,649	35,018	(1,668)	1,843
Financial assets and Investments	50,896			
Trade and other receivables	15,250	710	(34)	38
Total Loans	**267,331**	**31,785**	**(1,514)**	**1,673**
			(3,215)	**3,553**
Financial liabilities				
Borrowings	204,480	0		
Borrowings - Netting	206,741	82,500	3,929	(4,342)
Loans - Netting (positive)	(31,745)	(15,716)	(748)	827
Total Borrowings	379,476			
Trade and other payables	15,406	433	(21)	23
			3,201	**(3,538)**
Pre-tax impact on income statement			**14**	**(16)**

Items exposed to exchange rate risk with impact on Equity

As at 31 December 2018, the Company held the following items exposed to exchange rate risk, with impact on Equity:

USD	Carrying value	Portion exposed to exchange rate risk	+5%	-5%
Exchange rates		*1.1450*	*1.2023*	*1.0878*
Financial assets				
Loan	264,237	145,207	**(6,915)**	**7,642**
Financial liabilities				
Borrowings	379,476	0	0	0

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 31/12/2018, 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	203,980,373	98.8%
Other	500,000	0.2%
Total	**204,480,373**	**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 in the Euribor exchange rates 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 2018.

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

Euribor	Carrying value	Of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	125,649	90,523	91	(91)
Financial assets and Investments	50,896	50,896	51	(51)
Total Loans	264,237	77,436	78	(78)
			220	**(220)**
Financial liabilities				
Borrowings	204,480	0		
Borrowings - Netting	174,996	107,522	(108)	108
Total Borrowings	379,476			
			(108)	**108**
Total increases (decreases)			**112**	**(112)**

USD Libor	Carrying value	Of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	125,649	35,018	35	(35)
Financial assets and Investments	50,896			
Total Loans	264,237	31,043	31	(31)
			66	**(66)**
Financial liabilities				
Borrowings	204,480			
Borrowings - Netting	174,996	66,784	(66)	66
Total Borrowings	379,476			
			(66)	**66**
Total increases (decreases)			**0**	**0**

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

Euribor	Carrying value	Of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Loans	264,237	9,810	**10**	**(10)**

USD Libor	Carrying value	Of which exposed to exchange rate risk	10bp	-10bp
Financial assets				
Loans	264,237	145,207	**145**	**(145)**

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 2018 and 31 December 2017:

As at 31 December 2018	0 - 1 year	1 - 5 years	> 5 years
Bank borrowings and mortgages	47,120,939	156,859,434	0
Lease payables	0	0	
Other	500,000	0	
Financial derivatives (IRS)	0	0	
Trade and other payables	15,406,428	0	
Borrowings by Group Companies	174,995,567	0	
Total	**238,022,934**	**156,859,434**	**0**

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

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	01.01.2018	Cash Flows	Change in Business Combination	31.12.2018
Bank borrowings - current portion	47,917,076	(796,134)	0	47,120,942
Bank borrowings - non-current portion	204,914,160	(48,054,726)	0	156,859,434
Borrowings by Group/cash pooling netting - current portion	183,863,251	(8,867,687)	0	174,995,564
Other financial payables - current portion	1,250,000	(550,000)	(200,000)	500,000
Other financial payables - non-current portion	750,000	0	(750,000)	0
Total liabilities resulting from financial assets	**438,694,487**	**(58,268,547)**	**(950,000)**	**379,475,940**

Changes in Liabilities resulting from financial assets	01.01.2017	Cash Flows	Change in Business Combination	New contracts	31.12.2017
Bank borrowings - current portion	29,990,779	(29,990,779)	0	47,917,076	47,917,076
Bank borrowings - non-current portion	138,387,917	(138,387,917)	0	204,914,160	204,914,160
Borrowings by Group/cash pooling netting - current portion	153,469,193	30,394,058	0	0	183,863,251
Lease payables - current portion	241,583	(241,583)	0	0	0
Other financial payables - current portion	0	0	1,250,000	0	1,250,000
Other financial payables - non-current portion	0	0	750,000	0	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

Tangible assets are broken down as at 31 December 2018 and 31 December 2017 as follows:

	31.12.2018	31.12.2017	Change
Land	2,465,710	2,465,710	0
Buildings	15,477,952	15,702,356	(224,404)
Other assets	5,645,017	3,917,479	1,727,538
Assets in progress and payments on account	9,360	0	9,360
Total	**23,598,039**	**22,085,545**	**1,512,494**

Details of movements as at 31 December 2018 and 31 December 2017 are as follows:

	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	2,465,710	18,081,407	12,035,626	0	32,582,743
Accumulated depreciation		(2,379,051)	(8,118,147)	0	(10,497,198)
Net initial value as at 01.01.2018	**2,465,710**	**15,702,356**	**3,917,479**	**0**	**22,085,545**
Increases - 31.12.2018					
Investments	0	7,500	2,700,335	9,360	2,717,195
Reclassifications	0			0	0
Transfers	0			0	0
Depreciation reversal	0	0	61,791	0	61,791
total	*0*	*7,500*	*2,762,126*	*9,360*	*2,778,986*
Decreases 31.12.2018					
Disposals	0	0	(63,941)	0	(63,941)
Reclassifications	0	0	0	0	0
Transfers	0	0	0		0
Depreciation	0	(231,904)	(970,647)	0	(1,202,551)
total	*0*	*(231,904)*	*(1,034,588)*	*0*	*(1,266,492)*
Historical cost	2,465,710	18,088,907	14,672,020	9,360	35,235,997
Accumulated depreciation	0	(2,610,955)	(9,027,003)	0	(11,637,958)
Net closing value at 31.12.2018	**2,465,710**	**15,477,952**	**5,645,017**	**9,360**	**23,598,039**

The increase for the year of €2,700,335 thousand in the "Other assets" item primarily breaks down as follows:

- €2,566,754 for the purchase of new hardware, mainly due to:

a. €785,105 for the new hardware for the telepresence system;

b. €461,099 for flow management hardware of data lines;

- €91,832 for the purchase of new furniture and fittings;
- €23,275 for new electrical, hydraulic and air-conditioning systems for the new buildings.

NOTE 2. INTANGIBLE ASSETS

Intangible assets are broken down as at 31 December 2018 and 31 December 2017 as follows:

	31.12.2018	31.12.2017	Change
Goodwill	0	0	0
Developments costs	0	0	0
Other	5,505,772	3,809,429	1,696,343
Total	**5,505,772**	**3,809,429**	**1,696,343**

Details of movements as at 31 December 2018 and 31 December 2017 are as follows:

	Other	Total
Historical cost	12,226,708	12,226,708
(Accumulated amortisation)	(8,417,279)	(8,417,279)
Opening value as at 01/01/2018	**3,809,429**	**3,809,429**
Increases 31.12.2018		
Investments	2,772,014	2,772,014
Reclassifications	0	0
Amortisation reversal	165,725	165,725
total	*2,937,739*	*2,937,739*
Decreases 31.12.2018		
Disposals	(211,966)	(211,966)
Reclassifications	0	0
Amortisation	(1,029,430)	(1,029,430)
total	*(1,241,396)*	*(1,241,396)*
Historical cost	14,786,756	14,786,756
Accumulated amortisation	(9,280,984)	(9,280,984)
Net closing value at 31.12.2018	**5,505,772**	**5,505,772**

The increase for the year of €2,772,014 the item "Others" relates to:

- €1,617,860 for software and new apps for HR, service and trade departments;
- €446,590 for implementations of SAP managing software;
- €707,564 for intangible assets in progress.

NOTE 3. EQUITY INVESTMENTS

Equity investments held by the Company as at 31 December 2018 were as follows:

	Balance as at 31.12.2017	Increases	Decreases	Change	Balance as at 31.12.2018
Subsidiaries	184,166,858	175,920	950,000	(774,080)	183,392,778
Associates	700,000	0	0	0	700,000
Total associates	**184,866,858**	**175,920**	**950,000**	**(774,080)**	**184,092,778**

The item "Subsidiaries" shows the increase of €175,920 related to the stock grant plan granted to some employees of subsidiaries.
The decrease of €950,000 relates to the Terminal Agreement with the subsidiary Soredi Touch Systems Gmbh.

For a comparison between the carrying value and the corresponding value recognised in the Shareholders' Equity of investees as at 31 December 2018, reference is made to Attachment 1. Negative differentials disclosed herein are not considered as impairment losses. No adjustment was therefore carried out on the amount recognised in the Assets.

NOTE 4. FINANCIAL INSTRUMENTS BY CATEGORY

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

31.12.2018	Receivables	Financial assets at FV charged to the income statement	Financial assets at FV charged to OCI	Total
Non-current financial assets	**184,590**	**0**	**7,223,672**	**7,408,262**
Financial assets - Equity investments (5)	0	0	7,223,672	7,223,672
Financial assets - Other	0	0	0	0
Other receivables (7)	184,590	0	0	184,590
Current financial assets	**128,977,269**	**50,895,777**	**0**	**179,873,046**
Third-party trade receivables (7)	24,601	0	0	24,601
Other receivables from third parties (7)	3,303,683	0	0	3,303,683
Financial assets - Other (5)	0	50,895,777	0	50,895,777
Financial assets - Derivative instruments (6)	0	0	0	0
Cash and cash equivalents (10)	125,648,985	0	0	125,648,985
Total	**129,161,859**	**50,895,777**	**7,223,672**	**187,281,308**

31.12.2017	Receivables	Financial assets at FV charged to the income statement	Financial assets at FV charged to OCI	Total
Non-current financial assets	181,251	31,444,188	9,572,215	9,753,466
Financial assets - Equity investments (5)	0	0	9,572,215	9,572,215
Financial assets - Other	0	0	0	0
Other receivables (7)	181,251	0	0	181,251
Current financial assets	199,040,265	0	0	230,484,453
Third-party trade receivables (7)	10,774	0	0	10,774
Other receivables from third parties (7)	5,277,104	31,444,188	0	36,721,292
Cash and cash equivalents (10)	193,752,387	0	0	193,752,387
Total	199,221,516	31,444,188	9,572,215	240,237,919

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 2018, 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)	7,154,161	0	69,511	7,223,672
Financial assets - LT securities (5)	0	0	0	0
Financial assets - Other LT (5)	29,066,892	21,828,885	0	50,895,777
Total Assets measured at fair value	36,221,053	21,828,885	69,511	58,119,449
Liabilities measured at fair value				
Total Liabilities measured at fair value	0	0	0	0

There are no transferrals among the hierarchical levels of fair-value compared to 31 December 2017 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:

	31.12.2018	31.12.2017	Change
Other financial assets	50,895,777	31,444,188	19,451,589
Other financial assets	50,895,777	31,444,188	19,451,589
Other equity investments	7,223,672	9,572,215	(2,348,543)
Total	58,119,449	41,016,403	17,103,046

The item "Other financial assets" is mainly composed of temporary investments of corporate liquidity, represented by insurance policies subscribed in May and July 2014, mutual investment funds, subscribed in August 2015 and April 2018 and an asset management contract signed in April 2018.
Based on the provisions of IFRS 9, these investments were classified as short-term as at 31 December 2018, and the figure as at 31 December 2017 was reclassified accordingly.

Other equity investments

As at 31 December 2018, equity investments held in other companies were as follows:

	31.12.2017	Decreases	Adjustment on exchange rates	Adj. to fair value	31.12.2018
Unlisted equity investments	76,729	(7,218)	0	0	69,511
Listed equity investments	9,495,486	0	485,387	(2,826,712)	7,154,161
Total shareholdings	**9,572,215**	**(7,218)**	**485,387**	**(2,826,712)**	**7,223,672**

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 over the period is attributable to the fair value adjustment and effect of exchange rates.

NOTE 6. FINANCIAL DERIVATIVES

Interest rate derivatives

As at 31 December 2018, the Company had no interest rate swap contracts in place.

Currency derivatives

As at 31 December 2018, the Company had no active forward contracts for exchange rate risk.

NOTE 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables

	31.12.2018	31.12.2017	Change
Trade receivables within 12 months	24,601	10,774	13,827
Trade receivables after 12 months	0	0	0
Receivables from associates	0	0	0
Receivables from subsidiaries	9,859,153	28,359,181	(18,500,028)
Receivables from parent companies			0
Trade receivables	**9,883,754**	**28,369,955**	**(18,486,201)**
Other receivables - accrued income and prepaid expenses	5,366,288	6,761,457	(1,395,169)
Other receivables from subsidiaries	0	0	0
Other receivables - accrued income and prepaid expenses	**5,366,288**	**6,761,457**	**(1,395,169)**
Trade and other receivables	**15,250,042**	**35,131,412**	**(19,881,370)**

"Trade receivables" of €9,859,153 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 2018 the breakdown of the item by due date is as follows:

	2018	2017
Not yet due	9,562,158	27,789,215
Past due by 30 days	27,204	6,667
Past due by 30 - 60 days	2,708	19,209
Past due by more than 60 days	297,100	554,864
Total	**9,883,754**	**28,369,955**

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

Currency	2018	2017
EURO	9,116,939	27,749,705
US Dollar (USD)	709,234	601,103
British Pound Sterling (GBP)	4,320	13,378
Australian Dollar (AUD)	0	5,770
Japanese Yen (JPY)	53,052	0
Hong Kong Dollar (HKD)	209	0
Total	**9,883,754**	**28,369,955**

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

	31.12.2018	31.12.2017	Change
Advances paid to suppliers	272,067	194,895	77,172
Other social security receivables	10,557	12,530	(1,973)
Other	27,809	35,499	(7,690)
Guarantee deposits	28,737	25,398	3,339
Accrued income and prepaid expenses	1,036,536	1,046,504	(9,968)
VAT tax receivables	3,149,103	5,190,033	(2,040,930)
Receivables (Payables) for consolidated VAT	828,281	(2,716,703)	3,544,984
Sundry receivables from subsidiaries	13,198	2,973,301	(2,960,103)
Total	**5,366,288**	**6,761,457**	**(1,395,169)**

The “Accrued income and prepaid expenses” item concerns costs pertaining to 2019, mainly referred to hardware/software maintenance and assistance fees and costs for software licenses.
The decrease in item “VAT tax receivables”, amounting to € 2,040,930, relates primarily to the inclusion of the Company Datalogic Srl in the Group VAT consolidation, which generates an increase in the counter-item “Receivables (Payables) for consolidated VAT”.
The decrease in the “Sundry receivables from subsidiaries” item is due primarily to the payment by the subsidiary Datalogic Srl of dividends, as resolved last year.

NOTE 8. TAX RECEIVABLES

	31.12.2018	31.12.2017	Change
Receivables from parent company	767,190	0	767,190
Tax receivables	1,480,871	1,146,576	334,295
Short-term tax receivables	**2,248,061**	**1,146,576**	**1,101,485**

“Tax receivables”, totalling €1,480,871, are broken down as follows:

- €1,174,558 relate to receivables for withholding taxes abroad;
- €279,183 receivables related to payments on account for IRAP tax;
- €27,130 receivables for withholding tax on bank interest income.

NOTE 9. LOANS TO SUBSIDIARIES

	31.12.2018	31.12.2017	Change
Non-current loans to subsidiaries	0	0	0
Current loans to subsidiaries	264,237,187	263,358,273	878,914
Total	**264,237,187**	**263,358,273**	**878,914**

“Loans to subsidiaries” breaks down as follows:

Loans	31.12.2018	31.12.2017	Amount in foreign currency
Datalogic USA Inc	127,520,967	121,747,275	USD 146,011,507
Datalogic Srl	17,685,589	16,884,850	USD 20,250,000
Datalogic Hungary Kft	9,310,000	9,310,000	0
Soredi Touch Systems Gmbh	500,00	0	
Cash pooling			
Datalogic USA Inc	14,493,794	16,945,654	
Datalogic Srl	72,436,117	59,590,724	
Datalogic IP-Tech Srl	14,428,957	26,327,044	
Datalogic Srl - Sweden (branch)	4,758,352	6,019,246	
Datalogic Srl - Spain (branch)	1,780,280	2,833,061	
Informatics	1,285,952	2,291,333	
Datalogic Srl - UK (branch)	37,179	1,208,602	
Datalogic Srl - France (branch)	0	200,484	
Total	**264,237,187**	**263,358,273**	

NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	31.12.2018	31.12.2017	Change
Bank deposits and cash pooling	125,645,150	193,748,512	(68,103,362)
Cash on hand	3,835	3,875	(40)
Cash and cash equivalents for statement	**125,648,985**	**193,752,387**	**(68,103,402)**

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

(Euro/000)	31.12.2018	31.12.2017
A. Cash and bank deposits	125,648,985	193,752,387
B. Other cash equivalents	0	0
C. Securities held for trading	0	0
D. Cash and cash equivalents (A) + (B) + (C)	**125,648,985**	**193,752,387**
E. Current financial receivables	264,237,187	263,358,273
F. Other current financial receivables	50,895,777	31,444,188
G. Bank overdrafts	0	0
H. Current portion of non-current debt	222,616,506	233,030,327
I. Other current financial payables	0	0
J. Current financial debt (G) + (H) +(I)	**222,616,506**	**233,030,327**
K. Current financial debt, net (J) - (D) - (E) - (F)	**(218,165,443)**	**(224,080,333)**
L. Non-current bank borrowing	156,859,434	205,664,160
M. Other non-current financial assets	0	0
N. Other non-current liabilities	0	0
O. Non-current financial debt (L) - (M) + (N)	**156,859,434**	**174,219,972**
P. Net financial debt/(net financial position) (K) + (O)	**(61,306,009)**	**(49,860,361)**

The "Other current financial receivables" 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 2018 was positive by €61,306,009 thousand, an increase of €11,445,648 thousand compared to 31 December 2017 (positive by €49,860,361 thousand).

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

- payment of dividends of €28,913,786;
- movements of treasury shares, equal to a cash disbursement of €16,929,595;
- collection of dividends by the subsidiary Datalogic Srl, in the amount of €24,082,953.

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:

	31.12.2018	31.12.2017
Share capital	30,392,175	30,392,175
Share premium reserve	88,669,385	106,940,859
Extraordinary share-cancellation reserve	2,813,190	2,813,190
Treasury shares held in portfolio	(10,810,032)	6,119,564
Treasury share reserve	20,296,948	2,025,473
Stock grant	175,920	0
Share capital and capital reserves	**131,537,586**	**148,291,261**
Cash-flow hedge reserve	(635,936)	(948,066)
Valuation reserve at current value	3,382,017	5,695,246
Actuarial Gain (Loss)	88,146	88,146
Other reserves	**2,834,227**	**4,835,326**
Retained earnings	**114,554,379**	**112,921,061**
Earnings carried forward	69,748,968	73,071,234
Temporary reserve for exchange rate adjustment	13,937,274	8,981,690
Capital contribution reserve	958,347	958,347
Reserve for surplus from cancellation, Datalogic RE Srl	203,538	203,538
Legal reserve	6,078,435	6,078,435
IAS reserve	8,423,473	8,423,473
Capital contribution reserve	15,204,344	15,204,344
Profit for the period	**29,340,421**	**25,591,520**
Total shareholders' equity	**278,266,613**	**291,639,168**

Share capital

The share capital as at 31 December 2017 and 31 December 2018 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	0	0	0	0	0	0
Sale of treasury shares	85,215	0	0	795,344	795,344	(795,344)	795,344
Costs for the purchase of treasury shares	0	0	0	0	0	0	0
Capital loss on sale of treasury shares	0	0	0	0	0	0	0
Capital gain on sale of treasury shares	0	0	0	0	1,204,656	0	1,204,656
Costs for the sale of treasury shares	0	0	0	0	0	0	0
31.12.2017	**58,229,477**	**30,392,175**	**2,813,190**	**106,940,859**	**6,119,564**	**2,025,473**	**148,291,261**

	Number of shares	Share capital	Extraordinary share cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2018	**58,229,477**	**30,392,175**	**2,813,190**	**106,940,859**	**6,119,564**	**2,025,473**	**148,291,261**
Purchase of treasury shares	(890,327)	0	0	(18,421,795)	(22,934,109)	18,421,795	(22,934,109)
Sale of treasury shares	211,392	0	0	150,321	4,662,635	(150,321)	4,662,635
Costs for the purchase/ sale of treasury shares	0	0	0	0	(22,888)	0	(22,888)
Capital loss on sale of treasury shares	0	0	0	0	0	0	0
Capital gain on sale of treasury shares	0	0	0	0	1,364,767	0	1,364,767
Stock grant	6,000				175,920		175,920
Costs for the sale of treasury shares	0	0	0	0	0	0	0
31.12.2018	**57,556,542**	**30,392,175**	**2,813,190**	**88,669,385**	**(10,634,111)**	**20,296,947**	**131,537,586**

Ordinary shares

As at 31 December 2018, the total number of ordinary shares was 58,446,491, including 895,949 held as treasury shares, making the number of shares in circulation at that date 57,550,542. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

The "Treasury shares" item, negative in the amount of €10,634,111, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€9,486,916). In 2018, the Group purchased 890,327 treasury shares and sold 211,392, with a capital gain of €1,364,767.

For these purchases, in accordance with Art. 2357 of the Italian Civil Code, capital reserves (i.e., the treasury share reserve) in the amount of €20,296,947 have been restricted.

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 €635,936, 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 Srl.

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.

Stock grant reserve

On 23 April 2018, the Board of Directors of Datalogic S.p.A., after hearing the opinions of the Audit and Risk Management Committee and the Remuneration and Appointments Committee, resolved on the framework of the new "2018-2021 Remuneration Plan" for a select group of managers, other than Directors and executives with key strategic responsibilities. This plan assigns the right to receive ordinary shares of the Company free of charge, conditioned on obtaining performance objectives and after a vesting period.

This reserve was established following the accounting recognition of the plan according to IFRS 2.

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 23 May 2018, the Ordinary Shareholders' Meeting of Datalogic S.p.A. approved the distribution of an ordinary dividend of €0.50 per share, inclusive of legal withholdings (€0.30 in 2017). The overall dividends began to be paid starting from 30 May 2018 and had been paid in full by 31 December.

Classification of Shareholder's 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	**116,810,810**				
Share premium reserve	88,669,384	A,B	88,669,384	0	0
Extraordinary share-cancellation reserve	2,813,190	A,B,C	2,813,190	0	0
Treasury share reserve	20,296,948	-	0	0	(401,441)
Capital contribution reserve	15,204,345	A,B,C	15,204,345	0	0
Merger surplus	203,538	A,B,C	203,538	0	0
Revaluation reserves	257,516	A,B	0	0	0
Stock grant	175,920		0	0	
Treasury share reserve	(10,810,031)	-	(10,810,031)	0	0
Other reserves	**2,834,227**				
Cash-flow hedge reserve	(635,936)	-	0	0	0
Valuation reserve for financial assets held for sale	3,382,017	-	0	0	0
Severance indemnity discounting reserve	88,146	-	0	0	0
Retained earnings	**98,888,980**				
Earnings carried forward	67,093,655	A,B,C	67,093,655	0	0
Reserve for deferred tax assets	2,655,313	A,B	2,655,313	0	0
Reserve for exchange rate adjustment	13,937,274	A,B	13,937,274	0	0
Capital contribution reserve	958,347	B	0	0	0
Legal reserve	6,078,435	B	0	0	0
IAS/IFRS transition reserve	8,165,956	A,B,C	0	0	0
Total			**179,766,668**		
Non-distributable portion			94,451,940		
Distributable residual portion			85,314,728		

Notes: 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. €10,717,774 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 detailed below:

	31.12.2018	31.12.2017	Change
Bank borrowings	203,980,373	252,831,236	(48,850,863)
Borrowings by Group Companies/cash pooling - netting	174,995,567	183,863,251	(8,867,684)
Other borrowings	500,000	2,000,000	(1,500,000)
Total Financial payables	**379,475,940**	**438,694,487**	**(59,218,547)**

Financial payables are represented as follows:

	Within 12 months	After 12 months	After 5 years	Totale
Bank accounts/cash pooling	174,995,567	0	0	174,995,567
Bank borrowings, mortgages and other financial institutions	47,120,939	156,859,434	0	203,980,373
Other	500,000	0	0	500,000
Total	**222,616,506**	**156,859,434**	**0**	**379,475,940**

The “bank accounts/cash pooling” item relates to payables to Group companies owing to cash pooling agreements for centralised liquidity management.
The “Other” item includes the financial debt related to the acquisition of the company SOREDI Touch Systems GmbH.

Bank borrowings

Following is the breakdown of changes in “bank loans” as at 31 December 2018:

	2018	2017
Opening balance	**252,831,236**	**168,378,695**
Increases	0	249,249,304
Repayments	(47,637,666)	(125,580,667)
Recalculation of amortised cost	(1,213,197)	(39,216,096)
Closing balance	**203,980,373**	**252,831,236**

On 27 April 2018, the loan that had been signed on 13 April 2017 was renegotiated, reducing the interest rate. Therefore, the amortised cost of the loan was adjusted, resulting in the recognition of €1,622,022 in income in the income statement.

Moreover, the Company issued a credit mandate in the amount of €3,629,321 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 Ip Tech Srl.

Financial leases

The Company has no lease contracts in place.

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	Total
As at 01 January 2018	**8,287,076**	**1,391,687**	**(109,038)**	**197,240**	**9,766,965**
Provisioned in (released from) Income Statement	(148,782)	0	0	(33,459)	(182,241)
Provisioned in (released from) Shareholders' Equity	1,536,826	0	0	0	1,536,826
As at 31 December 2018	**9,675,120**	**1,391,687**	**(109,038)**	**163,781**	**11,121,550**

Deferred tax assets	Adjustment on exchange rates	Deprec. and Amort.	Provisions	Other	Total
As at 01 January 2018	**7,505,000**	**135,000**	**517,517**	**172,936**	**8,330,453**
Provisioned in (released from) Income Statement	(1,114,954)	43,516	(493,787)	34,164	(1,531,061)
As at 31 December 2018	**6,390,046**	**178,516**	**23,730**	**207,100**	**6,799,392**

NOTE 14. POST-EMPLOYMENT BENEFITS

	31.12.2018	31.12.2017
01.01.2018	**498,245**	**484,422**
Amount allocated in the period	270,334	215,023
Amount transferred for transfer of employment relationships	(37,418)	8,495
Uses	(235,258)	(134,970)
Social security receivables for post-employment benefits	(100,445)	(74,725)
31.12.2018	**395,458**	**498,245**

The item Uses is related to €207,308 for resignations and €18,700 for requests of advance payments.

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

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

	31.12.2018	31.12.2017	Change
Long-term provisions for risks and charges	0	1,748,000	(1,748,000)
Short-term provisions for risks and charges	60,457	85,854	(25,397)
Total Provisions for risks and charges	**60,457**	**1,833,854**	**(1,773,397)**

The detailed breakdown of and changes in this item are presented below:

	31.12.2017	Increases	(decreases)	31.12.2018
Provision for management incentive plan	1,748,000	0	(1,748,000)	0
Provision for tax liabilities	7,854	0	0	7,854
Other provisions	78,000	0	(25,397)	52,603
Total provisions for risks and charges	**1,833,854**	**0**	**(1,773,397)**	**60,457**

The decrease in item "Provision for management incentive plan" relates to the release due to non-achievement of targets defined in the plan.

NOTE 16. TRADE AND OTHER PAYABLES

This table shows the details of trade and other payables:

	31.12.2018	31.12.2017	Change
Trade payables	**6,811,596**	**5,896,589**	**915,007**
Trade payables due within 12 months	6,405,682	5,237,829	1,167,853
Payables to the Group	405,914	658,760	(252,846)
Other short-term payables	**8,160,245**	**3,679,967**	**4,480,278**
Accrued liabilities and deferred income	**434,587**	**451,302**	**(16,715)**

Other payables – accrued liabilities and deferred income

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

	31.12.2018	31.12.2017	Change
Payables to pension and social security agencies	1,057,020	1,055,745	1,275
Payables to employees	1,795,615	1,821,730	(26,115)
Directors' remuneration payable	857,424	740,849	116,575
Deferred income on investment grants	434,587	451,302	(16,715)
Other payables to the Group	4,369,110	235	4,368,875
Other payables	81,076	61,408	19,668
Total	**8,594,832**	**4,131,269**	**4,463,563**

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 €434,587 relates to the reclassification of public capital grants on assets.
The item "Other payables to the Group" includes €4,316,416 of VAT debt to the company Datalogic IP Tech Srl, adhering to the Group VAT consolidation.

NOTE 17. TAX PAYABLES

	31.12.2018	31.12.2017	Change
Short-term tax payables	773,260	1,036,760	(263,500)
Long-term tax payables	0	0	0
Total tax payables	**773,260**	**1,036,760**	**(263,500)**

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

- €558,391, Irpef withholding taxes related to employees;
- €212,143, amount payable for IRAP regional tax;
- €2,726, withholding taxes on remuneration to freelancers.

Information on the income statement

NOTE 18. REVENUES

	31.12.2018	31.12.2017	Change
Royalties for the uses of the trademark	16,303,818	15,684,736	619,082
Services rendered to subsidiaries	12,755,039	10,914,432	1,840,607
Total revenues	**29,058,857**	**26,599,168**	**2,459,689**

Revenues for services rendered to subsidiaries refer mainly, in the amount of €16,303,757 to costs for Royalties on the trademark, in the amount of €6,661,739 to reversal costs for Information Technology, in the amount of €1,424,612 to reversal costs for payroll services and centralised HR services and in the amount of €944,194 to reversal structural costs. The performance is substantially in line with the previous year, an increase was reported in the reversal costs for centralised services rendered to Group companies, mainly due to the upgrading of some IT platforms.

The adoption, as from 1 January 2018, of the new IFRS 15 Standard had no relevant impacts on the Company's financial statements.

NOTE 19. COST OF GOODS SOLD AND OPERATING COSTS

	2018	2017	Change
TOTAL COST OF GOODS SOLD (1)	1,437,537	1,964,645	(527,108)
TOTAL OPERATING COSTS (2)	23,091,821	22,928,404	163,417
R&D expenses	860,878	403,808	457,070
Distribution expenses	932,029	901,807	30,222
of which non-recurring	*0*	*1,600*	*(1,600)*
General and administrative expenses	22,775,821	20,947,309	1,828,512
of which non-recurring	*496,000*	*392,657*	*103,343*
Other operating expenses	(1,476,907)	675,480	(2,152,387)
Total (1+2)	24,529,358	24,893,049	(363,691)
of which non-recurring costs	*496,000*	*394,257*	*101,743*

Non-recurring costs refer to the implementation plan for the new organisation of the Company Datalogic and refer primarily to professional advisory services.

Cost of goods sold

This item is equal to €1,437,537 thousand and decreased by 26.8% compared to the same period in the previous year, decreasing 2.4 percentage points as a ratio of revenues.

Operating costs

Operating costs, net of non-recurring items, decreased by 0.3%, from €22,534,147 to €22,595,821 and the impact on sales decreased from 84.7% to 77.8%.
In particular:

- **"R&D expenses"** amounted to €860,878 and increased by €457,070 compared to the same period of the previous year (+113.2%). This increase is attributable primarily to the increase in costs for employing staff and project consultancy services.
- **"Distribution expenses"** amounted to €932,029 and, net of non-recurring costs, increased by 3.5% compared to the same period of the previous year (€900,207).
- Net of non-recurring costs, the **"General and administrative expenses"** totalled €22,279,821. This item increased by €1,725,169, compared to the same period of the previous year, primarily due to the increase in payroll & employee benefits. In particular, the "costs for employing staff" item increased by €380,729.

The breakdown of **"Other operating expenses"** is as follows:

	2018	2017	Change
Accrual to provisions for risks	0	414,142	(414,142)
Loss on disposal of fixed assets	0	2,598	(2,598)
Extraordinary Expenses	197	34,651	(34,454)
Non-income taxes	270,882	165,737	105,145
Release of Provision for management incentive scheme	(1,748,000)	0	(1,748,000)
Other	14	58,352	(58,338)
Total other operating expenses	**(1,476,907)**	**675,480**	**(2,152,387)**

It should be noted that the item "Provision for management incentive plan", formed in the last 3 years (2016-2018) was fully released due to the non-achievement of plan targets.

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:

	2018	2017	Change
Labour Cost	12,711,346	11,158,486	1,801,011
EDP expenses	3,049,110	2,675,244	373,866
Amortisation and depreciation	2,215,268	2,126,941	88,327
Directors' remuneration	1,913,354	1,966,235	(52,881)
Technical, legal and tax advisory services	1,746,390	2,159,733	(482,093)
Utilities and telephone subscriptions	1,098,705	1,155,397	(56,692)
Travel and lodging	514,744	377,490	137,254
Stock exchange costs and membership fees	412,873	351,643	61,230
Service costs rendered by subsidiary	405,976	412,028	(6,052)
Building expenses	387,177	462,769	(75,592)
Advertising and Marketing	280,021	334,332	(54,311)
Audit Fees	277,040	240,562	36,478
Expenses for personnel training	178,030	78,621	99,409
Entertainment expenses	159,302	141,616	17,686
Insurance expenses	121,414	42,915	78,499
Vehicle expenses	111,269	96,401	14,868
Meeting expenses	99,590	23,182	76,408
Board of Statutory Auditors' remuneration	69,212	84,283	(15,071)
Patents	36,816	32,550	4,266
Other costs	(1,258,279)	972,621	7,087
Total Cost of goods sold and operating costs	**24,529,358**	**24,893,049**	**2,053,697**

The "Labour Cost" item increased by €1,801,011 compared to the previous year. In addition to the "Wages and salaries" item, which increased by €1,105,336, costs for employing staff, amounting to €1,094,591, were borne over €358,602 borne in 2017.

Costs related to "EDP expenses" increased by €373,866 due to new licenses.

The detailed breakdown of labour costs is as follows:

	2018	2017	Change
Wages and salaries	8,264,959	7,159,623	1,105,336
Social security charges	2,134,283	1,849,543	284,740
Employee severance indemnities	265,222	234,679	30,543
Retirement and similar benefits	274,377	240,867	33,510
Medium- to long-term managerial incentive plan	0	844,275	(844,275)
Reimbursements for seconded personnel	0	0	0
Other costs	1,772,505	829,498	943,007
Total	**12,711,346**	**11,158,486**	**1,552,860**

The “Other costs” item includes €375,669 of Early retirement incentives and €1,094,891 of costs for the hiring of staff.

NOTE 20. OTHER OPERATING REVENUES

The detailed breakdown of this item is as follows:

	2018	2017	Change
Extraordinary Income	2,126	16,021	(13,895)
Rents	519,013	510,382	8,631
Income on disposal of fixed assets	13,030	1,922	11,108
Other	101,004	91,717	9,287
Total	**635,173**	**620,042**	**15,131**

21. NET FINANCIAL INCOME

	2018	2017	Change
Financial income (expenses)	3,199,032	1,754,077	1,444,955
Bank expenses	(145,200)	(593,205)	448,005
Foreign exchange loss	(3,219,585)	(8,886,175)	5,666,590
Foreign exchange gains	3,045,221	3,155,692	(110,471)
Dividends	21,484,283	25,397,506	(3,913,224)
Other	518,504	601,331	(82,827)
Total Net financial income (expenses)	**24,882,254**	**21,429,226**	**3,453,028**

Net financial income (expenses) presents a positive balance of €24,882,254, compared to a positive balance of €21,429,226 for 2017, benefiting from one-off income of €1,622 thousand related to the recognition in the income statement of the recalculation of the amortised cost of the outstanding loan following its renegotiation that entailed a reduced interest rate.

The "Exchange rate differences" item, negative for €174,364, is mostly due to the effect of the strengthening of the Dollar on Company's net balances.

Bank expenses were down €448,005 compared to the same period in the prior year, as a result of the fact that in 2017, following the early repayment of the long-term loan, the residual portion of up-front fees were reversed to the income statement.

The "Dividends" item, amounting to €21,484,283, relates to earnings distributed during 2018 of the Subsidiary Datalogic S.r.l.

NOTE 22. TAXES

	2018	2017
Income taxes	(642,315)	380,254
Deferred taxes	1,348,820	(2,216,387)
Total	**706,505**	**(1,836,133)**

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 2018 of the nominal tax rate and the effective rate in the financial statements is shown in the following table:

	2018		2017	
Profit before tax	**30,046,940**		**23,755,387**	
Nominal tax rate under Italian law	**(7,211,266)**	**-24.0%**	**(5,701,293)**	**-24.0%**
Effects of local taxes	(275,000)	-0.9%	(152,000)	-0.6%
Tax effect on intercompany dividends	4,898,416	16.3%	5,857,040	24.7%
Tax benefits for revenues from IP	1,733,520	5.8%	1,326,380	5.6%
Tax effects - previous years	206,757	0.7%	654,630	2.8%
Other effects	(58,933)	-0.2%	(148,644)	-0.6%
Consolidated effective tax rate	**(706,505)**	**-2.4%**	**1,836,113**	**7.7%**

Audit 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 auditing firm and divided in auditing and other services.

	Fees for auditing services	Other remuneration
Datalogic Spa	244,000	0

Related-party transactions

Related parties	Hydra Spa	Hydra Immobiliare S.n.c.	Group company DL SRL	Group company Real Estate
Receivables				
Trade receivables	0	0	9,204,343	22,000
Receivables pursuant to tax consolidation	767,190	0	828,281	0
Receivables for cash pooling	0	0	93,505,721	0
Financial receivables	0	0	154,516,557	0
Payables				
Liabilities pursuant to tax consolidation	0	0	0	0
Trade payables	0	1,942	214,288	11,723
Payables for netting/cp	0	0	170,951,548	4,044,016
Costs				
Sales/service expenses	0	85,545	551,014	0
Financial costs	0	0	1,150,416	4,520
Revenues				
Commercial revenues	0	0	30,046,128	80,000
Financial income	0	0	6,739,161	0

Transactions with companies controlled by shareholders

Transactions with Hydra Immobiliare, a company controlled by the reference shareholders of the Company, refer mainly to the rental of property by the Company (€84,470).

Company transactions with the parent company (Hydra Spa) mainly relate to the IRES receivables of €767,190; 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)

Annexes

Annex 1.
List of equity investments in subsidiaries and affiliates as at 31 december 2018 (art. 2427 No. 5 Of the italian civil code)

Company	Registered office	Cur	Share capital in local currency	Shareholders' equity in euro/000	
				Total amount	Pro-rata amount (A)
Informatics Holdings, Inc.	Plano (Texas) - USA	USD	1,568,000	14,569	14,569
Datalogic s.r.l.	Bologna - Italy	EUR	10,000,000	235,125	235,125
Datalogic Real Estate France Sas	Paris - France	EUR	2,227,500	3,638	3,638
Datalogic Real Estate UK Ltd	Redbourn - UK	GBP	3,500,000	4,588	4,588
Datalogic Real Estate GMBH	Erkenbrechtsweiler - DE	EUR	1,025,000	1,382	1,382
Datalogic IP Tech s.r.l.	Bologna - Italy	EUR	65,677	15,096	6,959
SOREDI Touch Systems Gmbh	Olching (Munich) Germany	EUR	25,000	2,144	2,144
Total subsidiaries				**276,542**	**266,261**
CAEN RFID Srl	Viareggio (Lu)-Italy	EUR	150,000	1,184	237
R4I S.r.l.	Benevento - Italy	EUR	131,250	446	89
Total associates				**1,630**	**326**
Nomisma SpA	Bologna - Italy	EUR	6,963,500	7,844	6
Conai					
Caaf Ind. Emilia Romagna	Bologna - Italy	EUR	377,884	668	6
T3 LAB Consortium					
Crit srl	Bologna - Italy	EUR	413,800	668	0
IDEC Corporation	Osaka - Japan	YEN	10,056,605,173	346,919	0
Total other companies				**356,099**	**13**

Net Profit (loss) for the year in Euro/000		Ownership	Carrying value incl. provision for future charges Euro/000	Differences	
Total amount	Pro-rata amount		(B)	(B)-(A)	
(80)	(80)	100%	11,011	(3,558)	
97,533	97,533	100%	139,113	(96,012)	
78	78	100%	3,919	281	
241	241	100%	3,668	(920)	
(3)	(3)	100%	1,806	424	
4,174	1,924	46.1%	15,082	8,123	
185	185	100%	8,618	6,474	
102,128	**99,878**		**183,217**	**(85,188)**	
24	5	20%	550	313	as at 31.12.2017
(3)	(1)	20%	150	61	as at 31.12.2017
21	**4**		**700**	**374**	
401	0	0%	7	1	as at 31.12.2017
			0	n.a.	
2	0	1%	4	(3)	as at 31.08.2018
			7	n.a.	
56	0	0%	52	52	as at 31.12.2017
0	0	1%	7,154	n.a.	as at 31.03.2018
459	**1**		**7,224**	**50**	

Annex 2.a
Declarations pursuant to Art. 81-ter, Consob Regulation no. 11971 of 14 May 1999

Certification of the consolidated financial statement pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 as amended

1. The undersigned, Valentina Volta, Group CEO, and Marco Carnovale, manager responsible for preparing the company's financial reports of Datalogic S.p.A., having also taken into account the provisions of Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the company and

- the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statement for the FY 2018.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statement at December 31, 2018 is based on a procedure defined by Datalogic S.p.A. in line with the Internal Control model - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a reference framework generally accepted at international level.

3. It is also certified that:
   3.1 the consolidated financial statement:
   a) has been prepared in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) corresponds to the entries in the accounting books and records;
   c) provides a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The report on operations includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Lippo di Calderara di Reno (BO), 19 marzo 2019

………………………………………	………………………………………
Group CEO	Manager responsible for preparing the company's financial reports
Valentina Volta	Marco Carnovale

Annex 2.b
Declarations pursuant to Art. 81-ter, Consob Regulation no. 11971 of 14 May 1999

Certification of the annual financial statement pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 as amended

1. The undersigned, Valentina Volta, Group CEO, and Marco Carnovale, manager responsible for preparing the company's financial reports of Datalogic S.p.A., having also taken into account the provisions of Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the company and

- the effective implementation

of the administrative and accounting procedures for the preparation of the annual financial statement for the FY 2018.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the annual financial statements at December 31, 2018 is based on a procedure defined by Datalogic S.p.A. in line with the Internal Control model - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a reference framework generally accepted at international level.

3. It is also certified that:
   3.1 the annual financial statement:
      a) has been prepared in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) corresponds to the entries in the accounting books and records;
      c) provides a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The report on operations includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Lippo di Calderara di Reno (BO), 19 marzo 2019

…………………………………………	…………………………………………
Group CEO	Manager responsible for preparing the company's financial reports
Valentina Volta	Marco Carnovale

Annex 3.a
Independent Auditor Report

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Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Datalogic Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, changes in consolidated shareholders' equity and consolidated statement of cash flow for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Datalogic S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Revenue Recognition, net of rebates, discounts and returns Datalogic Group recognizes to its customers rebates, discounts and returns in accordance with sales' general terms and conditions; such revenue adjustments are recorded as an offset to revenues, while the estimated year-end accrual is recorded in the balance sheet and settled in the following year. The processes and methodologies to determine the estimate of rebates, discounts and returns are based on sales' general terms and conditions, as well as on internal accounting and operating data prepared by the Group companies and external data communicated by the sales network. Considering the judgment required in the assumptions made in the estimate, the number of variables and sources of information involved, we considered this area as a key audit matter. The disclosures related the estimate of rebates, discounts and returns are included in the note "Use of estimates" in the paragraph "Accounting Policies and Standards Applied" to the consolidated financial statements.	The audit procedures performed to address this key audit matter include, among others: • the assessment of the process and key controls implemented by the Group; • the execution of test of key controls and substantive testing of a sample of transactions in order to validate contractual and operating data on sales and returns; • the execution of analytical review procedures comparing historical and forecasted data provided by Management; • the execution of analytical review procedures comparing prior period estimates and actual data; • the analysis of credit notes issued after financial statements closing date. Lastly, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements related to this key audit matter.
Valuation of Goodwill The Goodwill balance as at 31 December 2018 amounts to Euro 181 million, and it is allocated to the different Cash Generating Units (CGUs) of the Group. The processes and valuation methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions that, by their nature, are sensitive to future market trends and economic scenarios, and require the forecast of future cash flows for each CGU, the determination of normalized cash flows as a basis for the terminal value, as well as of the long-term growth rates and discount rates applied to the cash flows forecasts.	The audit procedures performed to address this key audit matter include, among others: • the assessment of the process and key controls implemented by the Group regarding the assessment of Goodwill; • the assessment of the adequacy of CGUs perimeter and the allocation of the carrying values of the assets and liabilities to the individual CGUs; • the assessment of forecasted future cash flows, in particular on revenues and margins' growth, also considering industry's trend; • the assessment of the accuracy of forecasted data as compared to actual data from previous years; • the assessment of the long-term growth rates and discounting rates.

Considering the judgment required in the assumptions used in the estimate of the recoverable amount of the goodwill, we considered this area as a key audit matter. The disclosures related to Goodwill valuation are included in note 2 "Intangible Assets" and in note "Use of estimates" in the paragraph "Accounting Policies and Standards Applied" to the consolidated financial statements.	In performing our audit procedures, we also involved our valuation specialists who independently assessed the methodology and the assumptions made by management, the arithmetical correctness of the model, and performed sensitivity analyses on key assumptions in order to determine any changes that could significantly impact the valuation of the recoverable amount. Lastly, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to the valuation of Goodwill.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they intend either to liquidate the Parent Company Datalogic S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated

financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Datalogic S.p.A., in the general meeting held on 29 April 2010, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2010 to 31 December 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Datalogic S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Datalogic as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Datalogic Group as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Datalogic Group as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Datalogic S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, 29 March 2019

EY S.p.A.

Signed by: Gianluca Focaccia, partner

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

Annex 3.b
Independent Auditor Report

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Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Datalogic S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Datalogic S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2018, and the income statement, the statement of comprehensive income, changes in shareholders' equity and cash flow statement for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are not key audit matters to be communicated in the hereby report.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they intend either to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Datalogic S.p.A., in the general meeting held on 29 April 2010, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2010 to 31 December 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Datalogic S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Datalogic S.p.A. as at 31 December 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Datalogic S.p.A. as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Datalogic S.p.A. as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Datalogic S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, 29 March 2019

EY S.p.A.

Signed by: Gianluca Focaccia, partner

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

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Annex 4
Statutory Auditor Report

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI DI DATALOGIC S.P.A. AI SENSI DELL'ART. 153 D.LGS. 58/1998 E DELL'ART. 2429, COMMA 2, DEL CODICE CIVILE

Signori Azionisti,
nel corso dell'esercizio chiuso al 31 dicembre 2018, il Collegio Sindacale di Datalogic S.p.a. ("Datalogic" o la "Società") ha svolto le attività di vigilanza previste dalla legge, tenendo anche conto dei principi di comportamento raccomandati dai Consigli Nazionali dei Dottori Commercialisti ed Esperti Contabili e delle comunicazioni Consob in materia di controlli societari e attività del Collegio Sindacale. La presente relazione è stata redatta in conformità alle raccomandazioni ed indicazioni fornite dalla stessa Consob con comunicazione del 6 aprile 2001 n. DEM/1025564, modificata e integrata con comunicazione del 4 aprile 2003 DEM/ 3021582 e comunicazione del 7 aprile 2006 DEM/6031329.

Premessa

Il Collegio Sindacale attualmente in carica è stato nominato dall'Assemblea degli azionisti del 2 maggio 2016 e scade con l'approvazione del bilancio d'esercizio chiuso al 31 dicembre 2018.
Il Consiglio di Amministrazione attualmente in carica è stato nominato dall'Assemblea degli azionisti del 23 maggio 2018 e scade con l'approvazione del bilancio d'esercizio chiuso al 31 dicembre 2020.

L'incarico di revisione legale a norma del d.lgs. n. 58/1998 e del d.lgs. n. 39/2010 è svolto dalla società EY S.p.A., come deliberato dall'Assemblea del 29 aprile 2010, per la durata di nove esercizi (2010-2018). L'incarico di revisione verrà dunque a scadenza con l'approvazione del bilancio di esercizio al 31 dicembre 2018.

Nel corso dell'esercizio 2018, si sono tenute:

- 10 riunioni del Collegio Sindacale;
- 9 riunioni del Consiglio di Amministrazione (di cui 5 relative al precedente mandato consiliare);

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

Nel corso dell'esercizio 2019, sino alla data della relazione, si sono tenute:

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

Il Collegio Sindacale ha preso parte alle citate riunioni del Consiglio di Amministrazione e del Comitato.

Ai sensi della normativa vigente, al Collegio Sindacale è affidato il compito di vigilare su:

- osservanza della legge e dello Statuto, nonché il rispetto dei principi di corretta amministrazione nello svolgimento delle attività sociali;
- adeguatezza della struttura organizzativa per gli aspetti di competenza, del sistema di controllo interno e del sistema amministrativo-contabile nonché sull'affidabilità di quest'ultimo nel rappresentare correttamente i fatti di gestione;
- modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina a cui Datalogic ha dichiarato di attenersi;
- adeguatezza delle disposizioni impartite alle società controllate in relazione agli obblighi di comunicazione delle informazioni "price sensitive".

Inoltre, ai sensi e per gli effetti di cui al d.lgs. 39/2010, il Collegio Sindacale:

a) informa l'organo di amministrazione dell'ente sottoposto a revisione dell'esito della revisione legale e trasmette a tale organo la relazione aggiuntiva di cui all'articolo 11 del Regolamento europeo 537/2014, corredata da eventuali osservazioni;
b) monitora il processo di informativa finanziaria e presenta le raccomandazioni o le proposte volte a garantirne l'integrità;
c) controlla l'efficacia dei sistemi di controllo interno e di gestione del rischio dell'impresa e della revisione interna, senza violare l'indipendenza dell'ente;
d) monitora la revisione legale del bilancio d'esercizio e del bilancio consolidato;
e) verifica e monitora l'indipendenza delle società di revisione legale a norma

degli articoli 10, 10-bis, 10-ter, 10-quater e 17 del d.lgs. 39/2010 e dell'articolo 6 del Regolamento europeo 537/2014, in particolare per quanto concerne l'adeguatezza della prestazione di servizi diversi dalla revisione all'ente sottoposto a revisione, conformemente all'articolo 5 di tale regolamento;

f) è responsabile della procedura volta alla selezione delle società di revisione legale e raccomanda le società di revisione legale da designare ai sensi dell'articolo 16 del Regolamento europeo.

Il Collegio Sindacale, altresì, vigila sull'osservanza degli obblighi relativi alle informazioni di carattere non finanziario di cui al D.lgs. n. 254/2016.

Con riferimento all'attività di propria competenza, nel corso dell'esercizio 2018 e sino all'approvazione della Relazione finanziaria annuale 2018 da parte del Consiglio di Amministrazione, il Collegio Sindacale dichiara di avere:

- ricevuto dagli amministratori, in particolare quelli esecutivi, adeguate
- informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo strategico, patrimoniale, economico e finanziario effettuate dalla Società e dalle sue controllate, anche attraverso la partecipazione alle riunioni del Consiglio di Amministrazione;
- acquisito gli elementi necessari per svolgere l'attività di verifica del rispetto della legge, dello statuto, dei principi di corretta amministrazione e dell'adeguatezza della struttura organizzativa della Società e del Gruppo ad essa facente capo, attraverso indagini dirette, acquisizione di documenti e di informazioni dai responsabili delle diverse funzioni interessate, periodici scambi di informazioni con la società incaricata della revisione legale dei conti annuali e consolidati;
- vigilato sul funzionamento e sull'efficacia dei sistemi di controllo interno e sull'adeguatezza del sistema amministrativo e contabile, in particolare sotto il profilo dell'affidabilità di quest'ultimo a rappresentare i fatti di gestione;
- svolto l'attività di vigilanza in conformità all'art. 9 del d.lgs. 39/2010;
- effettuato il periodico scambio di informazioni con i rappresentanti della società di revisione in merito all'attività esercitata nel corso di diversi incontri avvenuti nel corso delle riunioni del Collegio Sindacale, nonché attraverso

l'esame dei risultati del lavoro svolto dal revisore e la ricezione delle relazioni previste dal d.lgs. 39/2010;

- ricevuto la dichiarazione di conferma dell'indipendenza della società di revisione che non evidenzia situazioni che ne abbiano compromesso l'indipendenza o cause di incompatibilità;
- ricevuto la Relazione aggiuntiva del revisore di cui all'art. 11 del regolamento europeo 537/2014 (che sarà trasmessa al Consiglio di Amministrazione), dall'esame della quale non sono emersi aspetti che debbano essere evidenziati nella presente relazione;
- monitorato la funzionalità del sistema di controllo sulle società del Gruppo e l'adeguatezza delle disposizioni ad esse impartite, anche ai sensi dell'art. 114, 2° comma del d.lgs. 58/1998;
- monitorato l'attuazione delle regole di governo societario adottate dalla Società in conformità al Codice di Autodisciplina di Borsa Italiana cui Datalogic aderisce;
- vigilato sulla conformità della Procedura per le operazioni con parti correlate adottata dalla Società rispetto ai principi indicati nel relativo Regolamento CONSOB adottato con delibera n. 17221 del 12 marzo 2010 e successive modifiche, nonché sulla osservanza dello stesso Regolamento;
- vigilato sul processo di informativa societaria, verificando l'osservanza da parte degli Amministratori delle norme procedurali inerenti alla redazione, approvazione e pubblicazione della Relazione finanziaria annuale;
- verificato, in termini di coerenza ed adeguatezza delle procedure utilizzate, i test di "impairment" effettuati in vista dell'approvazione della Relazione finanziaria annuale 2018 e la metodologica adottata, costatando il rispetto delle raccomandazioni Consob anche in termini procedurali;
- analizzato la Relazione finanziaria annuale 2018, la Relazione sul governo societario e gli assetti proprietari predisposta ai sensi e per gli effetti di cui all'art. 123-bis del TUF rilevando la conformità di tali relazioni alla normativa vigente;
- vigilato sull'osservanza delle disposizioni stabilite dal d. lgs. 254/2016 ed ha esaminato la Relazione consolidata di carattere non finanziario rilevando la conformità di tale relazione alla normativa vigente.

Nel corso dell'attività di vigilanza svolta, sulla base delle informazioni e dei dati acquisiti, non sono emersi fatti da cui desumere il mancato rispetto della legge e dell'atto costitutivo o tali da giustificare segnalazioni alle Autorità di Vigilanza o la menzione nella presente relazione.

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Relazione

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

1. Con riferimento alle operazioni di maggior rilievo strategico, economico, finanziario e patrimoniale effettuate nell'esercizio, sulla base delle informazioni fornite dalla Società e dei dati acquisiti relativamente alle citate operazioni, il Collegio Sindacale ne ha accertato la conformità alla legge, all'atto costitutivo e ai principi di corretta amministrazione, assicurandosi che le medesime non fossero manifestamente imprudenti o azzardate, in potenziale conflitto d'interessi ovvero tali da compromettere l'integrità del patrimonio aziendale.
2. Il Collegio Sindacale non ha riscontrato, nel corso dell'esercizio 2018 e successivamente alla chiusura dello stesso, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate (ivi comprese le società del Gruppo).
3. Le operazioni infragruppo e le operazioni con parti correlate sono state realizzate nell'ambito dell'ordinaria gestione e a normali condizioni di mercato.
   Le operazioni con parti correlate si riferiscono prevalentemente ad operazioni di natura commerciale, immobiliare e professionale e al consolidato fiscale. Nessuna di tali operazioni assume particolare rilievo, anche in considerazione dell'incidenza economica delle stesse sui valori complessivi di bilancio.
   A tal proposito si segnala che l'organo di controllo ha vigilato sulla conformità della Procedura per le operazioni con parti correlate adottata dalla Società.
4. Il Collegio Sindacale ritiene che le informazioni rese dagli Amministratori nella Relazione finanziaria annuale 2018 in ordine alle operazioni infragruppo e con le parti correlate siano adeguate.
5. La società di revisione EY S.p.A. ha rilasciato in data 29 marzo 2019 la relazione ai

sensi dell'art. 14 del D.Lgs. 39/2010 in cui attesta che il bilancio di esercizio e il bilancio consolidato al 31 dicembre 2018 (i) sono conformi agli International Financial Reporting Standards (IFRS) adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del d.lgs. n. 38 del 2005, (ii) sono redatti con chiarezza e rappresentano in modo veritiero e corretto la situazione patrimoniale, finanziaria, i flussi di cassa e il risultato economico d'esercizio e consolidato della Società e del Gruppo.

6. La società di revisione ritiene, altresì, che la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f) l) e m) e al comma 2, lett. b) dell'art. 123-bis del TUF inserite nella Relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.

   La società di revisione ha altresì verificato che nella Relazione sul governo societario e gli assetti proprietari sono state fornite le informazioni di cui al comma 2, lettere a), c), d) e d-bis) dell'art. 123-bis del TUF.
7. La società di revisione ha dichiarato, ai sensi dell'art. 14, comma 2, lett. e) del D. Lgs. 39/2010, di non aver rilevato errori significativi nella Relazione sulla gestione e, quindi, sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non ha nulla da riportare.
8. La società di revisione ha inoltre rilasciato, in data 29 marzo 2019, la relazione sulla dichiarazione consolidata di carattere non finanziario redatta ai sensi dell'art. 3, comma 10, del D. Lgs. 254/2016 e dell'art. 5 del Regolamento Consob n. 20267/2018, con la quale attesta che non sono pervenuti all'attenzione della stessa elementi che facciano ritenere che la dichiarazione consolidata di carattere non finanziario del Gruppo Datalogic, relativa all'esercizio chiuso al 31 dicembre 2018, non sia stata redatta in tutti gli aspetti significativi, in conformità a quanto richiesto dagli artt. 3 e 4 del predetto decreto e dal GRI Standards, con riferimento alla selezione di GRI Standards indicati nel paragrafo "Nota metodologica" della dichiarazione.
9. Nel corso del 2018, non sono state presentate al Collegio Sindacale denunce ai sensi dell'art. 2408 del codice civile.
10. Nel corso del 2018, non sono stati presentati al Collegio Sindacale esposti.
11. Oltre all'incarico di revisione contabile del bilancio civilistico e consolidato, di

revisione contabile limitata della relazione semestrale, all'attività di verifica della regolare tenuta della contabilità e della corretta rilevazione dei fatti di gestione nelle scritture contabili, nel 2018 sono stati conferiti alla società EY S.p.A. i seguenti incarichi aggiuntivi (i) attestazione relativa alla dichiarazione consolidata di carattere non finanziario e (ii) progetti sulla prima applicazione di principi contabili (IFRS 9 e IFRS 16). Tali incarichi aggiuntivi sono stati conferiti in conformità con quanto previsto dal d.lgs. 135/2016 e dalla procedura sul conferimento di incarichi aggiuntivi alla società di revisione legale, approvata dal Collegio Sindacale in data 25 gennaio 2018.

12. Nel corso dell'esercizio 2018 e successivamente alla chiusura dello stesso, sino alla data della presente relazione, la Società non ha conferito incarichi a società appartenenti alla rete legata alla società di revisione EY S.p.A.
13. Nel corso dell'esercizio 2018 e successivamente alla chiusura dello stesso, sino alla data della relazione, il Collegio Sindacale ha rilasciato, ai sensi della normativa (anche regolamentare e autoregolamentare), i prescritti pareri circa:
    - la conferma del Responsabile della funzione di internal audit, in seguito alla nomina del nuovo Consiglio di Amministrazione per il mandato 2018 – 2020 da parte dell'Assemblea del 23 maggio 2018;
    - la proposta di ripartizione del compenso globale massimo dei componenti il Consiglio di Amministrazione deliberato dall'Assemblea degli azionisti;
    - la remunerazione variabile del Presidente e dell'Amministratore delegato, anche ai sensi dell'art. 2389 del codice civile;
    - la remunerazione del Responsabile della funzione Internal Audit e l'adeguatezza delle risorse assegnate per l'espletamento delle sue responsabilità;
    - l'adozione della Politica sulla remunerazione di Datalogic;
    - la corretta applicazione dei criteri e delle procedure di accertamento adottate dal Consiglio di Amministrazione per valutare l'indipendenza dei Consiglieri qualificati tali in sede di nomina;
    - il possesso dei requisiti di indipendenza, anche in base ai criteri previsti dal Codice di Autodisciplina con riferimento agli amministratori, da parte del Sindaco Supplente, dott.ssa Patrizia Cornale, nominato dall'Assemblea

del 23 maggio 2018, in seguito alle dimissioni del sindaco supplente dott.ssa Sonia Magnani, fino all'approvazione del bilancio d'esercizio al 31 dicembre 2018;
- l'approvazione del Piano di Audit;
- la coerenza e l'adeguatezza delle procedure di "impairment" utilizzate dalla Società;
- la nomina per cooptazione del Consigliere Prof.ssa Vera Negri, in seguito alle dimissioni del dott. Angelo Busani in data 9 agosto 2018;
- la nomina del dott. Marco Carnovale a dirigente preposto alla redazione dei documenti contabili societari, in seguito alle dimissioni del dott. Alessandro D'Aniello in data 20 gennaio 2019;
- il corretto utilizzo dei principi contabili e la loro omogeneità ai fini della redazione del bilancio consolidato;
- il rinnovo dell'incarico di certificazione della Dichiarazione consolidata a carattere non finanziario a favore della società di revisione legale EY S.p.A. anche per l'esercizio 2018.

14. Nel corso dell'esercizio 2018 e successivamente alla chiusura dello stesso, sino alla data della relazione, il Collegio Sindacale ha inoltre:
    - informato il Consiglio di Amministrazione dei risultati esposti dalla società di revisione legale EY S.p.A., espressi nella Relazione della società di revisione di cui all'art. 11 del Regolamento 537/2014;
    - vigilato sulla correttezza del processo di selezione e nomina della società di revisione legale, formulando una proposta motivata all'Assemblea ai sensi del d.lgs. 39/2010.

15. In relazione alla frequenza e al numero di riunioni degli organi sociali, si rinvia alla premesse.
16. Il Collegio Sindacale ha preso conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolte di informazioni dai responsabili delle funzioni aziendali, dall'Amministratore incaricato del sistema di controllo interno e gestione dei rischi, incontri con il Comitato Controllo, Rischi, Remunerazione e Nomine e con i responsabili della Società di Revisione ai fini del reciproco

scambio di dati e informazioni rilevanti. In particolare, per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio Sindacale ha accertato, anche mediante la partecipazione diretta alle adunanze consiliari, la conformità alla legge e allo Statuto Sociale delle scelte gestionali operate dagli Amministratori e ha verificato che le relative delibere fossero assistite da analisi e pareri – prodotti all'interno o, quando necessario, da professionisti esterni – riguardanti soprattutto la congruità economico-finanziaria delle operazioni e la loro conseguente rispondenza all'interesse della Società.

17. Il Collegio Sindacale ha acquisito conoscenza e vigilato sull'adeguatezza della struttura organizzativa della Società e sul relativo funzionamento, anche mediante raccolta di informazioni dalle strutture preposte, audizioni dei responsabili delle competenti funzioni aziendali, incontri con i responsabili della revisione interna ed esterna e a tale riguardo non ha osservazioni particolari da riferire.
18. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e gestione dei rischi della Società rilevando l'assenza di particolari criticità e/o segnalazioni da portare all'attenzione degli Azionisti.
19. Il coordinamento tra i soggetti coinvolti nel sistema di controllo interno e di gestione dei rischi viene assicurato per il tramite di un costante confronto e continuo scambio di informazioni (anche nel corso delle riunioni degli organi sociali) tra tutti i soggetti coinvolti in tale "sistema" e segnatamente:
    - il Comitato con compiti in materia di controllo interno e governo dei rischi;
      l'Amministratore incaricato del sistema di controllo interno e di gestione dei rischi;
    - il Responsabile della funzione Internal Audit;
    - il Dirigente preposto alla redazione dei documenti contabili societari;
    - il Collegio Sindacale;
    - la Società di Revisione;
    - l'Organismo di Vigilanza.

20. Nell'ambito di verifica dell'adeguatezza del sistema di controllo interno rispetto al D. Lgs. n. 231/2001, che disciplina la responsabilità degli enti per illeciti amministrativi dipendenti da reati, il Collegio Sindacale rileva che la Società ha

adottato un Modello Organizzativo volto a prevenire la commissione dei reati che possono determinare una responsabilità della Società. Il Modello Organizzativo è soggetto a revisioni periodiche sia per tener conto dell'esperienza operativa, sia per tener conto delle variazioni normative che prevedono l'estensione ad ulteriori fattispecie penali quali reati-presupposto.

L'Organismo di Vigilanza vigila sul funzionamento e sull'osservanza del Modello Organizzativo; nel 2018 l'Organismo si è riunito 6 volte.

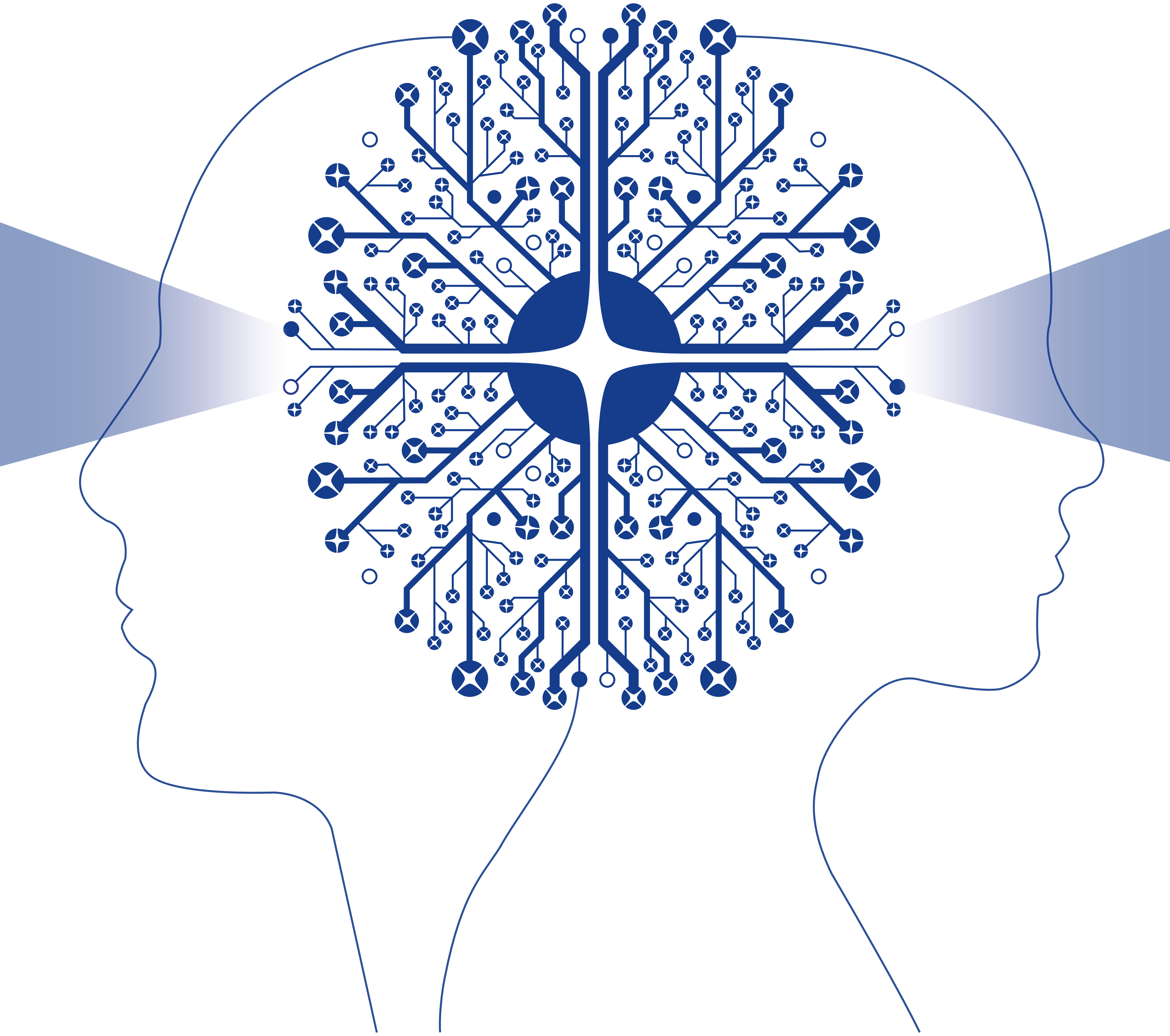
21. Il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del processo di informativa finanziaria e del sistema amministrativo-contabile e sulla relativa affidabilità a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni aziendali competenti (tra cui il Dirigente preposto alla redazione dei documenti contabili societari e il Responsabile della funzione Internal Audit), l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione EY S.p.A..
22. Il Collegio Sindacale ha altresì preso atto delle attestazioni rilasciate - ai sensi e per gli effetti di cui all'art. 154-bis, comma 5 del TUF - dall'Amministratore Delegato e dal Dirigente Preposto alla redazione dei documenti contabili societari del Gruppo in merito all'adeguatezza e all'effettiva applicazione, nel corso del 2018, delle procedure amministrative e contabili per la formazione del bilancio d'esercizio e consolidato.
23. Il Collegio Sindacale ha anche potuto verificare l'avvenuta attestazione - ai sensi e per gli effetti di cui all'art. 154-bis, comma 2 del TUF - degli atti e delle comunicazioni della Società, diffusi al mercato, relativi all'informativa contabile anche infrannuale.
24. Il Collegio Sindacale ha vigilato sull'adeguatezza del complesso delle disposizioni impartite dalla Società alle proprie controllate, ai sensi dell'art. 114, comma 2, del d.lgs. 58/98 e le ritiene idonee al fine di adempiere agli obblighi di comunicazione previsti dalla legge.
25. Il Collegio Sindacale ha accertato tramite verifiche dirette ed informazioni assunte dalla società di revisione EY S.p.A., l'osservanza dei principi IAS/IFRS nonché di norme e di leggi inerenti alla formazione e all'impostazione del bilancio di esercizio, del bilancio consolidato e della relazione sulla gestione.
26. La Società aderisce ai principi e alle raccomandazioni compendiate nel Codice di Autodisciplina di Borsa Italiana (edizione luglio 2015).

27. Il Consiglio di Amministrazione ha costituito al proprio interno un comitato unico (Comitato Controllo, Rischi, Remunerazione e Nomine), composto integralmente da tre Amministratori non esecutivi, di cui due indipendenti. Sempre in tema di Amministratori indipendenti, si segnala che la Società ha istituito la figura del "Lead Independent Director", punto di riferimento e coordinamento delle istanze e dei contributi degli Amministratori indipendenti, a garanzia della più ampia autonomia di giudizio di questi ultimi rispetto all'operato del management. Al "Lead Independent Director" è attribuita, tra l'altro, la facoltà di convocare apposite riunioni di soli Amministratori indipendenti per la disamina di temi inerenti all'attività gestionale ovvero al funzionamento del Consiglio di Amministrazione.
28. Il Consiglio di Amministrazione ha condotto anche per il 2018 il processo di autovalutazione affidando al Collegio Sindacale la conduzione del processo e la formulazione di una relazione a riguardo, che è stata presentata al Consiglio il 7 febbraio 2019. Tutti i Consiglieri hanno valutato positivamente la dimensione, la composizione e il funzionamento del Consiglio, nonché la struttura di "governance" del gruppo.
29. Il Collegio Sindacale ha effettuato la cd. "autovalutazione" dell'indipendenza dei propri componenti ravvisando in capo a tutti i membri effettivi del Collegio il permanere dei requisiti di indipendenza ai sensi sia dell'art. 148, terzo comma del TUF sia dei criteri stabiliti dal Codice di Autodisciplina.
30. Ai sensi dell'art. 144-quinquiesdecies del Regolamento Emittenti, gli incarichi di amministrazione e controllo ricoperti dai componenti del Collegio Sindacale presso altre società alla data di emissione della presente relazione sono pubblicati dalla Consob e resi disponibili nel sito internet della stessa Consob nei limiti di quanto previsto dall'art. 144-quaterdecies del Regolamento Emittenti.
31. Il Collegio Sindacale esprime una valutazione positiva sul sistema di Corporate Governance della Società.
32. Dall'attività di vigilanza e controllo non sono emersi fatti significativi suscettibili di segnalazione agli Organi di vigilanza e controllo o di menzione nella presente Relazione.
33. Il Collegio Sindacale, preso atto delle risultanze del bilancio di esercizio chiuso al 31 dicembre 2018, non ha obiezioni da formulare in merito alla

proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione del risultato di esercizio.

Lippo di Calderara, 29 marzo 2019

Per il Collegio Sindacale
Il Presidente
Dott. Salvatore Marco Fiorenza



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