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Consolidated Half-Year Financial Report

30 June 2017



DATALOGIC GROUP

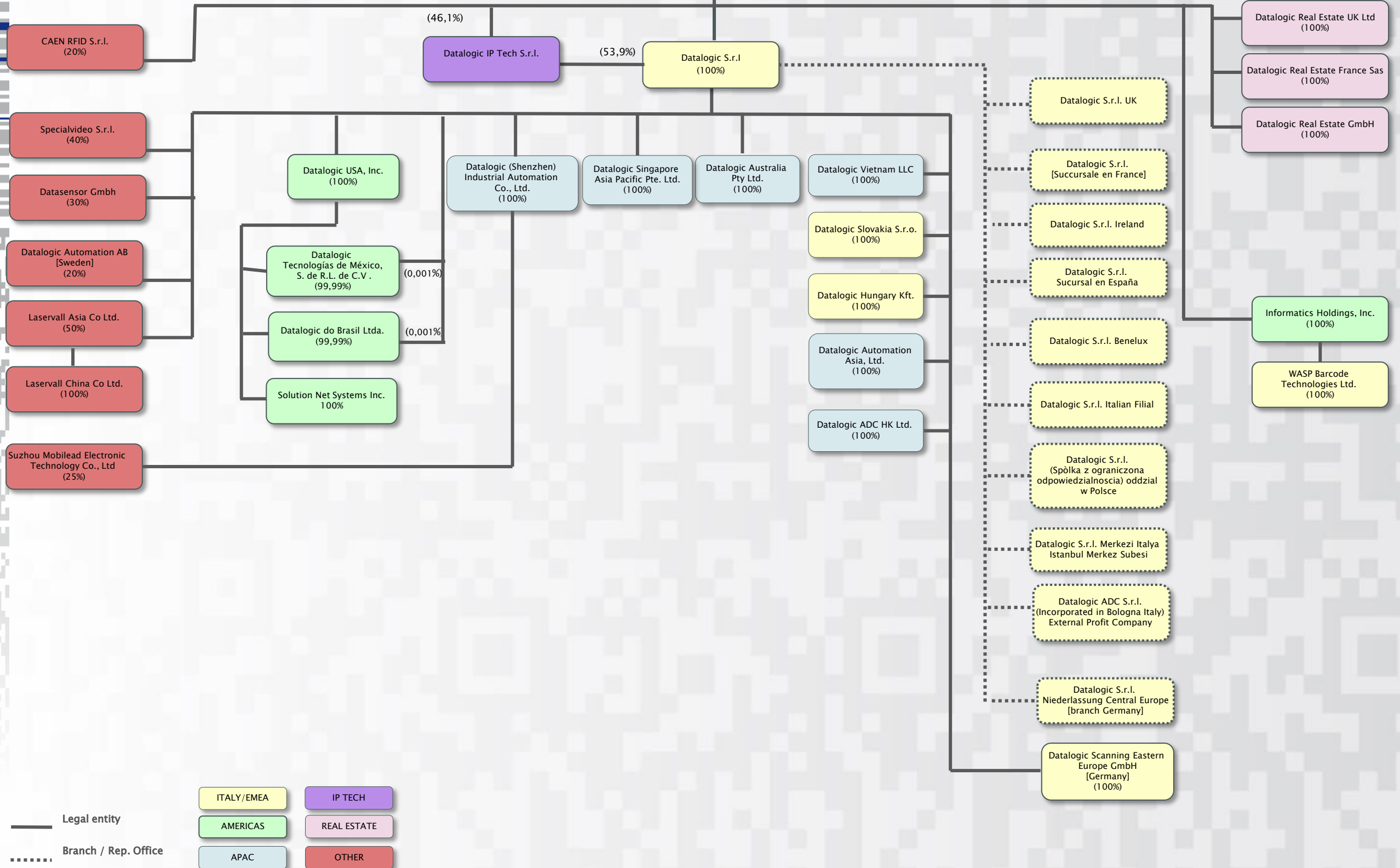
Consolidated Half-Year Financial Report at 30 June 2017

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ANNEX

- 1. Restated consolidated statement of income at 30 June 2016*
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DATALOGIC S.p.A.



COMPOSITION OF CORPORATE BODIES

Board of Directors (1)

Volta Romano

Chairman (2)

Volta Valentina

Director & Chief Executive Officer (2)

Aversa Carlo Achille

Director

Caruso Pier Paolo

Director

Di Stefano Luigi

Independent Director

Mazzalveri Gaia

Independent Director

Todescato Pietro

Director

Volta Filippo Maria

Director

Statutory Auditors (3)

Fiorenza Salvatore Marco Andrea

Chairman

Santagostino Roberto

Statutory Auditor

Lancellotti Elena

Statutory Auditor

Prandi Paolo

Alternate Statutory Auditor

Fuzzi Mario

Alternate Statutory Auditor

Magnani Sonia

Alternate Statutory Auditor

Auditing Company

Reconta Ernst & Young S.p.A.

(1) The Board of Directors will remain in office until the general meeting that approves the accounts for the financial year ending 31 December 2017.

(2) Legal representative with respect to third parties.

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

MANAGEMENT REPORT

INTRODUCTION

This half-year report as at 30 June 2017 was drawn up pursuant to Art. 154 of T.U.F. [Consolidated Law on Finance] and includes the Management Report, the Condensed Half-Year Consolidated Financial Statements and the Certification as per article 154-bis of T.U.F.

The condensed half-year consolidated financial statements were prepared pursuant to the (IAS/IFRS) consolidated accounting standards adopted by the European Union.

GROUP PROFILE

The Datalogic Group is the world leader in the manufacture of fixed bar code readers, mobile computers, RFID-Radiofrequency Identification technology, detection, measurement and security sensors, vision and laser marking systems. Solutions offered by Datalogic increase efficiency and quality of processes, along the entire value chain, in the Retail, Transportation & Logistics, Manufacturing and Healthcare sectors.

HIGHLIGHTS OF THE PERIOD

The following table summarises the Datalogic Group's key operating and financial results as at 30 June 2017 in comparison with the same period a year earlier (figures in Euro thousands):

	Half year ended		change	% change
	30.06.2017	30.06.2016		
Total Revenues	299,308	281,842	17,466	6.2%
EBITDA	51,825	44,957	6,868	15.3%
<i>% of total revenues</i>	<i>17.3%</i>	<i>16.0%</i>		
Group net profit/loss	29,297	26,176	3,121	11.9%
<i>% of total revenues</i>	<i>9.8%</i>	<i>9.3%</i>		
Net financial position (NFP)	5,457	(27,460)	32,917	n.a.

The results of the first half highlight a strong growth in all the main economic indicators, thus confirming the positive trend reported over the first quarter. Thanks to a remarkable increase in revenues from sales, EBITDA increased by 15.3% to around €52 million, EBIT increased of over 16.6%, to €41.2 million and net profit by 11.9%, to €29.3 million.

The Net Financial Position, positive by €5.5 million, highlighted an improvement of €32.9 million compared to 30 June 2016.

ALTERNATIVE PERFORMANCE INDICATORS

To allow for a better valuation of the Group's performance, the Management adopted some alternative performance indicators (NON-GAAP measures) that are not identified as accounting measures within IFRS. The measurement criteria applied by the Group might be not consistent with the ones adopted by other groups and the balance obtained might not be comparable with the one determined by the latter. These alternative 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 half-year financial report and the compared periods.

The alternative performance indicators must be considered as supplementary and do not supersede information given pursuant to IFRS standards. The main alternative performance measures are described hereunder. The measures described relate to overall results achieved:

- **EBITDA:** 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
- **EBITANR (Earnings before interests, taxes, acquisition and not recurring):** this indicator is calculated as operating result before the impact of non-recurring costs/revenues and amortisation/depreciation related to acquisitions;
- **Net working capital in the trading segment:** this indicator is calculated as the sum of Inventories and Trade Receivables, less Trade Payables;
- **Net working capital:** this indicator is calculated as the sum of Net working capital in the trading segment and Other Assets, as well as of Current Liabilities, including short-term Provisions for risks and charges;
- **Net invested capital:** this indicator is the total of current and non-current Assets, excluding financial assets, less current and non-current Liabilities, excluding financial liabilities;
- **Net financial debt/(net financial position):** this indicator is calculated based on provisions set out by Consob Communication no. 15519 of 28 July 2006, also including other non-current Financial Assets represented by temporary liquidity investments.

ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA

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

(in €'000)	Half year ended					
	30.06.2017		30.06.2016		change	% change
Total Revenues	299,308	100.0%	281,842	100.0%	17,466	6.2%
Cost of sales	(157,048)	-52.5%	(150,900)	-53.5%	(6,148)	4.1%
Gross profit	142,260	47.5%	130,942	46.5%	11,318	8.6%
Other revenues	535	0.2%	2,038	0.7%	(1,503)	-73.7%
Research and development expenses	(26,321)	-8.8%	(24,317)	-8.6%	(2,004)	8.2%
Distribution expenses	(49,080)	-16.4%	(49,453)	-17.5%	373	-0.8%
General and administrative expenses	(22,196)	-7.4%	(20,199)	-7.2%	(1,997)	9.9%
Other operating costs	(717)	-0.2%	(891)	-0.3%	174	-19.5%
Total Operating costs and other costs	(98,314)	-32.8%	(94,860)	-33.7%	(3,454)	3.6%
Ordinary operating result before non-recurring costs and revenues and administrative costs arising from acquisitions (EBITANR)	44,481	14.9%	38,120	13.5%	6,361	16.7%
Non-recurring costs and revenues	(781)	-0.3%	(370)	-0.1%	(411)	111.1%
Depreciation & amortisation due to acquisitions	(2,511)	-0.8%	(2,437)	-0.9%	(74)	3.0%
Operating result (EBIT)	41,189	13.8%	35,313	12.5%	5,876	16.6%
Net financial income (expenses)	(2,459)	-0.8%	(1,877)	-0.7%	(582)	31.0%
Profits/(losses) from associates	(140)	0.0%	(402)	-0.1%	262	-65.2%
Foreign exchange gains/(losses)	(1,406)	-0.5%	(283)	-0.1%	(1,123)	396.8%
Pre-tax profit/(loss)	37,184	12.4%	32,751	11.6%	4,433	13.5%
Taxes	(7,887)	-2.6%	(6,575)	-2.3%	(1,312)	20.0%
GROUP NET PROFIT/(LOSS)	29,297	9.8%	26,176	9.3%	3,121	11.9%
Depreciation and write-downs of tangible assets	(5,183)	-1.7%	(4,357)	-1.5%	(826)	19.0%
Amortisation write-downs of intangible assets	(2,161)	-0.7%	(2,480)	-0.9%	319	-12.9%
EBITDA	51,825	17.3%	44,957	16.0%	6,868	15.3%

It should be noted that, since 2017, some costs have been reclassified under various items. Comparative data as at 30 June 2016 have therefore been disclosed accordingly. For details please refer to the Annex 1 to the Half-Year Consolidated Financial Report.

As at 30 June 2017, the Datalogic Group recorded revenues in the amount of €299,308 thousand, up 6.2% compared to €281,842 thousand in the first half of 2016 (+4.8% at constant Euro/Dollar exchange rate).

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

	Half year ended		30.06.2016		Change	
	30.06.2017	%		%		%
Italy	27,683	9.2%	26,971	9.6%	712	2.6%
EMEA (except Italy)	130,973	43.8%	121,207	43.0%	9,766	8.1%
<i>Total EMEA (*)</i>	<i>158,656</i>	<i>53.0%</i>	<i>148,178</i>	<i>52.6%</i>	<i>10,478</i>	<i>7.1%</i>
North America	90,418	30.2%	87,167	30.9%	3,251	3.7%
Latin America	11,954	4.0%	13,497	4.8%	(1,543)	(11.4%)
APAC	38,280	12.8%	33,000	11.7%	5,280	16.0%
Total Revenues	299,308	100.0%	281,842	100.0%	17,466	6.2%

(*) EMEA: Europe, Middle East and Africa.

As from this Report, data related to geographical areas will be disclosed to reflect the actual involvement of each area within the new commercial organisation of the Group. Comparative data as at 30 June 2016 will be disclosed accordingly.

In the first half of 2017, a consolidation in EMEA was highlighted, with 7.1% growth (€158.7 million), as well as a significant growth in APAC, driven by China, with a growth of almost 30%. Increasing revenues were also reported in North America, while in Latin America a decrease was recorded, partly due to relevant projects that were being implemented in the same period of the previous year.

New products on sales were equal to 15.1% (compared to 28.3% in first half of 2016). As already reported in the Interim Report on Operations as at 31 March 2017, this reduction was due to the time deviation between the exit from statistics of cross industries products with consolidated turnover, whose replacement is expected as from the second half of the year, and the adoption of statistics related to industry specific products with lower initial impact on turnover, but longer lasting life.

The booking related to the half year achieved €322.8 million, up 12% compared to the same period of 2016, confirming growth expectations even for the next few months.

Gross profit, equal to €142,260 thousand, increased by 8.6% against €130,942 thousand reported in the same period of the previous year (+8.4% at constant Euro/Dollar exchange rate), while its impact on revenues increased by a percentage point, from 46.5% in the first half of 2016 to 47.5% in the first half of 2017 (48.1% in the analysis at constant Euro/Dollar exchange rate), due to the shifting of sales mix towards products featuring a higher willingness to pay by the customer, as well as to efficiencies of the main components of cost of goods sold.

Operating costs, equal to €98,314 thousand, increased by 3.6% (up 2.4% at constant Euro/Dollar exchange rate), compared to €94,860 thousand in the same period of 2016. Costs for Research and Development increased by 8.2%, achieving €26,321 thousand, with 8.8% impact on revenues over 8.6% reported in the first half of 2016. As a whole, a reduced impact of operating costs on revenues was reported, from 33.7% to 32.8%.

As at 30 June 2017, item non-recurring costs/(revenues) shows a balance of €781 thousand. The breakdown of this item is as follows:

	AMOUNT	TYPE OF COST
"Cost of goods sold"	316	Restructuring Plan
"R&D expenses"	28	Restructuring Plan
"R&D expenses"	100	Reorganization Plan
"General and administrative expenses"	210	Reorganization Plan
"General and administrative expenses"	127	Acquisition Projects
TOTAL NON-RECURRING COSTS/(REVENUES)	781	

The costs relating to the Reorganisation Plan (equal to €310 thousand) refer to a new corporate organisation model of the Datalogic Group, started in 2016, and relate mainly to consultancy. Moreover, as at 30 June 2017, a Restructuring Plan was started in the plant in Donnas, which required allocations for €344 thousand. Costs related to Acquisition Plans amounted to €127 thousand.

As at 30 June 2017, depreciation and amortisation due to acquisitions (totalling €2,511 thousand) broke down as follows:

	Half year ended		Change
	30.06.2017	30.06.2016	
Acquisition of the PSC group (on 30 November 2006)	934	907	27
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	323	314	9
Acquisition of Accu-Sort Inc. (on 20 January 2012)	1,254	1,216	38
TOTAL	2,511	2,437	74

EBITDA reported a significant growth of 15.3%, from €44,957 thousand to €51,825 thousand (+17% at constant Euro/Dollar exchange rate), while the impact on revenues (EBITDA margin) rose to 17.3% compared to 16.0%, due to both cost effectiveness in production and a different seasonal effect of operating costs, especially R&D costs and distribution expenses.

The "Ordinary operating result" (EBITANR) was €44,481 thousand (14.9% of revenues) and up 16.7% over the amount reported for the same period of the previous year (€38,120 thousand).

The **Operating Result (EBIT)** increased by 16.6%, from €35,313 thousand in the previous year to €41,189 thousand (+19.5% at constant Euro/Dollar exchange rate).

Group net profit, which as at 30 June 2017 was €29,297 thousand, increased by half percentage point with respect to revenues (+11.9% in absolute terms), compared to the profit made in the same period of the previous year, equal to €26,176 thousand.

The following table shows the reconciliation between **EBITDA**, **EBITANR** and **Profit/(Loss) before taxes** for the half year ended 30 June 2017, compared with the same period of the previous year.

	30.06.2017	30.06.2016
EBITDA	51,825	44,957
Depreciation and write-downs of tangible assets	(5,183)	(4,357)
Amortisation and write-downs of intangible assets	(2,161)	(2,480)
EBITANR	44,481	38,120
Non-recurring costs and revenues	(781)	(370)
Depreciation & amortisation due to acquisitions	(2,511)	(2,437)
EBIT (Operating result)	41,189	35,313
Financial income	15,156	10,264
Financial expenses	(19,021)	(12,424)
Profits from associates	(140)	(402)
Pre-tax profit/(loss)	37,184	32,751

PROFIT/(LOSS) OF THE SECOND QUARTER

The next two tables compare the main operating results achieved in the second quarter of 2017 with the same period in 2016 and the first quarter of 2017.

	2Q 2017		2Q 2016		change	% change
Total Revenues	157,784	100.0%	146,489	100.0%	11,295	7.7%
EBITDA	31,061	19.7%	26,137	17.8%	4,924	18.8%
Group net profit/loss	17,391	11.0%	16,103	11.0%	1,288	8.0%

	2Q 2017		1Q 2017		change	% change
Total Revenues	157,784	100.0%	141,524	100.0%	16,260	11.5%
EBITDA	31,061	19.7%	20,764	14.7%	10,297	49.6%
Group net profit/loss	17,391	11.0%	11,906	8.4%	5,485	46.1%

Total revenues in the second quarter of 2017 amounted to €157.8 million, up 7.7% compared to the second quarter of 2016 (+6.4% at constant Euro/Dollar exchange rate) and 11.5% compared to the first quarter of 2017.

Revenues in the second quarter, the best in the history of the Group, reported a double-digit growth in the Transportation & Logistics, Manufacturing and Healthcare sectors, as well as a slight recovery in the Retail sector. The double-digit growth in the entire APAC area is to be highlighted, as well as the maintenance of the Group's leadership position in the EMEA area. The good growth of booking suggests a positive performance in the second half of the year, as well.

The impact on turnover of new products in the second quarter of 2017 amounted to 11.9% (18.7% in the first quarter of 2017 and 27.4% in the same period of 2016).

The booking (already acquired orders) for the quarter was equal to €162.8 million, up 10.2% compared to the second quarter of 2016, confirming growth expectations even for the next few months.

Operating margins, the best in the Group's history, reported a strong growth both compared to the second quarter of 2016 and the first quarter of the current year.

Profitability over the quarter is the best ever reported, both in absolute value and in percentage on sales.

COMMENTS ON FINANCIAL RESULTS OF DIVISIONS

Starting from the current financial year, the new organisational model became operational. This model reflects Datalogic's new approach to positioning on the market, which marked the transition from a product-centric divisional model to a customer-centric one, and it is organised into four reference areas (Retail, Transportation & Logistics, Manufacturing and Healthcare).

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

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to 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**, which specialises in providing Datalogic Group customers with integrated solutions for automated distribution for the postal and retail segments;
- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

Economic information on operating sectors as at 30 June 2017 and 30 June 2016 (restated according to the new sector organization) is as follows (€/000):

	Informatics		Solution Net System		Datalogic		Adjustments		Total Datalogic Group	
	half year ended 30 June		half year ended 30 June		half year ended 30 June		half year ended 30 June		half year ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	11,233	12,751	10,562	9,952	277,458	259,147	55	(8)	299,308	281,842
Intersegment revenue	6	0	12	0	1,720	1,029	(1,738)	(1,029)	0	0
Total Sales	11,239	12,751	10,574	9,952	279,178	260,176	(1,683)	(1,037)	299,308	281,842
Ordinary operating result (EBITANR)	(530)	(427)	794	(898)	43,893	39,436	324	9	44,481	38,120
% of revenues	(4.7)%	(3.3)%	7.5%	(9.0)%	15.7%	15.2%	(19.3)%	(0.9)%	14.9%	13.5%
Operating result (EBIT)	(530)	(596)	794	(898)	40,601	36,798	324	9	41,189	35,313
% of revenues	(4.7)%	(4.7)%	7.5%	(9.0)%	14.5%	14.1%	(19.3)%	(0.9)%	13.8%	12.5%
Financial income (expenses)	(32)	(140)	(88)	0	(3,745)	(2,422)	(140)	0	(4,005)	(2,562)
Fiscal income (expenses)	179	168	(121)	0	(7,959)	(6,744)	14	1	(7,887)	(6,575)
Amortisation, depreciation and write-downs	(202)	(137)	(37)	(21)	(9,942)	(9,116)	326	0	(9,855)	(9,274)
EBITDA	(328)	(290)	831	(877)	51,324	46,115	(2)	9	51,825	44,957
% of revenues	(2.9)%	(2.3)%	7.9%	(8.8)%	18.4%	17.7%	0.1%	(0.9)%	17.3%	16.0%
R&D expenses	(702)	(757)	(259)	(304)	(25,360)	(23,256)	0	0	(26,321)	(24,317)
% of revenues	(6.2)%	(5.9)%	(2.4)%	(3.1)%	(9.1)%	(8.9)%	0.0%	0.0%	(8.8)%	(8.6)%

In the second quarter of the year, the **Datalogic Division** recorded a turnover of €147.7 million, up 8.2% (+7.0% at constant Euro/Dollar exchange rate) compared to the second quarter of 2016, with a very positive trend in EMEA and the Asian continent, especially in China, which reported a double-digit growth.

Over the first half of 2017, this Division reported a turnover of €279.2 million, up 7.3% (+6% at constant Euro/Dollar exchange rate), compared to the first half of 2016. EBITDA related to the Division amounted to €51.3 million, up 11.3%, with an impact on sales of 18.4%.

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

	Half year ended				Change	
	30.06.2017	%	30.06.2016	%		%
Retail	137,401	49.2%	137,970	53.0%	(569)	(0.4)%
Manufacturing	73,979	26.5%	66,816	25.7%	7,162	10.7%
Transportation & Logistics	27,817	10.0%	26,412	10.2%	1,406	5.3%
Healthcare	16,100	5.8%	9,251	3.6%	6,849	74.0%
Channel (unallocated) (*)	23,881	8.6%	19,727	7.6%	4,154	21.1%
Total Revenues	279,178	100.0%	260,176	100.0%	19,003	7.3%

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

The **Retail** sector highlighted substantially unchanged results compared to the previous year, albeit with a trend reversion, compared to the first quarter of 2017, which reported a slightly negative performance. In the EMEA area (in which more than 50% revenues related to this sector is concentrated), 11.5% increase was reported compared to the same period of 2016, which offset the slowdown incurred in the American continent.

A strong expansion is confirmed in the **Manufacturing** sector, with a double-digit growth compared to both quarters last year. The increase was driven by the American continent and China, where sales grew by over 60% compared to the previous year.

The negative trend reported in the first quarter was reversed in the **Transportation & Logistics** sector, which recorded a double-digit growth in the second quarter of the year, driven mainly by North America.

Finally, the **Healthcare** sector still reported the highest growth, in percentage terms, of all the Datalogic sectors. This sector recorded excellent results, especially in North America, where sales maintained significant growth rates in the second quarter as well, thanks to the sale of readers dedicated to hospitals.

In the second quarter, the **Solution Net Systems** Division recorded a turnover of €5.6 million, showing 6.9% growth compared to the first quarter of 2016 (+4.3% at constant Euro/Dollar exchange rate).

In the first half of 2017, the Division recorded a turnover of €10.6 million, highlighting 6.3% growth compared to the first half of 2016 (+3.6% at constant Euro/Dollar exchange rate).

In the second quarter, the **Informatics** Division recorded a turnover of €5.3 million, down 1.9% (-4.2 % at constant Euro/Dollar exchange rate) compared to the second quarter of 2016.

In the first half of 2017, this Division reported a turnover of €11.2 million, down 11.9% (-14.3% at constant Euro/Dollar exchange rate) compared to the first half of 2016. An improvement is however reported in the second quarter of 2017 over the same period of the previous year.

The **balance-sheet information relating to operating sectors** as at 30 June 2017, as redefined in compliance with the Group's new organisational model, compared with the information as at 31 December 2016, is as follows (€/000):

	Informatics		Solution Net System		Datalogic		Adjustments		Total Datalogic Group	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Total Assets	22,129	24,639	11,125	11,495	856,837	744,505	(36,482)	(37,792)	853,609	742,847
Non-current assets	14,969	16,222	174	222	271,843	294,526	2,401	2,043	289,387	313,013
Tangible	2,511	2,769	172	219	66,368	69,356	0	(262)	69,051	72,082
Intangible	12,458	13,453	2	3	205,475	225,170	2,401	2,305	220,336	240,931
Equity investments in associates	0	0	0	0	37,555	36,689	(34,044)	(34,475)	3,511	2,214
Total Liabilities	7,158	8,042	4,994	5,457	515,644	397,843	(4,411)	(4,889)	523,385	406,453

ANALYSIS OF FINANCIAL AND CAPITAL DATA

The following table shows the main financial and equity items as at 30 June 2017, for the Datalogic Group, compared with 31 December 2016 and 30 June 2016.

	30.06.2017	31.12.2016	30.06.2016
Net intangible assets	45,606	51,997	52,438
Goodwill	174,730	188,934	179,539
Net tangible assets	69,051	72,082	66,286
Unconsolidated equity investments	9,047	6,928	5,989
Other non-current assets	55,531	51,807	52,209
Non-current capital	353,965	371,748	356,461
Net trade receivables from customers	87,080	75,477	75,763
Amounts due to Suppliers	(105,351)	(104,585)	(108,268)
Inventories	88,510	82,344	88,565
Net working capital, trading	70,239	53,236	56,060
Other current assets	35,065	34,184	34,210
Other current liabilities and provisions for short term risks	(84,906)	(77,625)	(72,373)
Net working capital	20,398	9,795	17,897
Other M/L term liabilities	(30,042)	(30,836)	(26,009)
Employee severance indemnity	(6,780)	(6,647)	(6,488)
Provisions for risks	(12,774)	(11,169)	(10,143)
Net invested capital	324,767	332,891	331,718
Total Shareholders' Equity	(330,224)	(336,394)	(304,258)
Net financial position	5,457	3,503	(27,460)

As at 30 June 2017, the net working capital in the trading segment amounted to €70,239 thousand, an increase of €17,003 thousand compared to 31 December 2016, and of €14,179 thousand compared to the same period in the previous year. The increase in this item, compared to 31 December 2016, is attributable mainly to the increase in receivables from customers, in the amount of €11,603 thousand, due to a different distribution of sales over the period and inventories amounting to €6,166 thousand.

As at 30 June 2017, the net financial debt/(net financial position) is broken down as follows:

	30.06.2017	31.12.2016	30.06.2016
A. Cash and bank deposits	258,022	146,930	93,747
B. Other cash and cash equivalents	12	47	45
<i>b1. restricted cash deposit</i>	12	47	45
C. Securities held for trading	0	0	361
<i>c1. Short-term</i>	0	0	0
<i>c2. Long-term</i>		0	361
D. Cash and equivalents (A) + (B) + (C)	258,034	146,977	94,153
E. Current financial receivables	0	0	0
F. Other current financial receivables	0	0	0
<i>f1. hedging transactions</i>	0	0	0
G. Bank overdrafts	101	212	43
H. Current portion of non-current debt	51,103	30,180	19,963
I. Other current financial payables	2,779	5,878	3,327
<i>i1. hedging transactions</i>	11	37	0
<i>i2. payables for leasing</i>	97	248	267
<i>i3. current financial payables</i>	2,671	5,593	3,060
J. Current financial debt/(net financial position) (G) + (H) + (I)	53,983	36,270	23,333
K. Current financial debt, net/(net financial position) (J) - (D) - (E) - (F)	(204,051)	(110,707)	(70,820)
L. Non-current bank borrowing	229,549	139,321	129,692
M. Other non-current financial assets	30,955	32,117	31,616
N. Other non-current liabilities	0	0	204
<i>n1. hedging transactions</i>		0	76
<i>n2. lease payables</i>	0	0	128
O. Non-current financial debt (L) - (M) + (N)	198,594	107,204	98,280
P. Net financial debt/(net financial position) (K) + (O)	(5,457)	(3,503)	27,460

Net financial debt as at 30 June 2017 was positive by €5,457 thousand, an improvement of €1,954 thousand compared to 31 December 2016 (positive by €3,503 thousand).

On 13 April, Datalogic S.p.A. signed an agreement with a pool of banks for a new credit line worth €250 million and maturing in 2023. The loan was intended to a partial early redemption of the already existing credit line, in the amount of €126 million, and to a partial use for the development of the Group.

It should be also noted that, during the period, dividends for €17,443 thousand were paid and investments for the period, net of disinvestments, amounted to €5,118 thousand.

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

	30.06.2017		31.12.2016	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	285,353	19,983	291,677	52,334
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	107,008	37,398	111,061	51,183
Reversal of dividends		(27,744)		(53,387)
Amortisation of intangible assets "business combination"	(5,827)		(5,827)	
Effect of acquisition under common control	(31,733)		(31,733)	
Elimination of capital gain on sale of business branch	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(13,447)	(301)	(17,700)	(4,231)
Reversal of write-downs and capital gains on equity investments	5,517		5,517	(604)
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,200)	(2)	(1,193)	(61)
Deferred taxes	4,620	(37)	4,659	612
Group shareholders' equity	330,224	29,297	336,394	45,846

FINANCIAL INCOME (EXPENSES)

	Half year ended		
	30.06.2017	30.06.2016	Change
Financial income/(expenses)	(1,280)	(877)	(403)
Foreign exchange differences	(1,406)	(283)	(1,123)
Bank expenses	(1,260)	(887)	(373)
Other	81	(113)	194
Total Net financial income (expenses)	(3,865)	(2,160)	(1,705)

Financial income was negative by €3,865 thousand (negative by €2,160 thousand in the same period of the previous year) due mainly to foreign exchange gains and losses and financial charges.

The performance of item "Gains/losses on foreign exchange" is mainly connected with the effects, on net Group balances, of the depreciation of the US Dollar against the Euro in the first half of 2017.

The item "Financial income/(expenses)" decreased by €403 thousand, mainly due to the increased gross indebtedness, due to the entering of a new loan agreement with a pool of banks for the amount of €250 million on 13 April 2017 and the redemption, at the same time, of previous loans amounting to €126 million. This transaction permitted to increase the average life of the financial debt, while reducing its exposure to the variable interest rate, given the new fixed rate contract.

The item "Bank fees" reported an overall increase of €373 thousand, mainly due to the release of a portion pertaining to the upfront fees (€419 thousand) related to the early redemption of the above-mentioned long-term loan.

Losses generated by companies carried at equity were recognised in the amount of €140 thousand (compared with profits of €402 thousand as at 30 June 2016).

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.

EVENTS OCCURRED OVER THE HALF YEAR

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

On 04 May 2017, the Extraordinary Shareholders' Meeting approved the amendments, amongst other, to articles 6 and 9 of the Corporate By-Laws, mainly aimed at introducing the concept of "enhanced voting rights" for long-term shareholders of the Company, pursuant to Art. 127 quinquies of the Legislative Decree 58/1998 ("T.U.F."), introduced by Art. 20, par. 1bis, of the Law Decree no. 91/2014, converted into Law no. 116/2014 ("Competitiveness Decree").

On 06 June 2016, a binding agreement was entered, finalised on 06 July, for the acquisition of 100% share capital of the German company Soredi Touch Systems GmbH, leader in technologies for terminals, especially forklifts terminals. This transaction envisaged a total maximum financial commitment for Datalogic, within 2021, of €10 million, of which €8 million cash and €2 million treasury shares.

OUTLOOK FOR CURRENT YEAR

The results of the first half confirm the positive trend of the Group in all the main geographical areas and especially in China. Bookings saw double-digit growth and the positive feedback received from customers demonstrates the validity of the Group's strategy, and the effectiveness of the new customer-oriented business model and the new organisation.

As for the rest of 2017, in a substantially stable global macroeconomic scenario, the growth trend of revenues recorded in the first half of the year is expected to be confirmed, while continuing to streamline production processes through increased investments in R&D and commercial structures.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Euro/000)	Note	30.06.2017	31.12.2016
A) Non-current assets (1+2+3+4+5+6+7)		384.920	403.865
1) Tangible assets		69.051	72.082
land	1	7.859	8.218
buildings	1	29.845	31.014
other assets	1	29.226	30.175
assets in progress and payments on account	1	2.121	2.675
2) Intangible assets		220.336	240.931
goodwill	2	174.730	188.934
development costs	2	2.992	4.302
other	2	37.676	43.534
assets in progress and payments on account	2	4.938	4.161
3) Equity investments in associates	3	3.511	2.214
4) Financial assets		36.491	35.721
equity investments	5	5.536	4.714
securities	5	0	0
other	5	30.955	31.007
5) Loans	5		1.110
6) Trade and other receivables	7	2.240	2.394
7) Deferred tax assets	13	53.291	49.413
B) Current assets (8+9+10+11+12+13+14)		468.689	338.982
8) Inventories		88.510	82.344
raw and ancillary materials and consumables	8	33.401	29.954
work in progress and semi-finished products	8	29.357	25.883
finished products and goods	8	25.752	26.507
9) Trade and other receivables	7	104.354	91.526
trade receivables	7	87.080	75.477
trade receivables from third parties	7	86.148	74.490
trade receivables from associates	7	932	979
trade receivables from related parties	7	0	8
other receivables - accrued income and prepaid expenses	7	17.274	16.049
of which from related parties		75	75
10) Tax receivables	9	17.791	18.135
of which to the parent company		7.263	8.010
11) Financial assets	5	0	0
12) Loans		0	0
13) Financial assets - Derivative instruments	6	0	0
14) Cash and cash equivalents	10	258.034	146.977
Total assets (A+B)		853.609	742.847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (Euro/000)	Note	30.06.2017	31.12.2016
A) Total shareholders' equity (1+2+3+4+5)	11	330.224	336.394
1) Share capital	11	146.291	146.291
2) Reserves	11	24.793	42.817
3) Profits (losses) of previous years	11	129.843	101.440
4) Group profit (loss) for the period/year	11	29.297	45.846
5) Minority interests	11	0	0
B) Non-current liabilities (6+7+8+9+10+11+12)		279.145	187.973
6) Financial payables	12	229.549	139.321
7) Financial liabilities - Derivative instruments	6		
8) Tax payables	9	43	44
9) Deferred tax liabilities	13	25.956	26.498
10) Post-employment benefits	14	6.780	6.647
11) Provisions for risks and charges	15	12.774	11.169
12) Other liabilities	16	4.043	4.294
C) Current liabilities (13+14+15+16+17)		244.240	218.480
13) Trade and other payables	16	152.289	151.494
trade payables	16	105.351	104.585
trade payables to third parties	16	104.925	104.058
trade payables to parent company	16	156	106
trade payables to associates	16	111	24
trade payables to related parties	16	159	397
other payables - accrued liabilities and deferred income	16	46.938	46.909
14) Tax payables	9	29.446	21.032
of which to the parent company		23.151	15.114
15) Provisions for risks and charges	15	8.522	9.684
16) Financial liabilities - Derivative instruments	6	11	37
17) Financial payables	12	53.972	36.233
Total liabilities (A+B+C)		853.609	742.847

CONSOLIDATED STATEMENT OF INCOME

(Euro /000)	Note	30.06.2017	30.06.2016
1) Total revenues	17	299.308	281.842
<i>of which from related parties and associates</i>		3.067	3.073
2) Cost of goods sold	18	157.364	151.100
<i>of which non-recurring</i>	18	316	200
<i>of which from related parties and associates</i>		445	430
Gross profit (1-2)		141.944	130.742
3) Other operating revenues	19	535	2.038
<i>of which non-recurring</i>	19	0	0
<i>of which from related parties</i>		0	0
4) R&D expenses	18	26.503	24.369
<i>of which non-recurring</i>	18	128	0
<i>of which amortisation, depreciation and write-downs pertaining</i>		54	52
<i>of which from related parties and associates</i>	18	43	5
5) Distribution expenses	18	49.080	49.623
<i>of which non-recurring</i>	18	0	170
<i>of which from related parties and associates</i>		0	8
6) General and administrative expenses	18	24.990	22.584
<i>of which non-recurring</i>	18	337	0
<i>of which amortisation, depreciation and write-downs pertaining</i>	18	2.457	2.385
<i>of which to the parent company</i>			0
<i>of which from related parties and associates</i>		133	398
7) Other operating expenses	18	717	891
<i>of which non-recurring</i>		0	0
<i>of which from related parties and associates</i>	18	0	1
Total operating costs		101.290	97.467
Operating result		41.189	35.313
8) Financial income	20	15.156	10.264
<i>of which from related parties and associates</i>		0	0
9) Financial expenses	20	19.021	12.424
Net financial income (expenses) (8-9)		(3.865)	(2.160)
10) Profits from associates	3	(140)	(402)
Profit (loss) before taxes from the operating assets		37.184	32.751
Income tax	21	7.887	6.575
Profit/(loss) for the period		29.297	26.176
Basic earnings/(loss) per share (€)	22	0,5039	0,4499
Diluted earnings/(loss) per share (€)	22	0,5039	0,4499

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro /000)	Note	30.06.2017	30.06.2016
Net profit/(loss) for the period		29.297	26.176
Other components of the statement of comprehensive income:			
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:</i>			
Profit/(loss) on cash flow hedges	11	(1.109)	34
Profit/(loss) due to translation of the accounts of foreign companies	11	(10.218)	(3.163)
Profit (loss) on exchange rate adjustments for financial assets available for sale	11	1.407	(699)
Reserve for exchange rate adjustment	11	(8.104)	(1.439)
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		(18.024)	(5.267)
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:</i>			
Actuarial (loss)/gain on defined-benefit plans <i>of which tax effect</i>			
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		0	0
Total profit/(loss) of Comprehensive Income Statement		(18.024)	(5.267)
Total net profit/(loss) for the period		11.273	20.909
Attributable to:			
Parent company shareholders		11.273	20.909
Minority interests		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro /000)	Note	30.06.2017	30.06.2016
Pre-tax profit		37.184	32.751
Depreciation of tangible assets and write-downs	1, 2	5.183	4.357
Amortisation of intangible assets and write-downs	1, 2	4.672	4.917
Capital losses from sale of assets	18	60	3
Capital gains from sale of assets	19	(3)	(128)
Change in provisions for risks and charges	15	443	(1.104)
Change in employee benefits reserve	14	133	(326)
Bad debt provisions	18	(30)	120
Net financial expenses including exchange rate differences	20	2.763	2.166
Net financial income including exchange rate differences	20	(304)	(289)
Foreign exchange differences	20	1.406	283
Adjustments to value of financial assets	3	140	402
Cash flow generated (absorbed) from operations before changes in working capital		51.647	43.152
Change in trade receivables (including provision)	7	(11.573)	(7.118)
Change in final inventories	8	(6.166)	(19.088)
Change in current assets	7	(1.225)	(2.658)
Change in other medium-/long-term assets	7	154	(68)
Change in trade payables	16	766	6.557
Change in other current liabilities	16	29	1.772
Other medium/long-term liabilities	16	(251)	374
Commercial foreign exchange differences	20	2.491	(119)
Foreign exchange effect of working capital		77	417
Cash flow generated (absorbed) from operations after changes in working capital		35.949	23.221
Change in tax		(3.550)	(7.839)
Foreign exchange effect of tax		(2.444)	(332)
Interest paid and banking expenses	20	(2.459)	(1.877)
Cash flow generated (absorbed) from operations (A)		27.496	13.173
Increase in intangible assets excluding exchange rate effect	2	(1.611)	(1.671)
Decrease in intangible assets excluding exchange rate effect	2	169	143
Increase in tangible assets excluding exchange rate effect	1	(4.641)	(3.059)
Decrease in tangible assets excluding exchange rate effect	1	908	80
Change in unconsolidated equity investments	5	(1.149)	216
Cash flow generated (absorbed) from investments (B)		(6.324)	(4.291)
Change in LT/ST financial receivables	5	87	257
Change in short-term and medium-/long-term financial debt	12, 6	108.052	(26.175)
Financial foreign exchange differences	20	(3.897)	(164)
Purchase/sale of treasury shares	11		(368)
Change in reserves Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets	11, 1, 2	3.232	(306)
Dividend payment	11	(17.443)	(14.543)
Cash flow generated (absorbed) by financial activity (C)		90.031	(41.299)
Net increase (decrease) in available cash (A+B+C)	10	111.203	(32.417)
Net cash and cash equivalents at beginning of period (Note 10)	10	146.718	126.121
Net cash and cash equivalents at end of period (Note 10)	10	257.921	93.704

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (Note 11)

Description	Share capital and capital reserves		Reserves of Statement of Comprehensive Income					Profit for the prior period					Total	Profit for the year	Total Group shareholders' equity
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve				
01.01.2016	146.659	(92)	22.168	13.404	(371)	509	35.618	59.878	958	5.917	8.683	75.436	40.547	298.260	
Allocation of earnings	0						0	40.386		161		40.547	(40.547)	0	
Dividends			0				0	(14.543)				(14.543)		(14.543)	
Translation reserve	0						0					0		0	
Change in IAS reserve	0						0					0		0	
Sale/purchase of treasury shares	(368)						0					0		(368)	
Other changes							0					0		0	
Profit/(loss) as at 30.06.2016	0						0					0	26.176	26.176	
Total other components of the statement of comprehensive		34	(3.163)	(1.439)		(699)	(5.267)					0		(5.267)	
30.06.2016	146.291	(58)	19.005	11.965	(371)	(190)	30.351	85.721	958	6.078	8.683	101.440	26.176	304.258	

Description	Share capital and capital reserves		Reserves of Statement of Comprehensive Income					Profit for the prior period					Total	Profit for the year	Total Group shareholders' equity
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve				
01.01.2017	146.291	(28)	25.436	17.290	(371)	490	42.817	85.721	958	6.078	8.683	101.440	45.846	336.394	
Allocation of earnings	0						0	45.846				45.846	(45.846)	0	
Dividends							0	(17.443)				(17.443)		(17.443)	
Translation reserve	0						0					0		0	
Change in IAS reserve	0						0					0		0	
Sale/purchase of treasury shares	0						0					0		0	
Other changes							0	65		(65)		0		0	
Profit/(loss) as at 30.06.2017	0						0					0	29.297	29.297	
Total other components of the statement of comprehensive income		(1.109)	(10.218)	(8.104)		1.407	(18.024)					0		(18.024)	
30.06.2017	146.291	(1.137)	15.218	9.186	(371)	1.897	24.793	114.189	958	6.078	8.618	129.843	29.297	330.224	

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

The Datalogic Group produces and sells handheld readers, fixed scanners for the industrial market, mobile computers, fixed scanners for the retail market and sensors. The Group is also active in self scanning solutions and products for industrial marking.

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.

This consolidated half-year report as at 30 June 2017 includes the figures of the Parent Company and its subsidiaries (defined hereinafter as the “Group”) and its minority interests in associated companies.

The publication of the consolidated half-year report ended 30 June 2017 of the Datalogic Group was authorised by resolution of the Board of Directors dated 4 August 2017.

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

This condensed half-year report as at 30 June 2017 was drawn up pursuant to Art. 154-ter of Legislative Decree 58 (TUF) of 24 February 1998, as subsequently amended and supplemented, as well as to Consob Issuer Regulation. This condensed half-year report complies with IAS 34 “Interim Financial Statements” providing the abbreviated notes required by this international accounting standard, supplemented to provide additional information, as necessary. This consolidated half-year report must therefore be read together with the Consolidated Financial Statements and the Notes as at 31 December 2016, which have been prepared in accordance with the IFRS endorsed by the European Union, approved at the Shareholders’ Meeting held on 4 May 2017 and available in the section Investor Relations www.Datalogic.com.

Financial statements

The financial statements adopted are compliant with those required by IAS 1 and which were used in the consolidated financial statements for the year ended 31 December 2016, in particular:

- the consolidated statement of financial position was prepared by classifying the assets and liabilities according to the “current/non-current” criterion;
- the consolidated income statement has been prepared by classifying the operating costs by function, as this type of presentation is considered to be more appropriate for the Group’s specific business and is compliant with the internal reporting procedures;

- in addition to the profit for the period, the statement of comprehensive income presents the components reported directly under shareholders' equity for transactions other than those set up with shareholders;
- the consolidated cash flow statement was prepared by presenting the operations according to the “indirect method”, as allowed by IAS 7.

Furthermore, as required by Consob resolution no. 15519 of 27 July 2006, in regard to the consolidated income statement, costs and revenues from non-recurring operations have been specifically identified and the related effects on the major interim levels have been indicated separately. Non-recurring events and transactions are mainly identified according to the nature of the transactions. In particular, items which, given their nature, do not occur on an ongoing basis during normal operations are included among non-recurring costs/revenues (these include, for example: income/expenses from business combinations and income/expenses from corporate reorganisation processes).

Accounting standards applied

The preparation of the interim financial statements requires the use of estimates and assumptions by the management, which affect revenues, costs, assets and liabilities and reporting on potential assets and liabilities at interim balance-sheet date. The estimates are applied to provisions for credit risks, inventory obsolescence, amortisation/depreciation and risks inherent in contract obligations (guarantees) and potential liabilities.

If, in the future, such estimates and assumptions, which are based on the best assessments made by the management, differ from actual circumstances, they will be amended as appropriate in the period in which these circumstances differ. Estimates and assumptions have been maintained consistent with those used to draw up the annual financial statements. For a more detailed description of the major assessment processes used by the Group, please refer to the section Use of Estimates in the consolidated financial statements as at 31 December 2016.

It is also noted that some valuation processes, especially the more complex ones involving the determination of impairment in non-current assets, are generally fully carried out upon preparation of the annual financial statements, when all the necessary information is available, except when there are indications of impairment that require immediate measurement.

The actuarial valuations required for the determination of employee benefit provisions are also usually calculated at the time the annual financial statements are compiled.

Income taxes are recognised on the basis of the best estimate of the average weighted tax rate expected for the entire year.

New accounting criteria, interpretations and modifications adopted by the Group

The accounting standards adopted for preparation of the condensed half-year consolidated financial statements are consistent with those used for the preparation of the consolidated financial statements for the period ended 31 December 2016, except for the adoption on 1 January 2017 of the new standards, amendments and interpretations, as described hereunder. They had no significant impact on the Group consolidated financial statements or on the Group condensed consolidated half-year financial statements. The Group has not yet adopted any new standard, interpretation or amendment that has been published, but is not yet effective.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (not applicable as there is no EU endorsement)

The amendments envisage that entities shall supply disclosures on changes in liabilities related to financing activities, including both changes related to cash flows and non-monetary changes (such as, for example, gains and losses on exchange rates). Upon the first application of this amendment, no comparative information, related to previous years, must be submitted by the entity. The Group is not bound to supply any supplementary information in the interim consolidated financial statements, but shall supply such disclosures in the consolidated financial statements as at 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses (not applicable as there is no EU endorsement)

The amendments clarify that an entity should consider whether tax laws limit the taxable income sources for which it might have deductions related to the reverse of deductible temporary differences. Moreover, the amendment supplies guidelines on how an entity should determine future taxable income and clarifies when the taxable income might include the recovery of some assets, for a higher value than their carrying value. This standard will have no impact on the Group.

IFRS 9 - Financial Instruments

In July 2015, IASB issued the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 "Financial Instruments: Measurement and recognition and all previous versions of IFRS 9. IFRS 9 includes all the three aspects related to the accounting of financial instruments; classification and measurement, impairment and hedge accounting. IFRS 9 is effective to annual periods beginning on or after 1 January 2018. Early application is permitted. Except for hedge accounting, the standard shall be applied retrospectively, although the supply of comparative information is not mandatory. As regards hedge accounting, the standard generally applies prospectively, with a few exceptions.

The Group will adopt this new standard at its effective date. In 2017, the Group is planning to define the potential effects of IFRS 9 on its consolidated financial statements. However, no significant impacts are expected.

IFRS 15 Revenue from Contracts with Customers and related amendments

According to IFRS 15, issued in May 2014, revenue should be recognised based on a new model and for an amount corresponding to the right in payment the entity believes to have against the sale of goods or services to customers.

The new principle will supersede all current requirements included in IFRS on recognition of revenues. The standard is effective for annual periods beginning on or after 1 January 2018, with retrospective or modified application. Early application is permitted.

The Group is planning to apply the new standard on the mandatory effective date. In 2016, the Group started the preliminary assessment of effects related to the application of IFRS 15. The analysis aimed at determining the quantity impact and the first adoption modality of the standard. Within this evaluation, consolidated revenues were divided by nature and contract type to better define the main cases to be assessed based on the five-step model envisaged by IFRS 15. The evaluation of the main contract cases led to the definition of some areas requiring further analysis, still underway, to determine any impact connected with the adoption of the new standard. The preliminary examination and further evaluations that are being carried out, highlighted the following issues:

(a) Sale of goods

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

(b) Rendering of services

Installation, maintenance, repair and technical support services are rendered by the Group. These services are rendered both separate, based on contracts signed with customers, and, on a residual basis, jointly with the sale of the goods to customers. Pursuant to IFRS 15, the Group is evaluating any possible existence of performance obligations that might require separate recognition.

(c) Presentation and required disclosures

Provisions set out by IFRS 15 concerning presentation and required disclosures are more detailed, compared to those included in current standards. In 2016, the Group began to assess any impact on the systems, the internal control, as well as on policies and procedures necessary for the collection and presentation of disclosures required. No significant impact is expected from preliminary evaluations.

IFRS 16 Leases

Issued in January 2016, this standard supersedes the previous standard on leasing (IAS 17 and related interpretations), defines criteria for recognition, measurements and disclosure, as well as the information that both lessee and lessor should supply with respect to lease contracts. In IFRS 16 there is no distinction, as per classification and accounting, between operating lease (off balance-sheet) and financial lease (disclosed in the financial statements). The right of use and the obligation undertaken will be reflected in the balance-sheet figures (IFRS 16 shall be applied to all transactions envisaging a right of use, regardless of the contract form, i.e. lease or rental). According to this new model, the lessee should recognise:

- a) in the Statement of Financial Position, assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value; and
- b) in the Income Statement, amortisation/depreciation of lease-related assets, separate from interest related to the corresponding liabilities.

As regards the lessor, the new standard should have a lower impact on the financial statements (except for brokers), as accounting will remain substantially unchanged, except for financial disclosures that shall be higher than in the previous standard, as regards both quality and quantity. The standard is effective on 1 January 2019. Early application is permitted if IFRS 15 - Revenue from Contracts with Customers is also adopted. A preliminary evaluation on the impact connected with the adoption of the new standard was started by the Group.

CONSOLIDATION AREA

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

The companies consolidated on a line-by-line basis for the period ended 30 June 2017 are as follows:

Company	Registered office	Share capital		Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
		Currency	Amount			
Datalogic S.p.A.	Bologna – Italy	Euro	30,392,175	285,353	19,983	
Datalogic Real Estate France Sas	Paris – France	Euro	2,227,500	3,511	7	100%
Datalogic Real Estate Germany GmbH	Erkenbrechtsweiler-Germany	Euro	1,025,000	1,406	11	100%
Datalogic Real Estate UK Ltd	Redbourn- England	GBP	3,500,000	4,365	51	100%
Datalogic IP Tech S.r.l.	Bologna – Italy	Euro	65,677	6,345	3,944	100%
Informatics Holdings Inc.	Plano Texas - Usa	\$USA	9,996,000	14,858	(398)	100%
Wasp Barcode Technologies Ltd	Redbourn- England	GBP	-	137	39	100%
Datalogic Automation Asia Ltd.	Hong-Kong - China	HKD	7,000,000	(328)	95	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd.	Shenzhen - China	CNY	2,136,696	1,556	276	100%
Datalogic Hungary Kft	Fonyod-Hungary	HUF	3,000,000	2,156	242	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		6,131	584	100%
Datalogic S.r.l.	Bologna – Italy	Euro	10,000,000	148,725	9,586	100%
Datalogic ADC HK Ltd.	Hong-Kong - China	HKD	100,000	43	(60)	100%
Datalogic Slovakia S.r.o.	Trnava-Slovakia	Euro	66,388	3,538	3,465	100%
Datalogic USA Inc.	Eugene OR-Usa	\$USA	100	75,514	2,570	100%
Datalogic do Brazil Ltda.	Sao Paulo - Brazil	R\$	159,525	(2,922)	(1,164)	100%
Datalogic Tecnologias de Mexico S.de r.l.de c.v.	Colonia Cuauhtemoc-Mexico	\$USA	-	38	14	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt-Germany	Euro	25,000	4,463	(21)	100%
Datalogic Australia Pty Ltd	Mount Waverley (Melbourne)-Australia	\$AUD	3,188,120	384	45	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	78,578	18,682	100%
Datalogic Singapore Asia Pacific Pte Ltd.	Singapore	SGD	100,000	708	(585)	100%

The following companies were consolidated at equity as at 30 June 2017:

Company	Registered office		Share capital	Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Laservall Asia Co. Ltd	Hong-Kong - China	HKD	460,000	2,896	(280)	50%
Suzhou Mobilead Electronic Technology Co, Ltd (*)	Suzhou - China	CNY	13,262,410	N. D.	N. D.	25%
CAEN RFID S.r.l.	Viareggio LU - Italy	Euro	150,000	1,160	39	20%

(*) Financial position not available at 30 June 2017

The following companies were consolidated at cost as at 30 June 2017:

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

Change in scope of consolidation

During the first half of 2017, no changes occurred in the consolidation area.

TRANSLATION CRITERIA OF ITEMS IN FOREIGN CURRENCY

The exchange rates used to determine the countervalue in Euro of financial statements expressed in foreign currency of subsidiaries (currency for 1 Euro) are shown hereunder:

Currency (ISO Code)	Quantity of currency/1 euro			
	June 2017	June 2017	December 2016	June 2016
	Final exchange rate	Average exchange rate	Final exchange rate	Average exchange rate
US Dollar (USD)	1.1412	1.083	1.0541	1.1159
British Pound Sterling (GBP)	0.87933	0.8606	0.8562	0.7788
Swedish Krona (SEK)	9.6398	9.5968	9.5525	9.3019
Singapore Dollar (SGD)	1.571	1.52076	1.5234	1.53997
Japanese Yen (JPY)	127.75	121.78039	123.4000	124.41362
Australian Dollar (AUD)	1.4851	1.43642	1.4596	1.52198
Hong Kong Dollar (HKD)	8.9068	8.41993	8.1751	8.66840
Chinese Renminbi (CNY)	7.7385	7.44483	7.3202	7.29646
Real (BRL)	3.76	3.4431	3.4305	4.1295
Mexican Pesos (MXN)	20.5893	21.0441	21.7719	20.1731
Hungarian Forint (HUF)	308.97	309.4213	309.8300	312.7135

SEGMENT DISCLOSURE

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

Effective on 1 January 2017, the companies related to the ADC (Automatic Data Capture) Division and IA (Industrial Automation) Division therefore merged into the various geographical areas where the Group operates.

In light of the new business operating structure and corporate reorganisation, effective on 1 January 2017, the operating sectors were redefined accordingly and periodically remeasured by the top management, according to provisions set out by IFRS 8, as described hereunder:

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute to increasing the efficiency and quality of processes in the areas of Retail, Manufacturing, Transportation & Logistics and Healthcare, along the entire value chain;
- **Solution Net Systems**, which specialises in providing Datalogic Group customers with integrated solutions for automated distribution for the postal and retail segments;
- **Informatics**, which sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

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

Economic information on operating sectors as at 30 June 2017 and 30 June 2016 (restated according to the new sector organization) is as follows (€/000):

	Informatics		Solution Net System		Datalogic		Adjustments		Total Datalogic Group	
	half year ended 30 June		half year ended 30 June		half year ended 30 June		half year ended 30 June		half year ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	11,233	12,751	10,562	9,952	277,458	259,147	55	(8)	299,308	281,842
Intersegment revenue	6	0	12	0	1,720	1,029	(1,738)	(1,029)	0	0
Total Sales	11,239	12,751	10,574	9,952	279,178	260,176	(1,683)	(1,037)	299,308	281,842
Ordinary operating result (EBITANR)	(530)	(427)	794	(898)	43,893	39,436	324	9	44,481	38,120
% of revenues	(4.7)%	(3.3)%	7.5%	(9.0)%	15.7%	15.2%	(19.3)%	(0.9)%	14.9%	13.5%
Operating result (EBIT)	(530)	(596)	794	(898)	40,601	36,798	324	9	41,189	35,313
% of revenues	(4.7)%	(4.7)%	7.5%	(9.0)%	14.5%	14.1%	(19.3)%	(0.9)%	13.8%	12.5%
Financial income (expenses)	(32)	(140)	(88)	0	(3,745)	(2,422)	(140)	0	(4,005)	(2,562)
Fiscal income (expenses)	179	168	(121)	0	(7,959)	(6,744)	14	1	(7,887)	(6,575)
Amortisation, depreciation and write-downs	(202)	(137)	(37)	(21)	(9,942)	(9,116)	326	0	(9,855)	(9,274)
EBITDA	(328)	(290)	831	(877)	51,324	46,115	(2)	9	51,825	44,957
% of revenues	(2.9)%	(2.3)%	7.9%	(8.8)%	18.4%	17.7%	0.1%	(0.9)%	17.3%	16.0%
R&D expenses	(702)	(757)	(259)	(304)	(25,360)	(23,256)	0	0	(26,321)	(24,317)
% of revenues	(6.2)%	(5.9)%	(2.4)%	(3.1)%	(9.1)%	(8.9)%	0.0%	0.0%	(8.8)%	(8.6)%

The **balance-sheet information relating to operating sectors** as at 30 June 2017, as redefined in compliance with the Group's new organisational model, compared with the information as at 31 December 2016, is as follows (€/000):

	Informatics		Solution Net System		Datalogic		Adjustments		Total Datalogic Group	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Total Assets	22,129	24,639	11,125	11,495	856,837	744,505	(36,482)	(37,792)	853,609	742,847
Non-current assets	14,969	16,222	174	222	271,843	294,526	2,401	2,043	289,387	313,013
Tangible	2,511	2,769	172	219	66,368	69,356	0	(262)	69,051	72,082
Intangible	12,458	13,453	2	3	205,475	225,170	2,401	2,305	220,336	240,931
Equity investments in associates	0	0	0	0	37,555	36,689	(34,044)	(34,475)	3,511	2,214
Total Liabilities	7,158	8,042	4,994	5,457	515,644	397,843	(4,411)	(4,889)	523,385	406,453

INFORMATION ON STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

Details of movements as at 30 June 2017 and 31 December 2016 are as follows:

	30.06.2017	31.12.2016	Change
Land	7,859	8,218	(359)
Buildings	29,845	31,014	(1,169)
Other assets	29,226	30,175	(949)
Assets in progress and payments on account	2,121	2,675	(554)
Total	69,051	72,082	(3,031)

Details of movements as at 30 June 2017 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
<i>Increases - 30.06.2017</i>					
Investments	6	113	3,890	632	4,641
Total	6	113	3,890	632	4,641
<i>Decreases - 30.06.2017</i>					
Disposals, historical cost	(127)	(1,417)	(544)	(2)	(2,090)
Write-down			(348)		(348)
Disposals, accum. depreciation		683	449		1,132
Write-down			334		334
Depreciation		(298)	(4,871)		(5,169)
Total	(127)	(1,032)	(4,980)	(2)	(6,141)
<i>Reclass. & other changes 30.06.2017</i>					
Incoming transfers at historical cost		192	771	(1,086)	(123)
(outgoing transfers, accum. depreciation)			116		116
Exch. gains/losses on historical cost	(238)	(565)	(3,160)	(98)	(4,061)
Exch. gains/losses on accum. depreciation		123	2,414		2,537
Total	(238)	(250)	141	(1,184)	(1,531)
Historical cost	7,859	34,900	131,418	2,121	176,298
Accumulated depreciation	0	(5,055)	(102,192)	0	(107,247)
Net value as at 30.06.2017	7,859	29,845	29,226	2,121	69,051

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

The “Other assets” item as at 30 June 2017 mainly includes the following categories: Industrial equipment and moulds (€9,839 thousand), Plant and machinery (€8,618 thousand), Office furniture and machines (€7,019 thousand), Maintenance on third-party assets (€1,261 thousand), General plants related to buildings (€1,931 thousand), Motor vehicles (€69 thousand) and Commercial equipment and demo room (€402 thousand).

The increase for this item (€3,890 thousand) is mainly due to the following:

- investments related to purchases of Office furniture and machines (€1,664 thousand),
- investments for the building of plants and machinery (€921 thousand),
- investments for the building of plants and machinery (€779 thousand).

The balance of “Assets in progress and payments on account”, equal to €2,121 thousand, consists of €451 thousand for investments related to the enlargement of the plant in Hungary and, for the remaining portion, to down payments for equipment, instruments and moulds for normal production activities.

Note 2. Intangible assets

Details of movements as at 30 June 2017 and 31 December 2016 are as follows:

	30.06.2017	31.12.2016	Change
Goodwill	174,730	188,934	(14,204)
Development costs	2,992	4,302	(1,310)
Other	37,676	43,534	(5,858)
Assets in progress and payments on account	4,938	4,161	777
Total	220,336	240,931	(20,595)

Details of movements as at 30 June 2017 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
<i>Increases - 30.06.2017</i>					
Investments			458	1,153	1,611
Total	0	0	458	1,153	1,611
<i>Decreases - 30.06.2017</i>					
Disposals, historical cost	0		(195)		(195)
Disposals, accum. amortisation			26		26
Amortisation		(1,093)	(3,646)		(4,739)
Write-downs			67		67
Total	0	(1,093)	(3,748)	0	(4,841)
<i>Reclass. & other changes 30.06.2017</i>					
Incoming transfers			338		338
(Outgoing transfers)				(338)	(338)
Exch. gains/losses on historical cost	(14,204)	(592)	(7,982)	(38)	(22,816)
Exch. gains/losses on accum. amortisation		375	5,076		5,451
Total	(14,204)	(217)	(2,568)	(376)	(17,365)
Historical cost	174,730	17,306	138,106	4,938	335,080
Accumulated amortisation	0	(14,314)	(100,430)	0	(114,744)
Net value as at 30.06.2017	174,730	2,992	37,676	4,938	220,336

"Goodwill", totalling €174,730 thousand, consisted of the following items:

	30.06.2017	31.12.2016	Change
CGU Datalogic	161,418	174,750	(13,332)
CGU Informatics	13,312	14,184	(872)
Total	174,730	188,934	(14,204)

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

Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain. It should be noted that the format of the CGU related to Goodwill was reviewed according to the new organisational structure that the Group adopted as from 1 January 2017. In particular, according to the corporate reorganisation, assets of ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions were transferred to one single business organisation, on

which the corporate business plans are based (Datalogic CGU). The redetermination of CGUs led to no reallocation of Goodwill.

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

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

As at 30 June 2017, the assumptions used for the business plan, on which the impairment test was based as at 31 December 2016, were still valid and no impairment indicators were reported.

“**Development costs**”, which amount to €2,992 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 related to the development of products featuring significant innovation.

The “**Others**” item, which amounts to €37,676 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:

	30.06.2017	31.12.2016	Useful life
Acquisition of the PSC group (on 30 November 2006)	15,069	17,273	
<i>PATENTS</i>	15,069	17,273	20
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	1,841	2,326	
<i>PATENTS</i>	307	388	10
<i>TRADE SECRETS</i>	1,534	1,938	10
Acquisition of Accu-Sort Inc. (on 20 January 2012)	11,442	13,675	
<i>PATENTS</i>	6,767	8,088	10
<i>TRADE SECRETS</i>	4,675	5,587	10
Licence agreement	4,175	4,796	5-15
Other	5,149	5,464	
TOTAL OTHER INTANGIBLE ASSETS	37,676	43,534	

The “Others” item mainly consists of software licences.

The “Assets in progress and payments on account” item, equal to €4,938 thousand, is attributable, in the amount of €4,396 thousand, to the capitalisation of costs relating to the R&D projects with the features required by IAS 38 and currently still underway, as well as, in the amount of €542 thousand, to software implementations that are not yet completed.

Note 3. Equity investments in associates

Equity investments owned by the Group as at 30 June 2017 were as follows:

	31.12.2016	Increases	Decreases	Exch. gains/(losses)	on transfers	Share of profit	30.06.2017
Associates							
Laservall Asia Co. Ltd	1,588					(140)	1,448
CAEN RFID Srl	550						550
Suzhou Mobilead Electronic Technology Co., Ltd.				(83)	1,520		1,437
Datalogic Automation AB	2						2
Specialvideo Srl	29						29
Datasensor GMBH	45						45
Total associates	2,214	0	0	(83)	1,520	(140)	3,511
TOTAL	2,214	0	0	(83)	1,520	(140)	3,511

The change in the item “associates” is due to the following:

- The profit attributable to the Group achieved by the associated company Laservall Asia Co.
- The acquisition, completed during the first quarter, of 25% of Suzhou Mobilead Electronic Technology Co., Ltd.. This resulted in the transfer to the item in question of the payment made, on 9 November 2016, for the future share capital increase and recorded in “Investments in other companies”, and of the amount recorded, on 31 December 2016, in the item “Loans”.

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:

	Loans and receivables	Financial assets at fair value charged to the income statement	Available for sale	Total
30.06.2017				
Non-current financial assets	2,240	30,955	5,536	38,731
Financial assets - Equity investments (5)			5,536	5,536
Financial assets - Securities				0
Financial assets - Loans				0
Financial assets - Other		30,955		30,955
Other receivables (7)	2,240			2,240
Current financial assets	361,381	0	0	361,381
Trade receivables from third parties (7)	86,148			86,148
Other receivables from third parties (7)	17,199			17,199
Financial assets - Other (5)	0			0
Financial assets - Securities (5)	0			0
Cash and cash equivalents (10)	258,034			258,034
TOTAL	363,621	30,955	5,536	400,112

	Derivatives	Other financial liabilities	Total
30.06.2017			
Non-current financial liabilities	0	233,592	233,592
Financial payables (12)		229,549	229,549
Financial liabilities - Derivative instruments (6)			0
Other payables (16)		4,043	4,043
Current financial liabilities	11	205,835	205,846
Trade payables to third parties (16)		104,925	104,925
Other payables (16)		46,938	46,938
Financial liabilities - Derivative instruments (6)	11		11
Short-term financial payables (12)		53,972	53,972
TOTAL	11	439,427	439,438

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

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

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

Fair value – hierarchy

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

Level 1: market prices

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

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

30.06.2017	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	5,459		77	5,536
Financial assets - LT securities (5)	0			0
Financial assets - Other LTs (5)	9,722	21,233		30,955
Financial assets - Other (5)				0
Financial assets - Loans				0
Financial assets - ST Derivative instruments (6)				0
Total Assets measured at fair value	15,181	21,233	77	36,491
Liabilities measured at fair value				
Financial liabilities - LT derivative instruments (6)				0
Financial liabilities - ST derivative instruments (6)		11		11
Total Liabilities measured at fair value	0	11	0	11

As at 30 June 2017, no reclassification occurred in the hierarchy levels of fair value.

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

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

	30.06.2017	31.12.2016	Change
Other equity investments	5,536	4,714	822
Other long-term financial assets	30,955	31,007	(52)
Total Other long-term financial assets	36,491	35,721	770
Long-term loans	0	1,110	(1,110)
Other short-term financial assets			0
Total Financial assets	36,491	36,831	(340)

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

As at 30 June 2017, equity investments held by the Group in other companies were as follows:

	31.12.2016	Increases	Decreases	Adj. to fair value	Adjustment on exchange rates	Reclassifications	30.06.2017
Listed equity investments	4,227			1,424	(192)		5,459
Unlisted equity investments	487					(410)	77
Total Shareholdings	4,714	0	0	1,424	(192)	(410)	5,536

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

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

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

Note 6. Financial derivatives

	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Financial instruments measured at fair value and recognised in the statement of comprehensive income				
Interest rate derivatives - LT cash flow hedges	0	0	0	0
Interest rate derivatives - ST cash flow hedges	0	11	0	37
Total	0	11	0	37

Interest rate derivatives

The Group has entered into interest rate derivative contracts to manage the risk stemming from changes in interest rates on bank borrowings, converting them from variable to fixed-rate via interest rate swaps having the same amortisation plan as the hedged underlying asset.

As envisaged by IAS 39, the fair value of these contracts, totalling €11 thousand, is recognised in a specific equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 30 June 2017, the notional principal of interest swaps totalled €1,500 thousand (€3,000 thousand as at 31 December 2016).

Currency derivatives

As at 30 June 2017, the Group had no active forward contracts for exchange rate risk.

As regards Financial risk management, reference is made to the annual financial report as at 31 December 2016.

Note 7. Trade and other receivables

Trade and other receivables

	30.06.2017	31.12.2016	Change
Third-party trade receivables	87,412	75,914	11,498
Less provision for doubtful receivables	1,264	1,424	(160)
Net third-party trade receivables	86,148	74,490	11,658
Receivables from associates	932	979	(47)
Datasensor GMBH	65	54	11
Specialvideo	6	2	4
Datalogic Automation AB	861	923	(62)
Related-party receivables	0	8	(8)
Total Trade receivables	87,080	75,477	11,603
Other receivables - current accrued income and prepaid expenses	17,274	16,049	1,225
Other receivables - non-current accrued income and prepaid expenses	2,240	2,394	(154)
Total Other receivables - accrued income and prepaid expenses	19,514	18,443	1,071
Less non-current portion	2,240	2,394	(154)
Trade and other receivables - current portion	104,354	91,526	12,828

Trade receivables

“Trade receivables falling due within 12 months”, totalling €87,080 thousand as at 30 June 2017, increased by €11,603 thousand (+15.4%) compared to 31 December 2016, mainly due to a different distribution of sales in the period. As at 30 June 2017, factored trade accounts receivables amounted to €26,991 thousand (compared to €29,193 thousand at the end of 2016).

Receivables from associates arise from commercial transactions carried out at arm’s length conditions.

Customer trade receivables are posted net of bad debt provisions totalling €1,264 thousand (€1,424 thousand as at 31 December 2016).

Other receivables - accrued income and prepaid expenses

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

	30.06.2017	31.12.2016	Change
Other short-term receivables	1,488	1,778	(290)
Other long-term receivables	2,240	2,394	(154)
VAT receivables	13,157	11,615	1,542
Accrued liabilities and deferred income	2,629	2,656	(27)
Total	19,514	18,443	1,071

Note 8. Inventories

	30.06.2017	31.12.2016	Change
Raw and ancillary materials and consumables	33,401	29,954	3,447
Work in progress and semi-finished products	29,357	25,883	3,474
Finished products and goods	25,752	26,507	(755)
Total	88,510	82,344	6,166

The increase in raw materials and semi-finished products, compared to December 2016, is mainly due to new significant orders that will be executed in the second half of the year.

Inventories are shown net of an obsolescence provision that, as at 30 June 2017, amounted to €9,704 thousand (€9,308 thousand as at 31 December 2016). Changes as at 30 June of each year are shown below:

	2017	2016
1 January	9,308	7,167
Exchange-rate change	(396)	(70)
Allocations	1,857	1,801
Release for scrap and other utilisations	(1,065)	(840)
30 June	9,704	8,058

Note 9. Tax payables and receivables

As at 30 June 2017, “Tax receivables” amounted to €17,791 thousand, down by €344 thousand (€18,135 thousand as at 31 December 2016). The receivables for IRES tax from the parent company Hydra, equal to €7,263 thousand (€8,010 thousand as at 31 December 2016) are classified under this item. This amount is due under tax consolidation.

As at 30 June 2017, “Tax payables” amounted to €29,446 thousand, up by €8,414 thousand (€21,032 thousand as at 31 December 2016). The amount payable to the parent company Hydra for IRES tax, due

under tax consolidation, is classified in this item and amounts to €23,151 thousand (€15,114 thousand as at 31 December 2016).

Note 10. Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	30.06.2017	31.12.2016	Change
Cash and cash equivalents shown on financial statements	258,034	146,977	111,057
Restricted cash	(12)	(47)	35
Current accounts	(101)	(212)	111
Cash and cash equivalents	257,921	146,718	111,203

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

	30.06.2017	31.12.2016
A. Cash and bank deposits	258,022	146,930
B. Other cash and cash equivalents	12	47
<i>b1. restricted cash deposit</i>	12	47
C. Securities held for trading	0	0
<i>c1. Short-term</i>	0	0
<i>c2. Long-term</i>	0	0
D. Cash and equivalents (A) + (B) + (C)	258,034	146,977
E. Current financial receivables	0	0
F. Other current financial receivables	0	0
<i>f1. hedging transactions</i>	0	0
G. Bank overdrafts	101	212
H. Current portion of non-current debt	51,103	30,180
I. Other current financial payables	2,779	5,878
<i>i1. hedging transactions</i>	11	37
<i>i2. payables for leasing</i>	97	248
<i>i3. current financial payables</i>	2,671	5,593
J. Current financial debt/(net financial position) (G) + (H) + (I)	53,983	36,270
K. Current financial debt, net/(net financial position) (J) - (D) - (E) - (F)	(204,051)	(110,707)
L. Non-current bank borrowing	229,549	139,321
M. Other non-current financial assets	30,955	32,117
N. Other non-current liabilities	0	0
<i>n1. hedging transactions</i>	0	0
<i>n2. lease payables</i>	0	0
O. Non-current financial debt (L) - (M) + (N)	198,594	107,204
P. Net financial debt/(net financial position) (K) + (O)	(5,457)	(3,503)

Net financial position as at 30 June 2017 was positive by €5,457 thousand, an improvement of €1,954 thousand compared to 31 December 2016 (positive by €3,503 thousand).

On 13 April, Datalogic S.p.A. signed an agreement with a pool of banks for a new credit line worth €250 million and maturing in 2023. The loan was intended to a partial early redemption of the already existing credit line, in the amount of €126 million, and to a partial use for the development of the Group.

It should be also noted that, during the period, dividends for €17,443 thousand were paid and investments for the period, net of disinvestments, amounted to €5,118 thousand.

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

Note 11. Shareholders' Equity

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

	30.06.2017	31.12.2016
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	4,120	4,120
Treasury share reserve	2,821	2,821
Share premium reserve	106,145	106,145
Share capital and capital reserves	146,291	146,291
Cash-flow hedge reserve	(1,137)	(28)
Translation reserve	15,218	25,436
Reserve for exchange rate adjustment	9,186	17,290
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	1,897	490
Other reserves	24,793	42,817
Retained earnings	129,843	101,440
Earnings carried forward	114,189	85,721
Capital contribution reserve	958	958
Legal reserve	6,078	6,078
IAS reserve	8,618	8,683
Profit for the year	29,297	45,846
Total Group shareholders' equity	330,224	336,394

Share capital

Movements in share capital as at 30 June 2017 are reported below (in Euro '000):

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2017	58,144,262	30,392	2,813	4,120	2,821	106,145	146,291
Purchase of treasury shares				0	0	0	0
Costs for the purchase/sale of treasury shares				0		0	0
30.06.2017	58,144,262	30,392	2,813	4,120	2,821	106,145	146,291

Extraordinary share-cancellation reserve

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

When these shares were cancelled, as resolved by the Extraordinary Shareholders' Meeting, 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 30 June 2017, the total number of ordinary shares was 58,446,491, including 302,229 held as treasury shares, making the number of shares in circulation at that date 58,144,262. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

The item "Treasury shares", amounting to €4,120 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€6,941 thousand). In 2017, the Group acquired no treasury shares.

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 €1,137 thousand, is disclosed net of the tax effect and includes, in the amount of €1,129 thousand, the fair value of the hedging instruments related to the refinancing transaction as well as, in the amount of €8 thousand, the fair value of the derivative instrument disclosed under derivative financial instruments.

Translation reserve

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

Reserve for exchange rate adjustment

In application to IAS 21.15, this reserve comprises profits/losses generated by monetary elements which are an integral part of the net investment of foreign managements. In particular, it relates to the effect of exchange rates measurement at year-end for receivables for loans in US dollars granted to some Group companies by the Parent Company Datalogic S.p.A. and Datalogic USA Inc. For these loans no regulation

and/or defined reimbursement plan are provided, nor is it deemed probable that they will be reimbursed in the foreseeable future.

Actuarial gains/(losses) reserve

Pursuant to IAS 19R, this reserve includes actuarial gains and losses, which are now recognised under other components in the comprehensive income statement and permanently excluded from the income statement.

Retained earnings

IAS reserve

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

Profits/losses of previous years

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

Dividends

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

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

	30.06.2017		31.12.2016	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	285,353	19,983	291,677	52,334
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	107,008	37,398	111,061	51,183
Reversal of dividends		(27,744)		(53,387)
Amortisation of intangible assets "business combination"	(5,827)		(5,827)	
Effect of acquisition under common control	(31,733)		(31,733)	
Elimination of capital gain on sale of business branch	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(13,447)	(301)	(17,700)	(4,231)
Reversal of write-downs and capital gains on equity investments	5,517		5,517	(604)
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,200)	(2)	(1,193)	(61)
Deferred taxes	4,620	(37)	4,659	612
Group shareholders' equity	330,224	29,297	336,394	45,846

Note 12. Financial payables

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

	30.06.2017	31.12.2016	Change
Long-term financial payables	229,549	139,321	90,228
Short-term financial payables	53,972	36,233	17,739
Total Financial payables	283,521	175,554	107,967

The breakdown of this item is as detailed below:

	30.06.2017	31.12.2016	Change
Bank loans	280,652	169,501	111,151
Payables to factoring companies	2,671	5,593	(2,922)
Payables for leasing	97	248	(151)
Bank overdrafts (ordinary current accounts)	101	212	(111)
Total Financial payables	283,521	175,554	107,967

The breakdown of changes in the “Bank loans” item as at 30 June 2017 and 30 June 2016 is shown below:

	2017	2016
1 January	169,501	172,612
Increases for the taking out of new loans	249,108	0
Reimbursements for redemption of existing loans	(125,580)	(20,000)
Decreases for loan repayments	(12,377)	(2,957)
30 June	280,652	149,655

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

The transaction was concluded at a fixed rate, so as to allow Datalogic S.p.A. to take advantage of the favourable interest rates currently available on the market and to lock in the cost of the Datalogic Group funding over the coming years.

Covenants

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

Bank		Company	Currency	Outstanding debt	Covenant	Frequency	Reference statements	
Mediobanca	1	Datalogic SpA	Eur	3,000,000	EBITDA/OFN	PFN /EBITDA	semi-annual	Datalogic Group
Club Deal	2	Datalogic SpA	Eur	250,000,000		PFN /EBITDA	semi-annual	Datalogic Group
I.E.B.	3	Datalogic SpA	Eur	27,000,000	EBITDA/OFN	PFN /EBITDA	semi-annual	Datalogic Group

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

As at 30 June 2017, all covenants were respected.

Note 13. Net deferred taxes

Deferred tax assets and liabilities result both from positive items already recognised in the income statement and subject to deferred taxation under current tax regulations and temporary differences between consolidated balance-sheet assets and liabilities and their relevant taxable value.

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

Temporary differences that generate deferred tax assets are mainly tax losses and taxes paid abroad, provisions for risk and charges and adjustments on exchange rates. Deferred tax liabilities are mainly due to temporary differences for adjustments to exchange rates and statutory and fiscal differences of amortisation/depreciation plans related to tangible and intangible assets.

For a better disclosure of deferred tax assets and liabilities, albeit not required by IAS 12, the total of net deferred taxes is reported compared with the previous year.

The total of net deferred taxes is broken down as follows:

	30.06.2017	31.12.2016	change
Deferred tax assets	53,291	49,413	3,878
Deferred tax liabilities	(25,956)	(26,498)	542
Net deferred taxes	27,335	22,915	4,420

The breakdown per company of deferred taxes is shown below:

	30.06.2017	31.12.2016	change
Datalogic S.p.A.	(758)	(8,151)	7,393
Datalogic RE Germany GmbH	0	(75)	75
Datalogic RE France SaS	52	52	0
Datalogic RE UK Ltd	101	104	(3)
Datalogic IP Tech S.r.l.	2,070	2,832	(762)
Datalogic USA Inc.	20,748	23,789	(3,041)
Datalogic S.r.l.	65	(19)	84
Datalogic Slovakia S.r.o.	2,584	1,373	1,211
Datalogic ADC do Brazil Ltd.	76	347	(271)
Datalogic Scanning Eastern Europe GmbH	(431)	(442)	11
Datalogic Vietnam LLC	187	578	(391)
Datalogic Australia Pty Ltd	158	161	(3)
Datalogic ADC HK Ltd.	(3)	(3)	0
Datalogic ADC Singapore	(8)	(8)	0
Informatics Holdings Inc.	714	579	135
Solution Net Systems, Inc.	166	199	(33)
Total Net long-term deferred taxes	25,721	21,316	4,405
Deferred taxes recognised due to the consolidation entries	1,614	1,599	15
Total Net long-term deferred taxes	27,335	22,915	4,420

The change in net deferred tax assets and liabilities is mainly attributable to:

- the Parent Company Datalogic S.p.A., due to the effect on taxes of the exchange rate adjustment on equity balances in foreign currency;
- the subsidiary Datalogic USA Inc., due to translation differences, as they are expressed in US Dollars.

Note 14. Post-employment benefits

The breakdown of changes in the “Post-employment benefits” item as at 30 June 2017 and 30 June 2016 is shown below:

	2017	2016
1 January	6,647	6,814
Amount allocated in the period	953	868
Uses	(301)	(672)
Other movements	(4)	(156)
Social security receivables for the employee	(515)	(366)
30 June	6,780	6,488

Note 15. Provisions for risks and charges

The breakdown of the “provisions for risks and charges” item was as follows:

	30.06.2017	31.12.2016	Change
Short-term provisions for risks and charges	8,552	9,684	(1,162)
Long-term provisions for risks and charges	12,774	11,169	1,605
Total	21,296	20,853	443

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

	31.12.2016	Increases	(Uses) and (Releases)	Exchange rate diff.	30.06.2017
Product warranty provision	11,486	921	(337)	(309)	11,761
Provision for management incentive scheme	3,322	1,598		(112)	4,808
“Stock rotation” provision	3,325	361	(94)	(125)	3,467
Other	2,720	640	(2,065)	(35)	1,260
Total Provisions for risks and charges	20,853	3,520	(2,496)	(581)	21,296

The “Product warranty provision” covers the estimated cost of repairing products sold up to 30 June 2017 and covered by periodical warranty; it amounts to €11,761 thousand (of which €7,568 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

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

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

- €290 thousand for transactions in progress with employees;
- €344 thousand, allocated to cover the corporate restructuring expenses of the plant in Donnas, approved by the management and notified to the parties involved;
- €354 thousand for agent termination indemnities.

Note 16. Trade and other payables

This table shows the details of trade and other payables:

	30.06.2017	31.12.2016	Change
Trade payables due within 12 months	104,925	104,058	867
Third-party trade payables	104,925	104,058	867
Payables to associates	111	24	87
<i>Laservall Asia</i>	7	14	(7)
<i>Caen</i>	103	0	103
<i>Datalogic Automation AB</i>	1	10	(9)
Payables to the parent company	156	106	50
<i>Hydra</i>	156	106	50
Payables to related parties	159	397	(238)
Total Trade payables	105,351	104,585	766
Other payables - current accrued liabilities and deferred income	46,938	46,909	29
Other payables - non-current accrued liabilities and deferred income	4,043	4,294	(251)
Total Other payables - accrued liabilities and deferred income	50,981	51,203	(222)
Less non-current portion	4,043	4,294	(251)
Current portion	152,289	151,494	795

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	30.06.2017	31.12.2016	Change
Other long-term payables	4,043	4,294	(251)
Other short-term payables:	22,391	23,115	(724)
Payables to employees	15,394	15,061	333
Payables to pension and social security agencies	4,398	5,005	(607)
Other payables	2,599	3,049	(450)
VAT liabilities	2,519	2,869	(350)
Accrued liabilities and deferred income	22,028	20,925	1,103
Total	50,981	51,203	(222)

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

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

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

INFORMATION ON THE STATEMENT OF INCOME

Note 17. Revenues

As at 30 June 2017, the Datalogic Group recorded revenues in the amount of €299,308 thousand, up 6.2% compared to €281,842 thousand in the first half of 2016 (+4.8% at constant Euro/Dollar exchange rate).

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

	Half year ended				Change	
	30.06.2017	%	30.06.2016	%		%
Italy	27,683	9.2%	26,971	9.6%	712	2.6%
EMEA (except Italy)	130,973	43.8%	121,207	43.0%	9,766	8.1%
<i>Total EMEA (*)</i>	<i>158,656</i>	<i>53.0%</i>	<i>148,178</i>	<i>52.6%</i>	<i>10,478</i>	<i>7.1%</i>
North America	90,418	30.2%	87,167	30.9%	3,251	3.7%
Latin America	11,954	4.0%	13,497	4.8%	(1,543)	(11.4%)
APAC	38,280	12.8%	33,000	11.7%	5,280	16.0%
Total Revenues	299,308	100.0%	281,842	100.0%	17,466	6.2%

(*) EMEA: Europe, Middle East and Africa.

As from this Report, data related to geographical areas will be disclosed to reflect the actual involvement of each area within the new commercial organisation of the Group. Comparative data as at 30 June 2016 will be disclosed accordingly.

Note 18. Cost of goods sold and operating costs

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

	Half year ended		Change
	30.06.2017	30.06.2016 Restated	
TOTAL COST OF GOODS SOLD (1)	157,364	151,100	6,264
<i>of which non-recurring</i>	<i>316</i>	<i>200</i>	<i>116</i>
TOTAL OPERATING COSTS (2)	101,290	97,467	3,823
Research and Development expenses	26,503	24,369	2,134
<i>of which non-recurring</i>	<i>128</i>	<i>0</i>	<i>128</i>
<i>of which amortisation, depreciation pertaining to acquisitions</i>	<i>54</i>	<i>52</i>	<i>2</i>
Distribution expenses	49,080	49,623	(543)
<i>of which non-recurring</i>	<i>0</i>	<i>170</i>	<i>(170)</i>
General and administrative expenses	24,990	22,584	2,406
<i>of which non-recurring</i>	<i>337</i>	<i>0</i>	<i>337</i>
<i>of which amortisation, depreciation pertaining to acquisitions</i>	<i>2,457</i>	<i>2,385</i>	<i>72</i>
Other operating costs	717	891	(174)
<i>of which non-recurring</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL (1+2)	258,654	248,567	10,087
of which non-recurring costs	781	370	411
of which amortisation, depreciation pertaining to acquisitions	2,511	2,437	74

The item non-recurring costs and (revenues), as at 30 June 2017, shows a positive amount of €781 thousand. The breakdown of this item is as follows:

ITEM	AMOUNT	TYPE OF COST
1) "Cost of goods sold"	316	Restructuring Plan
2) "R&D expenses"	28	Restructuring Plan
2) "R&D expenses"	100	Reorganisation Plan
3) "General and administrative expenses"	210	Reorganisation Plan
3) "General and administrative expenses"	127	Acquisition Projects
TOTAL NON-RECURRING COSTS/(REVENUES)	781	

The costs relating to the Reorganisation Plan (equal to €310 thousand) refer to the new model for the Datalogic Group's reorganisation, which was begun in 2016, and relate mainly to consultancy. Moreover, as at 30 June 2017, a Restructuring Plan was started in the plant in Donnas, which required allocations for €344 thousand. Costs related to Acquisition Plans amounted to €127 thousand.

Amortisation from acquisitions (equal to €2,511 thousand), mainly included under "General and administrative expenses" (€2,457 thousand), are comprised of:

	Half year ended		Change
	30.06.2017	30.06.2016	
Acquisition of the PSC group (on 30 November 2006)	934	907	27
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	323	314	9
Acquisition of Accu-Sort Inc. (on 20 January 2012)	1,254	1,216	38
TOTAL	2,511	2,437	74

Total Cost of goods sold (1)

This item increased by 4.2% compared to the same period in 2017. At constant Euro/Dollar exchange rate and net of non-recurring costs, it increased by 1.7%.

Total operating costs (2)

The operating costs, excluding non-recurring costs and the amortisation inherent in the acquisitions, increased by 3.6% from €94,860 thousand to €98,314 thousand. At constant exchange rates, the increase was lower (2.13%). As a whole, a reduced impact of operating costs on revenues was reported, from 33.7% to 32.8%.

In particular:

- "R&D expenses" amounted to €26,503 thousand and increased, net of non-recurring costs, by €2,004 thousand compared to the same period of the previous year (+€1,613 thousand at constant exchange rates and net of non-recurring costs). This increase is primarily attributable to the increase in payroll & employee benefits, project consultancy services and quality certification expenses.

- “**Distribution expenses**” amounted to €49,080 thousand and, net of non-recurring costs, decreased by €373 thousand with respect to the same period of the previous year. Based on the analysis at constant exchange rates, and net of non-recurring costs, these decreased by €1,153 thousand, due mainly to a decrease in marketing costs, shipment costs, travel and accommodation expenses, costs for meetings, while increase in payroll & employee benefits was reported.
- “**General and administrative expenses**” amounted to €24,990 thousand. This item, net of non-recurring costs, increased by €1,997 thousand compared to the same period of the previous year, while at constant exchange rates, it increased by €1,745 thousand compared to the same period of the previous year, due in particular to an increase in payroll & employee benefits, directors’ fees, telephone and EDP expenses.

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

	Half year ended		Change
	30.06.2017	30.06.2016	
Non-income taxes	494	656	(162)
Contingent liabilities	8	23	(15)
Provisions for doubtful accounts	(30)	120	(150)
Cost charge backs	28	26	2
Capital losses on assets	60	3	57
Other	157	63	94
Total	717	891	(174)

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:

	Half year ended		
	30.06.2017	30.06.2016	Change
Purchases	120,318	126,847	(6,529)
Inventory change	(4,947)	(18,210)	13,263
Payroll & employee benefits	82,568	79,198	3,370
Amortisation, depreciation and write-downs	9,855	9,274	581
Goods receipt & shipment	8,412	9,722	(1,310)
Travel & accommodation	4,328	4,703	(375)
Technical, legal and tax advisory services	4,207	4,184	23
Repairs and allocation to the warranty provision	3,885	3,304	581
Marketing expenses	3,773	4,821	(1,049)
Building expenses	3,119	3,050	69
Material collected from the warehouse	2,262	2,477	(215)
Royalties	2,118	1,745	373
EDP expenses	2,084	1,837	247
Consumables and R&D materials	1,573	1,786	(213)
Telephone expenses	1,519	1,191	328
Subcontracted work	1,374	1,292	82
Quality certification expenses	1,096	663	433
Directors' remuneration	1,070	619	451
Utilities	1,052	975	77
Sundry service costs	907	867	40
Commissions	854	827	27
Meeting expenses	696	840	(144)
Expenses for plant and machinery and other assets	684	502	182
Accounts certification expenses	614	579	35
Vehicle expenses	584	526	58
Insurance	442	417	25
Entertainment expenses	319	682	(363)
Training courses for employees	231	250	(19)
Stationery and printings	121	132	(11)
Other	3,537	3,466	71
Total Cost of goods sold and operating costs	258,654	248,566	10,088

It should be noted that some items disclosed in the 2016 comparison period have been restated for homogeneity and comparison purposes.

Expenses reported in item "Goods receipt & shipment", equal to €8,412 thousand, decreased by €1,310 thousand, particularly goods receipt expenses, due to the effect of increased efficiency in the management of logistical flows.

The item "Marketing expenses", equal to €3,773 thousand, decreased by €1,049 thousand compared to the same period of 2016, mainly due to the decrease in advertising costs and in Marketing co-participation expenses with trade partners.

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

	Half year ended		Change
	30.06.2017	30.06.2016	
Wages & salaries	62,689	61,660	1,029
Social security charges	11,794	10,495	1,299
Employee severance indemnities	941	803	138
Retirement and similar benefits	680	617	63
Medium- to long-term managerial incentive plan	1,599	(418)	2,017
Vehicle expenses for employees	1,528	1,573	(45)
Other costs	2,310	2,437	(127)
Early retirement incentives	1,027	2,031	(1,004)
Total	82,568	79,198	3,370

The “Wages and salaries” item, equal to €62,689 thousand, includes Sales commissions and incentives of €7,819 thousand (€7,502 thousand as at 30 June 2016).

This item reported an increase of €1,029 thousand while, at constant exchange rates, it is in line with the same period of the previous year.

The “Early retirement incentives” item includes costs, totalling €344 thousand, stated under item “Non-recurring costs and revenues” and result from the re-organisation activities of the plant in Donnas (€370 thousand as at 30 June 2016).

Note 19. Other operating revenues

The detailed breakdown of this item is as follows:

	Half year ended		Change
	30.06.2017	30.06.2016	
Miscellaneous income and revenues	471	578	(107)
Rents	63	44	19
Capital gains on asset disposals	3	128	(125)
Contingent assets	(24)	6	(30)
Grants to Research and Development expenses	0	1,263	(1,263)
Other	22	19	3
Total	535	2,038	(1,503)

The item “Miscellaneous income and revenues” mainly includes revenues for internal building works and reimbursements from employees for the use of vehicles for the pertaining portion.

At 30 June 2016, the item “Capital gains on asset disposals” primarily included the profit from the disposal of certain patents.

The disclosure of the benefit resulting from grants to R&D expenses received in 2016 by IP Tech will be recognised in the second half of the year, following the submission of the tax return for the year 2016.

Note 20. Net financial income (expenses)

	Half year ended		Change
	30.06.2017	30.06.2016	
Financial income/(expenses)	(1,280)	(877)	(403)
Foreign exchange differences	(1,406)	(283)	(1,123)
Bank expenses	(1,260)	(887)	(373)
Other	81	(113)	194
Total Net financial income (expenses)	(3,865)	(2,160)	(1,705)

Financial income was negative by €3,865 thousand, compared to a negative result of €2,160 thousand related to the same period of the previous year, mainly due to the trend of foreign exchange differences and the increase in financial expenses.

The performance of item “Gains/losses on foreign exchange” is mainly connected with the effects, on net Group balances, of the depreciation of the US Dollar against the Euro in the first half of 2017.

The item “Financial income/(expenses)” decreased by €403 thousand, mainly due to the increased gross indebtedness, due to the entering of a new loan agreement with a pool of banks for the amount of €250 million on 13 April 2017 and the redemption, at the same time, of previous loans amounting to €126 million. This transaction permitted to increase the average life of the financial debt and therefore reduce the exposure to variable interest rates as the new contract is at fixed rate.

The item “Bank fees” reported an overall increase of €373 thousand, mainly due to the release of a portion pertaining to the upfront fees (€419 thousand) related to the early redemption of the above-mentioned long-term loan.

Losses generated by companies carried at equity were recognised in the amount of €140 thousand (compared with profits of €402 thousand as at 30 June 2016).

Note 21. Taxes

	Half year ended		Change
	30.06.2017	30.06.2016	
Pre-tax profit	37,184	32,751	4,433
Income tax	11,248	9,636	1,612
Deferred taxes	(3,361)	(3,061)	(300)
Total	7,887	6,575	1,312
Tax Rate	21.2%	20.1%	1.1%

The average tax rate comes to 21.2% (20.1% as at 30 June 2016). Taxes were calculated by using the best estimate of the annual tax rate expected at the reporting date.

Note 22. Earnings/loss per share**Earnings/loss per share**

	Half year ended	
	30.06.2017	30.06.2016
Group earnings/(loss) for the period	29,297,000	26,176,000
Average number of shares	58,144,262	58,176,484
Earnings/(loss) per share	0.5039	0.4499
Average number of shares	58,144,262	58,176,484
Diluted effect	0	0
Diluted earnings/loss per share	0.5039	0.4499

EPS as at 30 June 2017 was calculated by dividing Group net profit of €29,297 thousand (Group net profit of €26,176 thousand as at 30 June 2016) by the average number of ordinary shares outstanding as at 30 June 2017, equal to 58,144,262 shares (58,176,484 as at 30 June 2016).

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

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

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

Intragroup transactions are executed as part of the ordinary operations and at arm's length conditions. Furthermore, there are other relationships with related parties, always carried out as part of the ordinary operations and at arm’s length conditions, with an irrelevant amount and by the effects of the “**OPC Procedure**”, chiefly with Hydra S.p.A. or entities under joint control (with Datalogic S.p.A.), or with individuals that carry out the coordination and management of Datalogic S.p.A. (including entities controlled by the same and close relatives).

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

Pursuant to Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2017 - 30/06/2017, the Company’s Board of Directors did not approve any relevant transaction, as set out by Article 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group’s equity position or profit/(loss).

RELATED PARTIES	Hydra (parent company)	Hydra Immobiliare and Aczon	Unconsolidated associates	Suzhou Mobilead Electronic Technology Co., Ltd.	CAEN Rfid Srl	Studio Associato Caruso	Natural person	Laservall Asia	TOTAL 30/06/2017
	parent company	company controlled by Chairman of BoD	unconsolidated associates	unconsolidated associate	unconsolidated associate	company controlled by a company Body member	member of BoD	associated company	
Equity investments	0	0	1,513	0	550	0	0	1,448	3,511
Trade receivables – Other receivables/ accrued income and prepaid expenses	0	75	932	0	0	0	0	0	1,007
Receivables pursuant to tax consolidation	7,263	0	0	0	0	0	0	0	7,263
Financial receivables	0	0	0	0	0	0	0	0	0
Liabilities pursuant to tax consolidation	23,151	0	0	0	0	0	0	0	23,151
Trade payables/ Provisions for risks	0	133	1	0	103	0	0	7	244
Financial payables	0	0	0	0	0	0	0	0	0
Sales/service expenses/ Allocations	0	349	2	43	165	0	6	57	622
Commercial revenues	0	0	1,825	0	0	0	0	1,242	3,067
Financial income	0	0	0	0	0	0	0	0	0
Profits (losses) from associates	0	0	0	0	0	0	0	(140)	(140)

NUMBER OF EMPLOYEES

	Half year ended		Change
	30.06.2017	30.06.2016	
Datalogic	2,683	2,564	119
Solution Net Systems	37	0	37
Informatics	90	100	(10)
Total	2,810	2,664	146

SUBSEQUENT EVENTS

The acquisition of the company SOREDI Touch Systems GmbH, leader in technologies for terminals, and more specifically forklifts terminals, was concluded on 6 July 2017.

SOREDI Touch Systems GmbH, established in 2009 and headquartered in Olching (Munich), in 2016 reported a turnover of €6.9 million. The company employs 16 people.

This transaction envisaged a total maximum financial commitment for Datalogic of €10 million, of which €8 million cash and €2 million treasury shares. For this transaction, Datalogic wholly acquired the company SOREDI Touch Systems GmbH, as well as the “SOREDI” trademark.

At closing, Datalogic paid €6 million cash and €2 million treasury shares (equal to 85,215 shares). The residual payment, equal to €2 million, will be made by Datalogic within 2021.

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

Attestazione del bilancio semestrale abbreviato ai sensi dell'art. 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti, Valentina Volta, in qualità di Amministratore Delegato e Alessandro D'Aniello, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Datalogic S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
 - l'adeguatezza in relazione alle caratteristiche dell'impresa e
 - l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato, nel corso del primo semestre 2017.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato al 30 giugno 2017 è basata su di un procedimento definito da Datalogic S.p.A. in coerenza con il modello *Internal Control – Integrated Framework* emesso dal *Committee of Sponsoring Organizations of the Treadway Commission* che rappresenta un framework di riferimento generalmente accettato a livello internazionale.

3. Si attesta, inoltre, che:

3.1 il bilancio semestrale abbreviato:

- a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
- b) corrisponde alle risultanze dei libri e delle scritture contabili;
- c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

- 3.2 La relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul bilancio semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La relazione intermedia sulla gestione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.

Lippo di Calderara di Reno, 4 agosto 2017

L' Amministratore Delegato

Valentina Volta

Il Dirigente Preposto alla redazione

dei documenti contabili societari

Alessandro D'Aniello



Annex 1
RESTATED CONSOLIDATED INCOME STATEMENT - 2016

(Euro /000)	Note	30.06.2016	Reclassificat ions	30.06.2016 Restated
1) Total revenues	17	281.842		281.842
<i>of which from related parties</i>		3.073		3.073
2) Cost of goods sold	18	151.022	78	151.100
<i>of which non-recurring</i>	18	200		200
<i>of which from related parties</i>		430		430
Gross profit (1-2)		130.820	(78)	130.742
3) Other operating revenues	19	2.038		2.038
<i>of which non-recurring</i>	19			0
<i>of which from related parties</i>				0
4) R&D expenses	18	24.369		24.369
<i>of which non-recurring</i>	18	0		0
<i>of which amortisation, depreciation and write-downs</i>		52		52
<i>of which from related parties</i>	18	5		5
5) Distribution expenses	18	51.359	(1.736)	49.623
<i>of which non-recurring</i>	18	170		170
<i>of which from related parties</i>		8		8
6) General and administrative expenses	18	20.926	1.658	22.584
<i>of which non-recurring</i>	18	0		0
<i>of which amortisation, depreciation and write-downs</i>	18	2.385		2.385
<i>of which from related parties</i>		398		398
7) Other operating expenses	18	891		891
<i>of which non-recurring</i>	18	0		0
<i>of which from related parties</i>		1		1
Total operating costs		97.545	(78)	97.467
Operating result		35.313	0	35.313
8) Financial income	20	10.264		10.264
<i>of which from related parties</i>		0		0
9) Financial expenses	20	12.424		12.424
Net financial income (expenses) (8-9)		(2.160)	0	(2.160)
10) Profits from associates	3	(402)		(402)
Profit (loss) before taxes from the operating assets		32.751	0	32.751
Income tax	21	6.575		6.575
Profit/(loss) for the period		26.176	0	26.176
Basic earnings/(loss) per share (€)	22	0,4499		0,4499
Diluted earnings/(loss) per share (€)	22	0,4499		0,4499

Note: It should be noted that, since 2017, some costs have been reclassified under various items. Comparative data as at 30 June 2016 has been disclosed accordingly.