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# **Quarterly Financial Report**

**at 30<sup>th</sup> September 2018**



## **DATALOGIC GROUP**

### **Quarterly Financial Report at 30<sup>th</sup> September 2018**

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## **ANNEX**

1. Declaration pursuant to Art. 154-bis, pars. 2, Legislative Decree 58/1998



## COMPOSITION OF CORPORATE BODIES

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### **Board of Directors** (1)

**Volta Romano**

Chairman (2)

**Volta Valentina**

Director & Chief Executive Officer (2)

**Angelo Manaresi**

Independent Director

**Vera Negri Zamagni** (3)

Independent Director

**Chiara Giovannucci Orlandi**

Independent Director

**Todescato Pietro**

Director

**Volta Filippo Maria**

Director

**Angelo Busani**

Independent Director

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### **Statutory Auditors** (4)

**Fiorenza Salvatore Marco Andrea**

Chairman

**Santagostino Roberto**

Statutory Auditor

**Lancellotti Elena**

Statutory Auditor

**Prandi Paolo**

Alternate Statutory Auditor

**Fuzzi Mario**

Alternate Statutory Auditor

**Patrizia Cornale**

Alternate Statutory Auditor

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### **Auditing Company**

EY S.p.A.

(1) The Board of Directors will remain in office until the general meeting that approves the accounts for the financial year ending 31 December 2020.

(2) Legal representative with respect to third parties.

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

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

## MANAGEMENT REPORT

### INTRODUCTION

This Interim Report on Operations as at 30 September 2018 was drawn up pursuant to Art. 154 of T.U.F. [Consolidated Law on Finance] and was prepared in compliance with the international accounting standards (IAS/IFRS) endorsed by the European Union.

### GROUP PROFILE

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

### HIGHLIGHTS OF THE PERIOD

The following table summarises the Datalogic Group's key operating and financial results as at 30 September 2018 in comparison with the same period a year earlier:

	Nine months ended						
	30.09.2018	% of Revenues	30.09.2017	% of Revenues	change	% change	% ch. at constant exch. rate
<b>Total Revenues</b>	<b>466,088</b>	100.0%	<b>450,711</b>	100.0%	<b>15,377</b>	3.4%	6.9%
<b>EBITDA</b>	<b>77,545</b>	16.6%	<b>77,905</b>	17.3%	<b>(360)</b>	-0.5%	-1.5%
<b>Operating result (EBIT)</b>	<b>61,076</b>	13.1%	<b>62,466</b>	13.9%	<b>(1,390)</b>	-2.2%	-4.7%
<b>Group net profit/loss</b>	<b>43,578</b>	9.3%	<b>45,071</b>	10.0%	<b>(1,493)</b>	-3.3%	
<b>Net Financial Position (NFP)</b>	<b>10,859</b>		<b>(15,176)</b>		<b>26,035</b>		

Though hampered by an unfavourable Euro/Dollar exchange rate, particularly in the first half of the year, sales revenue for the first nine months grew 3.4% (+6.9% at constant exchange rates). While benefiting from an improvement in gross profit, financial performance reflects higher investments in R&D and the strengthening of the sales organisations necessary to continue the Group's growth.

The Net Financial Position is positive by €10.9 million, with an improvement of €26 million compared to 30 September 2017.

**PERFORMANCE INDICATORS**

To allow for a better valuation of the Group's performance, management adopted certain alternative performance indicators that are not identified as accounting measures within IFRS (NON-GAAP measures). The measurement criteria applied by the Group might not be consistent with those adopted by other groups and the indicators might not be comparable with indicators calculated by the latter. These performance indicators, determined according to provisions set forth by the Guidelines on Alternative Performance Indicators, issued by ESMA/2015/1415 and adopted by Consob with communication no. 92543 of 3 December 2015, refer only to the performance of the accounting period related to this Interim Management Report and the compared periods.

The performance indicators must be considered as supplementary and do not supersede information given pursuant to IFRS standards. The description of the main indicators adopted is given hereunder.

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation):** this indicator is defined as Profit/Loss for the period before depreciation and amortisation of tangible and intangible assets, non-recurring costs/revenues, financial income and expenses and income taxes;
- **EBIT (Earnings Before Interests and Taxes) or Operating Result:** Operating Result, drawn from the Income Statement.
- **Net Trade Working Capital:** this indicator is calculated as the sum of Inventories and Trade Receivables, less Trade Payables.
- **Net Working Capital:** this indicator is calculated as the sum of Net Trade Working Capital and Other Current Assets and Liabilities, including short-term Provisions for Risks and Charges.
- **Net Invested Capital:** this indicator is the total of Current and Non-current Assets, excluding financial assets, less Current and Non-current Liabilities, excluding financial liabilities.
- **NFP (Net Financial Position) or Net Financial Debt:** this indicator is calculated based on provisions set out by Consob Communication no. 15519 of 28 July 2006.

## GROUP RECLASSIFIED ECONOMIC RESULTS FOR THE PERIOD

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

	Nine months ended					
	30.09.2018		30.09.2017		change	% change
<b>Total Revenues</b>	<b>466,088</b>	<b>100.0%</b>	<b>450,711</b>	<b>100.0%</b>	<b>15,377</b>	<b>3.4%</b>
Cost of goods sold	(239,373)	-51.4%	(238,201)	-52.9%	(1,172)	0.5%
<b>Gross profit</b>	<b>226,715</b>	<b>48.6%</b>	<b>212,510</b>	<b>47.1%</b>	<b>14,205</b>	<b>6.7%</b>
Other income	2,799	0.6%	2,005	0.4%	794	39.6%
Research and development expenses	(46,948)	-10.1%	(39,889)	-8.9%	(7,059)	17.7%
Distribution expenses	(81,920)	-17.6%	(73,225)	-16.2%	(8,695)	11.9%
General and administrative expenses	(32,527)	-7.0%	(32,966)	-7.3%	439	-1.3%
Other operating costs	(1,744)	-0.4%	(1,450)	-0.3%	(294)	20.3%
<b>Total operating costs and other costs</b>	<b>(160,340)</b>	<b>-34.4%</b>	<b>(145,525)</b>	<b>-32.3%</b>	<b>(14,815)</b>	<b>10.2%</b>
Non-recurring costs/revenues and write-downs	(1,883)	-0.4%	(858)	-0.2%	(1,025)	119.5%
Depreciation & amortisation due to acquisitions	(3,416)	-0.7%	(3,661)	-0.8%	245	-6.7%
<b>Operating result (EBIT)</b>	<b>61,076</b>	<b>13.1%</b>	<b>62,466</b>	<b>13.9%</b>	<b>(1,390)</b>	<b>-2.2%</b>
Net financial income (expenses)	(1,802)	-0.4%	(3,441)	-0.8%	1,639	-47.6%
Profits/(losses) from associates	0	0.0%	(1)	0.0%	1	-100.0%
Foreign exchange gains/(losses)	(3,209)	-0.7%	(2,259)	-0.5%	(950)	42.1%
<b>Pre-tax profit/(loss) (EBT)</b>	<b>56,065</b>	<b>12.0%</b>	<b>56,765</b>	<b>12.6%</b>	<b>(700)</b>	<b>-1.2%</b>
Taxes	(12,487)	-2.7%	(11,694)	-2.6%	(793)	6.8%
<b>GROUP NET PROFIT/(LOSS)</b>	<b>43,578</b>	<b>9.3%</b>	<b>45,071</b>	<b>10.0%</b>	<b>(1,493)</b>	<b>-3.3%</b>
Non-recurring costs/revenues and write-downs	(1,883)	-0.4%	(858)	-0.2%	(1,025)	119.5%
Depreciation and write-downs of tangible assets	(7,725)	-1.7%	(7,649)	-1.7%	(76)	1.0%
Amortisation and write-downs of intangible assets	(6,861)	-1.5%	(6,932)	-1.5%	71	-1.0%
<b>EBITDA</b>	<b>77,545</b>	<b>16.6%</b>	<b>77,905</b>	<b>17.3%</b>	<b>(360)</b>	<b>-0.5%</b>

**Consolidated net revenues** amounted to €466.1 million, and, despite a negative trend in the Euro/Dollar exchange rate, increased 3.4% compared to €450.7 million reported as at 30 September 2017 (+6.9% at constant exchange rate).

**Gross profit**, equal to €226.7 million, increased by 6.7% against €212.5 million reported in the same period of the previous year, while as a percentage of revenues it increased by 1.5 percentage points, from 47.1% in 2017 to 48.6% in 2018. The improvement is attributable primarily to the improved mix and efficiency related to cost of goods sold.

**Operating costs**, equal to €160.3 million, increased by 10.2% from €145.5 million in the same period of 2017, and increased by 2.1 percentage points in proportion to revenues, from 32.3% to 34.4%. The R&D

expenses grew 17.7% to €46.9 million, which corresponds to 10.1% of revenue compared to 8.9% in the same period of 2017; specifically, in the core business of the Datalogic Division, R&D expenses in proportion to revenue grew from 9.2% to 10.5%. Distribution expenses increased by 11.9% to €81.9 million, corresponding to 17.6% of revenues compared to 16.2% recorded in the same period of 2017. General and administrative expenses amounted to €32.5 million, down 1.3% compared to €33 million in the comparison period, attributable to steady cost control initiatives, while its proportion of revenues fell to 7% from 7.3% in the first nine months of 2017.

**EBITDA** stood at €77.5 million, essentially in line with the corresponding period in 2017 of €77.9 million (-1.5% at constant exchange rate), while, as a percentage of revenues (EBITDA margin), it decreased from 17.3% in 2017 to 16.6% in 2018, mainly due to the aforementioned higher investments in R&D and the strengthening of sales organisations, partially offset by the improvement in gross profit and the containment of general and administrative expenses.

**EBIT**, equal to €61.1 million, decreased by 2.2% compared to €62.5 million, while its percentage of revenues dropped from 13.9% in 2017 to 13.1% in 2018.

Non-recurring charges, equal to €1.9 million (€0.9 million in the first nine months of 2017), related primarily to restructuring transactions of some corporate departments and the reorganisation of the manufacturing and distribution footprint.

**Financial management** was negative for €5 million, compared to a negative result of €5.7 million in the same period of 2017. The improvement is mainly attributable to benefits from renegotiating the cost of outstanding loans and the reduction in bank expenses, partially offset by the increase in commercial exchange rate differences recorded for positions in foreign currencies.

	<b>Nine months ended</b>		
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>Change</b>
Financial income/(expenses)	(700)	(2,208)	1,508
Exchange rate differences	(3,209)	(2,259)	(950)
Bank expenses	(1,163)	(1,600)	437
Other	61	367	(306)
<b>Total net financial income (expenses)</b>	<b>(5,011)</b>	<b>(5,700)</b>	<b>689</b>

The **Group net profit**, amounting to €43.6 million, decreased by 3.3% compared to €45 million earned in the same period of the previous year. This figure corresponds to 9.3% of revenues.



## Period financial results by division

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

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

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

Revenues and EBITDA for the nine months are broken down below by division.

## Revenues for the nine-month period

	Nine months ended						
	30.09.2018	%	30.09.2017	%	Change	% change	% ch. at constant exch. rate
Datalogic	431,082	92.5%	417,745	92.7%	13,337	3.2%	6.3%
Solution Net Systems	22,423	4.8%	19,307	4.3%	3,116	16.1%	24.4%
Informatics	14,601	3.1%	16,366	3.6%	(1,765)	(10.8%)	(4.3%)
Inter-segment adjustments	(2,018)		(2,707)		689		
<b>Total Revenues</b>	<b>466,088</b>	<b>100.0%</b>	<b>450,711</b>	<b>100.0%</b>	<b>15,377</b>	<b>3.4%</b>	<b>6.9%</b>

## EBITDA for the nine-month period

	Nine months ended					
	30.09.2018	% of revenues	30.09.2017	% of revenues	Change	%
Datalogic	73,528	17.1%	75,159	18.0%	(1,631)	(2.2%)
Solution Net Systems	3,618	16.1%	2,840	14.7%	778	27.4%
Informatics	464	3.2%	(115)	(0.7%)	579	n.a.
Adjustments	(65)		21		(86)	
<b>Total EBITDA</b>	<b>77,545</b>	<b>16.6%</b>	<b>77,905</b>	<b>17.3%</b>	<b>(360)</b>	<b>-0.5%</b>

## Datalogic Division

In the first nine months of 2018, the **Datalogic Division** reported turnover of €431.1 million, up 3.2% compared to the same period of 2017 (+6% at constant exchange rate), with a particularly positive trend in North America, which grew 8.7% (+15.5% at constant exchange rate) and APAC, especially China and Korea, where growth of 15.5% was recorded (+20.1% at constant exchange rate).

EBITDA related to the division amounted to €73.5 million, down 2.2%, corresponding to 17.1% of turnover (18% as at 30 September 2017). This decrease is due to larger investments in R&D and the increase in sales expenses.

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

	Nine months ended						% ch. at constant exch. rate
	30.09.2018	%	30.09.2017	%	Change	%	
Retail	214,176	49.7%	205,972	49.3%	8,204	4.0%	8.0%
Manufacturing	130,789	30.3%	115,103	27.6%	15,686	13.6%	15.9%
Transportation & Logistics	50,601	11.7%	40,774	9.8%	9,827	24.1%	27.9%
Healthcare	13,647	3.2%	21,331	5.1%	(7,684)	(36.0%)	(33.3%)
Channel (unallocated) (*)	21,869	5.1%	34,565	8.3%	(12,696)	(36.7%)	(36.4%)
<b>Total Revenues</b>	<b>431,082</b>	<b>100.0%</b>	<b>417,745</b>	<b>100.0%</b>	<b>13,337</b>	<b>3.2%</b>	<b>6.3%</b>

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

(\*\*) Note that data for 2017 have been restated.

The **Retail** sector reported a 4% increase compared to last year (+8% at constant exchange rate), mainly in North America (+26.8%, +35.1% at constant exchange rate).

The **Manufacturing** sector proved to be in considerable expansion, up 13.6% compared to the previous year (+15.9% at constant exchange rate); growth was recorded in all the primary geographic areas and, in particular, China and Korea (+38.4%) and EMEA (+8.1%).

The **Transportation & Logistics** sector reported a 24.1% increase compared to the same period of 2017 (+27.9% at constant exchange rate), with significant growth in North America (+52%), China and Korea (+10.7%), and EMEA (+10.1%).

The **Healthcare** sector reported a 36% decrease (-33.3% at constant exchange rate), compared to the first nine months of 2017, which had posted exceptionally positive results due to the acquisition of important orders in some of the leading US hospital chains.

The sales through distribution channel, especially to small and medium-sized customers, not directly attributable to any of the four main sectors, reported a 36.7% decrease due to the seasonal trend of stock reduction in the main distributors that occurred in the first half of the year, as well as the delay in launching new products dedicated to the distribution channel.

### Solution Net Systems Division

The **Solution Net Systems Division** reported revenues of €22.4 million, up 16.1% compared to the first nine months of 2017 (+24.4% at constant exchange rate), primarily due to the acquisition of additional large orders, both in the postal and retail sectors.

The EBITDA for the division amounted to €3.6 million, with a percentage of sales of 16.1% compared to 14.7% in the same period of 2017.

### Informatics Division

In the first nine months of 2018, the **Informatics Division** recorded turnover of €14.6 million, down 10.8% (-4.3% at constant exchange rate) compared to the same period in 2017.

EBITDA for the division was positive for €0.5 million (negative by 0.1 million in the same period of 2017).

### Revenues for the nine-month period by geographic area

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

	Nine months ended						% ch. at constant exch. rate
	30.09.2018	%	30.09.2017	%	Change	%	
<i>Italy</i>	40,041	8.6%	41,589	9.2%	(1,548)	(3.7%)	
<i>EMEA (except Italy)</i>	197,987	42.5%	196,138	43.5%	1,849	0.9%	
Total EMEA (*)	238,028	51.1%	237,727	52.7%	301	0.1%	0.8%
North America	152,618	32.7%	141,178	31.3%	11,440	8.1%	15.2%
Latin America	11,138	2.4%	12,699	2.8%	(1,561)	(12.3%)	(3.5%)
APAC (*) (incl. China)	64,304	13.8%	59,107	13.1%	5,197	8.8%	13.8%
<b>Total Revenues</b>	<b>466,088</b>	<b>100.0%</b>	<b>450,711</b>	<b>100.0%</b>	<b>15,377</b>	<b>3.4%</b>	<b>6.9%</b>

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

(\*\*) As at 30 September 2018, sales in Mexico were included in the North America region, data as at 30 September 2017 were reclassified accordingly.

During the first nine months of 2018, strong growth was recorded, principally in North America, equivalent to 8.1% (+15.2% at constant exchange rate) as well as APAC for 8.8%, (+13.8% at constant exchange rate), driven by China and Korea (+15.5% and +20.1% at constant exchange rate).

## GROUP RECLASSIFIED ECONOMIC RESULTS FOR THE THIRD QUARTER

The following two tables compare the main operating results achieved in the third quarter of 2018 with the same period of 2017.

	3Q 2018	% of Revenues	3Q 2017	% of Revenues	change	% change	% change at constant Euro/Dollar exchange rate
<b>Total Revenues</b>	<b>159,094</b>	100.0%	<b>151,403</b>	100.0%	<b>7,691</b>	5.1%	4.9%
<b>EBITDA</b>	<b>26,707</b>	16.8%	<b>26,080</b>	17.2%	<b>627</b>	2.4%	2.0%
<b>Operating result (EBIT)</b>	<b>20,798</b>	13.1%	<b>21,277</b>	14.1%	<b>(479)</b>	-2.3%	7.3%
<b>Group net profit/loss</b>	<b>14,615</b>	9.2%	<b>15,774</b>	10.4%	<b>(1,159)</b>	-7.3%	

Total revenues in the third quarter of 2018 amounted to €159.1 million, up 5.1% compared to the third quarter of 2017 (+4.9% at constant exchange rate).

EBITDA in the third quarter increased 2.4% (+2% at constant exchange rate). Expressed as a percentage of revenue, the figure was 16.8% (17.2% in the third quarter of 2017) and reflects higher investments in R&D, which were 10.4% of revenues (9.0% in the third quarter of 2017) and costs to strengthen sales organisations, partially offset by the improvement in the gross profit and containment of general and administrative expenses.

### Third quarter financial results by division

	Revenue			EBITDA		
	3Q 2018	3Q 2017	% Chg.	3Q 2018	3Q 2017	%
Datalogic	146,778	138,567	5.9%	24,836	23,835	4.2%
Solution Net Systems	8,203	8,732	(6.1%)	1,686	2,009	(16.1%)
Informatics	4,857	5,127	(5.3%)	203	213	(4.7%)
Adjustments	(744)	(1,023)	(27.3%)	(18)	23	n.a.
<b>Total Revenues</b>	<b>159,094</b>	<b>151,403</b>	<b>5.1%</b>	<b>26,707</b>	<b>26,080</b>	<b>2.4%</b>

### Datalogic Division

In the third quarter, the **Datalogic Division** reported turnover of €146.8 million, up by 5.9% compared to the same period of 2017 (+5.8% at constant exchange rate), with especially positive performance in North America, where growth of 45.7% was recorded.

EBITDA related to the division amounted to €24.8 million, up 4.2%, corresponding to 16.9% of turnover (17.2% as at 30 September 2017).

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

	<b>3Q 2018</b>	<b>%</b>	<b>3Q 2017 (**)</b>	<b>%</b>	<b>Change</b>	<b>%</b>	<b>% ch. at constant exch. rate</b>
Retail	72,605	49.5%	67,876	49.0%	4,729	7.0%	6.9%
Manufacturing	40,777	27.8%	37,724	27.2%	3,053	8.1%	8.1%
Transportation & Logistics	19,481	13.3%	15,060	10.9%	4,421	29.4%	28.8%
Healthcare	4,774	3.3%	5,035	3.6%	(261)	(5.2%)	(5.5%)
Channel (unallocated) (*)	9,141	6.2%	12,872	9.3%	(3,731)	(29.0%)	(29.1%)
<b>Total Revenues</b>	<b>146,778</b>	<b>100.0%</b>	<b>138,567</b>	<b>100.0%</b>	<b>8,211</b>	<b>5.9%</b>	<b>5.8%</b>

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

(\*\*) Note that data for 2017 have been restated.

The **Retail** sector reported a 7% increase compared to last year (+6.9% at constant exchange rate) against considerable growth in North America (+72.1%, +70.5% at constant exchange rate). The other areas posted declines as a result of the comparison with the third quarter of 2017, which posted exceptionally positive results following the acquisition of important orders and the roll-out of new products, as well as the timing of the launch of a new line of readers and mobile computers.

The **Manufacturing** sector confirmed its expansion, with growth of 8.1% compared to the same period of 2017 (+8.1% at constant exchange rate), with positive performance in all areas and double-digit growth in APAC, especially China and Korea (+20.6%).

The **Transportation & Logistics** sector reported a 29.4% increase compared to the same period of 2017 (+28.8% at constant exchange rate), more than doubling the turnover in North America (+116.8%), while EMEA reflected the delay in important projects to the subsequent quarter.

The **Healthcare** sector reported a 5.2% decrease (-5.5% at constant exchange rate), compared to the third quarter of 2017, an improvement in the negative trend seen in previous quarters.

The sales through distribution channel, especially to small and medium-sized customers, not directly attributable to any of the four main sectors, reported a 29% decrease, primarily related to the timing of new product launches for the distribution channel.

### **Solution Net Systems Division**

The **Solution Net Systems Division** reported revenues of €8.2 million, up 6.1% compared to the third quarter of 2017 (-7% at constant exchange rate), performance that is solely attributable to the seasonal trend in orders in progress.

The EBITDA related to the division amounted to €1.7 million, corresponding to 20.6% of sales compared to 23% in the third quarter of 2017.

**Informatics Division**

In the third quarter, the **Informatics Division** recorded turnover of €4.9 million, down 5.3% (-6.2% at constant exchange rate) compared to the third quarter of 2017.

EBITDA related to the division amounted to €0.2 million, in line with the same period of 2017.

**Third quarter revenues by geographic area**

	<b>3Q 2018</b>	<b>%</b>	<b>3Q 2017</b>	<b>%</b>	<b>Change</b>	<b>%</b>	<b>% ch. at constant exch. rate</b>
Italy	10,959	6.9%	13,906	9.2%	(2,947)	(21.2%)	
EMEA (except Italy)	62,583	39.3%	65,167	43.0%	(2,584)	(4.0%)	
<b>Total EMEA (*)</b>	<b>73,546</b>	<b>46.2%</b>	<b>79,073</b>	<b>52.2%</b>	<b>(5,527)</b>	<b>(7.0%)</b>	<b>(7.1%)</b>
North America	60,852	38.2%	46,151	30.5%	14,701	31.9%	30.6%
Latin America	4,577	2.9%	5,356	3.5%	(779)	(14.5%)	(9.5%)
APAC (*) (incl. China)	20,119	12.6%	20,823	13.8%	(704)	(3.4%)	(2.8%)
<b>Total Revenues</b>	<b>159,094</b>	<b>100.0%</b>	<b>151,403</b>	<b>100.0%</b>	<b>7,691</b>	<b>5.1%</b>	<b>4.9%</b>

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

(\*\*) As at 30 September 2018, sales in Mexico were included in the North America region, comparison data was reclassified accordingly.

During the third quarter of 2018, North America recorded double-digit growth equal to 31.9% (+30.6% at constant exchange rate). Other geographical areas reported a decrease for the third quarter, principally associated with the acquisition of important projects in the previous year, in particular in the EMEA retail sector, and the new product launches for the distribution channel linked to the completion of the technology migration to the Android operating system for the entire line of mobility products.

## ANALYSIS OF FINANCIAL AND CAPITAL DATA

The following table shows the main financial and equity items as at 30 September 2018, for the Datalogic Group, compared with 31 December 2017 and 30 September 2017.

	30.09.2018	31.12.2017	30.09.2017
Intangible assets	41,100	41,980	43,464
Goodwill	179,284	174,343	176,937
Tangible assets	72,114	69,733	68,108
Equity investments in associates	11,297	11,757	12,013
Other non-current assets	52,638	50,058	54,892
<b>Non-current capital</b>	<b>356,433</b>	<b>347,871</b>	<b>355,414</b>
Trade receivables	89,955	85,832	93,141
Trade payables	(115,566)	(110,288)	(90,846)
Inventories	109,096	85,938	87,521
<b>Net Trade Working Capital</b>	<b>83,485</b>	<b>61,482</b>	<b>89,816</b>
Other current assets	42,131	31,121	37,570
Held-for-sale assets	0	1,021	0
Other current liabilities and provisions for short-term risks	(85,033)	(71,621)	(76,299)
<b>Net Working Capital</b>	<b>40,583</b>	<b>22,003</b>	<b>51,087</b>
Other M/L-term liabilities	(29,117)	(26,747)	(30,387)
Employee severance indemnity	(6,736)	(6,633)	(6,745)
Provisions for risks	(7,618)	(13,602)	(13,674)
<b>Net Invested Capital</b>	<b>353,545</b>	<b>322,892</b>	<b>355,695</b>
<b>Shareholders' equity</b>	<b>(364,404)</b>	<b>(353,029)</b>	<b>(340,519)</b>
<b>Net Financial Position (NFP)</b>	<b>10,859</b>	<b>30,137</b>	<b>(15,176)</b>

As at 30 September 2018, **Net Trade Working Capital** amounted to €83.5 million, up €22 million compared to 31 December 2017 and down €6.3 million compared to 30 September 2017, corresponding to 13.4% of revenues, a drop from September 2017 (14.8%).

As at 30 September 2018, the net financial debt/(net financial position) is broken down as follows:

	30.09.2018	31.12.2017	30.09.2017
A. Cash and bank deposits	194,102	256,201	238,716
B. Other cash and cash equivalents	12	11	12
<i>b1. restricted cash deposit</i>	12	11	12
C. Securities held for trading	0	0	0
<b>D. Cash and equivalents (A) + (B) + (C)</b>	<b>194,114</b>	<b>256,212</b>	<b>238,728</b>
E. Current financial receivables	0	0	0
F. Other current financial receivables	51,396	31,444	31,171
<i>f1. hedging transactions</i>	0	0	0
G. Bank overdrafts	55	92	151
H. Current portion of non-current debt	47,736	48,108	51,463
I. Other current financial payables	5,779	2,913	2,956
<i>i1. hedging transactions</i>	0	0	5
<i>i2. lease payables</i>	0	0	22
<i>i3. current financial payables</i>	5,779	2,913	2,929
<b>J. Current financial debt/(current financial position) (G) + (H) +(I)</b>	<b>53,570</b>	<b>51,113</b>	<b>54,570</b>
<b>K. Current net financial debt/(current net financial position) (J) - (D) - (E) - (F)</b>	<b>(191,940)</b>	<b>(236,543)</b>	<b>(184,158)</b>
L. Non-current bank borrowing	181,081	205,656	229,755
M. Other financial assets	0	0	0
N. Other non-current liabilities	0	750	750
<i>n3. non-current financial payables</i>	0	750	750
<b>O. Non-current financial debt (L) - (M) + (N)</b>	<b>181,081</b>	<b>206,406</b>	<b>199,334</b>
<b>P. Net financial debt/(net financial position) (K) + (O)</b>	<b>(10,859)</b>	<b>(30,137)</b>	<b>15,176</b>

The Net Financial Position as at 30 September 2018 was positive by €10.9 million, an improvement of €26 million compared to 30 September 2017 (negative by €15.2 million) and a deterioration of €19.3 million compared to 31 December 2017 (positive by €30.1 million).

Cash flows, which brought about the change in the Group's consolidated net financial position as at 30 September 2018, are summarised as follows.

	30.09.2018
<b>Net Financial Position/(Net Financial Debt) at beginning of period</b>	<b>30,137</b>
EBITDA	77,545
Change in net trade working capital	(22,003)
Net investments	(15,032)
Change in taxes	(15,955)
Cash flows related to financial management	(5,011)
Dividend distribution	(28,914)
Treasury shares	(10,904)
Other changes	996
<b>Increase/(Decrease) of Net Financial Debt</b>	<b>(19,278)</b>
<b>Net Financial Position/(Net Financial Debt) at end of period</b>	<b>10,859</b>



Treasury shares were purchased in implementation of the resolution of the Shareholders' Meeting of 4 May 2017, as described in detail in the subsequent paragraph "Significant events during the nine-month period". Net of the treasury share purchases and dividend distribution, cash generation for the period deriving from business activities was positive for €20.5 million, an improvement compared to the first nine months of 2017 in which cash generation would have been positive for €6.6 million, excluding the dividend distribution and acquisition of Soredi Touch Systems GMBH.

### **SIGNIFICANT EVENTS DURING THE NINE-MONTH PERIOD**

On 3 April, in implementation of the Shareholders' Meeting resolution of 4 May 2017 authorising the purchase and sale of treasury shares, Datalogic S.p.A. signed a buy-back agreement with a broker for the repurchase of treasury shares on the market. This agreement was concluded in advance, on 10 May. In particular, in the period between 3 April 2018 and 10 May 2018, the Company repurchased 397,773 treasury shares out of the maximum envisaged of 500,000 shares.

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

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

### **BUSINESS OUTLOOK**

Despite the overall negative impact on sales due to the trend in the Euro/Dollar exchange rate, the results for the first nine months of the year, and in particular in the first half, reported a growth trend in revenues that was consistent with business forecasts for a steady and gradual quarterly improvement in growth rates over the same period of the prior year.

The Group continues its growth strategy focused on a continuous increase in R&D investments, an improvement of service levels offered to customers, a further improvement of all sales organisations in the main development areas, with special focus on North America and the optimisation of production costs, combined with a thorough control on operating costs and overheads.

Of particular significance in recent months has been the completion of the technology migration to the Android operating system for the entire line of mobility products and the attainment of the Google product certification of "Android Enterprise Recommended" for Memor 10, the first of a new family of PDA products with unique characteristics on the market whose launch, expected shortly, is an important part of the strong pipeline expected in coming months.

Although the activities to complete the Android technology migration required more time than anticipated, resulting in the delay in the initial expected launch of certain important new products, based on forecasts for additional growth in revenue for the last quarter of the year and in the absence of significant changes in economic and sector trends, the Group expects to close the year with revenue that is higher than the trend seen in the first nine months, maintaining the EBITDA margin essentially in line with last year, while preserving its financial solidity.

**SECONDARY LOCATIONS**

The Parent Company has no secondary locations.

The Chairman of the Board of Directors

(Mr. Romano Volta)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Note	30.09.2018	31.12.2017
<b>A) Non-current assets (1+2+3+4+5+6+7)</b>		<b>356.433</b>	<b>347.871</b>
<b>1) Tangible assets</b>		<b>72.114</b>	<b>69.733</b>
land	1	7.828	7.719
buildings	1	28.945	29.369
other assets	1	30.797	30.495
assets in progress and payments on account	1	4.544	2.150
<i>of which from related parties</i>		666	258
<b>2) Intangible assets</b>		<b>220.384</b>	<b>216.323</b>
goodwill	2	179.284	174.343
development costs	2	5.375	3.863
other	2	32.099	34.352
assets under development and payments on account	2	3.626	3.765
<b>3) Equity investments in associates</b>	3	<b>2.157</b>	<b>2.184</b>
<b>4) Financial assets</b>		<b>9.140</b>	<b>9.573</b>
equity investments	5	9.140	9.573
securities	5	0	0
other	5		
<b>5) Loans</b>	5	<b>0</b>	<b>0</b>
<b>6) Trade and other receivables</b>	7	<b>2.178</b>	<b>2.194</b>
<b>7) Deferred tax assets</b>	13	<b>50.460</b>	<b>47.864</b>
<b>B) Current assets (8+9+10+11+12+13+14)</b>		<b>486.692</b>	<b>490.547</b>
<b>8) Inventories</b>		<b>109.096</b>	<b>85.938</b>
raw and ancillary materials and consumables	8	48.758	33.101
work in progress and semi-finished products	8	25.606	25.417
finished products and goods	8	34.732	27.420
<b>9) Trade and other receivables</b>	7	<b>112.997</b>	<b>105.523</b>
<b>trade receivables</b>	7	<b>89.955</b>	<b>85.832</b>
trade receivables from third parties	7	89.187	85.039
<i>trade receivables from associates</i>	7	768	784
<i>trade receivables from related parties</i>	7	0	9
<b>other receivables - accrued income and prepaid expenses</b>	7	<b>23.042</b>	<b>19.691</b>
<i>of which from associated parties</i>		230	587
<i>of which from related parties</i>		76	76
<b>10) Tax receivables</b>	9	<b>19.089</b>	<b>11.430</b>
<i>of which from the parent company</i>		6.771	6.771
<b>11) Financial assets</b>	5	<b>51.396</b>	<b>31.444</b>
securities		0	0
other		51.396	31.444
<b>12) Loans</b>		<b>0</b>	<b>0</b>
<b>13) Financial assets - derivative instruments</b>	6	<b>0</b>	<b>0</b>
<b>14) Cash and cash equivalents</b>	10	<b>194.114</b>	<b>256.212</b>
<b>C) Held-for-sale assets</b>			<b>1.021</b>
<b>Total assets (A+B+C)</b>		<b>843.125</b>	<b>839.439</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (€/000)	Note	30.09.2018	31.12.2017
<b>A) Total shareholders' equity (1+2+3+4+5)</b>	11	<b>364.404</b>	<b>353.029</b>
<b>1) Share capital</b>	11	<b>137.387</b>	<b>148.291</b>
Share capital		30.392	30.392
Treasury shares		-4.784	6.120
Share premium reserve		97.675	109.753
Treasury share reserve		14.104	2.026
<b>2) Reserves</b>	11	<b>22.254</b>	<b>14.815</b>
Actuarial gains/(losses) reserve		(371)	(371)
Reserve for exchange rate adjustment		6.994	4.500
Translation (loss) reserve		11.072	5.939
Cash flow hedge reserve		(708)	(948)
Held-for-sale financial assets reserve		5.267	5.695
<b>3) Profits (losses) of previous years</b>	11	<b>161.185</b>	<b>129.843</b>
Profits (losses) of previous years		145.355	114.189
Stock grant reserve		176	
Capital contribution reserve, not subject to taxation		958	958
Legal reserve		6.078	6.078
Treasury share reserve			
IAS transition reserve		8.618	8.618
<b>4) Group profit (loss) for the period/year</b>	11	<b>43.578</b>	<b>60.080</b>
<b>5) Minority interests</b>	11	<b>0</b>	<b>0</b>
<b>B) Non-current liabilities (6+7+8+9+10+11+12)</b>		<b>224.552</b>	<b>253.388</b>
<b>6) Financial payables</b>	12	<b>181.081</b>	<b>206.406</b>
<b>7) Financial liabilities - derivative instruments</b>	6	<b>0</b>	<b>0</b>
<b>8) Tax payables</b>	9	<b>43</b>	<b>43</b>
<b>9) Deferred tax liabilities</b>	13	<b>25.224</b>	<b>23.138</b>
<b>10) Post-employment benefits</b>	14	<b>6.736</b>	<b>6.633</b>
<b>11) Provisions for risks and charges</b>	15	<b>7.618</b>	<b>13.602</b>
<b>12) Other liabilities</b>	16	<b>3.850</b>	<b>3.566</b>
<b>C) Current liabilities (13+14+15+16+17)</b>		<b>254.169</b>	<b>233.022</b>
<b>13) Trade and other payables</b>	16	<b>167.895</b>	<b>160.561</b>
<b>trade payables</b>	16	<b>115.566</b>	<b>110.288</b>
trade payables to third parties	16	115.275	109.688
trade payables to parent company	16	0	0
trade payables to associates	16	176	347
trade payables to related parties	16	115	253
<b>other payables - accrued liabilities and deferred income</b>	16	<b>52.329</b>	<b>50.273</b>
<b>14) Tax payables</b>	9	<b>19.266</b>	<b>14.191</b>
of which to the parent company		8.865	4.865
<b>15) Provisions for risks and charges</b>	15	<b>13.438</b>	<b>7.157</b>
<b>16) Financial liabilities - derivative instruments</b>	6	<b>0</b>	<b>0</b>
<b>17) Financial payables</b>	12	<b>53.570</b>	<b>51.113</b>
<b>Total liabilities (A+B+C)</b>		<b>843.125</b>	<b>839.439</b>

## CONSOLIDATED STATEMENT OF INCOME

(Euro/000)	Note	30.09.2018	30.09.2017
<b>1) Total revenues</b>	17	<b>466.088</b>	<b>450.711</b>
Revenues from sale of products		466.088	450.711
Revenues from services			
<i>of which from related parties and associates</i>			4.258
<b>2) Cost of goods sold</b>	18	<b>239.949</b>	<b>238.517</b>
of which non-recurring	18	576	316
<i>of which to related parties and associates</i>		744	657
<b>Gross profit (1-2)</b>		<b>226.139</b>	<b>212.194</b>
<b>3) Other operating revenues</b>	19	<b>2.799</b>	<b>2.005</b>
<b>4) R&amp;D expenses</b>	18	<b>47.022</b>	<b>40.121</b>
of which non-recurring	18	0	153
of which amortisation, depreciation and write-downs pertaining		74	79
<i>of which to related parties and associates</i>	18	2.872	45
<b>5) Distribution expenses</b>	18	<b>81.920</b>	<b>73.225</b>
of which non-recurring	18	0	0
<i>of which to related parties and associates</i>		91	8
<b>6) General and administrative expenses</b>	18	<b>37.176</b>	<b>36.937</b>
of which non-recurring	18	1.307	389
of which amortisation, depreciation and write-downs pertaining	18	3.342	3.582
<i>of which to the parent company</i>		0	0
<i>of which to related parties and associates</i>		185	208
<b>7) Other operating expenses</b>	18	<b>1.744</b>	<b>1.450</b>
<b>Total operating costs</b>		<b>167.862</b>	<b>151.733</b>
<b>Operating result</b>		<b>61.076</b>	<b>62.466</b>
<b>8) Financial income</b>	20	<b>25.445</b>	<b>23.916</b>
<b>9) Financial expenses</b>	20	<b>30.456</b>	<b>29.616</b>
<b>Net financial income (expenses) (8-9)</b>		<b>(5.011)</b>	<b>(5.700)</b>
<b>10) Profits from associates</b>	3	<b>0</b>	<b>(1)</b>
<b>Profit (loss) before taxes from the operating assets</b>		<b>56.065</b>	<b>56.765</b>
Income taxes	21	12.487	11.694
<b>Profit/(loss) for the period</b>		<b>43.578</b>	<b>45.071</b>
Basic earnings/(loss) per share (€)	22	0,75	0,78
Diluted earnings/(loss) per share (€)	22	0,75	0,78

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro/000)	Note	30.09.2018	30.09.2017
<b>Net profit/(loss) for the period</b>		<b>43.578</b>	<b>45.071</b>
<b>Other components of the statement of comprehensive income:</b>			
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the period:</i>			
Profit/(loss) on cash flow hedges <i>of which tax effect</i>	11	240	(1.011)
Profit/(loss) due to translation of the accounts of foreign companies	11	5.133	(17.552)
Profit/(loss) on exchange rate adjustments for financial assets available for sale <i>of which tax effect</i>	11	(428)	4.215
Reserve for exchange rate adjustment <i>of which tax effect</i>	11	2.494	(11.155)
<b>Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the period</b>		<b>7.439</b>	<b>(25.503)</b>
<b>Total net profit/(loss) for the period</b>		<b>51.017</b>	<b>19.568</b>
Attributable to:			
Parent company shareholders		51.017	19.568
Minority interests		0	0

## CONSOLIDATED STATEMENT OF CASH FLOW

(Euro/000)	Note	30.09.2018	30.09.2017
<b>Pre-tax profit</b>		<b>56.065</b>	<b>56.765</b>
Depreciation of tangible assets and write-downs	1, 2	7.774	7.649
Amortisation of intangible assets and write-downs	1, 2	6.861	6.932
Capital losses from sale of assets	18	16	76
Capital gains from sale of assets	19	(96)	(4)
Change in provisions for risks and charges	15	297	1.421
Effect of change in provisions for risks and charges		(364)	1197
Change in employee benefits reserve	14	103	98
Bad debt provisions	18	174	76
Net financial expenses including exchange rate differences	20	2.331	4.077
Net financial income including exchange rate differences	20	(529)	(636)
Exchange rate differences	20	3.209	2.259
Adjustments to value of financial assets	3	0	1
<b>Cash flow generated (absorbed) from operations before changes in working capital</b>		<b>75.841</b>	<b>79.911</b>
Change in trade receivables (including provision)	7	(4.297)	(16.920)
Change in final inventories	8	(23.158)	(3.630)
Change in current assets	7	(3.351)	(3.762)
Change in other medium-/long-term assets	7	16	137
Change in trade payables	16	5.278	(14.475)
Change in other current liabilities	16	2.430	1.786
Other medium/long-term liabilities	16	284	(634)
Commercial exchange rate differences	20	(4.480)	3.257
Exchange rate effect of working capital		69	(1.708)
<b>Cash flow generated (absorbed) from operations after changes in working capital</b>		<b>48.632</b>	<b>43.962</b>
Change in taxes		(15.955)	(16.710)
Exchange rate effect of tax		1.021	(3.298)
Interest paid and banking expenses	20	(1.802)	(3.440)
<b>Cash flow generated (absorbed) from operations (A)</b>		<b>31.896</b>	<b>20.514</b>
Increase in intangible assets excluding exchange rate effect	2	(5.074)	(2.568)
Decrease in intangible assets excluding exchange rate effect	2	0	212
Increase in tangible assets excluding exchange rate effect	1	(10.258)	(6.658)
Decrease in tangible assets excluding exchange rate effect	1	332	930
Change in unconsolidated equity investments	5	1.454	0
Acquisition of equity investments		0	(5.866)
<b>Cash flow generated (absorbed) from investments (B)</b>		<b>(13.546)</b>	<b>(13.950)</b>
Change in LT/ST financial receivables	5	(19.003)	(129)
Change in short-term and medium/long-term financial payables	12, 6	(22.831)	107.545
Financial exchange rate differences	20	1.271	(5.517)
Purchase/sale of treasury shares	11	(10.904)	0
Change in reserves Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets	11, 1, 2	(31)	827
Dividend payment	11	(28.914)	(17.443)
<b>Cash flow generated (absorbed) from financial activity (C)</b>		<b>(80.412)</b>	<b>85.283</b>
<b>Net increase (decrease) in available cash (A+B+C)</b>	10	<b>(62.062)</b>	<b>91.847</b>
<b>Net cash and cash equivalents at beginning of period</b>	10	<b>256.109</b>	<b>146.718</b>
<b>Net cash and cash equivalents at end of period</b>	10	<b>194.047</b>	<b>238.565</b>

**STATEMENT OF SHAREHOLDERS' EQUITY (Note 11)**

Description	Share capital		Reserves of Statement of Comprehensive Income					Retained earnings					Profit for the period	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	Stock grant reserve	Capital contribution reserve	Legal reserve	IAS reserve			Total
<b>01.01.2017</b>	<b>146.291</b>	<b>(28)</b>	<b>25.436</b>	<b>17.290</b>	<b>(371)</b>	<b>490</b>	<b>42.817</b>	<b>85.721</b>	<b>0</b>	<b>958</b>	<b>6.078</b>	<b>8.683</b>	<b>101.440</b>	<b>45.846</b>	<b>336.394</b>
Allocation of earnings	0						0	45.846					45.846	(45.846)	0
Dividends							0	(17.443)					(17.443)		(17.443)
Translation reserve	0						0						0		0
Change in IAS reserve	0						0						0		0
Sale/purchase of treasury shares	2.000						0						0		2.000
Other changes							0	65				(65)	0		0
Profit/(loss) as at 30.09.2017	0						0						0	45.071	45.071
Total other components of the statement of comprehensive income		(1.011)	(17.552)	(11.155)		4.215	(25.503)						0		(25.503)
<b>30.09.2017</b>	<b>148.291</b>	<b>(1.039)</b>	<b>7.884</b>	<b>6.135</b>	<b>(371)</b>	<b>4.705</b>	<b>17.314</b>	<b>114.189</b>	<b>0</b>	<b>958</b>	<b>6.078</b>	<b>8.618</b>	<b>129.843</b>	<b>45.071</b>	<b>340.519</b>

Description	Share capital		Reserves of Statement of Comprehensive Income					Retained earnings					Profit for the period	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	Stock grant reserve	Capital contribution reserve	Legal reserve	IAS reserve			Total
<b>01.01.2018</b>	<b>148.291</b>	<b>(948)</b>	<b>5.939</b>	<b>4.500</b>	<b>(371)</b>	<b>5.695</b>	<b>14.815</b>	<b>114.189</b>	<b>0</b>	<b>958</b>	<b>6.078</b>	<b>8.618</b>	<b>129.843</b>	<b>60.080</b>	<b>353.029</b>
Allocation of earnings	0						0	60.080					60.080	(60.080)	0
Dividends							0	(28.914)					(28.914)		(28.914)
Translation reserve	0						0						0		0
Change in IAS reserve	0						0						0		0
Sale/purchase of treasury shares	(10.904)						0						0		(10.904)
Other changes							0		176				176		176
Profit/(loss) as at 30.09.2018	0						0						0	43.578	43.578
Total other components of the statement of comprehensive income		240	5.133	2.494		(428)	7.439	0					0		7.439
<b>30.09.2018</b>	<b>137.387</b>	<b>(708)</b>	<b>11.072</b>	<b>6.994</b>	<b>(371)</b>	<b>5.267</b>	<b>22.254</b>	<b>145.355</b>	<b>176</b>	<b>958</b>	<b>6.078</b>	<b>8.618</b>	<b>161.185</b>	<b>43.578</b>	<b>364.404</b>



## **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **GENERAL INFORMATION**

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

Its pioneering solutions contribute to increase efficiency and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics, and health, along the entire value chain.

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 Interim Report on Operations as at 30 September 2018 includes the figures of the Parent Company and its subsidiaries (defined hereinafter as the “Group”), as well as its minority interests in associates.

The publication of the Interim Report on Operations as at 30 September 2018 of the Datalogic Group was authorised by resolution of the Board of Directors dated 13 November 2018.

### **PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Interim Report on Operations as at 30 September 2018 was prepared pursuant to Article 154-*ter* of the Italian Legislative Decree no. 58/1998, and to the Consob provisions in this field.

Disclosures on financial position, financial performance and cash flows, if not otherwise specified, were drawn up pursuant to measurement and recognition criteria set forth by International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission according to the procedure as per Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and the European Council of 19 July 2002. Therefore, this Interim Report on Operations must be read together with the Consolidated Financial Statements and the Explanatory Notes as at 31 December 2017, which have been prepared in accordance with IFRS accounting standards endorsed by the European Union, approved at the Shareholders’ Meeting held on 23 May 2018 and available in the section Investor Relations at [www.Datalogic.com](http://www.Datalogic.com).

This Interim Report on Operations is drawn up in thousands of Euro, which is the Group’s “functional” and “presentation” currency.

## ***New accounting criteria, interpretations and modifications adopted by the Group***

The accounting standards adopted for preparation of the Interim Report on Operations are consistent with those used to prepare the Consolidated Financial Statements as at 31 December 2017, with the exceptions noted below, which had no significant impact on the Interim Report on Operations.

### ***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. The Group adopted the new standard effective 1 January 2018 and did not restate comparative information. During 2017, the Group completed the analysis of the principal changes introduced in IFRS 9. As previously noted in the Annual Financial Report as at 31 December 2017, the Group did not record any material impact in its statement of financial position and in shareholders’ equity.

### ***Measurement and Recognition***

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

### ***Impairment***

IFRS 9 requires that expected credit losses be recognised for all bonds, loans and trade receivables of the Group, on an annual base, and according to the residual life. The Group, which applied the simplified approach, did not register any effects on its shareholders’ equity, given that its trade receivables are largely from counterparties with high credit standing.

### ***IFRS 15 – Revenue from Contracts with Customers***

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

### ***Sale of goods***

There were no material impacts on the Group’s financial statements following the application of the measurement and recognition requirements envisaged by IFRS 15 in relation to the accounting treatment of revenues from contracts with customers that envisage the sale of goods as the sole contractual obligation.

### ***Rendering of services***

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

customers. In compliance with IFRS 15, the Group performed assessments on the allocation of revenues based on the prices related to each individual service. No significant impacts emerged.

***Presentation and required disclosures***

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

The Group has not yet adopted any new standard, interpretation or amendment that has been published, but is not yet effective.

## GROUP STRUCTURE

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

Interim reports of subsidiaries were duly adjusted, as necessary, to render them consistent with the accounting criteria of the Parent Company.

The companies included in the scope of consolidation as at 30 September 2018, as disclosed hereunder, were all consolidated on a line-by-line basis.

Company	Registered office	Share capital		Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Datalogic S.p.A.	Bologna – Italy	Euro	30,392,175	279,654	23,851	
Datalogic Real Estate France Sas	Paris – France	Euro	2,227,500	3,628	67	100%
Datalogic Real Estate GmbH	Erkenbrechtsweiler-Germany	Euro	1,025,000	1,382	(3)	100%
Datalogic Real Estate UK Ltd	Redbourn - England	GBP	3,500,000	4,427	41	100%
Datalogic IP Tech S.r.l.	Bologna – Italy	Euro	65,677	12,800	1,878	100%
Informatics Holdings, Inc.	Plano, Texas - USA	USD	1,568	14,374	(114)	100%
Wasp Barcode Technologies Ltd	Redbourn - England	GBP	-	193	63	100%
Datalogic Automation Asia Ltd. (*)	Hong Kong - China	HKD	7,000,000	(75)	0	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd.	Shenzhen - China	CNY	2,136,696	1,579	279	100%
Datalogic Hungary Kft	Fonyod - Hungary	HUF	3,000,000	3,546	1,151	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		9,787	2,620	100%
Datalogic S.r.l.	Bologna – Italy	Euro	10,000,000	153,692	15,857	100%
Datalogic ADC HK Ltd. (*)	Hong Kong - China	HKD	100,000	76	0	100%
Datalogic Slovakia S.r.o.	Trnava - Slovakia	Euro	66,388	10,921	10,847	100%
Datalogic USA Inc.	Eugene, OR - USA	USD	100	77,344	1,404	100%
Datalogic do Brazil Comercio de Equipamentos e Automacao Ltda.	Sao Paulo - Brazil	R\$	206,926	(3,081)	(506)	100%
Datalogic Tecnologia de Mexico S.r.l.	Colonia Cuauhtemoc - Mexico	USD	-	(133)	(56)	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt - Germany	Euro	25,000	3,732	0	100%
Datalogic Australia Pty Ltd	Mount Waverley (Melbourne) - Australia	AUD	3,188,120	728	183	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	84,669	5,607	100%
Datalogic Singapore Asia Pacific Pte Ltd.	Singapore	SGD	3	1,849	162	100%
SOREDI Touch Systems GmbH	Olching (Munich) - Germany	Euro	25,000	2,079	120	100%

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

The following companies were consolidated at cost as at 30 September 2018:

<b>Company</b>	<b>Registered office</b>		<b>Share capital</b>	<b>Total shareholders' equity (€/000)</b>	<b>Profit/loss for the period (€/000)</b>	<b>% Ownership</b>
Specialvideo S.r.l. (*)	Imola - Italy	Euro	10,000	481	101	40%
Datasensor GmbH (*)	Otterfing - Germany	Euro	150,000	1	(6)	30%
Suzhou Mobilead Electronic Technology Co, Ltd (*)	China	CNY	13,262,410	n.a.	n.a.	25%
CAEN RFID S.r.l. (*)	Viareggio (LU) - Italy	Euro	150,000	1,160	39	20%
R4I S.r.l. (***)	Benevento	Euro	131,250	444	(4)	20%
Datalogic Automation AB (**)	Malmö, Sweden	KRS	100,000	762	244	20%

(\*) data as at 31 December 2016

(\*\*) data as at 30 June 2017

(\*\*\*) data as at 31 December 2017

### ***Change in scope of consolidation***

During the first nine months of 2018, no changes occurred in the consolidation area.

## INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

### ASSETS

#### Note 1. Tangible assets

Details of movements as at 30 September 2018 and 31 December 2017 are as follows:

	30.09.2018	31.12.2017	Change
Land	7,828	7,719	109
Buildings	28,945	29,369	(424)
Other assets	30,797	30,495	302
Assets in progress and payments on account	4,544	2,150	2,394
<b>Total</b>	<b>72,114</b>	<b>69,733</b>	<b>2,381</b>

The “Other assets” item as at 30 September 2018 mainly includes the following categories: Industrial equipment and moulds (€9,257 thousand), Plant and machinery (€9,602 thousand), Office furniture and machines (€8,786 thousand), General plants related to buildings (€1,713 thousand), Maintenance on third-party assets (€711 thousand), Commercial equipment and demo room (€556 thousand) and Motor vehicles (€91 thousand).

The increase for this item (€7,129 thousand) is mainly due to the following:

- investments related to purchases of office furniture and machines (€2,823 thousand);
- investments related to new plants and machinery (€2,048 thousand);
- investments for the building of industrial equipment and moulds (€1,650 thousand).

The decrease in the “Other assets” item relates mainly to the depreciation expense for the period (€7,284 thousand).

The balance of the item “Assets in progress and payments on account”, equal to €4,544 thousand, is broken down into:

- €1,612 thousand for moulds under construction;
- €1,815 thousand for investments related to building or expanding Group facilities;
- €826 thousand for self-manufactured equipment and production lines;
- €290 thousand for assets in progress.

#### Note 2. Intangible assets

Details of movements as at 30 September 2018 and 31 December 2017 are as follows:

	30.09.2018	31.12.2017	Change
Goodwill	179,284	174,343	4,941
Development costs	5,375	3,863	1,512
Other	32,099	34,352	(2,253)
Assets under development and payments on account	3,626	3,765	(139)
<b>Total</b>	<b>220,384</b>	<b>216,323</b>	<b>4,061</b>

“Goodwill”, totalling €179,284 thousand, consisted of the following items:

	30.09.2018	31.12.2017	Change
CGU Datalogic	166,117	161,538	4,579
CGU Informatics	13,167	12,805	362
<b>Total</b>	<b>179,284</b>	<b>174,343</b>	<b>4,941</b>

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

- translation differences, as most of the goodwill is expressed in US dollars (€5,891 thousand),
- review of the acquisition price for the company Soredi Touch Systems GmbH, which involved a reduction of €950 thousand compared to the price provisionally defined.

Final details of the accounting treatment of the acquisition are presented in the following table:

	Amounts as per the Company's accounts (€/000)	Adjustments	Recognised fair value (€/000)
Tangible and intangible assets	185		185
Other LT receivables			0
Inventories	1,547		1,547
Trade receivables	820		820
Other receivables	74		74
Cash and cash equivalents	134		134
Trade payables	(736)		(736)
Other payables	(88)		(88)
Provisions for risks and charges	(310)		(310)
<b>Net assets at acquisition date</b>	<b>1,626</b>	<b>0</b>	<b>1,626</b>
% pertaining to Group	100%	100%	200%
<b>Group net assets</b>	<b>1,626</b>	<b>0</b>	<b>1,626</b>
<b>Acquisition cost</b>			<b>8,618</b>
<b>Price adjustment</b>			<b>(950)</b>
<b>Goodwill at acquisition date</b>			<b>6,991</b>

Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain. 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 September 2018, the assumptions used for the business plan, on which the impairment test was based as at 31 December 2017, were still valid and no impairment indicators were reported.

“**Development costs**”, which amount to €5,375 thousand, consist of specific development projects capitalised when they meet IAS 38 requirements. The change in “Development costs” compared to 31 December 2017 is primarily attributable to:

- positive change, equal to €3,319 thousand, for capitalisation of projects;
- negative change, equal to €1,664 thousand, related to amortisation for the period.

The “**Other**” item, amounting to €32,099 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:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Useful life</b>
<b>Acquisition of the PSC group (on 30 November 2006)</b>	<b>12,670</b>	<b>13,495</b>	
<i>PATENTS</i>	12,670	13,495	20
<b>Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)</b>	<b>1,058</b>	<b>1,460</b>	
<i>PATENTS</i>	176	243	10
<i>TRADE SECRETS</i>	882	1,217	10
<b>Acquisition of Accu-Sort Inc. (on 20 January 2012)</b>	<b>8,349</b>	<b>9,756</b>	
<i>PATENTS</i>	4,938	5,770	10
<i>TRADE SECRETS</i>	3,411	3,986	10
<b>Licence agreement</b>	<b>3,485</b>	<b>3,729</b>	5-15
<b>Other</b>	<b>6,537</b>	<b>5,912</b>	
<b>TOTAL OTHER INTANGIBLE ASSETS</b>	<b>32,099</b>	<b>34,352</b>	

The “Others” item mainly consists of software licences.

The “Assets under development and payments on account” item, equal to €3,626 thousand, is attributable, in the amount of €3,342 thousand, to the capitalisation of costs relating to R&D projects that meet IAS 38 requirements and are currently underway, as well as, in the amount of €284 thousand, to software implementations that are not yet completed.

### **Note 3. Equity investments in associates**

Equity investments owned by the Group as at 30 September 2018 were as follows:

	<b>31.12.2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Exchange rate diff.</b>	<b>Transfers</b>	<b>Share of profit</b>	<b>30.09.18</b>
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**Associates**

CAEN RFID Srl	550						550
Suzhou Mobilead Electronic Technology Co., Ltd.	1,408		(27)				1,381
R4I	150						150
Datalogic Automation AB	2						2
Specialvideo Srl	29						29
Datasensor GMBH	45						45
<b>TOTAL</b>	<b>2,184</b>	<b>0</b>	<b>0</b>	<b>(27)</b>	<b>0</b>	<b>0</b>	<b>2,157</b>

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

**Note 4. Financial instruments by category**

The financial statement items included within the scope of “financial instruments” as defined by IAS/IFRS standards are as follows:

	Loans and receivables	Financial assets at fair value charged to the income statement	Available for sale	Total
<b>Non-current financial assets</b>	<b>2,178</b>	<b>0</b>	<b>9,140</b>	<b>11,318</b>
Financial assets - Equity investments (5)			9,140	9,140
Financial assets - Securities				
Financial assets - Loans				
Financial assets - Other				
Other receivables (7)	2,178			2,178
<b>Current financial assets</b>	<b>306,037</b>	<b>51,396</b>	<b>0</b>	<b>357,433</b>
Third-party trade receivables (7)	89,187			89,187
Other receivables from third parties (7)	22,736			22,736
Financial assets - Other (5)		51,396		51,396
Financial assets - Securities (5)				
Cash and cash equivalents (10)	194,114			194,114
<b>TOTAL</b>	<b>308,215</b>	<b>51,396</b>	<b>9,140</b>	<b>368,751</b>

	Derivatives	Other financial liabilities	Total
<b>Non-current financial liabilities</b>	<b>0</b>	<b>184,931</b>	<b>184,931</b>
Financial payables (12)		181,081	181,081
Financial liabilities - Derivative instruments (6)			0
Other payables (16)		3,850	3,850
<b>Current financial liabilities</b>	<b>0</b>	<b>221,174</b>	<b>221,174</b>
Trade payables to third parties (16)		115,275	115,275
Other payables (16)		52,329	52,329
Financial liabilities - Derivative instruments (6)	0		0
Short-term financial payables (12)		53,570	53,570
<b>TOTAL</b>	<b>0</b>	<b>406,105</b>	<b>406,105</b>

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

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

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

## Fair value – hierarchy

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

**Level 1:** market prices;

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

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

30.09.2018	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets - Equity investments (5)	9,063		77	9,140
Financial assets - LT securities (5)	0			0
Financial assets - Other LT (5)				0
Financial assets - Other (5)	29,747	21,649		51,396
Financial assets - Loans				0
Financial assets - ST derivative instruments (6)				0
<b>Total assets measured at fair value</b>	<b>38,810</b>	<b>21,649</b>	<b>77</b>	<b>60,536</b>
<b>Liabilities measured at fair value</b>				
Financial liabilities - LT derivative instruments (6)				0
Financial liabilities - ST derivative instruments (6)		0		0
<b>Total liabilities measured at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

	30.09.2018	31.12.2017	Change
Other equity investments	9,140	9,573	(433)
Other financial assets	51,396	31,444	19,952
<b>Total financial assets</b>	<b>60,536</b>	<b>41,017</b>	<b>19,519</b>

The “Other financial assets” item consists of investments of corporate liquidity in:

- two insurance policies, subscribed in May and July 2014;
- two mutual investment funds, subscribed in August 2015 and April 2018;
- an asset management contract signed in April 2018.

Based on the provisions of IFRS 9, these investments were classified as short-term as at 30 September 2018, and the figure as at 31 December 2017 was reclassified accordingly.

As at 30 September 2018, equity investments held by the Group in other companies were as follows:

	31.12.2017	Increases	Decreases	Fair value adj.	Exch. rate adj.	Reclassifications	30.09.2018
Listed equity investments	9,496			(686)	253		9,063
Unlisted equity investments	77						77
<b>Total equity investments</b>	<b>9,573</b>	<b>0</b>	<b>0</b>	<b>(686)</b>	<b>253</b>	<b>0</b>	<b>9,140</b>

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

### **Note 6. Financial derivatives**

#### **Interest rate derivatives**

As at 30 September 2018, the Group had no interest rate swap contracts in place.

#### **Currency derivatives**

As at 30 September 2018, the Group had no active forward contracts for exchange rate risk.

### **Note 7. Trade and other receivables**

#### **Trade and other receivables**

	30.09.2018	31.12.2017	Change
Third-party trade receivables	80,650	79,542	1,108
Contract-related activities - invoices to be issued	9,525	6,674	2,851
Less: bad debt provisions	988	1,177	(189)
<b>Net third-party trade receivables</b>	<b>89,187</b>	<b>85,039</b>	<b>4,148</b>
<b>Receivables from associates</b>	<b>768</b>	<b>784</b>	<b>(16)</b>
Laservall Asia	0	3	(3)
Datasensor GMBH	184	83	101
Specialvideo	1		1
Datalogic Automation AB	583	698	(115)
<b>Related-party receivables</b>	<b>0</b>	<b>9</b>	<b>(9)</b>
<b>Total trade receivables</b>	<b>89,955</b>	<b>85,832</b>	<b>4,123</b>
Other receivables - current accrued income and prepaid expenses	23,042	19,691	3,351
Other receivables - non-current accrued income and prepaid expenses	2,178	2,194	(16)
<b>Total other receivables - accrued income and prepaid expenses</b>	<b>25,220</b>	<b>21,885</b>	<b>3,335</b>
Less: non-current portion	2,178	2,194	(16)
<b>Trade and other receivables - current portion</b>	<b>112,997</b>	<b>105,523</b>	<b>7,474</b>

**Trade receivables**

Trade receivables amounted to €89,955 thousand as at 30 September 2018, representing an increase of 4.8%.

The figures as at 31 December 2017 were adjusted following the reclassification of contract-related advance payments from customers from trade receivables to trade payables (€2,637 thousand).

As at 30 September 2018, factored trade receivables amounted to €23,681 thousand (compared to €33,377 thousand at the end of 2017).

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

Customer trade receivables are posted net of bad debt provisions totalling €988 thousand (€1,177 thousand as at 31 December 2017).

**Other receivables - accrued income and prepaid expenses**

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

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Change</b>
Other short-term receivables	2,233	1,755	478
Other long-term receivables	2,178	2,194	(16)
VAT receivables	17,660	14,870	2,790
Accrued income and prepaid expenses	3,149	3,066	83
<b>Total</b>	<b>25,220</b>	<b>21,885</b>	<b>3,335</b>

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

**Note 8. Inventories**

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Change</b>
Raw and ancillary materials and consumables	48,758	33,101	15,657
Work in progress and semi-finished products	25,606	25,417	189
Finished products and goods	34,732	27,420	7,312
<b>Total</b>	<b>109,096</b>	<b>85,938</b>	<b>23,158</b>

Inventories are shown net of an obsolescence provision that, as at 30 September 2018, amounted to €10,816 thousand (€9,605 thousand as at 31 December 2017).

**Note 9. Tax receivables and payables**

Tax receivables amounted to €19,089 thousand as at 30 September 2018, up €7,659 thousand compared to the end of 2017 (€11,430 thousand as at 31 December 2017). This item includes the IRES tax credit of €6,771 thousand (unchanged from 31 December 2017) with the parent company Hydra, generated as part of the tax consolidation.

As at 30 September 2018, “Tax payables” amounted to €19,266 thousand, an increase of €5,075 thousand (€14,191 thousand as at 31 December 2017). The amount payable to the parent company Hydra for IRES tax, due under tax consolidation, is classified in this item and amounted to €8,865 thousand (€4,865 thousand as at 31 December 2017).

**Note 10. Cash and cash equivalents**

Cash and cash equivalents are broken down as follows:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Change</b>
Cash and cash equivalents shown on financial statements	194,114	256,212	(62,098)
Restricted cash deposit	(12)	(11)	(1)
Current account overdrafts	(55)	(92)	37
<b>Cash and cash equivalents for statement</b>	<b>194,047</b>	<b>256,109</b>	<b>(62,062)</b>

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
A. Cash and bank deposits	194,102	256,201
B. Other cash and cash equivalents	12	11
<i>b1. restricted cash deposit</i>	12	11
C. Securities held for trading	0	0
<i>c1. Short-term</i>	0	0
<i>c2. Long-term</i>		
<b>D. Cash and equivalents (A) + (B) + (C)</b>	<b>194,114</b>	<b>256,212</b>
E. Current financial receivables	0	0
F. Other current financial receivables	51,396	31,444
<i>f1. hedging transactions</i>	0	0
G. Bank overdrafts	55	92
H. Current portion of non-current debt	47,736	48,108
I. Other current financial payables	5,779	2,913
<i>i1. hedging transactions</i>	0	0
<i>i2. lease payables</i>	0	0
<i>i3. current financial payables</i>	5,779	2,913
<b>J. Current financial debt/(current financial position) (G) + (H) +(I)</b>	<b>53,570</b>	<b>51,113</b>
<b>K. Current net financial debt/(current net financial position) (J) - (D) - (E) - (F)</b>	<b>(191,940)</b>	<b>(236,543)</b>
L. Non-current bank borrowing	181,081	205,656
M. Other financial assets	0	0
N. Other non-current liabilities	0	750
<i>n1. hedging transactions</i>		0
<i>n2. lease payables</i>	0	0
<i>n3. non-current financial payables</i>	0	750
<b>O. Non-current financial debt (L) - (M) + (N)</b>	<b>181,081</b>	<b>206,406</b>
<b>P. Net financial debt/(net financial position) (K) + (O)</b>	<b>(10,859)</b>	<b>(30,137)</b>

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

Net Financial Position as at 30 September 2018 was positive by €10,859 thousand, a decrease of €19,278 thousand compared to 31 December 2017 (positive by €30,137 thousand).

It should be also noted that, during the period, dividends of €28,914 thousand were paid and transactions in treasury shares generated a cash outflow totalling €10,904 thousand.

Investments for the period, net of disposals, amounted to €15,032 thousand.

## INFORMATION ON THE STATEMENT OF FINANCIAL POSITION SHAREHOLDERS' EQUITY AND LIABILITIES

### Note 11. Shareholders' Equity

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

	<b>30.09.2018</b>	<b>31.12.2017</b>
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	(4,784)	6,120
Treasury share reserve	14,104	2,026
Share premium reserve	94,862	106,940
<b>Share capital and capital reserves</b>	<b>137,387</b>	<b>148,291</b>
Cash-flow hedge reserve	(708)	(948)
Translation reserve	11,072	5,939
Reserve for exchange rate adjustment	6,994	4,500
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	5,267	5,695
<b>Other reserves</b>	<b>22,254</b>	<b>14,815</b>
<b>Retained earnings</b>	<b>161,185</b>	<b>129,843</b>
Earnings carried forward	145,355	114,189
Capital contribution reserve	958	958
Stock grant reserve	176	0
Legal reserve	6,078	6,078
IAS reserve	8,618	8,618
Profit for the period	43,578	60,080
<b>Total Group shareholders' equity</b>	<b>364,404</b>	<b>353,029</b>



**Share capital**

Movements in share capital as at 30 September 2018 are reported below (€/000):

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
<b>01.01.2018</b>	<b>58,229,477</b>	<b>30,392</b>	<b>2,813</b>	<b>6,120</b>	<b>2,026</b>	<b>106,940</b>	<b>148,291</b>
Purchase of treasury shares	(535,212)			(14,789)	14,789	(14,789)	(14,789)
Sale of treasury shares	125,647			2,711	(2,711)	2,711	2,711
Capital gains/(losses) from the sale of treasury shares				1,189			1,189
Costs for the purchase/sale of treasury shares				(15)			(15)
<b>30.09.2018</b>	<b>57,819,912</b>	<b>30,392</b>	<b>2,813</b>	<b>(4,784)</b>	<b>14,104</b>	<b>94,862</b>	<b>137,387</b>

*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 September 2018, the total number of ordinary shares was 58,446,491, including 626,579 held as treasury shares, making the number of shares in circulation at that date 57,819,912. The shares have a nominal unit value of €0.52 and are fully paid up.

*Treasury shares*

The "Treasury shares" item, negative for €4,784 thousand, includes capital gains/(losses) resulting from the sale of treasury shares, net of purchases and related charges (€9,320 thousand). In 2018, the Group purchased 535,212 treasury shares and sold 125,647, with a capital gain of €1,189 thousand.

For these purchases, in accordance with Art. 2357 of the Italian Civil Code, capital reserves (i.e., the treasury share reserve) in the amount of €14,104 thousand have been restricted.

## **Other Reserves**

### *Cash-flow hedge reserve*

Pursuant to provisions set forth by IAS 39, the change in fair value of derivative contracts, designated as effective hedging instruments, is recognised in financial statements as a balancing entry directly to Shareholders' Equity, in the cash-flow hedge reserve. These contracts were entered to hedge exposure to the risk of interest rate fluctuations on loans. The reserve, negative by €708 thousand, includes the fair value of the hedging instrument related to refinancing.

### *Translation reserve*

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

### *Stock grant reserve*

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

### *Actuarial gains/(losses) reserve*

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

## **Retained earnings**

### *IAS reserve*

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

### *Profits/losses of previous years*

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

## **Dividends**

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

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

	30-Sep-18		31-Dec-17	
	Total equity	Period results	Total equity	Period results
<b>Parent Company shareholders' equity and profit</b>	<b>279,225</b>	<b>23,851</b>	<b>291,639</b>	<b>25,592</b>
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	142,047	45,246	119,689	62,913
Reversal of dividends		(28,861)		(30,428)
Amortisation of "business combination" intangible assets	(5,827)		(5,827)	
Effect of acquisition under common control	(31,733)		(31,733)	
Elimination of capital gain on sale of business branch	(17,067)		(17,067)	183
Effect of eliminating intercompany transactions	(10,770)	3,432	(12,276)	1,769
Reversal of write-downs and capital gains on equity investments	5,517		5,517	
Other	(1,163)	171	(1,349)	(137)
Deferred taxes	4,175	(261)	4,436	188
<b>Group shareholders' equity</b>	<b>364,404</b>	<b>43,578</b>	<b>353,029</b>	<b>60,080</b>

### **Note 12. Financial payables**

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

	30.09.2018	31.12.2017	Change
Long-term financial payables	181,081	206,406	(25,325)
Short-term financial payables	53,570	51,113	2,457
<b>Total financial payables</b>	<b>234,651</b>	<b>257,519</b>	<b>(22,868)</b>

The breakdown of this item is detailed below:

	30.09.2018	31.12.2017	Change
Bank loans	228,817	253,764	(24,947)
Other	500	2,000	(1,500)
Payables to factoring companies	5,279	1,663	3,616
Lease payables	0	0	0
Bank overdrafts (ordinary current accounts)	55	92	(37)
<b>Total financial payables</b>	<b>234,651</b>	<b>257,519</b>	<b>(22,868)</b>

The breakdown of changes in the “Bank loans” item as at 30 September 2018 and 30 September 2017 is shown below:

	<b>2018</b>	<b>2017</b>
<b>1 January</b>	<b>253,764</b>	<b>169,501</b>
Increases	0	249,182
Repayments	0	(125,771)
Decreases for loan repayments	(24,007)	(11,694)
Recalculation of amortised cost	(940)	
<b>30 September</b>	<b>228,817</b>	<b>281,218</b>

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

The “Other” item includes the financial debt related to the acquisition of the company Soredi Touch Systems GmbH.

### **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 assets and liabilities and their relevant taxable value.

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

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:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>change</b>
Deferred tax assets	50,460	47,864	2,596
Deferred tax liabilities	(25,224)	(23,138)	(2,086)
<b>Net deferred taxes</b>	<b>25,236</b>	<b>24,726</b>	<b>510</b>

The breakdown of net deferred taxes by company is shown below:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>change</b>
Datalogic S.p.A.	(3,736)	(1,437)	(2,299)
Datalogic RE France SaS	52	52	0
Datalogic RE UK Ltd	100	100	0
Datalogic IP Tech S.r.l.	390	1,331	(941)
Datalogic USA Inc.	20,572	17,721	2,851
Datalogic S.r.l.	447	(647)	1,094
Datalogic Slovakia S.r.o.	3,718	4,895	(1,177)
Datalogic ADC do Brazil Ltd.	417	129	288
Datalogic Scanning Eastern Europe GmbH	76	90	(14)
Datalogic Vietnam LLC	573	259	314
Datalogic Australia Pty Ltd	155	160	(5)
Datalogic ADC Singapore	2	2	0
Informatics Holdings, Inc.	747	419	328
Solution Net Systems, Inc.	128	89	39
<b>Total net long-term deferred taxes</b>	<b>23,641</b>	<b>23,163</b>	<b>478</b>
<b>Deferred taxes recognised due to the consolidation entries</b>	<b>1,595</b>	<b>1,563</b>	<b>32</b>
<b>Total net long-term deferred taxes</b>	<b>25,236</b>	<b>24,726</b>	<b>510</b>

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

- for the Parent Company Datalogic SpA and Italian subsidiary Datalogic Srl, the movement in deferred taxes is due to the exchange rate adjustment on statement of financial position balances (positive or negative) expressed in foreign currencies;
- for Datalogic USA Inc, to a combination of effects, the most significant of which is related to an increase in foreign tax credits recognised under deferred tax assets, in line with IAS accounting standards;
- for Datalogic IP Tech, to tax benefits associated with subsidies, while for Datalogic Slovakia Sro, the change is related to sundry and temporary tax differences.

#### **Note 14. Post-employment benefits**

The breakdown of changes in the “Post-employment benefits” item as at 30 September 2018 and 30 September 2017 is shown below:

	<b>2018</b>	<b>2017</b>
<b>1 January</b>	<b>6,633</b>	<b>6,647</b>
Amount allocated in the period	1,726	1,407
Uses	(993)	(576)
Other movements	(22)	(9)
Social security receivables for the employee severance indemnity reserve	(607)	(724)
<b>30 September</b>	<b>6,736</b>	<b>6,745</b>

**Note 15. Provisions for risks and charges**

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

	30.09.2018	31.12.2017	Change
Short-term provisions for risks and charges	13,438	7,157	6,281
Long-term provisions for risks and charges	7,618	13,602	(5,984)
<b>Total</b>	<b>21,056</b>	<b>20,759</b>	<b>297</b>

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

	31.12.2017	Increases	(Uses) and (Releases)	Acquisiti on	Transfers	Exchange rate diff.	30.09.2018
Product warranty provision	11,618	587	(336)	0		253	12,122
Provision for management incentive scheme	6,264	2,345	(2,456)			81	6,234
“Stock rotation” provision	1,664	26	(322)			28	1,396
Other	1,213	262	(177)	0	0	6	1,304
<b>Total provisions for risks and charges</b>	<b>20,759</b>	<b>3,220</b>	<b>(3,291)</b>	<b>0</b>	<b>0</b>	<b>368</b>	<b>21,056</b>

The “**Product warranty provision**” covers the estimated cost of repairing products sold up to 30 September 2018 and covered by a warranty period. It amounts to €12,122 thousand (of which €7,161 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

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

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

- €346 thousand for agent termination indemnities;
- €569 thousand for transactions in progress with employees;
- €162 thousand for contingent tax liabilities.

**Note 16. Trade and other payables**

This table shows the details of trade and other payables:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Change</b>
Trade payables due within 12 months	112,394	107,051	5,343
Contract-related liabilities - customer advances	2,881	2,637	244
<b>Third-party trade payables</b>	<b>115,275</b>	<b>109,688</b>	<b>5,587</b>
<b>Payables to associates</b>	<b>176</b>	<b>347</b>	<b>(171)</b>
<i>Laservall Asia</i>	0	7	(7)
<i>R4I</i>	0	61	(61)
<i>Caen</i>	90	277	(187)
<i>Specialvideo</i>	1	0	1
<i>Suzhou Mobilead</i>	77	0	77
<i>Datalogic Automation AB</i>	8	2	6
<b>Payables to the parent company</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Hydra</i>	0		0
<b>Payables to related parties</b>	<b>115</b>	<b>253</b>	<b>(138)</b>
<b>Total trade payables</b>	<b>115,566</b>	<b>110,288</b>	<b>5,278</b>
Other payables - current accrued liabilities and deferred income	52,329	50,273	2,056
Other payables - non-current accruals and deferrals	3,850	3,566	284
<b>Total other payables - accrued liabilities and deferred income</b>	<b>56,179</b>	<b>53,839</b>	<b>2,340</b>
Less: non-current portion	3,850	3,566	284
<b>Current portion</b>	<b>167,895</b>	<b>160,561</b>	<b>7,334</b>

**Other payables – accrued liabilities and deferred income**

The detailed breakdown of this item is as follows:

	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>Change</b>
Other long-term payables	3,850	3,566	284
Other short-term payables:	26,714	25,849	865
Payables to employees	18,342	17,220	1,122
Payables to pension and social security agencies	6,052	6,021	31
Other payables	2,320	2,608	(288)
VAT liabilities	2,220	2,982	(762)
Accrued liabilities and deferred income	23,395	21,442	1,953
<b>Total</b>	<b>56,179</b>	<b>53,839</b>	<b>2,340</b>

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

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



## INFORMATION ON THE STATEMENT OF INCOME

### Note 17. Revenue

	Nine months ended		
	30.09.2018	30.09.2017	Change
Revenues from sale of products	440,146	450,711	(10,565)
Revenues from services	25,942		25,942
<b>Total Revenues</b>	<b>466,088</b>	<b>450,711</b>	<b>15,377</b>

In the first nine months of 2018, consolidated net revenue amounted to €466,088 thousand, up 3.4% compared to €450,711 thousand reported in the same period of 2017 (+6.9% at constant exchange rate).

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

	Nine months ended					
	30.09.2018	%	30/09/2017 (**)	%	Change	%
Italy	40,041	8.6%	41,589	9.2%	(1,548)	(3.7%)
EMEA (except Italy)	197,987	42.5%	196,138	43.5%	1,849	0.9%
<i>Total EMEA (*)</i>	238,028	51.1%	237,727	52.7%	301	0.1%
North America	152,618	32.7%	141,178	31.3%	11,440	8.1%
Latin America	11,138	2.4%	12,699	2.8%	(1,561)	(12.3%)
APAC (*) (incl. China)	64,304	13.8%	59,107	13.1%	5,197	8.8%
<b>Total Revenues</b>	<b>466,088</b>	<b>100.0%</b>	<b>450,711</b>	<b>100.0%</b>	<b>15,377</b>	<b>3.4%</b>

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

(\*\*) As at 30 September 2018, sales in Mexico were included in the North America region, data as at 30 September 2017 were reclassified accordingly.

The Group's revenues can be broken down as follows:

	Nine months ended 30.09.2018				Total
	Datalogic	Solution Net Systems	Informatics	Adjustments	
<b>Revenues by geographic area</b>					
Italy	40,041				40,041
Europe	197,987				197,987
North America	117,612	22,423	14,601	(2,018)	152,618
Latin America	11,138				11,138
APAC	64,304				64,304
<b>Total</b>	<b>431,082</b>	<b>22,423</b>	<b>14,601</b>	<b>(2,018)</b>	<b>466,088</b>

<b>Revenues by reference sector</b>					
Retail	214,176				214,176
Manufacturing	130,789				130,789
Transportation & Logistics	50,601				50,601
Healthcare	13,647				13,647
Group Channel	21,869				21,869
Solution Net Systems		22,423			22,423
Informatics			14,601		14,601
Adjustments				(2,018)	(2,018)
<b>Total</b>	<b>431,082</b>	<b>22,423</b>	<b>14,601</b>	<b>(2,018)</b>	<b>466,088</b>
<b>Revenues broken down by recognition method</b>					
Revenues from the sale of goods and services - at a specific point in time	414,247	2,238	14,601	(2,018)	429,068
Revenues from the sale of goods and services - over time	16,835	20,185			37,020
<b>Total</b>	<b>431,082</b>	<b>22,423</b>	<b>14,601</b>	<b>(2,018)</b>	<b>466,088</b>
<b>Revenues broken down by type</b>					
Sale of goods	408,807	21,117	13,484	(2,018)	441,390
Sale of services	22,275	1,306	1,117		24,698
<b>Total</b>	<b>431,082</b>	<b>22,423</b>	<b>14,601</b>	<b>(2,018)</b>	<b>466,088</b>

### Note 18. Cost of goods sold and operating costs

	Nine months ended		Change
	30.09.2018	30.09.2017	
<b>TOTAL COST OF GOODS SOLD (1)</b>	<b>239,949</b>	<b>238,517</b>	<b>1,432</b>
<i>of which non-recurring</i>	576	316	260
<b>TOTAL OPERATING COSTS (2)</b>	<b>167,862</b>	<b>151,733</b>	<b>16,129</b>
Research and development expenses	47,022	40,121	6,901
<i>of which non-recurring</i>	0	153	(153)
<i>of which amortisation, depreciation pertaining to acquisitions</i>	74	79	(5)
Distribution expenses	81,920	73,225	8,695
<i>of which non-recurring</i>	0	0	0
General and administrative expenses	37,176	36,937	239
<i>of which non-recurring</i>	1,307	389	918
<i>of which amortisation, depreciation pertaining to acquisitions</i>	3,342	3,582	(240)
Other operating costs	1,744	1,450	294
<i>of which non-recurring</i>	0	0	0
<b>TOTAL (1+2)</b>	<b>407,811</b>	<b>390,250</b>	<b>17,561</b>
<b>of which non-recurring costs</b>	<b>1,883</b>	<b>858</b>	<b>1,025</b>
<b>of which amortisation, depreciation pertaining to acquisitions</b>	<b>3,416</b>	<b>3,661</b>	<b>(245)</b>

Non-recurring costs, equal to €1,883 thousand (€858 thousand in the corresponding period of 2017) are related primarily to restructuring of some corporate functions and the reorganisation of the logistics model.

Amortisation/depreciation from acquisitions (equal to €3,416 thousand), mainly included under “General and administrative expenses” (€3,342 thousand), are comprised of:

	Nine months ended		Change
	30.09.2018	30.09.2017	
Acquisition of the PSC group (on 30 November 2006)	1,271	1,362	(91)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	440	471	(31)
Acquisition of Accu-Sort Inc. (on 20 January 2012)	1,705	1,828	(123)
<b>TOTAL</b>	<b>3,416</b>	<b>3,661</b>	<b>(245)</b>

### Total cost of goods sold (1)

This item is equal to €239,949 thousand and increased by 0.6% compared to the same period in 2017, decreasing 1.5 percentage points as a ratio of revenues. At constant Euro/Dollar exchange rate and net of non-recurring costs, it decreased by 1.1 percentage points.

### Total operating costs (2)

Operating costs, less non-recurring items and amortisation/depreciation pertaining to acquisitions, increased by 10.6% from €147,530 thousand to €163,139 thousand, up from 32.7% to 35% on sales, or 2.3 percentage points.

In particular:

- “**R&D expenses**” amounting to €47,022 thousand and, less non-recurring costs and amortisation/depreciation from acquisitions, increased by €7,059 thousand compared to the previous year (+17.7%). This increase is primarily attributable to the increase in payroll & employee benefits, project consultancy services, consumables, quality certification expenses, and equipment constructed in-house.
- “**Distribution expenses**” amounted to €81,920 thousand and, net of non-recurring costs, increased by €8,695 thousand compared to the same period of the previous year. This increase is due mainly to an increase in payroll & employee benefits, travel and accommodation expenses, meetings and exhibitions, and other sales costs.
- “**General and administrative expenses**” amounted to €37,176 thousand. This item, net of non-recurring costs and amortisation/depreciation resulting from acquisitions, decreased by €439 thousand compared to the same period of the previous year; with constant exchange rates, there is an increase principally attributable to the higher costs for consulting, travel, EDP expenses, and training.

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

	Nine months ended		Change
	30.09.2018	30.09.2017	
Non-income taxes	1,220	940	280
Allocation to the risk reserve	123	234	(111)
<i>of which non-recurring</i>	0	0	0
Provisions for doubtful accounts	174	76	98
Capital losses on assets	16	76	(60)
Contingent and unsubstantiated liabilities	3	12	(9)
Cost charge-backs	198	63	135
Other	10	49	(39)
<b>Total</b>	<b>1,744</b>	<b>1,450</b>	<b>294</b>

### 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:

	<b>Nine months ended</b>		<b>Change</b>
	<b>30.09.2018</b>	<b>30.09.2017</b>	
Purchases	195,938	181,004	14,934
Inventory change	(24,436)	(6,673)	(17,763)
Payroll & employee benefits	131,773	122,586	9,187
Amortisation, depreciation and write-downs	14,635	14,581	54
Goods receipt & shipment	16,931	12,838	4,093
Travel & accommodation	8,280	6,492	1,788
Technical, legal and tax advisory services	7,951	6,802	1,149
Repairs and allocation to the warranty provision	5,730	6,191	(461)
Marketing expenses	5,562	5,677	(115)
Building expenses	5,071	4,917	154
Subcontracted work	4,513	2,981	1,532
Material collected from the warehouse	4,053	3,332	721
EDP expenses	3,462	3,040	422
Consumables and R&D materials	2,785	2,261	524
Royalties	2,697	3,020	(323)
Quality certification expenses	2,028	1,759	269
Telephone expenses	1,698	2,167	(469)
Utilities	1,580	1,527	53
Directors' remuneration	1,466	1,566	(100)
Sundry service costs	1,449	1,657	(208)
Meeting expenses	1,243	939	304
Expenses for plant and machinery and other assets	1,104	1,045	59
Commissions	1,262	1,315	(53)
Vehicle expenses	940	874	66
Accounts certification expenses	893	937	(44)
Entertainment expenses	887	478	409
Training courses for employees	649	404	245
Insurance	561	727	(166)
Stationery and printing	185	192	(7)
Other	6,921	5,615	1,306
<b>Total cost of goods sold and operating costs</b>	<b>407,811</b>	<b>390,250</b>	<b>17,561</b>

The increase in the item "Technical, legal and tax advisory services" of €1,149 thousand is mainly due to R&D consulting.

Costs related to "Subcontracted work" amounted to €4,513 thousand (up €1,532 thousand compared to the same period of 2017) and refer primarily to orders in the Solution Net Systems division.

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

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

	Nine months ended		Change
	30.09.2018	30.09.2017	
Wages & salaries	100,389	93,088	7,301
Social security charges	19,132	17,502	1,630
Employee severance indemnities	1,623	1,394	229
Retirement and similar benefits	1,078	1,000	78
Medium- to long-term managerial incentive plan	(110)	2,409	(2,519)
Vehicle expenses for employees	2,522	2,283	239
Other costs	5,895	3,818	2,077
Early retirement incentives	1,244	1,092	152
<b>Total</b>	<b>131,773</b>	<b>122,586</b>	<b>9,187</b>

The “Wages and salaries” item, equal to €100,389 thousand, includes sales commissions and incentives of €11,689 thousand (€12,191 thousand as at 30 September 2017). This item reported an increase of €7,301 thousand (up €11,008 thousand at constant exchange rates) compared to the same period of the previous year due to the strengthening of the R&D structure and sales organisations, consistent with the Group’s strategy.

Note that the “Wages and salaries” item includes costs of €279 thousand, classified under “Non-recurring costs and revenues”, for the launch of a corporate reorganisation plan.

The “Early retirement incentives” item includes costs, totalling €803 thousand, stated under “Non-recurring costs and revenues” and mainly result from the reorganisation of some corporate departments.

### **Note 19. Other operating revenues**

The detailed breakdown of this item is as follows:

	Nine months ended		Change
	30.09.2018	30.09.2017	
Grants to research and development expenses	1,394	1,138	256
Miscellaneous income and revenues	1,196	724	472
Rents	54	99	(45)
Capital gains on asset disposals	96	4	92
Contingent assets	15	(18)	33
Other	44	58	(14)
<b>Total</b>	<b>2,799</b>	<b>2,005</b>	<b>794</b>

The “Miscellaneous income and revenues” mainly includes revenues for internal building works, in the amount of €788 thousand as at 30 September 2018 (€329 thousand as at 30 September 2017).

**Note 20. Net financial income (expenses)**

	Nine months ended		Change
	30.09.2018	30.09.2017	
Financial income/(expenses)	(700)	(2,208)	1,508
Exchange rate differences	(3,209)	(2,259)	(950)
Bank expenses	(1,163)	(1,600)	437
Other	61	367	(306)
<b>Total net financial income (expenses)</b>	<b>(5,011)</b>	<b>(5,700)</b>	<b>689</b>

Net financial income (expenses) presents a negative balance of €5,011 thousand, compared to a negative balance of €5,700 thousand for the same period of 2017, benefiting from one-off income of €1,622 thousand related to the recognition in the income statement of the recalculation of the amortised cost of the outstanding loan following its renegotiation that entailed a reduced interest rate.

The item “Exchange rate differences”, negative for €3,209 thousand, is mostly due to the effect of the depreciation of the Dollar on Group net balances.

Bank expenses were down €437 thousand compared to the same period in the prior year, as a result of the fact that in 2017, following the early repayment of the long-term loan, the residual portion of up-front fees were reversed to the income statement (€419 thousand).

**Note 21. Taxes**

	Nine months ended		Change
	30.09.2018	30.09.2017	
Pre-tax profit	56,065	56,765	(700)
Income taxes	10,753	13,303	(2,550)
Deferred taxes	1,734	(1,609)	3,343
<b>Total</b>	<b>12,487</b>	<b>11,694</b>	<b>793</b>
<b>Tax Rate</b>	<b>22.3%</b>	<b>20.6%</b>	<b>1.7%</b>

The average rate is equivalent to 22.3% (20.6% as at 30 September 2017). 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**

As required by IAS 33, information on data used to calculate the earning/loss per share is provided below. Basic EPS is calculated by dividing the profit and/or loss for the period, attributable to the shareholders of the Parent Company, by the weighted average number of ordinary shares outstanding during the reference period. For purposes of calculating diluted EPS, the weighted average number of outstanding shares is

determined assuming translation of all potential shares with a dilutive effect (stock grant attributions), and the Group's net profit is adjusted for the post-tax effects of translation.

	Nine months ended	
	30.09.2018	30.09.2017
Group earnings/(loss) for the period	43,578,000	45,071,000
Average number of shares	57,963,792	58,115,857
<b>Basic earnings/(loss) per share</b>	<b>0.75</b>	<b>0.78</b>
Dilutive effect	(1,685)	0
<b>Diluted earnings/(loss) per share</b>	<b>0.75</b>	<b>0.78</b>

## **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](http://www.datalogic.com).

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

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

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

Pursuant to Art. 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2018 - 30/09/2018, the Company's Board of Directors did not approve any relevant transaction, as set out by Art. 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group’s equity position or profit/(loss).



	Parent Company	Company controlled by Chairman of BoD	Companies not consolidated on a line-by-line basis	TOTAL 30.09.2018
Equity investments	0	0	2,157	2,157
Non-current assets	0	0	666	666
Held-for-sale assets	0	0	0	0
Trade receivables - other accrued income and prepaid expenses	0	76	998	1,074
Receivables pursuant to tax consolidation	6,771	0	0	6,771
Financial receivables	0	0	0	0
Liabilities pursuant to tax consolidation	8,865	0	0	8,865
Trade payables	0	115	176	291
Financial payables	0	0	0	0
Sales/service expenses/allocations	0	873	3,024	3,897
Commercial revenues	0	0	3,331	3,331
Financial income	0	0	0	0
Profits/(losses) from associates	0	0	0	0

## NUMBER OF EMPLOYEES

	Nine months ended		Change
	30.09.2018	30.09.2017	
Datalogic	2,977	2,732	245
Solution Net Systems	43	40	3
Informatics	84	82	2
<b>Total</b>	<b>3,104</b>	<b>2,854</b>	<b>250</b>

## EVENTS OCCURRING AFTER THE END OF THE PERIOD

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

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

**DICHIARAZIONE AI SENSI DELL'ART. 154 BIS, COMMA 2, D.LGS. N. 58/1998**

**Resoconto Intermedio di gestione al 30 settembre 2018**

Il sottoscritto Dott. Alessandro D'Aniello, quale Dirigente Preposto alla redazione dei documenti contabili societari di Datalogic S.p.A.

attesta

in conformità a quanto previsto dal secondo comma dell'art. 154 bis, comma secondo, del decreto legislativo 24 febbraio 1998, n. 58 che il resoconto intermedio di gestione al 30 settembre 2018 corrisponde alle risultanze documentali, ai libri e alle scritture contabili.

Datalogic S.p.A.

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

