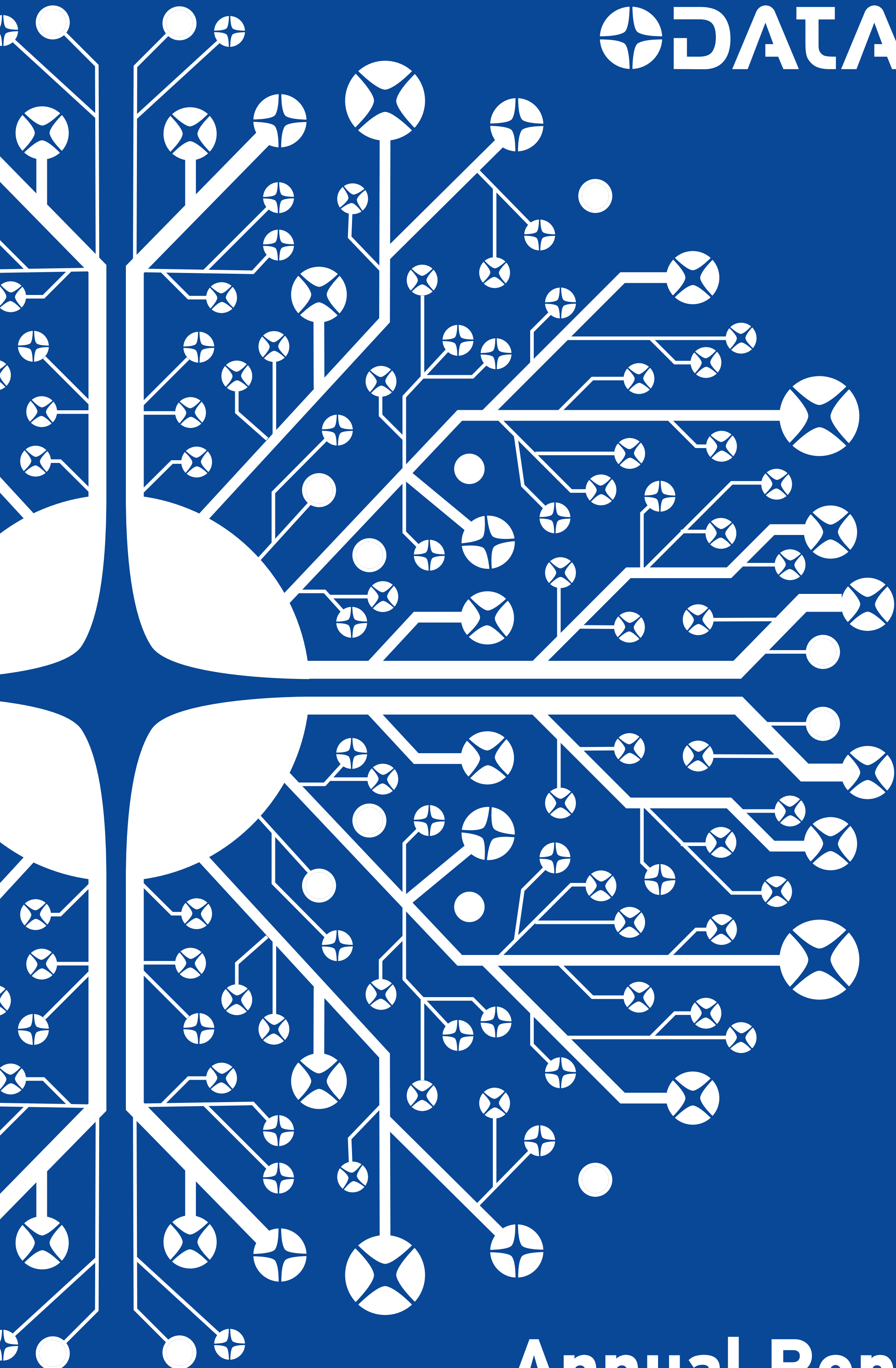
DATALOGIC
EMPOWER YOUR VISION



Annual Report 2019

DATALOGIC
EMPOWER YOUR VISION

Annual Report 2019

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Dear Shareholders,

in sharing the results achieved by our Group in 2019, we would like to underline how the strategy implemented in previous years has enabled us to best meet the challenges of an increasingly complex global context, which has been particularly tough for all operators in the sector.

Despite the fact that during the course of the year an international scenario of growing uncertainty and a general crisis in the reference end-markets emerged, the Group's growth in North America in all sectors in which it operates and the growing Vitality Index (20.1% compared to 15.0% in 2018) confirms the Group's strength.

The Group closed 2019 with a drop in volumes in the EMEAI and APAC areas and, to a lesser extent, a drop in margins, confirming its market positioning and ability to generate operating cash and increasing investments in Research and Development.

The awareness of competing in an increasingly demanding market, in which increasingly aggressive competitors operate, has led us in recent years to invest heavily and consistently in Research and Development, in order to provide the end customer with a unique and increasingly broad portfolio of high-tech products. Over the last two years we have invested heavily in human resources, significantly expanding the R&D team, which reached almost 500 units in 2019, in the knowledge that our people's talent is one of our greatest strengths. Research and Development expenses in 2019 amounted to €64.7 million, reaching 10.6% on revenues, in line with the Group's strategic objectives in terms of innovation.

These investments in R&D have led, in particular, to the development of an innovative line of Mobile Computers for industrial use capable of supporting various applications in different areas, which have had a positive impact on results and which account for more than half of the turnover generated by new products in 2019.

Analysing the results by geographical area and sector, we must first of all stress how difficulties associated with the automotive sector has impacted the results, especially in EMEAI. Among the causes of these difficulties are US tariffs and the latest stringent European regulation on emissions, which came into force in September 2018. Germany, one of the main European countries in which the Datalogic Group operates, was particularly involved in the trade war initiated by the United States, in relation to which, sanctions against the automotive industry were added.

Despite the general crisis in the automotive sector, combined with a slowdown in the packaging industry, the company was able to contain the decline in the Manufacturing sector in the EMEAI area, limiting it to 1.6%.

On the other hand, the Transportation & Logistics sector recorded an overall growth of 9.5%, with a very positive performance in EMEAI and North America. Positive results also came from the Healthcare sector, driven by sales not only in EMEAI, but also in North America.

The Retail sector, which accounts for almost 47% of Datalogic's turnover, has on the other hand recorded a slowdown in EMEAI, due to significant roll-outs of

> **The Group will continue its growth strategy, focused on constant commitment to innovation and the development of new products, on maximising profitability, including through a careful cost control policy, and on maintaining financial and capital strength.**

retail scanners in the previous two years. On the other hand, Retail results in America and APAC are growing.

The decline in results in APAC is mainly due to difficulties in China in the Consumer Electronics and Manufacturing segments. 2019 was a year of great difficulty for the Chinese economy, penalised and challenged by the trade war with the United States along with a series of internal problems.

In consolidating our production capacity in APAC and ensuring greater flexibility and coverage in Asian markets, at the beginning of the year we celebrated 10 years of having a presence in Vietnam – which to date remains our most important production site – with a ceremony attended by the main stakeholders and representatives of local institutions. We also inaugurated a new sales office in Japan, accompanied by a new website in Japanese for improved and direct communication with our customers.

While the APAC area suffered a slowdown as a result of the double-digit decline in China, the North American market, the US market in particular, recorded growth of 6.6%, which affected all four reference sectors. The solidity acquired over the years has allowed us to improve our competitive positioning in one of our main reference markets, America, where, despite the presence of much larger competitors, we have been able to exploit the competitive advantage represented by the finest expertise placed at the service of innovation and technological development.

Within this international framework, our ability to offer innovative technologies to operators in the sectors in which we operate – Retail, Transportation & Logistics, Manufacturing and Healthcare – has allowed us to continue to present ourselves as the only company capable of meeting customer needs both in the automatic data capture (ADC) and industrial automation (IA) markets, along the entire value chain.

The revision of our offer strategy envisages maintaining leadership in fixed retail scanners (FRS) and stationary industrial scanners (SIS), with investments in the new generation of scanners for the Retail and Manufacturing and Transportation & Logistics sectors. We also intend to gain new market shares in the handheld scanner market, especially in those geographical areas where we have less penetration such as APAC and North America, as well as increasing our share in the mobile computers market in which we have invested heavily and which has considerable potential within all of the application sectors in which we operate.

The picture of uncertainty in the second half of 2019 is likely to continue into 2020. In fact, starting from January, the global macroeconomic trend was aggravated by the spread of Covid-19, which initially affected China and then expanded to other countries in the APAC area, until it reached Europe (Italy in particular) and the American continent. Such circumstances, the nature and extent of which are extraordinary, will inevitably create both direct and indirect repercussions on global economic activity. The general climate of uncertainty in the markets is already evident, the evolution and effects of which are not currently predictable.

The impact of Covid-19 on Group results will depend on the extent to which the virus will spread within the markets in which the Group operates through the design, distribution and sale of its products and the macroeconomic effects that the virus will have in the affected countries. We are confident that the Group's diversification into different markets and geographical areas, as well as its limited exposure to the Italian market, will help mitigate the negative effects of Covid-19 in specific areas of the world.

Despite the current context of uncertainty, the Group will continue its growth strategy, focused on constant commitment to innovation and the development of new products, on maximising profitability, including through a careful cost control policy, and on maintaining financial and capital strength.

I am sure that Datalogic is ready to take up and overcome this challenge, thanks to the value of its people, the thousands of customers who place their trust in us for the development of their business, the partners, distributors, suppliers and all the employees around the world who allow the Group to grow and continue along the path of expansion and innovation every day. I would like to thank all those who support this journey and all the stakeholders and investors who make our success possible, just as our founder and Chairman envisaged 48 years ago.

Valentina Volta
Chief Executive Officer

Highlights

Our Company

Vision

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

Mission

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

Datalogic operates at a global level in the sectors of automatic data capture and process automation. The Group, which boasts a record-breaking 48-year history, with cutting-edge technologies, today specialises in the design and production of bar code readers, mobile computers, RFID devices, detection, measurement and safety sensors, vision and laser marking systems. The Company is unique in the sector, in that it guarantees a wide and specialised offer in the field of automatic data collection and process automation along the entire value chain of the main industrial sectors: Retail, Transportation & Logistics, Manufacturing and Healthcare. Half of the bar code scanning systems used in supermarkets and retail outlets around the world are Datalogic's. In the same way, Datalogic products are used by major airports, couriers and postal systems, major industries, and hospitals. The Datalogic Group employs approximately 3,000 people worldwide, spread over 28 countries, with production facilities and repair centres in Italy, the United States, Brazil, Slovakia, Hungary, Australia and Vietnam, and 11 research centres located in Italy, Germany, the United States, China and Vietnam, with a portfolio of over 1,200 patents acquired and another 350 being acquired in various jurisdictions.

1972

FOUNDATION
- Established in Bologna

1998 1997

YEARS OF EXPANSION
- Acquisition of Escort Memory Systems
- Acquisition of IDWare mobile Computing & Communications

2001

LISTING
- Listed on the STAR segment of the Italian Stock Exchange

2002 2011

NEW ACQUISITIONS
- Minec AB
- LAservall S.p.A.
- Informatics Inc.
- PSC Inc.
- Datasensor S.p.A.
- Evolution Robotic Retail Inc.
- Accu-Sort System Inc.
- PPT Vision Inc.

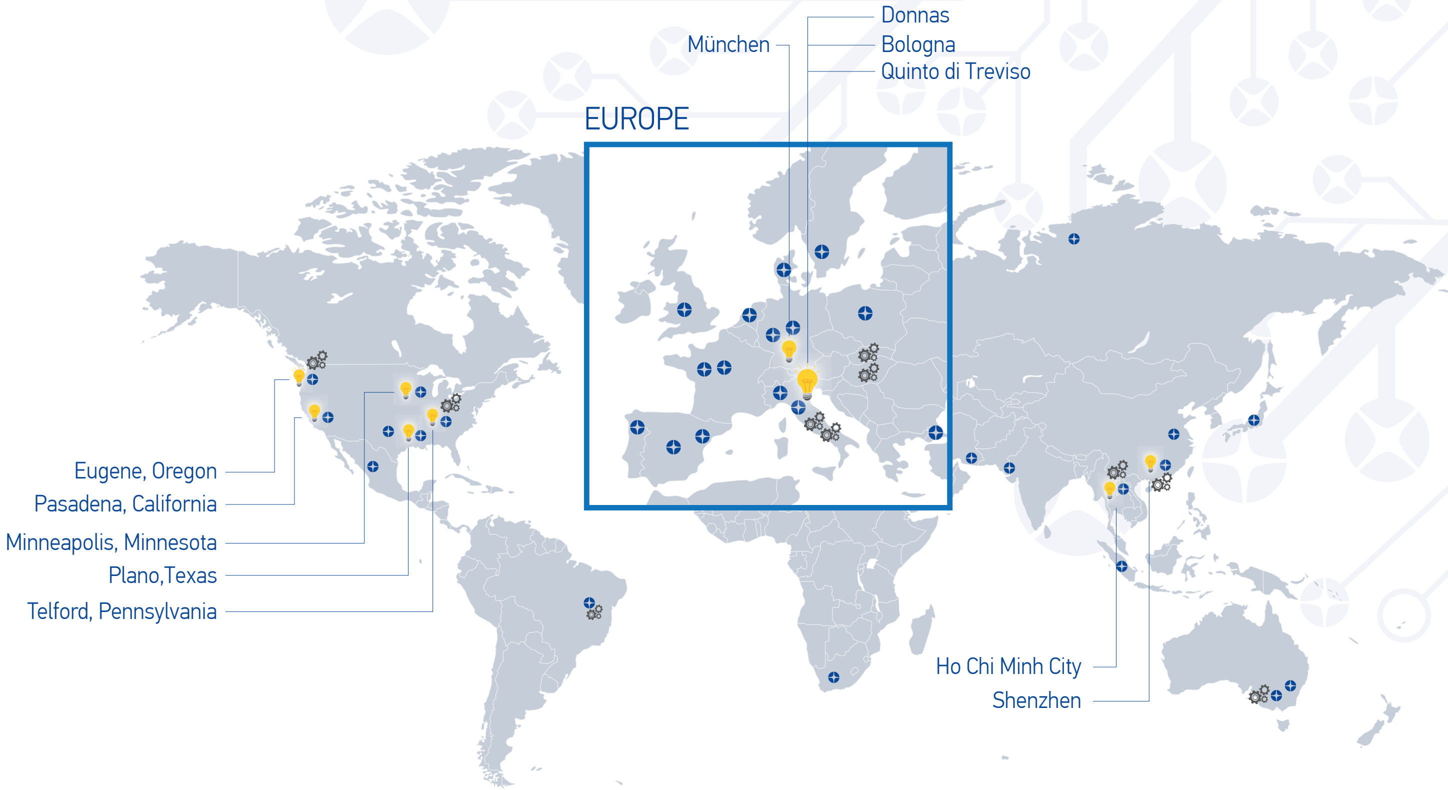
2012 2015

INNOVATION
- Asset Acquisition from Multiware Photonics SA
- Partnership with CAEN RFID S.r.l.

2017

NEW STRATEGY
- Set up new One Datalogic
- New organization by Verticals
- Acquisition of Soredi Touch Systems GMBH

International Footprint



10 Manufacturing & Repair Sites

11 R&D Centers, 3 DL Labs

Direct presence in 28 countries

Values

FOCUSING ON RESULTS
Deliver what you promise

OWNERSHIP
Feel and act as an owner of Datalogic

REALISM
Face reality and fix what is wrong

EFFICIENCY
Treat company expenses as you would your own

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

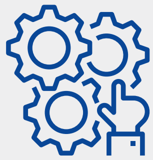
Our Strategy

Objective

- To grow above the market average, while increasing profit margins.

Scope of work

- To remain a product Company, while focusing on integrated solutions to meet the needs of end customers in the Retail, Transportation & Logistics, Manufacturing and Healthcare sectors.
- Consolidate our market position in EMEA and become a strong player in the North American market.
- Increase our position in APAC, with a growing presence in China.



Advantage

- A wide range of products, capable of meeting both automatic data collection and process automation needs by providing solutions along the entire value chain of our customers.

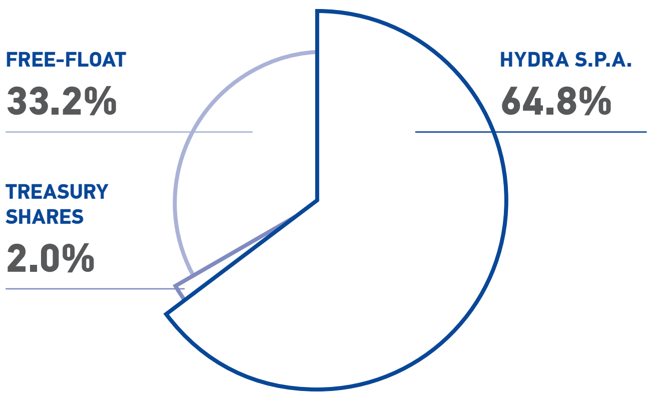
Stock market data

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

During 2019, the share reported a negative performance of 17.3%. The share reached a maximum value of €24.95 per share on 25 January 2019 and a minimum value of €12.04 on 28 August 2019. The average daily volumes exchanged in 2019 were approximately 105,000 shares, up from an average of 83,000 in the previous year.

STOCK MARKET DATA 2019

SEGMENT	**STAR - MTA**
BLOOMBERG CODE	**DAL.IM**
REUTERS CODE	**DAL.MI**
NUMBER OF SHARES	**58,446,491** (including n. 1,148,337 treasury shares)
2019 MAX	**24.95 EUROS** (at 25th January 2019)
2019 MIN	**12.04 EUROS** (at 28th August 2019)
CAPITALIZATION	**985.99 MIL EUROS** at 31st December 2019

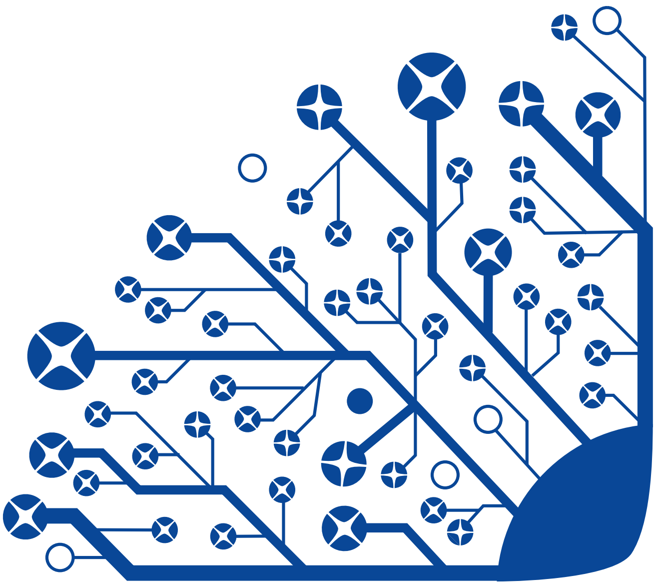


ANNUAL TREND: DATALOGIC SHARE PERFORMANCE/VOLUMES

Market trends

Retail

Datalogic is the only automatic data capture manufacturer able to offer solutions that cover the entire Retail sector, from distribution centres, to outlets of all sizes, to home delivery, along the entire value chain. Although the Retail sector was down 4.4% in 2019 compared to the previous year, the Group consolidated its global leadership in the retail scanner segment. The slowdown is mainly related to a decline in the sector in EMEAI, attributable to the typical cyclicality of fixed retail scanner implementations for check-out applications. After the significant roll-outs in the two previous years at the main European retailers, a slowdown is to be considered as normal. Improving results should be highlighted in North America, Latin America and Asia Pacific, confirming the potential of these large markets. Datalogic has been a leader in the Retail market since 1974, when one of our retail scanners scanned the world's first bar code placed on a consumer good in an Ohio supermarket. **Today we are the absolute leader in the fixed retail scanner market with a 38.8% market share, of which 3.5% has been achieved in the last two years** (Source VDC). Our leadership is complemented by a significant share in handheld scanners and stationary industrial scanners for automation applications in distribution centres.



> **We meet the needs of retailers globally, from the distribution centres, through check-out, to the customer's home.**

Finally, **our new Mobile Computer offering, and in particular the new Android PDAs, represents the most important growth potential for Datalogic in the Retail sector.** Our estimate of the Total Available Market for Datalogic in this industry is in excess of €3 billion globally, with the USA and EMEA representing the most important regions, along with China, which is on the verge of global leadership thanks to a very high growth rate (Source: Osservatorio eCommerce B2c of the Politecnico di Milano).

At the heart of international retailers' strategies are technologies and solutions that allow them to manage the increasingly blurred boundary between physical and virtual commerce.

More and more advanced omni-channel models have been identified, on the one hand the explosion of e-commerce, to which all the big "brick and mortar" retailers are now dedicated, and on the other the large investments in traditional retail outlets to ensure that shopping becomes an ever more engaging and content-rich customer experience, capable of transcending beyond the simple economic transaction. Brands need scenic and multi-sensory locations: those who have given up buying online, which is simple, quick and possible in just a few clicks, in return expect a real, meaningful and personalised shopping experience. The main international players, in addition to providing themselves with advanced logistics solutions, which allow for a streamlined and extensive warehouse management, are experimenting with new products and solutions that enable new services such as: click&collect, drive&collect, online verification, in real time, of the availability and exact position within the shelves of the products in the store or in the warehouse, assisted selling, self scanning and self check-out, the intelligent trolley (connected to the IA), the interactive window and smart dressing rooms.

Thanks to its wide range of products and solutions, Datalogic is able to satisfy all retail needs, from the most traditional to the newest trends, acting as a key player along the entire value chain. Our product portfolio includes products and solutions for both the food and non-food sectors: retail scanners (from the most compact presentation scanners to bi-optic scanners), wired and wireless handheld scanners, mobile computers for store automation, inventories and outdoor mobility applications, stationary industrial scanners for distribution centre automation, and more vertical solutions such as self-shopping, loss prevention and those based on RFID technology.

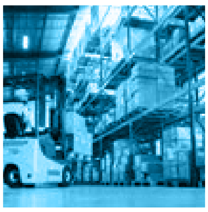
In 2019 Datalogic launched the Memor™10 PDA, equipped with Wireless Charging technology and the Android™ 8.1 (Oreo) operating system, a reliable companion for all those who work in the Retail environment: inventory, price control, assisted selling, are just some of the applications that make the Memor™10 top-of-the-range.

2019 also saw the introduction to the market of the new Magellan 1500i presentation scanner, one of the best solutions available on the market for cash point applications especially for small and medium surfaces and non-food environments. The Magellan 1500i is a product that thanks to its small size, great flexibility as regards installation and excellent scanning performance, allows for maximum versatility of use even when the available space at the cash point is extremely reduced.

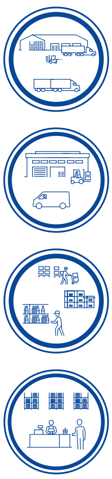
In addition to traditional linear and matrix codes, the Magellan 1500i can read Digimarc® codes. Datalogic was the first manufacturer of identification systems able to support this technology, which in practice allows bar codes to be generated on the entire product package, but invisible to the human eye, drastically simplifying and accelerating the reading phase and also guaranteeing authenticity and product traceability.

The next step for Datalogic will be the development of more and more “frictionless” check-out devices, in other words, making checkout transactions faster and smoother, thanks to the development of Vision and Machine Learning technologies.

In fact, Datalogic intends to continue to meet all the challenges faced by retail, to protect and increase its leadership and be ready to embrace new developments in the sector.

Distribution Center | Warehouse
Store Management | Check-out POS




Market trends

Manufacturing

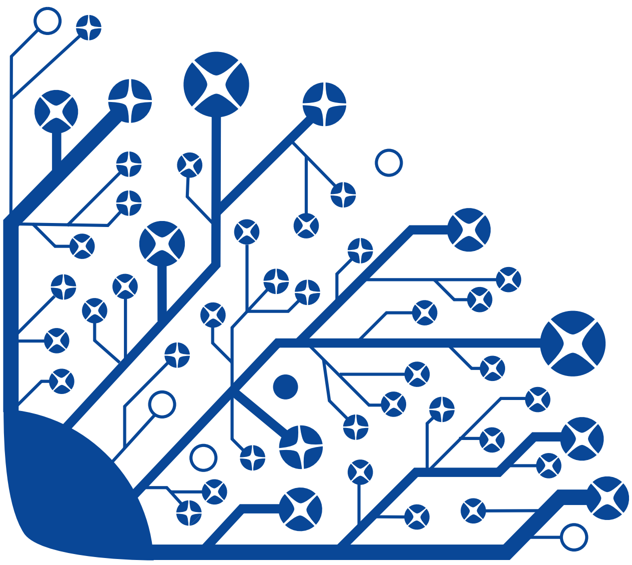
Since the summer months of last year, global growth in the manufacturing industry has slowed, penalised by the progressive deterioration of the national and international operating environment. The slowdown phase is common for all the major European players, and is largely linked to the difficulties in the automotive sector, following the entry into force of new regulations on the approval of vehicles, which has generated tensions in the plants.

In China, for the first time after a long period of sustained development, we have witnessed a slowdown in the growth rate of important sectors for us, such as consumer electronics, where the sector driven by smart phones seems to have reached maturity, although there is hope that new 5G technology may be the key to trigger another period of significant growth. As regards the Chinese domestic market, although GDP growth in 2019 was 6.1%, signs of a gradual slowdown have begun to emerge. The manufacturing industry is still the key sector for the country and the "Made in China 2025" ten-year plan, formulated on the "Industry 4.0" German model, was intended to favour the manufacturing sector, spreading the use of Information Technology, Internet of Things and Big Data, but the trends in electronics, which at the beginning of 2020 were affected by the consequences of the Covid-19 epidemic, will heavily influence the Chinese economy.

As a result, Datalogic's Manufacturing division suffered a 7.4% decrease in 2019 compared to last year. The slowdown in the automotive market in EMEA and in the consumer electronics sector in China was partially offset by the double-digit growth in the North American market.

Datalogic offers a multi-product portfolio capable of serving all major manufacturing sectors, with a focus on automotive, electronics, packaging and intra-logistics. **Datalogic's strategic objective is first of all to continue investing in the field of stationary industrial scanners (SIS), a sector that continues to grow at rates close to 5% and in which we are market leader with a market share of over 22%, which has allowed us to become the reference point for traceability in the industrial sector.** With the different applications of Factory Automation, Datalogic adds to its leadership in stationary scanners one of the most comprehensive offerings on the market ranging from sensors to safety systems, from laser marking to vision systems. Finally, the range of industrial handheld guns and Mobile Computers, focused in particular on intra-logistics solutions, should be noted.

The development of Industry 4.0 remains key to the new application needs that see Datalogic in first place thanks to the completeness of its product range. There is a strong growth in all traceability applications, with increasing demands for



> **Unique provider of a portfolio of intelligent, interconnected devices that can track, protect, identify, detect, control and mark.**

DPM (Direct Part Marking) code scanning and the entire robotics sector: robots, cobots (collaborative robots) and AGV (Automated Guided Vehicles).

Datalogic's core business remains automatic data collection, which in turn is the basis of Industry 4.0's Business Analytics line of development. Today only 1% of the data collected is used by companies, who could benefit enormously from machine learning technologies. Factory 4.0 envisages fully interconnected machines, which communicate with each other and carry out self-diagnostics and preventive maintenance.

In 2019 important new models of the Matrix 220 were launched, the most compact industrial bar code scanner with imager technology that can also read Digimarc® codes, which, thanks to its excellent performance and very compact size, is an ideal product for traceability and automated warehouse applications.

Also last year, **the new Matrix 300N™, with 2 Mega Pixel sensor, was introduced**, the image-based industrial scanner ideal for traceability in Automation, Electronics, Packaging and also for intra-logistics solutions.

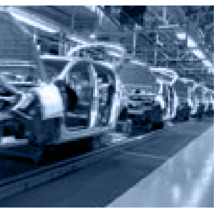
For the latter application area, in 2019, **Datalogic also launched the new scanner models, PowerScan™ PD9531 Auto Range (AR) and the Falcon™ X4 Auto Range mobile computer.** Both already leaders in their category, now with greater performance levels thanks to the Near/Far 1D/2D imager technology with Auto Range functionality, which allows for bar codes to be scanned at different distances, from a few centimetres up to 20 meters.

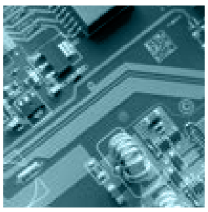
2019 also saw the launch of the new S5N, standard M18 tubular sensors, designed to become the new industry benchmark in terms of sensors with IO-Link connectivity for Industry 4.0 applications. **Thanks to the new ASIC circuit developed by Datalogic, the sensors in this family are the first tubular sensors available on the market with IO-Link V1.1 Smart Sensor profile.**

For Direct Part Marking solutions, where identification codes are engraved directly on the part to be tracked, without the use of labels, **Datalogic is a leader in fibre laser marking technologies, increasingly used in various sectors such as automotive, electronics, food and pharmaceutical.** Thanks to its high performance laser marking and scanning solutions, combined with the latest software developments, Datalogic is able to implement complete marking and verification solutions directly on the production line.

The industrial robotics market is estimated by the International Federation of Robotics (IFR) to be worth $13.9 billion. Today a new generation of robots, called collaborative robots (cobots), is being developed, which can interact with humans, both in factories and in everyday life and which will constitute a real revolution not only from a technological point of view, but also from the point of view of social organisation.

In 2019 Datalogic launched the new version of its IMPACT software, a proven platform that allows users to develop robot guidance applications using artificial vision solutions. IMPACT has been developed for full compatibility with "Universal Robots", the leading Danish manufacturer of collaborative industrial robots.



Automotive | Electronics | Packaging | Intralogistics

Market trends

Transportation & Logistics

The Transportation & Logistics sector reported strong growth of 9.5% on 2018, driven by a very positive performance in North America and EMEAI, regions where Datalogic has partnered with all major express couriers and carriers for years.

In general, the growth of the Transportation & Logistics sector is driven by the considerable development of e-commerce, which requires logistics organisations of all the companies involved to be able to sort at high speed, manage parcels of any size, with high flexibility and efficiency in order and warehouse management, as well as tracking of direct delivery to customers' homes. To meet the needs of these applications, some of the most advanced automatic identification technology solutions are required. In this context, **Datalogic is a fundamental partner, thanks to a range of products and solutions among the most complete and best-performing on the market and to the development of SW decoder libraries able to recognise a bar code in real time, as well as other symbols and texts, useful in cases where the bar code has deteriorated or is even absent.**

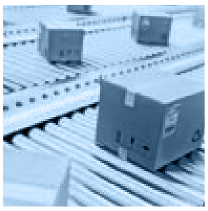
To further enhance our offering of high performance imager scanners, **the AV500™ was launched in 2019. This is an innovative industrial 2D imaging-based scanner developed for high-speed applications in e-commerce, mail/parcel sorting and airport baggage handling,** with the ability to be used on conveyors of all sizes and with an image capture capability of up to 32 frames per second.

Datalogic has been at the forefront of the development of airport systems since 1984, when it installed the first automatic scanning station for baggage handling in Milan Linate. The growth potential of the baggage handling sector is still huge: it is expected to reach $9.4 billion by 2020, with an average growth rate of 8% from 2015 to 2020 (Source: IATA). **In 2019 Datalogic closed an important contract with one of Europe's leading airport hubs, which chose our company to comply with the new requirements of IATA Resolution 753,** the international air traffic control body, which from 2018 required airlines to fully trace baggage from collection to return to the passenger. Baggage handling irregularities continued to cost the industry $2.3 billion in 2018, which Datalogic is actively helping to reduce.

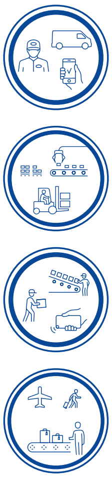
> **We guarantee the most efficient and effective data collection for postal services, express couriers, airports and for all logistics applications, from warehouse management to sorting systems.**

The consolidation trend in the third-party logistics sector (3PL) also continues. Amazon's announcement of 24 hour delivery capabilities has opened up new growth opportunities for the entire 3PL market and generated demand for technology to meet new customer service expectations. Only those capable of adapting quickly to change and who invest in the most advanced technologies will remain on the market.
In the first part of 2019, **Datalogic launched the Android version of the new Rhino II on the market**, the powerful and robust forklift computer that, integrated with the latest auto range versions of the PowerScan™ industrial gun, represents the most complete and high-performance solution for the management of warehouse applications, particularly in larger areas (distribution centres).
The boom in e-commerce and the ease with which customers can return unwanted products has led to new demands for the management of so-called reverse logistics, to manage the re-storage of returned products. This new application sector also represents a very interesting track and trace opportunity for Datalogic, both when the activity is managed manually (industrial guns and mobile computers) and, increasingly, when it is managed automatically (scanners and stationary position industrial cameras).
In 2019, Datalogic launched the new Taskbook, a robust tablet specifically designed for industrial applications, with an ergonomic design and balanced weight even when held in one hand. The high degree of protection, robust casing, 1.6 millimetres thick glass (4 times thicker than consumer products!) and resistance to repeated falls on concrete from up to 1.2 metres, make it the ideal device for extreme environments in logistics, maintenance, quality control and inspection applications.
The opportunities of the 4.0 revolution in industrial automation are also reflected in the logistics sector: operators are called upon not only to act as managers of physical flows, but also as guarantors of the quality of information flows along the supply chain.
During 2019, Datalogic carried out an awareness campaign throughout Europe, in order to propose itself as a provider of the right technological solution for all parties involved in the 2014/40/EU Directive (distributors, wholesalers, retailers, merchandisers or logistics service providers).






Courier & Parcel | Logistics | Postal | Airports




Market trends

Healthcare

The Group's Healthcare sector recorded a flat result compared to 2018, driven by sales in North America and EMEAI, but held back by the slowdown in APAC. Sales through the distribution channel are growing, especially to American customers, often part of large private hospital groups.

The Healthcare sector for Datalogic has a value of $23.8 million, of which it holds an estimated 4.6%. In general, investment in healthcare is growing rapidly throughout the world, both due to the progressive ageing of the population and the sharp increase in the need for traceability of medicines, aimed on the one hand at increasingly guaranteeing patient safety and on the other at reducing the market for fake medicines, which lead to significant losses for the entire pharmaceutical industry sector.

> **We value the entire healthcare ecosystem from drug production to patient care.**

Datalogic products are widely used in bed-side patient care applications. Thanks to our handheld and mobile computer scanners dedicated to the Healthcare sector, it is possible to guarantee maximum precision in the management of the administration of medicines to patients and in the control of treatments, allowing for the respect of the 5 fundamental rights of the patient (administration to the correct patient, of the correct medicine, in the correct dose, through the correct means and at the correct time).

Another important application is that of tracing blood bags for transfusions, where even today there are still errors that have irreparable consequences, completely avoidable thanks to our technologies.

The use of small stationary scanners with high performance scanning capabilities is essential for the automation of laboratory tests, combined with the use of handheld scanners for patient reconciliation.

Finally, not to be forgotten is the management of stock and inventory for all hospital assets, which today is still a source of enormous redundancy and can be fully automated with the use of handheld scanners and mobile computers.

The distribution chain of drugs and other healthcare products is typically managed through a dedicated supply chain, due to the special cleaning and control needs required for these devices. Also for this reason **the specific characteristics of Datalogic products dedicated to Healthcare are essential, of particular importance is a high resistance to all of the most aggressive detergents used in hospitals, through equipping products with antimicrobial plastic, as explained in more details later on.**

The markets for telemedicine and mobile technology, are booming. The IoT is also a fertile ground for the development of new technologies, the application of Artificial Intelligence and the use of blockchain. According to a recent study conducted by MarketResearch.com, by 2020, 40% of IoT technologies will be found in the Healthcare sector, approaching a total market value of approximately $117 billion. Healthcare is evolving from a traditional model, in which treatment only takes place in hospital centres, to a new model, in which treatment is accessible from everywhere. And all thanks to technology.

Even the world of "Big Pharma" is evolving towards the so-called "Beyond The Pill" approach, i.e. continuing to care for the patient after the purchase of the drug.

Finally, account should be taken of opportunities derived from the European Directive 2011/62/EU, the "Anti-Counterfeiting Directive" (FMD - Falsified Medicines Directive), issued in order to stem and prevent the phenomenon of falsification of medicines, in force since 9 February 2019 in all Member States. Wholesalers and other parties involved in the European distribution chain must now analyse the data matrix on the outer packing of each individual medicine package to verify its authenticity along the entire journey from production to administration to the patient. Similar legislation is also coming into force in the USA with the Drug Supply Chain Security Act (DSCSA), which aims to trace the steps for manufacturers, packagers, wholesale distributors and third-party logistics service providers (business partners) to build an electronic traceability system for pharmaceutical products by 2023.

All these developments lead to new interesting opportunities for traceability and data collection applications and therefore for Datalogic, which is able to offer the healthcare market products with specific features such as: antimicrobial plastics, inductive technology for wireless battery charging, patented bar code scanning verification to ensure correct identification between patient and drug. Many of our product models are equipped with plastics that can withstand the most aggressive detergents used in particular in the hospital sector, but the incorporation of silver ions into the plastic of our Gryphon™ and Rida™ casings provides additional antimicrobial protection, compliant with ISO022196/JISZ 2801 and therefore provides an additional line of defence against the spread of hospital infections. Being able to have products made with plastics capable of inhibiting the development of the bacterial load is particularly important in current times when we are experiencing the effects of the Coronavirus pandemic.

It should be noted that **the "Healthcare" version of the Memor™ 10 – the Datalogic portable computer launched on the international market in January 2019 – is also equipped with special disinfectant-ready plastics, capable of withstanding the harshest daily cleaning with solvents and chemicals.** The back of the handheld device is smooth, making it easy to clean and preventing the accumulation of the bacterial load. The strap is also made of sanitary material and is completely washable. Finally, the absence of contacts makes Memor™10 the ideal product for hospital bed-side activities.




Pharmacy | Hospital - Labs | Pharmaceutical

A unique product offer

A large range of products able to satisfy all our 4 Verticals customers' needs along their value chain

The most complete offer of bar code readers: from FRS for Retail to industrial scanners, from hand held scanners to mobile computers...

... integrated by a wide range of products for industrial automation

Main events and products launched in 2019

2019 was an eventful year, which saw the launch of 13 new products on the market: more than one per month. In addition to introducing new, highly innovative products and solutions, such as the new generation of mobile computers in the Memor™ family – among the first to be included in Google™'s "Android Enterprise Recommended" programme – the Company has continued its business policy across all geographic areas, acquiring excellent contracts with some of the leading companies, part of the Fortune 500, in the industries in which we operate. Fortune 500 is an annual list compiled and published by Fortune magazine that ranks the 500 largest U.S. corporations, measured by their revenue.

These include the contract for a major supply of fixed retail scanners (FRS), signed with the largest supermarket company in the United States in terms of turnover. This chain is now ranked second by extension in the general ranking of large retailers in the United States.

Another significant contract for a major supply of handheld scanners (HHS) has been concluded with a well-known American retail company specialising in household DIY. This company operates a chain of retail stores in both the United States and Canada.

The third contract that we would like to mention concerns the provision of multiple services for logistics, concluded with one of the best known American transport companies, specialising in express mail and parcel shipments, land transport, air transport and logistics services.

Trust and recognition from customers of this importance fills us with pride and drives us to constantly improve the quality of our products, which are destined to propel the major multinationals that drive the global economy and to optimise the level of our customer support services.

JANUARY

Datalogic launches "a new era" in the retail world, previewing a wide range of products and solutions at the **NRF**, the most important event for the Retail sector, which takes place every year in New York City. In particular, Datalogic presented the first industrial portable devices (computers and scanners) with wireless charging capability, Qi compatible, with a capacity to offer greater product reliability.

The **new Gryphon™ 4500 series** is announced, the first handheld scanners to use a wireless charging system. Datalogic is the first industrial manufacturer to implement Wireless Charging technology on devices, which eliminates the need to perform routine maintenance and cleaning

JANUARY

GRYPHON™ 4500

procedures for the charging system, significantly reducing downtime and optimising investments. The new Gryphon™ 4500, thanks to its ergonomic and elegant design, is particularly suitable for non-food retail outlets, such as shops and access points (theatres, cinemas, concerts), but also for the management of cashiers in supermarkets. The GD4500 imager is also available in a Healthcare version, with special disinfectable and antimicrobial plastics for bed-side healthcare applications.

Memor™ 1 is launched, the new full-touch device, ideal for all types of automatic data collection applications, particularly in the Retail sector: from in-store assisted sales to the production line, from back-end reception to warehouse distribution. Memor™1 is equipped with the Android™ 8.1 operating system and the innovative Wireless Charging system. Also usable as a cordless phone, it is the ideal work companion for those who work in retail environments such as inventory, access control, collection points, assisted selling. In the manufacturing sector it is used for quality control, inventory, shipment/receipt. Finally, it is also particularly appreciated in logistics applications such as inventory, pick-up/packing, shipment/receipt, tracking and tracing.

Memor™ 10 is launched, this is one of the very first rugged mobile computers to be included in the "Android Enterprise Recommended" programme, the initiative launched by Google™ that helps companies choose the right Android devices and services for their businesses. Memor™10, also equipped with Wireless Charging System, combines the durability and performance of a traditional robust business device with the style of a user-friendly smartphone. This is one of the top mobile products in the Datalogic 2019 range, suitable for the most diverse sectors: Retail (in-store activities, assisted sales and operations management); Healthcare, equipped with special disinfectant-ready plastics (bedside medical assistance, pharmacy and analysis laboratories); Transportation & Logistics (proof of delivery for couriers and use on 3PL lorries); Manufacturing (production line and quality control).

FEBRUARY

Datalogic celebrates **10 years of having a presence in Vietnam**, in Ho Chi Minh City. The commemorative ceremony was attended by more than 1,000 people, among them was the welcome presence of dignitaries and representatives of universities and local institutions and the Italian Ambassador to Vietnam. An opportunity to retrace the exciting phases of the plant's development project, starting from an opening with only 4 employees in January 2009, to becoming the Group's first production site where approximately 55% of total production takes place, with over 800 people employed. On the same day the inauguration ceremony of the new canteen took place, a completely new 3-storey building, including a recreation area and equipped with an internal kitchen for both lunches and dinners.

MARCH

Datalogic announces the **SLS-M5 (Master) and SLS-R5 (Slave)**, two new models of safety laser scanners from the Laser Sentinel family, the range of innovative solutions for safety zone monitoring and protection of gate access to

MARCH

MEMOR™ 1

MEMOR™ 10

LASER SENTINEL

hazardous areas, covering a wide variety of applications in industrial and intra-logistics environments. Following the launch of the SLS-SA5 stand-alone model in 2018, Datalogic now offers an even more comprehensive solution for single and multiple safety area monitoring applications. Laser Sentinel is able to manage both horizontal and vertical static applications (robotised cells, perimeter protection of machine tools and machining centres, protection of gate access) and to manage dynamic applications (automatic guided forklifts and pallet trucks).

APRIL

The 2nd General Assembly for the **European project Horizon 2020 "ROSSINI"** (RObot enhanced SenSing, INtelligence and actuation to Improve job quality in manufacturing) is held in Ostfildern, Germany. Datalogic is lead partner and coordinator of the consortium formed for the project, composed of 6 companies and 7 Universities/Research Centres, belonging to 7 different European countries. The aim of the ROSSINI project is to develop a hardware-software platform in the production field, which will enable the creation of applications in which robots and human operators collaborate (HRC) in total safety, improving work quality, production flexibility, efficiency and productivity. Combining the different innovative technologies developed by major industrial stakeholders, the ROSSINI platform will allow for the development of a range of robotic arms, "Collaborative by Birth", with new integrated safety features and predictive algorithms.

Datalogic also takes part in the **European project Horizon 2020 NOLOSS** (Lossless Photon management - Optical design for manufacture at different length scales), funded under the "Research & Innovation Marie Skłodowska-Curie Action" tender. The objective of NOLOSS is to create an optical acquisition system without photon loss and to extract more and more in-depth information from images. Datalogic is one of the companies participating in the research consortium, consisting of 8 companies and 5 Universities/Research Centres, belonging to 5 different European countries.

Datalogic, announces **Matrix 220™**, the most compact image-based bar code scanner on the market. Its innovative image processing platform makes Matrix 220™ ideal for electronic, automotive, packing and document management applications and the best solution for high-speed and Direct Part Marking applications. It is used in the following sectors: electronics and automotive (traceability of components during assembly and quality control), pharmaceutical (analysis laboratory, quality control), food&beverage (traceability in production, packaging, distribution), OEM (machines for biomedical analysis, access control systems, labelling machines).

Datalogic exhibits products and services at **ProMat**, the main "Manufacturing" and "Material Handling" exhibition that took place in Chicago, at McCormick Place, from 8 to 11 April. At this event Datalogic presented new products and innovative solutions to improve warehouse efficiency and the latest technologies for robotics and production automation.

APRIL

MATRIX 220™

TASKBOOK

Datalogic also announces **TaskBook**, the new industrial tablet suitable for a wide range of warehouse operations. TaskBook is a robust, yet easy-to-use mobile device whose tablet format introduces a new way of working in factories and warehouses. Particularly suitable for small or non-electrically driven forklifts, it can also be installed on pallet trucks. Its robustness makes it ideal in most extreme environments in logistics, maintenance, quality control and inspection applications.

Datalogic opens a **new sales office in Tokyo, Japan**, to get closer to its local partners and customers and guarantee them a direct and continuous presence. The Japanese market has always been of great interest to our company, which has had business relations with Japan since 1978. For the time being, 6 staff and 2 consultants are employed in the new premises. Japan is once again a particularly promising market for our business and Datalogic is pleased to renew its trust and friendship with this country.

MAY

Datalogic announces the release of the **Magellan™ 1500i**, the high-performance retail presentation scanner. Useful in various application environments, Magellan™ 1500i is today one of the best and most compact solutions available on the market to meet the needs of cashier applications, especially in non-food environments (retail, pharmacies, service companies). The Magellan 1500i can be placed on the cashier counter, or used as a handheld scanner in the case of objects that are too heavy to be placed on the counter.

Datalogic is the protagonist of the **SPS IPC Drives** event, the most important Italian event in the area of industrial automation, which takes place every year at Fiere di Parma. Datalogic showcases the latest high-tech innovations and solutions designed to ensure traceability in production: robotic guidance, rapid warehouse management processes, control and security systems, laser scanner technologies, imagers, linear cameras, handheld devices for automatic data collection on the move.

JUNE

Datalogic participates in the first edition of the exhibition-conference "**Smart Vision Forum: le tecnologie per l'industria del futuro**", the event organised by Messe Frankfurt Italia and promoted by ANIE Automazione and AIdAM, which was held at the Palazzo dei Congressi in Bologna. Smart Vision Forum combines the exhibition space with an important conference schedule, with presentations on Artificial Vision technologies by scholars and exhibiting companies.

JULY

Datalogic launches the new **MX-E90** industrial vision processor, which offers excellent performance for all types of machine vision applications in various markets: automotive, electronics, packaging and food&beverage. In particular, it allows for the performance of rapid checks and processing of high resolution images in the following inspection applications: syringe needle inspection (phar-

MAY

MAGELLAN™ 1500i

JULY

MX-E90

maceutical industry); checking the correct positioning of the cap on the bottle, reading labels and bar codes on food packaging (food and packaging industry), integrated electronic components alignment (electronics industry).

With the introduction in the market of the new **Matrix 300N™ 2MP**, Datalogic expands its range of bar code scanning products based on imager technology designed for industrial environments such as automotive and electronics, intra-logistics and packing lines, packaging, document processing and the medical sector. Matrix 300N™ **2MP** allows for fast and accurate scanning of any type of code on any material or surface printed or marked, from glossy metal to low contrast printing.

AUGUST

Datalogic announces the new **PowerScan™ PD9531 and Falcon™ X4** models, with even higher performance thanks to the "**Auto Range**" feature, which allows bar codes to be read at different distances, with a scanning capacity ranging from 15 centimetres to 20 metres, in almost all lighting conditions. These new products allow operators to easily move from scanning a close-up bar code on a pallet to one placed on top of a warehouse rack, maximising the efficiency of operations. PowerScan™ PD9531 AR and Falcon™ X4 are suitable for any application field: from retail (for back office/warehouse, point of sale and stock management, and inventory activities); to transport and logistics companies (for storage, shipment/receipt, picking, packing and cycle counting activities), from manufacturing companies (for traceability, sorting, freight forwarding, warehouse management) to those working in the health sector (for inventory activities).

With a view to an ever closer collaboration between university and businesses, Datalogic is funding five two-year **scholarships**, worth €3,000, for the best Bachelor degree graduates in Information Engineering at universities outside the Emilia-Romagna Region, who decide to enrol in Master's degree courses in Computer and Automation Engineering or Electronic Engineering for ICT at the **Università di Ferrara**.

SEPTEMBER

Datalogic participates in **PACK EXPO 2019**, the most important logistics event in the industry, which took place from 23 to 25 September 2019 at the Las Vegas Convention Center. The Company exhibited the technological innovations that drive the market including: vision and OCR tools; bar code scanning solutions; sensors and safety components for machinery; robots and work cells; laser marking solutions that can be implemented in hours instead of days.

Datalogic is the sole beneficiary of regional funding for the **Flute** project (FLexibility, Usability, easy installation and configuration faciliTy, Eco-sustainability). Flute will allow for the development of innovative devices for artificial vision and laser marking, aimed at flexibility, usability, ease of installation and configuration and eco-sustainability. The innovations introduced will aim to make

AUGUST

MATRIX 300N™ 2MP

POWERSCAN FALCON™ X4

these technologies usable also for SMEs that, due to their size and lack of skills, have greater difficulty in exploiting the advantages of artificial vision systems and in the world of packaging, where innovative laser marking technologies will partially replace the printing solutions currently used.

OCTOBER

Datalogic announces the release of **IMPACT software version 12.2**, for the management of all types of vision and inspection applications. The new IMPACT version enables any smart camera or industrial vision processor to be integrated with the collaborative robots of the Danish company "Universal Robots". In addition to the robot-guide functionality, Datalogic has also made improvements to the object position location and tracking tools.

With company mobility management, Datalogic continues to embrace Android Enterprise by supporting **OEMConfig**, a new Android™ standard that has enabled Original Equipment Manufacturers (OEMs) to create custom device features and controls offered by mobile device management providers. Being distributed via Google Play™, customers always have the latest configuration options for Datalogic portable computers.

NOVEMBER

Datalogic participates in **CHINASHOP 2019**, the event organised by China Chain Store & Franchise Association, one of the most influential organisations for the retail industry in China. The exhibition, held at Qingdao World Expo City, brought together all international and local market leaders as well as experts from universities and institutions.

At **SPS Nuremberg** Datalogic presents the new line of intelligent sensors and a complete portfolio of products for identification and traceability in an industrial environment. Visitors to Europe's most important industrial automation trade fair had the opportunity to see live integrated working solutions of safety sensors and scanners, artificial vision systems for production control, laser markers and bar code scanners for identification.

DECEMBER

Datalogic presents the **AV500™**, an innovative industrial bar code scanner based on 2D imaging technology developed for package sorting applications. Sorting objects of different sizes, even irregular ones, quickly and safely is one of the challenges that express couriers, e-commerce companies and airports have to face today. This new industrial imager offers solutions for all high speed applications in e-commerce, mail/parcel sorting and airport baggage handling, thanks to its potential to be used on conveyors of all sizes, as well as in static reading applications. Since codes are scanned several times under the scanning array, excellent scanning performance can be achieved even on plastic-covered or damaged codes. This translates into an effective 50% increase in production volume compared to other traditional solutions.

SEPTEMBER

PACK EXPO ® LAS VEGAS

September 23–25, 2019
Las Vegas Convention Center
Las Vegas, Nevada USA

PACK EXPO 2019

DECEMBER

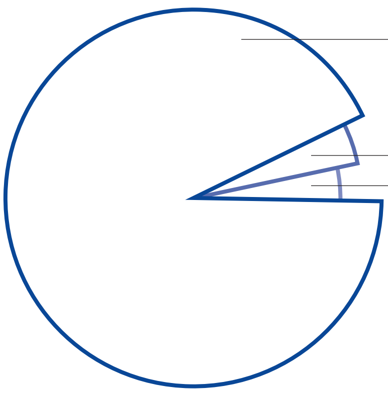
AV500™

A year of consolidation

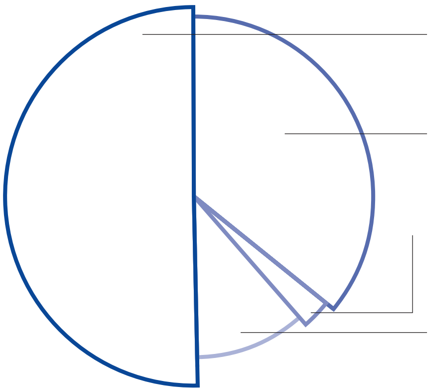
2019 REVENUES

Total **612.5 MLN EUROS**

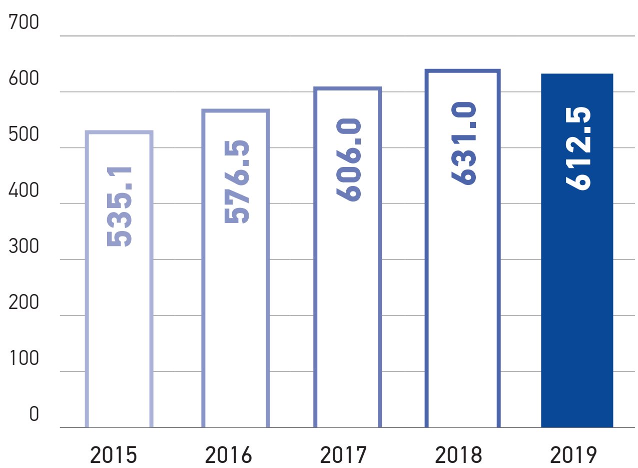
Revenues by division



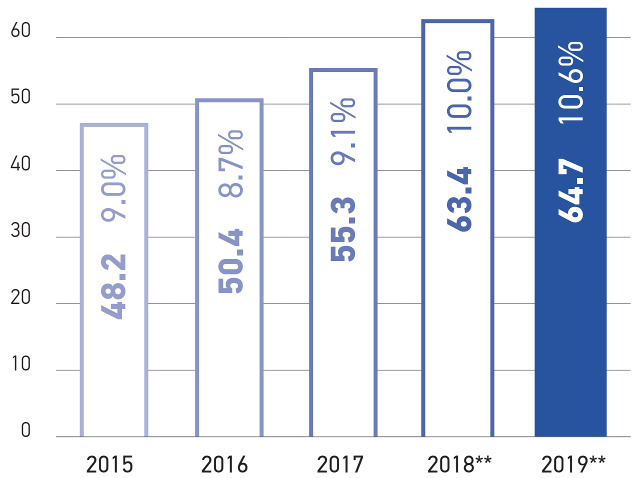
Revenues by geographic area



REVENUES (MLN EUROS)



R&D (MLN EUROS)*

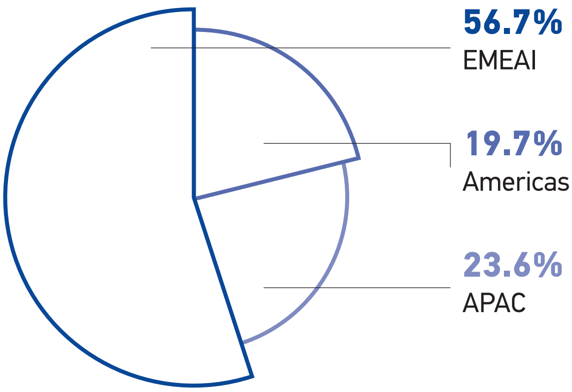


* % on revenues
** including R&D Capex effects

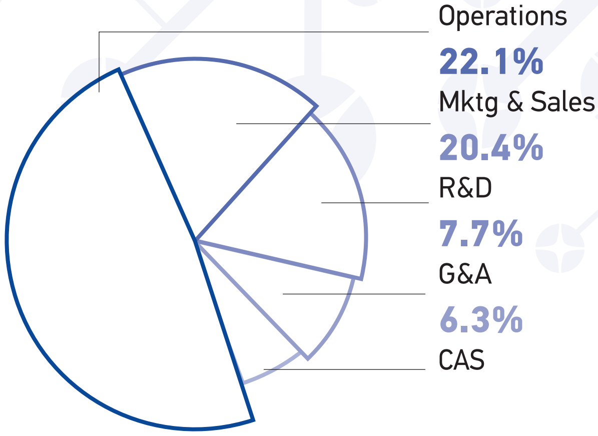
2019 EMPLOEEYS

Total **3,074**

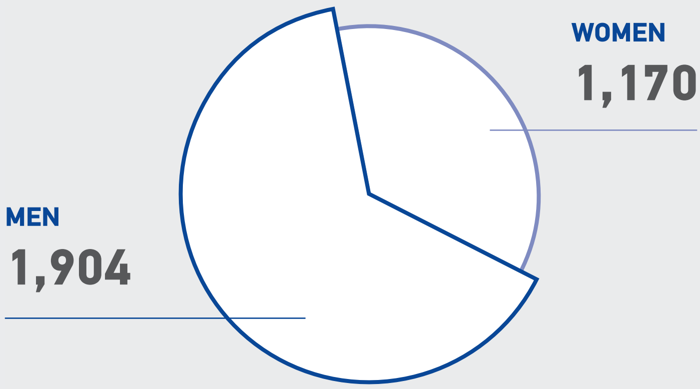
Employees by geographic area



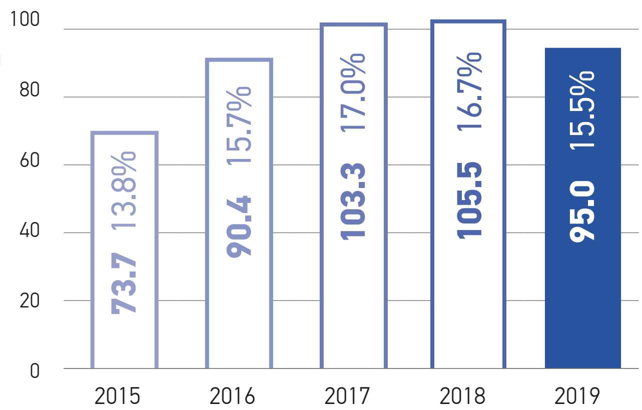
Employees by functional area



2019 EMPLOYEES BY GENDER

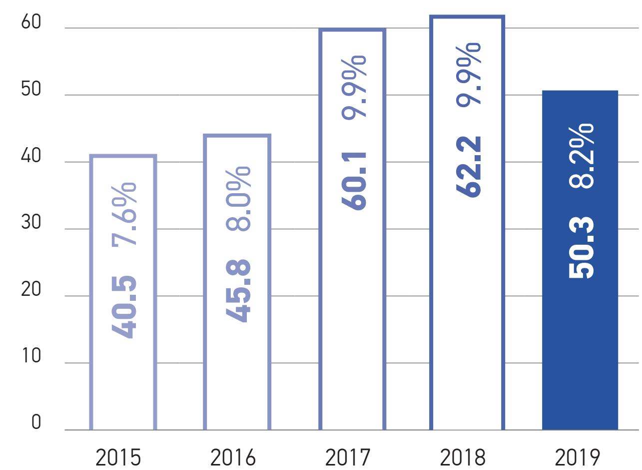


EBITDA
(MLN EUROS)*



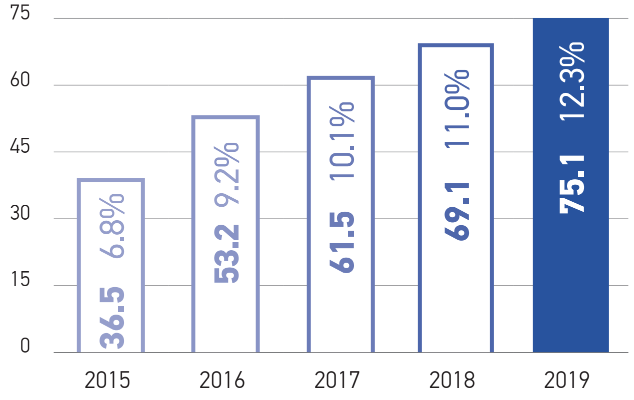
* % on revenues

NET INCOME
(MLN EUROS)*



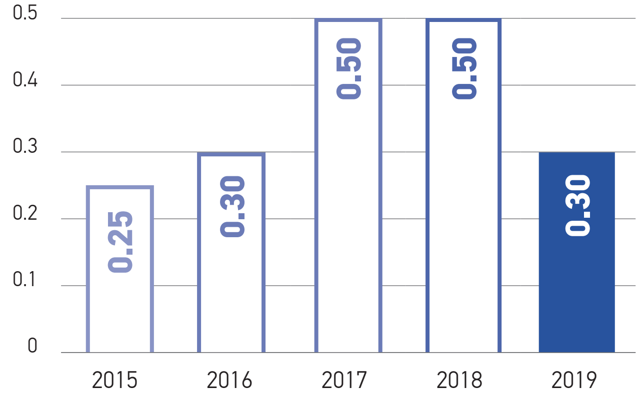
* % on revenues

NET TRADE WORKING CAPITAL
(MLN EUROS)*

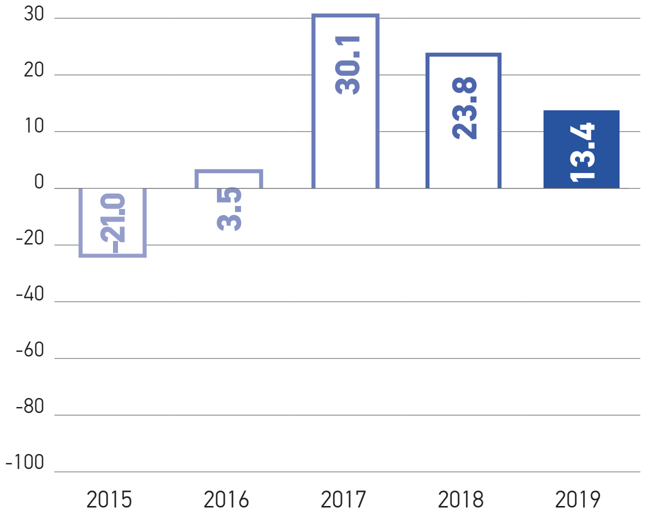


* % on revenues

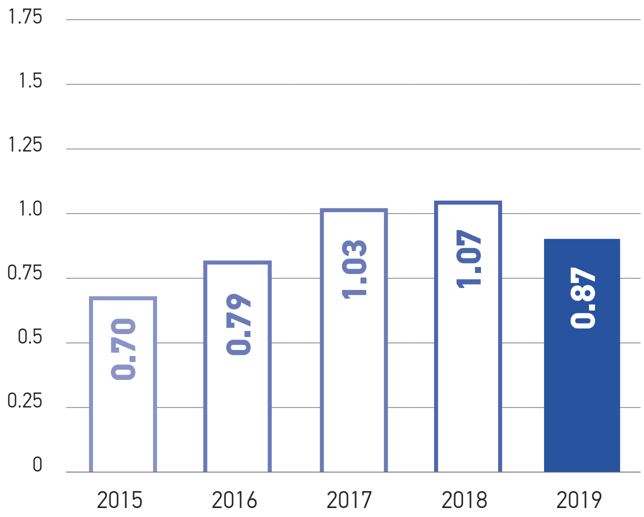
DIVIDEND PER SHARE
(DPS - EUROS)



NET FINANCIAL POSITION
(MLN EUROS)



EARNINGS PER SHARE
(EPS - EUROS)



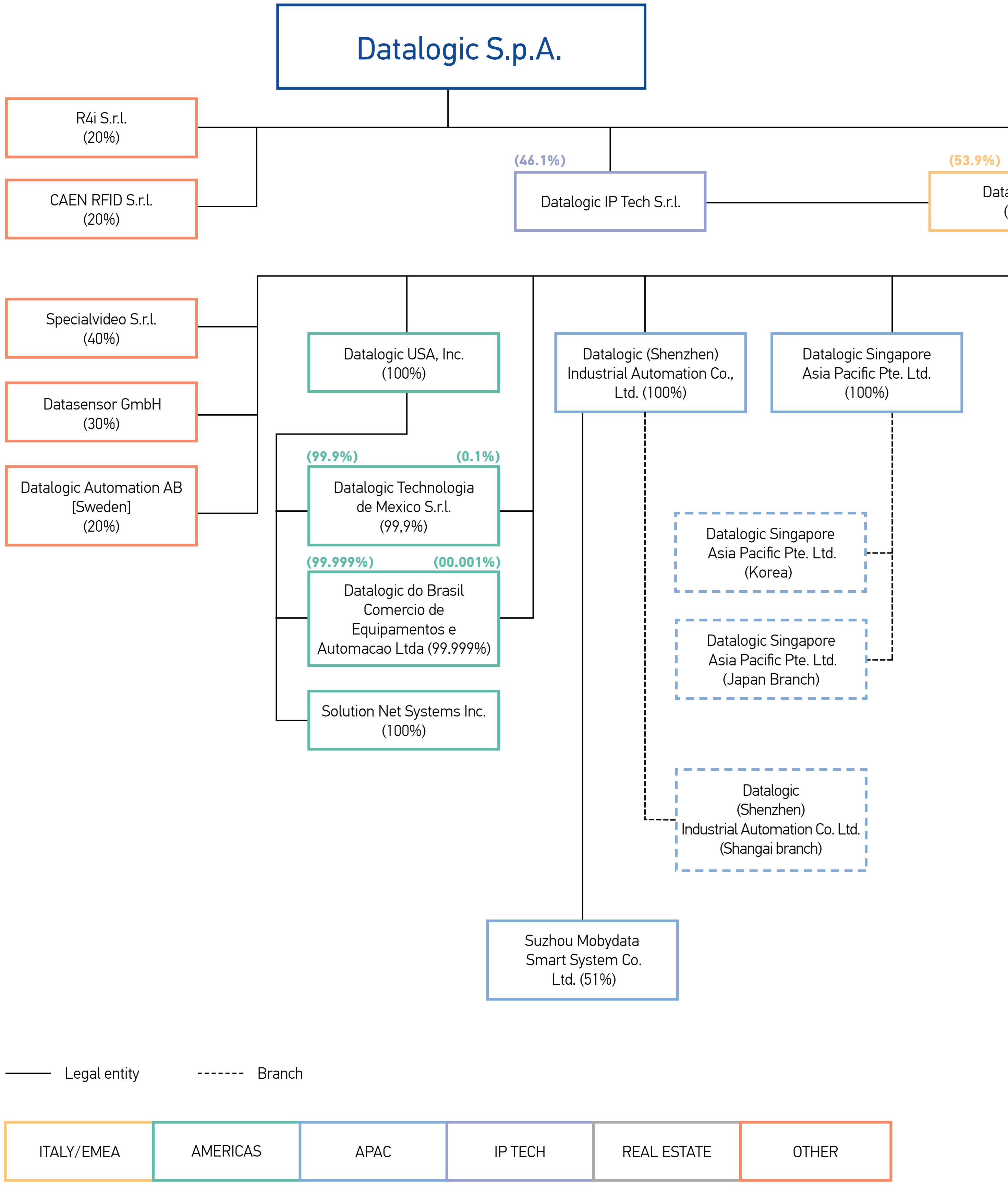
INCOME STATEMENT

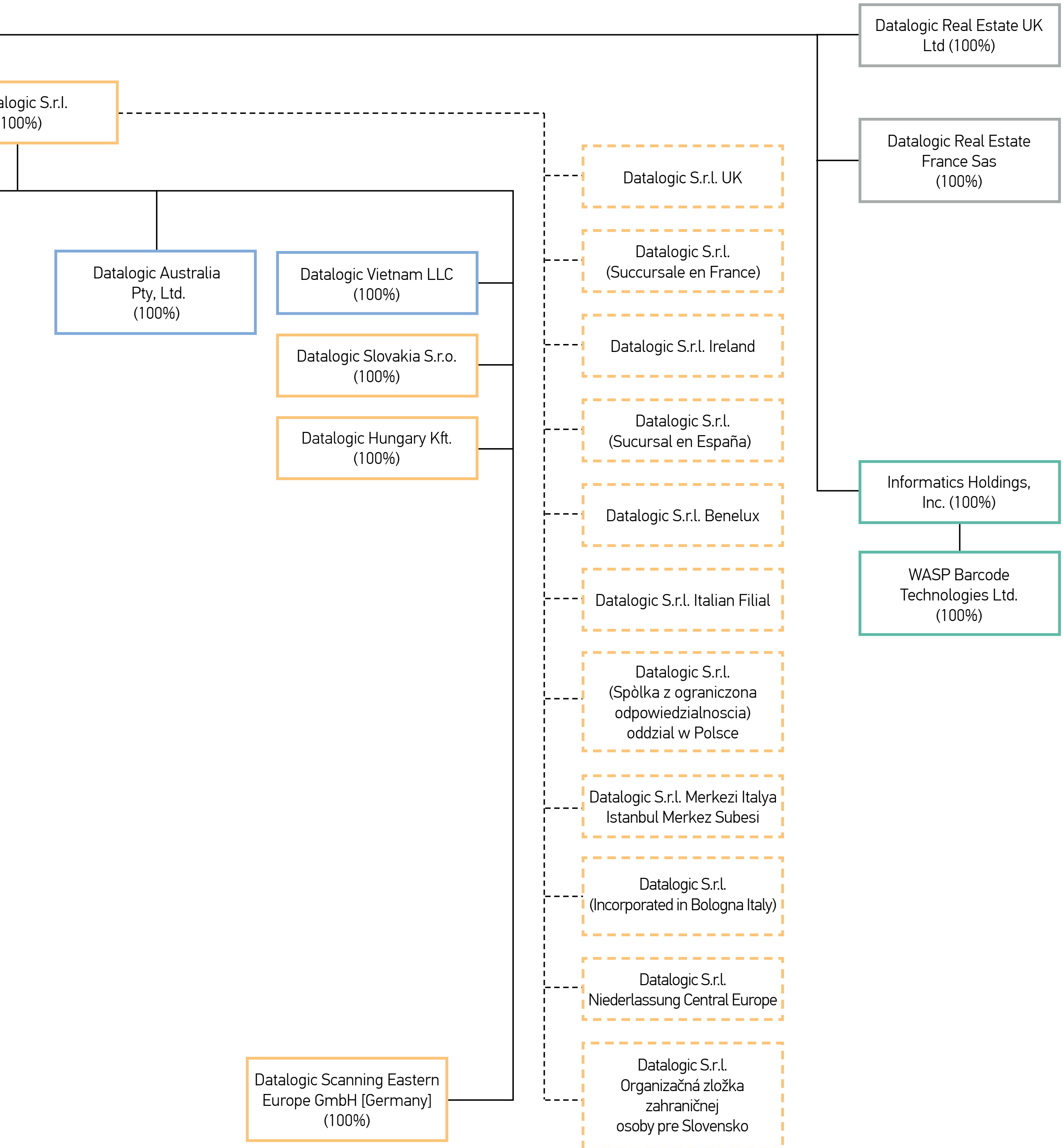
(MLN EUROS)	2015	2016	2017	2018	2019
REVENUES	535.1	576.5	606.0	631.0	612.5
EBITDA	73.7	90.4	103.3	105.5	95.0
% on revenues	13.8	15.7	17.0	16.7	15.5
EBT	51.6	66.9	75.4	77.8	62.2
% on revenues	9.6	11.6	12.5	12.3	10.2
NET INCOME	40.5	45.8	60.1	62.2	50.3
% on revenues	7.6	8.0	9.9	9.9	8.2
EMPLOYEES GROWTH	2,567	2,696	2,912	3,157	3,074
DIVIDEND PER SHARE (EUROS)	0.25	0.30	0.50	0.50	0.30
DIVIDEND DISTRIBUTION (MLN EUROS)	10.5	14.5	17.4	28.9	28.7

BALANCE SHEET

(MLN EUROS)	2015	2016	2017	2018	2019
FIXED ASSETS	363.8	371.7	347.9	369.7	391.1
CURRENT ASSETS	166.8	192.0	203.9	228.1	230.5
CURRENT LIABILITIES	-162.7	-182.2	-181.9	-195.2	-184.2
NET WORKING CAPITAL	4.1	9.8	22.0	32.9	46.2
NET INVESTED CAPITAL	319.2	332.9	322.9	352.0	390.8
EQUITY	298.3	336.4	353.0	375.8	404.2
NET FINANCIAL POSITION	-21.0	3.5	30.1	23.8	13.4
CAPEX	22.0	16.5	13.9	28.9	38.0
% on revenues	4.1	2.9	2.3	4.6	6.2
NET TRADE WORKING CAPITAL	36.5	53.2	61.5	69.1	75.1
% on revenues	6.8	9.2	10.1	11.0	12.3
ROE %	15.0	14.4	17.4	17.1	12.9
DEBT/EQUITY %	7.0	-1.0	-8.5	-6.3	-3.3

Group Structure


Datalogic S.p.A.
R4i S.r.l. (20%)
CAEN RFID S.r.l. (20%)
(46.1%)
Datalogic IP Tech S.r.l.
(53.9%)
Data
(
Specialvideo S.r.l. (40%)
Datasensor GmbH (30%)
Datalogic Automation AB [Sweden] (20%)
Datalogic USA, Inc. (100%)
(99.9%)
(0.1%)
Datalogic Technologia de Mexico S.r.l. (99,9%)
(99.999%)
(00.001%)
Datalogic do Brasil Comercio de Equipamentos e Automacao Ltda (99.999%)
Solution Net Systems Inc. (100%)
Datalogic (Shenzhen) Industrial Automation Co., Ltd. (100%)
Datalogic Singapore Asia Pacific Pte. Ltd. (100%)
Datalogic Singapore Asia Pacific Pte. Ltd. (Korea)
Datalogic Singapore Asia Pacific Pte. Ltd. (Japan Branch)
Datalogic (Shenzhen) Industrial Automation Co. Ltd. (Shangai branch)
Suzhou Mobydata Smart System Co. Ltd. (51%)
Legal entity
Branch
ITALY/EMEA
AMERICAS
APAC
IP TECH
REAL ESTATE
OTHER


Datalogic Real Estate UK Ltd (100%)
alogic S.r.l. (100%)
Datalogic Real Estate France Sas (100%)
Datalogic S.r.l. UK
Datalogic Australia Pty, Ltd. (100%)
Datalogic Vietnam LLC (100%)
Datalogic S.r.l. (Succursale en France)
Datalogic Slovakia S.r.o. (100%)
Datalogic S.r.l. Ireland
Datalogic Hungary Kft. (100%)
Datalogic S.r.l. (Sucursal en España)
Informatics Holdings, Inc. (100%)
Datalogic S.r.l. Benelux
WASP Barcode Technologies Ltd. (100%)
Datalogic S.r.l. Italian Filial
Datalogic S.r.l. (Spòlka z ograniczona odpowiedzialnoscia) oddzial w Polsce
Datalogic S.r.l. Merkezi Italya Istanbul Merkez Subesi
Datalogic S.r.l. (Incorporated in Bologna Italy)
Datalogic S.r.l. Niederlassung Central Europe
Datalogic Scanning Eastern Europe GmbH [Germany] (100%)
Datalogic S.r.l. Organizačná zložka zahraničnej osoby pre Slovensko

Composition of Corporate Bodies

Board of Directors[1]

Romano Volta	Executive Chairman[2]
Valentina Volta	CEO [2]
Angelo Busani	Independent Director
Roberto Lancellotti	Independent Director
Angelo Manaresi	Independent Director and Lead Independent Director
Chiara Giovannucci Orlandi	Independent Director
Pietro Todescato	Executive Director
Filippo Maria Volta	Non-executive Director
Vera Negri Zamagni	Independent Director

Board of Statutory Auditors[3]

Salvatore Fiorenza	Chairman
Elena Lancellotti	Statutory Auditor
Roberto Santagostino	Statutory Auditor
Ines Gandini	Alternate Statutory Auditor
Eugenio Burani	Alternate Statutory Auditor
Patrizia Cornale	Alternate Statutory Auditor

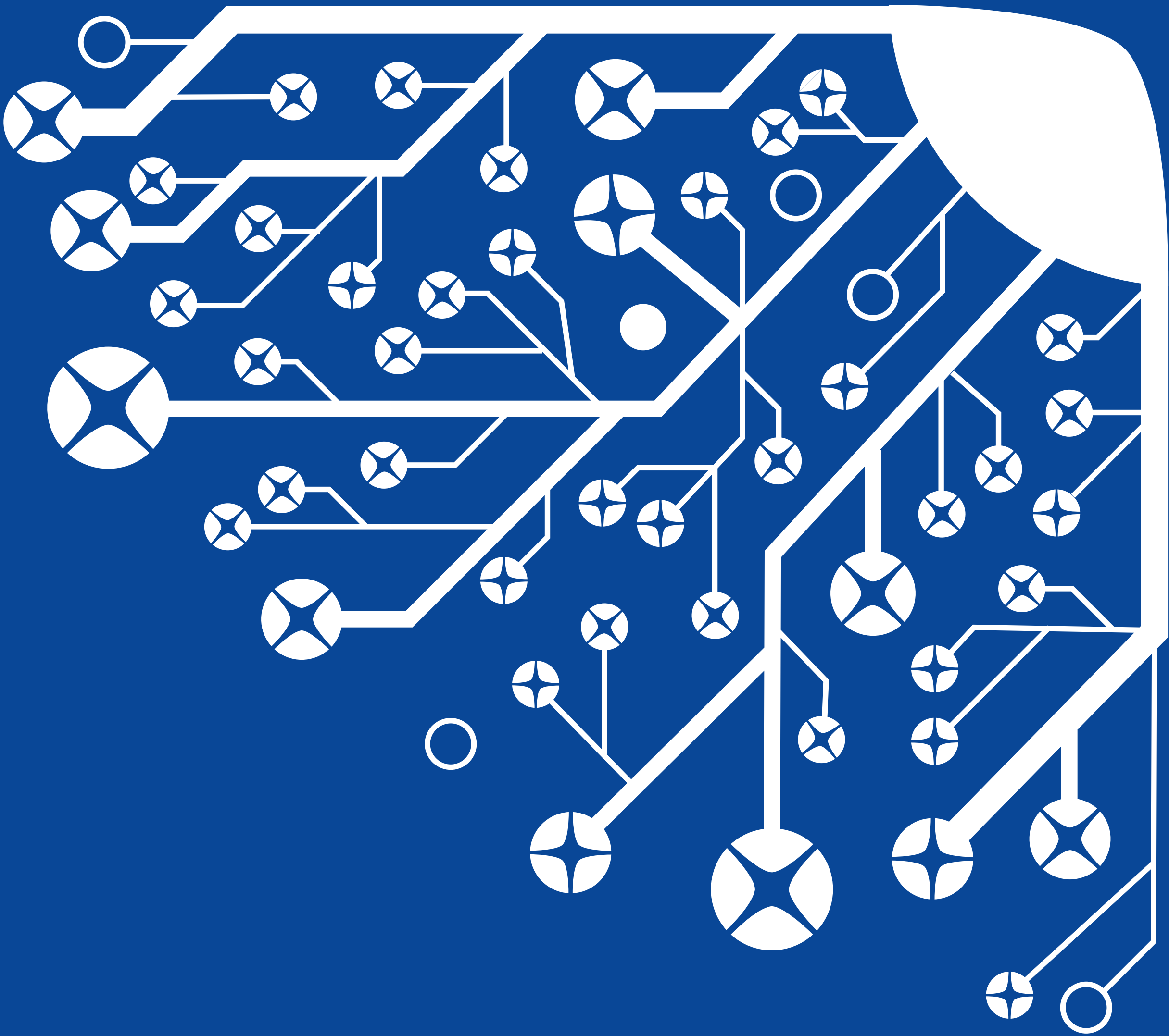
Audit and Risk, Remuneration and Appointments Committee

Angelo Manaresi	Chairman
Chiara Giovannucci Orlandi	Independent Director
Filippo Maria Volta	Non-executive Director

Independent Auditor[4]

Deloitte & Touche S.p.A.

(1) The Board of Directors will remain in office until the Shareholders' Meeting held for the approval of the Financial Statements as at 31 December 2020.
(2) Legal representative as regards third parties.
(3) The Board of Statutory Auditors will remain in office until the Shareholders' Meeting held for the approval of the Financial Statements as at 31 December 2021.
(4) Deloitte & Touche S.p.A. was appointed Independent Auditor for the nine-year period from 2019 to 2027 by the Shareholders' Meeting held on 30 April 2019 and will remain in office until the Shareholders' Meeting held for the approval of the Financial Statements as at 31 December 2027.



Report on Operations

Introduction

This Consolidated Annual Financial Report as at 31 December 2019 was drawn up pursuant to art. 154 of T.U.F. and was prepared in compliance with the International Accounting Standards (IAS/IFRS) endorsed by the European Union.

The amounts reported in the Report on Operations are expressed in thousands of Euro. The notes to the accounts are expressed in millions of Euro.

Group profile

Datalogic S.p.A. and its subsidiaries ("Group" or "Datalogic Group") is the global technological 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.

Financial highlights

The following table summarises the Datalogic Group's key operating and financial results as at 31 December 2019 in comparison with the same period a year earlier:

	31.12.2019	*% on Revenues*	**31.12.2018**	*% on Revenues*	**Change**	% change	**% ch. net FX**
Revenues	**612,486**	*100.0%*	**631,015**	*100.0%*	**(18,529)**	-2.9%	-5.3%
EBITDA	**94,990**	*15.5%*	**105,549**	*16.7%*	**(10,559)**	-10.0%	-8.9%
Operating Result (EBIT)	**65,471**	*10.7%*	**83,517**	*13.2%*	**(18,046)**	-21.6%	-19.7%
Net Profit/(Loss) for the period	**50,281**	*8.2%*	**62,210**	*9.9%*	**(11,929)**	-19.2%	-16.5%
Net Financial Position (NFP)	**13,364**		**23,843**		**(10,479)**		

In the year 2019, revenues amounted to €612.5 million, showing a slight decline of 2.9% on the previous year, EBITDA decreased by 10.0%, to €95 million, taking the EBITDA margin to 15.5% (16.7% as at 31 December 2018).

During 2019, the growth in North America (+6.6%) was confirmed, which partially offset the slowdown in the APAC (-19.6%) and the EMEAI (- 4.7%) areas, as well as Latin America (-2.5%).

The net profit amounted to €50.3 million (€62.2 million in the same period of 2018). The percentage on revenues decreased from 9.9% to 8.2%.

The Net Financial Position, as at 31 December 2019, was positive by €13.4 million, down by €10.5 million compared to 31 December 2018 (positive by €23.8 million). Net of the application of the new accounting standard IFRS 16, which determines the recognition of right-of-use assets (€9.8 million) and financial liabilities (€10.1 million), the Net Financial Position is in line with the previous year.

Alternative performance indicators

To allow for a better valuation of the Group's performance, management adopted certain alternative performance indicators that are not identified as accounting measures within IFRS (NON-GAAP measures). The measurement criteria applied by the Group might not be consistent with those adopted by other groups and the indicators might not be comparable with indicators calculated by the latter. These performance indicators, determined according to provisions set out by Guidelines on 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 Consolidated Annual Financial Report and the compared periods.
The performance indicators must be considered as supplementary and do not supersede information given pursuant to IFRS standards. The description of the main indicators adopted is given hereunder.

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

- **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. This indicator includes also "Other financial assets" represented by temporary cash investments and financial liabilities for operating leases resulting from the application of the new accounting standard IFRS 16.

Group reclassified economic results

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

	31.12.2019		31.12.2018		Change	% change
Revenues	**612,486**	**100.0%**	**631,015**	**100.0%**	**(18,529)**	**-2.9%**
Cost of goods sold	(319,366)	-52.1%	(325,064)	-51.5%	5,698	-1.8%
Gross Operating Margin	**293,120**	**47.9%**	**305,951**	**48.5%**	**(12,831)**	**-4.2%**
Research and Development expenses	(59,272)	-9.7%	(61,920)	-9.8%	2,648	-4.3%
Distribution expenses	(120,789)	-19.7%	(112,225)	-17.8%	(8,564)	7.6%
General and Administrative expenses	(44,149)	-7.2%	(43,156)	-6.8%	(993)	2.3%
Other operating income/(expenses)	4,177	0.7%	1,732	0.3%	2,445	141.2%
Total Operating expenses and others	**(220,033)**	**-35.9%**	**(215,569)**	**-34.2%**	**(4,464)**	**2.1%**
Non-recurring costs/revenues and write-downs	(2,759)	-0.5%	(2,260)	-0.4%	(499)	22.1%
Amortisation and depreciation from acquisitions	(4,857)	-0.8%	(4,605)	-0.7%	(252)	5.5%
Operating Result (EBIT)	**65,471**	**10.7%**	**83,517**	**13.2%**	**(18,046)**	**-21.6%**
Financial Income/(Expenses)	(1,890)	-0.3%	(2,938)	-0.5%	1,048	-35.7%
Foreign exchange gains/(losses)	(1,347)	-0.2%	(2,730)	-0.4%	1,383	-50.7%
Profit/(Loss) before taxes (EBT)	**62,234**	**10.2%**	**77,849**	**12.3%**	**(15,615)**	**-20.1%**
Taxes	(11,953)	-2.0%	(15,639)	-2.5%	3,686	-23.6%
Net Profit/(Loss) for the period	**50,281**	**8.2%**	**62,210**	**9.9%**	**(11,929)**	**-19.2%**
Non-recurring costs/revenues and write-downs	(2,759)	-0.5%	(2,260)	-0.4%	(499)	22.1%
Depreciation and write-downs of tangible assets	(16,756)	-2.7%	(10,580)	-1.7%	(6,176)	58.4%
Amortisation and write-downs of intangible assets	(10,004)	-1.6%	(9,192)	-1.5%	(812)	8.8%
EBITDA	**94,990**	**15.5%**	**105,549**	**16.7%**	**(10,559)**	**-10.0%**

Consolidated revenues amounted to €612.5 million, decreasing by 2.9% compared to €631.0 million in the previous year.

The following table shows the breakdown by **geographical area** of Group revenues achieved in 2019, compared with the previous year:

	31.12.2019	%	31.12.2018 (**)	%	Change	%	% ch. net FX
Italy	*47,955*	*7.8%*	*53,031*	*8.4%*	*(5,076)*	*-9.6%*	*-10.5%*
EMEAI (excluding Italy)	*261,608*	*42.7%*	*271,755*	*43.1%*	*(10,146)*	*-3.7%*	*-5.0%*
Total EMEAI (*)	309,563	50.5%	324,786	51.5%	(15,223)	-4.7%	-5.9%
North America	219,420	35.8%	205,902	32.6%	13,518	6.6%	1.5%
Latin America	16,131	2.6%	16,545	2.6%	(414)	-2.5%	-4.3%
APAC (*)	67,371	11.0%	83,781	13.3%	(16,410)	-19.6%	-20.1%
Total Revenues	**612,486**	**100.0%**	**631,015**	**100.0%**	**(18,529)**	**-2.9%**	**-5.3%**

(*) EMEAI: Europe, Middle East, India and Africa; APAC: Asia & Pacific (including China).
(**) Comparison data for 2018 were restated consistently to reflect the new allocations of revenues.

During 2019, 6.6% growth was reported in North America, while a slowdown was recorded in the APAC area (down by 19.6%). The performance in the EMEAI area decreased by an overall 4.7%.

Gross Operating Margin was €293.1 million, decreasing by 4.2% from €306.0 million reported in 2018. As a percentage of revenues, it decreased by 0.6 percentage points compared to 2018, going from 48.5% in 2018 to 47.9% in 2019. Net of the exchange rates, the percentage of gross operating margin over revenues remained unchanged at 48.5%, thanks to productivity and launch of new products which balanced the negative effect of volume decrease.

Operating expenses and others, equal to €220.0 million, increased by 2.1% compared to €215.6 million in 2018, +1.7 as a percentage of turnover, from 34.2% to 35.9%. Distribution expenses increased by 7.6%, to €120.8 million (19.7% of revenues compared to 17.8% recorded in 2018), as result of the carryover of investments made in 2018 to strengthen commercial organisations.
Research and Development expenses, amounting to €59.3 million (€61.9 million in 2018) remained substantially unchanged in terms of percentage on revenues. In 2019, overall expenses in Research and Development, including investments, amounting at €64.7 million (€63.4 million in 2018), increased by 2.1% compared to the previous year. The percentage of turnover is around 10.6%, in line with the Group's strategic targets on innovation.

EBITDA was €95.0 million (€105.5 million in 2018) and showed 1.2% decrease as percentage on revenues (-0.6% at constant exchange rate), equal to 15.5% over 16.7% recorded in 2018. EBITDA recorded over the year reflects the increase in investments in commercial organization, partially offset by the effect of the adoption of the new accounting standard IFRS 16. This determined the accounting of higher depreciation and lower costs for rents and leases of €4.6 million and €4.6 million, respectively.

EBIT was €65.5 million, compared to €83.5 million in the previous year, while its percentage on revenues decreased from 13.2% in 2018 to 10.7%.

Financial Income/(Expenses)

	31.12.2019	31.12.2018	Change
Financial income/(expenses)	(415)	(1,685)	1,270
Foreign exchange gains/losses	(1,347)	(2,730)	1,383
Bank expenses	(1,246)	(1,474)	228
Others	(229)	221	(450)
Total Financial Income/(Expenses)	**(3,237)**	**(5,668)**	**2,431**

Net Financial Income/(Expenses), negative by €3.2 million, improved by €2.4 million, thanks to the favourable performance of foreign exchange differences, which recorded a loss of €1.3 million (compared with a loss of €2.7 million as at 31 December 2018) and to the positive result related to cash equivalents investments.

Net profit amounted to €50.3 million (€62.2 million as at 31 December 2018), recording 1.7% decrease in terms of percentage on revenues, from 9.9% to 8.2%.

Group reclassified economic results

Operating segments are identified based on the management reporting used by senior management to allocate resources and evaluate results. Consistently with the previous year, the operating segments were included in the following divisions:

- **Datalogic**, which represents the Group's core business and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, vision and laser marking and RFID systems that contribute to increasing the efficiency and quality of processes in the areas of Retail, Manufacturing, Transport & Logistics and Healthcare, along the entire value chain;
- **Solution Net Systems**, specialised in supplying and installing integrated solutions 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.

The following tables show the breakdown of divisional Revenues and EBITDA achieved in 2019, compared to 2018:

	31.12.2019	%	31.12.2018	%	Change	% change	% ch. net FX
Datalogic	568,128	92.8%	585,724	92.8%	(17,596)	-3.0%	-5.2%
Solution Net Systems	29,064	4.7%	28,320	4.5%	744	2.6%	-2.6%
Informatics	18,736	3.1%	19,586	3.1%	(850)	-4.3%	-9.3%
Adjustments	(3,442)	-	(2,615)	-	(827)		
Total revenues	**612,486**	**100.0%**	**631,015**	**100.0%**	**(18,529)**	**-2.9%**	**-5.3%**

	31.12.2019	% on revenues	31.12.2018	% on revenues	Change	%
Datalogic	90,581	15.9%	102,097	17.4%	(11,516)	-11.3%
Solution Net Systems	2,911	10.0%	2,939	10.4%	(28)	-1.0%
Informatics	1,507	8.0%	669	3.4%	838	125.3%
Adjustments	(9)	-	(156)	-	147	
Total EBITDA	**94,990**	**15.5%**	**105,549**	**16.7%**	**(10,559)**	**-10.0%**

Datalogic Division

In 2019, the Datalogic Division reported a turnover of €568.1 million, a slight decrease compared to the same period of 2018 (-3.0%), with a positive performance in North America, partially offsetting the decline in EMEAI, APAC and Latin America.

Divisional EBITDA amounted to €90.6 million, decreasing by 11.3% compared to 2018, with 15.9% percentage on turnover (17.4% as at 31 December 2018). Net of exchange rate effect, EBITDA margin of the division was equal to 16.5%, a 0.9% decrease compared to the previous year.

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

	31.12.2019	%	31.12.2018 (*)	%	Change	%	% ch. net FX
Retail	265,672	46.8%	278,025	47.5%	(12,353)	-4.4%	-7.1%
Manufacturing	157,356	27.7%	169,876	29.0%	(12,519)	-7.4%	-8.6%
Transportation & Logistics	75,049	13.2%	68,565	11.7%	6,483	9.5%	6.6%
Healthcare	20,004	3.5%	20,093	3.4%	(90)	-0.3%	-3.2%
Channel (unallocated) (**)	50,047	8.8%	49,164	8.4%	883	1.8%	0.4%
Total revenues	**568,128**	**100.0%**	**585,724**	**100.0%**	**(17,596)**	**-3.0%**	**-5.2%**

(*) Comparison data for 2018 were restated consistently to reflect the new allocations of revenues to various operating segments.
(**) The Channel sector (unallocated) includes revenues not directly attributable to the 4 areas identified.

- **Retail**
  The Retail segment decreased by 4.4% on last year, with a slowdown in the EMEAI due to significant roll-outs of fixed retail scanners occurred in the previous two years. Americas and APAC are instead growing.

- **Manufacturing**
  The Manufacturing segment decreased by 7.4% compared to the previous year. The slowdown in the automotive market in EMEA and in consumer electronics in China was partially offset by the double-digit growth in the North American market.

- **Transportation & Logistics**
  The Transportation & Logistics sector reported strong growth of 9.5% on 2018, driven by a very positive performance in North America and EMEAI.

- **Healthcare**
  The Healthcare sector remained substantially unchanged compared to 2018, driven by sales in North America and EMEAI.

Slight increase in distribution channel's revenues mainly towards small and medium-sized customers.

Solution Net Systems Division

In 2019, the Solution Net Systems Division recorded revenues for €29.1 million, increasing by 2.6% on the same period of 2018, mainly due to the seasonality of some projects. EBITDA related to the division amounted to €2.9 million, 10.0% of turnover (10.4% in 2018).

Informatics Division

The Informatics Division recorded a turnover of €18.7 million in 2019, decreasing by 4.3% compared to 2018. Divisional EBITDA was positive by €1.5 million (positive by €0.7 million in the same period of 2018), it improved thanks to the increased Service and shift to the new business model "Software as a Service".

Fourth quarter Group reclassified economic results

The following table summarises the Datalogic Group's key economic results of the fourth quarter of 2019 in comparison with the same period a year earlier:

	4Q 2019	*% on revenues*	4Q 2018	*% on revenues*	Change	% change	% ch. net FX
Revenues	**151,114**	*100.0%*	**164,927**	*100.0%*	**(13,813)**	-8.4%	-9.7%
EBITDA	**21,690**	*14.4%*	**28,004**	*17.0%*	**(6,314)**	-22.5%	-22.8%
Operating Result (EBIT)	**13,454**	*8.9%*	**22,441**	*13.6%*	**(8,987)**	-40.0%	-40.2%
Profit/(Loss) for the period	**10,603**	*7.0%*	**18,632**	*11.3%*	**(8,029)**	-43.1%	-43.2%

In the fourth quarter of 2019, revenues decreased by 8.4% to €151.1 million and EBITDA declined by 22.5% to €21.7 million, reducing the EBITDA margin to 14.4%, compared to 17.0% of 2018.

Quarterly net profit amounted to €10.6 million (€18.6 million in Q4 2018). The percentage on revenues decreased from 11.3% to 7.0%.

Fourth quarter economic results by division

The following tables show the breakdown of divisional Revenues and EBITDA achieved in the fourth quarter of 2019, compared with the same period of 2018:

	4Q 2019	%	4Q 2018	%	Change	%	% ch. net FX
Datalogic	139,565	92.4%	154,642	93.8%	(15,077)	-9.7%	-10.9%
Solution Net Systems	7,323	4.8%	5,897	3.6%	1,426	24.2%	20.5%
Informatics	5,053	3.3%	4,985	3.0%	68	1.4%	-1.6%
Adjustments	(827)		(597)		(230)		
Total revenues	**151,114**	**100.0%**	**164,927**	**100.0%**	**(13,813)**	**-8.4%**	**-9.7%**

	4Q 2019	% on revenues	4Q 2018	% on revenues	Change	%
Datalogic	20,167	14.4%	28,569	18.5%	(8,402)	-29.4%
Solution Net Systems	721	9.8%	(679)	-11.5%	1,400	n.a.
Informatics	819	16.2%	205	4.1%	614	299.5%
Adjustments	(17)	2.1%	(91)	15.2%	74	
Total EBITDA	**21,690**	**14.4%**	**28,004**	**17.0%**	**(6,314)**	**-22.5%**

The table below shows Group revenues by **geographical area**, as achieved in the fourth quarter of 2019 versus the same period of 2018:

	4Q 2019	%	4Q 2018 (**)	%	Change	%	% ch. net FX
Italy	*11,085*	*7.3%*	*12,894*	*7.8%*	*(1,809)*	*-14.0%*	*-14.9%*
EMEAI (excluding Italy)	*64,515*	*42.7%*	*70,937*	*43.0%*	*(6,422)*	*-9.1%*	*-11.5%*
Total EMEAI (*)	75,600	50.0%	83,831	50.8%	(8,231)	-9.8%	-12.0%
North America	55,130	36.5%	53,034	32.2%	2,096	4.0%	1.7%
Latin America	5,301	3.5%	6,015	3.6%	(716)	-11.9%	-11.2%
APAC (*)	15,083	10.0%	22,047	13.4%	(6,964)	-31.6%	-27.5%
Total revenues	**151,114**	**100.0%**	**164,927**	**100.0%**	**(13,813)**	**-8.4%**	**-9.7%**

(*) EMEAI: Europe, Middle East, India and Africa; APAC: Asia & Pacific (including China).
(**) Comparison data for 2018 were restated consistently to reflect the new allocations of revenues.

Datalogic Division

In the fourth quarter of 2019, the Datalogic Division reported turnover of €139.6 million, down (-9.7%) compared to the same period of 2018, with a positive trend in North America.

Divisional EBITDA, which decreased by 29.4% over the same quarter of 2018, amounted to €20.2 million, with a percentage on revenues from 18.5% in the fourth quarter of 2018 to 14.4%.

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

	4Q 2019	%	4Q 2018 (*)	%	Change	%	% ch. net FX
Retail	67,832	48.6%	75,358	48.7%	(7,527)	-10.0%	-11.1%
Manufacturing	39,238	28.1%	44,606	28.8%	(5,367)	-12.0%	-13.1%
Transportation & Logistics	16,816	12.0%	18,998	12.3%	(2,184)	-11.5%	-12.6%
Healthcare	4,992	3.6%	6,525	4.2%	(1,532)	-23.5%	-24.5%
Channel (unallocated) (**)	10,688	7.7%	9,155	5.9%	1,533	16.7%	15.3%
Total revenues	**139,565**	**100.0%**	**154,642**	**100.0%**	**(15,077)**	**-9.7%**	**-10.9%**

(*) Comparison data for 2018 were restated consistently to reflect the new allocations of revenues to various operating segments.
(**) The Channel sector (unallocated) includes revenues not directly attributable to the 4 areas identified.

- **Retail**
  The Retail sector decreased by 10.0% compared to the same period of the previous year, with a slowdown in the EMEAI and APAC areas, while a growth was recorded in America.

- **Manufacturing**
  The Manufacturing segment decreased by 12.0% compared to the fourth quarter of the previous year. The slowdown involved all geographical areas, especially APAC, due to the decrease in the consumer electronics market in China.

- **Transportation & Logistics**
  The Transportation & Logistics sector reported 11.5% decrease compared to the same period of 2018 in all geographical areas.

- **Healthcare**
  The Healthcare sector recorded 23.5% decrease in all geographical areas, compared to the fourth quarter of 2018.

Distribution channel's revenues, mainly towards small and medium-sized customers, reported an increase, compared to the fourth quarter of 2018, in all geographical areas, except for APAC.

Solution Net Systems Division

The Solution Net Systems Division recorded revenues amounting to €7.3 million, up by 24.2% compared to the fourth quarter of 2018, thanks to the extension of some contracts in place. EBITDA related to the division amounted to €0.7 million, 9.8% of turnover (-11.5% in the fourth quarter of 2018).

Informatics Division

In the fourth quarter, the Informatics Division recorded turnover of €5 million, up by 1.4% compared to the fourth quarter of 2018. EBITDA of the division is positive by €0.8 million and is remarkably improving compared to the same period of 2018 (€0.2 million).

Group reclassified Statement of Financial Position

The following table shows the main financial and equity items for the Datalogic Group as at 31 December 2019, compared with 31 December 2018.

	31.12.2019	31.12.2018	Change	Ch. %
Intangible assets	50,471	44,506	5,965	13.4%
Goodwill	186,126	181,149	4,977	2.7%
Tangible assets	99,355	77,995	21,360	27.4%
Financial assets and equity investments in associates	10,241	9,397	844	9.0%
Other non-current assets	44,906	56,665	(11,759)	-20.8%
Total Fixed Assets	**391,099**	**369,712**	**21,387**	**5.8%**
Trade receivables	78,203	90,439	(12,236)	-13.5%
Trade payables	(106,029)	(117,139)	11,110	-9.5%
Inventories	102,921	95,826	7,095	7.4%
Net Trade Working Capital	**75,095**	**69,126**	**5,969**	**8.6%**
Other current assets	49,345	41,855	7,490	17.9%
Other current liabilities and Provisions for risks, current	(78,219)	(78,037)	(182)	0.2%
Net Working Capital	**46,221**	**32,944**	**13,277**	**40.3%**
Other non-current liabilities	(34,571)	(37,829)	3,258	-8.6%
Employee severance indemnity	(7,026)	(6,541)	(485)	7.4%
Provisions for risks, non-current	(4,916)	(6,320)	1,404	-22.2%
Net Invested Capital	**390,807**	**351,966**	**38,841**	**11.0%**
Shareholders' Equity	**(404,171)**	**(375,809)**	**(28,362)**	**7.5%**
Net Financial Position (NFP)	**13,364**	**23,843**	**(10,479)**	**-44.0%**

As at 31 December 2019, **Net Trade Working Capital** was €75.1 million (12.3% of revenues), increasing by €6 million compared to 31 December 2018. The change is mainly due to the increase in inventories, linked to seasonality, and the reorganization of the logistic hub in EMEA, which entailed a greater level of procurement in the cross-over phase, progressively reducing in the second half of 2019.

Net Invested Capital, equal to around €390.8 million, increased by €38.8 million compared to the previous year, due to the increased net working capital (€13.3 million) and fixed assets (around €21.4 million, of which €5 million due to exchange rate effect), mainly due to the adoption of IFRS 16 and investments made for the streamlining of the European footprint.

The **Net Financial Position**, as at 31 December 2019, was positive by €13.4 million, down by €10.5 million compared to 31 December 2018 (positive by €23.8 million). Cash flows, which brought about the change in Consolidated Net Financial Position as at 31 December 2019, are summarised as follows:

	31.12.2019	31.12.2018	Change
Net Financial Position/(Net Financial Debt) at the beginning of the period	**23,843**	**30,137**	**(6,294)**
EBITDA	94,990	105,549	(10,559)
Change in net trade working capital	(5,969)	(7,644)	1,675
Net investments	(37,997)	(28,851)	(9,146)
Change in taxes	(12,122)	(17,832)	5,710
Financial Incomes/(Expenses)	(3,270)	(5,668)	2,398
Dividend distribution	(28,716)	(28,914)	198
Treasury shares	(4,303)	(16,930)	12,627
Other changes	(3,032)	(6,004)	2,972
Change in Net Financial Position (NFP) before IFRS 16	**(418)**	**(6,294)**	**5,876**
Adoption of IFRS 16 Leases	(10,061)	0	(10,061)
Change in Net Financial Position	**(10,479)**	**(6,294)**	**(4,185)**
Net Financial Position/(Net Financial Debt) at the end of the period	**13,364**	**23,843**	**(10,479)**

Net of the treasury share purchases, dividend distribution and the adoption of IFRS 16, cash generation amounted to €32.6 million, whilst in 2018 cash generation amounted to €39.5 million. Despite the increase in net investments, equal to €9.1 million, and the decline in volumes, operations allowed for a positive cash generation, also thanks to the contribution of the financial and tax management.

As at 31 December 2019, the Net Financial Debt/(Net Financial Position) is broken down as follows:

	31.12.2019	31.12.2018
A. Cash and bank deposits	151,829	181,418
B. Other cash equivalents	12	12
b1. restricted cash	*12*	*12*
C. Securities held for trading	-	-
c1. short-term	-	-
c2. long-term	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**151,841**	**181,430**
E. Current financial receivables	**31,200**	**50,896**
e1. other current financial receivables	*31,200*	*50,896*
F. Bank overdrafts	221	29
G. Current portion of non-current debt	47,421	47,314
H. Other current financial liabilities	6,457	3,733
h1. hedging instruments	-	-
h2. leasing payables	*4,589*	-
h3. current financial liabilities	*1,868*	*3,733*
I. Current financial debt (F) + (G) + (H)	**54,099**	**51,076**
J. Current net financial debt/(Current net financial position) (I) - (E) - (D)	**(128,942)**	**(181,250)**
K. Non-current bank borrowing	110,106	157,407
L. Bonds	-	-
M. Other non-current liabilities	5,472	-
m1. hedging instruments	-	-
m2. leasing payables	*5,472*	-
m3. non-current financial liabilities	-	-
N. Non-current financial debt (K) + (L) + (M)	**115,578**	**157,407**
O. Net Financial Debt/(Net Financial Position) (J) + (N)	**(13,364)**	**(23,843)**

Research and Development

In the market in which the Group operates, the ability to find and implement innovative solutions is one of the key competitiveness factors.
For this reason, Datalogic continues to keep a high level of investment in Research and Development activities, equal to around 9.7% of revenues for 2019 and 10.1% of the core business represented by the Datalogic division. The processes of innovation and product development are based on the "Products Roadmap", stemming from a medium and long-term planning, which is annually updated by the R&D Division, together with the top management.
Within the R&D Division, research teams, like "DL LABS" are focusing on the development of disruptive solutions and products. The main activity of the DL LABS is the development of core technologies used in the products, including scan engines and decoder libraries, to which the development of platforms (i.e. hardware and software components that are reusable and shared by multiple product groups) is added. The R&D Division employs over 500 persons in Datalogic. The results of the innovation processes are patented. In 2019, 20.1% of turnover resulted from new products. The new products that have contributed most to the Group's turnover are described hereunder.

Handheld Readers (HHRs)

- **PowerScan Autorange:** are extra-long range models of the PowerScan readers for industrial use. The new models are equipped with an innovative autofocus system, internally developed, which allows for the reading from 15 cm to 20 m, with a fast autofocus.

Mobile Computing

- **Falcon X4 Autorange:** autorange version, based on proprietary autofocus technology.
- **Datalogic Shield:** platform for the distribution of Android security patches, up to 5 years and for the release of new versions of the operating system. The system also makes available a support section for developers of applications on mobile devices and a Discussion board.
- **Joya Touch and Memor 10:** new Android-based models with Megapixel resolution for a higher reading performance.

Presentation Readers

- **Magellan 1500i:** fixed retail scanner of the presentation type, based on the imaging technology. It allows the reading of 1D, 2D, OCR bar codes, also on Mobile devices, in addition to the Digimarc Barcode support.

Fixed barcode scanners

- **Matrix 220:** new models with stronger blue light illuminators, specially studied to guarantee the best reading for bar codes marked with Direct Part Marking (DPM).
- **Matrix 300N 2Mpix:** new models with 2Mpix resolution, autofocus and a renewed illumination system for a higher reading depth, specially studied for intralogistics and automotive applications.
- **AV500:** 2D barcode scanner with 5Mpix sensor and high-performance autofocus system for high-speed logistics applications, airport baggage handling systems and manual presentation (static applications for automatic barcode reading in work stations).

Machine Vision

- **Impact 3D:** new release for the support of 3D applications.
- **MX-E90:** vision processor with improved performance for the support of up to 8 cameras.
- **Impact Robotics:** new release for robotics applications with UR+ certification for Universal Robots collaborative robots (cobots).

Safety Sensors and Devices

- **S5N:** complete updating of Tubular products, with a new ASIC, specially developed for photoelectric sensors and equipped with the IO-link cutting-edge technology for Industry 4.0 applications.
- **Laser Sentinel:** the new Enhanced models complete the development of the Laser Sentinel range, the most complete solution for safety applications in the industrial field.

Solution

- **Websentinel PLUS:** new release of the monitoring suite with various new features and bug fixing.

Human Resources and Industrial Relations

In 2019, the HR structure consolidated its strategic skills aimed at strengthening Human Capital management in order to even more adequately meet the development needs of both business and Group. The HR Management operates in Bologna in the Headquarters of Lippo di Calderara. The Global HR Director is supported by three regional HR Directors (EMEA, APAC and AMERICAS), as well as by HR Business Partners, responsible for the management and development of Professional Families, at global level, and COE (Centres of Excellence), responsible for the definition and implementation of policies, functional processes and pertaining technical components, while defining related standards and KPIs: Talent Hiring, Talent Management, Organization and Systems and Total Rewards.

Resource hiring

The Resource hiring division guarantees the research and acquisition of strategic figures for the harmonious development of the Company. In fact, a match is created between talent available on the market and the needs of the various organizational levels: talented people, who are Datalogic's targets, are oriented using the PPA (Personal Profile Analysis), a tool that guarantees objectivity, consistency and sustainability to the selection process and the subsequent process of individual and professional family development. The Company attended the main Career Days dedicated to the presentation of both the Company and the posts available in the countries where it is present; it also opened the headquarters of Bologna to students on the occasion of the Open Day dedicated to orientation and meetings with managers.
Talent hiring is supported by both a Human Resources IT Management System and Datalogic website, with a special section dedicated to human resources ("Career"). In order to remain a strong competitor with respect to the other companies operating within the territory, the Company provided for a remuneration package aligned with the market benchmark, based on a market analysis made by international companies. In addition to the aforesaid initiatives, the Employer Branding activity was consolidated, aiming at strengthening the Company's external image.

Training

Training supports, in its various aspects and methods, the development of talents and available potentialities through individual and collective learning, thus increasing and updating the level of skills. Leadership Development, responsible of organising training paths concerning soft skills for White Collars at central level, has standardized a process to detect the training needs from a global perspective. It also started to prepare a unified catalogue of training opportunities, which are available to all employees after the request from their direct line managers has been approved by the Centre of Excellence (CEO).

To meet the widest range of needs, the training offer includes a variety of Face to Face solutions (both internal and external teaching), online solutions and mixed solutions including the use of Action Learning, Gamification, Remote Guided Training and Blended learning. During 2019, the Leadership and Development body also worked on the collection of training needs related to the technical skills of White Collars. Each single division, with the collaboration of its Human Resource Business Partner and the Leadership Development team, provided for the training in this area. Training for blue collars was managed separately by each production plant.

Courses are structured according to the needs and different learning skills of the individuals involved.

Performance management

The performance management process is a continuous process between the employee and the actors involved in the evaluation of their performance. This process helps to keep the expectations of the Company and its collaborators aligned, enhancing the commitment and contribution of each single person. Specifically, the performance management process is divided in various steps: Assignment of Targets, Half-Year Review, Self-assessment, Manager's Assessment, Calibration of Assessments and Feedback.

Relations with trade unions

in 2019, the Company strengthened its investment in corporate welfare, granting workers, as well as white collars and middle management, a share that was added to the provisions of the National Collective Labour Contract and the amounts already available through the optional conversion of the Performance Bonus and, in some cases, individual incentive plans. Spending availability has also been improved, offering an expanded selection of operators and purchase channels, accessible through the usual corporate portal.

For the production pole in Castiglione Messer Raimondo, a Competitiveness Agreement was reached with the trade unions for the 2019-2021 three-year period, which confirmed the Company's investment in terms of employment, while introducing some useful tools to support the generational turnover of personnel and improve the balance between life and work time, thanks to a different modulation of working hours.

Reconciliation of net result and Equity of the Parent Company with Group consolidated net result and Equity

The Reconciliation between Equity and net profit of Datalogic S.p.A. and the corresponding consolidated values as at 31 December 2019 and 31 December 2018, as envisaged in Consob Communication no. DEM/6064293 of 28 July 2006, are disclosed here below.

	31 December 2019		31 December 2018	
	Shareholders' Equity	Net result	Shareholders' Equity	Net result
Parent Company's Equity and net result	**353,548**	**105,040**	**278,267**	**29,340**
Shareholders' Equity and net result of consolidated companies	105,404	56,671	156,298	136,617
Elimination of dividends	-	(114,470)	-	(104,684)
Amortisation of intangible assets - Business Combination	(5,827)	-	(5,827)	-
Business Combination under common control	(31,733)	-	(31,733)	-
Elimination of capital gain on sale of business branch	(17,067)	-	(17,067)	-
Elimination of intercompany transactions	(9,485)	2,792	(12,277)	(1)
Adjustment of write-downs and capital gains on equity investments	5,517	-	4,581	(936)
Goodwill impairment	(1,395)	-	(1,395)	-
Others	616	(218)	834	2,182
Tax effect	4,594	466	4,128	(308)
Group Consolidated's Equity and net result	**404,171**	**50,281**	**375,809**	**62,210**

Parent Company reclassified Statement of Financial Position and Income Statement

The following table shows the main reclassified financial and equity items for the Parent Company Datalogic S.p.A. as at 31 December 2019, compared with 31 December 2018.

	31.12.2019	31.12.2018	Change	Change %
Intangible assets	7,911	5,506	2,405	43.7%
Tangible assets	23,578	23,598	(20)	-0.1%
Financial assets and equity investments	194,620	191,317	3,303	1.7%
Other non-current assets	1,018	6,984	(5,966)	-85.4%
Total Fixed Assets	**227,127**	**227,405**	**(278)**	**-0.1%**
Trade receivables	9,495	9,884	(389)	-3.9%
Trade payables	(5,768)	(6,812)	1,044	-15.3%
Net Trade Working Capital	**3,727**	**3,072**	**655**	**21.3%**
Other current assets	101,906	7,430	94,476	1,271.5%
Other current liabilities and Provisions for risks, current	(12,477)	(9,428)	(3,049)	32.3%
Net Working Capital	**93,156**	**1,074**	**92,082**	**8,573.7%**
Other non-current liabilities	(3,147)	(11,123)	7,976	-71.7%
Employee severance indemnity	(633)	(395)	(238)	60.3%
Net Invested Capital	**316,503**	**216,961**	**99,542**	**45.9%**
Shareholders' Equity	**353,548**	**278,267**	**75,281**	**27.1%**
Net Financial Position (NFP)	**37,046**	**61,306**	**(24,261)**	**-39.6%**

The following table shows the reclassified main Income Statement items for the year, compared with the same period in the previous year:

	31.12.2019	%	31.12.2018	%	Change	Change %
Revenues	**30,745**	**100.0%**	**29,059**	**100.0%**	**1,686**	**5.8%**
Cost of goods sold	(1,579)	-5.1%	(1,438)	-4.9%	(141)	9.8%
Gross Operating Margin	**29,166**	**94.9%**	**27,621**	**95.1%**	**1,545**	**5.6%**
Research and Development expenses	(558)	-1.8%	(861)	-3.0%	303	-35.2%
Distribution expenses	(896)	-2.9%	(932)	-3.2%	36	-3.9%
General and Administrative expenses	(23,322)	-75.9%	(22,280)	-76.7%	(1,042)	4.7%
Other operating income/(expenses)	256	0.8%	2,113	7.3%	(1,857)	-87.9%
Total Operating expenses and others	**(24,520)**	**-79.8%**	**(21,960)**	**-75.6%**	**(2,560)**	**11.7%**
Non-recurring costs/revenues and write-downs	(1,302)	-4.2%	(496)	-1.7%	(806)	162.5%
Operating result (EBIT)	**3,344**	**10.9%**	**5,165**	**17.8%**	**(1,821)**	**-35.3%**
Financial Income/(Expenses)	101,198	329.2%	25,056	86.2%	76,142	303.9%
Foreign exchange gains/(losses)	2,039	6.6%	(174)	-0.6%	2,213	n.a.
Profit/(Loss) before taxes (EBT)	**106,581**	**346.7%**	**30,047**	**103.4%**	**76,534**	**254.7%**
Taxes	(1,541)	-5.0%	(707)	-2.4%	(834)	118.0%
Net Profit/(Loss) for the period	**105,040**	**341.6%**	**29,340**	**101.0%**	**75,700**	**258.0%**
Non-recurring costs/revenues and write-downs	(1,302)	-4.2%	(496)	-1.7%	(806)	162.5%
Depreciation and write-downs of tangible assets	(1,727)	-5.6%	(1,186)	-4.1%	(541)	45.6%
Amortisation and write-downs of intangible assets	(1,308)	-4.3%	(1,029)	-3.5%	(279)	27.1%
EBITDA	**7,681**	**25.0%**	**7,876**	**27.1%**	**(195)**	**-2.5%**

Stock performance

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

During 2019, the share reported a negative performance of 17.3%. The security reached a maximum value of €24.95 per share on 25 January 2019 and a minimum value of €12.04 on 28 August 2019. The average daily volumes exchanged in 2019 were approximately 105,000 shares, up compared to the average daily volumes of 83,000 shares reported in the previous year.

STOCK EXCHANGE 2019

SEGMENT	**STAR - MTA**
BLOOMBERG CODE	**DAL.IM**
REUTERS CODE	**DAL.MI**
MKT CAP	**€985.99 MILLION** as at 31 December 2019
NUMBER OF SHARES	**58,446,491** (of which 1,148,337 treasury shares)
2019 MAX	**€24.95** (25 January 2019)
2019 MIN	**€12.04** (28 August 2019)

Relations with institutional investors and Shareholders

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

During 2019, the Company met over 160 institutional investors in one to one, lunch meetings and corporate events.

Risk management policy

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

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

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

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

d. Competition: the Datalogic Group operates in a market that is extremely dynamic and potentially attractive for new operators with financial means greater than those of the Company. To mitigate the risk associated with these events, the Company maintains a high level of investment in Research and Development (around 9.7% of revenues as at 31 December 2019 and 10.0% in the core business represented by the Datalogic Division) and a large portfolio of patents, which represents a significant barrier to the entry of new competitors. The Datalogic Group also has a strong commercial structure (direct presence in the key countries where the Group operates) and a solid network of commercial partners which makes it possible to ensure a high level of customer service and thus achieve a high degree of loyalty.

Financial risk management objectives and policies

In carrying out its business, the Group is exposed to various financial risks: market risk, credit risk and liquidity risk.
The market risk consists in possible oscillations in the exchange rate (**exchange rate risk**) or in the interest rate (**interest rate risk**), which might have a negative impact on the value of assets, liabilities or estimated cash flows. The Group manages each of the financial risks mentioned, in order to minimise them, sometimes through hedging derivatives. The Parent Company manages the market and liquidity risks, whereas credit risks are managed by the Group's operating units, under the supervision of the Parent Company. For more information on financials risks and financial instruments, please refer to the relevant section in the notes to the accounts, which includes disclosure in accordance with IFRS 7.

Information on Company ownership/corporate governance report

Pursuant to and by the effects of article 123-*bis*, paragraph 3, of Legislative Decree 58 of 24 February 1998 (as subsequently amended), the Board of Directors of Datalogic S.p.A. has approved a report on corporate governance and company ownership for the year ended 31 December 2019, separate from the Report on Operations, containing information pursuant to paragraphs 1 and 2 of article 123-*bis* above.
This report is available to the public on the Company's website www.datalogic.com.

Other information

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

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

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

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

Pursuant to provisions set out by article 5, paragraph 3, letter b, of the Legislative Decree 254/2016, the Group provided separately for the Consolidated Non-Financial Report. The 2019 Consolidated Non-Financial Report, prepared according to the "GRI Standards" reporting (or based on the "GRI G4 Sustainability Reporting Guidelines") is available on the Group internet website.

Number and value of treasury shares

As at 31 December 2019, the total number of ordinary shares was 58,446,491, including 1,148,337 held as treasury shares, equal to 1.96% of the share capital, making the number of shares in circulation at that date 57,298,154. The shares have a nominal unit value of €0.52 and are fully paid up.

Related party transactions

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

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

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

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

Pursuant to art. 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2019 - 31/12/2019, the Company's Board of Directors did not approve any relevant transaction, as set out by art. 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group's equity position or profit/(loss).

Tax consolidation

The Parent Company Datalogic S.p.A. and other Italian subsidiaries fall within the scope of the "domestic tax consolidation" of Hydra S.p.A.. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income (or loss) for the Group.

Significant events of 2019

On 7 February 2019, after hearing the opinions of the Board of Statutory Auditors and the Audit and Risk Management Committee and the Remuneration and Appointments Committee, the Board of Directors of Datalogic S.p.A. resolved on appointing, with immediate effect, Mr. Marco Carnovale as Manager in charge of drawing up the Company's accounting statements, pursuant to art. 154-*bis* of the T.U.F..

On 30 April 2019, the Ordinary Shareholders' Meeting of Datalogic S.p.A. resolved on confirming the appointment of the Company's Director, Mrs. Vera Negri Zamagni, up to the date of the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2020, pursuant and by the effects of article 2386, subsection 1, of the Italian Civil Code. The Meeting also resolved that the number of the members of the Board of Directors should be nine and appointed Mr. Angelo Busani. The same Shareholders' Meeting defined the annual remuneration of the members of the Board of Directors, pursuant to art. 20 of the Articles of Association, appointed the Board of Statutory Auditors and determined the remuneration of the Chairman and Standing Auditors. Moreover, Deloitte & Touche S.p.A. was appointed Independent Auditor for the period from 2019 to 2027, pursuant to article 13 of Legislative Decree no. 39/2010.
The Shareholders' Meeting revoked, for the part not yet executed at the date of the Shareholders' Meeting, the authorisation to the Board of Directors to purchase treasury shares approved by the Shareholders' Meeting on 23 May 2018, and at the same time authorised the Board of Directors, pursuant to article 2357 *et seq*. of the Italian Civil Code and article 132 of Legislative Decree no. 58 of 24 February 1998, to perform transactions to purchase the Parent Company's treasury shares, on one or more occasions, for a period not exceeding 18 months from the date of this resolution.

On 7 August 2019, the Board of Directors appointed Mrs. Laura Bernardelli, Group CFO, as manager in charge of drawing up the Company's accounting statements, pursuant to art. 154-*bis* of Legislative Decree no. 58/1998, as from 8 August 2019. As from 7 February 2019, the position had been held by Mr. Marco Carnovale.

On 1 October 2019, in implementation of the Shareholders' Meeting resolution of 30 April 2019 authorising the purchase and sale of treasury shares, Datalogic S.p.A. informed that it signed a buy-back agreement with a broker for the repurchase of treasury shares on the market.

Subsequent events

There were no events that occurred after year end closing except for the fact that, as from January 2020, the domestic and international scenario was characterized by the widespreading of the Coronavirus and the consequent restrictive measures for its containment put in place by the authorities of the Countries concerned.

In accordance with the recommendation of the European Securities and Markets Authority (ESMA) dated 11 March 2020 as noticed by Consob, information available at the date of this Report on the potential impact of Covid-19 on the Group is provided in the "Business Outlook" section.

Foreseeable evolution

The positive performance of the Group in North America and growth in the turnover of new products confirm the soundness of the Group's strategy. In a reference sector context that gradually deteriorated during 2019 due to the US-China "trade war" and the performance of some industrial sectors (in particular automotive), Datalogic's turnover in APAC and EMEA declined during 2019. The slowdown in business was particularly significant in the fourth quarter, during which uncertainties led to a postponement of the investment decisions of some important customers of the Datalogic Group.

Despite the global macroeconomic context, the strategy undertaken by the Group made it possible to end the year 2019 by tackling the drop in volumes and, to a lesser extent, margins, confirming the Group's market positioning and ability to generate operating cash flows. Its sound capital and financial structure has also enabled the Group to increase its investment in Research and Development.

The uncertainty scenario reported in the second half of 2019 is likely to continue in 2020 as well. Starting from January, the global macroeconomic scenario was worsened by the Covid-19, whose spreading first hit China and, in the following weeks, other countries in the APAC area until it reached Europe, particularly Italy, and then the American continent.

These circumstances, which are extraordinary in nature and extent, will presumably have direct and indirect repercussions on economic activity and have created a context of general uncertainty, the evolution and effects of which are not foreseeable. The impact of the Covid-19 virus on Group results will depend on both the extent to which the virus will spread within the markets in which the Group operates through the engineering, distribution and sale of its products, and the macroeconomic effects this virus will have in the involved countries. Covid-19 is currently spreading exponentially in Western European countries and the United States, but the impact of the virus is still uncertain. The Group's diversification into various markets and geographical areas, as well as its limited exposure to the Italian market, will help mitigate the negative effects of Covid-19 in particular areas.

Although in the context of uncertainty mentioned above, the Group will continue its growth strategy focused, among others, on its constant commitment to innovation and the development of new products, on maximizing profitability, also through a careful cost saving policy, while maintaining financial and equity soundness.

Secondary locations

The Parent Company has no secondary locations.

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

ASSETS (€/000)	Note	31.12.2019	31.12.2018
A) Non-current assets (1+2+3+4+5+6+7+8)		**391,099**	**369,712**
1) Tangible assets		**89,602**	**77,995**
Land	1	8,778	8,349
Buildings	1	31,820	30,548
Other assets	1	35,418	34,932
Assets in progress and payments on account	1	13,586	4,166
2) Intangible assets		**236,597**	**225,655**
Goodwill	2	186,126	181,149
Development costs	2	9,927	10,381
Other	2	28,430	32,454
Assets in progress and payments on account	2	12,114	1,671
3) Right-of-use assets	**3**	**9,753**	**0**
4) Equity investments in affiliates	**4**	**776**	**2,173**
5) Financial assets		**9,465**	**7,224**
Equity investments	6	9,465	7,224
Securities	6	0	0
6) Non-current financial receivables		**0**	**0**
7) Trade and other receivables	**7**	**1,334**	**2,268**
8) Deferred tax assets	**13**	**43,572**	**54,397**
B) Current assets (9+10+11+12+13+14+15)		**413,510**	**460,446**
9) Inventories		**102,921**	**95,826**
Raw and ancillary materials and consumables	8	41,754	40,369
Work in progress and semi-finished products	8	23,582	24,440
Finished products and goods	8	37,585	31,017
10) Trade and other receivables		**103,127**	**113,633**
Trade receivables	7	78,203	90,439
of which from associates	*7*	*895*	*1,014*
of which from related parties	*7*	*0*	*8*
Other receivables, accrued income and prepaid expenses	**7**	**24,924**	**23,194**
of which from associates		*0*	*106*
of which from related parties		*77*	*76*
11) Tax receivables	**9**	**24,421**	**18,661**
of which from Parent Company		*12,742*	*11,276*
12) Financial assets		**31,200**	**50,896**
Securities	6	0	0
Other	6	31,200	50,896
13) Current financial receivables		**0**	**0**
14) Financial assets - Derivative instruments	**6**	**0**	**0**
15) Cash and cash equivalents		**151,841**	**181,430**
C) Assets Held-for-sale		**0**	**0**
Total Assets (A+B+C)		**804,609**	**830,158**

Consolidated Statement of Financial Position

LIABILITIES (€/000)	Note	31.12.2019	31.12.2018
A) Total Shareholders' Equity (1+2+3+4+5+6)	**10**	**404,171**	**375,809**
1) Share capital	10	30,392	30,392
2) Reserves	10	128,972	123,915
3) Retained earnings	10	192,885	159,292
4) Profit/(Loss) for the period	10	50,069	62,210
5) Group Shareholders' Equity	**10**	**402,318**	**375,809**
6) Profit/(Loss) for the period - Minorities	10	212	0
6) Minority share capital	10	1,641	0
6) Minority interests		**1,853**	**0**
B) Non-current liabilities (7+8+9+10+11+12+13)		**162,091**	**208,097**
7) Non-current financial payables	**11**	**115,578**	**157,407**
8) Non-current financial liabilities		**0**	**0**
9) Tax payables		**68**	**43**
10) Deferred tax liabilities	**12**	**17,819**	**32,518**
11) Post-employment benefits	**13**	**7,026**	**6,541**
12) Provisions for risks and charges, non-current	**14**	**4,916**	**6,320**
13) Other liabilities	**15**	**16,684**	**5,268**
C) Current liabilities (14+15+16+17+18)		**238,347**	**246,252**
14) Trade and other payables		**154,153**	**171,597**
Trade payables	**15**	**106,029**	**117,139**
of which to associates	15	*55*	*260*
of which to related parties		*133*	*148*
Other payables, accrued liabilities and deferred income	**15**	**48,124**	**54,458**
15) Tax payables	**9**	**25,822**	**16,382**
of which to Parent Company		*15,913*	*9,557*
16) Provisions for risks and charges, current	**14**	**4,273**	**7,197**
17) Current financial liabilities		**0**	**0**
18) Current financial payables	**11**	**54,099**	**51,076**
Total Liabilities (A+B+C)		**804,609**	**830,158**

Consolidated Income Statement

(€/000)	Note	31.12.2019	31.12.2018
1) Revenues	**16**	**612,486**	**631,015**
Revenues from sale of products		567,974	596,540
Revenues from services		44,512	34,475
of which from related parties and associates		*4,982*	*4,699*
2) Cost of goods sold	**17**	**319,780**	**325,798**
of which non-recurring		414	734
of which to related parties and associates		*612*	*1,056*
Gross Operating Margin (1-2)		**292,706**	**305,217**
3) Other operating revenues	**18**	**6,667**	**3,994**
4) Research and Development expenses	**17**	**59,376**	**62,019**
of which amortisation and write-downs pertaining to acquisitions		104	99
of which to related parties and associates		*460*	*3,304*
5) Distribution expenses	**17**	**121,631**	**112,225**
of which non-recurring		842	0
of which to related parties and associates	6	*37*	*225*
6) General and administrative expenses	**17**	**50,405**	**49,135**
of which non-recurring		1,503	1,473
of which amortisation and write-downs pertaining to acquisitions		4,753	4,506
of which to related parties and associates		*212*	*276*
7) Other operating expenses	**17**	**2,490**	**2,315**
of which non-recurring		0	53
Total operating costs		**233,902**	**225,694**
Operating result		**65,471**	**83,517**
8) Financial income	**19**	**40,724**	**31,267**
9) Financial expenses	**19**	**43,961**	**36,935**
Financial Income/(Expenses) (8-9)		**(3,237)**	**(5,668)**
Profit/(Loss) before taxes from continuing operations		**62,234**	**77,849**
Income taxes	20	11,953	15,639
Profit/(Loss) for the period		**50,281**	**62,210**
Basic earnings/(loss) per share (Euro)	21	0.87	1.07
Diluted earnings/(loss) per share (Euro)	21	0.87	1.07
Attributable to:			
Shareholders of the Parent Company		*50,069*	-
Minority interests		*212*	-

Consolidated Statement of Comprehensive Income

(€/000)	Note	31.12.2019	31.12.2018
Profit/(Loss) for the period		**50,281**	**62,210**
Other components of the Statement of Comprehensive Income:			
Other components of the Statement of Comprehensive Income which will be subsequently reclassified to profit/(loss) for the period:		**0**	**0**
Profit/(Loss) on derivative financial instruments (cash flow hedge)	10	174	305
Profit/(Loss) due to translation of the accounts of foreign companies	10	6,129	9,962
Profit/(Loss) from financial assets at FVOCI	10	1,686	(2,313)
of which tax effect		*(22)*	*(1,586)*
Total other components of the Statement of Comprehensive Income which will be subsequently reclassified to profit/(loss) for the period		**7,989**	**7,954**
Other components of the Statement of Comprehensive Income which will not be subsequently reclassified to profit/(loss) for the period			
Actuarial gains (losses) on defined-benefit plans		(150)	
of which tax effect		*78*	
Total other components of the Statement of Comprehensive Income which will not be subsequently reclassified to profit/(loss) for the period		**(150)**	**0**
Total profit/(loss) of Comprehensive Income Statement		**7,839**	**7,954**
Total comprehensive profit/(loss) for the period		**58,120**	**70,164**
Attributable to:			
Parent Company Shareholders		57,908	70,164
Minority interests		212	0

Consolidated Statement of Cash Flow

(€/000)	Note	31.12.2019	31.12.2018
Profit (loss) before taxes		**62,234**	**77,849**
Depreciation of tangible assets and write-downs	1, 2	12,128	10,600
Amortisation of intangible assets and write-downs	1, 2	9,989	10,136
Depreciation of right-of-use assets	3	4,643	0
Losses (Gains) from sale of fixed assets	18, 19	9	(131)
Change in provisions for risks and charges	15	(4,172)	(6,866)
Change in bad debt provisions	18	(1,649)	1,713
Change in employee benefits reserve	14	335	(92)
Other non-monetary changes		3,149	2,171
Cash flow generated (absorbed) from operations before changes in working capital		**86,666**	**95,379**
Change in trade receivables	7	13,885	(6,320)
Change in final inventories	8	(7,095)	(9,888)
Change in trade payables	16	(11,110)	6,851
Change in other current assets	7	(1,730)	(74)
Change in other current liabilities	16	(6,334)	(3,503)
Change in other non-current assets	7	934	4,185
Change in other non-current liabilities	16	11,416	1,702
Cash flow generated (absorbed) from operations after changes in working capital		**86,632**	**88,333**
Change in taxes		(12,122)	(17,832)
Interest paid		(3,641)	(3,414)
Interest collected		1,980	255
Cash flow generated (absorbed) from operations (A)		**72,849**	**67,342**
Increase in intangible assets	2	(15,021)	(10,516)
Decrease in intangible assets	2	16	117
Increase in tangible assets	1	(22,859)	(18,902)
Decrease in tangible assets	1	422	466
Capital increase of subsidiaries, net of acquired cash		1,627	0
Change in unconsolidated equity investments	5	(555)	5,694
Cash flow generated (absorbed) from investments (B)		**(36,370)**	**(23,141)**

(€/000)	Note	31.12.2019	31.12.2018
Change in financial receivables	5	19,696	(24,222)
Change in financial payables	12, 6	(53,282)	(49,036)
(Purchase)/sale of treasury shares	11	(4,303)	(16,930)
Dividend payment	11	(28,716)	(28,914)
Effect of change in cash and cash equivalents		564	(1,308)
Other changes		(28)	1,530
Cash flow generated (absorbed) from financial activity (C)		**(66,069)**	**(118,880)**
Net increase (decrease) in available cash (A+B+C)	**10**	**(29,589)**	**(74,679)**
Net cash and cash equivalents at beginning of period	**10**	**181,430**	**256,109**
Net cash and cash equivalents at end of period	**10**	**151,841**	**181,430**

Changes in Consolidated Shareholders' Equity

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Other Reserves
01.01.2019	**30,392**	**111,779**	**(10,810)**	**20,401**	**2,545**
Allocation of earnings					-
Dividends					-
Treasury shares			(4,303)		
Stock Grant					1,521
Other changes					
Profit/(Loss) for the period					
Other components of the Statement of Comprehensive Income				6,129	1,710
Total comprehensive profit (loss)		**-**	**-**	**6,129**	**1,710**
31.12.2019	**30,392**	**111,779**	**(15,113)**	**26,530**	**5,776**

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Other Reserves
01.01.2018 Restated	**30,392**	**111,779**	**6,120**	**10,439**	**4,376**
Allocation of earnings					
Dividends					
Treasury shares			(16,930)		
Stock Grant					177
Other changes					
Profit/(Loss) for the period					
Other components of the Statement of Comprehensive Income				9,962	(2,008)
Total comprehensive profit (loss)				**9,962**	**(2,008)**
31.12.2018	**30,392**	**111,779**	**(10,810)**	**20,401**	**2,545**

Retained earnings	Group Profit (Loss)	Group Shareholders' Equity	Profit (Loss) of Minority interests	Minority interests	Profit (Loss)	Shareholders' Equity
159,292	**62,210**	**375,809**			**62,210**	**375,809**
62,210	(62,210)	-			(62,210)	-
(28,716)		(28,716)				(28,716)
		(4,303)				(4,303)
		1,521				1,521
99		99		1,641		1,740
	50,069	**50,069**	**212**	**212**	**50,281**	**50,281**
		7,839				7,839
-	**50,069**	**57,908**	**212**	**212**		**58,120**
192,885	**50,069**	**402,318**	**212**	**1,853**	**50,281**	**404,171**

Retained earnings	Group Profit (Loss)	Group Shareholders' Equity	Profit (Loss) of Minority interests	Minority interests	Profit (Loss)	Shareholders' Equity
128,126	**60,080**	**351,314**	**-**	**-**	**60,080**	**351,314**
60,080	(60,080)	-	-	-	(60,080)	-
(28,914)		(28,914)	-	-	-	(28,914)
		(16,930)	-	-	-	(16,930)
		177	-	-	-	177
			-	-	-	-
	62,210	**62,210**	**-**	**-**	**62,210**	**62,210**
		7,954	-	-	-	7,954
		7,954	**-**	**-**	**62,210**	**70,164**
159,292	**62,210**	**375,809**	**-**	**-**	**62,210**	**375,809**

Explanatory Notes to the Consolidated Financial Statements

General information

The Datalogic Group is the global leader in the markets of automatic data capture and process automation. The Group is specialised in the design and production of bar code readers, mobile computers, detection, measurement and security sensors, vision and laser marking systems and RFID.
Its pioneering solutions contribute to increase efficiency and quality of processes along the entire value chain, in the Retail, Manufacturing, Transportation & Logistics and Healthcare sectors.
Datalogic S.p.A. (hereinafter "Datalogic", the "Parent Company" or the "Company") is a company listed in the STAR Segment of the Italian Stock Exchange managed by Borsa Italiana S.p.A., 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.
This Consolidated Annual Financial Report as at 31 December 2019 includes the figures of the Parent Company and its subsidiaries (defined hereinafter as the "Group") and its minority interests in associated companies.

The publication of this Consolidated Annual Financial Report as at 31 December 2019 of the Datalogic Group was authorised by resolution of the Board of Directors dated 19 March 2020.

Basis of presentation

1) General criteria

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

2) Financial statements

The financial statements adopted are compliant with those required by IAS 1 and which were used in the Consolidated Financial Statements for the year ended 31 December 2018, in particular:

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

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

The Consolidated Annual Financial Report was prepared based on the draft Financial Statements as at 31 December 2019, drawn up by the Boards of Directors or, if available, based on the Financial Statements approved by the Shareholders' Meetings of the related consolidated companies, duly adjusted, if applicable, to align them to the classification and accounting criteria adopted by the Group.

The Consolidated Annual Financial Report was prepared in compliance with the general criterion of a reliable and true vision of the Group's financial position, financial performance and cash flows, on a going concern and on an accrual basis, in compliance with the general principles of consistency of presentation, relevance and aggregation, no offsetting and comparability of information.

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

In preparing the Consolidated Annual Financial Report, the historic cost principle has been adopted for all assets and liabilities except for some available-for-sale financial assets for which the fair value principle has been applied.

Preparation of IFRS-compliant Financial Statements requires the use of some estimates. Reference is made to the section describing the main estimates made in this set of Consolidated Financial Statements.

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

This Consolidated Annual Financial Report is drawn up in thousands of Euro, which is the Group's "functional" and "presentation" currency as envisaged by IAS 21.

3) Consolidation standards and policies

Subsidiaries

As defined in IFRS 10, control is obtained when the Group is exposed, or has rights, to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if the Group has:

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

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

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

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

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

Business combinations

Company combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value on the acquisition date and the amount of minority interests in the acquired company. For all business combinations, the Group assesses whether to measure the minority interests in the acquired company at fair value or as a proportion of the minority shareholdings in the net identifiable assets of the acquired company. The acquisition costs are written off in the year and recognised under administrative expenses.
If the business combination is carried out in more than one step, the equity investment previously held is recalculated at fair value at the acquisition date and any resulting profit or loss is recognised in the Income Statement. Any contingent consideration, to be recognised, is measured by the purchaser at fair value on the acquisition date. The change in fair value of the potential amount stated as financial asset or liability, under the scope of IAS 39 "Financial instruments": Recognition and Measurement, must be recognised in the Income Statement.
Goodwill is initially measured at cost, which is the surplus of the consideration paid, as compared to the net identifiable assets acquired and the liabilities undertaken by the Group. If the fair value of the acquired net assets exceeds the aggregate amount paid, the Group assesses whether all assets acquired and liabilities undertaken have been correctly identified and then reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the new measurement highlights a fair value of net assets acquired, which is higher than the amount paid, the difference (profit) is recognised in the Income Statement.

After initial recognition, goodwill is measured at cost, less any cumulative impairment losses. In impairment testing, goodwill acquired in a business combination is allocated, since the acquisition date, to each Group CGU, which is expected will benefit from synergies of the business combination, regardless of the fact that other assets or liabilities related to the acquired entity are allocated to those CGUs.

Associates

Associates are companies in which the Group has significant influence but does not exercise control over operations. Significant influence is presumed to exist when the Group holds 20 to 50 percent of voting rights. In the absence of this assumption, the Group assesses specific facts and circumstances to check the presence of significant influence.

Equity investments in associates are measured at Equity. Under this method, the equity investment in an associate is initially recognised according to the aforesaid acquisition method and the carrying value is increased or decreased to recognise the portion of the profits or losses of the investee that are realised after the acquisition. The goodwill concerning the associate is included in the carrying value of the investment and is not subject to depreciation, nor to an individual impairment test.

The Group's share of associates' post-acquisition profits or losses is recognised in the Income Statement, whereas its post-acquisition share of changes in reserves is recognised in reserves. Cumulative post-acquisition changes are included in the investment's carrying value.

Unrealised profits relating to transactions between the Group and its associates are eliminated in proportion to the Group's interests in such associates. Unrealised losses are also eliminated unless the loss is considered to represent impairment of the assets transferred. Accounting standards adopted by associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

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

4) Translation criteria of items in foreign currency

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

Currency (ISO Code)	Quantity of currency/1 Euro			
	December 2019		December 2018	
	Final exchange rate	Average exchange rate for the period	Final exchange rate	Average exchange rate for the period
US Dollar (USD)	1.1234	1.1195	1.1450	1.1810
British Pound Sterling (GBP)	0.8508	0.8778	0.8945	0.8847
Swedish Krona (SEK)	10.4468	10.5891	10.2548	10.2583
Singapore Dollar (SGD)	1.5111	1.5273	1.5591	1.5926
Japanese Yen (JPY)	121.9400	122.0058	125.8500	130.3959
Australian Dollar (AUD)	1.5595	1.6109	1.6220	1.5797
Hong Kong Dollar (HKD)	8.7473	8.7715	8.9675	9.2559
Chinese Renminbi (CNY)	7.8205	7.7355	7.8751	7.8080
Brazilian Real (BRL)	4.5157	4.4134	4.4440	4.3085
Mexican Peso (MXN)	21.2202	21.5565	22.4921	22.7054
Hungarian Forint (HUF)	330.5300	325.2967	320.9800	318.8897

5) Accounting Policies and Standards applied

The accounting criteria used to prepare the Group's Consolidated Financial Statements for the year ended 31 December 2019 are described below. The Accounting Standards described have been consistently applied by all Group entities.

Tangible assets

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

Some tangible assets in the "Land and buildings" categories were measured at fair value (market value) as at 1 January 2004 (IFRS transition date) and this value was used as the deemed cost. The cost of buildings is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

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

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

Assets held under lease contracts

As regards the recognition and related measurement of lease contracts, as well as the recording of leased goods (also operating leases) in the Assets, reference is made to the description in the following paragraph concerning the new Accounting Standards, interpretations and amendments adopted by the Group.

Intangible assets

Intangible assets are recognised under assets in the Statement of Financial Position when it is likely that use of the asset will generate future economic benefits and when the asset's costs can be reliably calculated. They are initially recognised at the value of contribution or at acquisition or production cost, inclusive of any ancillary costs.

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

Goodwill

Goodwill is initially valued at cost, which is the surplus between the cost of the business combination and the portion pertaining to the Group in the net identifiable assets acquired and the liabilities undertaken by the Group, according to the partial goodwill approach. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the Income Statement. It is an intangible asset with an indefinite life.

After initial recognition, goodwill is measured at cost less any cumulative impairment losses.

Goodwill is allocated to the cash generating units (CGUs) and is tested for impairment annually or more frequently, if events or changes in circumstances suggest possible loss of value, pursuant to IAS 36 "Impairment of Assets".

If the goodwill has been allocated to a cash generating unit (CGU) and the entity disposes of part of this unit, the goodwill associated with the sold unit must be included in the carrying value of the asset when the profit or loss on disposal is determined. The goodwill associated with the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the CGU that was maintained. The same criterion of related values is applied also when the format of the internal reporting is changed and affects the composition of the Cash Generating Units that received the goodwill, in order to define its new allocation.

Research and Development expenses

As required by IAS 38, research costs are entered in the Income Statement at the time when the costs are incurred.

Development costs for projects concerning significantly innovative products or processes are capitalised only if it is possible to demonstrate:

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

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

Other intangible assets

Other intangible assets include special intangible asset purchased by the Group as part of business combinations and therefore they were identified and recognised at fair value at acquisition date according to the purchase method of accounting mentioned above.

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

Amortisation

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

The useful life for each category is detailed below:

Description	Useful Life - years
Goodwill	**Indefinite useful life**
Development costs	**5**
Other intangible assets:	
- Software licences	3/5
- Patents (formerly PSC)	20
- Patents	10
- Know-how	10
- SAP licences	10
- User licences	Contract duration

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

Impairment

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

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

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

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

Financial assets and liabilities

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

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

The main market or most advantageous market must be accessible for the Group. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Group uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

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

The fair value measurement is classified internally at the same fair value hierarchy level in which the lowest hierarchy input used for the measurement is stated.
As regards assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers between hierarchy levels occurred while revising the classification at each annual reporting date.

Financial instruments

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

Financial assets

The financial assets are initially recognised at their fair value, increased by their ancillary charges if the financial assets are not recognised at their fair value through profit or loss. Trade receivables that do not include a significant financing component are excluded. For these receivables the Group applies the practical expedient and measures them at the transaction price, as determined pursuant to IFRS 15.

Upon recognition, for future measurements, financial assets are stated based on four possible measurement modalities:

- financial assets at amortised cost;
- financial assets at FV through OCI with a reclassification of cumulative profits and losses;
- financial assets at FV through OCI without reversal of cumulative profits and losses when eliminated (equity instruments);
- financial assets at FV through profit or loss.

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

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

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

Financial assets are derecognised from the Financial Statements when the right to receive cash no longer exists, the Group has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

In the cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.

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

Financial liabilities

Financial liabilities are measured at amortised cost. Expenses are recognised in the income statement with the effective interest rate method, except for financial liabilities acquired for trading or derivatives (see following paragraph), or financial liabilities designated at FVTPL by the Management at first-time recognition, which are measured at fair value with counter-entry in the income statement.

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

A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled. If an existing financial liability is replaced by another one from the same lender, under conditions that are essentially different, or if the terms and conditions of an existing liability are essentially amended, this change or amendment will be treated as a reversal of the original liability and a recognition of a new liability, with recognition in the income statement of any differences involving the carrying values. In the event of amendments on financial liabilities defined as irrelevant, the economic effects of renegotiation are recognised in the income statement.

Offsetting financial instruments

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

Financial derivatives

Derivatives, including embedded derivatives, separate from the main contract, are initially recognised at fair value.
Derivatives are classified as hedging instruments when the relation between derivatives and the object matter of the hedging is formally documented and the effectiveness of the hedging, which is periodically checked, is high.
When the hedging derivatives hedge the risk of changes in fair value of the hedged instruments, they are recognised at fair value, and the effects are charged to the income statement. Accordingly, the hedged instruments are adjusted to reflect the changes in fair value, associated to the hedged risk.
In the event of cash flow hedges, the derivatives are designated as a hedge for exposure to variable cash flows attributable to risks that might subsequently affect the income statement. These risks are generally associated with an asset or liability recognised in the financial statements (as future payments on variable rate payables).
The effective portion of fair value change, related to the portion of derivative contracts designated as hedge derivatives pursuant to the standard, is recognised as component of the statement of comprehensive income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the income statement.
The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid IFRS 9, is instead recognised directly through the income statement.

Inventories

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

Non-current assets held for sale and discontinued operations

the Group classifies discontinued non-current assets as held for sale if their carrying value will be recovered mainly with a sale, instead than through their continuous use. These discontinued non-current assets, classified as held for sale, are measured at the lower of their carrying amount or fair value, less sales costs. Sales costs are any additional costs directly attributable to the sale, excluding financial expenses and taxes.
The condition precedent to classify these assets as held for sale is deemed as fulfilled only when the sale is highly probable and the asset, or the discontinued group of assets, is available for immediate sale in its current conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale be cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.
The depreciation of property, plant and equipment and amortisation of intangible assets cease when they are classified as available for sale.

The assets and liabilities classified as held for sale are presented separately under the Financial Statement items.
Assets to be discontinued are not included in the result of operating activities and are presented in the profit/(loss) statement for the year on a single line as Net profit/(Loss) coming from assets to be discontinued.
All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

Cash and cash equivalents

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

Shareholders' Equity

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

Treasury shares

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

Liabilities for employee benefits

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either "defined-contribution programmes" or "defined-benefit programmes".
Employee benefits substantially consist of accrued provision for severance indemnities of the Group's Italian companies and of retirement provisions.

Defined-contribution plans

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

Defined-benefit plans and other long-term benefits

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

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

Provisions for risks and charges

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

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

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

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time. When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as financial expense.

The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. The provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the period in which the change occurred.

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

Share-based payments – Equity-settled transactions

Some Group employees receive a portion of their compensation under the form of share-based payments. Therefore employees render their services against shares (equity-settled transactions).
The cost of equity-settled transactions is determined by the fair value at the date of the assignment, by using an adequate measurement method.
This cost, together with the corresponding increase in Shareholders' Equity, is recognised under labour cost for the period in which terms and conditions related to the achievement of targets and/or the performance of the services are fulfilled. Cumulative expenses, recognised in relation to these transactions at the reporting date of each financial year and until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will effectively accrue.

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

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

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

Income taxes

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and tax credits and losses which were not used and can be brought forward, to the extent that the existence of adequate future taxable profits will exist against which the usage of the deductible temporary differences and the tax credits and losses brought forward can be used, except in cases where:

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

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

The Parent Company and Italian subsidiaries participates in the "national tax consolidation programme" of Hydra S.p.A.. This permits the transfer of total net income or the tax loss of individual participant companies to the Parent Company, which calculates a single taxable income for the Group or a single tax loss carried forward, as the algebraic sum of the income and/or losses, and therefore enter a single payable to or receivable from Tax Authorities.

Revenues recognition

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

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

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

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

If the aforesaid requirements are fulfilled, the Group recognises the revenues by applying the following rules.

Sale of goods

Revenues resulted from the sale of equipment are recognised when the control of the asset is transferred to the customer.

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

Rendering of services

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

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

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

Revenues on construction contract

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

The Statement of Financial Position is disclosed as follows:

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

Government grants

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

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

Revenues relating to dividends and interest

Revenues relating to dividends and interest is respectively recognised as follows:

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

Dividends paid out

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

Earnings per share

Basic

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

Diluted

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

Treatment of foreign currency items

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

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

Segment disclosure
Operating segments are identified based on the internal statements used by senior management in order to allocate resources and evaluate results (internal reporting for performance analysis) for the reference period. Based on the definition envisaged in the IFRS 8 Standard, an operating segment is a component of an entity:
- that engages in revenues earning business activities;
- whose operating results are regularly reviewed by the top operating decision-makers of the entity for the adoption of resolutions on resources to be allocated to the segment and the evaluation of results;
- for which discrete information is available.

In light of the above definition, the operating segments defined by the Group are represented by Business Units that report to the corporate top management and maintain periodic contacts to discuss operating activities, results, forecasts or plans. For the purposes of disclosures in the Financial Statements, the Group has then aggregated the following operating segments:
- Datalogic;
- Solution Net System;
- Informatics.

The segments that are included in each single combination are in fact similar as regards the following aspects:
a. the nature of products;
b. the nature of production processes;
c. the type of customers;
d. the methods used to distribute products/services;
e. the economic characteristics.

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

6) New accounting standards, interpretations and amendments adopted by the Group as at 1 January 2019

IFRS 16 Leases

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

The Group elected to apply this standard retrospectively on 1 January 2019, with the modified retrospective method, by recognising:

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

The impact as at 31 December 2019, resulting from the adoption of IFRS 16, was as follows:

- the recognition of right-of-use assets, amounting to €9.8 million;
- the recognition of financial liabilities for leases, amounting to €10.0 million;
- the accounting of higher depreciation and lower costs for rents and leases of €4.6 million and €4.6 million, respectively.

It should be noted that the weighted average Incremental Borrowing Rate applied to financial liabilities, as per 1 January 2019, was 2.4%.

While adopting IFRS 16, the Group availed itself of the exemption granted by the same standard: 5(a) concerning short-term leases. The Group also availed itself of the exemption granted by IFRS 16: 5(b) concerning lease contracts, for which the underlying asset is a low-value asset (i.e. the value of the assets underlying the lease contract is not higher than €5 thousand, when new). Contracts for which the exemption was applied are primarily included within the following categories: computers, telephones and tablets, printers, other electronic devices. For these contracts, the introduction of IFRS 16 did not involve the recognition of financial liabilities related to leases and corresponding right of use. Leases are recognised in the income statement on a straight-line basis for the duration of the corresponding contracts.

Moreover, with reference to transition rules, the Group availed itself of the following practical expedients available in the event the modified retrospective transition method is adopted:

- classification of contracts expiring within 12 months from the transition as short-term leases. For these contracts, leases are recorded in the income statement on a straight-line basis;

- exclusion of initial direct costs from the measurement of the right of use as from 1 January 2019;
- use of information at the transition date to determine the lease term, with special reference to the exercise of extension and early termination options.

Other standards

As from 1 January 2019, some standards and/or amendments and interpretations entered in force (IFRS 9 – Prepayment Features with Negative Compensations; IFRIC 23 – Uncertainty over Income Tax Treatments; IAS 19 Plan Amendment, Curtailment or Settlement; IAS 28 Long Term Interest in Associates and Joint Ventures; Annual Improvements IFRSs 2015-2017). These have already been described in the Consolidated Financial Statements as at 31 December 2018, to which reference is made, and had no effect on the Consolidated Annual Financial Report as at 31 December 2019.

7) IFRS and IFRIC accounting standards, amendments and interpretations that, as at 31 December 2019, were endorsed by the European Union but whose application was not yet mandatory and early application was not adopted by the Group

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors in order to align the definition of "relevant" in the standards and clarify some aspects of the definition. The new standard clarifies that any information is relevant (material) if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of Financial Statements make on the basis of financial information provided therein. The amendments made to the definition of relevant are not expected to have a significant impact on the Group's Consolidated Financial Statements.

On 29 March 2018, the IASB issued an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is applicable to the annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. This document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

On 26 September 2019, the IASB issued the amendment entitled "Amendments to IFRS 9, AIS 39 and IFRS 7: Interest Rate Benchmark Reform". This document amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment modifies some requirements for the application of hedge accounting. Temporary relieves are provided in order to mitigate the impact due to the uncertainty of the IBOR reform (still underway) on future cash flows in the period preceding its completion. Moreover, the amendment sets out that, in their financial statements, entities should disclose information on their hedging relationships that are directly affected by uncertainty generated by the reform and to whom these relieves apply. The amendments will enter into force on 1 January 2020. Early application is permitted. Directors do not expect any impact on the Group's Consolidated Financial Statements due to the adoption of this amendment.

8) IFRS accounting standards, amendments and interpretations that are still not endorsed by the European Union

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the IFRS 17 Insurance Contracts (IFRS 17), a new and comprehensive standard on insurance contracts which covers recognition, measurement, presentation and disclosure issues. The IFRS 17 standard is effective for annual periods beginning on or after 1 January 2021 and requires the disclosure of comparison accounts.

Amendments to IFRS 3: Definition of a Business

In October 2018, in IFRS 3 - Definition of a Business, the IASB issued amendments to the definition of a business in order to assist entities in determining whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New examples to illustrate the application of the guidance were published with the amendments.

By reason of the fact that amendments are applied prospectively to transactions or other events that occur upon or after the first-time application, the Group is not affected by these amendments at the first-time application date.

9) Consolidation area

On 17 April 2019, the Group subscribed the capital increase of the company Suzhou Mobydata Smart System Co Ltd., for a total amount of €2.0 million. The Group previously held a minority interest in this company thorough the transfer of the equity investment owned in Suzhou Mobilead Electronic Technology Co. Ltd.. Due to this transaction, Datalogic acquired 51% of the company's shares, which, as at 31 December 2019, was consolidated on a line-by-line basis.

The following table shows preliminary fair value as at 31 December 2019 of the assets and liabilities of the acquired company, preliminary goodwill deriving from the transaction and the net cash used for the acquisition:

Preliminary Purchase Price Allocation	**Amounts as per acquiree's accounts (CNY/000)**	**Adjustments**	**Recognised fair value (CNY/000)**	**Recognised fair value (Euro/000)**
Non-current assets	4,622		4,622	612
Current assets	26,224		26,224	3,472
Non-current liabilities	0		0	0
Current liabilities	(3,636)		(3,636)	(481)
Net assets at acquisition date	**27,210**	**-**	**27,210**	**3,602**
% pertaining to Group	51%		51%	51%
Group net assets	**13,877**	**-**	**13,877**	**1,837**
Acquisition cost			**26,600**	**3,521**
Goodwill at acquisition date			**12,723**	**1,684**
Net cash used in acquisition:				
Cash and cash equivalents of acquiree			12,290	1,627
Capital subscription			15,600	2,065
Contributions			11,000	1,456
Acquisition cost			**26,600**	**3,521**
Net cash used in acquisition			**3,310**	**438**

Since the acquisition is a business combination, the Group has recognised it using the purchase method, pursuant to the revised IFRS 3.

The preliminary goodwill emerging from this transaction amounted to €1,684 thousand. It is worth noting that the initial recognition of the business combination, recorded in the third quarter, was temporarily determined as the fair value of assets, liabilities or potential liabilities was still being measured. Moreover, the cost of business combinations was determined in a non-final way. As envisaged by IFRS 3, any possible adjustments shall be recognised within 12 months from the acquisition date.

On 8 November 2019, Datalogic S.r.l., with merger deed effective retroactively as of 1 October 2019, merged by incorporation the company Soredi Touch System GmbH, subsidiary of Datalogic S.p.A.. This transaction had no impact on the Consolidated Financial Statements.

10) Use of estimates and assumptions

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

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

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

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

Taxes

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

Fair value of financial instruments

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

Employee benefits

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

Development costs

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

Share-based payments – Equity-settled transactions

Some employees of the Group receive a portion of their compensation under the form of share-based payments. The cost of equity-settled transactions is determined by the fair value of instruments at the date of the assignment. Cumulative expenses, recognised in relation to these transactions at the reporting date of each financial year and until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will effectively accrue. Evaluation processes and modalities, as well as the determination of the above-mentioned estimates, are based on assumptions that, for their nature, involve the evaluation of Directors.

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

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

Financial risk management

Risk factors

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

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

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

Market risk

a) Foreign currency exchange risk

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

Translation risk relates to the conversion into Euro during consolidation of the Financial Statements of foreign companies that have not adopted the Euro as functional and presentation currency. The key currencies are the US Dollar, the Chinese Renminbi, the Singapore Dollar and the Hungarian Forint.

Transaction risk relates to trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) of Group companies in currencies other than their functional and presentation currency. The key currency is the US Dollar.

To permit full understanding of the foreign currency exchange risk on the Group's Consolidated Financial Statements, we have analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the foreign exchange-rate differences considered reasonably possible, with all other variables remaining equal. The following table shows the results of the analysis as at 31 December 2019:

USD	Nominal value	Portion exposed to exchange rate risk	5%	-5%
Exchange rates		**1.1234**	**1.1796**	**1.06723**
Financial assets				
Cash and cash equivalents	151,841	65,455	(3,117)	3,445
Trade and other receivables	104,461	44,623	(2,125)	2,349
Financial assets and loans	31,200			
Financial liabilities				
Loans	169,677	2,522	120	(133)
Trade and other payables	170,837	87,676	4,175	(4,615)
Income Statement impact, net			**(947)**	**1,046**

As at 31 December 2019, the Group had no currency derivative transactions in place.

b) Interest rate risk

The Datalogic Group is exposed to interest rate risk associated both with the availability of cash and with outstanding loans. The aim of interest rate risk management is to limit and stabilise payable flows caused by interest paid mainly on medium-term debt in order to achieve a tight match between the underlying and the hedging instrument. With regard to medium/long-term loans, as at 31 December 2019, Datalogic had no interest rate swaps in place. On that date, almost all the medium/long-term loans of the Datalogic Group were at fixed rate.

In order to fully understand the potential effects of fluctuations in interest rates to which the Group is exposed, we analysed the accounting items most at risk, assuming a change of 10 basis points in the Euribor and of 10 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2019:

Euribor	Nominal value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	151,841	72,296	72	(72)
Financial assets and loans	31,200	31,200	31	(31)
Financial liabilities				
Loans	169,677	6,942	(7)	7
Income Statement impact, net			**96**	**(96)**

Libor	Nominal value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	151,841	65,455	65	(65)
Financial assets and loans	31,200	0		
Financial liabilities				
Loans	169,677	2,522	(3)	3
Income Statement impact, net			**62**	**(62)**

Credit risk

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

The Group protects itself against credit risk also through the subscription of a factoring contract without recourse. As at 31 December 2019, factored trade receivables amounted to €36,566 thousand (compared to €24,896 thousand at the end of 2018).

The maximum exposure to credit risk on the balance sheet date is the carrying amount of each class of financial asset presented in Note 4.

Liquidity risk

The Datalogic Group's liquidity risk is minimised by specific central management by the Parent Company. Bank indebtedness and the management of liquidity are handled centrally via a series of instruments aimed at optimising the management of financial resources, including cash pooling. The Parent Company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, Datalogic S.p.A., as Parent Company, has cash credit lines available for future requirements to the benefit of the Group. Centralised negotiation of credit lines and loans, on the one hand, and centralised management of the Group's cash resources, on the other hand, are functional to the optimisation of net indebtedness costs.
We also report that, as at 31 December 2019, the Group's Liquidity Reserve – which includes uncommitted but undrawn credit lines of €151 million – is considered largely sufficient to meet commitments existing as at balance-sheet date.

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

The following table shows financial liabilities by maturity:

	0 - 1 year	1 - 5 years	> 5 years
Loans	47,421	110,035	71
Lease financial payables	4,589	5,472	
Bank overdrafts	221		
Payables to factoring companies	1,868		
Trade and other payables	154,153	16,684	
Total	**208,252**	**132,191**	**71**

Changes in liabilities resulting from cash flows

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

	01.01.2019	Cash flows	Transfers	New contracts	Other	31.12.2019
Borrowings from Bank - current portion	47,314	(47,864)	47,130	35	806	47,421
Borrowings from Bank - non-current portion	157,407		(47,130)		(171)	110,106
Payables to factoring companies	2,053	(185)				1,868
Lease payables - current portion	0	0			4,589	4,589
Lease payables - non-current portion	0	0			5,472	5,472
Other Financial liabilities - current portion	1,680	(1,680)				0
Other Financial liabilities - non-current portion	0					0
Bank overdrafts	29	192				221
Total	**208,483**	**(49,537)**	**-**	**35**	**10,696**	**169,677**

Capital risk management

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

	31.12.2019	31.12.2018
Net indebtedness (A)	(13,364)	(23,843)
Shareholders' Equity (B)	404,171	375,809
Total capital [(A)+(B)]=C	390,807	351,966
"gearing ratio" (A)/(C)	**-3.42%**	**-6.77%**

Segment disclosure

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

For 2019, the operating segments were included in the following divisions:

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

- **Solution Net Systems**, specialised in supplying and installing integrated solutions for the postal segment and distribution centres in the Retail sector;
- **Informatics** sells and distributes products and solutions for the management of inventories and mobile assets tailored to small and medium sized companies.

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

The **income statement information related to operating segments** as at 31 December 2019 and 31 December 2018 are as follows (€/000):

Segment economic position	Datalogic Business	Solution Net System	Informatics	Adjustments	Total Group 31.12.2019
Revenues	568,128	29,064	18,736	(3,442)	612,486
EBITDA	90,581	2,911	1,507	(9)	94,990
% revenues	*15.94%*	*10.02%*	*8.04%*		*15.51%*
EBIT	61,808	2,779	893	(9)	65,471

Segment economic position	Datalogic Business	Solution Net System	Informatics	Adjustments	Total Group 31.12.2018
Revenues	585,724	28,320	19,586	(2,615)	631,015
EBITDA	102,097	2,939	669	(156)	105,549
% revenues	*17.43%*	*10.38%*	*3.42%*		*16.73%*
EBIT	80,619	2,872	182	(156)	83,517

The **balance-sheet information related to operating segments** as at 31 December 2019 and 31 December 2018 are as follows (€/000):

Segment financial position	Datalogic Business	Solution Net System	Informatics	Adjustments	Total Group 31.12.2019
Total assets	802,976	13,795	21,024	(33,186)	804,609
Total liabilities	387,903	7,891	5,663	(1,019)	400,438
Shareholders' Equity	**415,073**	**5,904**	**15,361**	**(32,167)**	**404,171**

Segment financial position	Datalogic Business	Solution Net System	Informatics	Adjustments	Total Group 31.12.2018
Total assets	829,580	15,066	21,119	(35,607)	830,158
Total liabilities	444,521	6,892	6,481	(3,545)	454,349
Shareholders' Equity	**385,060**	**8,174**	**14,638**	**(32,063)**	**375,809**

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

Over the period, recognised net investments amounted to €22,437 thousand, and depreciation amounted to €12,128 thousand, while the exchange rates amounted to €1,059 thousand. Tangible assets are broken down as at 31 December 2019 and 31 December 2018 as follows:

	31.12.2019	31.12.2018	Change
Land	8,778	8,349	429
Buildings	31,820	30,548	1,272
Other assets	35,418	34,932	486
Assets in progress and payments on account	13,586	4,166	9,420
Total	**89,602**	**77,995**	**11,607**

Details of movements as at 31 December 2018 and 31 December 2019 are as follows:

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

	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	8,349	36,410	149,974	4,166	198,899
Accumulated depreciation	-	(5,862)	(115,042)	-	(120,904)
Net book value as at 01.01.2019	**8,349**	**30,548**	**34,932**	**4,166**	**77,995**
Increases 31.12.2019					
Investments	341	441	10,930	11,147	22,859
Acquisitions	-	-	254	-	254
Total	**341**	**441**	**11,184**	**11,147**	**23,113**
Decreases 31.12.2019					
Disposals, historical cost	-	-	(4,036)	-	(4,036)
Disposals, accum. depreciation	-	-	3,614	-	3,614
Depreciation	-	(584)	(11,544)	-	(12,128)
Acquisitions	-	-	(15)	-	(15)
Total	**-**	**(584)**	**(11,981)**	**-**	**(12,565)**
Other changes 31.12.2019					
Incoming transfers at historical cost	-	390	1,023	(1,714)	(301)
(Outgoing transfers, accum. depreciation)	-	-	301	-	301
Exchange diff. in historical cost	88	677	251	(13)	1,003
Exchange diff. in accum. depreciation	-	348	(292)	-	56
Total	**88**	**1,415**	**1,283**	**(1,727)**	**1,059**
Historical cost	8,778	37,918	158,396	13,586	218,678
Accumulated depreciation	-	(6,098)	(122,978)	-	(129,076)
Net book value at 31.12.2019	**8,778**	**31,820**	**35,418**	**13,586**	**89,602**

The "Other assets" item as at 31 December 2019 mainly includes the following categories: industrial equipment and moulds (€10,699 thousand), plant and machinery (€11,446 thousand), Office furniture and machines (€10,050 thousand), General plants related to buildings (€1,457 thousand), Maintenance on third-party assets (€655 thousand), Commercial equipment and demo room (€958 thousand) and Motor vehicles (€80 thousand).

The balance of item "Assets in progress and payments on account", equal to €13,586 thousand, is mainly composed of the following: €10,330 thousand for investments made for the building and enlargement of Group plants, €1,327 thousand for self-manufactured equipment and production lines, and €1,843 thousand for moulds under construction. The increase, equal to €9,420 thousand, is mainly attributable to the construction of buildings in Germany (€3,669 thousand) and in the United States (€5,659 thousand).

Note 2. Intangible assets

Over the period, recognised net investments amounted to €15,021 thousand, and amortisation amounted to €9,989 thousand, while the exchange rates amounted to €3,815 thousand. Intangible assets are broken down as at 31 December 2019 and 31 December 2018 as follows:

	31.12.2019	31.12.2018	Change
Goodwill	186,126	181,149	4,977
Development costs	9,927	10,381	(454)
Other	28,430	32,454	(4,024)
Assets in progress and payments on account	12,114	1,671	10,443
Total	**236,597**	**225,655**	**10,942**

Details of movements as at 31 December 2018 and 31 December 2019 are as follows:

	Goodwill	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	174,343	19,020	134,925	3,765	332,053
Accumulated amortisation	-	(15,157)	(100,573)	-	(115,730)
Net book value as at 01.01.2018	**174,343**	**3,863**	**34,352**	**3,765**	**216,323**
Increases 31.12.2018					
Investments	-	672	3,412	6,600	10,684
Total	**-**	**672**	**3,412**	**6,600**	**10,684**
Decreases 31.12.2018					
Disposals, historical cost	(950)	-	(257)	-	(1,207)
Disposals, accum. amortisation	-	-	206	-	206
Amortisation	-	(2,154)	(7,032)	-	(9,186)
Total	**(950)**	**(2,154)**	**(7,083)**	**-**	**(10,187)**
Other changes 31.12.2018					
Incoming transfers at historical cost	-	8,108	586	-	8,694
(Outgoing transfers, accum. amortisation)	-	(163)	-	(8,694)	(8,857)
Exchange diff. in historical cost	7,756	347	4,262	-	12,365
Exchange diff. in accum. amortisation	-	(292)	(3,075)	-	(3,367)
Total	**7,756**	**8,000**	**1,773**	**(8,694)**	**8,835**
Historical cost	181,149	27,984	142,928	1,671	353,732
Accumulated amortisation	-	(17,603)	(110,474)	-	(128,077)
Net book value as at 31.12.2018	**181,149**	**10,381**	**32,454**	**1,671**	**225,655**

	Goodwill	Development costs	Other	Assets in progress and payments on account	Total
Historical cost	181,149	27,984	142,928	1,671	353,732
Accumulated amortisation	-	(17,603)	(110,474)	-	(128,077)
Net book value as at 01.01.2019	**181,149**	**10,381**	**32,454**	**1,671**	**225,655**
Increases 31.12.2019					
Investments	-	1,400	2,562	11,059	15,021
Acquisitions	1,684	-	427	-	2,111
Total	**1,684**	**1,400**	**2,989**	**11,059**	**17,132**
Decreases 31.12.2019					
Disposals, historical cost	-	-	(79)	-	(79)
Disposals, accum. amortisation	-	-	63	-	63
Amortisation	-	(2,317)	(7,672)	-	(9,989)
Total	**-**	**(2,317)**	**(7,688)**	**-**	**(10,005)**
Other changes 31.12.2019					
Incoming transfers at historical cost	-	442	-	-	442
(Outgoing transfers, accum. amortisation)	-	-	174	(616)	(442)
Exchange diff. in historical cost	3,293	153	1,828	-	5,274
Exchange diff. in accum. amortisation	-	(132)	(1,327)	-	(1,459)
Total	**3,293**	**463**	**675**	**(616)**	**3,815**
Historical cost	186,126	28,579	147,840	12,114	361,038
Accumulated amortisation	-	(20,052)	(119,410)	-	(139,462)
Net book value as at 31.12.2019	**186,126**	**9,927**	**28,430**	**12,114**	**236,597**

Goodwill

“Goodwill”, totalling €186,126 thousand, consisted of the following items:

	31.12.2019	31.12.2018	Change
CGU Datalogic	172,642	167,868	4,775
CGU Informatics	13,483	13,281	202
Total	**186,126**	**181,149**	**4,977**

The change in the “Goodwill” item, compared to 31 December 2018, is due, in the amount of €3,293 thousand, to translation differences and, in the amount of €1,684 thousand, to goodwill generated with the first consolidation of the investee Suzhou Mobydata Smart System Co Ltd..

This Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain.

It should be noted that the format of the CGU related to Goodwill was reviewed according to the new organisational structure that the Group adopted as from 1 January 2017. The estimated recoverable value of each CGU, associated with each Goodwill item measured, consists of its corresponding value in use. Value in use is calculated by discounting the future cash flows generated by the CGU – during production and at the time of its disposal – to present value using a certain discount rate, based on the Discounted Cash Flow method.

The cash flows of the individual CGUs have been taken from their respective 2020 Budgets and forward-looking plans prepared by Management. These plans represent the best estimate of foreseeable operating performance, based on business strategies and growth indicators in the sector to which the Group belongs and in its reference markets. The assumptions used for the purposes of impairment were approved by the Board of Directors and the Audit and Risk Management, Remuneration and Appointments Committee of Datalogic S.p.A. on 14 February 2020. Based on an Unlevered approach, the Group has used, through the discounted cash flow method, Unlevered Free Cash Flows from Operations (FCFO). To expected flows for the period 2019-2023, which are explicitly forecast, the flow relating to Perpetuity – representing Terminal value – is added. This is calculated using a long-term growth rate (G) of 1%, which represents the long-term expectations for the industrial sector to which the Group belongs.

The discount rate, consisting of the weighted average cost of invested capital (WACC), is estimated before tax and based on the financial structure of the sector to which the Datalogic Group belongs. The WACC used – ranging from 6.65% to 7.29% for the corresponding Goodwill measured – reflects the return opportunity for all capital contributions, for whichever reason they are made.

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

	CGU Datalogic	Informatics
Goodwill	**172,462**	**13,483**
Weighted average cost of capital (WACC)	6.65%	7.29%
Long-term growth rate (G)	1%	1%

CGU Datalogic

The recoverable value of the Datalogic CGU was determined based on the calculation of the value in use, in which projected cash flows, resulting from the plan approved by the Board of Directors, have been used. The discount rate before taxes applied to projected cash flows is 6.65% (2018 equal to 7.19%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2018), which is prudentially lower than the growth rate expected in reference markets. During testing for impairment, goodwill of CGU Datalogic confirmed its carrying value.

CGU Informatics

Goodwill attributed to CGU Informatics results from the acquisition of the investee Informatics Inc. in 2005. The recoverable value of the Informatics CGU was determined based on the calculation of the value in use, in which projected cash flows, resulting from the plan approved by the Board of Directors, have been used. The discount rate before taxes applied to projected cash flows is 7.29% (2018 equal to 8.65%) and cash flows over five years have been inferred based on 1% growth rate (in line with 2018), which is prudentially lower than the growth rate expected in reference markets. During testing for impairment, goodwill of CGU Informatics confirmed its carrying value.

Sensitivity to changes in assumptions

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

- gross operating margin;
- discount rates;
- growth rate used to calculate cash flows after the forecast period.

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

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

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

Sensitivity analyses were carried out by assuming reasonable changes in key assumptions occurring at the reporting date. Sensitivity analyses were based on the changes occurring in some key assumptions, keeping all other assumptions unaltered. Sensitivity analyses resulted in no different conclusions compared to those obtained with impairment tests.

Development Costs, Other Assets in progress and payments on account

The "Development costs" item, amounting to €9,927 thousand, is composed of specific product development projects. The "Other" item, amounting to €28,430 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group. Details are shown in the following table:

	31.12.2019	31.12.2018	Change
Patents	14,184	17,193	(3,008)
Know-how	3,066	4,175	(1,109)
Licence agreement	2,943	3,396	(453)
Software	8,098	7,493	605
Others	138	196	(58)
Total	**28,430**	**32,453**	**(4,023)**

The “**Assets in progress and payments on account**” item, equal to €12,114 thousand, is attributable, in the amount of €9,976 thousand, to the capitalisation of costs relating to Research and Development projects that are currently underway, as well as, in the amount of €2,138 thousand, to software implementations that are not yet completed.

The increase, compared to previous years, of capitalised costs, with reference to product development projects, reflects the Group’s investments in the renewal of its product range.

Note 3. Right-of-use Assets

The adoption, as from 1 January 2019, of IFRS 16, involved the recognition of assets in right of use, equal to the value of the financial liabilities at the transition date, adjusted to take account of any accruals and deferrals. The following table shows recognised fixed assets, by asset class.

	31.12.2019	31.12.2018	Change
Buildings	7,560	-	7,560
Vehicles	2,041	-	2,041
Office equipment	152	-	152
Total	**9,753**	**-**	**9,753**

Details of movements as at 31 December 2019 are as follows:

Net book value as at 01.01.2019	Buildings	Vehicles	Office equipment	Total
Increases 31.12.2019				
Adoption of IFRS 16 Leases	11,186	2,982	228	14,396
Total	**11,186**	**2,982**	**228**	**14,396**
Decreases 31.12.2019				
Depreciation	(3,626)	(941)	(76)	(4,643)
Total	**(3,626)**	**(941)**	**(76)**	**(4,643)**
Historical cost	11,186	2,982	228	14,396
Accumulated depreciation	(3,626)	(941)	(76)	(4,643)
Net book value as at 31.12.2019	**7,560**	**2,041**	**152**	**9,753**

Depreciation recognised over the period amounted to €4,643 thousand. As regards the description of the accounting policies and related underlying assumptions adopted by the Group as per the application of the IFRS 16 standard and the effects resulting from the first-time adoption of the same, reference is made to the previous comments in the section regarding the accounting standards adopted by the Group.

Note 4. Equity investments in associates

Equity investments owned by the Group as at 31 December 2019 were as follows:

	31.12.2018	Increases (Decreases)	Other changes	31.12.2019
CAEN RFID S.r.l.	550			550
Suzhou Mobilead Electronic Technology Co., Ltd.	1,397		(1,397)	-
R4I S.r.l.	150			150
Datalogic Automation AB	2			2
Specialvideo S.r.l.	29			29
Datasensor GmbH	45			45
Total	**2,173**	**-**	**(1,397)**	**776**

Changes in the "Equity investments in associates" item, compared to 31 December 2018, are attributable to the transfer of the equity investment held in Suzhou Mobilead Electronic Technology Co., Ltd., as well as in the investment in Suzhou Mobydata Smart System Co. Ltd., which was consolidated on a line-by-line basis. For further information reference is made to the previous comments in the section regarding the scope of consolidation.

Note 5. Financial assets and Liabilities by category

The following table shows the breakdown of “Financial assets and liabilities”, according to provisions set out by IFRS 9 as at 31 December 2018 and 31 December 2019:

	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	31.12.2018
Non-current financial assets	**2,268**	**-**	**7,224**	**9,492**
Financial assets - Equity investments	-	-	7,224	7,224
Financial assets - Securities	-	-	-	-
Financial assets - Loans	-	-	-	-
Financial assets - Other	-	-	-	-
Other receivables	2,268	-	-	2,268
Current financial assets	**293,859**	**50,896**	**-**	**344,755**
Trade receivables	89,417	-	-	89,417
Other receivables	23,012	-	-	23,012
Financial assets - Other	-	50,896	-	50,896
Financial assets - Securities	-	-	-	-
Cash and cash equivalents	181,430	-	-	181,430
Total	**296,127**	**50,896**	**7,224**	**354,247**

	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	31.12.2019
Non-current financial assets	**1,334**	**535**	**8,930**	**10,799**
Financial assets - Equity investments	-	535	8,930	9,465
Financial assets - Securities	-	-	-	-
Financial assets - Loans	-	-	-	-
Financial assets - Other	-	-	-	-
Other receivables	1,334	-	-	1,334
Current financial assets	**253,996**	**31,200**	**-**	**285,196**
Trade receivables	77,308	-	-	77,308
Other receivables	24,847	-	-	24,847
Financial assets - Other	-	31,200	-	31,200
Financial assets - Securities	-	-	-	-
Cash and cash equivalents	151,841	-	-	151,841
Total	**255,330**	**31,735**	**8,930**	**295,995**

	Derivatives	Financial liabilities at amortised cost	31.12.2018
Non-current financial liabilities	**-**	**162,675**	**162,675**
Financial payables	-	157,407	157,407
Financial liabilities - Derivative instruments	-	-	-
Other payables	-	5,268	5,268
Current financial liabilities	**-**	**222,265**	**222,265**
Trade payables	-	116,731	116,731
Other payables	-	54,458	54,458
Financial liabilities - Derivative instruments	-	-	-
Short-term financial payables	-	51,076	51,076
Total	**-**	**384,940**	**384,940**

	Derivatives	Financial liabilities at amortised cost	31.12.2019
Non-current financial liabilities	**-**	**132,262**	**132,262**
Financial payables	-	115,578	115,578
Financial liabilities - Derivative instruments	-	-	-
Other payables	-	16,684	16,684
Current financial liabilities	**-**	**208,064**	**208,064**
Trade payables	-	105,841	105,841
Other payables	-	48,124	48,124
Financial liabilities - Derivative instruments	-	-	-
Short-term financial payables	-	54,099	54,099
Total	**-**	**340,326**	**340,326**

Fair value of financial assets and liabilities is determined based on methods that can be classified under the various hierarchy levels of fair value, as set forth by IFRS 13. In particular, the Group has adopted internal valuation models that are generally used in finance and based on prices supplied by market operators, or prices taken from active markets.

Fair value – hierarchy

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

	Level 1	Level 2	Level 3	31.12.2019
Assets measured at fair value				
Financial assets - Equity investments	8,860		605	9,465
Financial assets - Non-current securities				
Financial assets - Other non-current financial assets				
Financial assets - Other	20,238	10,962		31,200
Financial assets - Loans				0
Financial assets - Derivative instruments				0
Total assets measured at fair value	**29,098**	**10,962**	**605**	**40,665**

Note 6. Financial assets

The financial assets include the following:

	31.12.2019	31.12.2018	Change
Non-current financial assets	9,465	7,224	2,241
Current financial assets	31,200	50,896	(19,696)
Total	**40,665**	**58,120**	**(17,455)**

The "Current financial assets" item consists of investments in corporate cash, represented by insurance policies and mutual investment funds. The change for the period refers to the redemption of some investments.

The "Non-current financial assets" item is composed of equity investments in other companies held by the Group, and is broken down as follows:

	31.12.2018	Increases	Decreases	Fair value adjustment	Translation effects	31.12.2019
Listed equity investments	7,154			1,431	275	8,860
Unlisted equity investments	70	535				605
Total	**7,224**	**535**	**0**	**1,431**	**275**	**9,465**

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 7. Trade and other receivables

Details of trade and other receivables item as at 31 December 2019 and 31 December 2018 are as follows:

	31.12.2019	31.12.2018	Change
Trade receivables	73,164	81,815	(8,651)
Contract assets	5,361	10,492	(5,131)
Bad debt provision	(1,217)	(2,890)	1,673
Net trade receivables	**77,308**	**89,417**	**(12,109)**
Receivables from associates	**895**	**1,014**	**(119)**
Receivables from related parties		**8**	**(8)**
Total trade receivables	**78,203**	**90,439**	**(12,236)**
Other receivables - current accrued income and prepaid expenses	24,924	23,194	1,730
Other receivables - non-current accrued income and prepaid expenses	1,334	2,268	(934)
Total other receivables - accrued income and prepaid expenses	**26,258**	**25,462**	**796**
Trade and other receivables - Non-current	1,334	(2,268)	3,602
Trade and other receivables - current	**103,127**	**113,633**	**(10,506)**

Trade receivables

The “Trade receivables” item as at 31 December 2019, gross of bad debt provisions, amounted to €78,203 thousand, representing a decrease of 13.5%. As at 31 December 2019, factored trade receivables amounted to €36,566 thousand (compared to €24,896 thousand at the end of 2018). Trade receivables from associates arise from commercial transactions carried out at arm’s length conditions.

As at 31 December 2019, the breakdown of the item by maturity terms, compared with the same period of the previous year, was as follows:

	2019	2018
Not yet due	59,343	75,039
Past due by 30 days	11,703	11,520
Past due by 31 - 90 days	5,165	2,721
Past due by more than 90 days	1,097	137
Total	**77,308**	**89,417**

The following table shows the breakdown of trade receivables by currency as at 31 December 2019 and 31 December 2018:

	2019	2018
Euro	22,028	26,848
US Dollar (USD)	42,638	50,868
British Pound Sterling (GBP)	3,260	2,318
Australian Dollar (AUD)	911	962
Canadian Dollar (CAD)	331	1,303
Japanese Yen (JPY)	782	934
Singapore Dollar (SGD)	0	(489)
Hungarian Forint (HUF)	1	4
Chinese Renminbi (CNY)	5,388	3,982
Vietnam Dong (VND)	329	320
Brazilian Real (BRL)	1,640	2,366
Total	**77,308**	**89,417**

Customer trade receivables are posted net of bad debt provisions totalling €1,217 thousand (€2,890 thousand as at 31 December 2018). Changes in bad debt provision during the period were as follows:

	2019	2018	Change
As at 1 January	**2,890**	**1,177**	**1,713**
Allocations to Shareholders' Equity due to adoption of IFRS 9	-	1,715	(1,715)
As at 1 January - restated	**2,890**	**2,892**	**(2)**
Foreign exchange gains/losses	51	76	(25)
Provisions	448	371	77
Releases	(2,148)	(190)	(1,958)
Uses	(24)	(259)	235
As at 31 December	**1,217**	**2,890**	**(1,673)**

Other receivables – accrued income and prepaid expenses

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

	31.12.2019	31.12.2018	Change
Other short-term receivables	2,311	2,872	(561)
Other long-term receivables	1,334	2,268	(934)
VAT receivables	18,534	17,002	1,532
Accrued income and prepaid expenses	4,079	3,320	759
Total	**26,258**	**25,462**	**796**

The "Accrued income and prepaid expenses" item is mainly composed of insurance, as well as Hardware and Software fees.

Note 8. Inventories

	31.12.2019	31.12.2018	Change
Raw and ancillary materials and consumables	41,754	40,369	1,385
Work in progress and semi-finished products	23,582	24,440	(858)
Finished products and goods	37,585	31,017	6,568
Total	**102,921**	**95,826**	**7,095**

Inventories are disclosed net of an obsolescence provision totalling €10,121 thousand as at 31 December 2019 (€11,222 thousand as at 31 December 2018). The increase in inventories is attributable to the seasonal effect and to greater procurement made to the management of the cross-over phase in the reorganisation of the new European logistic hub. Changes as at 31 December of each year are shown below:

	2019	2018
1 January	**11,222**	**9,605**
Foreign exchange gains/losses	(185)	218
Provisions	920	2,672
Releases	(1,836)	(1,273)
31 December	**10,121**	**11,222**

Note 9. Tax payables and receivables

	31.12.2019	31.12.2018	Change
Tax receivables	24,421	18,661	5,760
of which from Parent Company	*12,742*	*11,276*	*1,466*
Tax payables	(25,822)	(16,382)	(9,440)
of which to Parent Company	*(15,913)*	*(9,557)*	*(6,356)*
Total	**(1,401)**	**2,279**	**(3,680)**

As at 31 December 2019, the “Tax receivables” item amounted to €24,421 thousand, up €5,760 thousand compared to the end of 2018 (€18,661 thousand as at 31 December 2018). The receivables for IRES tax from the parent company Hydra S.p.A., equal to €12,742 thousand (€11,276 thousand as at 31 December 2018) are classified under this item. This amount is part to the tax consolidation.

The “Tax payables” item amounted to €25,822 thousand as at 31 December 2019, up €9,440 thousand (€16,382 thousand as at 31 December 2018). The payables for IRES tax to the parent company Hydra S.p.A., equal to €15,913 thousand (€9,557 thousand as at 31 December 2018) are classified under this item. This amount is part to the tax consolidation.

LIABILITIES AND SHAREHOLDERS' EQUITY

Note 10. Shareholders' Equity

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

	31.12.2019	31.12.2018	Change
Share capital	30,392	30,392	-
Share premium reserve	111,779	111,779	-
Treasury shares held in portfolio	(15,113)	(10,810)	(4,303)
Share capital and capital reserves	**127,058**	**131,361**	**(4,303)**
Translation reserve	**26,530**	**20,401**	**6,129**
Other reserves	**5,775**	**2,544**	**3,231**
Retained earnings	**194,527**	**159,292**	**35,235**
Profit for the year	**50,281**	**62,210**	**(11,929)**
Total	**404,171**	**375,808**	**28,363**

Share capital

Movements in share capital as at 31 December 2018 and 31 December 2019 are reported below:

	Number of shares	Share capital	Share cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2018	**58,229,477**	**30,392**	**2,813**	**6,120**	**2,026**	**106,940**	**148,291**
Purchase of treasury shares	(890,327)	-	-	(22,934)	18,422	(18,422)	(22,934)
Sale of treasury shares	211,392	-	-	4,662	(151)	151	4,662
Gains/(losses) on treasury shares	-	-	-	1,365	-	-	1,365
Charges on treasury shares	2,721	-	-	(23)	-	-	(23)
31.12.2018	**57,550,542**	**30,392**	**2,813**	**(10,810)**	**20,297**	**88,669**	**131,361**

	Number of shares	Share capital	Share cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2019	**57,550,542**	**30,392**	**2,813**	**(10,810)**	**20,297**	**88,669**	**131,361**
Purchase of treasury shares	(252,388)	-	-	(4,298)	4,298	(4,298)	(4,298)
Sale of treasury shares	-	-	-	-	-	-	-
Gains/(losses) on treasury shares	-	-	-	-	-	-	-
Charges on treasury shares	-	-	-	(5)	-	-	(5)
31.12.2019	**57,298,154**	**30,392**	**2,813**	**(15,113)**	**24,595**	**84,371**	**127,058**

As at 31 December 2019, the share capital amounted to €30,392 thousand, representing the share capital, entirely subscribed and paid by the Parent Company Datalogic S.p.A.. The share capital comprises a total number of ordinary shares of 58,446,491, including 1,148,337 held as treasury shares, for a counter-value of €15,113 thousand, making the number of outstanding shares at that date 57,298,154. Moreover, 521,000 shares were assigned to a Stock Grant plan. The shares have a nominal unit value of €0.52.

Other Reserves

As at 31 December 2019, changes in other reserves are broken down as follows:

- change in the translation reserve, amounting to €6,129 thousand;
- change in the cash flow hedge reserve, amounting to €174 thousand;
- change in financial assets reserve, measured at FVOCI, amounting to €1,686 thousand;
- decrease in the actuarial gains/(losses) reserve, amounting to €150 thousand;
- change in the Stock Grant reserve, amounting to €1,521 thousand.

With reference to changes in the Stock Grant reserve, these changes were related to the recognition of the medium/long-term share-based incentive plan, approved by the Shareholders' Meeting on 30 April 2019. Should defined performance targets be achieved, the rights to receive Company's shares were assigned to the beneficiaries by the Directors on 25 June 2019 (grant date).
The above-mentioned increase in Shareholders' Equity was recognised, for the portion pertaining to the period, based on the measurement at fair value of the entire plan.

Note 11. Financial payables

Financial payables are broken down as follows:

	31.12.2019	31.12.2018	Change
Non-current financial payables	115,578	157,407	(41,829)
Current financial payables	54,099	51,076	3,023
Total	**169,677**	**208,483**	**(38,806)**

The breakdown of this item is detailed below:

	31.12.2019	31.12.2018	Change
Borrowings from bank	157,527	204,721	(47,194)
Others		1,680	(1,680)
Financial payables IFRS 16	10,061	0	10,061
Payables to factoring companies	1,868	2,053	(185)
Bank overdrafts	221	29	192
Total	**169,677**	**208,483**	**(38,806)**

The breakdown of changes in the “Borrowings from bank” item as at 31 December 2019 and 31 December 2018 is shown below:

	2019	2018
1 January	**204,721**	**253,764**
Increases	35	0
Decreases for borrowing repayments	(47,841)	(47,831)
Recalculation of amortised cost	612	(1,212)
31 December	**157,527**	**204,721**

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

	31.12.2019	31.12.2018
Variable rate	**0**	**0**
Due < 1 year	0	0
Due > 1 year	0	0
Fixed rate	**157,527**	**204,721**
Due < 1 year	47,421	47,314
Due > 1 year	110,035	157,314
Due > 5 years	71	93
Total	**157,527**	**204,721**

All loans were granted in Euro.

Covenants

Some borrowing contracts envisage the compliance, by the Group, with some financial covenants, measured every six months as at 30 June and as at 31 December, as summarised in the following table:

Banca	Company	Covenants		Frequency	Reference statements
Club Deal	Datalogic S.p.A.	NFP/EBITDA	2.75	Semi-annual	Consolidated
E.I.B.	Datalogic S.p.A.	NFP/EBITDA	2.75	Semi-annual	Consolidated

As at 31 December 2019, the above-mentioned covenants were fulfilled.

Note 12. 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 recorded 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, that is 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 foreign exchange rate translation. 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.

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

	31.12.2019	31.12.2018	Change
Deferred tax assets	43,572	54,397	(10,825)
Deferred tax liabilities	(17,819)	(32,518)	14,699
Total	**25,753**	**21,879**	**3,874**

Change in deferred taxes is mainly due to the release of deferred taxes recognised on incomes become taxable over the year, represented by gains on exchange rates and dividends from investee companies.

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

Deferred tax assets	01.01.2019	Accrued (released) to Income Statement	Accrued (released) to Shareholders' Equity	Foreign exchange gains/losses	Reclassification	31.12.2019
Receivables, foreign taxes	19,383	(149)	-	374	-	19,608
Foreign exchange differences	9,018	(8,113)	-	(19)	-	886
Differences on amortisation/depreciation	1,957	254	-	29	-	2,240
Asset write-downs	1,226	(300)	-	-	-	926
Non-deductible temp. diff.	12,376	2,808	-	188	-	15,372
Other	7,600	(24)	248	6	(6,844)	986
Adjustments	2,721	981	(148)	-	-	3,554
Total	**54,281**	**(4,543)**	**100**	**578**	**(6,844)**	**43,572**

Deferred tax provision	01.01.2019	Accrued (released) to Income Statement	Accrued (released) to Shareholders' Equity	Foreign exchange gains/losses	Reclassification	31.12.2019
NOLs	16	-	-	-	-	16
Foreign exchange differences	10,420	(9,602)	20	-	-	838
Differences on amortisation/depreciation	11,266	754	-	165	-	12,185
IAS Reserves	315	-	-	-	-	315
Non-deductible temp. diff.	1,023	88	-	1	11	1,123
Other	9,050	(6,125)	-	-	(56)	2,869
Adjustments	743	-	-	-	45	788
Total	**32,833**	**(14,885)**	**20**	**166**	**-**	**18,134**

Note 13. Post-employment benefits

The breakdown of changes in the "Post-employment benefits" item as at 31 December 2019 and 31 December 2018 is shown below:

	2019	2018
1 January	**6,541**	**6,633**
Accrual	2,140	2,124
Payments	(1,112)	(1,179)
Discounting	666	
Other movements	(60)	(22)
Social security receivables for post-employment benefits	(1,149)	(1,015)
31 December	**7,026**	**6,541**

Note 14. Provisions for risks and charges

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

	31.12.2019	31.12.2018	Change
Provisions for risks and charges, current	4,273	7,197	(2,924)
Provisions for risks and charges, non-current	4,916	6,320	(1,404)
Total	**9,189**	**13,517**	**(4,328)**

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

	31.12.2018	Increases	(Uses) and (Releases)	Other movements	Exchange rate diff.	31.12.2019
Product warranty provision	10,694	6,859	(9,389)		141	8,305
"Stock rotation" provision	1,448	396	0	(1,859)	15	(0)
Others	1,375	314	(804)	0	0	885
Total	**13,517**	**7,569**	**(10,193)**	**(1,859)**	**156**	**9,189**

The "**Product warranty provision**" item covers the estimated cost of repairing products sold up to 31 December 2019 and covered by a warranty period. It amounts to €8,305 thousand (of which €4,631 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

The "**Others**" item includes primarily allocations made by possible tax liabilities, labour disputes and Agents' severance indemnity. Some irrelevant disputes related to the Group are currently in place. Their risk is assessed by experts and no allocations were made in relation to them, as provided for by IAS 37.

Note 15. Trade and other payables

The breakdown of trade and other payables is summarised in the following table:

	31.12.2019	31.12.2018	Change
Trade payables	104,193	113,314	(9,121)
Contract liabilities - customer advances	1,648	3,417	(1,769)
Trade payables	**105,841**	**116,731**	**(10,890)**
Payables to associates	**55**	**260**	**(205)**
Payables to related parties	**133**	**148**	**(15)**
Total trade payables	**106,029**	**117,139**	**(11,110)**
Other payables - current accrued liabilities and deferred income	48,124	54,458	(6,334)
Other payables - non-current accrued liabilities and deferred income	16,684	5,268	11,416
Total other payables - accrued liabilities and deferred income	**64,808**	**59,726**	**5,082**
Less: non-current portion	16,684	5,268	11,416
Current portion	**154,153**	**171,597**	**(17,444)**

Trade payables amounted to €106,029 thousand, down by €11,110 thousand compared to the previous year.

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	31.12.2019	31.12.2018	Change
Non-current accrued liabilities and deferred income	16,684	5,268	11,416
Other short-term payables:	27,134	28,165	(1,031)
Payables to employees	17,883	18,737	(854)
Payables to pension and social security agencies	6,382	6,523	(141)
Other payables	2,869	2,905	(36)
VAT payables	3,673	1,800	1,873
Current accrued liabilities and deferred income	17,317	24,493	(7,176)
Total	**64,808**	**59,726**	**5,082**

Payables to employees represents the amount due for salaries and vacations accrued by employees as at 31 December 2019.

The "Accrued liabilities and deferred income" item is mainly composed of deferred income related to multi-annual maintenance contracts. The increase for the period is due to new contracts renewed with some customers.

INFORMATION ON THE INCOME STATEMENT

Note 16. Revenues

Revenues divided by type are shown in the following table:

	31.12.2019	31.12.2018	Change
Revenues from sale of products	567,974	596,540	(28,566)
Revenues from services	44,512	34,475	10,037
Total revenues	**612,486**	**631,015**	**(18,529)**

In 2019, consolidated net revenues amounted to €612,486 thousand, down by 2.9% compared to €631,015 thousand in the same period of 2018. The following table shows the breakdown of revenues per geographical areas:

	31.12.2019	%	31.12.2018 (**)	%	Change	%	% ch. net FX
Italy	*47,955*	*7.8%*	*53,031*	*8.4%*	*(5,076)*	*-9.6%*	*-10.5%*
EMEAI (excluding Italy)	*261,608*	*42.7%*	*271,755*	*43.1%*	*(10,146)*	*-3.7%*	*-5.0%*
Total EMEAI (*)	309,563	50.5%	324,786	51.5%	(15,223)	-4.7%	-5.9%
North America	219,420	35.8%	205,902	32.6%	13,518	6.6%	1.5%
Latin America	16,131	2.6%	16,545	2.6%	(414)	-2.5%	-4.3%
APAC (*)	67,371	11.0%	83,781	13.3%	(16,410)	-19.6%	-20.1%
Total revenues	**612,486**	**100.0%**	**631,015**	**100.0%**	**(18,529)**	**-2.9%**	**-5.3%**

(*) EMEAI: Europe, Middle East, India and Africa; APAC: Asia & Pacific (including China).
(**) Comparison data for 2018 were restated consistently to reflect the new allocations of revenues.

In 2019, the Datalogic division reported revenues amounting to €568,128 thousand, with a particularly positive performance in North and Latin America. The business segments that contribute the most as regards revenues over the period are Retail and Manufacturing. The segment that reported the best performance in terms of growth is Transportation & Logistics.

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

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Revenues from the sale of goods and services - point in time	513,696	3,408	15,533	(3,442)	529,195
Revenues from the sale of goods and services - over the time	54,432	25,656	3,203	-	83,291
Total	**568,128**	**29,064**	**18,736**	**(3,442)**	**612,486**

The Group recognises revenues from the sale of goods and services in a specific moment, when the control of the assets has been transferred to the customer, generally upon delivery of the good or the rendering of the service. Conversely, revenues are generally recognised over time, based on the stage of completion of contract performance obligations. This item includes revenues resulting from contracts and postponement contracts related to a multi-annual warranty.

	Datalogic	Solution Net System	Informatics	Adjustments	Total
Sale of Goods	529,270	27,418	14,428	(3,142)	567,974
Sale of Services	38,858	1,646	4,308	(300)	44,512
Total	**568,128**	**29,064**	**18,736**	**(3,442)**	**612,486**

Note 17. Cost of goods sold and operating costs

	31.12.2019	31.12.2018	Change
Cost of Goods Sold	**319,780**	**325,798**	**(6,018)**
Operating Costs	**233,902**	**225,694**	**8,208**
Research and Development expenses	59,376	62,019	(2,643)
Distribution expenses	121,631	112,225	9,406
General and administrative expenses	50,405	49,135	1,270
Other operating expenses	2,490	2,315	175
Total	**553,682**	**551,492**	**2,190**

Cost of goods sold

This item amounted to €319,780 thousand, down by 1.85% compared to the same period of 2018. The percentage on revenues remained substantially unchanged and amounted to 52.2% (51.6% in the same period of 2018).

Operating costs

Operating costs increased by 3.6%, from €225,694 thousand to €233,902 thousand. The percentage on turnover increased from 35.8% to 38.2%, reporting a 2.4% worsening. In particular:

- "**Research and Development expenses**" amounted to €59,376 thousand and increased, compared to the same period of the previous year, with a constantly growing percentage on turnover of 9.7% (9.8% in the same period of the previous year).
- "**Distribution expenses**" amounted to €121,631 thousand, up by €9,406 thousand (+8.4%), compared to the same period of the previous year. This increase is mainly due to an increase in labour cost, following investments in sales organisations made in 2018.
- "**General and administrative expenses**" amounted to €50,405 thousand, up by 2.6%.

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

	31.12.2019	31.12.2018	Change
Non-income taxes	2,441	1,670	771
Provision for risk accrual	(95)	19	(114)
Accrual/(Releases) provision for doubtful accounts	0	371	(371)
Cost charge-backs	12	156	(144)
Loss on disposal of fixed assets	104	83	21
Others	28	16	12
Total	**2,490**	**2,315**	**175**

Breakdown of costs by type

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

	31.12.2019	31.12.2018	Change
Purchases	234,432	246,248	(11,816)
Change in inventories	(5,206)	(9,873)	4,667
Labour cost	186,418	173,754	12,664
Amortisation, depreciation and write-downs	26,760	19,772	6,988
Goods receipt and shipment expenses	19,929	23,191	(3,262)
Travel and meetings expenses	12,045	13,306	(1,261)
Technical, legal and tax advisory consultancies	9,963	10,748	(785)
Subcontracted work	9,288	5,911	3,377
Consumables and R&D material	8,463	9,513	(1,050)
Marketing expenses	7,549	8,640	(1,091)
EDP expenses	4,864	4,482	382
Royalties	4,763	3,793	970
Repairs and warranty provision accrual	3,694	6,749	(3,055)
Building expenses	3,492	6,902	(3,410)
Telephone expenses	2,841	2,379	462
Sundry service costs	2,294	1,935	359
Utilities	2,247	2,118	129
Quality certification expenses	2,171	3,078	(907)
Directors' remuneration	2,056	2,002	54
Expenses for plant and machinery and other assets	1,731	1,486	245
Vehicle expenses	1,437	1,369	68
Commissions	1,202	1,799	(597)
Entertainment expenses	1,014	1,394	(380)
Insurances	838	889	(52)
Others	9,397	9,907	(510)
Total cost of goods sold and operating costs	**553,682**	**551,492**	**2,190**

Costs for purchases and change in inventories decreased by €7,149 thousand (-3%), compared to the same period of 2018, and remained unchanged in terms of percentage on total revenues.

Labour cost amounted to €186,418 thousand (€173,754 thousand in the same period of 2018) and reported an increase of €12,664 thousand compared to the previous year (+7.3%). The change, compared to 31 December 2018, is due to the increase in the average number of employees on a payroll during the period, mainly in trade entities in APAC, America and Italy during 2018. The detailed breakdown of labour cost is as follows:

	31.12.2019	31.12.2018	Change
Wages and salaries	142,399	138,146	4,253
Social security charges	27,975	25,453	2,522
Employee severance indemnities	2,379	2,084	295
Retirement and similar benefits	1,736	1,658	78
Other labour costs	11,929	6,413	5,516
Total	**186,418**	**173,754**	**12,664**

The increase in the "**Amortisation, depreciation and write-downs**" item, amounting to €6,988 thousand, is mainly due to the adoption of the new IFRS 16 standard - Leases (€4,643 thousand) and higher investments in both production plants and in product development.

The "**Goods receipt and shipment expenses**" item, amounting to €19,929 thousand, recorded a 14.1% decrease, with a better percentage on turnover compared with the previous period (-0.4%).

Costs related to "**Subcontracted work**" amounted to €9,288 thousand and refer primarily to orders in the Solution Net Systems division. They increased compared to the same period of the previous year according to the progress of some projects.

Expenses related to "**Technical, legal and tax advisory consultancies**" decreased by €785 thousand compared to 2018 thanks to an effective cost-saving policy.

"**Buildings expenses**" decreased by €3,410 thousand in 2019, mainly due to the adoption of the new IFRS 16 - Leases standard, which involved the adjustment of costs for leases and the recognition of amortisation and depreciation costs related to rental and operating lease contracts.

Pursuant to provisions as per Law no. 124/2017, art. 1, par. 125-129, it is noted that grants to Research and Development expenses are due primarily to the portion pertaining to the year of grants received on the following projects:

- "Rossini" (RObot enhanced SenSing, INtelligence and actuation to Improve job quality in manufacturing) financed by the European Commission within the Horizon 2020 program;
- "Flute" (FLexibility, Usability, easy installation and configuration faciliTy, Eco-sustainability), financed by the Emilia Romagna Region (Regional Law 14/2014).

Note 18. Other revenues

	31.12.2019	31.12.2018	Change
Grants to Research and Development expenses	5,058	1,986	3,072
Miscellaneous income and revenues	655	1,589	(934)
Rents	97	92	5
Income on disposal of fixed assets	95	161	(66)
Contingent assets	736	58	678
Others	26	108	(82)
Total	**6,667**	**3,994**	**2,673**

The “**Grants to research and development expenses**” item includes the tax receivables for R&D activities.

Note 19. Financial Income/(Expenses)

	31.12.2019	31.12.2018	Change
Financial Income/(Expenses)	(415)	(1,685)	1,270
Foreign exchange gains/losses	(1,347)	(2,730)	1,383
Bank expenses	(1,246)	(1,474)	228
Others	(229)	221	(450)
Total Financial Income/(Expenses)	**(3,237)**	**(5,668)**	**2,431**

Thanks to the favourable trend of exchange rates and the positive result from cash investments, the Net Financial Income/(Expenses) item was negative for €3,237 thousand, an improvement of €2,431 thousand compared to the negative result of €5,668 thousand reported in the same period of 2018.

Note 20. Taxes

	31.12.2019	31.12.2018	Change
Profit (loss) before taxes	62,234	77,849	(15,615)
Income taxes	21,699	10,083	11,616
Deferred taxes	(9,746)	5,556	(15,302)
Total	**11,953**	**15,639**	**(3,686)**
Tax Rate	**19.2%**	**20.1%**	**-0.9%**

The average tax rate comes to 19.2% (20.1% as at 31 December 2018).

The reconciliation for 2019 of the nominal tax rate and the effective rate in the Consolidated Financial Statements is shown in the following table:

	2019		2018	
Profit (loss) before taxes	**62,234**		**77,849**	
Nominal tax rate under Italian law	**(14,936)**	**-24.0%**	**(18,684)**	**-24.00%**
Effects of local taxes	(1,563)	-2.5%	(1,716)	-2.20%
Tax effect on intercompany dividends	(432)	-0.7%	(1,149)	-1.48%
Tax effect on tax losses	-	0.0%	81	0.10%
Cumulative effect of different tax rates applied in foreign countries	1,114	1.8%	1,920	2.47%
Tax effects - previous years	(530)	-0.9%	(431)	-0.55%
Other effects	4,393	7.1%	4,340	5.57%
Consolidated effective tax rate	**(11,953)**	**-19.2%**	**(15,639)**	**-20.09%**

The tax rate as at 31 December 2019, equal to 19.2%, reports a slight decrease compared to the previous year (20.1%). The most important effects, which affected the 2019 effective tax rate, are the taxation of dividends and the higher tax benefits on investments in R&D.

Note 21. 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 the translation.

	31.12.2019	31.12.2018
Group earnings/(loss) for the period	50,281	62,210
Average number of shares (thousands)	57,525	58,381
Basic earnings/(loss) per share	**0.87**	**1.07**
Group earnings/(loss) for the period	50,281	62,210
Average number of shares (thousands) - Diluted effect	57,699	58,389
Diluted earnings/(loss) per share	**0.87**	**1.07**

Note 22. Audit fees

Pursuant to article 149-*duodecies* of the Issuer Regulation, implementing Legislative Decree 58 of 24 February 1998, the following is the summary schedule of fees pertaining to the year 2019 provided by the Auditing Firm.

	2019
Fees for services supplied by the Auditing Firm to the Parent Company and to the subsidiaries	
Datalogic S.p.A. – audit fees	130
Italian subsidiaries – audit fees	161
Foreign subsidiaries – audit fees	321
Total audit fees (*)	***612***
Non-audit fees	20
Total	**632**

(*) Foreign subsidiaries audit fees include €31 thousand related to audit services provided by Auditors not part of the Deloitte & Touche Network.

The Non-audit fees item refers to the limited evaluation of the consolidated non-financial statement, related to the year ended 31 December 2019.

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

For the definition of "Related parties", see both IAS 24, approved by EC Regulation no. 1725/2003, and the Procedure for Transactions with Related Parties approved by the Board of Directors on 4 November 2010 (most recently amended on 24 July 2015), available on the Company's website www.datalogic.com.
The parent company of the Datalogic Group is Hydra S.p.A..
Intercompany transactions are executed as part of the ordinary operations and at arm's length conditions. Furthermore, there are other relationships with related parties, always carried out as part of ordinary operations and at arm's length conditions, of an immaterial amount and in accordance with the "**OPC Procedure**", chiefly with Hydra S.p.A. or entities under joint control (with Datalogic S.p.A.), or with individuals that carry out the coordination and management of Datalogic S.p.A. (including entities controlled by the same and close relatives).
Related-party transactions refer chiefly to commercial and real estate transactions (instrumental and non-instrumental premises for the Group under lease or leased) and advisory activities as well as to companies joining the scope of tax consolidation. None of these assumes particular economic or strategic importance for the Group since receivables, payables, revenues and costs referred 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 01.01.2019 - 31.12.2019, 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	Not consolidated companies on a line-by-line basis	31.12.2019
Equity investments	-	-	776	776
Held-for-sale assets	-	-	-	-
Trade and other receivables	-	77	895	972
Receivables pursuant to tax consolidation	12,742	-	-	12,742
Financial receivables	-	-	-	-
Payables pursuant to tax consolidation	15,913	-	-	15,913
Trade payables	-	-	72	72
Financial payables	-	-	-	-
Operating expenses	-	1,173	154	1,326
Trade and other revenues	-	-	4,988	4,988
Financial income	-	-	-	-
Profits/(losses) from associates	-	-	-	-

NUMBER OF EMPLOYEES

	31.12.2019	31.12.2018	Change
Datalogic	2,962	3,029	(67)
Solution Net Systems	36	42	(6)
Informatics	76	86	(10)
Total	**3,074**	**3,157**	**(83)**

ALLOCATION OF THE YEAR'S EARNINGS

To our Shareholders,
since the Financial Statements of Datalogic S.p.A. show a net profit for the year of €105,039,893, and since the legal reserve has reached one fifth of the share capital, pursuant to art. 2430 of the Italian Civil Code, the Board of Directors proposes:

- to distribute to Shareholders an ordinary unit dividend, gross of legal withholdings, of 30 cents per share with coupon detachment on 15 June 2020 (record date 16 June 2020) and payment from 17 June 2020, for a maximum amount of €17,533,947. The remaining amount of the Profit for the Year will be allocated to reserves available.

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

Statutory Financial Statements

Statement of Financial Position

ASSETS (€/000)	Note	31.12.2019	31.12.2018
A) Non-current assets (1+2+3+4+5+6+7+8)		**227,127**	**227,405**
1) Tangible assets		**22,929**	**23,598**
Land	1	2,466	2,466
Buildings	1	15,333	15,478
Other assets	1	5,130	5,645
Assets in progress and payments on account	1	0	9
2) Intangible assets		**7,911**	**5,506**
Software	2	5,701	4,514
Other	2	72	216
Assets in progress and payments on account	2	2,138	776
3) Right-of-use assets		**649**	**0**
Buildings	3	453	0
Vehicles	3	196	0
4) Equity investments in affiliates	**4**	**185,155**	**184,093**
5) Financial assets		**9,465**	**7,224**
Equity investments	6	9,465	7,224
Securities		0	0
6) Non-current financial receivables		**0**	**0**
7) Trade and other receivables	**7**	**182**	**185**
8) Deferred tax assets	**12**	**836**	**6,799**
B) Current assets (9+10+11+12+13+14+15)		**450,106**	**458,096**
9) Inventories		**0**	**0**
10) Trade and other receivables		**110,440**	**15,066**
Trade receivables	7	9,495	9,884
of which from subsidiaries	*7*	*9,480*	*9,859*
Other receivables, accrued income and prepaid expenses	**7**	**100,945**	**5,182**
of which from subsidiaries		*98,744*	*841*
11) Tax receivables	**8**	**961**	**2,248**
of which from Parent Company	*8*	*0*	*767*
12) Financial assets		**31,200**	**50,896**
Other	6	31,200	50,896
13) Current financial receivables	**9**	**200,575**	**264,237**
Current financial receivables to subsidiaries	9	200,575	264,237
14) Financial assets - Derivative instruments		**0**	**0**
15) Cash and cash equivalents		**106,930**	**125,649**
Total Assets (A+B)		**677,233**	**685,500**

Statement of Financial Position

LIABILITIES (€/000)	Note	31.12.2019	31.12.2018
A) Total Shareholders' Equity (1+2+3+4+5+6)		**353,548**	**278,267**
1) Share capital	10	30,392	30,392
2) Share premium reserve	10	111,779	111,779
3) Treasury shares held in portfolio	10	(15,113)	(10,810)
4) Other reserves	10	6,272	3,011
5) Retained earnings	10	115,178	114,555
6) Profit/(loss) for the period	10	105,040	29,340
B) Non-current liabilities (7+8+9+10+11+12+13)		**113,984**	**168,376**
7) Non-current financial payables	**11**	**110,203**	**156,859**
8) Non-current financial liabilities - Derivative instruments		**0**	**0**
9) Tax payables		**0**	**0**
10) Deferred tax liabilities	**12**	**3,148**	**11,122**
11) Post-employment benefits	**13**	**633**	**395**
12) Provisions for risks and charges, non-current	**14**	**0**	**0**
13) Other liabilities		**0**	**0**
C) Current liabilities (14+15+16+17+18)		**209,701**	**238,857**
14) Trade and other payables		**15,053**	**15,407**
Trade payables	**15**	**5,768**	**6,812**
of which to subsidiaries	*15*	*189*	*404*
of which to related parties	*15*	*2*	*2*
Other payables, accrued liabilities and deferred income	**15**	**9,286**	**8,595**
of which other receivables from subsidiaries		*5,366*	*4,369*
15) Tax payables	**8**	**3,191**	**773**
of which to Parent Company		*2,128*	*0*
16) Provisions for risks and charges, current	**14**	**0**	**60**
17) Financial liabilities - Derivative instruments		**0**	**0**
18) Current financial payables	**11**	**191,457**	**222,617**
of which to subsidiaries		*144,044*	*174,996*
Total Liabilities (A+B+C)		**677,233**	**685,500**

Income Statement

(€/000)	Note	31.12.2019	31.12.2018
1) Revenues	**17**	**30,745**	**29,059**
Revenues for royalties to subsidiaries		15,503	16,304
Revenues for services to subsidiaries		15,242	12,755
2) Cost of goods sold	**18**	**1,579**	**1,438**
Gross Operating Margin (1-2)		**29,166**	**27,621**
3) Other operating revenues	**19**	**624**	**635**
of which from subsidiaries		*519*	*510*
4) Research and Development expenses	**18**	**558**	**861**
5) Distribution expenses	**18**	**896**	**932**
6) General and administrative expenses	**18**	**24,624**	**22,776**
of which non-recurring		1,302	496
of which to related parties		*72*	*84*
of which to subsidiaries		*440*	*561*
7) Other operating expenses	**18**	**368**	**(1,477)**
of which to related parties		*3*	*1*
of which to subsidiaries		*(1,161)*	*(1,567)*
Total operating costs (4+5+6+7)		**26,446**	**23,092**
Operating Result		**3,344**	**5,165**
8) Financial income	**20**	**107,273**	**31,331**
of which from subsidiaries		*102,284*	*28,010*
9) Financial expenses	**20**	**4,036**	**6,448**
of which to subsidiaries		*492*	*1,155*
Financial Income/(Expenses) (8-9)		**103,237**	**24,882**
Profit/(loss) before taxes from continuing operations		**106,581**	**30,047**
Income taxes	21	1,541	707
Net profit/(loss) for the period		**105,040**	**29,340**

Statement of Comprehensive Income

(€/000)	Note	31.12.2019	31.12.2018
Profit/(loss) for the period		**105,040**	**29,340**
Other components of the Statement of Comprehensive Income:			
Other components of the Statement of Comprehensive Income which will be subsequently reclassified to profit/(loss) for the period:		**0**	**0**
Profit/(Loss) on derivative financial instruments (cash flow hedge)	10	250	312
of which tax effect		*(77)*	*0*
Reserve for adjustment on exchange rates	10		4,956
of which tax effect			*(1,565)*
Profit/(loss) due to translation of assets at FVOCI	10	1,687	(2,313)
of which tax effect		*(20)*	*28*
Total other components of the Statement of Comprehensive Income which will be subsequently reclassified to profit/(loss) for the period		**1,936**	**2,955**
Other components of the Statement of Comprehensive Income which will not be subsequently reclassified to profit/(loss) for the period			
Actuarial gains (losses) on defined-benefit plans	10	(196)	0
of which tax effect		*62*	
Total other components of the Statement of Comprehensive Income which will not be subsequently reclassified to profit/(loss) for the period		**(196)**	**0**
Total profit/(loss) of Comprehensive Income Statement		**1,741**	**2,955**
Total comprehensive profit/(loss) for the period		**106,781**	**32,295**

Statement of Cash Flow

(€/000)	Note	31.12.2019	31.12.2018
Profit (loss) before taxes		**106,581**	**30,047**
Amortisation of intangible assets	1, 2	1,308	1,202
Depreciation of tangible assets		1,552	1,029
Depreciation of right-of-use assets	3	191	
Losses (Gains) from sale of fixed assets	18, 19		
Change in provisions for risks and charges	15	(60)	(1,773)
Change in bad debt provisions	18		(128)
Change in employee benefits reserve	14	(235)	
Other non-monetary changes		(2,564)	(25,057)
Allocation to Stock Grant plan		459	35
Cash flow generated (absorbed) from operations before changes in working capital		**107,231**	**5,355**
Change in trade receivables	7	389	18,486
Change in trade payables	16	(1,044)	915
Change in other current assets	7	(90,474)	1,399
Change in other current liabilities	16	(4,598)	4,464
Change in other non-current assets	7	3	(3)
Change in other non-current liabilities	16	250	
Cash flow generated (absorbed) from operations after changes in working capital		**11,757**	**30,615**
Change in taxes		153	814
Interest paid		(3,133)	3,572
Interest collected		5,553	
Cash flow generated (absorbed) from operations (A)		**14,330**	**35,001**
Increase in intangible assets	2	(3,717)	(2,772)
Decrease in intangible assets	2	4	47
Increase in tangible assets	1	(896)	(2,717)
Decrease in tangible assets	1	13	64
Change in non-current financial assets	5	(553)	950
Cash flow generated (absorbed) from investments (B)		**(5,150)**	**(4,428)**

(€/000)	Note	31.12.2019	31.12.2018
Change in financial receivables	5	83,358	(15,375)
Change in financial payables	12, 6	(78,476)	(58,906)
(Purchase)/sale of treasury shares	10	(4,303)	(16,930)
Dividends collected		163	21,484
Dividends paid	10	(28,716)	(28,914)
Other changes		75	(36)
Cash flow generated (absorbed) from financial activity (C)		**(27,899)**	**(98,676)**
Net increase (decrease) in available cash (A+B+C)		**(18,719)**	**(68,103)**
Net cash and cash equivalents at beginning of period		**125,649**	**193,752**
Net cash and cash equivalents at end of period		**106,930**	**125,649**

Changes in Shareholders' Equity

Description	Share capital	Share premium reserve	Treasury shares held in portfolio	
01.01.2018	**30,392**	**111,779**	**6,120**	
Allocation of earnings				
Dividends				
Sale/purchase of treasury shares			(16,930)	
Other changes				
Profit/(Loss) as at 31.12.2018				
Other components of the Statement of Comprehensive Income				
Total comprehensive profit (loss)				
31.12.2018	**30,392**	**111,779**	**(10,810)**	

Description	Share capital	Share premium reserve	Treasury shares held in portfolio	
01.01.2019	**30,392**	**111,779**	**(10,810)**	
Allocation of earnings				
Dividends				
Sale/purchase of treasury shares			(4,303)	
Other changes				
Profit/(Loss) as at 31.12.2019				
Other components of the Statement of Comprehensive Income				
Total comprehensive profit (loss)				
31.12.2019	**30,392**	**111,779**	**(15,113)**	

Share capital and capital reserves	Other reserves	Retained earnings	Profit for the year	Total Shareholders' Equity
148,291	**4,835**	**112,921**	**25,592**	**291,639**
		25,592	(25,592)	
		(28,914)		(28,914)
(16,930)				(16,930)
	177			177
			29,340	29,340
	(2,001)	4,956		2,955
	(2,001)	**4,956**	**29,340**	**32,295**
131,361	**3,011**	**114,555**	**29,340**	**278,267**

Share capital and capital reserves	Other reserves	Retained earnings	Profit for the year	Total Shareholders' Equity
131,361	**3,011**	**114,555**	**29,340**	**278,267**
		29,340	(29,340)	
		(28,716)		(28,716)
(4,303)				(4,303)
	1,521			1,521
			105,040	105,040
	1,741			1,741
	1,741		**105,040**	**106,781**
127,058	**6,272**	**115,178**	**105,040**	**353,548**

Explanatory Notes to the Statutory Financial Statements

General information

Datalogic S.p.A. ("Company" or "Parent Company") is a company listed in the STAR segment of the Italian Stock Exchange managed by Borsa Italiana S.p.A., 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.
Datalogic S.p.A. is the Parent Company of the Datalogic Group ("Group"), the global technological 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.

The publication of the Company's Financial Statements as at 31 December 2019 was authorised by resolution of the Board of Directors dated 19 March 2020.

Basis of presentation

1) General criteria

Pursuant to the European Regulation 1606/2002, the Financial Statements for the year were prepared in compliance with the International Accounting Standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, with all the interpretations of the International Financial Reporting Interpretations Committee ("IFRS-IC"), formerly the Standing Interpretations Committee ("SIC"), endorsed by the European Commission at the date of approval of the draft financial statements by the Board of Directors and contained in the related EU Regulations published at this date, and in compliance with the provisions of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments.

These Financial Statements are drawn up in thousands of Euro, which is the Company's "functional" and "presentation" currency.

2) Financial statements

The financial statements adopted are compliant with those required by IAS 1 and which were used in the Financial Statements for the year ended 31 December 2018, in particular:

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

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

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

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

In preparing the Financial Statements, the historic cost principle has been adopted for all assets and liabilities except for some available-for-sale financial assets for which the fair value principle has been applied.

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

3) Accounting Policies and Standards applied

Below we indicate the policies adopted for preparation of the Company's Financial Statements as at 31 December 2019.

Tangible assets

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

Some tangible assets in the "Land and buildings" categories were measured at fair value (market value) as at 1 January 2004 (IFRS transition date) and this value was used as the deemed cost. The cost of buildings is depreciated net of the residual value estimated as the realisation value obtainable via disposal at the end of the building's useful life.

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

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

The depreciation rates applied by the Company are as follows:

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

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

Assets held under lease contracts

As regards the recognition and related measurement of lease contracts, as well as the recording of leased goods (also operating leases) in the Assets, reference is made to the description in the following paragraph concerning the new accounting standards, interpretations and amendments adopted by the Company.

Intangible assets

Intangible assets are recognised under assets in the Statement of Financial Position when it is likely that use of the asset will generate future economic benefits and when the asset's costs can be reliably calculated. They are initially recognised at the value of contribution or at acquisition or production cost, inclusive of any ancillary costs.

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

Other intangible assets
Other intangible assets mainly consist of specific intangible assets acquired by the Company.

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

The useful life for each category is detailed below:

Description	Useful Life - years
Other intangible assets:	
- Software licences	3/5
- SAP licences	10
- User licences	Contract duration

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

Equity investments
Equity investments in subsidiaries and associates, not classified as "held for sale", are measured at cost, adjusted for impairment. They will be tested for impairment and eventually written down when there is evidence that the asset may have suffered impairment. The actual impairment will be charged to the Income Statement if there is objective evidence that events occurred which impacted the expected future cash flows of the equity investments themselves. Any losses, exceeding the carrying value of equity investments, that might arise due to legal obligations or implicit obligations to cover losses of investees, are recognised under provisions for risks and charges.
If the reasons for write-down disappear in later years, the original value is reinstated. The related dividends are recorded under financial income from equity investments at the time the right to receive them is determined, generally coinciding with the resolution taken by the Shareholders' Meeting.

Subsidiaries
Companies are defined as subsidiaries when the Company has the power to govern, directly or indirectly, their financial and operating policies and to obtain benefits connected with their business.

Associates

Companies are defined as associates when the Company exercises a significant influence on them, but it does not hold control on their management or has not the power to govern their financial and operating policies and to obtain benefits connected with their business.

Impairment

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

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

As no goodwill is recognised in the Financial Statements, impairment losses relating to CGUs are allocated on a proportional basis.

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

Financial Assets and Liabilities

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

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

- in the main market of the asset or liability; or
- when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Company. The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way. Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Company uses measurement methods that are appropriate for the situation, and for which data available to measure fair value are sufficient, while maximising the use of relevant inputs observable and limiting the use of non-observable inputs. All assets and liabilities measured or recognised at fair value are classified based on a fair value hierarchy and described hereunder:

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

The fair value measurement is classified internally at the same fair value hierarchy level in which the lowest hierarchy input used for the measurement is stated.
As regards assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Company determines whether transfers between hierarchy levels occurred while revising the classification at each annual reporting date.

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

Financial assets
The financial assets are initially recognised at their fair value, increased by their ancillary charges if the financial assets are not recognised at their fair value through profit or loss. Trade receivables that do not include a significant financing component are excluded. For these receivables the Company applies the practical expedient and measures them at the transaction price, as determined pursuant to IFRS 15.

Upon recognition, for future measurements, financial assets are stated based on four possible measurement modalities:

- financial assets at amortised cost;
- financial assets at FV through OCI with a reclassification of cumulative profits and losses;
- financial assets at FV through OCI without reversal of cumulative profits and losses when eliminated (equity instruments);
- financial assets at FV through profit or loss.

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

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

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

Financial assets are derecognised from the Financial Statements when the right to receive cash no longer exists, the Company has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them to a third party in their entirety and without delay and (1) has transferred essentially all the risks and benefits of ownership of the financial asset or (2) has not transferred or essentially held all the risks and benefits of the asset, but has transferred control of the asset.

In the cases in which the Company has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership.

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

Equity investments in other companies are measured at fair value. When the fair value cannot be reliably determined, equity investments are measured at cost, adjusted for impairment.

Financial liabilities
Financial liabilities are measured at amortised cost. Expenses are recognised in the Income Statement with the effective interest rate method, except for financial liabilities acquired for trading or derivatives (see following paragraph), or financial liabilities designated at FVTPL by the Management at first-time recognition, which are measured at fair value with counter-entry in the Income Statement.
Financial guarantees given are agreements envisaging a payment to repay the owner of a debt security against a loss incurred due to a non-payment by the debtor at the contractual maturity term. If the financial guarantees are issued by the Company, they are initially recognised as liabilities at fair value, increased by transaction costs that are directly attributable to the issue of the guarantee itself. The liability is then measured at the higher between the best estimated disbursement, required to fulfil the guaranteed obligation at the reporting date, and the initially recognised amount, less accumulated amortisation.
A financial liability is written off when the obligation underlying the liability has been extinguished, annulled or fulfilled. If an existing financial liability is replaced by another one from the same lender, under conditions that are essentially different, or if the terms and conditions of an existing liability are essentially amended, this change or amendment will be treated as a reversal of the original liability and a recognition of a new liability, with recognition in the Income Statement of any differences involving the carrying values. In the event of amendments on financial liabilities defined as irrelevant, the economic effects of renegotiation are recognised in the Income Statement.

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

Financial derivatives

Derivatives, including embedded derivatives, separate from the main contract, are initially recognised at fair value.

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

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

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

The effective portion of fair value change, related to the portion of derivative contracts designated as hedge derivatives pursuant to the standard, is recognised as component of the Statement of Comprehensive Income (Hedging reserve). This reserve is then charged to the profit for the year in the period in which the hedged transaction affects the Income Statement.

The ineffective portion of fair value change, as well as the entire fair value change in derivatives that have not been designated as hedge derivatives or that do not have the requirements envisaged in the aforesaid IFRS 9, is instead recognised directly in the Income Statement.

Non-current assets held for sale and discontinued operations

the Company classifies discontinued non-current assets as held for sale if their carrying value will be recovered mainly with a sale, instead than through their continuous use. These discontinued non-current assets, classified as held for sale, are measured at the lower of their carrying amount or fair value, less sales costs. Sales costs are any additional costs directly attributable to the sale, excluding financial expenses and taxes.

The condition precedent to classify these assets as held for sale is deemed as fulfilled only when the sale is highly probable and the asset, or the discontinued group of assets, is available for immediate sale in its current conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale be cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.

The depreciation of property, plant and equipment and amortisation of intangible assets cease when they are classified as available for sale.

The assets and liabilities classified as held for sale are presented separately under the Financial Statement items. Assets to be discontinued are not included in the result of operating activities and are presented in the profit/(loss) statement for the year on a single line as net profit/(loss) coming from assets to be discontinued.

All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank and postal deposits, and short-term financial investments (maturity of three months or less after purchase date) that are highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value.

Current-account overdrafts and advances on invoices subject to collection are deducted from cash only for the purposes of the cash flow statement.

Shareholders' Equity

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

Treasury shares

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

Liabilities for employee benefits

Post-employment benefits are calculated based on programmes that, depending on their characteristics, are either "defined-contribution programmes" or "defined-benefit programmes". Liabilities for employee benefits include the Company's provision for severance indemnities.

Defined-contribution plans

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

Defined-benefit plans and other long-term benefits

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

Provisions for risks and charges

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

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

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

Provisions are recognised at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time. When discounting to present value is performed, the increase in the provision due to the passage of time is recognised as financial expense.

The funds are entered at the current value of expected financial resources, to be used in relation to the obligation. The provisions are periodically updated to reflect changes in cost estimates, realisation timing and any discounted value. Estimate reviews of provisions are charged to the same item in the Income Statement that previously included the allocation and in the Income Statement for the year in which the change occurred.

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

Share-based payments - Equity-settled transactions

Some employees of the Company and the Group receive a portion of their compensation under the form of share-based payments. Therefore employees render their services against shares ("equity-settled transactions").
The cost of equity-settled transactions is determined by the fair value at the date of the assignment, by using an adequate measurement method.
As regards the Company's employees, this cost is recognised under labour cost for the period in which terms and conditions related to the achievement of targets and/or the performance of the services are fulfilled. The counter entry is a corresponding increase in Shareholders' Equity. However, as regards other Group companies that are directly and indirectly controlled, this cost increases the carrying value of equity investments. Cumulative expenses and increases of related equity investments, recognised in relation to these transactions at the reporting date of each financial year and until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will effectively accrue.

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

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

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

Income taxes

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and tax credits and losses which were not used and can be brought forward, to the extent that the existence of adequate future taxable profits will exist against which the usage of the deductible temporary differences and the tax credits and losses brought forward can be used, except in cases where:

- the deferred tax assets connected to the deductible temporary differences arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not affect the balance sheet result or the profit or loss for tax purposes;

- there are taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures and deferred tax assets are recognised only to the extent that the deductible temporary differences will be reversed in the foreseeable future and that there are adequate taxable profits against which the temporary differences can be used.

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

Datalogic S.p.A. participates in the "national tax consolidation programme" of Hydra S.p.A., which makes it possible to transfer the net aggregate income or tax loss of the individual participating companies owned by the parent company, which will result in a single taxable income for the Company or a single tax loss that can be carried forward, as the algebraic sum of income and/or losses, and will thus enter a single payable to or receivable from Tax Authorities.

Revenues recognition

Revenues are measured at fair value of the amount collected or collectable from the rendering of services within the scope of the Company's characteristic business activity. Revenues are shown net of VAT, discounts and allowances.
Pursuant to IFRS 15, the Company recognises revenues after identifying the contracts with its customers, as well as performance obligations to be fulfilled, determining the consideration to which it expects to be entitled in exchange for the services, and after evaluating the ways to satisfy such performance obligations (satisfaction at point in time or over the time).

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

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

If the aforesaid requirements are fulfilled, the Company recognises the revenues by applying the following rules.

Rendering of services

The Company renders services to its subsidiaries. The Company recognises revenues from services when it has fulfilled its obligation to do so by transferring the promised service (i.e. asset) to the customer. The asset is transferred when the customer acquires its control.

Government grants

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

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

Revenues relating to dividends and interest

Revenues relating to dividends and interest is respectively recognised as follows:

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

Dividends paid out

Dividends are recognised when shareholders have the right to receive payment. This normally corresponds to the date of the annual General Shareholders' Meeting that approves dividend distribution.

The dividends distributable to Shareholders are recognised as an equity movement in the year when they are approved by the Shareholders' Meeting.

Treatment of foreign currency items

Functional presentation currency

The items shown in the Company's Financial Statements are shown in the currency of the economic environment in which the entity operates, i.e. in its functional currency. These Financial Statements are disclosed in thousands of Euro, which is the Company's "functional" and "presentation" currency.

Transactions in currencies other than the functional currency

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

4) New accounting standards, interpretations and amendments adopted by the Company as at 1 January 2019

IFRS 16 Leases

The IFRS 16 standard was issued in January 2016 and supersedes the following standards: IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets forth principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise financial and operating lease contracts in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17.

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

The Company elected to apply this standard retrospectively on 1 January 2019, with the modified retrospective method, by recognising:

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

The impact as at 31 December 2019, resulting from the adoption of IFRS 16, was as follows:

- the recognition of right-of-use assets, amounting to €649 thousand;
- the recognition of financial liabilities for leases, amounting to €660 thousand;
- the accounting of higher depreciation and lower costs for rents and leases of €191 thousand and €187 thousand, respectively.

It should be noted that the weighted average incremental borrowing rate applied to financial liabilities, as per 1 January 2019, was 1.35%.

While adopting IFRS 16, the Company availed itself of the exemption granted by the same standard: 5(a) concerning short-term leases. The Company also availed itself of the exemption granted by IFRS 16: 5(b) concerning lease contracts, for which the underlying asset is a low-value asset (i.e. the value of the assets underlying the lease contract is not higher than €5 thousand, when new). Contracts for which the exemption was applied are primarily included within the following categories: computers, telephones and tablets, printers, other electronic devices. For these contracts, the introduction of IFRS 16 did not involve the recognition of financial liabilities related to leases and corresponding right of use. Leases are recognised in the income statement on a straight-line basis for the duration of the corresponding contracts.

Moreover, with reference to transition rules, the Company availed itself of the following practical expedients available in the event the modified retrospective transition method is adopted:

- classification of contracts expiring within 12 months from the transition as short-term leases. For these contracts, leases are recorded in the Income Statement on a straight-line basis;
- exclusion of initial direct costs from the measurement of the right of use as from 1 January 2019;
- use of information at the transition date to determine the lease term, with special reference to the exercise of extension and early termination options.

Other standards

As from 1 January 2019, some standards and/or amendments and interpretations entered in force (IFRS 9 – Prepayment Features with Negative Compensations; IFRIC 23 – Uncertainty over Income Tax Treatments; IAS 19 Plan Amendment, Curtailment or Settlement; IAS 28 Long Term Interest in Associates and Joint Ventures; Annual Improvements IFRSs 2015-2017). These have already been described in the Consolidated Financial Statements as at 31 December 2018, to which reference is made, and had no effect on the Financial Statements as at 31 December 2019.

5) IFRS and IFRIC accounting standards, amendments and interpretations that, as at 31 December 2019, were endorsed by the European Union but whose application was not yet mandatory and early application was not adopted by the Company

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors in order to align the definition of "relevant" in the standards and clarify some aspects of the definition. The new standard clarifies that any information is relevant (material) if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of financial information provided therein. The amendments made to the definition of relevant are not expected to have a significant impact on the Company's Financial Statements.

On 29 March 2018, the IASB issued an amendment to "*References to the Conceptual Framework in IFRS Standards*". The amendment is applicable to the annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. This document helps to ensure that the standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the standards.

On 26 September 2019, the IASB issued the amendment entitled "*Amendments to IFRS 9, AIS 39 and IFRS 7: Interest Rate Benchmark Reform*". This document amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment modifies some requirements for the application of hedge accounting. Temporary relieves are provided in order to mitigate the impact due to the uncertainty of the IBOR reform (still underway) on future cash flows in the period preceding its completion. Moreover, the amendment sets out that, in their financial statements, entities should disclose information on their hedging relationships that are directly affected by uncertainty generated by the reform and to whom these relieves apply. The amendments will enter into force on 1 January 2020. Early application is permitted. Directors do not expect any impact on the Company's Financial Statements due to the adoption of this amendment.

6) IFRS accounting standards, amendments and interpretations that are still not endorsed by the European Union

IFRS 17 Insurance Contracts

In May 2017, the IASB issued the IFRS 17 Insurance Contracts (IFRS 17), a new and comprehensive standard on insurance contracts which covers recognition, measurement, presentation and disclosure issues. The IFRS 17 standard is effective for annual periods beginning on or after 1 January 2021 and requires the disclosure of comparison accounts.
Directors do not expect any impact on the Company's Financial Statements due to the adoption of this standard.

Amendments to IFRS 3: Definition of a Business

In October 2018, in IFRS 3 - Definition of a Business, the IASB issued amendments to the definition of a business in order to assist entities in determining whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New examples to illustrate the application of the guidance were published with the amendments.
By reason of the fact that amendments are applied prospectively to transactions or other events that occur upon or after the first-time application, the Company is not affected by these amendments at the first-time application date.

7) Use of estimates and assumptions

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

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

Taxes

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Relevant estimates performed by the Management are required to determine the amount of tax assets that can be recognised based on the level of future taxable income, the timing of their occurrence and tax planning strategies. Deferred tax liabilities for taxes on retained earnings are not recognised to the extent that they are likely to remain undistributed in the foreseeable future.

Estimates performed by the Management are therefore required to determine the amount of tax assets that can be recognised and the amount of tax liabilities, whose recognition can be omitted, based on the level of future taxable income, the timing of their occurrence and tax planning strategies. The long-term nature, as well as the complexity of regulations in force in the various jurisdictions, the differences resulting from actual results and assumptions made, or future changes in such assumptions might require future adjustments to income taxes and already recorded costs and benefits.

Fair value of financial assets

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

Employee benefits

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

Share-based payments - Equity-settled transactions

Some employees of the Company and the Group receive a portion of their compensation under the form of share-based payments. The cost of equity-settled transactions is determined by the fair value of instruments at the date of the assignment. Cumulative expenses, recognised in relation to these transactions at the reporting date of each financial year and until the maturity term, are proportionate to the maturity date and the best estimate of the number of equity instruments that will effectively accrue. Evaluation processes and modalities, as well as the determination of the above-mentioned estimates, are based on assumptions that, for their nature, involve the evaluation of Directors.

Provisions for risks and charges

Provisions for risks and charges are based on measurements and estimates relating to the historic data and hypotheses, which are, from time to time, deemed reasonable and realistic according to the related circumstances. Evaluation processes and modalities, as well as the determination of such estimates, are based on assumptions that, for their nature, involve the evaluation of Directors.

Financial risk management

Risk factors

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

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

The Company specifically monitors each of the aforementioned financial risks, taking prompt action in order to minimise such risks. The sensitivity analysis is subsequently used to indicate the potential impact on the final results deriving from hypothetical fluctuations in the reference parameters. As provided for by IFRS 7, the analyses are based on simplified scenarios applied to the figures and, owing to their nature, they cannot be considered indicative of the actual effects of future changes.

Market risk

a) Foreign currency exchange risk

The Company operates in an international environment and is exposed to transaction exchange risk.

Transaction risk relates to trade transactions (foreign currency receivables/payables) and financial transactions (foreign currency borrowings or loans) of the Company in currencies other than its functional presentation currency. The key currency is the US Dollar.

To permit full understanding of the foreign currency exchange risk on the Company's Financial Statements, we have analysed the sensitivity of foreign currency accounting items to changes in exchange rates. The variability parameters applied were identified among the foreign exchange-rate differences considered reasonably possible, with all other variables remaining equal. The following table shows the results of the analysis as at 31 December 2019:

USD	Nominal value	Portion exposed to exchange rate risk	5%	-5%
Exchange rates		**1.1234**	**1.1796**	**1.06723**
Financial assets				
Cash and cash equivalents	106,930	48,152	(2,293)	2,534
Financial assets and investments	31,200			
Trade and other receivables	105,333	371	(18)	20
Loans	200,575	26,645	(1,269)	1,402
Financial liabilities				
Loans	301,660	18,666	888	(983)
Trade and other payables	15,054			
Income Statement impact, net			**(2,692)**	**2,973**

As at 31 December 2019, the Company had no currency derivative transactions in place.

b) Interest rate risk

The Company is exposed to interest rate risk associated both with the availability of cash and with current borrowings. The aim of interest rate risk management is to limit and stabilise payable flows caused by interest paid mainly on medium-term debt in order to achieve a tight match between the underlying and the hedging instrument. With regard to medium/long-term loans, as at 31 December 2019, Datalogic had no interest rate derivatives in place.

In order to fully understand the potential effects of fluctuations in interest rates to which the Company is exposed, we analysed the accounting items most at risk, assuming a change of 10 basis points in the Euribor and of 10 basis points in the USD Libor. The analysis was based on reasonable assumptions. Below we show the results as at 31 December 2019:

Euribor	Nominal value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	106,930	58,778	59	(59)
Financial assets and loans	31,200	31,200	31	(31)
Loans	200,575	173,930	174	(174)
Financial liabilities				
Loans	301,660	125,246	(126)	126
Income Statement impact, net			**138**	**(138)**

Libor	Nominal value	Portion exposed to interest rate risk	10bp	-10bp
Financial assets				
Cash and cash equivalents	106,930	48,152	48	(48)
Financial assets and loans	31,200			
Loans	200,575	26,645	26	(26)
Financial liabilities				
Loans	301,660	18,666	(19)	19
Income Statement impact, net			**55**	**(55)**

Credit risk

The Company, having no direct relations with customers but only with associates, is not significantly exposed to this risk.

Liquidity risk

The Company's liquidity risk is minimised by careful management by the Central Treasury Department. Bank indebtedness and the management of liquidity are handled via a series of instruments aimed at optimising the management of financial resources, including cash pooling. The Company manages and negotiates medium/long-term financing and credit lines to meet the Group's requirements. Specifically, Datalogic S.p.A., as Parent Company, has cash credit lines available for future requirements to the benefit of the Group. Centralised negotiation of credit lines and loans, on the one hand, and centralised management of the Group's cash resources, on the other hand, are functional to the optimisation of net indebtedness costs.

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

The following table shows financial liabilities by maturity:

	0 - 1 year	1 - 5 years	Total
Loans	47,222	109,734	156,956
Lease financial payables	191	469	660
Financial payables to Group companies	144,044		144,044
Trade and other payables	15,054	-	15,054
Total	**206,511**	**110,203**	**316,714**

INFORMATION ON THE STATUTORY STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

Tangible assets are broken down as at 31 December 2019 and 31 December 2018 as follows:

	31.12.2019	31.12.2018	Change
Land	2,466	2,466	-
Buildings	15,333	15,478	(145)
Other assets	5,130	5,645	(515)
Assets in progress and payments on account	-	9	(9)
Total	**22,929**	**23,598**	**(669)**

Details of movements as at 31 December 2018 and 31 December 2019 are as follows:

	Land	Buildings	Other assets	Assets in progress and payments on account	Total
Historical cost	2,466	18,081	12,036	-	32,583
Accumulated depreciation	-	(2,379)	(8,118)	-	(10,497)
Net book value as at 01.01.2018	**2,466**	**15,702**	**3,918**	**-**	**22,086**
Increases 31.12.2018					
Investments	-	8	2,700	9	2,717
Total	**-**	**8**	**2,700**	**9**	**2,717**
Decreases 31.12.2018					
Disposals, historical cost	-	-	(64)	-	(64)
Disposals, accum. depreciation	-	-	62	-	62
Depreciation	-	(232)	(971)	-	(1,203)
Total	**-**	**(232)**	**(973)**	**-**	**(1,205)**
Other changes 31.12.2018					
Total	**-**	**-**	**-**	**-**	**-**
Historical cost	2,466	18,089	14,672	9	35,236
Accumulated depreciation	-	(2,611)	(9,027)	-	(11,638)
Net book value as at 31.12.2018	**2,466**	**15,478**	**5,645**	**9**	**23,598**

	Land	Buildings	Other assets	Assets in progress and payments on account	31.12.2019
Historical cost	2,466	18,089	14,672	9	35,236
Accumulated depreciation	-	(2,611)	(9,027)	-	(11,638)
Net book value as at 01.01.2019	**2,466**	**15,478**	**5,645**	**9**	**23,598**
Increases 31.12.2019					
Investments	-	79	817	-	896
Total	**-**	**79**	**817**	**-**	**896**
Decreases 31.12.2019					
Disposals, historical cost	-	-	(79)	-	(79)
Disposals, accum. depreciation	-	-	67	-	67
Depreciation	-	(233)	(1,319)	-	(1,552)
Total	**-**	**(233)**	**(1,331)**	**-**	**(1,564)**
Other changes 31.12.2019					
Transfers	-	9	-	(9)	-
Total	**-**	**9**	**-**	**(9)**	**-**
Historical cost	2,466	18,177	15,409	-	36,052
Accumulated depreciation	-	(2,844)	(10,279)	-	(13,123)
Net book value as at 31.12.2019	**2,466**	**15,333**	**5,130**	**-**	**22,929**

Net investments were recognised, over the year, amounting to €883 thousand and depreciation amounting to €1,552 thousand.

Investments are related to the normal replacement of goods and plants concerning the "Other goods" item, which includes mainly office furniture and machines (€4,308 thousand) and general plants related to buildings (€749 thousand).

Note 2. Intangible assets

Intangible assets are broken down as at 31 December 2019 and 31 December 2018 as follows:

	31.12.2019	31.12.2018	Change
Software	5,701	4,514	1,187
Other	72	216	(144)
Assets in progress and payments on account	2,138	776	1,362
Total	**7,911**	**5,506**	**2,405**

Details of movements as at 31 December 2018 and 31 December 2019 are as follows:

	Software	Other	Assets in progress and payments on account	31.12.2018
Historical cost	9,209	641	287	10,137
Accumulated amortisation	(6,047)	(281)	-	(6,328)
Net book value as at 01.01.2018	**3,162**	**360**	**287**	**3,809**
Increases 31.12.2018				
Investments	2,064	-	708	2,772
Total	**2,064**	**-**	**708**	**2,772**
Decreases 31.12.2018				
Disposals, historical cost	(211)	-	-	(211)
Disposals, accum. amortisation	165	-	-	165
Amortisation	(885)	(144)	-	(1,029)
Total	**(931)**	**(144)**	**-**	**(1,075)**
Other changes 31.12.2018				
Transfers	219	-	(219)	-
Total	**219**	**-**	**(219)**	**-**
Historical cost	11,281	641	776	12,698
Accumulated amortisation	(6,767)	(425)	-	(7,192)
Net book value as at 31.12.2018	**4,514**	**216**	**776**	**5,506**

	Software	Other	Assets in progress and payments on account	31.12.2019
Historical cost	11,281	641	776	12,698
Accumulated amortisation	(6,767)	(425)	-	(7,192)
Net book value as at 01.01.2019	**4,514**	**216**	**776**	**5,506**
Increases 31.12.2019				
Investments	2,185	-	1,532	3,717
Total	**2,185**	**-**	**1,532**	**3,717**
Decreases 31.12.2019				
Disposals, historical cost	(5)	-	-	(5)
Disposals, accum. amortisation	1	-	-	1
Amortisation	(1,164)	(144)	-	(1,308)
Total	**(1,168)**	**(144)**	**-**	**(1,312)**
Other changes 31.12.2019				
Incoming transfers	170	-	(170)	-
Total	**170**	**-**	**(170)**	**-**
Historical cost	13,631	641	2,138	16,410
Accumulated amortisation	(7,930)	(569)	-	(8,499)
Net book value as at 31.12.2019	**5,701**	**72**	**2,138**	**7,911**

Net investments were recognised, over the year, amounting to €3,713 thousand and amortisation amounting to €1,308 thousand.

Investments are represented by the implementation of a new IT architecture to support the control model.

Note 3. Right-of-use Assets

The adoption, as from 1 January 2019, of IFRS 16, involved the recognition of assets in right of use, equal to the value of the financial liabilities at the transition date, adjusted to take account of any accruals and deferrals. The following table shows recognised fixed assets, by asset class.

	31.12.2019	31.12.2018	Change
Buildings	453	-	453
Vehicles	196	-	196
Total	**649**	**-**	**649**

	Buildings	Vehicles	Total
Net book value as at 01.01.2019	-	-	-
Increases 31.12.2019			
Adoption of IFRS 16 Leases	570	271	841
Total	-	-	-
Decreases 31.12.2019			
Depreciation	(117)	(75)	(192)
Total	-	-	-
Historical cost	570	271	841
Accumulated depreciation	(117)	(75)	(192)
Net book value as at 31.12.2019	**453**	**196**	**649**

Note 4. Equity investments

Equity investments held by the Company as at 31 December 2019 were as follows:

	31.12.2018	Increases	Decreases	Other changes	31.12.2019
Subsidiaries	183,393	10,424	(10,424)	1,063	184,455
Associates	700	-	-	-	700
Total	**184,093**	**10,424**	**(10,424)**	**1,063**	**185,155**

The change over the year is attributable to:

- decreases, amounting to €10,424 thousand, following the mergers of Datalogic Real Estate GmbH into Soredi Touch Systems GmbH (€1,806 thousand) and of Soredi Touch Systems GmbH into Datalogic S.r.l. (€8,618 thousand);
- increase, amounting to €10,424 thousand, of the equity investment in the Company Datalogic S.r.l. following its merger with the companies Datalogic Real Estate GmbH and Soredi Touch Systems GmbH;
- other positive changes (€1,063 thousand) following the recognition of the Stock Grant plan related to Datalogic S.r.l..

Further information on equity investments in subsidiaries and associates are given in Annex 2. The negative differentials between the pro-rate Shareholders' Equity and the carrying value of some equity investments are not deemed as impairment in relation to future revenue expectations of investees and their contribution to the Group's business.

Note 5. Financial Assets and Liabilities by category

The following table shows the breakdown of “Financial assets and liabilities”, according to provisions set out by IFRS 9 as at 31 December 2018 and 31 December 2019:

	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	31.12.2018
Non-current financial assets	**185**	**-**	**7,224**	**7,409**
Financial assets - Equity investments	-	-	7,224	7,224
Financial assets - Other	-	-	-	-
Other receivables	185	-	-	185
Current financial assets	**404,952**	**50,896**	**-**	**455,848**
Trade receivables	9,884	-	-	9,884
Other receivables	5,182	-	-	5,182
Financial assets - Other	-	50,896	-	50,896
Loans to subsidiaries	264,237	-	-	264,237
Cash and cash equivalents	125,649	-	-	125,649
Total	**405,137**	**50,896**	**7,224**	**463,257**

	Financial assets at amortised cost	Financial assets at FV through profit or loss	Financial assets at FV through OCI	31.12.2019
Non-current financial assets	**182**	**535**	**8,930**	**9,647**
Financial assets - Equity investments	-	535	8,930	9,465
Financial assets - Other	-	-	-	-
Other receivables	182	-	-	182
Current financial assets	**417,945**	**31,200**	**-**	**449,145**
Trade receivables	9,495	-	-	9,495
Other receivables	100,945	-	-	100,945
Financial assets - Other	-	31,200	-	31,200
Loans to subsidiaries	200,575	-	-	200,575
Cash and cash equivalents	106,930	-	-	106,930
Total	**418,127**	**31,735**	**8,390**	**458,792**

	Derivatives	Financial liabilities at amortised cost	31.12.2018
Non-current financial liabilities	**-**	**156,859**	**156,859**
Financial payables	-	156,859	156,859
Financial liabilities - Derivative instruments	-	-	-
Other payables	-	-	-
Current financial liabilities	**-**	**238,024**	**238,024**
Trade payables	-	6,812	6,812
Other payables	-	8,595	8,595
Financial liabilities - Derivative instruments	-	-	-
Short-term financial liabilities	-	222,617	222,617
Total	**-**	**394,883**	**394,883**

	Derivatives	Financial liabilities at amortised cost	31.12.2019
Non-current financial liabilities	**-**	**110,203**	**110,203**
Financial payables	-	110,203	110,203
Financial liabilities - Derivative instruments	-	-	0
Other payables	-	0	0
Current financial liabilities	**-**	**206,511**	**206,511**
Trade payables	-	5,768	5,768
Other payables	-	9,286	9,286
Financial liabilities - Derivative instruments	-	-	0
Short-term financial liabilities	-	191,457	191,457
Total	**-**	**316,714**	**316,714**

Fair value of financial assets and liabilities is determined based on methods that can be classified under the various hierarchy levels of fair value, as set forth by IFRS 13. In particular, the Company has adopted internal valuation models that are generally used in finance and based on prices supplied by market operators, or prices taken from active markets.

Fair value – hierarchy

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

	Level 1	Level 2	Level 3	31.12.2019
Assets measured at fair value				
Financial assets - Equity investments	8,860	-	605	9,465
Financial assets - Non-current securities	-	-	-	-
Financial assets - Other non-current financial assets	-	-	-	-
Financial assets - Other	20,238	10,962	-	31,200
Financial assets - Loans	-	-	-	-
Financial assets - Derivative instruments	-	-	-	-
Total	**29,098**	**10,962**	**605**	**40,665**

Note 6. Financial assets

The financial assets include the following:

	31.12.2019	31.12.2018	Change
Non-current financial assets	9,465	7,224	2,241
Current financial assets	31,200	50,896	(19,696)
Total	**40,665**	**58,120**	**(17,455)**

The “Non-current financial assets” item is composed of equity investments in other companies held by the Company, and is broken down as follows:

	31.12.2018	Increases	Decreases	Fair value adjustment	Translation effects	31.12.2019
Listed equity investments	7,154	-	-	1,431	275	8,860
Unlisted equity investments	70	535	-	-	-	605
Total	**7,224**	**535**	**-**	**1,431**	**275**	**9,465**

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. The change over the year is attributable to the fair value adjustment of the investment and the effect of exchange rates.

The “Current financial assets” item consists of investments in corporate cash, represented by insurance policies and mutual investment funds. The change for the year refers to the redemption of some investments.

Note 7. Trade and other receivables

Details of trade and other receivables item as at 31 December 2019 and 31 December 2018 are as follows:

	31.12.2019	31.12.2018	Change
Trade receivables	**9,495**	**9,884**	**(389)**
of which from subsidiaries	*9,480*	*9,859*	*(379)*
Other receivables - accrued income and prepaid expenses	**101,127**	**5,367**	**95,761**
of which from subsidiaries	*98,744*	*841*	*97,903*
Total trade and other receivables	**110,622**	**15,251**	**95,371**

Trade receivables

Trade receivables as at 31 December 2019 amounted to €9,495 thousand and include trade relationships for intercompany services rendered to subsidiaries at arm's length. As at 31 December 2019, the breakdown of the item by maturity terms, compared with the same period of the previous year, was as follows:

	31.12.2019	31.12.2018
Not yet due	9,072	9,562
Past due by 30 days	-	27
Past due by 31 - 90 days	-	3
Past due by more than 90 days	423	292
Total	**9,495**	**9,884**

The following table shows the breakdown of trade receivables by currency as at 31 December 2019 and 31 December 2018:

	31.12.2019	31.12.2018
Euro	9,111	9,117
US Dollar (USD)	326	709
British Pound (GBP)	4	4
Japanese Yen (JPY)	55	53
Total	**9,495**	**9,884**

Other receivables - accrued income and prepaid expenses

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

	31.12.2019	31.12.2018	Change
Other short-term receivables	99,078	1,152	97,926
of which from subsidiaries	*98,744*	*841*	*97,903*
Other long-term receivables	182	185	(3)
VAT receivables	502	2,993	(2,491)
Accrued income and prepaid expenses	1,365	1,037	329
Total	**101,127**	**5,367**	**95,761**

The “Other short-term receivables” item comprises mainly receivables due to dividends to be received by the subsidiary Datalogic S.r.l., as resolved in 2019.

The “Accrued income and prepaid expenses” item is mainly composed of insurance, as well as hardware and software fees.

Note 8. Tax payables and receivables

	31.12.2019	31.12.2018	Change
Tax receivables	**961**	**2,248**	**(1,287)**
of which from Parent Company	-	*767*	*(767)*
Tax payables	**(3,191)**	**(773)**	**(2,418)**
of which to Parent Company	*(2,128)*	-	*(2,128)*
Total	**(2,230)**	**1,475**	**(3,705)**

As at 31 December 2019, “Tax receivables” amounted to €961 thousand, down €1,287 thousand compared to the end of 2018 (€2,248 thousand as at 31 December 2018).

“Tax payables” amounted to €3,191 thousand as at 31 December 2019, up €2,418 thousand (€773 thousand as at 31 December 2018). The payables for IRES tax to the Parent Company Hydra S.p.A., equal to €2,128 thousand, are classified under this item. This amount is part to the tax consolidation.

Note 9. Current financial receivables to subsidiaries

	31.12.2019	31.12.2018	Change
Loans	145,500	155,017	(9,517)
Financial receivables for cash pooling	55,075	109,221	(54,146)
Total	**200,575**	**264,237**	**(63,662)**

As at 31 December 2019, the "Current financial receivables to subsidiaries" item amounted to €200,575 thousand (€264,237 thousand as at 31 December 2018).

LIABILITIES AND SHAREHOLDERS' EQUITY

Note 10. Shareholders' Equity

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

	31.12.2019	31.12.2018	Change
Share capital	30,392	30,392	-
Share premium reserve	111,779	111,779	-
Treasury shares held in portfolio	(15,113)	(10,810)	(4,303)
Share capital and capital reserves	**127,058**	**131,361**	**(4,303)**
Other reserves	**6,272**	**3,011**	**3,261**
Retained earnings	**115,178**	**114,555**	**625**
Profit for the year	**105,040**	**29,340**	**75,700**
Total	**353,548**	**278,267**	**75,283**

Share Capital

Movements in share capital and reserves as at 31 December 2018 and 31 December 2019 are reported below:

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	31.12.2018
01.01.2018	**58,229,477**	**30,392**	**2,813**	**6,120**	**2,026**	**106,940**	**148,291**
Purchase of treasury shares	(890,327)	-	-	(22,934)	18,422	(18,422)	(22,934)
Sale of treasury shares	211,392	-	-	4,662	(151)	151	4,662
Gains/(losses) on treasury shares	-	-	-	1,365	-	-	1,365
Charges on treasury shares	-	-	-	(23)	-	-	(23)
31.12.2018	**57,550,542**	**30,392**	**2,813**	**(10,810)**	**20,297**	**88,669**	**131,361**

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	31.12.2019
01.01.2019	**57,550,542**	**30,392**	**2,813**	**(10,810)**	**20,297**	**88,669**	**131,361**
Purchase of treasury shares	(252,388)	-	-	(4,298)	4,298	(4,298)	(4,298)
Sale of treasury shares	-	-	-	-	-	-	-
Gains/(losses) on treasury shares	-	-	-	-	-	-	-
Charges on treasury shares	-	-	-	(5)	-	-	(5)
31.12.2019	**57,298,154**	**30,392**	**2,813**	**(15,113)**	**24,595**	**84,371**	**127,058**

As at 31 December 2019, the share capital amounted to €30,392 thousand, representing the share capital, entirely subscribed and paid. The share capital comprises a total number of ordinary shares of 58,446,491, including 1,148,337 held as treasury shares, for a counter-value of €15,113 thousand, making the number of outstanding shares at that date 57,298,154. Moreover, 521,000 shares were assigned to a Stock Grant plan. The shares have a nominal unit value of €0.52.

Other reserves

As at 31 December 2019, changes in other reserves are broken down as follows:

- change in the cash flow hedge reserve, amounting to €250 thousand;
- change in financial assets reserve, measured at FVOCI, amounting to €1,686 thousand;
- decrease in the actuarial gains/(losses) reserve, amounting to €196 thousand;
- change in the Stock Grant reserve, amounting to €1,521 thousand.

With reference to changes in the Stock Grant reserve, these changes were related to the recognition of the medium/long-term share-based incentive plan, approved by the Shareholders' Meeting on 30 April 2019. Should defined performance targets be achieved, the rights to receive Company's shares were assigned to the beneficiaries by the Directors on 25 June 2019 (grant date).
The above-mentioned increase in Shareholders' Equity was recognised, for the portion pertaining to the year, based on the measurement at fair value of the entire plan, carried out by a primary expert.

Note 11. Financial payables

Financial payables are broken down as follows:

	31.12.2019	31.12.2018	Change
Borrowings from bank	156,956	203,980	(47,025)
Financial payables for cash pooling	144,044	174,996	(30,951)
Lease financial payables	660	-	660
Other loans	-	500	(500)
Total	**301,660**	**379,476**	**(77,816)**

Financial payables are apportioned by maturity date as follows:

	Within 12 months	After 12 months	31.12.2019
Financial payables for cash pooling	144,044	-	144,044
Borrowings from bank	47,222	109,734	156,956
Lease financial payables	191	469	660
Total	**191,457**	**110,203**	**301,660**

The breakdown of changes in the “Borrowings from bank” item as at 31 December 2019 and 31 December 2018 is shown below:

	2019	2018
1 January	**203,980**	**252,831**
Increases	-	-
Decreases for borrowing repayments	(47,637)	(47,638)
Effects of amortised cost	613	(1,213)
31 December	**156,956**	**203,980**

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

	31.12.2019	31.12.2018
Variable rate	**-**	**-**
Due < 1 year	-	-
Due > 1 year	-	-
Fixed rate	**156,956**	**203,980**
Due < 1 year	47,222	47,121
Due > 1 year	109,734	156,859
Due > 5 years	-	-
Total	**156,956**	**203,980**

Covenants

Some borrowing contracts envisage the compliance with some financial covenants, measured on consolidated figures of the Datalogic Group every six months as at 30 June and as at 31 December, as summarised in the following table:

Bank	Company	Covenants	Frequency	Reference statements
Club Deal	Datalogic S.p.A.	NFP/EBITDA 2.75	Semi-annual	Consolidated
E.I.B.	Datalogic S.p.A.	NFP/EBITDA 2.75	Semi-annual	Consolidated

As at 31 December 2019, the above-mentioned covenants were fulfilled.

Note 12. 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 recorded 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, that is based on economic and fiscal strategic plans.

Temporary differences that generate deferred tax assets and liabilities are mainly foreign exchange rate translations. The total of net deferred taxes is broken down as follows:

	31.12.2019	31.12.2018	Change
Deferred tax assets	836	6,799	(5,963)
Deferred tax liabilities	(3,148)	(11,122)	7,974
Net deferred taxes	**(2,312)**	**(4,323)**	**2,011**

Changes in deferred taxes are mainly due to the release of deferred taxes related to exchange differences. Below we show the main items forming deferred tax assets and deferred tax liabilities and changes occurred in them over the year:

	31.12.2018	Accrued (released) to Income Statement	Accrued (released) to Shareholders' Equity	31.12.2019
Adjustment on exchange rates	6,390	(6,319)	-	71
Amortisation	179	44	-	223
Provisions	24	239	-	263
Other	207	6	66	279
Total	**6,799**	**289**	**66**	**836**

	31.12.2018	Accrued (released) to Income Statement	Accrued (released) to Shareholders' Equity	31.12.2019
Adjustment on exchange rates	9,675	(9,176)	20	519
Amortisation	1,392	(1)	-	1,391
Provisions	(109)	-	-	(109)
Other	164	1,183	-	1,347
Total	**11,122**	**(7,994)**	**20**	**3,148**

The increase in the "Other" item refers to the effect related to uncollected dividends.

Note 13. Post-employment benefits

The breakdown of changes in the "Post-employment benefits" item as at 31 December 2019 and 31 December 2018 is shown below:

	31.12.2019	31.12.2018	Change
1 January	**395**	**498**	**(103)**
Accrual	286	270	15
Amount transferred for transfer of employment relationships	-	(37)	37
Payments	(166)	(235)	70
Social security receivables for post-employment benefits	(159)	(100)	(59)
Discounting	277	-	277
31 December	**633**	**395**	**238**

Change during the year is attributable primarily to the effects of discounting in application of IAS 19.

Note 14. Provisions for risks and charges

The "Provisions for risks and charges" is zero compared to the previous year, due to the release to Income Statement of amounts that were previously set aside (€60 thousand). Some irrelevant disputes related to the Company are currently in place. Their risk is assessed by experts and no allocations were made in relation to them, as provided for by IAS 37.

Note 15. Trade and other payables

The breakdown of trade and other payables is summarised in the following table:

	31.12.2019	31.12.2018	Change
Trade payables	**5,768**	**6,812**	**(1,044)**
of which to subsidiaries	*189*	*404*	*(215)*
of which to related parties	*2*	*2*	*-*
Other short-term payables	**8,868**	**8,160**	**708**
of which to subsidiaries	*5,366*	*4,369*	*997*
Accrued income and prepaid expenses	**418**	**435**	**(17)**

Trade payables amounted to €5,768 thousand, down by €1,044 thousand compared to the previous year.

The item "Other short-term payables" to subsidiaries comprises €5,289 thousand related to the VAT payables to Datalogic S.r.l. (€813 thousand) and IP Tech S.r.l. (€4,476 thousand), companies adhering to the Group VAT tax consolidation regime.

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	31.12.2019	31.12.2018	Change
Other short-term payables:	8,868	8,160	708
Payables to employees	1,465	1,762	(297)
Payables to pension and social security agencies	1,125	1,091	34
Other payables	6,278	5,307	971
Current accrued liabilities and deferred income	418	435	(17)
Total	**9,286**	**8,595**	**691**

Payables to employees represents the amount due for salaries and vacations accrued by employees as at 31 December 2019.

Note 16. Net Financial Position

As at 31 December 2019, the Net Financial Debt/(Net Financial Position) is broken down as follows:

(€/000)	31.12.2019	31.12.2018
A. Cash and bank deposits	106,930	125,649
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**106,930**	**125,649**
E. Current financial receivables	**231,775**	**315,133**
e.1 loans to subsidiaries	*200,575*	*264,237*
e.2 other current financial receivables	*31,200*	*50,896*
F. Bank overdrafts	-	-
G. Current portion of non-current debt	191,266	222,617
H. Other current financial liabilities	191	-
h.1 leasing payables	*191*	-
I. Current financial debt (F) + (G) +(H)	**191,457**	**222,617**
J. Current Net Financial Debt/(Current Net Financial Position) (I) - (D) - (E)	**(147,249)**	**(218,165)**
K. Non-current bank borrowing	109,734	156,859
L. Other non-current financial assets	-	-
M. Other non-current financial liabilities	469	-
m.1 leasing payables	*469*	-
N. Non-current Financial Debt (K) - (L) + (M)	**110,203**	**156,859**
O. Net Financial Debt/(Net Financial Position) (J) + (N)	**(37,046)**	**(61,306)**

The **Net Financial Position**, as at 31 December 2019, was positive by €37,046 thousand, down by €24,260 thousand compared to 31 December 2018 (positive by €61,306 thousand). Cash flows, which brought about the change in the Company's Net Financial Position as at 31 December 2019, are summarised as follows:

	31.12.2019	31.12.2018	Change
Net Financial Position/(Net Financial Debt) at the beginning of the period	**61,306**	**49,860**	**11,446**
EBITDA	7,680	7,876	(196)
Changes in working capital	2,748	25,132	(22,384)
Net investments	(5,150)	(4,428)	(722)
Change in taxes	13	64	(51)
Financial Incomes/(Expenses)	2,420	3,572	(1,152)
Dividends collected	163	21,484	(21,321)
Dividends paid	(28,716)	(28,914)	198
Treasury shares	(4,303)	(16,930)	12,627
Other changes	1,546	3,590	(2,044)
Change in Net financial position (NFP) before IFRS 16	**(23,600)**	**11,446**	**(35,046)**
Adoption of IFRS 16 Leases	(660)	-	(660)
Change in Net financial position	**(24,260)**	**11,446**	**(35,706)**
Net Financial Position/(Net Financial Debt) at the end of the period	**37,046**	**61,306**	**(24,260)**

Lower cash flow for the year is due primarily to lower dividends collected from investees.

INFORMATION ON THE INCOME STATEMENT

Note 17. Revenues

Revenues divided by type are shown in the following table:

	31.12.2019	31.12.2018	Change
Revenues from royalties	15,503	16,304	(801)
Revenues from services	15,242	12,755	2,487
Total	**30,745**	**29,059**	**1,686**

The performance is substantially in line with the previous year. The Company's revenues are represented by active royalties debited to subsidiaries for the use of the Datalogic trademark and invoicing of intercompany services.

Note 18. Cost of goods sold and operating costs

	31.12.2019	31.12.2018	Change
Cost of goods sold	**1,579**	**1,438**	**141**
Operating costs	**26,446**	**23,092**	**3,354**
Research and Development expenses	558	861	(303)
Distribution expenses	896	932	(36)
General and administrative expenses	24,624	22,776	1,848
Other expenses	368	(1,477)	1,845
Total	**28,025**	**24,529**	**3,496**

The cost of goods sold amounted to €1,579 thousand, in line compared to the previous year. Operating costs increased by €3,354 thousand, from €23,092 to €26,446 thousand, following higher general and administrative expenses and other expenses, as described hereunder.

The breakdown of "Other expenses" is as follows:

	31.12.2019	31.12.2018	Change
Loss on disposal of fixed assets	1	0	1
Non-income taxes	419	271	148
Release of provision for management incentive scheme	0	(1,748)	1,748
Others	(53)	0	(53)
Total	**368**	**(1,477)**	**1,845**

Breakdown of costs by type

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

	31.12.2019	31.12.2018	Change
Labour cost	13,269	10,797	2,472
Software maintenance and assistance	3,433	3,049	384
Amortisation and depreciation	3,035	2,215	820
Technical, legal and tax advisory consultancies	2,146	1,746	400
Directors' remuneration	1,978	1,913	65
Utilities and telephone subscriptions	1,406	1,099	307
Service costs rendered by subsidiary	429	406	23
Stock exchange costs and membership fees	382	413	(31)
Travel and lodging	333	515	(182)
Audit Fees	221	277	(56)
Rental and building maintenance	206	387	(181)
Advertising and Marketing	172	280	(108)
Vehicle leasing and maintenance	110	111	(1)
Entertainment expenses	102	159	(57)
Insurance expenses	78	121	(43)
Board of Statutory Auditors' remuneration	70	69	1
Patents	40	37	3
Meeting expenses	36	100	(64)
Expenses for personnel training	31	178	(147)
Other costs	548	656	(108)
Total	**28,025**	**24,529**	**3,496**

Labour cost amounted to €13,269 thousand (€10,797 thousand in the same period of 2018) and reported an increase of €2,472 thousand compared to the previous year. The change is determined by the lower benefit reported in 2018 and related to a release of the provision for management incentive scheme. The detailed breakdown of labour cost is as follows:

	31.12.2019	31.12.2018	Change
Wages and salaries	8,989	6,302	2,687
Social security charges	2,316	2,134	182
Employee severance indemnities	282	265	17
Retirement and similar benefits	300	274	26
Other costs	1,382	1,822	(440)
Total	**13,269**	**10,797**	**2,472**

The increase in the "**Amortisation, depreciation and write-downs**" item, amounting to €820 thousand, is mainly due to the adoption of the new IFRS 16 standard - Leases (€191 thousand) and higher investments in software (€279 thousand) and office machines (€363 thousand).

Costs related to "**Software maintenance and assistance**" increased by €384 thousand due to new licenses.

Note 19. Other revenues

	31.12.2019	31.12.2018	Change
Rents	525	519	6
Gains from sale of fixed assets	4	13	(9)
Others	95	103	(8)
Total	**624**	**635**	**(11)**

The "**Other revenues**" item reported no significant changes compared to the previous year.

Note 20. Financial Income/(Expenses)

	31.12.2019	31.12.2018	Change
Financial Income/(Expenses)	2,610	3,717	(1,107)
Foreign exchange gains/losses	2,039	(174)	2,213
Bank expenses	(171)	(145)	(26)
Dividends	98,788	21,484	77,304
Others	(29)	-	(29)
Total	**103,237**	**24,882**	**78,355**

Net Financial Income is positive by €103,237 thousand. The change is determined by higher dividends paid by investees (€77,304 thousand), as well as by the favourable performance of foreign exchange differences.

Note 21. Taxes

	31.12.2019	31.12.2018	Change
Profit (loss) before taxes	106,581	30,047	76,534
Income taxes	3,509	(642)	4,151
Deferred taxes	(1,968)	1,349	(3,317)
Total	**1,541**	**707**	**834**
Tax rate	**1.4%**	**2.4%**	**-0.9%**

The average tax rate comes to 1.4% (2.4% as at 31 December 2018). The reconciliation for 2019 of the nominal tax rate and the effective rate is shown in the following table:

	2019		2018	
Profit (loss) before taxes	**106,581**		**30,047**	
Nominal tax rate	**(25,579)**	**-24.0%**	**(7,211)**	**-24.0%**
Effects of local taxes	(346)	-0.3%	(275)	-0.9%
Tax effect on intercompany dividends	22,524	21.1%	4,898	16.3%
Tax benefits	1,806	1.7%	1,734	5.8%
Tax effects - previous years	7	0.0%	207	0.7%
Other effects	47	0.0%	(59)	-0.2%
Effective tax rate	**(1,541)**	**-1.4%**	**(707)**	**-2.4%**

The effective impact of total taxes on the 2019 profit for the year was 1.4% (2.4% in 2018), against the theoretical tax impact which resulted by applying the 24% tax rate envisaged by the Italian legislation for the IRES tax.
An effect of €22,524 thousand, related to dividends paid by investees, is to be reported among the most relevant effects that impacted the effective tax rate in 2019.

Note 22. Audit fees

Pursuant to article 149-*duodecis* of the Issuer Regulation, implementing Legislative Decree 58 of 24 February 1998, the following is the summary schedule of fees pertaining to the year 2019 provided by the Auditing Firm and divided in auditing and other services.

	2019
Datalogic S.p.A. – audit fees	130
Total audit fees	**130**
Non-audit fees	20
Total	**150**

The Non-audit fees item refers to the limited evaluation of the consolidated non-financial statement, related to the year ended 31 December 2019.

Note 23. Remuneration paid to Directors and Statutory Auditors

For this information, please refer to the report on remuneration which will be published pursuant to article 123-*ter* of the T.U.F. and will be available on the website www.datalogic.com.

RELATED PARTY TRANSACTIONS

For the definition of “Related parties”, see both IAS 24, approved by EC Regulation no. 1725/2003, and the Procedure for Transactions with Related Parties approved by the Board of Directors on 4 November 2010 (most recently amended on 24 July 2015), available on the Company’s website www.datalogic.com. The Parent Company of the Company is Hydra S.p.A. Transactions with related parties 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 Company under lease or leased) and advisory activities as well as to companies joining the scope of tax consolidation. None of these assumes particular economic or strategic importance for the Company since receivables, payables, revenues and costs referred to the related parties are not a significant proportion of the total amount of the Financial Statements.
Pursuant to article 5, par. 8, of the Consob Regulations, it should be noted that, over the year 2019, the Company’s Board of Directors did not approve any relevant transaction, as set out by article 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Company’s equity position or profit/(loss).

	Hydra S.p.A.	Hydra Immobiliare S.n.c.	Datalogic S.r.l.	Subsidiaries of Datalogic S.r.l.	Group Company Real Estate	Informatics Holdings Inc.	Datalogic Ip Tech S.r.l.	31.12.2019
Receivables	**-**	**-**	**285,015**	**12,517**	**28**	**931**	**10,307**	**308,799**
Trade receivables	-	-	8,489	744	28	12	206	9,480
Receivables pursuant to tax consolidation	-	-	-	-	-	-	-	0
Other receivables	-	-	98,744	-	-	-	-	98,744
Financial receivables for cash pooling	-	-	32,283	11,772	-	919	10,101	55,075
Loans to subsidiaries	-	-	145,500	-	-	-	-	145,500
Payables	**2,128**	**2**	**119,911**	**22,542**	**2,671**	**-**	**4,476**	**151,729**
Payables pursuant to tax consolidation	2,128	-	-	-	-	-	-	2,128
Payables pursuant to VAT tax consolidation	-	-	813	-	-	-	4,476	5,289
Other payables	-	-	77	-	-	-	-	77
Trade payables	-	2	157	31	1	-	-	191
Financial payables for cash pooling	-	-	118,864	22,510	2,670	-	-	144,044
Financial payables	-	-	-	-	-	-	-	-
Costs	**-**	**74**	**133**	**(340)**	**5**	**(3)**	**(23)**	**(153)**
Operating costs	-	72	440	1	-	-	-	512
Other operating expenses	-	3	(428)	(706)	-	(3)	(23)	(1,158)
Financial expenses	-	-	121	366	5	-	-	492
Revenues	**-**	**-**	**131,681**	**880**	**80**	**51**	**855**	**133,548**
Revenues and other operating revenues	-	-	29,850	58	80	-	757	30,745
Other revenues	-	-	460	5	-	-	53	519
Financial income	-	-	101,371	816	-	51	45	102,284

ALLOCATION OF THE YEAR'S EARNINGS

To our Shareholders,

since the Financial Statements of Datalogic S.p.A. show a net profit for the year of €105,039,893, and since the legal reserve has reached one fifth of the share capital, pursuant to art. 2430 of the Italian Civil Code, the Board of Directors proposes:

- to distribute to Shareholders an ordinary unit dividend, gross of legal withholdings, of 30 cents per share with coupon detachment on 15 June 2020 (record date 16 June 2020) and payment from 17 June 2020, for a maximum amount of €17,533,947. The remaining amount of the profit for the year will be allocated to reserves available.

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

Annexes

Annex 1

Consolidation area

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. Reports of subsidiaries were duly adjusted, as necessary, to render them consistent with the accounting criteria of the Parent Company. The companies included in the scope of consolidation as at 31 December 2019, consolidated on a line-by-line basis, are disclosed hereunder:

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	353,548	105,040	
Datalogic Real Estate France Sas	Paris - France	Euro	2,227,500	3,697	63	100%
Datalogic Real Estate UK Ltd.	Redbourn - England	GBP	3,500,000	5,640	791	100%
Datalogic IP Tech S.r.l.	Bologna - Italy	Euro	65,677	22,597	7,394	100%
Informatics Holdings, Inc.	Plano, Texas - USA	USD	1,568	15,130	403	100%
Wasp Barcode Technologies Ltd.	Redbourn - England	GBP	0	231	45	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd.	Shenzhen - China	CNY	2,136,696	2,895	704	100%
Datalogic Hungary Kft	Fonyod - Hungary	HUF	3,000,000	5,005	1,249	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		5,904	1,583	100%
Datalogic S.r.l.	Bologna - Italy	Euro	10,000,000	156,973	15,854	100%
Datalogic Slovakia S.r.o.	Trnava - Slovakia	Euro	66,388	6,429	6,352	100%
Datalogic USA Inc.	Eugene, OR - USA	USD	100	224,164	9,803	100%
Datalogic do Brazil Comercio de Equipamentos e Automacao Ltda.	Sao Paulo - Brazil	BRL	20,257,000	502	(702)	100%
Datalogic Technologia de Mexico S.r.l.	Colonia Cuauhtemoc - Mexico	MXN	0	(277)	(84)	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt - Germany	Euro	25,000	3,790	35	100%
Datalogic Australia Pty Ltd.	Mount Waverley (Melbourne) - Australia	AUD	3,188,120	970	161	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	26,478	10,448	100%
Datalogic Singapore Asia Pacific Pte Ltd.	Singapore	SGD	3	3,060	870	100%
Suzhou Mobydata Smart System Co. Ltd.	Suzhou, JiangSu - China	CNY	161,224	3,782	433	51%

The following companies were consolidated at cost as at 31 December 2019:

Company	Registered office	Share capital		Total Shareholders' Equity (€/000)	Profit/loss for the period (€/000)	% Ownership
Specialvideo S.r.l. (*)	Imola - Italy	Euro	10,000	840	205	40%
Datasensor GmbH (*)	Otterfing - Germany	Euro	150,000	29	29	30%
CAEN RFID S.r.l. (*)	Viareggio (LU) - Italy	Euro	150,000	1,233	49	20%
R4I S.r.l. (*)	Benevento - Italy	Euro	131,250	403	(43)	20%
Datalogic Automation AB (**)	Malmö, Sweden	SEK	100,000	807	368	20%

(*) *Data as at 31 December 2018.*
(**) *Data as at 30 June 2018.*

Annex 2

List of equity investments in subsidiaries and affiliates as at 31 December 2019

Company	Registered office		Share capital in local currency	Shareholders' Equity	Pro-rata Shareholders' Equity	Profit/loss for the period	% Owned	Carrying value	Difference
Informatics Holdings, Inc.	Plano (Texas) - USA	USD	1,568,000	15,130	15,130	403	100%	11,011	4,119
Datalogic S.r.l.	Bologna - Italy	EUR	10,000,000	156,973	156,973	15,854	100%	150,775	6,198
Datalogic Real Estate France Sas	Paris - France	EUR	2,227,500	3,697	3,697	63	100%	3,919	(222)
Datalogic Real Estate UK Ltd.	Redbourn - UK	GBP	3,500,000	5,640	5,640	791	100%	3,668	1,972
Datalogic IP Tech S.r.l.	Bologna - Italy	EUR	65,677	22,597	10,417	7,394	46.1%	15,082	(4,665)
Total subsidiaries								**184,455**	**7,402**
CAEN RFID S.r.l.(*)	Viareggio (Lu) - Italy	EUR	150,000	1,233	247	49	20%	550	(303)
R4I S.r.l.(*)	Benevento - Italy	EUR	131,250	403	81	(43)	20%	150	(69)
Total associates								**700**	**(373)**
Nomisma S.p.A.(*)	Bologna - Italy	EUR	6,963,500	8,512	7	668	0%	7	(0)
Conai								0	n.a.
Caaf Ind. Emilia Romagna(**)	Bologna - Italy	EUR	377,884	670	6	2	1%	4	3
Consorzio T3 LAB								7	(7)
Crit S.r.l.(*)	Bologna - Italy	EUR	413,800	758	0	89	0%	52	(52)
IDEC Corporation(***)	Osaka - Japan	YEN	10,056,605,173				1%	8,860	
Mandarin III	Luxembourg	EUR			0	0	1%	535	n.a.
Total other companies								**9,465**	**(56)**

(*) as at 31.12.2018
(**) as at 31.08.2018
(***) as at 31.03.2019
^ amounts in thousands of Euro as at 31.12.2019

Annex 3a

Certification for the Consolidated Financial Statements, pursuant to art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and following amendments and supplements

1. The undersigned Ms. Valentina Volta, as CEO, and Ms. Laura Bernardelli, as Manager in charge of drawing up Datalogic S.p.A. 's accounting statements, hereby certify the following, also taking account of provisions set forth by art. 154-*bis*, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy of the information on Company operations and
- the actual application

of the administrative and accounting procedures for the formation of the Consolidated Financial Statements, during the year 2019.

2. The assessment on the adequacy of the administrative and accounting procedures for the formation of the Consolidated Financial Statements as at 31 December 2019 is based on a procedure defined by Datalogic S.p.A. in compliance with the Internal Control – Integrated Framework model, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is the reference framework generally accepted at international level.

3. Moreover, the following is certified:

3.1 the Consolidated Financial Statements:
   a. were prepared in accordance with International Accounting Standards (IFRS), recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b. correspond to the accounting records;
   c. provide a true and fair view of the financial position, the results of operations and the cash flows of the issuer and of the other companies in the scope of consolidation;

3.2 the Report on Operations includes a reliable analysis of the Group's state of affairs, as well as of the position of the issuer, together with the description of the main risks and uncertainties to which the Group is exposed.

Lippo di Calderara di Reno (BO), 19 March 2020

CEO	Manager in charge of drawing up the Group's accounting statements
Valentina Volta	Laura Bernardelli

Annex 3b

Certification for the Financial Statements, pursuant to art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and following amendments and supplements

1. The undersigned Ms. Valentina Volta, as CEO, and Ms. Laura Bernardelli, as Manager in charge of drawing up Datalogic S.p.A. 's accounting statements, hereby certify the following, also taking account of provisions set forth by art. 154-*bis*, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy of the information on Company operations and
- the actual application

of the administrative and accounting procedures for the formation of the Financial Statements, during the year 2019.

2. The assessment on the adequacy of the administrative and accounting procedures for the formation of the Financial Statements as at 31 December 2019 is based on a procedure defined by Datalogic S.p.A. in compliance with the Internal Control – Integrated Framework model, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is the reference framework generally accepted at international level.

3. Moreover, the following is certified:

3.1 the Financial Statements:

a. were prepared in accordance with International Accounting Standards (IFRS), recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to the accounting records;
c. provide a true and fair view of the financial position, the results of operations and the cash flows of the issuer;

3.2 the Report on Operations includes a reliable analysis of the Company's state of affairs, as well as of the position of the issuer, together with the description of the main risks and uncertainties to which the Company is exposed.

Lippo di Calderara di Reno (BO), 19 March 2020

CEO	Manager in charge of drawing up the Group's accounting statements
Valentina Volta	Laura Bernardelli

Report on the Audit of the Consolidated Financial Statements 2019

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Datalogic S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Datalogic S.p.A. and its subsidiaries ("Datalogic Group" or the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement and the consolidated statement of comprehensive income, the statement of changes in consolidated Shareholders' equity and the statement of consolidated cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Estimate of revenue adjustments for discounts and returns	
Description of the key audit matter	Datalogic Group grants to its customers commercial discounts and accepts returns from them, in accordance with the existing contractual agreements; these adjustments are accounted for against revenues.

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The processes and methodologies to evaluate and determine the estimated portion of discounts to be granted and returns to be received after year-end are based on the terms agreed with the customers as well as on accounting and operating data both prepared internally by Group companies and received by the sales network.

Since the computation of the above adjustments to revenues requires significant judgments by the Management, both with reference to when they should be accounted for and the estimate of their amounts, we considered the accounting of these adjustments as a key audit matter of the Group's consolidated financial statements.
The disclosures related to this matter are included in the note "Use of estimates and assumptions" and in the note "Consolidation standards and policies" at the paragraph "Revenues recognition".

Audit procedures performed

With reference to the identified key audit matter, we performed the following audit procedures:

- identification and understanding of key controls implemented by Management over the computation of the above adjustments to revenue and test of the related operating effectiveness;
- analysis of the reasonableness of Managements' main assumptions used to estimate the adjustments to revenues;
- performance of analytical and substantive procedures in order to verify the accuracy and completeness of the data used by Management;
- analysis of the main sales agreements in place, in order to ascertain that the relevant terms and clauses have been taken into account by Management in determining the adjustments to revenues;
- performance of analytical review procedures comparing historical data related to actual returns and discounts and the estimates made by Management;
- review of the *sensitivity analysis* prepared by Management with reference to their estimates.

Other Aspects

The consolidated financial statements of Datalogic Group as of December 31, 2018 were audited by another auditor, which issued an unmodified audit report on March 29, 2019.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit, in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Datalogic S.p.A. has appointed us on April 30, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

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

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Datalogic S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Datalogic Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Datalogic Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Datalogic Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Datalogic S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Alberto Guerzoni
Partner

Bologna, Italy
March 30, 2020

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

Report on the Audit of the Financial Statements 2019

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Datalogic S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Datalogic S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2019, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Other Aspects

The financial statements of Datalogic S.p.A. as of December 31, 2018 were audited by another auditor, which issued an unmodified audit report on March 29, 2019.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit, in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Datalogic S.p.A. has appointed us on April 30, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

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

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Datalogic S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Datalogic S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Datalogic S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Datalogic S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Alberto Guerzoni
Partner

Bologna, Italy
March 30, 2020

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

Annex 5

The Board of Statutory Auditors' Report to the Shareholders' Meeting of Datalogic S.p.A. pursuant to article 153 of Legislative Decree 58/1998 and article 2429, paragraph 2 of the Italian Civil Code

To our Shareholders,
during the financial year ended 31 December 2019, the Board of Statutory Auditors of Datalogic S.p.a. ("Datalogic" or the "Company") carried out the supervisory activities envisaged by law. The Board's activities were also governed by the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts and CONSOB communications concerning corporate controls and activities pertaining to the Board of Statutory Auditors. This report was prepared in compliance with recommendations and guidelines supplied by CONSOB with communication no. DEM/1025564 of 6 April 2001, amended and supplemented by communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006.

Introduction
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 30 April 2019 and will remain in office until the approval of the financial statements for the year ended 31 December 2021.
The Board of Directors currently in office was appointed by the Shareholders' Meeting held on 23 May 2018 and will remain in office until the approval of the financial statements for the year ended 31 December 2020.

Deloitte & Touche S.p.A. was appointed Independent Auditor in compliance with Legislative Decree no. 58/1998 and Legislative Decree no. 39/2010, for the nine-year period from 2019 to 2027, by the Shareholders' Meeting held on 30 April 2019. The Independent Auditor will therefore remain in office until the approval of the financial statements as at 31 December 2027.

During 2019, the following meetings were held:

- 7 meetings of the Board of Statutory Auditors, of which 3 related to the previous mandate;
- 6 meetings of the Board of Directors;
- 8 meetings of the Audit and Risk Management, Remuneration and Appointments Committee (within the Board of Directors), of which 2 meetings as Committee for Transactions with Minority Related Parties.

During 2020, until the date of this report, the following meetings were held:

- 4 meetings of the Board of Statutory Auditors;
- 2 meetings of the Board of Directors;
- 3 meetings of the Audit and Risk Management, Remuneration and Appointments Committee.

The Board of Statutory Auditors attended all the aforementioned meetings of the Board of Directors and the Committee.

Pursuant to regulations in force, the Board of Statutory Auditors is assigned the task to supervise the following:

- compliance with the law and the Articles of Association, as well as with the principles of sound administration in the course of corporate business;
- adequacy of the organisational system and, to the extent of its responsibilities, of the internal control and accounting system, as well as the reliability of the latter in fairly representing operational facts;
- modalities of actual implementation of corporate governance rules, as provided for by the Code of Conduct that Datalogic has claimed to abide by;
- adequacy of instructions given to subsidiaries with respect to mandatory communications on "price sensitive" information.

Moreover, pursuant to and by the effects of Legislative Decree 39/2010, the Board of Statutory Auditors:

a) informs the Board of Directors of the audited entity on the outcome of the independent audit and transmits to such Body the additional report as per article 11 of the European Regulation 537/2014, accompanied by any possible remarks;
b) monitors the financial reporting process and submits recommendations or proposals aimed at ensuring its integrity;
c) controls the Company's efficacy of internal audit and control processes, as well as risk management, without infringement on the independence of the entity;
d) supervises the independent audit of the financial statements for the year and the consolidated financial statements;
e) assesses and monitors the independence of the independent auditing company, pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010, as well as article 6 of the European Regulation 537/2014, especially with regard to the adequacy of services, other than audit, rendered to the audited entity, pursuant to article 5 thereof;

f) is responsible of the selection procedure of the independent auditing companies and recommends the Independent Auditors to be assigned as per article 16 of the European Regulation.

The Board of Statutory Auditors also supervises compliance with obligations relating to non-financial information pursuant to Legislative Decree no. 254/2016.

With reference to the activities for which it is responsible, during the 2019 financial year and until approval of the 2019 Annual Financial Report by the Board of Directors, the Board of Statutory Auditors hereby declares that it has:

- obtained adequate information from Directors, especially executive Directors, on the general performance of operations and on the business outlook, as well as on the more significant strategic, equity and financial transactions performed by the Company and its subsidiaries, also through the attendance at the meetings of the Board of Directors;
- obtained the necessary elements to assess compliance with the law, the Articles of Association, the principles of correct administration and the adequacy of the organisational system of the Company and the Group under its control, through direct investigations, acquisition of documents and information from the heads of the various functions involved, periodic exchanges of information with the independent auditors of the annual and consolidated accounts;
- supervised the functionality and effectiveness of internal control systems, as well as the adequacy of the administration and accounting system, especially in terms of reliability of the latter in fairly representing operational facts;
- performed the supervisory activities, pursuant to article 9 of Legislative Decree no. 39/2010;
- carried out the periodical exchange of information with the representatives of the Independent Auditors, as regards activities performed during the various meetings occurred on the occasion of the meetings of the Board of Statutory Auditors, as well as through the appraisal of the outcome of audits and the reception of reports, as envisaged by Legislative Decree no. 39/2010;
- received the declaration confirming possession of the independence requirements established for the Independent Auditors, in which no situations that have affected their independence or no causes of incompatibility are reported;

- received the Additional Report from the Independent Auditors, as per article 11 of the European Regulation 537/2014 (which will be transmitted to the Board of Directors). The examination of this Report has not revealed any aspects that should be highlighted herein;
- monitored the functionality of the control system on Group companies, as well as the adequacy of provisions set forth for them, also pursuant to article 114, paragraph 2, of Legislative Decree no. 58/1998;
- monitored the implementation of corporate governance rules adopted by the Company in compliance with the Code of Conduct of Borsa Italiana, to which Datalogic conforms;
- supervised the compliance with the Procedure for transactions with related parties adopted by the Company pursuant to provisions set forth in the related CONSOB Regulation, adopted with resolution no. 17221 of 12 March 2010 and following amendments, as well as the compliance with the Regulation itself;
- supervised the Company's financial disclosures, while assessing compliance by Directors with law provisions regarding the preparation, approval and issue of the Annual Financial Report;
- assessed the adequacy and consistency of procedures used, as well as of impairment tests performed for the approval of both the 2019 Annual Financial Report and the method used. Consistency has also been assessed in relation to the CONSOB recommendations regarding procedures;
- analysed the 2019 Annual Financial Report, the Report on corporate governance and ownership structure, pursuant to and by the effects of article 123-bis of the Italian Consolidated Law on Finance (TUF). These reports were found consistent with regulations in force;
- supervised the compliance with provisions set out by Legislative Decree 254/2016 and examined the Consolidated Non-financial Reporting, while assessing the compliance with provisions in force.

During its supervisory activities, performed based on information and data acquired, no elements were reported from which failure to comply with provisions by law and the Memorandum of Association can be inferred, and no infringements emerged that would justify reporting to Supervisory Authorities or mention herein.

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Report

Further guidelines are provided hereunder, as envisaged in CONSOB Communication no. DEM/1025564 of 6 April 2001, and following amendments.

1. With reference to transactions that were relevant under the economic, financial and equity point of view and carried out during the year based on information supplied by the Company and data acquired on the above-mentioned transactions, the Board of Statutory Auditors assessed compliance of the above with the law, the Memorandum of Association and the principles of sound administration. It also assessed that these actions were not overtly imprudent, risky or in potential conflict of interest or could not have jeopardised the integrity of company equity.
2. During 2019 and after year end, the Board of Statutory Auditors reported no atypical and/or unusual operations carried out with third parties or with related parties (including Group companies).
3. Intercompany transactions and transactions with related parties are executed as part of the ordinary operations and at arm's length conditions.
   Related-party transactions refer chiefly to commercial and real estate transactions, advisory activities as well as to companies joining the scope of tax consolidation. To this purpose, it should be noted that the supervisory body, also thanks to the attendance at the meetings of the Committee for transaction with minority related parties, supervised the correct application, by the Company, of the Procedure for Transactions with Related Parties, within a real estate transaction that is considered, as per the aforementioned procedure, a transaction with minority related parties.
4. The Board of Statutory Auditors deems that the information given by Directors in the 2019 Annual Financial Report was adequate in relation to intercompany transactions and with related parties.
5. On 30 March 2020, the Independent Auditors Deloitte & Touche S.p.A. issued the report, pursuant to article 14 of Legislative Decree 39/2010, certifying that the statutory and consolidated financial statements as at 31 December 2019 (i) comply with International Financial Reporting Standards (IFRS) adopted by the European Union, as well as with provisions issued in implementation of article 9 of Legislative Decree no. 38 of 2005,

(ii) have been drawn up clearly and give a true and fair view of the financial position and results of operations of the statutory and consolidated financial statements of the Company and the Group.

6. Moreover, the Independent Auditors deem that the Directors' Report and disclosures as per paragraph 1, letters c), d), f) l) and m) and paragraph 2, letter b) of article 123-bis of the TUF, included in the Report on corporate governance and ownership structure, are consistent with the Company financial statements and the Group consolidated financial statements.

   The Independent Auditors have also assessed that the Report on corporate governance and ownership structure includes disclosures as per paragraph 2, letters a), c), d) and d-bis) of article 123-bis of the TUF.
7. The Independent Auditors stated that, pursuant to article 14, paragraph 2, letter e) of Legislative Decree 39/2010, no material errors were identified in the Directors' Report and therefore, based on the knowledge and understanding of the company and the related context acquired during the audit, nothing is to be reported.
8. On 30 March 2020, the Independent Auditors also issued the Consolidated Non-Financial Report, prepared pursuant to article 3, paragraph 10, of Legislative Decree 254/2016 and article 5 of the CONSOB Regulation no. 20267/2018, in which it is certified that no issues were highlighted to render the Consolidated Non-financial Reporting of the Datalogic Group, concerning the financial year ending 31 December 2019, not compliant, in all significant aspects, with provisions set out by articles 3 and 4 thereof and by the GRI Standards, with reference to the list of GRI Standards indicated in section "Methodological Note" thereof.
9. During 2019, the Board of Statutory Auditors received no notifications as per article 2408 of the Italian Civil Code.
10. During 2019, no claims were received by the Board of Statutory Auditors.
11. In addition to the audit of the statutory and consolidated financial statements, the limited audit of the half-yearly report, the activity of verifying that the accounts are properly kept and that the operating events are correctly recorded in the accounting records and the certification relating to the non-financial consolidated statement (whose assignment was given jointly with the audit of the financial statements), in 2019 no additional tasks were assigned to the company Deloitte & Touche S.p.A..

12. During the 2019 financial year and after the ending of the same, until the date of this report, the Company did not assign any tasks to companies belonging to the network linked to the Independent Auditors Deloitte & Touche S.p.A..
13. During 2019, until the date of this report, the Board of Statutory Auditors:
    (i) expressed the reasoned proposal to the Shareholders' Meeting held on 30 April 2019, for the assignment of the audit of accounts, pursuant to article 13 of Legislative Decree no. 39/2010;
    (ii) in accordance with legislation (including regulations and self-regulations), issued the following opinions on:
    - the proposal to allocate the maximum overall remuneration of the members of the Board of Directors approved by the Shareholders' Meeting of 30 April 2019;
    - the variable compensation of the Chairman and the Chief Executive Officer, also pursuant to Article 2389 of the Italian Civil Code;
    - the remuneration of the Head of Internal Audit and the adequacy of the resources allocated to fulfil his duties;
    - the adoption of Datalogic's remuneration policy;
    - the correct application of the assessment criteria and procedures adopted by the Board of Directors to ascertain the independence of Directors, as qualified upon their appointment;
    - also according to criteria envisaged by the Code of Conduct concerning Directors, possession of the independence requirements of Statutory Auditors appointed by the Shareholders' Meeting held on 30 April 2019, verified with positive results also during the self-assessment;
    - consistency and adequacy of impairment procedures used by the Company;
    - correct use of accounting standards and their homogeneity for the purposes of preparing the consolidated financial statements;
    - approval of the Audit Plan;
    - appointment of Mrs Laura Bernardelli as Manager in charge of drawing up the Company's accounting statements, as from 8 August 2019;

(iii) informed the Board of Directors on the results issued by the Independent Auditors EY S.p.A., expressed in the Independent Auditors' Report, as per article 11 of Regulation 537/2014 concerning audit activities carried out on the Financial Report as at 31 December 2018;

(iv) carried out its own self-assessment for the 2019 financial year, pursuant to the "*Rules of conduct of the Board of Statutory Auditors of listed companies*" by the National Council of Chartered Accountants and Accounting Experts (CNDCEC) and in accordance with the guidelines set out in the document "*The self-assessment of the Board of Statutory Auditors*" published in May 2019 by the same CNDCEC. On the basis of the process conducted, a good assessment of the Board as a whole has emerged.

14. As regards the frequency and number of meetings of corporate bodies, reference is made to the introduction.

15. The Board of Statutory Auditors became acquainted with and supervised the compliance with the principles of a correct administration, to the extent of its responsibility, based on direct observation, collection of information from the heads of corporate business units and from the Director in charge of the internal control and risk management system, as well as meetings with the Audit and Risk Management, Remuneration and Appointments Committee and the Independent Auditors for the purposes of an exchange of data and relevant information. In particular, with regard to the Board of Directors' decision-making processes, also through direct attendance at the meetings of the Board of Directors, the Board of Statutory Auditors verified the compliance with the law and the Articles of Association of the management decisions made by Directors. It also checked that the related resolutions were supported by analyses and opinions - conducted either internally or, when necessary, by external professionals - concerning above all the economic and financial fairness of transactions and their consequent consistency with the Company's interests.

16. The Board of Statutory Auditors became acquainted with and supervised the suitability and operation of the organisational structure of the Company and its operations, also by collecting information from structures involved, meetings with the managers of corporate business units and those in charge of internal and external audits, and to this regard the Board has no particular comments to report.

17. The Board of Statutory Auditors assessed and supervised the adequacy of the Company's internal control and risk management system and detected no special critical issues and/or remarks to be brought to the attention of Shareholders.
18. Coordination between the parties involved in the internal control and risk management system is ensured through constant dialogue and continuous exchange of information (also during meetings of corporate bodies) between all the parties involved in this "system" and in particular:
    - the Committee in charge of internal control and risk management system;
    - the Director in charge of the internal control and risk management system;
    - the Manager in charge of Internal Audit;
    - the Manager in charge of drawing up the Company's accounting statements;
    - the Board of Statutory Auditors;
    - the Independent Auditing Company;
    - the Supervisory Body.
19. As part of the assessment of the adequacy of the internal control system with respect to Legislative Decree no. 231/2001, which regulates the liability of entities for administrative offences resulting from crimes, the Board of Statutory Auditors notes that the Company has adopted an Organisational Model aimed at preventing crimes that may give rise to liability of the Company. The Organisational Model undergoes periodic reviews both to take account of experience and to consider regulatory changes envisaging the extension to further criminal offences such as predicate offences.
20. The Supervisory Body, which supervises operations and compliance with the Organisational Model, met 6 times in 2019.
21. The Board of Statutory Auditors assessed and monitored the adequacy of the financial information process and accounting system, as well as their reliability in fairly representing operational facts by obtaining information from the competent function managers (including the Manager in charge of drawing up the Company's accounting statements and the Manager in charge of Internal Audit), by examining corporate documents and analysing the outcome of the audit performed by the independent auditing company Deloitte & Touche S.p.A.

22. The Board of Statutory Auditors has also acknowledged the certifications issued - pursuant to and by the effects of article 154-bis, paragraph 5 of the TUF - by the Chief Executive Officer and the Manager in charge of drawing up the Group's accounting statements on the adequacy and effective application, during 2019, of the administrative and accounting procedures for the preparation of the statutory and consolidated financial statements.
23. The Board of Statutory Auditors was also able to verify the certification - pursuant to and by the effects of Article 154-bis, paragraph 2 of the TUF - of the acts and communications of the Company, disclosed to the market, relating to accounting information, including interim information.
24. The Board of Statutory Auditors supervised the adequacy of the general instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of Legislative Decree 58/98, deeming them suited to fulfil disclosure obligations set out by law.
25. Through direct checks and information obtained from the Independent Auditors Deloitte & Touche S.p.A., the Board of Statutory Auditors assessed compliance with IAS/IFRS standards as well as with rules and laws concerning the preparation and layout of the statutory financial statements, the consolidated financial statements and the Report on Operations.
26. The Company accepts the principles and recommendations included in the Code of Conduct of Borsa Italiana (2018 July edition).
27. The Board of Directors has set up a single internal committee (Control, Risk, Remuneration and Appointments Committee), composed entirely of three non-executive Directors, two of whom are independent. Always concerning the independent Directors, the Company has set up the position of "Lead Independent Director", point of reference and coordination for the requests and contributions of the independent Directors, to guarantee the utmost judgement autonomy of the latter with respect to the Management's actions. The "Lead Independent Director" is vested with the power, among others, to convene meetings for independent Directors only to examine issues relating to management activities or the running of the Board of Directors.
28. The Board of Directors has also conducted the self-assessment process for 2019, entrusting the Board of Statutory Auditors with the management of the process, and he issue of a report, which was submitted to the Board on 14 February 2020. All Directors positively evaluated the extent, composition and running of the

Board, as well as the Group governance structure.

29. The Board of Statutory Auditors carried out the so-called "self-assessment" on the independence of its members and determined that all standing members of the Board have the requirements of independence as per article 148, paragraph 3, of the TUF and according to criteria set out by the Code of Conduct.
30. Pursuant to article 144-quinquiesdecies of the Issuers' Regulation, the list of directorship or audit-related offices, held with other companies by the members of the Board of Statutory Auditors at the issue date of this Report, is published by CONSOB and made available on the website by the CONSOB itself within the limits set out by article 144-quaterdecies of the Issuers' Regulation.
31. The Board of Statutory Auditors expresses a positive opinion on the Company's Corporate Governance.
32. During the course of supervision and control activities, no significant events emerged that would require reporting to Supervisory and Control bodies or mention in this Report.
33. After acknowledging the results of the financial statements ended 31 December 2019, the Board of Statutory Auditors has no objections to raise regarding the proposed resolution by the Board of Directors on the allocation of the profits for the year.

Lippo di Calderara, 30 March 2020

For the Board of Statutory Auditors
The Chairman
Mr. Salvatore Marco Fiorenza

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