



Quarterly Financial Report

at 31st March 2017



DATALOGIC GROUP

Quarterly Financial Report at 31st March 2017

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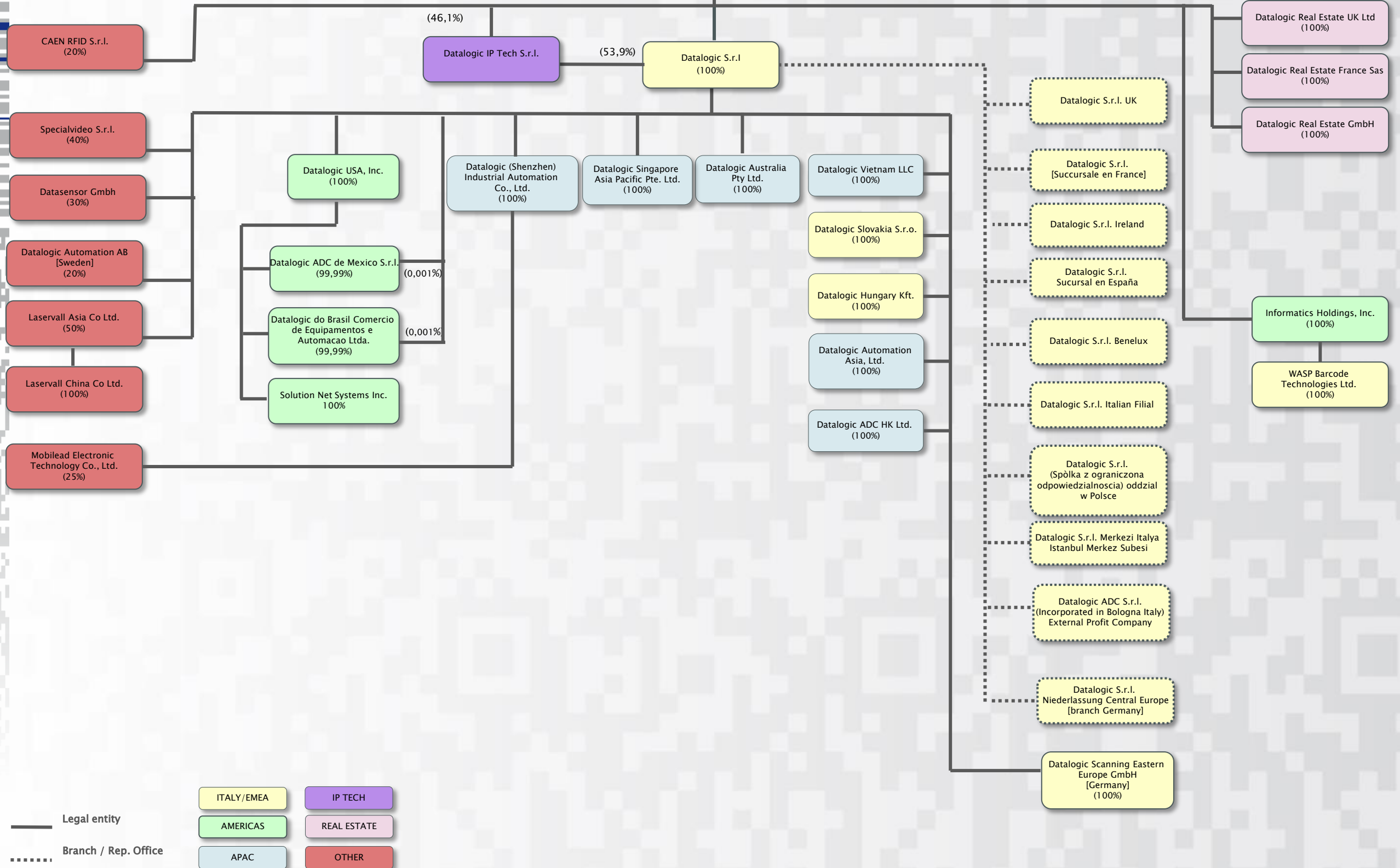
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ANNEX

1. 2016 Restated consolidated statement of income

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

DATALOGIC S.p.A.



COMPOSITION OF CORPORATE BODIES

Board of Directors (1)

Volta Romano

Chairman

Volta Valentina

Director & Chief Executive Officer (2)

Aversa Carlo Achille

Director

Caruso Pier Paolo

Director

Di Stefano Luigi

Independent Director

Mazzalveri Gaia

Independent Director

Todescato Pietro

Director

Volta Filippo Maria

Director

Statutory Auditors (3)

Fiorenza Salvatore Marco Andrea

Chairman

Santagostino Roberto

Statutory Auditor

Lancellotti Elena

Statutory Auditor

Prandi Paolo

Alternate Statutory Auditor

Fuzzi Mario

Alternate Statutory Auditor

Magnani Sonia

Alternate Statutory Auditor

Auditing Company

Reconta Ernst & Young S.p.A.

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

(2) Legal representative with respect to third parties.

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

MANAGEMENT REPORT

REPORT ON OPERATIONS

To our Shareholders,

The report for the year ended 31 March 2017, which we submit to you for review, has been prepared in compliance with the instructions in the Borsa Italiana Regulations.

Specifically, consolidated financial statements apply the approach set forth by international accounting standards (IASs/IFRSs) adopted by the European Union.

HIGHLIGHTS OF THE PERIOD

The following table summarises the Datalogic Group's key operating and financial results as at 31 March 2017 in comparison with the same period a year earlier (figures in Euro thousands):

	Quarter ended		change	% change
	31.03.2017	31.03.2016		
Total Revenues	141,524	135,353	6,171	4.6%
EBITDA (*)	20,764	18,820	1,944	10.3%
<i>% of total revenues</i>	14.7%	13.9%		
Group net profit/loss	11,906	10,073	1,833	18.2%
<i>% of total revenues</i>	8.4%	7.4%		
Net financial position (NFP) (**)	(10,469)	(34,730)	24,261	-69.9%

(*) **EBITDA** is a performance indicator not defined under IFRS. However, the management uses it to monitor and assess the company's operating performance, as it is not influenced by volatility due to the various valuation criteria used to determine taxable income, by the total amount and nature of the capital involved or by the related depreciation and amortisation policies. Datalogic defines it as **Profit/loss for the period before depreciation and amortisation of tangible and intangible assets, non-recurring costs, financial income and expenses and income taxes.**

(**) For the criteria defining the **Net Financial Position** please see page 10.

The first quarter showed growth in all economic indicators compared the same period of the previous year. In particular, EBITDA increased by 10.3% to €20.8 million, with margin growing from 13.9% to 14.7%. Net profit grew by 18.2% to €11.9 million, compared with the €10.1 million achieved in the first quarter of 2016. The net financial position continued the improvement already seen at end-2016, improving by €24 million compared to the same quarter of the previous year.

ANALYSIS OF RECLASSIFIED INCOME STATEMENT DATA

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

(in €'000)	Quarter ended					
	31.03.2017		31.03.2016		change	% change
Total Revenues	141,524	100.0%	135,353	100.0%	6,171	4.6%
Cost of sales	(75,329)	-53.2%	(73,263)	-54.1%	(2,066)	2.8%
Gross profit	66,195	46.8%	62,090	45.9%	4,105	6.6%
Other revenues	216	0.2%	372	0.3%	(156)	-41.9%
Research and development expenses	(13,202)	-9.3%	(12,100)	-8.9%	(1,102)	9.1%
Distribution expenses	(24,458)	-17.3%	(24,306)	-18.0%	(152)	0.6%
General and administrative expenses	(11,478)	-8.1%	(10,285)	-7.6%	(1,193)	11.6%
Other operating costs	(467)	-0.3%	(327)	-0.2%	(140)	42.8%
Total Operating costs and other costs	(49,605)	-35.1%	(47,018)	-34.7%	(2,587)	5.5%
Ordinary operating result before non-recurring costs and revenues and administrative costs arising from acquisitions (EBITANR)	16,806	11.9%	15,444	11.4%	1,362	8.8%
Non-recurring costs and revenues	(274)	-0.2%	0	0.0%	(274)	n.a.
Depreciation and amortisation due to acquisitions (*)	(1,277)	-0.9%	(1,234)	-0.9%	(43)	3.5%
Operating result (EBIT)	15,255	10.8%	14,210	10.5%	1,045	7.4%
Net financial income (expenses)	(773)	-0.5%	(887)	-0.7%	114	-12.9%
Profits/(losses) from associates	(140)	-0.1%	(145)	-0.1%	5	-3.4%
Foreign exchange differences	(356)	-0.3%	(919)	-0.7%	563	-61.3%
Pre-tax profit/(loss)	13,986	9.9%	12,259	9.1%	1,727	14.1%
Taxes	(2,080)	-1.5%	(2,186)	-1.6%	106	-4.8%
GROUP NET PROFIT/(LOSS)	11,906	8.4%	10,073	7.4%	1,833	18.2%
Depreciation and write-downs of tangible assets	(2,829)	-2.0%	(2,145)	-1.6%	(684)	31.9%
Depreciation and write-downs of intangible assets	(1,129)	-0.8%	(1,231)	-0.9%	102	-8.3%
EBITDA	20,764	14.7%	18,820	13.9%	1,944	10.3%

(*) This item includes costs for amortisation arising from acquisitions. To provide a better representation of the Group's ordinary profitability, we chose – in all tables in this section concerning information on operating performance – to show an operating result before the impact of non-recurring costs/revenues and of depreciation and amortisation due to acquisitions, which we have called EBITANR (*Earnings before interests, tax, acquisitions and not recurring*), **hereinafter referred to as “Ordinary operating result”**. To permit comparability with the financial statements, we have in any case included a further intermediate profit margin (“Operating result”) that includes non-recurring costs/revenues and depreciation and amortisation due to acquisitions and which matches figures reported in year-end financial statements.

It is noted that the figures as at 31 March 2016 were reclassified under various items to render them consistent with figures related to 2017. For details please refer to the Annex to the Interim report on operations.

As at 31 March 2017, **the Datalogic Group had recorded revenues in the amount of €141,524 thousand**, up 4.6% compared to €135,353 thousand in the first quarter of 2016 (+3.1% at constant Euro/Dollar exchange rate), thanks to the positive performance of all the main geographical areas of the Datalogic division, with China in particular growing by over 30%. The positive trend confirms the validity and effectiveness of the new business model and the new organisation, the positive feedback from customers and, especially, the company's capacity to manage a delicate transition without it impacting on results.

New products on sales were equal to 18.7% (compared to 27.6% in first quarter 2016), mainly due the exit from statistics of cross industries products with high impacts on revenues whose strong pipeline of "breakthrough" substitutes is planned to go to market starting from second half of the year, and the entering the statistics of industry specific products with lower impact on turnover but longer lasting life.

The booking (already acquired orders) for the quarter was equal to €161 million, up by 14.8% compared to the first quarter of 2016, confirming growth expectations even for the next few months.

Gross profit, equal to €66,195 thousand, increased by 6.6% against €62,090 thousand reported in the same period of the previous year (+6.4% at constant Euro/Dollar exchange rates), while its impact on revenues increased from 45.9% in 2016 to 46.8% in 2017, due to the sales prices being largely maintained and the cost of goods sold improving.

Operating costs, equal to €49,605 thousand, increased by 5.5% (at constant Euro/Dollar exchange rates the increase would have been 4.1%), compared to €47,018 thousand in the same period of 2016. The impact on turnover of 35.1% was substantially unchanged compared to the same period of the previous year. This performance reflects an increase in costs for Research and Development, a true driver of the Group's development, which grew by 9.1% to €13,202 thousand with an incidence on revenues of 9.3% compared with the 8.9% recorded in the first quarter of 2016.

As at 31 March 2017, the item "non-recurring cost and (revenues)" shows a balance of €274 thousand. The item is broken down as follows:

	AMOUNT	TYPE OF COST
"R&D expenses"	23	Transformation plan
"General and administrative expenses"	170	Transformation plan
"General and administrative expenses"	81	Other non-recurring expenses
TOTAL NON-RECURRING COSTS/(REVENUES)	274	

As at 31 March 2017, depreciation and amortisation due to acquisitions (totalling €1,277 thousand) broke down as follows:

	Quarter ended		Change
	31.03.2017	31.03.2016	
Acquisition of the PSC group (on 30 November 2006)	475	459	16
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	164	159	5
Acquisition of Accu-Sort Inc. (on 20 January 2012)	638	616	22
TOTAL	1,277	1,234	43

The Group EBITDA increased by 10.3%, to €20,764 thousand, compared to €18,820 thousand in the first quarter of 2016 (+13.1% at constant Euro/Dollar exchange rate), with improved quarterly margins (EBITDA margin) from 13.9% to 14.7%.

The “Ordinary operating result” (EBITANR) was €16,806 thousand (11.9% of revenues) and up by 8.8% over the amount reported for the same period of the previous year (€15,444 thousand).

The Operating Result (EBIT) increased by 7.4%, from €14,210 thousand in the previous year to €15,255 thousand (+11.4% at constant Euro/Dollar exchange rate).

Financial charges, negative in the amount of €773 thousand, decreased by 12.9% compared to the first quarter of the previous year (€887 thousand). Exchange losses of €356 thousand were recorded compared with exchange losses of €919 thousand in the first quarter of 2016.

Group net profit, which at 31 March 2017 was €11,906 thousand, was 18.2% higher than the profit achieved in the same period of the previous year, equal to €10,073 thousand.

COMMENTS ON FINANCIAL RESULTS OF DIVISIONS

Starting from the current financial year, the new organisational model became operational. This model reflects Datalogic’s new approach to positioning on the market, with the consequent transition from a product-centric divisional model to one focused on customers and organised into four reference areas (Retail, Transportation & Logistics, Manufacturing and Healthcare).

In view of the new operational structure of the business and the corporate reorganisation, during financial year 2017 the operating sectors were realigned into the following divisions:

- **Datalogic**, which represents the core business of the Group and designs and produces bar code scanners, mobile computers, detection, measurement and security sensors, and vision and laser marking systems intended to contribute to increasing the efficiency and quality of processes in the areas of large-scale distribution, manufacturing, transport & logistics and health, along the entire value chain;
- **Solution Net Systems**, which specialises in providing Datalogic Group customers with integrated solutions for automated distribution for the postal and retail segments;
- **Informatics** 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 comparison between the divisional revenues and EBITDA achieved in the first quarter of 2017 and those achieved in the same period of 2016:

REVENUES

	Quarter ended					
	31.03.2017	%	31.03.2016 (*)	%	Change	
Datalogic	131,523	92.9%	123,719	91.4%	7,804	6.3%
Solution Net Systems	4,964	3.5%	4,705	3.5%	259	5.5%
Informatics	5,966	4.2%	7,375	5.4%	(1,409)	(19.1%)
Adjustments	(929)	(0.7%)	(446)	(0.3%)	(483)	108.3%
Total Revenues	141,524	100.0%	135,353	100.0%	6,171	4.6%

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

EBITDA (*)

	Quarter ended					
	31.03.2017	%	31.03.2016 (**)	%	Change	%
Datalogic	21,145	14.9%	18,759	13.9%	2,386	12.7%
Solution Net Systems	90	0.1%	(221)	(0.2%)	311	140.7%
Informatics	(446)	(0.3%)	296	0.2%	(742)	(250.7%)
Adjustments	(25)	(0.0%)	(14)	(0.0%)	(11)	(78.6%)
Total Revenues	20,764	14.7%	18,820	13.9%	1,944	10.3%

(*) For the purposes of an accurate disclosure of economic performance of the operating segments, the Management deemed it appropriate to highlight the Divisional EBITDA as monitoring KPI.

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

The **Datalogic Division** recorded turnover of €131.5 million, up by 6.3% (+4.9% at constant Euro/Dollar exchange rates) compared to the first quarter 2016, with a positive trend recorded both in Europe and in North America and, especially, in China. The division's EBITDA grew by 12.7%, more than proportionally compared to the percentage growth recorded by the Group.

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

	Quarter ended					
	31.03.2017	%	31.03.2016	%	Change	%
Retail	65,512	49.8%	66,482	53.7%	(970)	(1.5%)
Manufacturing	34,995	26.6%	31,598	25.5%	3,397	10.8%
Transportation & Logistics	11,262	8.6%	11,741	9.5%	(479)	(4.1%)
Healthcare	7,180	5.5%	4,252	3.4%	2,928	68.9%
Channel (unallocated) (*)	12,574	9.6%	9,646	7.8%	2,928	30.4%
Total Revenues	131,523	100.00%	123,719	100.00%	7,804	6.3%

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

The **Retail** sector is confirmed as the leading business, with results substantially unchanged compared to the previous year. Europe appears to be the most significant area for this sector, both in terms of total turnover and percentage growths, offset by a slowdown on the American continent due to certain major projects being postponed to the coming quarters, due to the effect of higher than expected orders of bench scanners.

The **Manufacturing** sector, which represents more than a quarter of the Datalogic Division's revenue, was, in absolute terms, the highest growing sector. The increase concerned China and North America in particular, the priority areas for this sector.

The **Transportation & Logistics** sector recorded a positive performance in the areas of China and North America thanks to large-scale projects with major global couriers.

Finally, the **Healthcare** sector had the highest growth, in percentage terms, of all the Datalogic sectors. Investments in this sector show results in terms of revenue increase, particularly in North America where turnover doubled compared to the previous year as a result of winning the supply of over 19,000 readers for one of the leading US hospital chains.

The **Solution Net Systems Division** recorded turnover of €5 million, showing growth of 5.5% compared to the first quarter of 2016 (+2.7% at constant Euro/Dollar exchange rates), continuing to benefit from the order received from Royal Mail.

The **Informatics Division** recorded turnover of €6 million, down by 19.1% (-21.7% at constant Euro/Dollar exchange rates) compared to the first quarter of 2016, mainly due to seasonality and the new business model adopted in the course of 2016 which resulted in the transition from the sale of products to the sale of licences.

PERFORMANCE BY GEOGRAPHICAL AREA

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

	Quarter ended					
	31.03.2017	%	31.03.2016	%	Change	
Revenues in Italy	12,587	8.9%	12,680	9.4%	(93)	(0.7%)
Revenues in Europe (excluding Italy)	65,932	46.6%	60,464	44.7%	5,468	9.0%
<i>Total revenues in Europe</i>	<i>78,519</i>	<i>55.5%</i>	<i>73,144</i>	<i>54.0%</i>	<i>5,375</i>	<i>7.3%</i>
Revenues in North America	38,952	27.5%	39,556	29.2%	(604)	(1.5%)
Revenues in Asia & Pacific	17,042	12.0%	14,871	11.0%	2,171	14.6%
Revenues in Rest of the World	7,011	5.0%	7,782	5.7%	(771)	(9.9%)
Total Revenues	141,524	100.0%	135,353	100.0%	6,171	4.6%

As regards geographical areas, in the first quarter of 2017 consolidation was seen in the European market, with 7.3% growth, to €78.5 million. The sales trend in the APAC market was very positive, due entirely to the growth in China, where the increase was higher than 30%.

ANALYSIS OF FINANCIAL AND CAPITAL DATA

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

	31.03.2017	31.12.2016	31.03.2016
Net intangible assets	49,445	51,997	52,871
Goodwill	186,319	188,934	175,146
Net tangible assets	71,316	72,082	66,325
Unconsolidated equity investments	8,515	6,928	6,460
Other non-current assets	55,467	51,807	51,663
Non-current capital	371,062	371,748	352,465
Net trade receivables from customers	82,344	75,477	72,869
Amounts due to Suppliers	(90,800)	(104,585)	(93,749)
Inventories	89,658	82,344	82,926
Net working capital, trading	81,202	53,236	62,046
Other current assets	35,622	34,184	33,110
Other current liabilities and provisions for short term risks	(81,806)	(77,625)	(71,392)
Net working capital	35,018	9,795	23,764
Other M/L term liabilities	(30,141)	(30,836)	(25,449)
Employee severance indemnity	(6,743)	(6,647)	(6,742)
Provisions for risks	(11,888)	(11,169)	(10,254)
Net invested capital	357,308	332,891	333,784
Total Shareholders' Equity	(346,839)	(336,394)	(299,054)
Net financial position	(10,469)	3,503	(34,730)

As at 31 March 2017, net working capital in the trading segment amounted to €81,202 thousand, up by €27,966 thousand compared to 31 December 2016.

The increase in this item, which is typical of the first quarter of each year, is mainly attributable to the increase in inventories, equal to €7,314 thousand, and to the decrease in amounts due to suppliers, from €104,585 thousand at year-end to €90,800 thousand at the end of the first quarter of this year.

The increase in net working capital in the trading segment at 31 March 2017 compared to the same period of the previous year is mainly attributable to the increase in receivables in the amount of €9,475 thousand and in inventories in the amount of €6,732 thousand, due to a different distribution of sales during the quarter and also as a consequence of the implementation of the new organisation.

As at 31 March 2017, the net financial position is broken down as follows:

	31.03.2017	31.12.2016	31.03.2016
A. Cash and bank deposits	123,686	146,930	90,342
B. Other cash and cash equivalents	49	47	46
<i>b1. restricted cash deposit</i>	49	47	46
C. Securities held for trading	0	0	361
<i>c1. Short-term</i>	0	0	0
<i>c2. Long-term</i>		0	361
D. Cash and equivalents (A) + (B) + (C)	123,735	146,977	90,749
E. Current financial receivables	0	0	0
F. Other current financial receivables	0	0	0
<i>f1. hedging transactions</i>	0	0	0
G. Bank overdrafts	257	212	59
H. Current portion of non-current debt	34,380	30,180	19,966
I. Other current financial payables	2,424	5,878	4,233
<i>i1. hedging transactions</i>	718	37	1
<i>i2. payables for leasing</i>	173	248	263
<i>i3. current financial payables</i>	1,533	5,593	3,969
J. Current financial debt (G) + (H) + (I)	37,061	36,270	24,258
K. Current financial debt, net (J) - (D) - (E) - (F)	(86,674)	(110,707)	(66,491)
L. Non-current bank borrowing	128,163	139,321	132,685
M. Other non-current financial assets	31,020	32,117	31,765
N. Other non-current liabilities	0	0	301
<i>n1. hedging transactions</i>		0	98
<i>n2. lease payables</i>	0	0	203
O. Non-current financial debt (L) - (M) + (N)	97,143	107,204	101,221
P. Net financial debt (K) + (O)	10,469	(3,503)	34,730

Net financial debt as at 31 March 2017 was negative by €10,469 thousand, a decrease of €13,972 thousand compared to 31 December 2016 (positive by €3,503 thousand). The change is primarily due to investments made over the period and the increase, which is typical of the first quarter of each year, in the net trading working capital.

Investments over the period, net of disinvestments, amounted to €2,650 thousand.

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

	31 March 2017		31 December 2016	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	288,690	(1,290)	291,677	52,334
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	120,469	11,626	111,061	51,183
Reversal of dividends				(53,387)
Amortisation of intangible assets "business combination"	(5,827)		(5,827)	
Effect of acquisition under common control	(31,733)		(31,733)	
Elimination of capital gain on sale of business branch	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(13,420)	1,816	(17,700)	(4,231)
Reversal of write-downs and capital gains on equity investments	5,517		5,517	(604)
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,475)	(272)	(1,193)	(61)
Deferred taxes	4,685	26	4,659	612
Group shareholders' equity	346,839	11,906	336,394	45,846

FINANCIAL INCOME (EXPENSES)

	Quarter ended		
	31.03.2017	31.03.2016	Change
Financial income/(expenses)	(445)	(464)	19
Foreign exchange differences	(356)	(919)	563
Bank expenses	(411)	(377)	(34)
Other	83	(46)	129
Total Net financial income (expenses)	(1,129)	(1,806)	677

Financial income, which was negative by €1,129 thousand, improved compared to the same period of the previous year (negative for €1,806 thousand), mainly due to a less unfavourable foreign exchange difference performance, which increased by €563 thousand.

The item "Other" (improved in the amount of €129 thousand) includes €60 thousand of dividends received by the company Idec Corporation (in 2016 these were distributed in the second quarter).

Losses generated by companies carried at equity were recognised in the amount of €140 thousand (€145 thousand as at 31 March 2016).

OUTLOOK FOR CURRENT YEAR

The results of the first quarter confirm the positive trend of the Group in all the main geographical areas and especially in China, which grew by over 30%. Bookings saw double-digit growth and the positive feedback received from customers demonstrates the validity of the Group's strategy, and the effectiveness of the new customer-oriented business model and the new organisation.

For the remainder of 2017, growth in revenue is expected to continue at a higher rate than that of the reference markets, with a particular focus on North America and APAC, while in EMEA the Company believes it will further consolidate its position as leader.

The Group will continue to invest remarkable amounts in R&D, made stronger by the creation of the new department focused on "breakthrough innovation", as well as on the improvement of custom-oriented service levels, assigned to the new Customer Service department.

SECONDARY LOCATIONS

The Parent Company has no secondary locations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Euro/000)	Note	31.03.2017	31.12.2016
A) Non-current assets (1+2+3+4+5+6+7)		402.082	403.865
1) Tangible assets		71.316	72.082
land	1	8.062	8.218
buildings	1	30.182	31.014
other assets	1	30.726	30.175
assets in progress and payments on account	1	2.346	2.675
2) Intangible assets		235.764	240.931
goodwill	2	186.319	188.934
development costs	2	3.704	4.302
other	2	41.137	43.534
assets in progress and payments on account	2	4.604	4.161
3) Equity investments in associates	3	3.584	2.214
4) Financial assets		35.951	35.721
equity investments	5	4.931	4.714
securities	5	0	0
other	5	31.020	31.007
5) Loans	5		1.110
6) Trade and other receivables	7	2.297	2.394
7) Deferred tax assets	13	53.170	49.413
B) Current assets (8+9+10+11+12+13+14)		331.359	338.982
8) Inventories		89.658	82.344
raw and ancillary materials and consumables	8	35.942	29.699
work in progress and semi-finished products	8	26.741	25.724
finished products and goods	8	26.975	26.921
9) Trade and other receivables	7	99.482	91.526
trade receivables	7	82.344	75.477
trade receivables from third parties	7	81.407	74.490
<i>trade receivables from associates</i>	7	937	979
<i>trade receivables from related parties</i>	7		8
other receivables - accrued income and prepaid expenses	7	17.138	16.049
<i>of which from related parties</i>			75
10) Tax receivables	9	18.484	18.135
<i>of which to the parent company</i>		7.411	8.010
11) Financial assets	5	0	0
12) Loans		0	0
13) Financial assets - Derivative instruments	6	0	0
14) Cash and cash equivalents	10	123.735	146.977
Total assets (A+B)		733.441	742.847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (Euro/000)	Note	31.03.2017	31.12.2016
A) Total shareholders' equity (1+2+3+4+5)	11	346.839	336.394
1) Share capital	11	146.291	146.291
2) Reserves	11	41.356	42.817
3) Profits (losses) of previous years	11	147.286	101.440
4) Group profit (loss) for the period/year	11	11.906	45.846
5) Minority interests	11	0	0
B) Non-current liabilities (6+7+8+9+10+11+12)		176.935	187.973
6) Financial payables	12	128.163	139.321
7) Financial liabilities - Derivative instruments	6		
8) Tax payables	9	48	44
9) Deferred tax liabilities	13	25.771	26.498
10) Post-employment benefits	14	6.743	6.647
11) Provisions for risks and charges	15	11.888	11.169
12) Other liabilities	16	4.322	4.294
C) Current liabilities (13+14+15+16+17)		209.667	218.480
13) Trade and other payables	16	138.883	151.494
trade payables	16	90.800	104.585
trade payables to third parties	16	90.259	104.058
<i>trade payables to parent company</i>	16	255	106
<i>trade payables to associates</i>	16	64	24
<i>trade payables to related parties</i>	16	222	397
other payables - accrued liabilities and deferred income	16	48.083	46.909
14) Tax payables	9	24.231	21.032
<i>of which to the parent company</i>		14.015	15.114
15) Provisions for risks and charges	15	9.492	9.684
16) Financial liabilities - Derivative instruments	6	718	37
17) Financial payables	12	36.343	36.233
Total liabilities (A+B+C)		733.441	742.847

CONSOLIDATED STATEMENT OF INCOME

(Euro /000)	Note	31.03.2017	31.03.2016
1) Total revenues	17	141.524	135.353
<i>of which from related parties and associates</i>		1.470	1.518
2) Cost of goods sold	18	75.329	73.263
<i>of which from related parties and associates</i>		212	49
Gross profit (1-2)		66.195	62.090
3) Other operating revenues	19	216	372
4) R&D expenses	18	13.252	12.126
<i>of which non-recurring</i>	18	23	0
<i>of which amortisation, depreciation and write-downs</i>		27	26
<i>of which from related parties and associates</i>	18	37	0
5) Distribution expenses	18	24.458	24.306
<i>of which from related parties and associates</i>			34
6) General and administrative expenses	18	12.979	11.493
<i>of which non-recurring</i>	18	251	0
<i>of which amortisation, depreciation and write-downs</i>	18	1.250	1.208
<i>of which to the parent company</i>		187	0
<i>of which from related parties and associates</i>		170	316
7) Other operating expenses	18	467	327
Total operating costs		51.156	48.252
Operating result		15.255	14.210
8) Financial income	20	4.954	15.282
9) Financial expenses	20	6.083	17.088
Net financial income (expenses) (8-9)		(1.129)	(1.806)
10) Profits from associates	3	(140)	(145)
Profit (loss) before taxes from the operating assets		13.986	12.259
Income tax	21	2.080	2.186
Profit/(loss) for the period		11.906	10.073
Basic earnings/(loss) per share (€)	22	0,2048	0,1732
Diluted earnings/(loss) per share (€)	22	0,2048	0,1732

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro /000)	Note	31.03.2017	31.03.2016
Net profit/(loss) for the period		11.906	10.073
Other components of the statement of comprehensive income:			
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:</i>			
Profit/(loss) on cash flow hedges <i>of which tax effect</i>	11	(517)	17
Profit/(loss) due to translation of the accounts of foreign companies	11	(53)	(4.913)
Profit (loss) on exchange rate adjustments for financial assets available for sale <i>of which tax effect</i>	11	470	(98)
Reserve for exchange rate adjustment <i>of which tax effect</i>	11	(1.361)	(4.285)
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		(1.461)	(9.279)
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:</i>			
Actuarial (loss)/gain on defined-benefit plans <i>of which tax effect</i>			
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		0	0
Total profit/(loss) of Comprehensive Income Statement		(1.461)	(9.279)
Total net profit/(loss) for the period		10.445	794
Attributable to:			
Parent company shareholders		10.445	794
Minority interests		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro /000)	Note	31.03.2017	31.03.2016
Pre-tax profit		13.986	12.259
Depreciation of tangible assets and write-downs	1, 2	2.829	2.145
Amortisation of intangible assets and write-downs	1, 2	2.406	2.465
Capital losses from sale of assets	18	54	1
Capital gains from sale of assets	19	(1)	(125)
Change in provisions for risks and charges	15	527	(5.220)
Change in employee benefits reserve	14	96	(72)
Bad debt provisions	18	46	39
Net financial expenses including exchange rate differences	20	929	1.007
Net financial income including exchange rate differences	20	(156)	(120)
Foreign exchange differences	20	356	919
Adjustments to value of financial assets	3	140	145
Cash flow from operations before changes in working capital		21.212	13.443
Change in trade receivables (including provision)	7	(6.913)	(4.143)
Change in final inventories	8	(7.314)	(13.449)
Change in current assets	7	(1.089)	(4.988)
Change in other medium-/long-term assets	7	97	13
Change in trade payables	16	(13.785)	(7.962)
Change in other current liabilities	16	1.174	8.457
Other medium/long-term liabilities	16	28	(306)
Commercial foreign exchange differences	20	343	853
Foreign exchange effect of working capital		215	543
Cash flow from operations after changes in working capital		(6.032)	(7.539)
Change in tax		(3.710)	(2.874)
Foreign exchange effect of tax		(442)	(1.230)
Interest paid and banking expenses	20	(773)	(887)
Cash flow generated from operations (A)		(10.957)	(12.530)
Increase in intangible assets excluding exchange rate effect	2	(603)	(818)
Decrease in intangible assets excluding exchange rate effect	2	200	
Increase in tangible assets excluding exchange rate effect	1	(3.142)	(1.049)
Decrease in tangible assets excluding exchange rate effect	1	841	128
Change in unconsolidated equity investments	5	(623)	2
Changes generated by investment activity (B)		(3.327)	(1.737)
Change in LT/ST financial receivables	5	(15)	107
Change in short-term and medium-/long-term financial debt	12, 6	(10.412)	(22.176)
Financial foreign exchange differences	20	(699)	(1.772)
Purchase/sale of treasury shares	11		0
Change in reserves Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets	11, 1, 2	2.121	2.270
Dividend payment	11		
Cash flow generated (absorbed) by financial activity (C)		(9.005)	(21.571)
Net increase (decrease) in available cash (A+B+C)	10	(23.289)	(35.838)
Net cash and cash equivalents at beginning of period (Note 10)	10	146.718	126.121
Net cash and cash equivalents at end of period (Note 10)	10	123.429	90.283

STATEMENT OF SHAREHOLDERS' EQUITY

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income						Retained earnings						
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group shareholders' equity
01.01.2016	146.659	(92)	22.168	13.404	(371)	509	35.618	59.878	958	5.917	8.683	75.436	40.547	298.260
Allocation of earnings	0						0	40.547				40.547	(40.547)	0
Dividends			0				0					0		0
Translation reserve	0						0					0		0
Change in IAS reserve	0						0					0		0
Sale/purchase of treasury shares	0						0					0		0
Other changes							0					0		0
Profit/(loss) as at 31.03.2016	0						0					0	10.073	10.073
Total other components of the statement of comprehensive		17	(4.913)	(4.285)		(98)	(9.279)					0		(9.279)
31.03.2016	146.659	(75)	17.255	9.119	(371)	411	26.339	100.425	958	5.917	8.683	115.983	10.073	299.054

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income						Retained earnings						
	Total share capital and capital reserves	Cash-flow hedge reserve	Translation reserve	Reserve for exchange rate adjustment	Actuarial gains/(losses) reserve	Held-for-sale financial assets reserve	Total Reserves of Statement of Comprehensive Income	Earnings carried forward	Capital contribution reserve	Legal reserve	IAS reserve	Total	Profit for the year	Total Group shareholders' equity
01.01.2017	146.291	(28)	25.436	17.290	(371)	490	42.817	85.721	958	6.078	8.683	101.440	45.846	336.394
Allocation of earnings	0						0	45.846				45.846	(45.846)	0
Dividends							0					0		0
Translation reserve	0						0					0		0
Change in IAS reserve	0						0					0		0
Sale/purchase of treasury shares	0						0					0		0
Other changes							0	65			(65)	0		0
Profit/(loss) as at 31.03.2017	0						0					0	11.906	11.906
Total other components of the statement of comprehensive income		(517)	(53)	(1.361)		470	(1.461)					0		(1.461)
31.03.2017	146.291	(545)	25.383	15.929	(371)	960	41.356	131.632	958	6.078	8.618	147.286	11.906	346.839

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

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

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

This Interim report on operations as at 31 March 2017 includes the figures of the Parent Company and its subsidiaries (defined hereinafter as the “Group”), as well as its minority interests in associates.

The publication of the Interim report on operations ended 31 March 2017 of the Datalogic Group was authorised by resolution of the Board of Directors dated 15 May 2017.

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

This Interim report on operations as at 31 March 2017 was prepared pursuant to Article 154 ter of Italian Legislative Decree no. 58/1998, and to the Consob provisions in this field.

The International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force when this Report was approved, were applied for the evaluation and measurement of the accounting balances.

The criteria and accounting standards are consistent with those used for the financial statements as at 31 December 2016 to which reference is made for further details.

GROUP STRUCTURE

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

The companies consolidated on a line-by-line basis for the period ended 31 March 2017 are as follows:

Company	Registered office	Share capital		Total shareholders' equity (€/000)	Profit/loss for the period (€/000)	% Ownership
		Currency	Amount			
Datalogic Real Estate France Sas	Paris – France	Euro	2,227,500	3,520	16	100%
Datalogic Real Estate Germany GmbH	Erkenbrechtsweiler-Germany	Euro	1,025,000	1,411	16	100%
Datalogic Real Estate UK Ltd	Redbourn- UK	GBP	3,500,000	4,441	10	100%
Datalogic IP Tech S.r.l.	Bologna – Italy	Euro	65,677	4,039	1,638	100%
Informatics Holdings Inc.	Plano Texas - Usa	\$USA	9,996,000	15,886	(378)	100%
Wasp Barcode Technologies Ltd	Redbourn- UK	GBP	-	129	30	100%
Datalogic Automation Asia Ltd.	Hong-Kong -China	HKD	7,000,000	(423)	25	100%
Datalogic (Shenzhen) Industrial Automation Co. Ltd.	Shenzhen - China	CNY	2,136,696	1,595	240	100%
Datalogic Hungary Kft	Fonyod-Hungary	HUF	3,000,000	2,228	283	100%
Solution Net Systems, Inc.	Quakertown, PA - USA	USD		5,977	24	100%
Datalogic S.r.l.	Bologna – Italy	Euro	10,000	158,912	(2,091)	100%
Datalogic ADC HK Ltd.	Hong-Kong -China	HKD	100,000	56	(52)	100%
Datalogic Slovakia S.r.o.	Trnava-Slovakia	Euro	66,388	13,087	7,769	100%
Datalogic USA Inc.	Eugene OR-Usa	\$USA	100	77,286	(557)	100%
Datalogic ADC do Brazil Ltd.	Sao Paulo - Brazil	R\$	159,525	(2,723)	(665)	100%
Datalogic Scanning de Mexico S.r.l.	Colonia Cuauhtemoc-Mexico	\$USA	-	36	12	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt-Germany	Euro	25,000	4,369	(107)	100%
Datalogic Australia Pty Ltd	Mount Waverley (Melbourne)-Australia	\$AUD	3,188,120	183	(176)	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	70,478	7,769	100%
Datalogic Singapore Asia Pacific Pte Ltd.	Singapore	SGD	100,000	1,478	128	100%

The following companies were consolidated at equity as at 31 March 2017:

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

(*) Financial position not available at 31 March 2017

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

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

(*) annual financial statements as at 30/06/2015

(**) financial statements as at 31 December 2015

Change in scope of consolidation

During the first quarter of 2017, no changes occurred in the scope of consolidation.

INFORMATION ON STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

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

	31.03.2017	31.12.2016	Change
Land	8,062	8,218	(156)
Buildings	30,182	31,014	(832)
Other assets	30,726	30,175	551
Assets in progress and payments on account	2,346	2,675	(329)
Total	71,316	72,082	(766)

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

The “Other assets” item as at 31 March 2017 mainly includes the following categories: Industrial equipment and moulds (€10,172 thousand), Plant and machinery (€9,327 thousand), Office furniture and machines (€7,248 thousand), Maintenance on third-party assets (€1,476 thousand), General plants related to buildings (€1,973 thousand), Motor vehicles (€91 thousand) and Commercial equipment and demo room (€351 thousand).

The increase for this item (€2,834 thousand) is mainly due to the following:

- investments related to purchases of Office furniture and machines (€1,222 thousand).
- investments for the building of plants and machinery (€1,030 thousand),

The decrease in the item “Other assets” relates mainly to the depreciation expense for the period (€2,394 thousand), the impairment of improvements to third-party assets and equipment no longer used (€291 thousand) and the scrapping of assets that are entirely depreciated and no longer used.

The balance of “Assets in progress and payments on account”, equal to €2,346 thousand, consists of €539 thousand for investments related to the enlargement of the facility in Hungary, €374 thousand for improvements to buildings owned by the Group and, for the remaining portion, to down payments for equipment, instruments and moulds for normal production activities.

Note 2. Intangible assets

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

	31.03.2017	31.12.2016	Change
Goodwill	186,319	188,934	(2,615)
Development costs	3,704	4,302	(598)
Other	41,137	43,534	(2,397)
Assets in progress and payments on account	4,604	4,161	443

Total	235,764	240,931	(5,167)
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“Goodwill”, totalling €186,319 thousand, consisted of the following items:

	31.03.2017	31.12.2016	Change
CGU Datalogic	172,296	174,750	(2,454)
CGU Informatics	14,023	14,184	(161)
Total	186,319	188,934	(2,615)

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

Goodwill has been allocated to the CGUs (Cash Generating Units) corresponding to the individual companies and/or sub-groups to which they pertain. It should be noted that the format of the CGU related to Goodwill was reviewed according to the new organisational structure redefined as from 1 January 2017.

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

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

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

“**Development costs**”, which amount to €3,704 thousand, consist of specific development projects capitalised when they meet IAS 38 requirements and in compliance with Group policies, which call for the capitalisation only of projects relating to the development of products featuring significant innovation.

The “**Others**” item, which amounts to €41,137 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group, which are specifically identified and valued in the context of purchase accounting. Details are shown in the following table:

	31.03.2017	31.12.2016	Useful life
Acquisition of the PSC group (on 30 November 2006)	16,558	17,273	
<i>PATENTS</i>	16,558	17,273	20
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	2,129	2,326	
<i>PATENTS</i>	355	388	10
<i>TRADE SECRETS</i>	1,774	1,938	10
Acquisition of Accu-Sort Inc. (on 20 January 2012)	12,848	13,675	
<i>PATENTS</i>	7,599	8,088	10
<i>TRADE SECRETS</i>	5,249	5,587	10
Licence agreement	4,592	4,796	5-15
Other	5,010	5,464	
TOTAL OTHER INTANGIBLE ASSETS	41,137	43,534	

The “Others” item mainly consists of software licences.

The “Assets in progress and payments on account” item, equal to €4,604 thousand, is attributable, in the amount of €3,917 thousand, to the capitalisation of costs relating to the R&D projects with the features required by IAS 38 and currently still underway, as well as, in the amount of €687 thousand, to software implementations that are not yet completed.

Note 3. Equity investments in associates

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

	31.12.2016	Increases	Decreases	Exch. difference	Transfers	Share of profit	31.03.2017
Associates							
Laservall Asia CO. Ltd	1,588					(140)	1,448
CAEN RFID Srl	550						550
Suzhou Mobilead Electronic Technology Co., Ltd.					1,510		1,510
Datalogic Automation AB	2						2
Specialvideo Srl	29						29
Datasensor GMBH	45						45
Total associates	2,214	0	0	0	1,510	(140)	3,584
TOTAL	2,214	0	0	0	1,510	(140)	3,584

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

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

Note 4. Financial instruments by category

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

	Loans and receivables	Financial assets at fair value charged to the income statement	Available for sale	Total
31.03.2017				
Non-current financial assets	2,297	31,020	4,931	38,248
Financial assets - Equity investments (5)			4,931	4,931
Financial assets - Securities				0
Financial assets – Loans				0
Financial assets - Other		31,020		31,020
Other receivables (7)	2,297			2,297
Current financial assets	222,280	0	0	222,280
Trade receivables from third parties (7)	81,407			81,407
Other receivables from third parties (7)	17,138			17,138
Financial assets - Other (5)	0			0
Financial assets - Securities (5)	0			0
Cash and cash equivalents (10)	123,735			123,735
TOTAL	224,577	31,020	4,931	260,528

	Derivatives	Other financial liabilities	Total
31.03.2017			
Non-current financial liabilities	0	132,485	132,485
Financial payables (12)		128,163	128,163
Financial liabilities - Derivative instruments (6)			0
Other payables (16)		4,322	4,322
Current financial liabilities	718	174,685	175,403
Trade payables to third parties (16)		90,259	90,259
Other payables (16)		48,083	48,083
Financial liabilities - Derivative instruments (6)	718		718
Short-term financial payables (12)		36,343	36,343
TOTAL	718	307,170	307,888

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).

31.03.2017	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	4,854		77	4,931
Financial assets - LT securities (5)	0			0
Financial assets - Other LTs (5)	9,838	21,182		31,020
Financial assets - Other (5)				0
Financial assets – Loans				0
Financial assets - ST Derivative instruments (6)				0
Total Assets measured at fair value	14,692	21,182	77	35,951
Liabilities measured at fair value				
Financial liabilities - LT derivative instruments (6)				0
Financial liabilities - ST derivative instruments (6)		718		718
Total Liabilities measured at fair value	0	718	0	718

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

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

	31.03.2017	31.12.2016	Change
Other equity investments	4,931	4,714	217
Other long-term financial assets	31,020	31,007	13
Total Other long-term financial assets	35,951	35,721	230
Long-term loans	0	1,110	(1,110)
Other short-term financial assets			0
Total Financial assets	35,951	36,831	(880)

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

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

	31.12.2016	Increases	Decreases	Adjust. to fair value	Exchange rate adjust.	Reclassifications	31.03.2017
Listed equity investments	4,227			476	151		4,854
Unlisted equity investments	487					(410)	77
Total Shareholdings	4,714	0	0	476	151	(410)	4,931

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

The change in the item "Unlisted equity investments" reflects the reclassification to "Equity investments in associates" of the payment made, on 9 November 2016, for the future increase in share capital of the

company Suzhou Mobilead Electronic Technology Co., Ltd following the acquisition of 25% of the shares of the company.

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

Note 6. Financial derivatives

	31.03.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Financial instruments measured at fair value and recognised in the statement of comprehensive income				
Interest rate derivatives - LT cash flow hedges	0	0	0	0
Interest rate derivatives - ST cash flow hedges	0	718	0	37
Total	0	718	0	37

Interest rate derivatives

The Group has entered into interest rate derivative contracts to manage the risk stemming from changes in interest rates on bank borrowings, converting them from variable to fixed-rate via interest rate swaps having the same amortisation plan as the hedged underlying asset. On 16 March 2017, Datalogic SpA entered into a pre hedging transaction with UniCredit SpA in order to fix the rate on the new €250,000 thousand financing contract concluded on 13 April 2017. For further information, reference is made to the 'Subsequent events' section of the Report on operations.

As envisaged by IAS 39, the fair value of these contracts, totalling €718 thousand, is recognised in a specific equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 31 March 2017, the notional principal of interest swaps totalled €253,000 thousand (€3,000 thousand as at 31 December 2016).

Currency derivatives

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

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

	31.03.2017	31.12.2016	Change
Third-party trade receivables	82,860	75,914	6,946
Less provision for doubtful receivables	1,453	1,424	29
Net third-party trade receivables	81,407	74,490	6,917
Receivables from associates	937	979	(42)
Laservall Asia	74	0	74
Datasensor GMBH	56	54	2
Specialvideo	13	2	11
Datalogic Automation AB	794	923	(129)
Related-party receivables	0	8	(8)
Total Trade receivables	82,344	75,477	6,867
Other receivables - current accrued income and prepaid expenses	17,138	16,049	1,089
Other receivables - non-current accrued income and prepaid expenses	2,297	2,394	(97)
Total Other receivables - accrued income and prepaid expenses	19,435	18,443	992
Less non-current portion	2,297	2,394	(97)
Trade and other receivables - current portion	99,482	91,526	7,956

Trade receivables

“Trade receivables falling due within 12 months”, totalling €82,344 thousand at 31 March 2017, increased by €6,867 thousand (+9.1%) compared to 31 December 2016, mainly due to a different distribution of sales during the quarter partly as a result of the start-up of the new organisation. As at 31 March 2017, trade receivables assigned to the factoring amounted to €30,043 thousand (compared to €29,193 thousand at the end of 2016).

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

Customer trade receivables are posted net of bad debt provisions totalling €1,453 thousand (€1,424 thousand as at 31 December 2016).

Other receivables - accrued income and prepaid expenses

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

	31.03.2017	31.12.2016	Change
Other short-term receivables	1,668	1,778	(110)
Other long-term receivables	2,297	2,394	(97)
VAT receivables	12,531	11,615	916
Accrued liabilities and deferred income	2,939	2,656	283
Total	19,435	18,443	992

Note 8. Inventories

	31.03.2017	31.12.2016	Change
Raw and ancillary materials and consumables	35,942	29,699	6,243
Work in progress and semi-finished products	26,741	25,724	1,017
Finished products and goods	26,975	26,921	54
Total	89,658	82,344	7,314

The increase in Inventories, net of the exchange rate effect, would be equal to €7,936 thousand.

Note 9. Tax payables and receivables

As at 31 March 2017, "Tax receivables" amounted to €18,484 thousand, up by €349 thousand (€18,135 thousand as at 31 December 2016). The receivables for IRES tax from the Parent Company Hydra are classified under this item. This amount is due to the tax consolidation and totals €7,411 thousand, down by €599 thousand (€8,010 thousand as at 31 December 2016).

As at 31 March 2017, "Tax payables" amounted to €24,231 thousand, up by €3,199 thousand (€21,032 thousand as at 31 December 2016). Classified under this item is the amount payable to the Parent Company Hydra relating to IRES tax payable arising from participation in tax consolidation. As at 31 March 2017 this totals €14,015 thousand, compared to €15,114 thousand as at 31 December 2016.

Note 10. Cash and cash equivalents

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

	31.03.2017	31.12.2016	Change
Cash and cash equivalents shown on financial statements	123,735	146,977	(23,242)
Restricted cash	(49)	(47)	(2)
Current account overdrafts	(257)	(212)	(45)
Cash and cash equivalents for statement	123,429	146,718	(23,289)

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

	31.03.2017	31.12.2016
A. Cash and bank deposits	123,686	146,930
B. Other cash and cash equivalents	49	47
<i>b1. restricted cash deposit</i>	49	47
C. Securities held for trading	0	0
<i>c1. Short-term</i>	0	0
<i>c2. Long-term</i>	0	0
D. Cash and equivalents (A) + (B) + (C)	123,735	146,977
E. Current financial receivables	0	0
F. Other current financial receivables	0	0
<i>f1. hedging transactions</i>	0	0
G. Bank overdrafts	257	212
H. Current portion of non-current debt	34,380	30,180
I. Other current financial payables	2,424	5,878
<i>i1. hedging transactions</i>	718	37
<i>i2. payables for leasing</i>	173	248
<i>i3. current financial payables</i>	1,533	5,593
J. Current financial debt (G) + (H) + (I)	37,061	36,270
K. Current financial debt, net (J) - (D) - (E) - (F)	(86,674)	(110,707)
L. Non-current bank borrowing	128,163	139,321
M. Other non-current financial assets	31,020	32,117
N. Other non-current liabilities	0	0
<i>n1. hedging transactions</i>	0	0
<i>n2. lease payables</i>	0	0
O. Non-current financial debt (L) - (M) + (N)	97,143	107,204
P. Net financial debt (K) + (O)	10,469	(3,503)

Net financial debt as at 31 March 2017 was negative by €10,469 thousand, a decrease of €13,972 thousand compared to 31 December 2016 (positive by €3,503 thousand). The change is primarily due to investments made over the period and the increase, which is typical of the first quarter of each year, in the net trading working capital.

Investments over the period, net of disinvestments, amounted to €2,650 thousand.

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

Note 11. Shareholders' Equity

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

	31.03.2017	31.12.2016
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	4,120	4,120
Treasury share reserve	2,821	2,821
Share premium reserve	106,145	106,145
Share capital and capital reserves	146,291	146,291
Cash-flow hedge reserve	(545)	(28)
Translation reserve	25,383	25,436
Reserve for exchange rate adjustment	15,929	17,290
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	960	490
Other reserves	41,356	42,817
Retained earnings	147,286	101,440
Earnings carried forward	131,632	85,721
Capital contribution reserve	958	958
Legal reserve	6,078	6,078
IAS reserve	8,618	8,683
Profit for the year	11,906	45,846
Total Group shareholders' equity	346,839	336,394

Share capital

Movements in share capital as at 31 March 2017 are reported below (in Euro '000):

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Treasury shares held in portfolio	Treasury share reserve	Share premium reserve	Total
01.01.2017	58,144,262	30,392	2,813	4,120	2,821	106,145	146,291
Purchase of treasury shares				0	0	0	0
Costs for the purchase/sale of treasury shares				0		0	0
31.03.2017	58,144,262	30,392	2,813	4,120	2,821	106,145	146,291

Extraordinary share-cancellation reserve

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

When these shares were cancelled, as resolved by the Extraordinary Shareholders' Meeting, an extraordinary share-cancellation reserve was set aside for the amount of €2,813 thousand, through the use of the share premium reserve. Therefore, this reserve remained classified under item "Share Capital".

Ordinary shares

As at 31 March 2017, the total number of ordinary shares was 58,446,491, including 302,229 held as treasury shares, making the number of shares in circulation at that date 58,144,262. The shares have a nominal unit value of €0.52 and are fully paid up.

Treasury shares

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

Other Reserves

Cash-flow hedge reserve

Following adoption of IAS 39, the change in fair value of derivative contracts designated as effective hedging instruments is recognised in accounts directly with shareholders' equity, in the cash-flow hedge reserve. These contracts have been concluded to hedge exposure to the risk of interest rate fluctuations on variable-rate loans (negative by €718 thousand) and amounts are shown net of the tax effect (€173 thousand).

Translation reserve

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

Reserve for exchange rate adjustment

In application to IAS 21.15, this reserve comprises profits/losses generated by monetary elements which are an integral part of the net investment of foreign managements. In particular, it relates to the effect of exchange rates measurement at year-end for receivables for loans in US dollars granted to some Group companies by the Parent Company Datalogic S.p.A. and Datalogic USA Inc. For these loans no regulation and/or defined reimbursement plan are provided, nor is it deemed probable that they will be reimbursed in the foreseeable future.

Actuarial gains/(losses) reserve

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

Retained earnings

IAS reserve

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

Profits/losses of previous years

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

Dividends

On 4 May 2017, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.30 per share (€0.25 in 2016). Total dividends will be paid as from 10 May 2017.

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

	31 March 2017		31 December 2016	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	288,690	(1,290)	291,677	52,334
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	120,469	11,626	111,061	51,183
Reversal of dividends				(53,387)
Amortisation of intangible assets "business combination"	(5,827)		(5,827)	
Effect of acquisition under common control	(31,733)		(31,733)	
Elimination of capital gain on sale of business branch	(18,665)		(18,665)	
Effect of eliminating intercompany transactions	(13,420)	1,816	(17,700)	(4,231)
Reversal of write-downs and capital gains on equity investments	5,517		5,517	(604)
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,475)	(272)	(1,193)	(61)
Deferred taxes	4,685	26	4,659	612
Group shareholders' equity	346,839	11,906	336,394	45,846

Note 12. Financial payables

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

	31.03.2017	31.12.2016	Change
Long-term financial payables	128,163	139,321	(11,158)
Short-term financial payables	36,343	36,233	110
Total Financial payables	164,506	175,554	(11,048)

The breakdown of this item is as detailed below:

	31.03.2017	31.12.2016	Change
Bank loans	162,543	169,501	(6,958)
Other	0	0	0
Payables to factoring companies	1,533	5,593	(4,060)
Payables for leasing	173	248	(75)
Bank overdrafts (ordinary current accounts)	257	212	45
Total Financial payables	164,506	175,554	(11,048)

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

	2017	2016
1 January	169,501	172,612
Foreign exchange differences	0	0
Increases	0	0
Repayments	0	0
Decreases for loan repayments	(6,958)	(19,961)
31 March	162,543	152,651

The fair value of the loans (current and non-current) coincides substantially with their book value.

Note 13. Net deferred taxes

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

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

	31.03.2017	31.12.2016	change
Deferred tax assets	53,170	49,413	3,757
Deferred tax liabilities	(25,771)	(26,498)	727
Net deferred taxes	27,399	22,915	4,484

The breakdown per company of deferred taxes is shown below:

	31.03.2017	31.12.2016	change
Datalogic S.p.A.	(6,669)	(8,151)	1,482
Datalogic RE Germany GmbH	0	(75)	75
Datalogic RE France SaS	52	52	0
Datalogic RE UK Ltd	104	104	(0)
Datalogic IP Tech S.r.l.	2,464	2,832	(368)
Datalogic USA Inc.	25,907	23,789	2,118
Datalogic S.r.l.	188	(19)	207
Datalogic Slovakia S.r.o.	1,539	1,373	166
Datalogic ADC do Brazil Ltd.	173	347	(174)
Datalogic Scanning Eastern Europe GmbH	(442)	(442)	0
Datalogic Vietnam LLC	847	578	269
Datalogic Australia Pty Ltd	168	161	7
Datalogic ADC HK Ltd.	(3)	(3)	0
Datalogic ADC Singapore	(8)	(8)	0
Informatics Holdings Inc.	764	579	185
Solution Net Systems, Inc.	177	199	(22)
Total Net long-term deferred taxes	25,261	21,316	3,945
Deferred taxes recognised due to the consolidation entries	2,138	1,599	539
Total Net long-term deferred taxes	27,399	22,915	4,484

The positive change in the net deferred taxes of Datalogic S.p.A. is attributable, in the amount of €534 thousand, to taxes related to exchange rate measurement at year-end for receivables for loans in US dollars, directly recognised to Shareholders' Equity, and, in the amount of €613 thousand, to exchange rate measurement at year-end.

Note 14. Post-employment benefits

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

	2017	2016
1 January	6,647	6,814
Amount allocated in the period	451	394
Uses	(173)	(422)
Other movements	(2)	0
Social security receivables for the employee severance indemnity reserve	(180)	(44)
31 March	6,743	6,742

Note 15. Provisions for risks and charges

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

	31.03.2017	31.12.2016	Change
Short-term provisions for risks and charges	9,492	9,684	(192)
Long-term provisions for risks and charges	11,888	11,169	719
Total	21,380	20,853	527

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

	31.12.2016	Increases	(Uses) and (Releases)	Transfers	Exchange rate diff.	31.03.2017
Product warranty provision	11,486	540	(422)		(97)	11,507
Provision for management incentive scheme	3,322	774			(15)	4,081
“Stock rotation” provision	3,325	219	0		(44)	3,500
Other	2,720	40	(471)		3	2,292
Total Provisions for risks and charges	20,853	1,573	(893)	0	(153)	21,380

The “**Product warranty provision**” covers the estimated cost of repairing products sold up to 31 March 2017 and covered by periodical warranty; it amounts to €11,507 thousand (of which €7,410 thousand long-term) and is considered sufficient in relation to the specific risk it covers.

The “**Provision for management incentive scheme**” is attributable to the estimate on the portion pertaining to the provision for a long-term plan for directors and managers.

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

- €1,418 thousand for a pending tax dispute related to some Group companies;
- €470 thousand for transactions in progress with employees and for litigation;
- €348 thousand for agent termination indemnities.

Note 16. Trade and other payables

This table shows the details of trade and other payables:

	31.03.2017	31.12.2016	Change
Trade payables due within 12 months	90,259	104,058	(13,799)
Third-party trade payables	90,259	104,058	(13,799)
Payables to associates	64	24	40
<i>Laservall Asia</i>	26	14	12
<i>Mobilead</i>	6	0	6
<i>Caen</i>	23	0	23
<i>Datalogic Automation AB</i>	9	10	(1)
Payables to the parent company	255	106	149
<i>Hydra</i>	255	106	149
Payables to related parties	222	397	(175)
Total Trade payables	90,800	104,585	(13,785)
Other payables - current accrued liabilities and deferred income	48,083	46,909	1,174
Other payables - non-current accrued liabilities and deferred income	4,322	4,294	28
Total Other payables - accrued liabilities and deferred income	52,405	51,203	1,202
Less non-current portion	4,322	4,294	28
Current portion	138,883	151,494	(12,611)

The decrease in trade payables, equal to €13,785 thousand, is attributable, in the amount of €748 thousand, to the exchange rate effect.

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	31.03.2017	31.12.2016	Change
Other long-term payables	4,322	4,294	28
Other short-term payables:	24,496	23,115	1,381
Payables to employees	18,147	15,061	3,086
Payables to pension and social security agencies	4,364	5,005	(641)
Other payables	1,985	3,049	(1,064)
VAT liabilities	1,852	2,869	(1,017)
Accrued liabilities and deferred income	21,735	20,925	810
Total	52,405	51,203	1,202

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

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

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

INFORMATION ON THE STATEMENT OF INCOME

Note 17. Revenues

	Quarter ended		Change
	31.03.2017	31.03.2016	
Total Revenues	141,524	135,353	6,171

Revenues earned from sales of goods and services increased by 4.6% compared to the same period of the previous year (3.1% at constant Euro/Dollar exchange rates).

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

	Quarter ended		31.03.2016	%	Change	
	31.03.2017	%				
Revenues in Italy	12,587	8.9%	12,680	9.4%	(93)	(0.7%)
Revenues in Europe (excluding Italy)	65,932	46.6%	60,464	44.7%	5,468	9.0%
<i>Total revenues in Europe</i>	<i>78,519</i>	<i>55.5%</i>	<i>73,144</i>	<i>54.0%</i>	<i>5,375</i>	<i>7.3%</i>
Revenues in North America	38,952	27.5%	39,556	29.2%	(604)	(1.5%)
Revenues in Asia & Pacific	17,042	12.0%	14,871	11.0%	2,171	14.6%
Revenues in Rest of the World	7,011	5.0%	7,782	5.7%	(771)	(9.9%)
Total Revenues	141,524	100.0%	135,353	100.0%	6,171	4.6%

Note 18. Cost of goods sold and operating costs

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

	Quarter ended		Change
	31.03.2017	31.03.2016 Restated	
TOTAL COST OF GOODS SOLD (1)	75,329	73,263	2,066
<i>of which non-recurring</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL OPERATING COSTS (2)	51,156	48,252	2,904
Research and Development expenses	13,252	12,126	1,126
<i>of which non-recurring</i>	<i>23</i>	<i>0</i>	<i>23</i>
<i>of which amortisation, depreciation pertaining to acquisitions</i>	<i>27</i>	<i>26</i>	<i>1</i>
Distribution expenses	24,458	24,306	152
<i>of which non-recurring</i>	<i>0</i>	<i>0</i>	<i>0</i>
General and administrative expenses	12,979	11,493	1,486
<i>of which non-recurring</i>	<i>251</i>	<i>0</i>	<i>251</i>
<i>of which amortisation, depreciation pertaining to acquisitions</i>	<i>1,250</i>	<i>1,208</i>	<i>42</i>
Other operating costs	467	327	140
<i>of which non-recurring</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL (1+2)	126,485	121,515	4,970
of which non-recurring costs	274	0	274
of which amortisation, depreciation pertaining to acquisitions	1,277	1,234	43

The item non-recurring costs and (revenues), as at 31 March 2017, shows a positive amount of €274 thousand. The breakdown of this item is as follows:

ITEM	AMOUNT	TYPE OF COST
1) "R&D expenses"	23	Transformation plan
2) "General and administrative expenses"	170	Transformation plan
2) "General and administrative expenses"	81	Other non-recurring expenses
TOTAL NON-RECURRING COSTS/(REVENUES)	274	

The costs relating to the Transformation Plan (equal to €193 thousand) were incurred in the first quarter for the implementation of the Datalogic Group re-organisation, which was begun in 2016, and relate mainly to consultancy.

Amortisation from acquisitions (equal to €1,277 thousand) mainly included under "General and administrative expenses" (€1,250 thousand) are comprised of:

	Quarter ended		Change
	31.03.2017	31.03.2016	
Acquisition of the PSC group (on 30 November 2006)	475	459	16
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	164	159	5
Acquisition of Accu-Sort Inc. (on 20 January 2012)	638	616	22
TOTAL	1,277	1,234	43

Total Cost of goods sold (1)

This item increased by 2.8% compared to the same period in 2016. At constant Euro/Dollar exchange rates and net of non-recurring costs it remained unchanged.

Total operating costs (2)

Operating costs, excluding non-recurring costs and the amortisation inherent in the acquisitions, increased by 5.5% from €47,018 thousand to €49,605 thousand, while their impact on turnover remained largely unchanged. At constant exchange rates and net of extraordinary costs the increase was lower (3.5%).

In particular:

- "R&D expenses" amounted to €13,252 thousand and increased, net of non-recurring costs, by €1,102 thousand compared to the same period of the previous year (+€846 thousand at constant exchange rates and net of non-recurring costs). This increase is primarily attributable to the increase in payroll & employee benefits, project consultancy services and quality certification expenses.

- **“Distribution expenses”** amounted to €24,458 thousand and, net of non-recurring costs, increased by €152 thousand with respect to the comparison period. Based on the analysis at constant exchange rates, and net of non-recurring costs, these decreased by €360 thousand, due mainly to a decrease in shipment costs, travel and accommodation expenses, costs for meetings and marketing costs, particularly advertising.

- **“general and administrative expenses”** amounted to €12,979 thousand. This item, net of non-recurring costs, increased by €1,193 thousand compared to the same period of the previous year, while at constant exchange rates and net of non-recurring costs, it decreased by €1,039 thousand compared to the same period of the previous year, due in particular to an increase in payroll & employee benefits, directors’ fees, consultancy and asset write-downs.

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

	Quarter ended		Change
	31.03.2017	31.03.2016	
Non-income taxes	321	254	67
Contingent liabilities	2	22	(20)
Provisions for doubtful accounts	46	39	7
Cost charge backs	38	4	34
Capital losses on assets	54	1	53
Other	6	7	(1)
Total	467	327	140

Breakdown of costs by type

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

	Quarter ended		Change
	31.03.2017	31.03.2016	
Purchases	61,093	64,817	(3,724)
Inventory change	(5,232)	(12,224)	6,992
Payroll & employee benefits	41,440	39,611	1,829
Amortisation, depreciation and write-downs	5,235	4,610	625
Goods receipt & shipment	3,888	4,519	(631)
Technical, legal and tax advisory services	2,185	1,816	369
Marketing expenses	2,006	2,454	(448)
Travel & accommodation	1,946	2,213	(267)
Building expenses	1,569	1,534	35
Repairs and allocation to the warranty provision	1,466	1,429	37
Material collected from the warehouse	1,177	1,279	(102)
Royalties	984	829	155
EDP expenses	980	965	15
Consumables and R&D materials	776	833	(57)
Telephone expenses	734	622	112
Utilities	588	512	76
Directors' remuneration	464	347	117
Accounts certification expenses	456	371	85
Commissions	421	400	21
Sundry service costs	412	460	(48)
Subcontracted work	389	662	(273)
Quality certification expenses	348	268	80
Meeting expenses	295	475	(180)
Expenses for plant and machinery and other assets	278	240	38
Vehicle expenses	274	227	47
Insurance	218	236	(18)
Entertainment expenses	148	190	(42)
Training courses for employees	123	144	(21)
Stationery and printings	62	70	(8)
Other	1,762	1,606	156
Total Cost of goods sold and operating costs	126,485	121,515	4,970

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

The item "Technical, legal and tax advisory services", equal to €2,185 thousand, reported an increase compared to the previous year, particularly in relation to technical and project consultancy. On the other hand, expenses for patents and trade marks and for the hiring of staff decreased.

The item "Amortisation, depreciation and write-downs", equal to €5,235 thousand, increased by €625 thousand. This increase is attributable, in the amount of €298 thousand, to the impairment of improvements to third-party assets and equipment no longer used and the depreciation of new production lines.

Expenses reported in item “Goods receipt & shipment”, equal to €3,888 thousand, decreased by €631 thousand, particularly goods receipt expenses, due to the effect of increased efficiency in the management of logistical flows.

The item “Marketing expenses”, equal to €2,006 thousand, decreased by €448 thousand compared to the same period of 2016, mainly due to the decrease in advertising costs and in Marketing co-participation expenses with trade partners.

Expenses reported in the item “Travel & accommodation”, equal to €1,946 thousand, decreased by €267 thousand compared to the same period of 2016, particularly for US companies.

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

	Quarter ended		Change
	31.03.2017	31.03.2016	
Wages & salaries	32,069	31,233	836
Social security charges	5,793	5,486	307
Employee severance indemnities	547	466	81
Retirement and similar benefits	286	272	14
Medium- to long-term managerial incentive plan	774	0	774
Vehicle expenses for employees	801	846	(45)
Other costs	1,013	1,219	(206)
Early retirement incentives	157	89	68
Total	41,440	39,611	1,829

The “Wages and salaries” item, equal to €32,069 thousand, includes *Sales commissions and incentives* of €4,238 thousand (€4,099 thousand as at 31 March 2016). The increase, at constant exchange rates, in the item “Wages and salaries” (equal to €147 thousand) is mainly attributable to in-house R&D activities.

Note 19. Other operating revenues

The detailed breakdown of this item is as follows:

	Quarter ended		Change
	31.03.2017	31.03.2016	
Miscellaneous income and revenues	183	217	(34)
Rents	23	19	4
Capital gains on asset disposals	1	125	(124)
Contingent assets	1	6	(5)
Grants to Research and Development expenses	0	0	0
Other	8	5	3
Total	216	372	(156)

The item “Miscellaneous income and revenues” mainly includes revenues for self-manufactured equipment and reimbursements from employees for the use of vehicles for the pertaining portion. At 31 March 2016, the item “Capital gains on asset disposals” primarily included the profit from the disposal of certain patents.

Note 20. Net financial income (expenses)

	Quarter ended		Change
	31.03.2017	31.03.2016	
Financial income/(expenses)	(445)	(464)	19
Foreign exchange differences	(356)	(919)	563
Bank expenses	(411)	(377)	(34)
Other	83	(46)	129
Total Net financial income (expenses)	(1,129)	(1,806)	677

Financial income, which was negative by €1,129 thousand, improved compared to the same period of the previous year (negative for €1,806 thousand), mainly due to a less unfavourable foreign exchange difference performance, which increased by €563 thousand.

The item “Other” (improved in the amount of €129 thousand) includes €60 thousand of dividends received by the company Idec Corporation (in 2016 these were distributed in the second quarter).

Losses generated by companies carried at equity were recognised in the amount of €140 thousand (€145 thousand as at 31 March 2016).

Note 21. Taxes

	Quarter ended		Change
	31.03.2017	31.03.2016	
Income tax	5,916	4,783	1,133
Deferred taxes	(3,836)	(2,597)	(1,239)
Total	2,080	2,186	(106)

The average tax rate comes to 14.9% (17.8% as at 31 March 2016).

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

	Quarter ended	
	31.03.2017	31.03.2016
Group earnings/(loss) for the period	11,906,000	10,073,000
Average number of shares	58,144,262	58,144,262
Earnings/(loss) per share	0.2048	0.1732

EPS as at 31 March 2017 was calculated by dividing Group net profit of €11,906 thousand (Group net profit of €10,073 thousand as at 31 March 2016) by the average number of ordinary shares outstanding as at 31 March 2017, equal to 58,144,262 shares (58,171,881 as at 31 March 2016).

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

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

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

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

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

Pursuant to Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2017 - 31/03/2017, the Company's Board of Directors did not approve any relevant transaction, as set out by Article 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group’s equity position or profit/(loss).

RELATED PARTIES	Hydra Spa (parent company)	Hydra Immobiliare and Aczon	Unconsolidated associates	Suzhou Mobilead Electronic Technology Co., Ltd.	CAEN Rfid Srl	Studio Associato Caruso	Natural person	Laservall Asia	TOTAL 31.03.17
	parent company	company controlled by Chairman of BoD	unconsolidated associates	unconsolidated associate	unconsolidated associate	company controlled by a company Body member	member of BoD	associated company	
Equity investments	0	0	1,586	0	550	0	0	1,448	3,584
Trade receivables - accrued income and prepaid expenses	0	0	863	0	0	0	0	74	937
Receivables pursuant to tax consolidation	7,411	0	0	0	0	0	0	0	7,411
Financial receivables	0	0	0	0	0	0	0	0	0
Liabilities pursuant to tax consolidation	14,015	0	0	0	0	0	0	0	14,015
Trade payables	0	51	9	6	23	146	6	25	266
Financial payables									0
Sales/service expenses	0	176	0	37	57	74	8	44	395
Commercial revenues	0	0	876	0	0	0	0	594	1,470
Financial income	0	0	0	0	0	0	0	0	0
Profits (losses) from associates	0	0	0	0	0	0	0	(140)	(140)

NUMBER OF EMPLOYEES

	Quarter ended		Change
	31.03.2017	31.03.2016	
Datalogic	2,630	2,527	103
Solution Net Systems	39	0	39
Informatics	90	102	(12)
Total	2,759	2,629	130

SUBSEQUENT EVENTS

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

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

The Chairman of the Board of Directors
(Romano Volta)

Annex 1
2016 RESTATED CONSOLIDATED INCOME STATEMENT

(Euro /000)	Note	31.03.2016	Reclassificati ons	31.03.2016 Restated
1) Total revenues	17	135.353		135.353
2) Cost of goods sold	18	73.226	37	73.263
of which non-recurring	18			0
<i>of which from related parties</i>		49		49
Gross profit (1-2)		62.127	(37)	62.090
3) Other operating revenues	19	372		372
of which non-recurring	19			0
<i>of which from related parties</i>				0
4) R&D expenses	18	12.126		12.126
of which non-recurring	18			0
of which amortisation, depreciation and write-downs		26		26
<i>of which from related parties</i>	18			0
5) Distribution expenses	18	25.162	(856)	24.306
of which non-recurring	18			0
<i>of which from related parties</i>		34		34
6) General and administrative expenses	18	10.674	819	11.493
of which non-recurring	18			0
of which amortisation, depreciation and write-downs	18	1.208		1.208
<i>of which from related parties</i>		316		316
7) Other operating expenses	18	327		327
of which non-recurring	18	0		0
<i>of which from related parties</i>				
Total operating costs		48.289	(37)	48.252
Operating result		14.210	0	14.210
8) Financial income	20	15.282		15.282
<i>of which from related parties</i>				0
9) Financial expenses	20	17.088		17.088
Net financial income (expenses) (8-9)		(1.806)	0	(1.806)
10) Profits from associates	3	(145)		(145)
Profit (loss) before taxes from the operating assets		12.259	0	12.259
Income tax	21	2.186		2.186
Profit/(loss) for the period		10.073	0	10.073
Basic earnings/(loss) per share (€)	22	0,1732		0,1732
Diluted earnings/(loss) per share (€)	22	0,1732		0,1732

Note: the figures as at 31 March 2016 were reclassified under various items to render them consistent with figures related to 2017.



ANNEX 2

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

Resoconto Intermedio di gestione al 31 marzo 2017

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

attesta

in conformità a quanto previsto dal secondo comma dell'art. 154 bis, comma secondo, del decreto legislativo 24 febbraio 1998, n. 58 che il resoconto intermedio di gestione al 31 marzo 2017 corrisponde alle risultanze documentali, ai libri e alle scritture contabili.

Datalogic S.p.A.

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

