



Quarterly Financial Report

at 30th September 2016



DATALOGIC GROUP

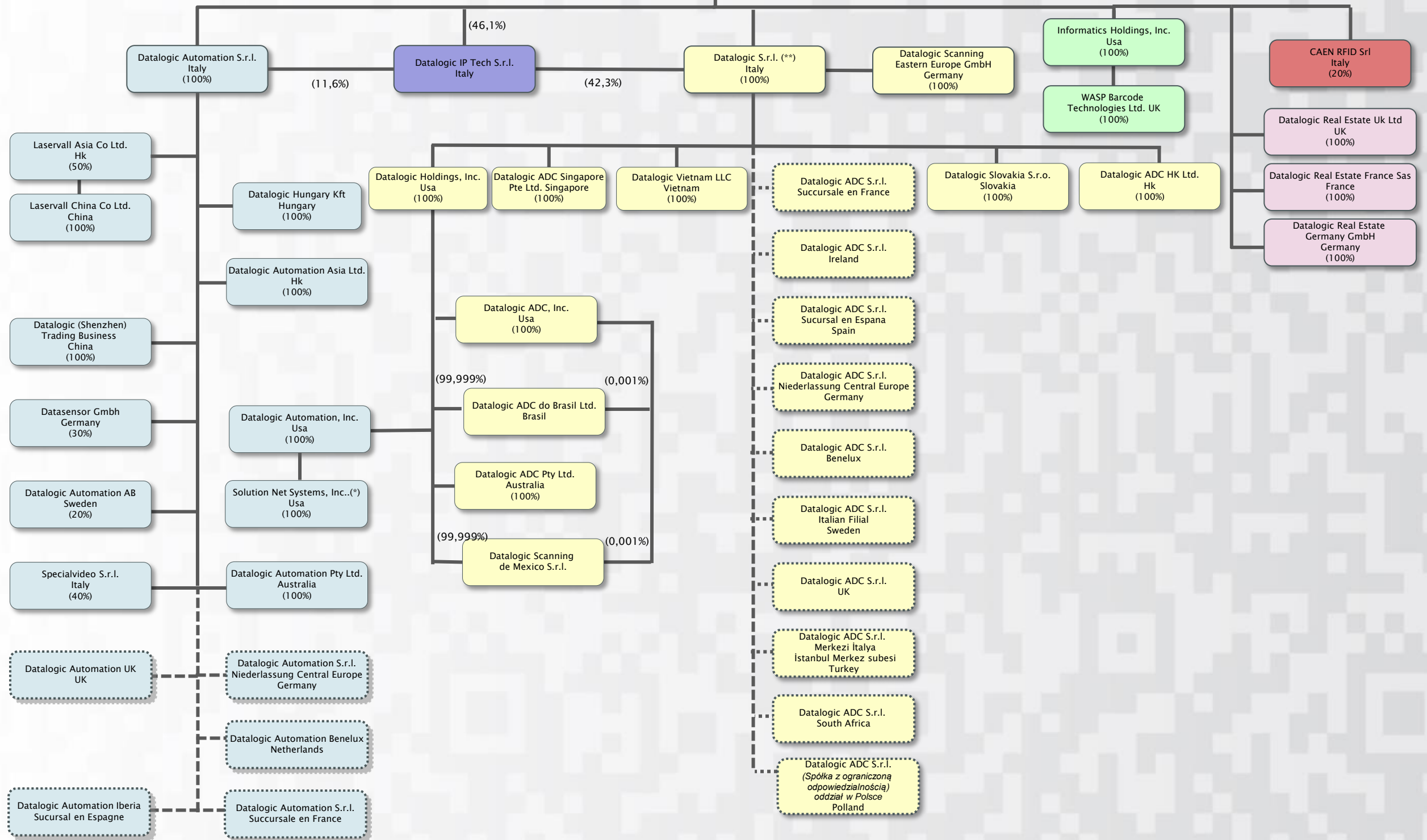
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ANNEX

1. Declaration pursuant to Art. 154-bis, pars. 3 and 4, Legislative Decree 58/1998

DATALOGIC S.p.A.
Italy



———— Legal entity

..... Branch

(*) The company Solution Net System, Inc. became operational following the spin off dated 1st October 2016

(**) As of 28th September 2016, the company changed name from "Datalogic ADC S.r.l." to "Datalogic S.r.l."

COMPOSITION OF CORPORATE BODIES

Board of Directors (1)

Volta Romano

Chairman & 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

Volta Valentina

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

The report for the year ended 30 September 2016 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.

COMMENTS ON OPERATING AND FINANCIAL RESULTS

The following table summarises the Datalogic Group's key operating and financial results as at 30 September 2016 in comparison with the same period a year earlier (figures in Euro thousands):

	nine months ended		change	% change
	30.09.2016	30.09.2015		
Total Revenues	421,753	391,295	30,458	7.8%
EBITDA (*)	66,639	53,078	13,561	25.5%
<i>% of total revenues</i>	15.8%	13.6%		
Group net profit/loss	40,882	30,423	10,459	34.4%
<i>% of total revenues</i>	9.7%	7.8%		
Net financial position (NFP) (**)	(37,577)	(54,799)	17,222	-31.4%

(*) **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 9.

The results of the first nine months of the year confirmed the strong growth of all economic indicators and the unchanged positive trend that had already been reported in the first half of the year. In particular, EBITDA recorded an improvement of 25.5%, amounting to €66.6 million, with increased margins from 13.6% to 15.8%. Despite higher investments made in R&D in the third quarter, net profit increased to €40.9 million, up by 34.4%.

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)	nine months ended					
	30.09.2016		30.09.2015		change	% change
Total Revenues	421,753	100.0%	391,295	100.0%	30,458	7.8%
Cost of sales	(227,269)	-53.9%	(208,546)	-53.3%	(18,723)	9.0%
Gross profit	194,484	46.1%	182,749	46.7%	11,735	6.4%
Other revenues	2,321	0.6%	1,483	0.4%	838	56.5%
Research and development expenses	(36,636)	-8.7%	(34,764)	-8.9%	(1,872)	5.4%
Distribution expenses	(74,892)	-17.8%	(74,758)	-19.1%	(134)	0.2%
General and administrative expenses	(27,873)	-6.6%	(29,056)	-7.4%	1,183	-4.1%
Other operating costs	(1,147)	-0.3%	(1,842)	-0.5%	695	-37.7%
Total Operating costs and other costs	(140,548)	-33.3%	(140,420)	-35.9%	(128)	0.1%
Ordinary operating result before non-recurring costs and revenues and administrative costs arising from acquisitions (EBITANR)	56,257	13.3%	43,812	11.2%	12,445	28.4%
Non-recurring costs and revenues	149	0.0%	(1,428)	-0.4%	1,577	n.a.
Depreciation and amortisation due to acquisitions (*)	(3,656)	-0.9%	(4,295)	-1.1%	639	-14.9%
Operating result (EBIT)	52,750	12.5%	38,089	9.7%	14,661	38.5%
Net financial income (expenses)	(2,603)	-0.6%	(3,950)	-1.0%	1,347	-34.1%
Profits/(losses) from associates	(466)	-0.1%	40	0.0%	(506)	n.a.
Foreign exchange differences	(548)	-0.1%	2,387	0.6%	(2,935)	n.a.
Pre-tax profit/(loss)	49,133	11.6%	36,566	9.3%	12,567	34.4%
Taxes	(8,251)	-2.0%	(6,143)	-1.6%	(2,108)	34.3%
GROUP NET PROFIT/(LOSS)	40,882	9.7%	30,423	7.8%	10,459	34.4%
Depreciation and write-downs of tangible assets	(6,629)	-1.6%	(5,773)	-1.5%	(856)	14.8%
Amortisation and write-downs of intangible assets	(3,753)	-0.9%	(3,493)	-0.9%	(260)	7.4%
EBITDA	66,639	15.8%	53,078	13.6%	13,561	25.5%

(*) 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.

As at 30 September 2016, the **Datalogic Group had revenues of €421,753 thousand (€391,295 thousand in the same period of the previous year)**, of which €399,321 thousand derived from product sales and €22,432 thousand from services.

Revenues increased by 7.8% compared to the previous year (+7.9% at constant Euro/Dollar exchange rate).

In the first nine months of the year, the booking (already acquired orders) achieved €426.2 million, up by 5.2% compared to the same period of 2015.

The **Gross Profit**, equal to €194,484 thousand, increased by 6.4% in absolute term against €182,749 thousand reported in the previous year (+6.5% at constant Euro/Dollar exchange rates), while its impact on revenues decreased from 46.7% in the first nine months of 2015 to 46.1% in 2016.

The **other revenues** item, equal to €2,321 thousand, increased by 56.5% compared to €1,483 thousand, mainly due to the tax credit of companies that perform R&D activities for 2015 (as per 2015 Stability Law, as amended by Art. 3 of Law Decree 145/2013), equal to €1,240 thousand.

Operating costs, equal to €140,548 thousand, are substantially in line with the first nine months of 2015, in absolute values, and highlight a strong improvement in terms of impact on turnover, from 35.9% to 33.3%. This trend reflects a business aimed at reducing general and administrative expenses, to the benefit of costs for R&D, increased by 5.4% to €36,636 thousand, with an impact of 8.7% on revenues. These costs reported a stronger impact on turnover over the quarter, equal to 8.8%, compared with 8.3% of the second quarter of 2016, thus highlighting the recovery of the time mismatch reported in the first half of the year. Distribution expenses also improved, in terms of impact on turnover, from 19.1% of the first nine months of 2015, when they were affected by higher investments made to strengthen the distribution network in North America, to 17.8% of the current period, which is substantially unchanged, in absolute values.

In the first nine months of 2016, the “non-recurring costs and (revenues)” item amounted to € 149 thousand. The breakdown of this item is as follows:

ITEM	AMOUNT	TYPE OF COST
1) "Cost of goods sold"	86	early retirement incentives
2) "Distribution expenses"	164	early retirement incentives
3) "Other expenses"	(399)	release of other provisions
TOTAL NON-RECURRING COSTS/(REVENUES)	(149)	

Extraordinary revenues, equal to €399 thousand, referred to the release to the income statement of the surplus of the provision allocated in 2014 for a probable tax liability related to one of the Group's foreign companies.

As at 30 September 2016, depreciation and amortisation due to acquisitions (totalling €3,656 thousand) broke down as follows:

	nine months ended		
	30.09.2016	30.09.2015	Change
Acquisition of the PSC group (on 30 November 2006)	1,361	1,877	(516)
Acquisition of Informatics Inc. (on 28 February 2005)	0	120	(120)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	471	471	0
Acquisition of Accu-Sort Inc. (on 20 January 2012)	1,824	1,827	(3)
TOTAL	3,656	4,295	(639)

EBITDA reported a 25.5% growth, achieving €66,639 thousand, compared to €53,078 thousand of the first nine months of 2015 (+25.7% at constant Euro/Dollar exchange rate). The impact on revenues (EBITDA margin) grew by over 2 percentage points, from 13.6% of the first nine months of 2015, to 15.8%.

The “Ordinary operating result” (EBITANR) was €56,257 thousand (13.3% of revenues) and up by 28.4% over the amount reported for the same period of the previous year (€43,812 thousand).

The **Operating Result (EBIT)** increased by 38.5% and amounted to €52,750 thousand, compared to €38,089 thousand (+38.7% at constant exchange rates).

Group net profit amounted to €40,882 thousand, 34.4% higher than the profit obtained in the same period of the previous year, equal to €30,423 thousand.

The next table compares the main operating results achieved in the third quarter of 2016 with the same period in 2015 and the second quarter of 2016.

	QIII 2016		QIII 2015		change	% change
TOTAL REVENUES	139,911	100.0%	133,810	100.0%	6,101	4.6%
EBITDA	21,682	15.5%	18,752	14.0%	2,930	15.6%
ORDINARY OPERATING RESULT (EBITANR) (*)	18,137	13.0%	15,478	11.6%	2,659	17.2%
OPERATING RESULT (EBIT)	17,437	12.5%	13,404	10.0%	4,033	30.1%

(*) see definition on page 4

	QIII 2016		QII 2016		change	% change
TOTAL REVENUES	139,911	100.0%	146,489	100.0%	(6,578)	-4.5%
EBITDA	21,682	15.5%	26,137	17.8%	(4,455)	-17.0%
ORDINARY OPERATING RESULT (EBITANR) (*)	18,137	13.0%	22,676	15.5%	(4,539)	-20.0%
OPERATING RESULT (EBIT)	17,437	12.5%	21,103	14.4%	(3,666)	-17.4%

Revenues earned from sales in the third quarter of the year stood at €139,911 thousand, up by 4.6% compared to the third quarter of 2015 (revenues at constant exchange rates: +4.8%) and down by 4.5% compared to the second quarter of 2016. This confirmed the positive performance of the Group, despite the seasonal effect, which characterizes this period of the year and the political uncertainties in the United States.

The booking (already acquired orders) for the quarter was still remarkable and equal to €138.1 million, up by 3.5% compared to the third quarter of 2015.

The impact on turnover of new products over the third quarter of 2016 amounted to 20.4%, compared to 27.4% of the second quarter.

EBITDA was equal to €21,682 thousand, up by 15.6% compared to the third quarter of 2015, and down by 17% compared to the second quarter of the year, which benefited from a stronger growth in revenues and the postponement of some R&D costs.

COMMENTS ON FINANCIAL RESULTS OF DIVISIONS

	Revenues			EBITDA*		
	9M 2016	9M 2015	% change	9M 2016	9M 2015	% change
Datalogic ADC	292,689	267,731	9.3%	71,855	59,827	20.1%
Datalogic IA	112,869	103,389	9.2%	6,971	4,602	51.5%
Informatics	18,559	22,060	-15.9%	(939)	340	n.a.
Datalogic S.p.A.	28,889	21,552	34.0%	9,538	(3,027)	n.a.
Adjustments	(31,253)	(23,437)	33.3%	(20,786)	(8,664)	139.9%
Total	421,753	391,295	7.8%	66,639	53,078	25.5%

(*) 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.

The **ADC Division** (Automatic Data Capture), specialised in the manufacture of fixed bar code readers for the retail market, manual readers and mobile computer for warehouse management, recorded a turnover of €292.7 million, 9.3% increase (+9.4% at constant Euro/Dollar exchange rate), compared to the first nine months of 2015 and of €97.9 million in the third quarter, up by 8.4% (+8.6% at constant Euro/Dollar exchange rate), compared to the third quarter of 2015. In the first nine months, the double digit growth trend continued in the North and South America area, driven by the sale of both imaging technology bench scanners and mobile computers.

EBITDA increased by 20.1%%, totalling €71.9 million, with 24.6% margins, up by 2.3 percentage points compared to 22.3% recorded in the same period of the previous year, thus confirming the excellent performance of the Division thanks to the improvement of the operating leverage and the reduction in costs.

The **Industrial Automation Division**, specialised in the production of automatic identification systems, security, detection and marking for the Industrial Automation market, reported a turnover of €112.9 million, 9.2% increase compared to the first nine months of 2015 (unchanged increase at constant Euro/Dollar exchange rate) and a turnover of €37.2 million in the third quarter of 2016, highlighting a slight growth compared to the third quarter of 2015. Excluding the results of the Systems Business Unit, which underwent a spin off on 1 October, revenues from the Division increased by 5.4%, to €99.1 million (unchanged increase at constant Euro/Dollar exchange rate).

As regards revenues, a double-digit growth was reported in Europe thanks to a very positive performance of bar code readers for industrial applications and security barriers.

EBITDA grew by 51.5%, to €7 million, with 6.2% margins (8.3% excluding results of the Systems BU), up by 1.7 percentage points compared to 4.5% recorded in the first months of 2015.

Informatics reported a turnover of €18.6 million compared with €22.1 million in the first nine months of 2015 (-15.9%). This trend is affected by the recent organizational changes of the passage to a new business model, focused on long-term services.

PERFORMANCE BY GEOGRAPHICAL AREA

As regards the geographical areas, the first nine months of the year witnessed a very positive performance of sales on the European market, including Italy, which confirmed to be the driver of growth, with revenues of

€216.2 million (+9.5%). The North American market reported a higher growth compared to the market, with 8.0% increase, equal to €126.4 million.

	Nine months ended		Change	% Change
	30.09.2016	30.09.2015		
Revenues in Italy	36,752	34,734	2,018	5.8%
Revenues in Europe	179,412	162,673	16,739	10.3%
Revenues in North America	126,393	117,077	9,316	8.0%
Revenues in Asia & Pacific	51,442	52,775	(1,333)	-2.5%
Revenues in Rest of the World	27,754	24,036	3,718	15.5%
Total Revenues	421,753	391,295	30,458	7.8%

ANALYSIS OF FINANCIAL AND CAPITAL DATA

The following table shows the main financial and equity items as at 30 September 2016, for the Datalogic Group, compared with 31 December 2015 and 30 September 2015.

(in €/000)	30.09.2016	31.12.2015	30.09.2015
Net intangible assets	50,777	56,547	55,837
Goodwill	178,597	183,020	177,945
Net tangible assets	67,488	68,384	63,047
Unconsolidated equity investments	6,088	6,607	5,196
Other non-current assets	51,766	49,288	47,734
Non-current capital	354,716	363,846	349,759
Net trade receivables from customers	72,626	68,765	67,536
Amounts due to suppliers	(86,714)	(101,711)	(77,830)
Inventories	90,399	69,477	69,058
Net working capital, trading	76,311	36,531	58,764
Other current assets	36,147	28,643	36,768
Other current liabilities and provisions for short term risks	(68,763)	(61,025)	(63,513)
Net working capital	43,695	4,149	32,019
Other M/L term liabilities	(26,055)	(26,773)	(26,209)
Liabilities for employee benefits/Severance Indemnity	(6,661)	(6,814)	(6,818)
Provisions for risks	(10,469)	(15,187)	(14,016)
Net invested capital	355,226	319,221	334,735
Total Shareholders' Equity	(317,649)	(298,260)	(279,936)
Net financial position	(37,577)	(20,961)	(54,799)

As at 30 September 2016, the net working capital in the trading segment amounted to €76,311 thousand, up by €39,780 thousand, compared to 31 December 2015, and by €17,547 thousand compared to the same period in the previous year (€58,764 thousand).

The increase in this item, compared to 31 December 2015, is primarily attributable to the increase in inventories, equal to €20,922 thousand.

As at 30 September 2016, the net financial position is broken down as follows:

	30.09.2016	31.12.2015	30.09.2015
A. Cash and bank deposits	76,499	126,166	93,121
B. Other cash and cash equivalents	46	46	41
<i>b1. restricted cash deposit</i>	46	46	41
C. Securities held for trading	0	361	361
<i>c1. Short-term</i>	0	0	0
<i>c2. Long-term</i>	0	361	361
D. Cash and equivalents (A) + (B) + (C)	76,545	126,573	93,523
E. Current financial receivables	0	0	1,100
F. Other current financial receivables	0	0	0
<i>f1. hedging transactions</i>	0	0	0
G. Bank overdrafts	193	45	46
H. Current portion of non-current debt	24,196	32,973	25,967
I. Other current financial payables	2,992	6,355	5,136
<i>i1. hedging transactions</i>	0	6	41
<i>i2. payables for leasing</i>	269	260	256
<i>i3. current financial payables</i>	2,723	6,089	4,839
J. Current financial debt (G) + (H) + (I)	27,381	39,373	31,149
K. Current financial debt, net (J) - (D) - (E) - (F)	(49,164)	(87,200)	(63,474)
L. Non-current bank borrowing	118,349	139,639	149,594
M. Other non-current financial assets	31,716	31,872	31,780
N. Other non-current liabilities	108	394	459
<i>n1. hedging transactions</i>	56	115	107
<i>n2. payables for leasing</i>	52	279	352
O. Non-current financial debt (L) - (M) + (N)	86,741	108,161	118,273
P. Net financial debt (K) + (O)	37,577	20,961	54,799

Net financial debt as at 30 September 2016 stood at €37,577 thousand, compared with €20,961 thousand as at 31 December 2015 and €54,799 thousand as at 30 September 2015.

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

- payment of dividends of €14,543 thousand;
- cash outflows for leaving incentives for managers, amounting to €4,744 thousand;
 - payments related to leaving incentives totalling €772 thousand (related to costs allocated in 2015);
- purchase of treasury shares (no. 27,619), which generated a negative cash flow amounting to €368 thousand.

Investments were also made, amounting to €9,185 thousand.

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

	30 September 2016		31 December 2015	
	Total equity	Period results	Total equity	Period results
Parent Company shareholders' equity and profit	280,517	48,414	250,417	27,474
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	100,645	49,516	108,261	76,703
Reversal of dividends		(53,387)		(63,097)
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	(15,397)	(4,134)	(11,826)	(244)
Reversal of write-downs and capital gains on equity investments	6,121		6,121	
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,046)	84	(1,133)	(324)
Deferred taxes	4,436	389	4,047	35
Group shareholders' equity	317,649	40,882	298,260	40,547

FINANCIAL INCOME (EXPENSES)

	nine months ended		
	30.09.2016	30.09.2015	Change
Financial income/(expenses)	(1,296)	(1,812)	516
Foreign exchange differences	(548)	2,387	(2,935)
Bank expenses	(1,340)	(2,578)	1,238
Other	33	440	(407)
Total Net financial income (expenses)	(3,151)	(1,563)	(1,588)

Financial income was negative by €3,151 thousand, compared to a negative result of €1,563 thousand related to the same period of the previous year, mainly due to a more unfavourable trend of Foreign exchange differences, which reported a negative increase of €2,935 thousand, while bank fees decreased by €1,238 thousand.

The item "Financial income/(expenses)" improved by €516 thousand, mainly due to the entering of a new loan agreement with a pool of banks for the amount of €140 million on 24 February 2015 and the redemption, at the same time, of previous loans amounting to €126 million. This transaction allowed for an increase in the average life of the financial debt and the reduction in the related charges.

The item "Bank expenses" (improved by €1,238 thousand), also includes:

- the portion pertaining to the upfront fees period, paid upon opening of long-term loans, in the amount of €151 thousand, (€1,374 thousand as at 30 September 2015, of which €1,250 thousand connected with the early redemption of some long-term loans);
- factoring costs, amounting to €443 thousand (€608 thousand as at 30 September 2015), related to commissions without recourse.

Losses generated by companies carried at equity were recognised in the amount of €466 thousand (compared with profits of €40 thousand as at 30 September 2015).

EVENTS OCCURRING AFTER THE END OF THE FIRST NINE MONTHS OF THE YEAR AND OTHER DISCLOSURES

The spin off of the Systems Business Unit became effective on 1 October 2016. This operation envisaged the establishment, by Datalogic Automation Inc. (US subsidiary of the Company), of a newco - Solution Net Systems, Inc., headquartered in Quakertown, Pennsylvania (USA) - to which all assets related to the Systems BU were conferred. Since that date, Solution Net Systems, Inc. will therefore supply all customers of the Datalogic Group with the integrated solutions of automated distribution for the postal and retail segments that were previously supplied by the Systems BU of the Industrial Automation Division.

On 18 October 2016, Mr. Alessandro D'Aniello was appointed new Group CCFO and Manager in charge of drawing up the Company's accounting statements of the Datalogic Group.

During the quarter, a project aimed at focusing on all customer-oriented corporate processes of the Datalogic Group was started, with the aim of rendering the Company even more Customer Driven. As a result, all customers will be able to benefit from the utmost quality in terms of product and effectiveness of the services offered. This project is expected to render the corporate structure of the Datalogic Group more effective, thus improving Customer Satisfaction. The so-called "go live" of the Project is approximately scheduled on 1 January 2017.

OUTLOOK FOR CURRENT YEAR

The results of the first nine months of the year confirm the positive trend of the Group. In particular, the ADC Division continues to highlight a strong growth of bench scanners and mobile computers in all geographical areas. The Industrial Automation Division benefits from a growth beyond all expectations in Europe, albeit it is affected by the still slow trend of the American market.

Significant investments are still made in R&D, already 8.7% on turnover. Innovation confirmed to be a key pillar for Datalogic's future, rewarded by the growth in turnover resulting from new products.

The positive performance of booking, over the first nine months of the year, as well as the traditional positive trend of the last quarter, make us confident that the year will end with revenues substantially in line with the trend growth of the first nine months.

SECONDARY LOCATIONS

The Parent Company has no secondary locations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Euro/000)	Note	30.09.2016	31.12.2015
A) Non-current assets (1+2+3+4+5+6+7)		386.432	396.079
1) Tangible assets		67.488	68.384
land	1	6.561	5.763
buildings	1	31.398	32.299
other assets	1	27.065	28.029
assets in progress and payments on account	1	2.464	2.293
2) Intangible assets		229.374	239.567
goodwill	2	178.597	183.020
development costs	2	4.651	5.349
other	2	42.321	47.829
assets in progress and payments on account	2	3.805	3.369
3) Equity investments in associates	3	2.066	2.532
4) Financial assets		34.657	35.168
equity investments	5	4.022	4.075
securities	5	0	361
other	5	30.635	30.732
5) Loans	5	1.081	1.140
6) Trade and other receivables	7	2.032	1.929
7) Deferred tax assets	13	49.734	47.359
B) Current assets (8+9+10+11+12+13+14)		275.717	293.097
8) Inventories		90.399	69.477
raw and ancillary materials and consumables	8	19.048	18.056
work in progress and semi-finished products	8	35.672	24.409
finished products and goods	8	35.679	27.012
9) Trade and other receivables	7	87.936	82.345
trade receivables	7	72.626	68.765
trade receivables from third parties	7	71.860	67.309
<i>trade receivables from associates</i>	7	766	1.447
<i>trade receivables from related parties</i>	7		9
other receivables - accrued income and prepaid expenses	7	15.310	13.580
<i>of which from related parties</i>		75	75
10) Tax receivables	9	20.837	15.063
<i>of which to the parent company</i>		8.921	7.383
11) Financial assets	5	0	0
12) Loans		0	0
13) Financial assets - Derivative instruments	6	0	0
14) Cash and cash equivalents	10	76.545	126.212
Total assets (A+B)		662.149	689.176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES (Euro/000)	Note	30.09.2016	31.12.2015
A) Total shareholders' equity (1+2+3+4+5)	11	317.649	298.260
1) Share capital	11	146.291	146.659
2) Reserves	11	29.036	35.618
3) Profits (losses) of previous years	11	101.440	75.436
4) Group profit (loss) for the period/year	11	40.882	40.547
5) Minority interests	11	0	0
B) Non-current liabilities (6+7+8+9+10+11+12)		161.642	188.807
6) Financial payables	12	118.401	139.918
7) Financial liabilities - Derivative instruments	6	56	115
8) Tax payables	9	41	52
9) Deferred tax liabilities	13	22.082	23.172
10) Post-employment benefits	14	6.661	6.814
11) Provisions for risks and charges	15	10.469	15.187
12) Other liabilities	16	3.932	3.549
C) Current liabilities (13+14+15+16+17)		182.858	202.109
13) Trade and other payables	16	130.449	143.818
trade payables	16	86.714	101.711
trade payables to third parties	16	86.149	101.468
<i>trade payables to parent company</i>	16		
<i>trade payables to associates</i>	16	6	84
<i>trade payables to related parties</i>	16	559	159
other payables - accrued liabilities and deferred income	16	43.735	42.107
14) Tax payables	9	15.780	10.577
<i>of which to the parent company</i>		8.910	4.781
15) Provisions for risks and charges	15	9.248	8.341
16) Financial liabilities - Derivative instruments	6		6
17) Financial payables	12	27.381	39.367
Total liabilities (A+B+C)		662.149	689.176

CONSOLIDATED STATEMENT OF INCOME

(Euro /000)	Note	30.09.2016	30.09.2015
1) Total revenues	17	421.753	391.295
Revenues from sale of products		399.321	372.356
Revenues from services		22.432	18.939
<i>of which from related parties</i>		4.218	3.988
2) Cost of goods sold	18	227.355	208.785
of which non-recurring	18	86	239
<i>of which from related parties</i>		243	242
Gross profit (1-2)		194.398	182.510
3) Other operating revenues	19	2.321	1.483
4) R&D expenses	18	36.715	34.935
of which non-recurring	18	0	92
of which amortisation, depreciation and write-downs pertaining to acquisitions		79	79
<i>of which from related parties</i>	18	8	4
5) Distribution expenses	18	75.056	75.212
of which non-recurring	18	164	454
<i>of which from related parties</i>		72	54
6) General and administrative expenses	18	31.450	33.915
of which non-recurring	18		643
of which amortisation, depreciation and write-downs pertaining to acquisitions	18	3.577	4.216
<i>of which from related parties</i>		1.052	661
7) Other operating expenses	18	748	1.842
of which non-recurring		(399)	0
<i>of which from related parties</i>	18	0	4
Total operating costs		143.969	145.904
Operating result		52.750	38.089
8) Financial income	20	12.769	27.281
9) Financial expenses	20	15.920	28.844
Net financial income (expenses) (8-9)		(3.151)	(1.563)
10) Profits from associates	3	(466)	40
Profit (loss) before taxes from the operating assets		49.133	36.566
Income tax	21	8.251	6.143
Profit/(loss) for the period		40.882	30.423
Basic earnings/(loss) per share (€)	22	0,7026	0,5228
Diluted earnings/(loss) per share (€)	22	0,7026	0,5228

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Euro /000)	Note	30.09.2016	30.09.2015
Net profit/(loss) for the period		40.882	30.423
Other components of the statement of comprehensive income:			
<i>Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:</i>			
Profit/(loss) on cash flow hedges	11	49	83
Profit/(loss) due to translation of the accounts of foreign companies	11	(4.062)	15.473
Profit (loss) on exchange rate adjustments for financial assets available for sale	11	(587)	(266)
Reserve for exchange rate adjustment	11	(1.982)	4.234
Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year		(6.582)	19.524
Total net profit/(loss) for the period		34.300	49.947
Attributable to:			
Parent company shareholders		34.300	49.947
Minority interests		0	0

CONSOLIDATED STATEMENT OF CASH FLOW

(Euro /000)	Note	30.09.2016	30.09.2015
Pre-tax profit		49.133	36.566
Depreciation of tangible assets and write-downs	1, 2	6.629	5.773
Amortisation of intangible assets and write-downs	1, 2	7.409	7.788
Capital losses from sale of assets	18	5	5
Capital gains from sale of assets	19	(132)	(42)
Change in provisions for risks and charges	15	(3.811)	2.521
Change in employee benefits reserve	14	(153)	(383)
Bad debt provisions	18	78	90
Net financial expenses including exchange rate differences	20	3.039	4.531
Net financial income including exchange rate differences	20	(436)	(581)
Foreign exchange differences	20	548	(2.387)
Adjustments to value of financial assets	3	466	(40)
Cash flow from operations before changes in working capital		62.775	53.841
Change in trade receivables (including provision)	7	(3.939)	2.558
Change in final inventories	8	(20.922)	(6.642)
Change in current assets	7	(1.730)	(432)
Change in other medium-/long-term assets	7	(103)	(122)
Change in trade payables	16	(14.997)	(14.337)
Change in other current liabilities	16	1.628	928
Other medium/long-term liabilities	16	383	31
Commercial foreign exchange differences	20	(308)	(2.365)
Foreign exchange effect of working capital		566	(335)
Cash flow from operations after changes in working capital		23.353	33.125
Change in tax		(12.298)	(9.944)
Foreign exchange effect of tax		(528)	1.329
Interest paid and banking expenses	20	(2.603)	(3.950)
Cash flow generated from operations (A)		7.924	20.560
Increase in intangible assets excluding exchange rate effect	2	(2.738)	(2.530)
Decrease in intangible assets excluding exchange rate effect	2	132	33
Increase in tangible assets excluding exchange rate effect	1	(6.582)	(11.511)
Decrease in tangible assets excluding exchange rate effect	1	130	905
Change in unconsolidated equity investments	5	53	133
Changes generated by investment activity (B)		(9.005)	(12.970)
Change in LT/ST financial receivables	5	563	(9.237)
Change in short-term and medium-/long-term financial debt	12, 6	(33.523)	15.541
Financial foreign exchange differences	20	(240)	4.752
Purchase/sale of treasury shares	11	(368)	(831)
Changes in reserves	11	(538)	(183)
Exchange rate effect of financial assets/liabilities, equity and tangible and intangible assets	11, 1, 2	154	62
Dividend payment	11	(14.543)	(10.471)
Cash flow generated (absorbed) by financial assets (C)		(48.495)	(367)
Net increase (decrease) in available cash (A+B+C)	10	(49.576)	7.223
Net cash and cash equivalents at beginning of period (Note 10)	10	126.121	85.852
Net cash and cash equivalents at end of period (Note 10)	10	76.545	93.075

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income					Profit for prior periods							
	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
01.01.2015	147.490	(190)	2.702	5.542	(378)	218	7.894	40.674	958	4.735	8.683	55.050	30.857	241.291
Allocation of earnings	0						0	29.675		1.182		30.857	(30.857)	0
Dividends			0				0	(10.471)				(10.471)		(10.471)
Translation reserve	0						0					0		0
Change in IAS reserve	0						0					0		0
Sale/purchase of treasury shares	(831)						0					0		(831)
Other changes							0					0		0
Profit/(loss) as at 30.09.2015	0						0					0	30.423	30.423
Total other components of the statement of comprehensive income		83	15.473	4.234		(266)	19.524					0		19.524
30.09.2015	146.659	(107)	18.175	9.776	(378)	(48)	27.418	59.878	958	5.917	8.683	75.436	30.423	279.936

Description	Share capital and capital reserves	Reserves of Statement of Comprehensive Income					Profit for prior periods							
	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	40.386		161		40.547	(40.547)	0
Dividends			0				0	(14.543)				(14.543)		(14.543)
Translation reserve	0						0					0		0
Change in IAS reserve	0						0					0		0
Sale/purchase of treasury shares	(368)						0					0		(368)
Other changes							0					0		0
Profit/(loss) as at 30.09.2016	0						0					0	40.882	40.882
Total other components of the statement of comprehensive income		49	(4.062)	(1.982)		(587)	(6.582)					0		(6.582)
30.09.2016	146.291	(43)	18.106	11.422	(371)	(78)	29.036	85.721	958	6.078	8.683	101.440	40.882	317.649

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

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

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

This Interim report on operations as at 30 September 2016 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 30 September 2016 of the Datalogic Group was authorised by resolution of the Board of Directors dated 11 November 2016.

PRESENTATION AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

This Interim report on operations as at 30 September 2016 was prepared pursuant to Article 154 ter of the 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 2015 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 30 September 2016 are as follows:

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	280,517	48,414	
Datalogic Real Estate France Sa	Paris – France	Euro	2,227,500	3,506	(11)	100%
Datalogic Real Estate Germany GmbH	Erkenbrechtsweiler-Germany	Euro	1,025,000	1,424	(90)	100%
Datalogic Real Estate UK Ltd	Redbourn- England	GBP	3,500,000	4,380	68	100%
Datalogic IP Tech S.r.l.	Bologna – Italy	Euro	65,677	1,774	2,719	100%
Informatics Inc.	Plano Texas - Usa	\$USA	9,996,000	16,100	(839)	100%
Datalogic Automation S.r.l.	Monte San Pietro (BO) - Italy	Euro	10,000,000	16,013	2,752	100%
Datalogic Automation Inc.	Telford, USA	\$USA	6,009,352	26,968	(6,736)	100%
Datalogic Automation PTY Ltd	Mount Waverley (Melbourne)-Australia	\$AUD	3,188,118	(155)	0	100%
Datalogic Automation Asia Limited	Hong-Kong -China	HKD	7,000,000	(402)	36	100%
Datalogic (Shenzhen) Trading Business China	Shenzhen - China	CNY	2,136,696	999	30	100%
Datalogic Hungary kft	Fonyod-Hungary	HUF	3,000,000	3,460	2,546	100%
Datalogic S.r.l. (*)	Bologna – Italy	Euro	10,000	149,225	14,511	100%
Datalogic Mobile Asia	Hong-Kong -China	HKD	100,000	119	9	100%
Datalogic Slovakia S.r.o.	Trnava-Slovakia	Euro	66,388	3,213	3,138	100%
Datalogic Holdings Inc.	Eugene OR-Usa	\$USA	100	87,749	(1,600)	100%
Datalogic ADC Inc.	Eugene OR-Usa	\$USA	11	98,670	5,345	100%
Datalogic ADC do Brazil	Sao Paulo - Brazil	R\$	159,525	(1,943)	(404)	100%
Datalogic ADC Mexico	Colonia Cuauhtemoc-Mexico	\$USA	-	55	33	100%
Datalogic Scanning Eastern Europe GmbH	Darmstadt-Germany	Euro	25,000	4,531	210	100%
Datalogic ADC PTY	Sidney-Australia	\$ AUD	2	1,298	63	100%
Datalogic Vietnam LLC	Vietnam	USD	3,000,000	56,667	28,783	100%
Datalogic ADC Singapore	Singapore	SGD	100,000	1,079	312	100%

(*) On 28 September 2016, the company changed its name from Datalogic ADC S.r.l. to Datalogic S.r.l.

The following companies were consolidated at equity as at 30 September 2016:

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	2,880	(932)	50%

Change in scope of consolidation

During the first nine months of 2016, no changes occurred in the consolidation area.

INFORMATION ON STATEMENT OF FINANCIAL POSITION

ASSETS

Note 1. Tangible assets

Details of movements as at 30 September 2016 and 31 December 2015 are as follows:

	30.09.2016	31.12.2015	Change
Land	6,561	5,763	798
Buildings	31,398	32,299	(901)
Other assets	27,065	28,029	(964)
Assets in progress and payments on account	2,464	2,293	171
Total	67,488	68,384	(896)

The “Other assets” item as at 30 September 2016 mainly includes the following categories: Industrial equipment and moulds (€8,786 thousand), Plant and machinery (€8,036 thousand), Office furniture and machines (€5,988 thousand), Maintenance on third-party assets (€1,608 thousand), General plants (€2,083 thousand), Motor vehicles (€116 thousand) and Commercial equipment and demo room (€354 thousand).

The main increases for the period related to the purchase of moulds (€1,112 thousand), land (€ 983 thousand) and office and electronic machines (€ 920 thousand).

Divestments in item “Other assets” mainly relate to the scrapping of assets that are entirely depreciated and no longer used.

The balance of “Assets in progress and payments on account”, equal to €2,464 thousand, consists of €1,032 thousand for ameliorations 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 30 September 2016 and 31 December 2015 are as follows:

	30.09.2016	31.12.2015	Change
Goodwill	178,597	183,020	(4,423)
Development costs	4,651	5,349	(698)
Others	42,321	47,829	(5,508)
Assets in progress and payments on account	3,805	3,369	436
Total	229,374	239,567	(10,193)

“Goodwill”, totalling €178,597 thousand, consisted of the following items:

	30.09.2016	31.12.2015	Change
CGU ADC	103,361	105,829	(2,468)
CGU IA	61,683	63,366	(1,683)
CGU Informatics	13,553	13,825	(272)
Total	178,597	183,020	(4,423)

The change in “Goodwill”, compared to 31 December 2015, is mainly attributable to translation differences.

Goodwill has been allocated to the CGUs (cash generating units) corresponding to the individual companies and/or sub-groups to which they pertain.

As highlighted in the paragraph included in the section on accounting standards and policies used in the financial statements for the year ended 31 December 2015, to which reference should be made, in compliance with IFRS 3, goodwill has not been amortised since 1 January 2004 and is tested for impairment each year unless evidence of impairment suggests the need for more frequent testing. The estimated recoverable value of each Cash Generating Unit (CGU), associated with each goodwill item measured, consists of its corresponding value in use.

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

As at 30 September 2016, the assumptions used for the business plan, on which the impairment test was based as at 31 December 2015, were still valid and no impairment indicators were reported.

“**Development costs**”, amounting to €4,651 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 development of products featuring significant innovation.

The “**Others**” item, which amounts to €42,321 thousand, consists primarily of intangible assets acquired through business combinations carried out by the Group, which are specifically identified and valued in the context of purchase accounting. Details are shown in the following table:

	30.09.2016	31.12.2015	Useful life
Acquisition of the PSC group (on 30 November 2006)	16,767	18,582	
<i>PATENTS</i>	16,767	18,582	20
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	2,353	2,895	
<i>PATENTS</i>	392	482	10
<i>TRADE SECRETS</i>	1,961	2,413	10
Acquisition of Accu-Sort Inc. (on 20 January 2012)	13,523	15,734	
<i>PATENTS</i>	7,998	9,305	10
<i>TRADE SECRETS</i>	5,525	6,429	10
Licence agreement	4,660	5,800	5-15
Other	5,019	4,818	
TOTAL OTHER INTANGIBLE ASSETS	42,321	47,829	

The “Others” item mainly consists of software licences.

The “Assets in progress and payments on account” item, equal to €3,805 thousand, is attributable, in the amount of €3,034 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 €571 thousand, to software implementations that are not yet completed.

Note 3. Equity investments in associates

Equity investments owned by the Group as at 30 September 2016 were as follows:

	31.12.2015	Increases	Decreases	Exchange rate diff.	Share of profit	30.09.2016
Associates						
Laservall Asia CO. Ltd	1,906				(466)	1,440
CAEN RFID Srl	550					550
Datalogic Automation AB	2					2
Specialvideo Srl	29					29
Datasensor GMBH	45					45
Total Associates	2,532	0	0	0	(466)	2,066
TOTAL	2,532	0	0	0	(466)	2,066

The change in the “associates” item is due to the Group result realised by the associate Laservall Asia Co., measured by using the Equity method.

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:

30.09.2016	Loans and receivables	Financial assets at fair value charged to the income statement	Available for sale	Total
Non-current financial assets	3,113	30,635	4,022	37,770
Financial assets - Equity investments (5)			4,022	4,022
Financial assets - Loans (5)	1,081			1,081
Financial assets - Other (5)		30,635		30,635
Other receivables (7)	2,032			2,032
Current financial assets	163,640	0	0	163,640
Trade receivables from third parties (7)	71,860			71,860
Other receivables from third parties (7)	15,235			15,235
Cash and cash equivalents (10)	76,545			76,545
TOTAL	166,753	30,635	4,022	201,410

30.09.2016	Derivatives	Other financial liabilities	Total
Non-current financial liabilities	56	122,333	122,389
Financial payables (12)		118,401	118,401
Financial liabilities - Derivative instruments (6)	56		56
Other payables (16)		3,932	3,932
Current financial liabilities	0	157,265	157,265
Trade payables to third parties (16)		86,149	86,149
Other payables (16)		43,735	43,735
Short-term financial payables (12)		27,381	27,381
TOTAL	56	279,598	279,654

Fair value – hierarchy

The Group measures at fair value all financial instruments such as derivatives and financial assets at each annual reporting date.

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, as provided for by IFRS 13, and described hereunder:

Level 1: market prices

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

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

30.09.2016	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets - Equity investments (5)	3,945		77	4,022
Financial assets - Other LTs (5)	9,638	20,997		30,635
Financial assets - Loans (5)	0		1,081	1,081
Total Assets measured at fair value	13,583	20,997	1,158	35,738
Liabilities measured at fair value				
Financial liabilities - LT derivative instruments (6)		56		56
Total Liabilities measured at fair value	0	56	0	56

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

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

	30.09.2016	31.12.2015	Change
Other equity investments	4,022	4,075	(53)
Long-term government bonds	0	361	(361)
Other long-term financial assets	30,635	30,732	(97)
Total Other long-term financial assets	34,657	35,168	(511)
Long-term loans	1,081	1,140	(59)
Total Financial assets	35,738	36,308	(570)

As at 30 September 2016, equity investments held by the Group in other companies were as follows:

	31.12.2015	Increases	Decreases	Adj. to fair value	Adjustment on exchange rates	30.09.2016
Listed equity investments	3,998			(594)	541	3,945
Unlisted equity investments	77	0	0	0	0	77
Total Equity investments	4,075	0	0	(594)	541	4,022

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.

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. Derivatives

	30.09.2016		31.12.2015	
	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	56	0	115
Interest rate derivatives - ST cash flow hedges	0	0	0	6
Total	0	56	0	121

Interest rate derivatives

The Group has entered into interest rate derivative contracts to manage the risk stemming from changes in interest rates on bank borrowings, converting them from variable to fixed-rate via interest rate swaps having the same amortisation plan as the hedged underlying asset. As envisaged by IAS 39, the fair value of these contracts, totalling €56 thousand, is recognised in a specific equity reserve net of the tax effect, because they hedge future cash flows and meet all IAS 39 requirements for the application of hedge accounting.

As at 30 September 2016, the notional principal of interest swaps totalled €4,500 thousand (€7,875 thousand as at 31 December 2015).

Currency derivatives

As at 30 September 2016, the Group had no active forward contracts for exchange rate risk.

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

	30.09.2016	31.12.2015	Change
Third-party trade receivables	73,122	68,492	4,630
Less provision for doubtful receivables	1,262	1,183	79
Net third-party trade receivables	71,860	67,309	4,551
Receivables from associates	766	1,456	(690)
Laservall Asia	79	541	(462)
Aczon		9	(9)
Datasensor GMBH	73	88	(15)
Specialvideo		1	(1)
Datalogic Automation AB	614	817	(203)
Total Trade receivables	72,626	68,765	3,861
Other receivables - current accrued income and prepaid expenses	15,310	13,580	1,730
Other receivables - non-current accrued income and prepaid expenses	2,032	1,929	103
Total Other receivables - accrued income and prepaid expenses	17,342	15,509	1,833
Less non-current portion	2,032	1,929	103
Trade and other receivables - current portion	87,936	82,345	5,591

Trade receivables

“Trade receivables falling due within 12 months” as at 30 September 2016 are equal to €72,626 thousand, up by 5.6% by comparison with 31 December 2015.

As at 30 September 2016, trade receivables assigned to the factoring amounted to €21,944 thousand (compared to €26,180 thousand at the end of 2015).

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 €1,262 thousand (€1,183 thousand as at 31 December 2015).

Other receivables - accrued income and prepaid expenses

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

	30.09.2016	31.12.2015	Change
Other short-term receivables	2,235	2,848	(613)
Other long-term receivables	2,032	1,929	103
VAT receivables	9,741	8,369	1,372
Accrued income and prepaid expenses	3,334	2,363	971
Total	17,342	15,509	1,833

Note 8. Inventories

	30.09.2016	31.12.2015	Change
Raw and ancillary materials and consumables	19,048	18,056	992
Work in progress and semi-finished products	35,672	24,409	11,263
Finished products and goods	35,679	27,012	8,667
Total	90,399	69,477	20,922

Note 9. Tax receivables and tax payables

As at 30 September 2016, the “Tax receivables” item amounted to €20,837 thousand, up by €5,774 (€15,063 thousand as at 31 December 2015). This item includes the amount receivable from the Parent Company Hydra relating to the IRES (corporate tax) credit arising from participation in tax consolidation, equal to €8,921 thousand, up by €1,538 thousand (€7,383 thousand as at 31 December 2015).

As at 30 September 2016, the “Tax payables” item amounted to €15,780 thousand, up by €5,203 thousand (€10,577 thousand as at 31 December 2015). This item includes the amount payable to the Parent Company Hydra relating to the IRES (corporate tax) liability arising from participation in tax consolidation, equal to €8,910 thousand as at 30 September 2016 (€4,781 thousand as at 31 December 2015).

Note 10. Cash and cash equivalents

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

	30.09.2016	31.12.2015	Change
Cash and cash equivalents shown on financial statements	76,545	126,212	(49,667)
Restricted cash	(46)	(46)	(0)
Current account overdrafts	(193)	(45)	(148)
Cash and cash equivalents for statement	76,306	126,121	(49,815)

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

	30.09.2016	31.12.2015
A. Cash and bank deposits	76,499	126,166
B. Other cash and cash equivalents	46	46
<i>b1. restricted cash deposit</i>	46	46
C. Securities held for trading	0	361
<i>c1. Short-term</i>	0	0
<i>c2. Long-term</i>	0	361
D. Cash and equivalents (A) + (B) + (C)	76,545	126,573
E. Current financial receivables	0	0
F. Other current financial receivables	0	0
G. Bank overdrafts	193	45
H. Current portion of non-current debt	24,196	32,973
I. Other current financial payables	2,992	6,355
<i>i1. hedging transactions</i>	0	6
<i>i2. payables for leasing</i>	269	260
<i>i3. current financial payables</i>	2,723	6,089
J. Current financial debt (G) + (H) + (I)	27,381	39,373
K. Current financial debt, net (J) - (D) - (E) - (F)	(49,164)	(87,200)
L. Non-current bank borrowing	118,349	139,639
M. Other non-current financial assets	31,716	31,872
N. Other non-current liabilities	108	394
<i>n1. hedging transactions</i>	56	115
<i>n2. payables for leasing</i>	52	279
O. Non-current financial debt (L) - (M) + (N)	86,741	108,161
P. Net financial debt (K) + (O)	37,577	20,961

Net financial debt as at 30 September 2016 was negative by €37,577 thousand, a worsening €16,616 thousand compared to 31 December 2015 (€20,961 thousand).

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

- payment of dividends of €14,543 thousand;
- cash outflows for leaving incentives for managers, amounting to €4,744 thousand;
- payments related to leaving incentives totalling €772 thousand (related to costs allocated in 2015);
- purchase of treasury shares (no. 27,619), which generated a negative cash flow amounting to €368 thousand.

Investments were also made, amounting to €9,185 thousand.

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

Note 11. Shareholders' Equity

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

	30.09.2016	31.12.2015
Share capital	30,392	30,392
Extraordinary share-cancellation reserve	2,813	2,813
Treasury shares held in portfolio	4,120	4,488
Treasury share reserve	2,821	2,453
Share premium reserve	106,145	106,513
Share capital and capital reserves	146,291	146,659
Cash-flow hedge reserve	(43)	(92)
Translation reserve	18,106	22,168
Reserve for exchange rate adjustment	11,422	13,404
Actuarial gains/(losses) reserve	(371)	(371)
Held-for-sale financial assets reserve	(78)	509
Other reserves	29,036	35,618
Retained earnings	101,440	75,436
Earnings carried forward	85,721	59,878
Capital contribution reserve	958	958
Legal reserve	6,078	5,917
IAS reserve	8,683	8,683
Profit for the year	40,882	40,547
Total Group shareholders' equity	317,649	298,260

Share capital

Movements in share capital as at 30 September 2016 are reported below (in Euro '000):

	Number of shares	Share capital	Extraordinary share-cancellation reserve	Share premium reserve	Treasury shares	Treasury share reserve	Total
01.01.2016	58,171,881	30,392	2,813	4,488	2,453	106,513	146,659
Purchase of treasury shares	(27,619)			(367)	368	(368)	(367)
Costs for the purchase/sale of treasury shares				(1)		0	(1)
30.09.2016	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, a share-cancellation reserve was set aside for the amount of €2,813 thousand, through the use of the share premium reserve. Therefore, this reserve remained classified under item "Share Capital".

Ordinary shares

As at 30 September 2016, 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.

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 the nine months of 2016, the Group purchased 27,619 treasury shares for a total amount of € 368 thousand, accounted for excluding purchase costs (€ 1 thousand).

For these purchases, in accordance with Article 2357 of the Italian Civil Code, the Treasury share reserve, in the amount of €2,821 thousand, was made unavailable by using the Share premium reserve.

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 €56 thousand) and amounts are shown net of the tax effect (€13 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 Holdings Inc. For these loans no regulation and/or a 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 2 May 2016, the Ordinary Shareholders' Meeting of Datalogic S.p.A. decided to distribute an ordinary dividend of €0.25 per share (€0.18 in 2015). The overall dividends began to be paid starting from 11 May 2016 and had been paid in full by 30 September.

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

	30 September 2016		31 December 2015	
	Total equity	Period results	Total equity	Period results
<i>Parent Company shareholders' equity and profit</i>	280,517	48,414	250,417	27,474
Difference between consolidated companies' shareholders' equity and their carrying value in the Parent Company's financial statements; effect of equity-based valuation	100,645	49,516	108,261	76,703
Reversal of dividends		(53,387)		(63,097)
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	(15,397)	(4,134)	(11,826)	(244)
Reversal of write-downs and capital gains on equity investments	6,121		6,121	
Sale of know-how	(7)		(7)	
Goodwill impairment	(1,395)		(1,395)	
Other	(1,046)	84	(1,133)	(324)
Deferred taxes	4,436	389	4,047	35
<i>Group shareholders' equity</i>	317,649	40,882	298,260	40,547

Note 12. Financial payables

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

	30.09.2016	31.12.2015	Change
Long-term financial payables	118,401	139,918	(21,517)
Short-term financial payables	27,381	39,367	(11,986)
Total Financial payables	145,782	179,285	(33,503)

The breakdown of this item is as detailed below:

	30.09.2016	31.12.2015	Change
Bank loans	142,545	172,612	(30,067)
Other	0	80	(80)
Payables to factoring companies	2,723	6,009	(3,286)
Payables for leasing	321	539	(218)
Bank overdrafts (ordinary current accounts)	193	45	148
Total Financial payables	145,782	179,285	(33,503)

The breakdown of changes in the "Bank loans" item as at 30 September 2016 and 30 September 2015 is shown below:

	2016	2015
1 January	172,612	163,649
Foreign exchange differences	0	930
Increases	0	139,277
Repayments	(20,000)	(125,263)
Decreases for loan repayments	(10,067)	(3,032)
30 September	142,545	175,561

The decrease of the repayment mainly refers to the hot money in the amount of €20,000 thousand, in addition to repayments of loan instalments in the amount of €10,000 thousand.

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.

Assumptions used as at 31 December 2015 to evaluate the existence of conditions for a future recover of these assets are still valid.

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

	30.09.2016	31.12.2015	change
Deferred tax assets	49,734	47,359	2,375
Deferred tax liabilities	(22,082)	(23,172)	1,090
Net deferred taxes	27,652	24,187	3,465

The breakdown per company of deferred taxes is shown below:

	30.09.2016	31.12.2015	change
Datalogic Automation Inc.	14,164	10,756	3,408
Datalogic ADC Inc.	3,599	5,299	(1,700)
Datalogic Holding Inc.	7,005	5,849	1,156
Informatics Inc.	1,214	905	309
Datalogic S.p.A.	(5,395)	(6,621)	1,226
Datalogic IP Tech S.r.l.	3,221	4,549	(1,328)
Datalogic Automation S.r.l.	1,086	613	473
Datalogic ADC S.r.l.	(475)	(55)	(420)
Datalogic Slovakia Sro	1,204	903	301
Datalogic ADC do Brazil	336	464	(128)
Datalogic Scanning E.E.	(435)	(442)	7
Datalogic RE Germany GmbH	(75)	(75)	0
Datalogic RE France SaS	52	52	0
Datalogic RE Uk Ltd	103	121	(18)
Datalogic ADC VN	609	395	214
Datalogic ADC PTY	129	127	2
Datalogic ADC HK Ltd	(3)	(3)	0
Datalogic ADC Singapore	(9)	(9)	0
Total Net long-term deferred taxes	26,330	22,828	3,502
Deferred taxes recognised due to the consolidation entries	1,322	1,359	(37)
Total Net long-term deferred taxes	27,652	24,187	3,465

Note 14. Post-employment benefits

The breakdown of changes in the “Post-employment benefits” item as at 30 September 2016 and 30 September 2015 is shown below:

	2016	2015
1 January	6,814	7,201
Amount allocated in the period	1,322	1,173
Uses	(726)	(1,176)
Other movements	(157)	0
Social security receivables for the employee severance indemnity reserve	(592)	(380)
30 September	6,661	6,818

Note 15. Provisions for risks and charges

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

	30.09.2016	31.12.2015	Change
Short-term provisions for risks and charges	9,248	8,341	907
Long-term provisions for risks and charges	10,469	15,187	(4,718)
Total	19,717	23,528	(3,811)

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

	31.12.2015	Increases	(Uses) and (Releases)	Transfers	Exchange rate diff.	30.09.2016
Product warranty provision	9,775	858	0		(153)	10,480
Provision for management incentive scheme	8,441		(5,162)			3,279
“Stock rotation” provision	2,865	185	(94)		(36)	2,920
Other	2,447	2,110	(1,804)	275	10	3,038
Total Provisions for risks and charges	23,528	3,153	(7,060)	275	(179)	19,717

The “**Product warranty provision**” covers the estimated cost of repairing products sold as up to 30 September 2016 and covered by periodical warranty; it amounts to €10,480 thousand (of which €6,806 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 “**Stock rotation provision**”, equal to €2,920 thousand, is related to the ADC Group and Informatics.

The “**Other**” item, totalling €3,038 thousand, consisted of the following items:

- €1,559 thousand for a pending tax dispute related to some Group companies;
- €1,068 thousand for transactions in progress with employees;
- €332 thousand for agent termination indemnities.

Note 16. Trade and other payables

This table shows the details of trade and other payables:

	30.09.2016	31.12.2015	Change
Trade payables due within 12 months	86,149	101,468	(15,319)
Third-party trade payables	86,149	101,468	(15,319)
Payables to associates	6	84	(78)
<i>Laservall Asia</i>	6	82	(76)
<i>Datalogic Automation AB</i>	0	2	(2)
Payables to related parties	559	159	400
Total Trade payables	86,714	101,711	(14,997)
Other payables - current accrued liabilities and deferred income	43,735	42,107	1,628
Other payables - non-current accrued liabilities and deferred income	3,932	3,549	383
Total Other payables - accrued liabilities and deferred income	47,667	45,656	2,011
Less non-current portion	3,932	3,549	383
Current portion	130,449	143,818	(13,369)

Other payables – accrued liabilities and deferred income

The detailed breakdown of this item is as follows:

	30.09.2016	31.12.2015	Change
Other long-term payables	3,932	3,549	383
Other short-term payables:	22,638	21,398	1,240
Payables to employees	16,342	14,790	1,552
Payables to pension and social security agencies	4,316	4,813	(497)
Other payables	1,980	1,795	185
VAT liabilities	1,612	1,868	(256)
Accrued liabilities and deferred income	19,485	18,841	644
Total	47,667	45,656	2,011

Payables to employees are the amounts due for wages and salaries and holidays, accrued with respect to staff at reporting date. It is worth noting that this item includes €99 thousand related to the debt for the management incentive scheme related to re-organisation occurred in 2015.

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

INFORMATION ON THE STATEMENT OF INCOME

Note 17. Revenues

	Nine months ended		Change
	30.09.2016	30.09.2015	
Revenues from sale of products	399,321	372,356	26,965
Revenues from services	22,432	18,939	3,493
Total Revenues	421,753	391,295	30,458

Revenues earned from sales of goods and services increased by 7.8% compared to the same period of the previous year (7.9% at constant Euro/Dollar exchange rates).

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

	Nine months ended			% Change
	30.09.2016	30.09.2015	Change	
Revenues in Italy	36,752	34,734	2,018	5.8%
Revenues in Europe	179,412	162,673	16,739	10.3%
Revenues in North America	126,393	117,077	9,316	8.0%
Revenues in Asia & Pacific	51,442	52,775	(1,333)	-2.5%
Revenues in Rest of the World	27,754	24,036	3,718	15.5%
Total Revenues	421,753	391,295	30,458	7.8%

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.

	Nine months ended		Change
	30.09.2016	30.09.2015	
TOTAL COST OF GOODS SOLD (1)	227,355	208,785	18,570
<i>of which non-recurring</i>	86	239	(153)
TOTAL OPERATING COSTS (2)	143,969	145,904	(1,935)
Research and Development expenses	36,715	34,935	1,780
<i>of which non-recurring</i>	0	92	(92)
<i>of which amortisation, depreciation pertaining to acquisitions</i>	79	79	0
Distribution expenses	75,056	75,212	(156)
<i>of which non-recurring</i>	164	454	(290)
General and administrative expenses	31,450	33,915	(2,465)
<i>of which non-recurring</i>	0	643	(643)
<i>of which amortisation, depreciation pertaining to acquisitions</i>	3,577	4,216	(639)
Other operating costs	748	1,842	(1,094)
<i>of which non-recurring</i>	(399)	0	(399)
TOTAL (1+2)	371,324	354,689	16,635
of which non-recurring costs/(revenues)	(149)	1,428	(1,577)
of which amortisation, depreciation pertaining to acquisitions	3,656	4,295	(639)

In the first nine months of 2016, the non-recurring costs and (revenues) item amounted to €149 thousand. The breakdown of this item is as follows:

ITEM	AMOUNT	TYPE OF COST
1) "Cost of goods sold"	86	early retirement incentives
2) "Distribution expenses"	164	early retirement incentives
3) "Other expenses"	(399)	release of other provisioning
TOTAL NON-RECURRING COSTS/(REVENUES)	(149)	

Extraordinary revenues, equal to €399 thousand, referred to the release to the income statement of the surplus of the provision allocated in 2014 for a probable tax liability related to one of the Group's foreign companies.

Amortisation from acquisitions (equal to €3,656 thousand) mainly included under "General and administrative expenses" (€3,577) are comprised of:

	Nine months ended		Change
	30.09.2016	30.09.2015	
Acquisition of the PSC group (on 30 November 2006)	1,361	1,877	(516)
Acquisition of Informatics Inc. (on 28 February 2005)	0	120	(120)
Acquisition of Evolution Robotics Retail Inc. (on 1 July 2010)	471	471	0
Acquisition of Accu-Sort Inc. (on 20 January 2012)	1,824	1,827	(3)
TOTAL	3,656	4,295	(639)

Total Cost of goods sold (1)

This item increased by 9%, net of non-recurring costs, compared to the same period in 2015. At constant Euro/Dollar exchange rate and net of non-recurring costs, the increase would have been 9.1%.

Total Operating costs (2)

The operating costs, excluding non-recurring costs and the amortisation inherent in the acquisitions, slightly increased compared to the same period in 2015 (+0.1%). from €140,420 thousand to €140,548 thousand. At constant exchange rates and net of extraordinary costs, the increase was slightly higher (+0.66%).

In particular:

- **"R&D expenses"** amounted to €36,715 thousand and increased, net of non-recurring costs, by €1,872 thousand compared to the same period of the previous year (+€1,920 thousand, at constant exchange rates and net of non-recurring costs). This increase is primarily attributable to the increase in payroll & employee benefits, expenses for patents and trademarks, as well as consumables.
- **"distribution expenses"** amounted to €75,056 thousand and, net of non-recurring costs, increased by €134 thousand with respect to the comparison period (+€725 thousand at constant exchange rates and net of non-recurring costs). This increase is mainly determined by an increase in payroll & employee benefits and an increase in shipment and entertainment costs, mitigated by a decrease in travel and accommodation expenses, costs for meetings and advertising costs. The decreased impact on total revenues is to be noted.
- **"general and administrative expenses"** amounted to €31,450 thousand. This item, net of non-recurring costs, decreased by €1,183 thousand, compared to the same period of the previous year

(decrease of €1,078 thousand, at constant exchange rates, and net of non-recurring costs), especially by reason of a decrease in payroll & employee benefits and advisory services.

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

	Nine months ended		Change
	30.09.2016	30.09.2015	
Non-income taxes	1,002	1,207	(205)
Provisions for doubtful accounts	78	90	(12)
Contingent liabilities	25	131	(106)
Capital losses on assets	5	5	0
Other	19	394	(375)
Allocation to the risk reserve	(381)	15	(396)
<i>of which non-recurring</i>	(399)	0	(399)
Total	748	1,842	(1,094)

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:

	Nine months ended		Change
	30.09.2016	30.09.2015	
Purchases	182,600	150,713	31,886
Inventory change	(20,278)	(1,754)	(18,523)
Payroll & employee benefits	117,750	117,945	(195)
Amortisation, depreciation and write-downs	14,038	13,561	477
Goods receipt & shipment	14,572	13,019	1,553
Travel & accommodation	6,667	6,698	(31)
Technical, legal and tax advisory services	6,666	6,522	144
Marketing expenses	6,524	6,951	(427)
Repairs	4,635	3,969	666
Building expenses	4,575	4,875	(300)
Material collected from the warehouse	3,678	3,690	(12)
Royalties	3,199	1,884	1,315
EDP expenses	2,680	2,595	85
Consumables and R&D materials	2,500	1,891	609
Subcontracted work	1,941	2,321	(380)
Telephone expenses	1,881	1,842	39
Utilities	1,506	1,490	16
Sundry service costs	1,264	1,274	(10)
Commissions	1,217	1,272	(55)
Quality certification expenses	1,129	868	261
Meeting expenses	1,005	1,297	(292)
Directors' remuneration	996	1,099	(103)
Accounts certification expenses	869	856	13
Vehicle expenses	806	779	27
Expenses for plant and machinery and other assets	760	718	42
Entertainment expenses	711	627	84
Insurance	698	786	(88)
Training courses for employees	369	299	70
Stationery and printings	212	273	(61)
Other	6,154	6,329	(175)
Total Cost of goods sold and operating costs	371,324	354,689	16,635

Expenses reported in item "Goods receipt & shipment" increased due to the increase in sales and production volumes.

The item "Marketing expenses", equal to €6,524 thousand, decreased by €427 thousand compared to the same period of 2015, mainly due to the decrease in advertising costs, which offset the increase in Marketing co-participation expenses with trade partners and costs for exhibitions.

The item "Technical, legal and tax advisory services", equal to €6,666 thousand, reported a decrease compared to the previous year, especially in relation to legal and logistics expenses, while expenses for project consultancy services, as well as for the assignment of the development of some projects to external consultants and expenses for patents and branding reported an increase.

The item "EDP expenses" amounted to €2,680 thousand and mainly includes the subscription to software maintenance fees for software systems and outsourcing costs for some support activities (helpdesk and servers).

The items "Meeting expenses" and "Entertainment expenses", amounting to €1,005 thousand and €711 thousand, respectively, are primarily attributable to important meetings of the sales force and with external customers.

The "Other" item mainly consists of several costs all of which are lower than €100 thousand.

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

	Nine months ended		Change
	30.09.2016	30.09.2015	
Wages & salaries	92,266	89,954	2,312
Social security charges	16,076	15,922	154
Employee severance indemnities	1,234	1,165	69
Retirement and similar benefits	975	929	46
Medium- to long-term managerial incentive plan	(381)	2,651	(3,032)
Vehicle expenses for employees	2,364	2,262	102
Other costs	3,645	3,620	25
Early retirement incentives	1,571	1,442	129
Total	117,750	117,945	(195)

The "Wages and salaries" item, equal to €92,266 thousand, includes sales commissions and incentives of €11,797 thousand (€10,356 thousand as at 30 September 2015). The increase in item "Wages and salaries" is primarily related to increased in-house R&D activities and the hiring of personnel in the commercial sector.

The "Early retirement incentives" item includes costs, totalling €250 thousand, stated under item "Non-recurring costs and revenues" and result from the re-organisation activities internal to the Group (€1,428 thousand as at September 2015).

Note 19. Other operating revenues

The detailed breakdown of this item is as follows:

	Nine months ended		Change
	30.09.2016	30.09.2015	
Miscellaneous income and revenues	955	713	242
Rents	63	62	1
Capital gains on asset disposals	132	42	90
Contingent assets	(69)	222	(291)
Grants to Research and Development expenses	1,240	295	945
Other	0	149	(149)
Total	2,321	1,483	838

The item "Grants to Research and Development expenses" amounted to €1,240 thousand and is related to the tax credit of companies that perform R&D activities, as envisaged by Art. 3 of the Law Decree no. 145 of 23 December 2013, converted into Law no. 9 of 21 February 2014, as amended by par. 35 of Art. 1 of Law no. 190 of 23 December 2014 (Stability Law 2015), Tax credit for R&D activities.

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.

The increase in item "Capital gains on asset disposals" is mainly attributable to the sale of some patents.

Note 20. Net financial income (expenses)

	Nine months ended		Change
	30.09.2016	30.09.2015	
Financial income/(expenses)	(1,296)	(1,812)	516
Foreign exchange differences	(548)	2,387	(2,935)
Bank expenses	(1,340)	(2,578)	1,238
Other	33	440	(407)
Total Net financial income (expenses)	(3,151)	(1,563)	(1,588)

Financial income was negative by €3,151 thousand, compared to a negative result of €1,563 thousand related to the same period of the previous year, mainly due to a more unfavourable trend of Foreign exchange differences, which reported a negative increase of €2,935 thousand, while bank fees decreased by €1,238 thousand.

The item "Financial income/(expenses)" improved by €516 thousand, mainly due to the entering of a new loan agreement with a pool of banks for the amount of €140 million on 24 February 2015 and the redemption, at the same time, of previous loans amounting to €126 million. This transaction allowed for an increase in the average life of the financial debt and the reduction in the related charges.

The item "Bank expenses" (improved by €1,238 thousand), also includes:

- the portion pertaining to the upfront fees period, paid upon opening of long-term loans, in the amount of €151 thousand, (€1,374 thousand as at 30 September 2015, of which €1,250 thousand connected with the early redemption of some long-term loans);
- factoring costs, amounting to €443 thousand (€608 thousand as at 30 September 2015), related to commissions without recourse.

Losses generated by companies carried at equity were recognised in the amount of €466 thousand (compared with profits of €40 thousand as at 30 September 2015).

Note 21. Taxes

	Nine months ended		Change
	30.09.2016	30.09.2015	
Income tax	9,965	10,150	(185)
Deferred taxes	(1,714)	(4,007)	2,293
Total	8,251	6,143	2,108

The average tax rate comes to 16.79% (16.8% as at 30 September 2015).

Law no. 190/2014, par. 37-45, and following amendments by Art. 5 of the Leg. Decree no. 3/2015, introduced the so-called “Patent box optional regime” in the Italian legislation. This envisages the reduced tax regime on income resulting from the use of some types of intangible assets and earned by the owners of the company’s income who also carry out certain R&D activities.

Based on this measure, some Italian companies within the Group adhered to this optional regime and, over this three-month period, they reported the benefit, in terms of reduced taxation on 2015, in the Income Statement.

Note 22. Earnings/loss per share

Earnings/loss per share

	Nine months ended	
	30.09.2016	30.09.2015
Group earnings/(loss) for the period	40,882,000	30,423,000
Average number of shares	58,184,156	58,191,835
Earnings/(loss) per share	0.7026	0.5228

EPS as at 30 September 2016 was calculated by dividing Group net profit of €40,882 thousand (Group net profit of €30,423 thousand as at 30 September 2015) by the average number of ordinary shares outstanding as at 30 September 2016, equal to 58,184,156 shares (58,191,835 as at 30 September 2015).

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 (finally amended on 24 July 2015 “OPC procedure”), and that is available on the Company’s internet site www.datalogic.com.

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

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

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

Pursuant to Article 5, par. 8, of the Consob Regulations, it should be noted that, over the period 01/01/2016 - 30/09/2016, the Company's Board of Directors did not approve any relevant transaction, as set out by Article 3, par. 1, lett. b) of the Consob Regulations, or any transaction with minority related parties that had a significant impact on the Group's equity position or profit/(loss).

RELATED PARTIES	Hydra (parent company)	Hydra Immobiliare and Aczon	Automation Group companies	CAEN	Studio Associato Caruso	Natural person	Macoa GmbH	Natural person	Natural person	Laservall Asia	TOTAL 30.09.2016
	parent company	company controlled by Chairman of BoD	unconsolidated associates	unconsolidated associate	company controlled by a company Body member	Key manager	company controlle d by a company Body member	member of BoD	Close relative of a Director	associated company	
Equity investments	0	0	76	550	0	0	0	0	0	1,440	2,066
DI Spa				550							550
IA Group			76							1,440	1,516
Trade receivables - accrued income and prepaid expenses	0	75	687	0	0	0	0	0	0	79	841
IA Group		75	627							79	781
ADC Group			60								60
Receivables pursuant to tax consolidation	8,921	0	0	0	0	0	0	0	0	0	8,921
DI IP Tech Srl	8,921										8,921
Financial receivables	0	0	0	0	0	0	0	0	0	0	0
Liabilities pursuant to tax consolidation	8,910	0	0	0	0	0	0	0	0	0	8,910
DI ADC Srl	3,938										3,938
DI Automation Srl	3,954										3,954
DI Spa	1,018										1,018
Trade payables	0	109	0	0	248	119	78	5	0	6	565
DI Spa					223	119	78				420
DI IP Tech Srl					4			5			9
DI ADC Srl					10						10
IA Group		109			10					6	125
Financial payables	0	0	0	0	0	0	0	0	0	0	0
Sales / service expenses	0	522	0	0	469	119	154	10	4	97	1,375
DI Spa		52			389	119	154				714
DI IP Tech Srl					14			10			24
ADC Group		100			33				4		137
IA Group		370			33					97	500
Commercial revenues	0	0	2,894	0	0	0	0	0	0	1,324	4,218
ADC Group			147								147
IA Group		0	2747							1324	4071
Financial income	0	0	0	0	0	0	0	0	0	0	0
Profits (losses) from associates	0	0	0	0	0	0	0	0	0	(466)	(466)
IA Group										(466)	(466)

NUMBER OF EMPLOYEES

	Nine months ended		Change
	30.09.2016	30.09.2015	
Industrial Automation Group	920	798	122
Automatic Data Capture Group	1,521	1,463	58
Corporate Group	142	134	8
Informatics	100	99	1
Total	2,683	2,494	189

The Chairman of the Board of Directors
Mr. Romano Volta

DICHIARAZIONE AI SENSI DELL'ART. 154 BIS, COMMA 2, D.LGS. N. 58/1998**Resoconto Intermedio di gestione al 30 settembre 2016**

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

attesta

in conformità a quanto previsto dal secondo comma dell'art. 154 bis, comma secondo, del decreto legislativo 24 febbraio 1998, n. 58 che il resoconto intermedio di gestione al 30 settembre 2016 corrisponde alle risultanze documentali, ai libri e alle scritture contabili.

Datalogic S.p.A.

Il Dirigente Preposto alla redazione
dei documenti contabili societari

(Alessandro D'Aniello)

