

# HALF-YEAR REPORT AT 30TH JUNE 2018 APPROVED BY THE BOARD OF DIRECTORS

**1H 2018 REVENUES UP 2.6% AT €307 MILLION (+7.9% AT CONSTANT EXCHANGE RATES)**

**EBITDA AT €51 MILLION, 16.6% ON REVENUES**

**NET PROFIT AT €29 MILLION, 9.4% ON REVENUES**

**NET FINANCIAL POSITION POSITIVE AT €13 MILLION**

- Revenues in the quarter reached €164.1 million, up 4% compared to €157.8 million in the second quarter of 2017 (+8.1% at constant exchange rates)
- EBITDA at €28.9 million compared to €31.1 million in the second quarter of 2017 (EBITDA margin at 17.6% compared to 19.7% in the second quarter of 2017)
- Net profit at €17.8 million in line with €17.4 million in the second quarter of 2017
- Net Financial Position positive at €13.3 million compared to €30.1 million as at 31 December 2017 and €5.5 million as at 30 June 2017

Bologna, 9th August 2018 - The Board of Directors of Datalogic S.p.A. (Borsa Italiana S.p.A.: Datalogic company listed in the STAR Segment of the Italian Stock Exchange managed by Borsa Italiana S.p.A. ("Datalogic") and global leader in the automatic data capture and process automation markets, approved today the Half-Year Report at 30th June 2018.

**Valentina Volta, the Chief Executive Officer of the Datalogic Group**, commented as follows: *"The growth recorded in the second quarter, for the first time in our history, the Group exceeded the threshold of €300 million in revenues for the first half of the year. The T&L and Manufacturing Industries recorded double-digit growth in the second quarter and in the first six months. In particular, I am extremely satisfied with the growth of Manufacturing in North America, where in the second quarter, we recorded a growth over 25%, at constant exchange rates, and with the awarding of important tenders in T&L, in Europe as well as in the United States with companies that are the global leaders in shipping. In North America, in addition to the exceptional performance of Manufacturing and T&L, we also grew by 20%, at constant exchange rates, in Retail, mainly thanks to a number of large-scale retailers choosing our new fixed retail scanners and mobile computers with the Android operating system. From a geographical point of view, I would not remiss not to mention the extraordinary results in China, with a 34% growth in the half-year, at constant exchange rates, and a turnover for the half-year equal to that for the whole of 2016. On the costs side, the six-month period saw an improvement of more than one percentage point in gross operating margin, thanks to efficiencies in the cost of materials. Operating efficiencies have partly financed the expected double-digit growth in R&D investments and the hiring of sales personnel in the US and Chinese markets. R&D expenses accounted for 10% of revenues in the first half of the year, a figure never achieved before and that allowed us to maintain a strong supply line of new bar code readers and mobile computers on which to focus in the second half of the year, and to grow in the Channel, which has always been our indispensable market. The growth in bookings along with the high technological content of our products, the passion*

*commitment of our people and a growing demand make me confident about the continued growth of the Group in the second half of the year”.*

**Consolidated net revenues** amounted to €307 million and, despite the unfavourable trend of the Euro/US dollar exchange rate, increased by 2.6% compared to €299.3 million as at 30 June 2017 (+7.9%, at constant exchange rates).

The **gross operating margin**, amounting to €149.4 million, increased by 5.1% compared to €142.3 million in the same period of the previous year and with respect to revenues increased by 1.2 percentage points, rising from 47.5% in 2017 to 48.7% in 2018. The improvement is mainly due to the improvement in the mix and efficiencies in the cost of materials.

**Operating costs**, amounting to €105.9 million, increased by 8.3% compared to €97.8 million in the period of 2017, and increased by 1.8 percentage points with respect to impact on turnover, up from 32.3% to 34.5%. R&D expenses increased by 15.7% to €30.5 million, accounting for 9.9% of revenues compared to 8.8% in the same period of 2017; in particular, in the core business represented by the Datalogic Division, R&D expenses rose from 9.1% to 10.4% with respect to revenues. Distribution expenses increased by 17.4% to €53.5 million, accounting for 17.4% of revenues compared to 16.4% in the same period of 2017. General and administrative expenses amounted to €21.8 million, down 1.9% compared to €22.2 million, falling from 7.4% to 7.1% with respect to revenues in the first half of 2017.

**EBITDA**, equal to €50.8 million, decreased by 1.9% (-3.2%, at constant exchange rates) compared to €52.7 million in 2017, while with respect to revenues (EBITDA margin) fell from 17.3% in 2017 to 16.6% in 2018, mainly due to greater investments in R&D and to the strengthening of commercial organisations, partially offset by the improvement in the gross operating margin, and by a seasonal effect deriving from comparison with an exceptionally positive trend recorded in the second quarter of 2017 due to a number of delays in the hiring of personnel in the R&D and Sales divisions.

The **Operating Profit (EBIT)** of €40.3 million decreased by 2.2% compared to €41.2 million, while with respect to revenues fell from 13.8% in 2017 to 13.1% in 2018.

Non-recurring charges of €1 million (€0.8 million in the first half of 2017) mainly relate to the restructuring of a number of corporate functions.

Financial income was negative by €3.1 million, compared to a negative result of €3.9 million in the period of 2017. The improvement is mainly due to benefits deriving from the renegotiation of the company's outstanding loans.

The **Group net profit**, amounting to €29 million, decreased by 1.1% compared to the €29.3 million recorded in 1H2017. The percentage on revenues was 9.4%.

The **Net Financial Position**, as at 30 June 2018 was positive by €13.3 million, an improvement of €1.8 million compared to 30 June 2017 (positive by €5.5 million) and down by €16.9 million with respect to 31 December 2017 (a positive €30.1 million), due to the payment of dividends and the purchase of treasury shares. Net of the purchase of treasury shares and the distribution of dividends, cash generation from operating activities for the period amounted to €22.7 million, an increase of 17.2% compared to €19.4 million in the first half of 2017.

The **Trade working capital** as at 30 June 2018 amounted to €72 million, an increase of €10.6 million compared to 31 December 2017 and of €1.8 million compared to 30 June 2017, with a percentage on revenues of 11.7% in line with 1H 2017 (11.8%).

## PERFORMANCE BY DIVISION

€000	Revenues			EBITDA		
	30.06.2018	30.06.2017	% Chg.	30.06.2018	30.06.2017	% Chg.
Datalogic	284,304	279,178	1.8%	48,692	51,324	(5.1%)
Solution Net Systems	14,220	10,574	34.5%	1,932	831	132.1%
Informatics	9,744	11,239	(13.3%)	261	(328)	n.a.
Adjustments	(1,274)	(1,683)	24.3%	(47)	(2)	n.s.
<b>Total</b>	<b>306,994</b>	<b>299,308</b>	<b>2.6%</b>	<b>50,838</b>	<b>51,825</b>	<b>(1.9%)</b>

In the first half of the year, the **Datalogic Division** reported a turnover of €284.3 million, an increase of 2.6% compared to the same period of 2017 (+6.6% at constant exchange rates), with a positive trend in EMEA, APAC, especially in China and Korea where a growth of 27.3% (+34.3% at constant exchange rates) recorded. In North America, growth, at constant exchange rates, amounted to 2.7%.

**EBITDA** related to the Division amounted to €48.7 million, a fall of 5.1% with a 17.1% impact on turnover (18.4% as at 30 June 2017). This decrease is due to greater investments in R&D and to the increase in distribution expenses for the launch of the commercial development plan, in line with the Group's strategy and to a seasonal effect resulting from comparison with an exceptionally positive trend recorded in the second quarter of 2017, due to a number of delays in hiring personnel for the R&D and Sales divisions.

	30.06.2018	%	30.06.2017	%	Change	%	Change % consti exchar ra
Retail	141,569	49.8%	138,095	49.5%	3,474	2.5%	8.6%
Manufacturing	90,012	31.7%	77,379	27.7%	12,633	16.3%	19.1%
Transportation & Logistic	31,120	10.9%	25,714	9.2%	5,406	21.0%	27.1%
Healthcare	8,874	3.1%	16,296	5.8%	(7,422)	(45.5%)	(41.1%)
Channel (Unallocated) (*)	12,729	4.5%	21,694	7.8%	(8,965)	(41.3%)	(40.1%)
<b>Total revenues</b>	<b>284,304</b>	<b>100.0%</b>	<b>279,178</b>	<b>100.0%</b>	<b>5,126</b>	<b>1.8%</b>	<b>6.6%</b>

(\*)The Channel sector (Unallocated) includes the revenues which are not directly attributable to sectors identified.

The **Retail** sector increased by 2.5% compared to the previous year (+8.6% at constant exchange rates) mainly in EMEA (+3.8%) and North America (+7.8% and +20.2% at constant exchange rates).

The **Manufacturing** sector continued to expand strongly, growing by 16.3% compared to last year (+1

at constant exchange rates), mainly driven by growth in China and Korea (+48.5%) and in the E (+10.4%). In North America, after a stable first quarter, the first half closed with a 12.5% growth at constant exchange rates.

The **Transportation & Logistics** sector recorded an increase of 21.0% compared to the same period of 2017 (+27.3% at constant exchange rates) with double-digit growth in EMEA, North America, China and Korea.

The **Healthcare** sector recorded a decrease of 45.5% (-41.9% at constant exchange rates) compared to the first half of 2017, which recorded exceptionally positive results due to the acquisition of important orders from some of the major American hospital chains.

Sales through the distribution channel, especially to small and medium customers not directly attributable to any of the 4 main sectors, recorded a 41.3% decrease due to a typical seasonal trend relating to distributor stock reduction and the effect of the postponement of the launch of new products dedicated to the distribution channel.

The **Solution Net Systems Division** recorded revenues of €14.2 million, an increase of 34.5% on the first half of 2017 (+49.3% at constant exchange rates) due to the acquisition of further important orders, both in the postal and retail sectors. EBITDA related to the Division amounted to €1.9 million, with a 13.6% increase on turnover, compared to 7.9% in the first half of 2017.

The **Informatics Division** recorded a first half turnover of €9.7 million, a fall of 13.3% (-3% at constant exchange rates) compared to the same period of 2017. EBITDA related to the Division amounted to €0.3 million (negative by 0.3 million in the same period of 2017).

## PERFORMANCE BY GEOGRAPHIC AREA

The following table shows the breakdown by geographical area of Group revenues achieved in the first half of 2018 compared to the same period of 2017:

	30.06.2018	%	30.06.2017	%	Change	%	Change at constant exchange rates
Italy	28,929	9.4%	27,643	9.2%	1,286	4.7%	
EMEA (Ex. Italy)	135,550	44.2%	131,013	43.8%	4,537	3.5%	
<b>Total EMEA</b>	<b>164,479</b>	<b>53.6%</b>	<b>158,656</b>	<b>53.0%</b>	<b>5,823</b>	<b>3.7%</b>	<b>4.8%</b>
North America	91,768	29.9%	95,028	31.7%	(3,260)	(3.4%)	(7.7%)
Latin America	6,562	2.1%	7,344	2.5%	(782)	(10.6%)	(10.6%)
APAC (incl. China)	44,185	14.4%	38,280	12.8%	5,905	15.4%	22.9%
<b>Total revenues</b>	<b>306,994</b>	<b>100.0%</b>	<b>299,308</b>	<b>100.0%</b>	<b>7,686</b>	<b>2.6%</b>	<b>2.6%</b>

During the first half of 2018, EMEA recorded a growth of 3.7% (+4.8% at constant exchange rates), APAC a double-digit growth of 15.4% (+22.9% at constant exchange rates), driven by China and Korea (+27.3% and +34.3% respectively, at constant exchange rates). A negative trend was recorded in North America with a decrease of 3.4% mainly attributable to the negative exchange rate effect (+7.7% at constant exchange rates).

## QUARTER PERFORMANCE

	Q2 2018	% on Revenues	Q2 2017	% on Revenues	Change	Change in %	Change on exch
<b>Total revenues</b>	<b>164,052</b>	<b>100.0%</b>	<b>157,784</b>	<b>100.0%</b>	<b>6,268</b>	<b>4.0%</b>	
<b>EBITDA</b>	<b>28,886</b>	<b>17.6%</b>	<b>31,061</b>	<b>19.7%</b>	<b>(2,175)</b>	<b>-7.0%</b>	
<b>EBIT</b>	<b>23,758</b>	<b>14.5%</b>	<b>25,934</b>	<b>16.4%</b>	<b>(2,176)</b>	<b>-8.4%</b>	-1
<b>Group net profit/(loss)</b>	<b>17,780</b>	<b>10.8%</b>	<b>17,391</b>	<b>11.0%</b>	<b>389</b>	<b>2.2%</b>	

Total revenues for the second quarter of 2018 amounted to €164.1 million, an increase of 4% compared to the second quarter of 2017 (+8.1% at constant exchange rates). The Datalogic Division recorded a turnover of €151.7 million in the second quarter, an increase of 2.8% compared to the same period of 2017 (+6.1% at constant exchange rates), with a positive trend in EMEA and APAC, especially in China and Korea where a growth of 37% was recorded, while the negative trend in North America of 3.6% was exclusively attributable to the negative exchange rate effect (+4.5% at constant exchange rates).

On the other hand, operating margins were affected by greater investments in R&D and the strengthening of the commercial organisations required to continue the growth of the Group, as well as by a seasonal effect deriving from comparison with an exceptionally positive trend recorded in the second quarter of 2017, and a number of delays in hiring personnel in the R&D and Sales divisions.

## SIGNIFICANT EVENTS DURING THE PERIOD

On 3 April, Datalogic S.p.A., implementing the shareholders' resolution of 4 May 2017 authorising the purchase and disposal of treasury shares, signed an agreement with a leading intermediary for the trading of treasury shares on the market. This agreement was concluded in advance on 10 May. In particular, during the period between 3 April 2018 and 10 May 2018, the Company repurchased 397,773 treasury shares out of a maximum of 500,000.

On 11 May, Datalogic S.p.A., implementing the shareholders' resolution of 4 May 2017 authorising the purchase and disposal of treasury shares, granted a mandate to launch a programme to support the liquidity of Datalogic shares in order to facilitate regular trading conduct and avoid price movements not in line with market performance. The liquidity support activities will last one year, starting from 16 May 2018 in accordance with market practice No 1, as permitted by Consob with Resolution No 16839 of 19 March 2018.

On 23 May 2018, the Board of Directors of Datalogic S.p.A., confirming the governance structure previously communicated to the market, appointed Mrs. Valentina Volta as CEO of Datalogic Group, vested with executive powers, with the exception of the "M&A" and "Real Estate" areas, which remain the exclusive responsibility of the Chairman, Mr. Romano Volta. It should also be noted that the powers pertaining to the "Sales & Marketing - Markets" area are granted exclusively to Mrs. Volta and that all other powers that are not granted exclusively to the CEO ("Sales & Marketing - Markets") or exclusively to the Chairman ("M&A" and "Real Estate") are shared between the two divisions, with separate powers.

## EVENTS OCCURRING AFTER YEAR END

No significant events are to be reported.

## BUSINESS OUTLOOK

Despite the negative impact of the Euro/Dollar exchange rate on sales, the results for the first half of the year show continued growth in revenues in line with company forecasts.

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

In the absence of significant changes in economic and sector trends, the Group expects to be able to pursue the objective of a mid-to-high single digit increase in revenues in 2018, maintaining the EBITDA margin in line with that of the previous year, and continuing to keep its financial strength.

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Please note that the half-year report at 30th June 2018 of Datalogic S.p.A. will be available to anyone who requests it at the company headquarters, at the offices of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)), or through the “eMarket STORAGE” instrument, managed by Spafid Connect S.p.A. and may also be available on the company’s website [www.datalogic.com](http://www.datalogic.com) (Investor Relations section), in accordance with the law and applicable regulations.

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The manager responsible for preparing the company’s financial reports – Alessandro D’Aniello – declares, pursuant to paragraph 2 of Art. 154-bis of the “Testo Unico della Finanza”, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

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It should also be noted that this press release contains forward-looking statements concerning the Group’s intentions, beliefs or current expectations in relation to financial results and other aspects of the Group’s activities and strategies. The reader of this press release should not place undue reliance on forward-looking statements, as the actual results could differ significantly from those contained in the forward-looking statements, as a result of a number of factors, most of which are outside of the Group's control.

**Reclassified income statement at 30 June 2018 – Euro/1.000**

	Six month					
	30.06.2018	% on Revenues	30.06.2017	% on Revenues	Change	Change %
<b>Total Revenues</b>	<b>306.994</b>	<b>100,0%</b>	<b>299.308</b>	<b>100,0%</b>	<b>7.686</b>	<b>2,6%</b>
Cost of goods sold	(157.545)	-51,3%	(157.048)	-52,5%	(497)	0,3%
<b>Gross Operating Margin</b>	<b>149.449</b>	<b>48,7%</b>	<b>142.260</b>	<b>47,5%</b>	<b>7.189</b>	<b>5,1%</b>
Other revenues	814	0,3%	535	0,2%	279	52,1%
Research & Development	(30.463)	-9,9%	(26.321)	-8,8%	(4.142)	15,7%
Distribution costs	(53.525)	-17,4%	(49.080)	-16,4%	(4.445)	9,1%
Administrative expenses	(21.767)	-7,1%	(22.196)	-7,4%	429	-1,9%
Other operating expenses	(943)	-0,3%	(717)	-0,2%	(226)	31,5%
<b>Total operating expenses and others</b>	<b>(105.884)</b>	<b>-34,5%</b>	<b>(97.779)</b>	<b>-32,7%</b>	<b>(8.105)</b>	<b>8,3%</b>
Non-recurring costs/revenues	(1.041)	-0,3%	(781)	-0,3%	(260)	33,3%
Amort. intangible assets from acquisition	(2.246)	-0,7%	(2.511)	-0,8%	265	-10,6%
<b>Operating Profit (EBIT)</b>	<b>40.278</b>	<b>13,1%</b>	<b>41.189</b>	<b>13,8%</b>	<b>(911)</b>	<b>-2,2%</b>
Financial (costs)/revenues	(815)	-0,3%	(2.459)	-0,8%	1.644	-66,9%
Result from equity investments	0	0,0%	(140)	0,0%	140	-100,0%
Foreign exchange (costs)/revenues	(2.281)	-0,7%	(1.406)	-0,5%	(875)	62,2%
<b>Profit/(Loss) before taxes (EBT)</b>	<b>37.182</b>	<b>12,1%</b>	<b>37.184</b>	<b>12,4%</b>	<b>(2)</b>	<b>0,0%</b>
(Taxes)	(8.219)	-2,7%	(7.887)	-2,6%	(332)	4,2%
<b>Net Income/(Loss)</b>	<b>28.963</b>	<b>9,4%</b>	<b>29.297</b>	<b>9,8%</b>	<b>(334)</b>	<b>-1,1%</b>
Non-recurring costs/revenues	(1.041)	-0,3%	(781)	-0,3%	(260)	33,3%
Depreciation	(5.099)	-1,7%	(5.183)	-1,7%	84	-1,6%
Amortization	(4.420)	-1,4%	(4.672)	-1,6%	252	-5,4%
<b>EBITDA</b>	<b>50.838</b>	<b>16,6%</b>	<b>51.825</b>	<b>17,3%</b>	<b>(987)</b>	<b>-1,9%</b>

### Reclassified Balance Sheet at 30 June 2018 [1] – Euro/1.000

	30.06.2018	31.12.2017	30.06.2017
Intangible fixed assets	39.876	41.980	45.606
Goodwill	178.091	174.343	174.730
Tangible fixed assets	70.097	69.733	69.051
Equity investments in associates	11.884	11.757	9.047
Other fixed assets	51.353	50.058	55.531
<b>Total Fixed Assets</b>	<b>351.301</b>	<b>347.871</b>	<b>353.965</b>
Net trade account receivables	95.874	85.832	88.866
ST account payables	(126.121)	(110.288)	(107.137)
Inventory	102.292	85.938	88.510
<b>Trade Working Capital</b>	<b>72.045</b>	<b>61.482</b>	<b>70.239</b>
Other current receivables	35.397	31.121	35.065
Assets Held for Sale	0	1.021	0
Other ST payables and provision for risk & future	(82.867)	(71.621)	(84.906)
<b>Net Working Capital</b>	<b>24.575</b>	<b>22.003</b>	<b>20.398</b>
Other LT payables	(26.805)	(26.747)	(30.042)
Employees' deferred compensation / TFR	(6.565)	(6.633)	(6.780)
LT provision for risk & future charges	(7.564)	(13.602)	(12.774)
<b>Net Invested Capital</b>	<b>334.942</b>	<b>322.892</b>	<b>324.767</b>
<b>Equity</b>	<b>(348.205)</b>	<b>(353.029)</b>	<b>(330.224)</b>
<b>Net Financial Position</b>	<b>13.263</b>	<b>30.137</b>	<b>5.457</b>

### Net Financial Position at 30 June 2018 – Euro/1.000



	30.06.2018	31.12.2017	30.06.2017
A. Cash and bank deposits	194.487	256.201	258.022
B. Other liquidity	12	11	12
<i>b1. Restricted cash</i>	12	11	12
C. Securities held for trading	0	0	0
<i>c1. Short Term</i>	0	0	0
<i>c2. Long Term</i>	0	0	0
<b>D. Cash and Cash equivalents (A) + (B) + (C)</b>	<b>194.499</b>	<b>256.212</b>	<b>258.034</b>
E. Current financial receivables	0	0	0
F. Other current financial assets	51.199	31.444	30.955
<i>f1. Hedging instruments</i>	0	0	0
G. Current bank overdrafts	243	92	101
H. Current portion of non-current debt	47.259	48.108	51.103
I. Other current financial liabilities	3.836	2.913	2.779
<i>i1. Hedging instruments</i>	0	0	11
<i>i2. Leasing payables</i>	0	0	97
<i>i3. Current financial liabilities</i>	3.836	2.913	2.671
<b>J. Current financial debt, net (G) + (H) + (I)</b>	<b>51.338</b>	<b>51.113</b>	<b>53.983</b>
<b>K. Current financial debt, net (J) – (D) – (E) – (F)</b>	<b>(194.360)</b>	<b>(236.543)</b>	<b>(235.006)</b>
L. Non-current bank borrowing	181.097	205.656	229.549
M. Other financial assets	0	0	0
N. Other non-current liabilities	0	750	0
<i>n1. Hedging instruments</i>	0	0	0
<i>n2. Leasing payables</i>	0	0	0
<i>n3. Non-current financial payables</i>	0	750	0
<b>O. Non-current financial debt (L) – (M) + (N)</b>	<b>181.097</b>	<b>206.406</b>	<b>229.549</b>
<b>P. Net financial debt (K) + (O)</b>	<b>(13.263)</b>	<b>(30.137)</b>	<b>(5.457)</b>

[1] The reclassified Balance Sheet shows measures used by the Management to monitor and assess financial performances of the Group. Given that the composition of these measures is not regulated in reference accounting standards, even if they are directly reconcilable to the IFRS statements, they are subject to any audit procedure by the Independent Auditors.