

GLOBAL DISPLAY SOLUTIONS S.P.A

Single-Member Company
subject to management and co-ordination of GDS Holding S.r.l.
Registered offices in Via Tezze 20/A - 36073 Cornedo Vicentino (VI), Italy
Share capital Euro 10,000,000.00 fully paid-in
Tax Code & VAT No. 02940180249

Report on operations accompanying the consolidated financial statements as at 31 December 2016

The GDS Group, established in 2001 as a result of the merger of two companies C.A. & G. Elettronica Spa and Emco Electronics Ltd., mainly operates in the industrial displays business sector worldwide and has been chosen as the partner of leading international groups. The Group manufactures Displays for electronic advertising, industrial applications, ATMs, video information, automotive and medical applications, seeing to the design, planning and construction of the same.

The Group also operates in the EMS (Electronic Manufacturing Services) business sector, seeing to the entire manufacturing cycle from design to prototyping and then after-sales service. It also operates in the mechatronics sector producing professional printers and power meters, in the multimedia interactive kiosks sector and in the lighting sector using LED electronic components.

Comments on the general economic outlook

The global economy continued along its route of moderate expansion during 2016. Listed prices of raw materials, including oil, recovered after a long period of weakness. The outcome of the referendum held in the United Kingdom to decide whether to stay in the European Union led to a considerable devaluation of the Sterling. The dreaded effects of contagion on the other European markets did not occur. US economic growth was lower than expectations in the first half, but picked up speed again in the second part of 2016. Employment and earnings continued to grow at sustained rates. At year end, the outcome of the presidential elections encouraged an increase in the medium and long-term rates, partly linked to the expectations that the new administration would implement expansive fiscal policy measures. The economic indications were conflicting in the Euro Zone. Quarterly GDP growth fluctuated, but the annual change remained more or less unchanged, just above 1.5%, a level sufficient for furthering a gradual improvement of the employment market with progressive absorption of the unemployment rate. In the fourth quarter, economic surveys and industrial production figures were consistent with an acceleration in GDP growth. Inflation gradually rose during the year to 1.1%. In March, the ECB announced new expansive measures. The rate on deposits, which currently performs the role of main guiding rate, was reduced from -0.30% to -0.40%. The rate on the main refinancing transactions was cut from 0.05% to zero, while the rate on marginal refinancing fell to 0.25%. The growth of the Italian economy almost stopped in the second quarter, picking up speed again in the third quarter. The change in GDP with respect to a year earlier, equal to 1.0% in the third quarter, is estimated on levels marginally lower than 1% for the whole of 2016. Employment growth, sturdy in 2015 due to the effect of the reforms and the contribution incentives, lost vigour during the year. The fiscal policy adopted a prudent approach: the further reduction of the primary surplus offset the more rapid than expected drop in expenditure for interest, leaving the total deficit more or less unchanged in relation to the GDP. It is estimated that the debt/GDP ratio has grown marginally again in 2016. With regard to abroad, the Italian economy continued to register an ample surplus of current items of the balance of payments, as well as significant improvements in the net foreign financial position. The differentials with the returns of the German debt rose gradually during the year. The returns of the Italian public debt reported an all-time low of 1.05% on 14 August, then closing the year at 1.83% (23 bps above the levels a year earlier).

The Euro exchange rate vis-à-vis the US dollar reported a considerable fluctuation during 2016: a period of appreciation, culminating on 2 May in 1.15, was followed by a gradual weakening, picking up as from October, which led it to close the year at 1.05.

Overall performance of the Group (companies included in the scope of consolidation)

The Group generated sales in 2016 that were down by around 5% with respect to the previous year which however had benefited from important growth of 24% compared to 2014. It can therefore be considered that the sales achieved consolidate the growth which has taken place in the last few years. The economic results were positive and in line with forecasts.

The strategies outlined in the previous reports have been successfully implemented and are summarised as follows:

- **Attention to overheads**, by means of the on-going review of the operating processes and the consolidation of the production activities, materials management and development of innovative products and projects and the partial use of solidarity agreements.
- **Strategic positioning on markets and customers** with higher sales margins playing on technology.

For some years now, the Group has been developing a series of products/markets which envisage direct sales to the professional end user. The reasons can be found in the economic context in which we find ourselves since 2008. This transaction will make it possible to:

- maintain industrial OEM customers by means of excellence in the management of the supply chain, quality and service, at the same time reducing the dependence of the Group on just a few single large OEMs;
- expand its end markets;
- increase the sales profitability controlling the technology of the product.

The Group is progressively obtaining this repositioning on the markets thanks to the considerable investments in research and development. The objective is to develop and make products available, necessary for reaching the end customer in strategic sectors such as:

- a) digital signage sectors such as Transportation (Terminals and on Board), Digital Out of Home (Advertising and Retail) and, more recently, Quick Service Restaurants and Price Signs for Gas Stations. These markets are destined to be "digitalised" in the next decade but are not easily reachable in terms of technology by many players. In general, the Group is confirming its global leadership in certain niche Display applications and for Outdoor environments.
- b) professional printer sector, the Group continued with the development of a new transactional printer model which integrates three counter functions (printer, scanner and multiple cheque reader). The first project of this product, with highly customised features, was developed during 2016 care of a leading bank.
- c) lighting sector with the development of lighting systems for industrial and professional customers.
- d) kiosks and reverse machine sector for the recycling of containers for liquids for sector operators.

Consolidating the financial needs and supporting the development envisaged for the next few years, a bond issue transaction was sought out under the "Mini bond" formula. The Parent Company issued a mini bond for a total of €9,000,000 which was subscribed in March 2016 by the Duemme Sgr fund for €8,000,000 and in November 2016 by ICCREA Bancaimpresa for €1,000,000; Mediobanca spa was the arranger of the transaction. Bond is listed on the Borsa Italiana Extra-MOT Pro segment.

The subscription of the Mini Bond led to the contractual deferral of the Shareholders' loans for Euro 2,000,000 collected on in the previous two years.

It should also be mentioned that during the year the following additional transactions with the financial partner Simest Spa were completed:

- share capital increase of the subsidiary GDS Romania for Euro 2,850,000 of which Euro 1,425,000 subscribed by Simest Spa and Euro 1,425,000 subscribed by the Consolidating body;

- purchase of the minority interest in GDS China held by Simest Spa for a total of Euro 1,323,848. It follows that now the Consolidating body holds 100% of the subsidiary GDS China.

From a financial standpoint, we confirm the guidelines indicated in the previous report.

The control of the working capital does not diminish the requirement to track down sources of funding to support the needs for on-going investments in Research and Development and commercial investments indispensable for maintaining competitiveness on the market and furthering new opportunities.

The Group's monetary cycle is rather long given the complexity of the products and the increasingly project-based activities (sometimes a 5-6 month process or longer is needed before sales revenue is generated); furthermore the need to acquire the materials directly from the multi-nationals makes the financing of the inventory using just the credit of the suppliers impossible.

Demand in general in 2016 rose even if some areas continue to show weakness due to the scant investments and postponement of the same by the customers. The sales revenue made it possible to recover the expected profitability.

In particular, the display sector confirmed itself to be the driving force with respect to the other sectors in which the Group companies operate, even though global sales declined during the year.

Market demand for industrial printers showed a slight recovery. It should be mentioned that the market of transactional printers for the banking sector develops mainly by means of international tenders and with particular attention to the emerging markets. The strong specialization of the solutions requested is increasingly observed, along with a further integration of front-end functions.

The LED lighting sector reported a slight decrease of the turnover due to the sharp drop in prices of the product sold. The sector also offers niche and typically industrial applications which are the areas where the Group has the best possibilities of developing the growth strategy, by contrast neglecting the more consumer and domestic applications where we expect more aggressive Asian competition.

Main Income Statement figures

The Company's reclassified Income Statement compared with that for the previous year is as follows (in Euro):

	31/12/2016	31/12/2015	Delta
Net Sales	87.679.378	92.712.421	(5.033.043)
External costs	64.238.448	69.273.342	(5.034.894)
Added Value	23.440.930	23.439.079	1.851
Payroll and related costs	12.654.867	11.862.429	792.438
EBITDA	10.786.063	11.576.650	(790.587)
Amortization, depreciation, write-downs and other provisions	6.712.695	6.361.938	350.757
EBIT	4.073.368	5.214.712	(1.141.344)
Exchange gains and losses	(59.173)	(1.131.603)	1.072.430
Financial income and expense	(1.567.092)	(1.655.861)	88.769
EBT & Extraordinary	2.447.103	2.427.248	19.855
Extraordinary items	(1.046.421)	(778.108)	(268.313)
Pre Tax Result	1.400.682	1.649.140	(248.458)
Income Tax	1.037.965	935.000	(102.965)
Net Result	362.717	714.140	(351.423)

Main Balance Sheet figures

The Company's reclassified balance sheet compared with that for the previous year is as follows (in Euro):

	31/12/2016	31/12/2015	Delta
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Net intangible fixed assets	14.303.741	14.365.258	(61.517)
Net tangible fixed assets	5.231.322	6.087.247	(855.925)
Equity investments and other long-term financial assets	4.945.411	4.153.876	791.535
Fixed capital assets	24.480.474	24.606.381	(125.907)
Inventories	28.967.690	28.122.407	845.283
Account receivables	13.718.572	14.946.560	(1.227.988)
Other receivables	3.972.750	6.069.745	(2.096.995)
Accrued income and prepaid expenses	109.680	115.123	(5.443)
Short-term operating assets	46.768.692	49.253.835	(2.485.143)
Account payables	15.707.315	18.131.498	(2.424.183)
Advance payments	1.856.981	3.843.085	(1.986.104)
Tax and social security payables	1.785.618	2.064.696	(279.078)
Other payables	1.857.278	1.904.786	(47.508)
Accrued expenses and deferred income	143.418	353.569	(210.151)
Short-term operating liabilities	21.350.610	26.297.634	(4.947.024)
Net Working Capital	25.418.082	22.956.201	2.461.881
Employee leaving indemnities	792.247	864.846	(72.599)
Tax and social security payables (due beyond 12 months)			
Other medium and long-term liabilities	3.475.293	3.239.465	235.828
Medium and long-term liabilities	4.267.540	4.104.311	163.229
Net invested capital	45.631.016	43.458.271	2.172.745
Shareholders' equity	(28.526.681)	(28.351.631)	(175.050)
Net medium and long-term financial position	(9.911.156)	(1.983.487)	(7.927.669)
Net short-term financial position	(7.193.179)	(13.123.153)	5.929.974
Shareholders' equity and net financial borrowing	(45.631.016)	(43.458.271)	(2.172.745)

Financial highlights

The net financial position as of 31 December 2016, was as follows (in Euro):

	31/12/2016	31/12/2015	Delta
Bank and post office deposits	5.835.299	4.529.875	1.305.424
Cash and equivalents on hand	12.774	13.319	(545)
Liquid funds and own shares	5.848.073	4.543.194	1.304.879
Current financial assets:			
Amounts due to banks (within 12 months)	13.041.252	17.666.347	(4.625.095)
Short-term financial payables	13.041.252	17.666.347	(4.625.095)
Net short-term financial position	(7.193.179)	(13.123.153)	5.929.974
Bonds and convertible bonds (beyond 12 months)	8.703.512		8.703.512
Amounts due to banks (beyond 12 months)	1.482.252	2.278.658	(796.406)
Amounts due to other providers of finance (beyond 12 months)			
Financial receivables	(274.608)	(295.171)	20.563
Net medium and long-term financial position	(9.911.156)	(1.983.487)	(7.927.669)
Net financial position	(17.104.335)	(15.106.640)	(1.997.695)

So as to provide a clearer description of the financial situation, the following table is presented showing a number of financial statement ratios, compared with the same ratios relating to the previous year's financial statements:

	31/12/2016	31/12/2015	31/12/2014
EBITDA	10.786.063	11.576.650	6.587.024
Net financial position / Shareholders' equity	0,60	0,53	0,71
Financial income and expense / Net revenues	1,8	1,8%	2,1%
Net financial position / EBITDA	1,59	1,30	2,92
EBITDA / Net revenues	12,30	12,49%	8,7%
Shareholders' equity / Net invested capital	0,6	0,7	0,6

Information pertaining to the environment and staff

Taking into account the social role of the Group as also highlighted in the document on the report on operations of the Italian Accounting Profession, it has been considered appropriate to provide the following information pertaining to the environment and staff.

Staff

During the year, no deaths in the workplace occurred with regard to group employees as recorded in the company employee register, nor any accidents in the workplace which caused serious or very serious injuries and no charges have been made with regard to occupational diseases affecting employees or former employees or lawsuits concerning mobbing, in relation to which one or more Group companies have been declared definitively responsible.

Environment

The Group encourages the responsible, efficient and effective use of energy sources taking steps to reduce consumption and the production of waste to a minimum, paying particular attention to separate waste collection and the correct disposal of special waste such as toner and electronic equipment. No damages were caused to the environment by one or more Group companies during the year.

Costs

Sum total of the main costs, broken down as follows:

Description	31/12/2016	31/12/2015
Raw material costs	59.661.082	63.586.613
Payroll and related costs	12.654.867	11.862.429
Services	8.317.227	7.929.144
Financial expense	1.595.384	1.774.618

Revenues

Total volume of revenues, broken down as follows:

Description	31/12/2016	31/12/2015
Sales of products and services	86.893.359	91.507.647
Other income	833.128	1.415.413
Total Sales	87.726.487	92.923.060

Investments made

Investments in machinery and equipment continued during the year at the group production sites located in Romania, China and the USA.

Research and development activities

Research and development activities were concentrated during the year essentially in Italy and to a reduced extent in Romania, the USA, the UK and Taiwan. The display sector absorbs the majority of the costs. In the printer sector, there was the development of a new model which integrates three counter functions (printer, scanner and multiple cheque reader).

Group performance by sector

The Display sector for applications referring to digital signage (advertising, transportation, QSR, Proce Sign and other similar applications) generated sales down by around 8% compared with the previous year but has seen powerful growth in the previous 2 years thus the 2016 sales disclosed growth of 65% compared with those in 2013. Therefore the result can be considered satisfactory and consolidating a long-term growth process.

The Display sector for OEM industrial and medical applications together with the EMS activities experienced a decrease of around 2.8%.

Market demand for industrial printers was stationary and the turnover grew by 5%.

The LED lighting sector saw a decrease of about 7% but is not yet fully up and running since it is a technological innovation start-up which must yet find the right and balanced product and market development direction.

Significant events after the end of the accounting period

Further to the completion of an EMS contract in the meters sector in the first few months of 2017, production was ceased at the Motta di Livenza (TV) factory where manufacturing has been carried out.

The subsidiary GDS USA is currently migrating part of the production to the subsidiary GDS China.

Both the events lead to a reduction in fixed and variable costs.

Business outlook

The completion of the EMS contract in the meters sector mentioned above and the completion of the first stage of realisation of a QSR contract in the USA will lead to a temporary slowdown in sales turnover in the first part of the new accounting period, while the new contracts, in part already acquired and which will be accomplished as from the second half of 2017 and in the subsequent years, will make it possible for growth to continue. The new contracts acquired after the close of the year include the tender won with an important German railway company whose overall value may exceed Euro 20 million, relating to Public information displays to be used in the railway stations; deliveries will commence during 2018.

Other significant opportunities are provided by contracts in the tender or awarding stage.

Other information

The Group is headed up by GDS Holding S.r.l. which wholly-owns Global Display Solutions Spa. The consolidated financial statements are approved by the Board of Directors.

Cornedo Vicentino, Italy, May 31th 2017

The Chairman of the Board of Directors
Giovanni Cariolato

GLOBAL DISPLAY SOLUTIONS S.P.A

Registered Office VIA TEZZE 20/A - 36073 CORNEDO VICENTINO (VI) Share Capital 10.000.000,00 i.v.

Consolidated financial statements at 31/12/2016**Balance Sheet**

Assets	31/12/2016	31/12/2015
A) Accounts receivable from shareholders in respect of unpaid share capital (of which called up)		
B) Fixed assets		
<i>I. Intangible assets</i>		
1) Start-up and expansion costs		
2) Development costs	10.035.511	9.635.073
3) Industrial patent and intellectual property rights	155.079	203.758
4) Concessions, licenses, trademarks and similar rights	263.288	173.746
5) Goodwill	135.730	369.140
6) Work-in-progress and advances	3.676.310	3.914.169
7) Other intangible assets	37.823	69.372
	14.303.741	14.365.258
<i>II. Tangible assets</i>		
1) Land and buildings	1.363.494	1.400.633
2) Plant and machinery	1.962.207	2.465.783
3) Industrial and commercial equipment	1.516.972	1.732.384
4) Other assets	369.640	471.626
5) Work-in-progress and advances	19.009	16.821
	5.231.322	6.087.247
<i>III. Financial assets</i>		
1) Shareholdings in:		
a) non-consolidated controlled undertakings		
b) affiliated undertakings	74.330	71.967
c) controlling companies		
d) undertakings under control by the controlling companies		
d-bis) other companies	1.250	1.250
	75.580	73.217
2) Accounts receivable		
a) from non-consolidated controlled undertakings		
- falling due within one year		
- falling due after more than one year		
b) from affiliated undertakings		

- falling due within one year		
- falling due after more than one year		
c) from controlling companies		
- falling due within one year	35.000	35.000
- falling due after more than one year		
	<u>35.000</u>	<u>35.000</u>
d) from undertakings under control by the controlling companies		
- falling due within one year		
- falling due after more than one year		
d-bis) Other accounts receivable		
- falling due within one year		75.591
- falling due after more than one year	274.608	295.171
	<u>274.608</u>	<u>370.762</u>
		<u>309.608</u>
3) Other securities		
4) Derivative financial instruments		
		<u>385.188</u>
		<u>478.979</u>
Total fixed assets		19.920.251
		20.931.484

C) Current assets

I. Stock		19.531.619	21.177.927
1) Raw materials, subsidiary materials and consumables		2.940.191	2.000.333
2) Work in process and semi-finished products			
3) Work in progress on order		6.435.685	4.851.349
4) Finished products and goods		60.195	92.798
5) Advances		<u>28.967.690</u>	<u>28.122.407</u>
II. Accounts receivable			
1) From customers	13.718.572		14.946.560
- falling due within one year	710.671		623.600
- falling due after more than one year		<u>14.429.243</u>	<u>15.570.160</u>
2) From non-consolidated controlled undertakings			
- falling due within one year			
- falling due after more than one year			
3) From affiliated undertakings	258.461		
- falling due within one year			
- falling due after more than one year		<u>258.461</u>	
4) From controlling companies	598		1.197
- falling due within one year			
- falling due after more than one year		<u>598</u>	<u>1.197</u>

5) From undertakings under control by the controlling companies	750.581		729.911
- falling due within one year			
- falling due after more than one year		750.581	729.911
5-bis) Tax credits	881.628		800.046
- falling due within one year	120.287		175.345
- falling due after more than one year		1.001.915	975.391
5-ter) Deferred tax assets	1.044.679		2.213.178
- falling due within one year	3.679.771		3.124.263
- falling due after more than one year		4.724.450	5.337.441
5-quater) Other accounts receivable	1.001.803		2.214.822
- falling due within one year	359.102		157.451
- falling due after more than one year		1.360.905	2.372.273
		22.526.153	24.986.373
III. Financial assets other than fixed assets			
1) Shareholdings in non-consolidated controlled undertakings			
2) Shareholdings in affiliated undertakings			
3) Shareholdings in controlling companies			
3-bis) Shareholdings in undertakings under control by the controlling companies			
4) Other shareholdings			
5) Derivative financial instruments			
6) Other securities			
IV. Cash-in-hand, cash at bank and cash equivalents			
1) Bank and postal deposits		5.835.299	4.529.875
2) Cheques			
3) Cash and cash equivalents		12.774	13.319
		5.848.073	4.543.194
Total current assets		57.341.916	57.651.974
D) Prepayments and accrued income		109.680	115.123
Total assets		77.371.847	78.698.581
Liabilities		31/12/2016	31/12/2015
A) Shareholders' equity			
I. Share capital		10.000.000	10.000.000
II. Share premium reserve			
III. Revaluation surplus			
IV. Legal reserve		702.780	674.912
V. Reserves provided for by the articles of association			
VI. Other reserves			

Extraordinary or voluntary reserve	6.736.281	6.296.886
Reserve from derogations pursuant to article 2423 of the civil code		
Reserve from shares (non-share interests) in the controlling company		
Reserve from write-up of shareholdings		
Contributions for share capital increases		
Contributions for future share capital increases		
Capital contributions		
Contributions for loss coverage		
Reserve from share capital reduction		
Merger surplus		
Reserve from unrealised exchange gains	31.351	15.610
Reserve from translation differences		
Various other reserves		
Reserves from capital contributions (pursuant to article 55 of the Italian income tax code)		
Reserves under suspended taxation		
Reserves from contributions qualifying for beneficial treatment (law no. 576/1975)		
Reserves from capital gains set aside pursuant to article 2 of law no. 168/1992		
Reserve for supplementary pension funds pursuant to legislative decree no. 124/1993		
Non-distributable reserve pursuant to article 2426		
Reserve from conversion into EURO	(1.841.817)	(1.771.702)
Reserve from tax amnesty		
Riserva Rivalutazione Partecipazioni		
Conto personalizzabile		
Reserve from rounding-offs to whole Euros	(1)	1
Others ...		
Riserva da rapporti di terzi a patrimoni destinati		
Reserve for translation differences from consolidation of foreign companies	92.940	247.253
Consolidation reserve	11.577.304	12.241.065
		4.925.814
		4.540.795
VII. Cash flow hedge reserve		(4.077)
VIII. Retained earnings (loss carryovers)		(1.204.129)
IX. Profit (loss) for the year		346.994
X. Negative reserve for Treasury Shares		677.911
Total group shareholders' equity		26.437.626
		26.499.896
Shareholders' equity and reserves of minority shareholders		2.073.332
Profit (loss) for the year of minority shareholders		15.723
Total shareholders' equity of minority shareholders		2.089.055
		1.851.735
Total consolidated shareholders' equity		28.526.681
		28.351.631
B) Provisions for contingent liabilities and charges		
1) Provision for pensions and similar benefits		83.825
		82.299
2) Provision for deferred income taxes, including deferred tax assets		410.827
		362.416

3) Consolidated provision for contingent liabilities and charges		4.077	
4) Derivative financial instruments		250.300	146.394
5) Other provisions			
Total provisions for liabilities and charges		749.029	591.109
C) Employees' leaving indemnity		792.247	864.846
D) Accounts Payables			
1) Bonds			
- falling due within one year			
- falling due after more than one year	8.703.512		
		8.703.512	
2) Convertible bonds			
- falling due within one year			
- falling due after more than one year			
3) Shareholders' loans			
- falling due within one year			
- falling due after more than one year			
4) Accounts payable to banks			
- falling due within one year	13.041.252		17.666.347
- falling due after more than one year	1.482.252		2.278.658
		14.523.504	19.945.005
5) Accounts payable to third party lenders			
- falling due within one year			
- falling due after more than one year			
6) Advances			
- falling due within one year	1.856.981		3.843.085
- falling due after more than one year			
		1.856.981	3.843.085
7) Accounts payable to suppliers			
- falling due within one year	15.707.315		18.131.498
- falling due after more than one year	273.642		195.256
		15.980.957	18.326.754
8) Accounts payable represented by debt instruments			
- falling due within one year			
- falling due after more than one year			
9) Accounts payable to non-consolidated controlled undertakings			
- falling due within one year			
- falling due after more than one year			
10) Accounts payable to affiliated undertakings			
- falling due within one year			
- falling due after more than one year			

11) Accounts payable to controlling companies			
- falling due within one year	52.934		98.199
- falling due after more than one year	2.000.000		2.000.000
		2.052.934	2.098.199
11-bis) Accounts payable to undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			
12) Taxes payable			
- falling due within one year	887.732		1.095.336
- falling due after more than one year			
		887.732	1.095.336
13) Accounts payable to social security institutions			
- falling due within one year	897.886		969.360
- falling due after more than one year			
		897.886	969.360
14) Other accounts payable			
- falling due within one year	1.804.344		1.806.587
- falling due after more than one year	452.622		453.100
		2.256.966	2.259.687
Total accounts payable		47.160.472	48.537.426
E) Accrued liabilities and deferred income		143.418	353.569
Total shareholders' equity and liabilities		77.371.847	78.698.581
Profit and loss account		31/12/2016	31/12/2015
A) Revenues			
1) From sales and services		86.893.359	91.507.647
2) Changes in stocks of work in process, semi-finished and finished products		2.459.179	(2.708.490)
3) Changes in work in progress on order		4.487.271	4.193.347
4) Capitalised internal work in progress			
5) Other revenues and proceeds:			
- contributions on trading account	828.628		1.415.413
- others	4.500		
		833.128	1.415.413
Total revenues		94.672.937	94.407.917
B) Expenses			
6) Raw materials, subsidiary materials, consumables and goods		59.661.082	63.586.613
7) Services		8.317.227	7.929.144
8) Rent/lease		1.703.008	1.797.046
9) Personnel costs			
a) salaries and wages	9.787.517		9.238.900
b) social contributions	2.510.002		2.317.316

c) employees' leaving indemnity	302.910		260.900
d) accruals for pension and similar benefits	12.242		9.112
e) other costs	42.196		36.201
			11.862.429
10) <i>Amortisation, depreciation and value adjustments</i>		12.654.867	
a) amortisation of intangible assets	4.733.167		4.538.355
b) depreciation of tangible assets	1.371.614		1.247.844
c) other value adjustments			
d) write down of accounts receivable recorded among current assets and liquid assets	45.000		21.796
			5.807.995
11) <i>Changes in raw materials, subsidiary materials, consumables and goods</i>		6.149.781	
12) <i>Accruals to provisions for contingent liabilities and charges</i>		1.394.578	(2.879.936)
13) <i>Other accruals</i>		103.000	65.000
14) <i>Miscellaneous running costs</i>		251.729	297.922
		1.410.718	931.566
Total expenses		91.645.990	89.397.779
Difference between revenues and expenses(A-B)		3.026.947	5.010.138

C) Financial income and costs15) *Income from shareholdings:*

- in non-consolidated controlled undertakings
- in affiliated undertakings
- in controlling companies
- in undertakings under control by controlling companies
- other income

16) *Other financial income:*

a) from accounts receivable recorded among fixed assets

- from non-consolidated controlled undertakings
- from affiliated undertakings
- from controlling companies
- from undertakings under control by controlling companies
- other financial income

b) from securities recorded among fixed assets

c) from securities recorded among current assets

d) other income:

- from non-consolidated controlled undertakings
- from affiliated undertakings
- from controlling companies

- from undertakings under control by controlling companies 18.730

- other income 9.562 29.998

28.292 29.998

28.292 29.998

17) *Interest and other financial costs:*

- to non-consolidated controlled undertakings

- to affiliated undertakings			
- to controlling companies	86.479		82.120
- to undertakings under control by controlling companies			
- other financial costs	1.508.905		1.692.498
		1.595.384	1.774.618
<i>17-bis) Exchange gains and losses</i>		(59.173)	(1.131.603)
Total financial income and costs		(1.626.265)	(2.876.223)

D) Value adjustments of financial assets and liabilities*18) Write-ups:*

- a) of shareholdings
 - in imprese collegate
 - in imprese controllate
 - in imprese controllanti
 - in imprese sottoposte al controllo delle controllanti
 - in altre imprese

- b) of financial fixed assets which do not constitute shareholdings

- c) of securities recorded among current assets which do not constitute shareholdings

- d) of derivative financial instruments

- e) di attività finanziarie per la gestione accentrata della tesoreria

- f) con metodo del patrimonio netto

19) Write downs:

- a) of shareholdings 101.411

- b) of financial fixed assets which do not constitute shareholdings

- c) of securities recorded among current assets which do not constitute shareholdings

- d) of derivative financial instruments

- e) di attività finanziarie per la gestione accentrata della tesoreria

- f) con il metodo del patrimonio netto

101.411**Total value adjustments of financial assets and liabilities (101.411)****Result before taxes (A-B±C±D±E) 1.400.682 2.032.504***20) Taxes on the income for the year (current taxes at deferred tax assets and liabilities)*

Current taxes	1.141.503		1.050.039
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Taxes of prior years	4.758		
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Deferred tax assets and liabilities	(108.296)		268.325
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Proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale			
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		1.037.965	1.318.364
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21) Profit (loss) of the year 362.717 714.140

- Group profit (loss)		346.994	677.911
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- Profit (loss) of minority shareholders

15.723

36.229

INDEPENDENT AUDITOR'S REPORT

To the shareholder of
Gobal Display Solutions S.p.A.

Report of the consolidated financial statements

We have audited the accompanying consolidated financial statements of Global Display Solutions S.p.A. and its subsidiaries (Group Global Display Solutions), which comprise the balance sheet as of December 31, 2016, the statement of income and the cash flow statement and related explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with the Italian regulations and accounting principles governing financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11 of Legislative Decree N0. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group Global Display Solutions as at December 31, 2016, and of the result of its operations and its cash flows for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.



Other matter

This Auditor's Report has not issued pursuant art. 14 of Legislative Decree dated January 27, 2010 n. 39, because the consolidated financial statements have been prepared by the parent company GDS Holding S.r.l.

Padova, 14 June 2017

BDO Italia S.p.A.

Stefano Bianchi
Socio

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.