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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 2017

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

During 2017, the expansion of the global economy was elevated (3.8%) and greater than expectations; driven by the pick-up in investments, it extended both to the leading advanced economies and the emerging and developing ones.
Global trade reported a pronounced recovery, returning to grow at a rate higher than that of the GDP. The quality indicators of the foreign orders however forecast a possible weakening during 2018, probably seeing the contribution of fears induced by the growing commercial tensions between the United States and their main partners.
The favourable cyclical conditions boosted the prices of raw materials. The agreements between the leading oil-producing countries encouraged the reabsorption of the supply surplus which has persisted for the last three years. The growth in prices of raw materials contributed towards the slight rise in global inflation, which however remained moderate in its underlying component. The Federal Reserve continued its process of normalisation of the monetary policies undertaken in the last two-year period, with limited effects on the markets.
The conditions on the international financial markets were relaxed during 2017. During the first few months of this year, the volatility of the share prices rapidly increased in connection with the upward review of the expectations on the interest rates and with the announcement of new protectionist measures in the United States.
In the Euro Zone the expansive phase of the economy which commenced in Spring 2013 strengthened, spreading to all the countries. In the first quarter of this year, growth slightly folded in, returning in line with the average for the last three years.
The fears of deflation at the start of 2017 have ceased, inflation gradually rose; it however remains far from the values consistent with the definition of stability of the prices adopted by the Eurosystem, above all else in its underlying component. The progressive pick-up of inflation over the next few years will depend on the reabsorption of the unused work resources and the associated recovery of the inflation expectations of households and businesses.
The support provided for growth by economic policies remains significant, in particular by more favourable monetary conditions. According to the estimates of the European Commission, the stance of the budget policy in the area should become slightly expansive during the year underway.

The recovery of the Italian economy consolidated during 2017, a process by now underway almost without interruption since the second quarter of 2013. The pick-up however proceeds at a very slow rate compared with previous cyclical pick-ups and with respect the growth which has taken place in other leading economies of the Euro Zone.
Growth was higher than that expected by the main forecasts at the start of the year and concerned all the macro-areas, but above all else the Northern regions. It was supported by every component: trade with abroad, household consumption, the accumulation of operating assets and those under construction, whose gap with respect the values prior to the crisis however remain somewhat ample also due to the reduced investments made by the Public Administration Authorities.
Exports accelerated more than imports; trade with abroad thereby provided a positive contribution to the growth of GDP for the first time since 2013. The surplus of the current items with abroad reached the highest value since the mid 1990s.

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

The sectors in which the Company operates still feel the effect of the uncertain trend of the global economy and in particular the slowness of the pick-up after the heavy crisis of the previous years and the continuing crisis of certain European markets and the Italian one in particular and of a number of specific sectors.

The main sector of the displays finds increasingly ample and new applications. The Company develops niche applications which due to the technical and service-related complexity require skills, experience and focus which are not easily available to the majority of the sector operators. The consumer markets or those in which standard products can be used derived from consumable products are neglected, since these markets are dominated by Asian multinationals.

The OEM segment, where potential industrial customers of international structure and sizes are present, is redirecting its supply towards emerging countries since the western ones are saturated and therefore presents great pressure on the containment of prices.

The public information display segment, both indoor and outdoor, discloses demand on the up due to the need to offer increasingly greater and accurate information to the general public which benefits from the service. The clientele is represented by railway and subway station and airport management entities which require a complete solution which integrates the supply under “turnkey” tender. The Company can count numerous success stories in this segment and continues to offer advanced solutions at times also acting as general contractor with the formula of providing a complete solution of products and services.

The digital advertising sector, even if it is spreading, is not yet brilliant and continuative due to the persistence of the insufficiency of investments in the advertising sector and the difficulty of having suitable returns on the investment within certain and short timescales.

The retail sector for indoor use is very competitive and dominated by the large Asian manufacturers who offer standard and therefore non-niche solutions while it differentiates in the outdoor applications such as menu boards for quick service restaurants or price signs for gas stations where the Company has managed to develop important projects and customers.

The industrial sector, inclusive of the EMS contract manufacturing activities, suffers from reduced margins. This sector is that which has been affected the most by the continual pressure on sales prices.

The revenues realised during the accounting period are around 13% lower with respect to the previous year. This reduction was envisaged and mentioned in the previous report and in the business plan presented in August 2017 and is due to the simultaneous completion of a number of contracts and the shifting to 2018 of other new contracts acquired during 2017.

The revenues reflect the matters envisaged and the economic results were positive and in line with forecasts.

The strategies outlined in the previous reports have been successfully implemented and are summarized 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 “digitalized” 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) industrial and medical display sector with the development of products compliant with the needs of the reference OEM customers
c) 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). During the year, the relationship with a multi-national customer also developed for supporting the sales of industrial printers
d) lighting sector with the development of lighting systems for industrial and professional customers and for international customers. During the year, three important contracts were acquired, of which an international one and another two in Italy.
e) kiosks and reverse machine sector for the recycling of containers for liquids for sector operators.

Consolidating the financial needs for the investments and supporting the developments envisaged for the next few years, a bond issue transaction was achieved back in 2016 under the “Mini bond” formula. The Company has therefore issued a bond for Euro 9,000,000 which has been fully subscribed. The reimbursement envisages an initial tranche at the end of 2018 for Euro 1,800,000. Bond is listed on the Borsa Italiana Extra-MOT Pro segment.

The subscription of the Mini Bond lead to the contractual deferral of the Shareholders’ loans for Euro 2,000,000.

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 2017 was stable 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 maintain the expected profitability.

In particular, the display and industrial sectors once again confirmed themselves to be predominant with respect to the other sectors in which the Group companies operate; even if during the year global sales underwent a drop, the prospects confirm future growth.
The printers sector disclosed important 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 specialisation of the solutions requested is increasingly observed, along with a further integration of front-end functions.
The LED lighting sector reported slight growth in sales revenues despite the reduction of the prices of the products 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):

	31/12/2017	31/12/2016	delta
Net Sales	76.131.041	87.679.378	(11.548.337)
External costs	52.227.766	62.873.205	(10.645.439)
Added Value	**23.903.275**	**24.806.173**	**(902.898)**
Payroll and related costs	14.213.918	14.020.110	193.808
EBITDA	**9.689.357**	**10.786.063**	**(1.096.706)**
Amortization, depreciation, write-downs and other provisions	6.537.521	6.712.695	(175.274)
EBIT	**3.151.936**	**4.073.368**	**(921.432)**
Exchange gains and losses	(165.368)	(59.173)	(106.195)
Financial income and expense	(1.274.117)	(1.567.092)	292.975
EBT & Extraordinary	**1.712.451**	**2.447.103**	**-734.652**
Extraordinary items	(176.665)	(1.046.421)	869.756
Pre Tax Result	**1.535.786**	**1.400.682**	**135.104**
Income Tax	392.737	1.037.965	(645.228)
Net Result	**1.143.049**	**362.717**	**780.332**

Main Balance Sheet figures

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

	31/12/2017	31/12/2016	delta
Net intangible fixed assets	15.928.957	14.303.741	1.625.216
Net tangible fixed assets	5.245.338	5.231.322	14.016
Equity investments and other long-term financial assets	4.484.950	4.945.411	(460.461)
Fixed capital assets	**25.659.245**	**24.480.474**	**1.178.771**
Inventories	27.864.462	28.967.690	(1.103.228)
Account receivables	13.527.809	13.718.572	(190.763)
Other receivables	4.531.802	3.972.750	559.052
Accrued income and prepaid expenses	104.401	109.680	(5.279)
Short-term operating assets	**46.028.474**	**46.768.692**	**(740.218)**

	31/12/2017	31/12/2016	delta
Account payables	16.506.200	15.707.315	798.885
Advance payments	2.184.228	1.856.981	327.247
Tax and social security payables	1.657.132	1.785.618	(128.486)
Other payables	2.052.165	1.857.278	194.887
Accrued expenses and deferred income	67.865	143.418	(75.553)
Short-term operating liabilities	**22.467.590**	**21.350.610**	**1.116.980**
Net Working Capital	**23.560.884**	**25.418.082**	**(1.857.198)**
Employee leaving indemnities	688.647	792.247	(103.600)
Tax and social security payables (due beyond 12 months)			
Other medium and long-term liabilities	3.433.949	3.475.293	(41.344)
Medium and long-term liabilities	**4.122.596**	**4.267.540**	**(144.944)**
Net invested capital	**45.097.533**	**45.631.016**	**(533.483)**
Shareholders’ equity	(28.567.121)	(28.526.681)	(40.440)
Net medium and long-term financial position	(7.783.856)	(9.911.156)	2.127.300
Net short-term financial position	(8.746.556)	(7.193.179)	(1.553.377)
Shareholders’ equity and net financial borrowing	**(45.097.533)**	**(45.631.016)**	**533.483**

Financial highlights

The net financial position as of 31 December 2017, was as follows (in Euro):

	31/12/2017	31/12/2016	delta
Bank and post office deposits	7.330.878	5.835.299	1.495.579
Cash and equivalents on hand	7.969	12.774	(4.805)
Liquid funds and own shares	**7.338.847**	**5.848.073**	**1.490.774**
Current financial assets			
Bonds and convertible bonds (within 12 months)	1.710.866		1.710.866
Amounts due to banks (within 12 months)	14.374.537	13.041.252	1.333.285
Short-term financial payables	**16.085.403**	**13.041.252**	**3.044.151**
Net short-term financial position	**(8.746.556)**	**(7.193.179)**	**(1.553.377)**
Bonds and convertible bonds (beyond 12 months)	7.075.891	8.703.512	(1.627.621)
Amounts due to banks (beyond 12 months)	986.706	1.482.252	(495.546)
Financial receivables	(278.741)	(274.608)	(4.133)
Net medium and long-term financial position	**(7.783.856)**	**(9.911.156)**	**2.127.300**
Net financial position	**(16.530.412)**	**(17.104.335)**	**573.923**

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:

	31/12/2017	31/12/2016	31/12/2015
EBITDA	9.689.357	10.786.063	11.576.650
Net financial position / Shareholders' equity	0,58	0,60	0,53
Financial income and expense / Net revenues	1,67%	1,8%	1,8%
Net financial position / EBITDA	1,71	1,59	1,30
EBITDA / Net revenues	12,73%	12,30%	12,49%
Shareholders' equity / Net invested capital	0,63	0,63	0,65

Information pertaining to the staff an environment

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:

Description	31/12/2017	31/12/2016
Raw material costs	48.618.481	58.295.839
Payroll and related costs	14.213.918	14.020.110
Services	7.380.539	8.317.227
Financial expense	1.358.786	1.595.384

Revenues

Total volume of revenues, broken down as follows:

Description	31/12/2017	31/12/2016
Sales of products and services	74.652.201	86.893.359
Other income	1.581.840	833.128
Total Sales	76.234.041	87.726.487

Research and development activities

Pursuant to Article 2428.2.1, formal acknowledgement is made of the development activities relating to new products or new production processes. The development activities have been constant over the year and fundamental for the Business of the Company and involve all the areas in which the same operates.

DISPLAYS

DISPLAY HB FULL OUTDOOR MIDAS (32", 46", 55"): development of a high luminosity product family for full outdoor application, ground-based passenger information systems and quick service restaurant. Sizes developed 32”, 46” and 55” in single side and double side configuration

EINK TILES: project for the realisation of signs for fuel price indicators based on E-INK technology with bonding

DISPLAY INDOOR (LITE, DLITE, VIDEOWALL, DBRAIN): development and engineering of displays for outdoor application DDOH markets and advertising. Versions with bonding to increase the video performances. Sizes available from 42” to 98”. Media players integration with handling of video content and low cost or full featured video controllers.

TOTEM INDOORS, SEMI-OUTDOOR ADVERTISING: development of engineering of totems for indoor and semi-outdoor application for DOOH application for shopping malls or subway stations. Based on the modular approach with development of core engine and aesthetic customisations. Sizes 55, 70, 75. Video resolution up to 4 K.

PLATFORM / ON BOARD DISPLAYS FOR RAILWAYS MARKET: development of information displays onboard trains for the Crossrail and LowTrain class for the UK market. Static page and video streaming display system based on ARM platform with BT owned communication protocols.

INDUSTRIAL DISPLAY / KITS: design of display equipment with small format bonding for industrial systems. Development and industrialisation of systems for energy recovery for wellness machines.

HIGH BRIGHTNESS / STRETCHED DISPLAYS FOR RAILWAYS APPLICATIONS: new generation of products for railway application with high luminosity GDS native backlight, stretched format for installations in the subway sphere. Single and tiled products (horizontally flanked) in master / salve configuration. Design and electronic integration for diagnostics and video controller. Display integration in streaming for video information and advertising system to be installed along escalators, fault tolerant control and powering system.

NEW GENERATION OF FULL OUTDOOR HB PRODUCTS: development of new large format core engine (75” and over) featuring high luminosity (>2,500 nits). Development and integration of new solution for the heat management of the single side and dual side products device.

NEW GENERATION OF INDOOR PRODUCTS TOTEM, WMU, 55", 75", SS, DS: development of new low cost core engine for indoor totems with sizes of 55”, 75” and 80”. Integration in single side, dual side and wall mount load-bearing structures. Aesthetics customisable with lateral cladding with various finishings and glass aesthetics silk screen printing realisations.

OTHERS: project for the realisation of a seamless video system for subways. Design of the extra narrow bezel videowall, of the load-bearing structure and the video-control system

NEW GENERATION OF E-INK PRODUCTS: monochrome / colour 32” and 13” and A0 format display, Development B/W - Colour display for the transportation market and Information kiosks and menu boards.

SMART CITY: streamlining of public mobility systems by means of PID (Public Information Display) system featuring very low energy consumption, bi-stable integrated with IoT techniques.

PRINTERS

SERIAL PLUS: evolution of serial products family for functional and competitive adaptation. Introduction of LAN and USB interfaces, resident and contemporary with respect to the other data interfaces. Increase in the printing performance to maintain the competitive level vis-à-vis the competition.

OEM VERSION: project for definition and creation of a serial products family, according to OEM specifications. The product family comprises:
- 800 cps 24 needles product with plastic cabinet
- 800 cps 18 needles product with metal cabinet
- The development of the software configurations, operability and certification for the European, Asian and US markets
- Double Byte version (Kanji GB18030) specific for the Chinese market

DOCUMENT FEEDER: project for development and creation of optional feed drawer of the Sp40plus dual scanner, suitable for handling banking forms (DD, cheques, ...) for automation of the transactions of the periphery via branch.

SP40 PLUS INFRARED/UV SCANNER: project for development and creation of the SP40plus dual scanner version with INFRARED and UV reader, for the management of security/anti-counterfeiting system for bank documentation. Mechanical integration of the devices, electronic realisation of management and development of software/firmware for piloting scanners and the handling of the related images.

PRODUCT INNOVATION SP40: evolution of passbook products family for banking application, for functional and competitive adaptation. Increase in the performances to maintain the competitive level vis-à-vis the competition. Firmware developments for integration of the product in new markets.

SELF SERVICE FINANCIAL KIOSK: design and creation of “unattended” device for handling financial services (handling of accounting operations on banking book) with audio message system for user interface handling.

LED LIGHTING

ATLAS LENSES: lenses with better performing features

STREET LAMPS: new lamps with standard performances but lower power and lower consumption

HIGH EFFICIENCY: new better performing version of LEDs and power supply units

HIGH MAST: new product for floodlight tower applications involving great heights over 20 metres

STARK: new product for industrial applications involving heights over 6 metres

STREET LAMP 2020: newly conceived lamps with lower consumption

Investments made

Investments were made in the following areas during the year:

Fixed Assets	Acquisitions during the period
Lands & Buildings	3.332
Plant & Machinery	966.236
Industrial & Commercial Equipments	215.888
Others	729.128
Advances on Tangible Fixed Assets	149.462

Group performance by sector

The Display sector for applications referring to digital signage, Advertising, Transportation, QSR, Price Sign and other similar applications, generated decreasing sales for €uro 9.5 million compared with last year as a consequence of the envisaged completion of the first part of two contracts: one in the USA (QSR) and one in Germany (Price Sign). In 2016 these contracts had contributed greater sales revenues of €uro 8.5 million. At the same time, the postponement to 2018 and beyond was seen for several deliveries already acquired and which it was envisaged might counterbalance the drop deriving from the completion of the two contracts mentioned in 2017. Therefore, a pick-up in sales revenues is envisaged in 2018.
The Display sector for OEM industrial and medical applications together with the EMS activities generated decreasing sales for €uro 4.7 million consequent to the completion of a contract in the meters sector (EMS) which in 2016 had contributed greater sales revenues of €uro 7.9 million. New tenders of the same kind were in the meantime acquired, whose sales revenues are however envisaged as from mid 2018, year for which a recovery if therefore envisaged.
The industrial printers sector realised greater sales revenues for €uro 2.5 million thanks to the new contracts both in Italy and in the rest of the world.
The Led Lighting sector generated greater sales revenues for €uro 50 thousand despite the drop in the average prices due to technological innovation. The new contracts acquired suggest a rise in sales revenues in 2018.

Information relating to risks and uncertainties pursuant to Article 2428.3, point 6 *bis* of the Italian Civil Code

The issue of the bond (Minibond) which took place in 2016 in additional to the measures of the shareholders in previous years and also thanks to the consolidation of the sales revenue and the margin, have created sufficient liquidity for the normal management of the activities. The repayment of the first instalment of the Minibond for €uro 1,800,000 is envisaged as of 31 December 2018.

The success of the activities has also made it possible to enjoy the confidence with the financial/banking system and no problem have been come across for accessing credit.

The customer insolvency risk continues to be covered, except for certain strategic and historic customers, via insurance policy which guarantees 80% of the amount of the credit facilities. In some cases, the risk vis-à-vis the customers is covered by means of the without recourse factoring of receivables to factoring companies which advance the collections. In all cases, the customers are subject to in-depth assessment at the time of establishment of the commercial relationship and assignment and handing of the credit facility.

The exchange rate risk hedging policy has not changed. It is only partially hedged by means of derivative financial instruments but since the Company carries out both receivable and payable transactions in currency, a good part of the risk implicitly offsets itself. The majority of the purchase and sale trade transactions take place in Euro and in US dollars, while the local operating costs of the subsidiaries are linked to the currencies of the countries of residence.

All the risks listed above, as well as the price risk, are assessed and handled by the Company's Board of Directors under discussion with the Board of Directors of the parent company GDS-Holding S.r.l..

Significant events after the end of the accounting period

Further to the acquisition of a new contract in the meters sector, in the first few months of 2018, activities were resumed at the Motta di Livenza (TV) factory where manufacturing will be carried out. Production will extend for a period to-date foreseeable as around 4 years and the event involves a limited increase in future overheads and variable costs benefiting at the same time from an improved use and saturation of human resources of the company contributing towards the absorption of overstaffing now mitigated by solidarity contracts which it is envisaged will cease during 2018.
The decree for the concession of the soft terms envisaged availing of the fund for Sustainable growth - Digital Agenda Call has been obtained for the project for making public mobility systems more efficient by means of digital information systems with very low energy consumption, bi-stable and integrated with Internet of Things technologies.

Business Outlook

The new contracts acquired during the year just ended will permit growth in sales revenues as already envisaged in the business plan drawn up last August. The new contracts, which will come about for the greater volumes as from the second half of 2018 and in subsequent years, will permit the continuation of the growth also in coming years. The contracts acquired during 2017 include the tender won with an important German railway company relating to Public information displays to be used in German railway stations; deliveries will commence at the end of 2018. Mention is also made of the tender won for electronic multiphase meters whose sales revenue will commence in the second half of 2018 and will continue for a period of around 4 years, and a number of contracts for the lighting sector involving important volumes both in Italy and abroad.
Other significant opportunities for sales revenue are provided by contracts in the awarding stage in relation to which the Company is well positioned.
Mention is made of the growing difficulty of tracking down certain electronic components which is emerging at global level due to a temporary imbalance between volumes requested and those produced. The Company is dealing with this difficulty by ordering much earlier in advance and accepting a greater safety stock and planning the introduction of alternative solutions. At times these situations may also cause an increase in the costs of certain materials particularly affected by the phenomenon.

Own shares and shares/holdings in parent companies

The Company does not hold, nor did it purchase or sell during the year, own shares or holdings in parent companies, even via trust companies or third parties.

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.

Privacy

The Group companies, both Italian and foreign, adopt the measures and meet the obligations envisaged by local legislation concerning privacy.

Cornedo Vicentino, Italy, May 28th 2018

The Chairman of the Board of Directors
Giovanni Cariolato

Companies Registry registration no. 02940180249
Chamber of Commerce (REA) reg. no. 286062

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 31/12/2017

Balance Sheet

Assets		31/12/2017	31/12/2016
A) Accounts receivable from shareholders in respect of unpaid share capital			
(of which called up)			
B) Fixed assets			
I. Intangible assets			
1) Start-up and expansion costs			
2) Development costs		11.810.225	10.035.511
3) Industrial patent and intellectual property rights		128.368	155.079
4) Concessions, licenses, trademarks and similar rights		335.414	263.288
5) Goodwill		69.666	135.730
6) Work-in-progress and advances		3.575.715	3.676.310
7) Other intangible assets		9.569	37.823
		15.928.957	14.303.741
II. Tangible assets			
1) Land and buildings		1.138.383	1.363.494
2) Plant and machinery		1.994.080	1.962.207
3) Industrial and commercial equipment		1.240.469	1.516.972
4) Other assets		848.683	369.640
5) Work-in-progress and advances		23.723	19.009
		5.245.338	5.231.322
III. Financial assets			
1) Shareholdings in:			
a) non-consolidated controlled undertakings			
b) affiliated undertakings			74.330
c) controlling companies			
d) undertakings under control by the controlling companies			
d-bis) other companies	1.250		1.250
		1.250	75.580
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			
	35.000		35.000
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			
- falling due after more than one year	278.741		274.608
	278.741		274.608
		313.741	309.608
3) Other securities			
4) Derivative financial instruments			
		314.991	385.188
Total fixed assets		**21.489.286**	**19.920.251**
C) Current assets			
I. Stock		19.446.256	19.531.619
1) Raw materials, subsidiary materials and consumables		2.466.564	2.940.191
2) Work in process and semi-finished products			
3) Work in progress on order		5.882.287	6.435.685
4) Finished products and goods		69.355	60.195
5) Advances		27.864.462	28.967.690
II. Accounts receivable			
1) From customers	13.527.809		13.718.572
- falling due within one year	724.499		710.671
- falling due after more than one year		14.252.308	14.429.243
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			258.461
4) From controlling companies	135.752		598
- falling due within one year			
- falling due after more than one year		135.752	598

5) From undertakings under control by the controlling companies	652.755		750.581
- falling due within one year			
- falling due after more than one year		652.755	750.581
5-bis) Tax credits	1.905.757		881.628
- falling due within one year	145.936		120.287
- falling due after more than one year		2.051.693	1.001.915
5-ter) Deferred tax assets	1.052.802		1.044.679
- falling due within one year	3.451.493		3.679.771
- falling due after more than one year		4.504.295	4.724.450
5-quater) Other accounts receivable	749.736		1.001.803
- falling due within one year	161.772		359.102
- falling due after more than one year		911.508	1.360.905
		22.508.311	22.526.153
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		7.330.878	5.835.299
2) Cheques			
3) Cash and cash equivalents		7.969	12.774
		7.338.847	5.848.073
Total current assets		**57.711.620**	**57.341.916**
D) Prepayments and accrued income		**104.401**	**109.680**
Total assets		**79.305.307**	**77.371.847**
Liabilities		**31/12/2017**	**31/12/2016**
A) Shareholders' equity			
I. Share capital		10.000.000	10.000.000
II. Share premium reserve			
III. Revaluation surplus			
IV. Legal reserve		723.859	702.780
V. Reserves provided for by the articles of association			
VI. Other reserves			

Extraordinary or voluntary reserve	6.905.211		6.736.281
Reserve from unrealised exchange gains	262.913		31.351
Various other reserves			
Reserve from conversion into EURO	(795.288)		(1.841.817)
Reserve from rounding-offs to whole Euros	(1)		(1)
Reserve for translation differences from consolidation of foreign companies	(1.361.155)		92.940
Consolidation reserve	10.467.911		11.577.304
		15.479.591	16.596.058
VII. Cash flow hedge reserve		(1.993)	(4.077)
VIII. Retained earnings (loss carryovers)		(857.135)	(1.204.129)
IX. Profit (loss) for the year		1.137.681	346.994
X. Negative reserve for Treasury Shares			
Total group shareholders' equity		**26.482.003**	**26.437.626**
Shareholders' equity and reserves of minority shareholders		2.079.750	2.073.332
Profit (loss) for the year of minority shareholders		5.368	15.723
Total shareholders' equity of minority shareholders		2.085.118	2.089.055
Total consolidated shareholders' equity		**28.567.121**	**28.526.681**
B) Provisions for contingent liabilities and charges			
1) Provision for pensions and similar benefits		79.932	83.825
2) Provision for deferred income taxes, including deferred tax assets		443.392	410.827
3) Consolidated provision for contingent liabilities and charges		1.993	4.077
4) Derivative financial instruments		120.129	250.300
5) Other provisions			
Total provisions for liabilities and charges		**645.446**	**749.029**
C) Employees' leaving indemnity		688.647	792.247
D) Accounts Payables			
1) Bonds			
- falling due within one year	1.710.866		
- falling due after more than one year	7.075.891		8.703.512
		8.786.757	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	14.374.537		13.041.252
- falling due after more than one year	986.706		1.482.252
		15.361.243	14.523.504

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	2.184.228		1.856.981
- falling due after more than one year			
		2.184.228	1.856.981
7) Accounts payable to suppliers			
- falling due within one year	16.506.200		15.707.315
- falling due after more than one year	344.553		273.642
		16.850.753	15.980.957
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	59.203		52.934
- falling due after more than one year	2.000.000		2.000.000
		2.059.203	2.052.934
11-bis) Accounts payable to undertakings under control by the controlling companies			
- falling due within one year	63.935		
- falling due after more than one year			
		63.935	
12) Taxes payable			
- falling due within one year	844.707		887.732
- falling due after more than one year			
		844.707	887.732
13) Accounts payable to social security institutions			
- falling due within one year	812.425		897.886
- falling due after more than one year			
		812.425	897.886
14) Other accounts payable			
- falling due within one year	1.929.027		1.804.344
- falling due after more than one year	443.950		452.622
		2.372.977	2.256.966
Total accounts payable		**49.336.228**	**47.160.472**
E) Accrued liabilities and deferred income		**67.865**	**143.418**

Total shareholders' equity and liabilities		**79.305.307**	**77.371.847**

Profit and loss account		**31/12/2017**	**31/12/2016**
A) Revenues			
1) From sales and services		74.652.201	86.893.359
2) Changes in stocks of work in process, semi-finished and finished products		(1.017.865)	2.459.179
3) Changes in work in progress on order			
4) Capitalised internal work in progress		6.035.257	4.487.271
5) Other revenues and proceeds:			
- contributions on trading account	1.547.097		828.628
- others	34.743		4.500
		1.581.840	833.128
Total revenues		**81.251.433**	**94.672.937**
B) Expenses			
6) Raw materials, subsidiary materials, consumables and goods		48.618.481	58.295.839
7) Services		7.380.539	8.317.227
8) Rent/lease		1.554.033	1.703.008
9) Personnel costs			
a) salaries and wages	11.513.834		11.152.760
b) social contributions	2.377.876		2.510.002
c) employees' leaving indemnity	270.880		302.910
d) accruals for pension and similar benefits			12.242
e) other costs	51.328		42.196
		14.213.918	14.020.110
10) Amortisation, depreciation and value adjustments			
a) amortisation of intangible assets	4.677.861		4.733.167
b) depreciation of tangible assets	1.045.506		1.371.614
c) other value adjustments			
d) write down of accounts receivable recorded among current assets and liquid assets	222.000		45.000
		5.945.367	6.149.781
11) Changes in raw materials, subsidiary materials, consumables and goods		(280.184)	1.394.578
12) Accruals to provisions for contingent liabilities and charges			103.000
13) Other accruals		393.471	251.729
14) Miscellaneous running costs		450.537	1.410.718
Total expenses		**78.276.162**	**91.645.990**
Difference between revenues and expenses(A-B)		**2.975.271**	**3.026.947**
C) Financial income and costs			
15) 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	155			
- from undertakings under control by controlling companies	18.132			18.730
- other income	66.382			9.562
		84.669		28.292
		84.669		28.292
17) Interest and other financial costs:				
- to non-consolidated controlled undertakings				
- to affiliated undertakings				
- to controlling companies	84.405			86.479
- to undertakings under control by controlling companies				
- other financial costs	1.274.381			1.508.905
		1.358.786		1.595.384
17-bis) Exchange gains and losses		(165.368)		(59.173)
Total financial income and costs		**(1.439.485)**		**(1.626.265)**
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			
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			
Total value adjustments of financial assets and liabilities			
Result before taxes (A-B±C±D±E)		**1.535.786**	**1.400.682**
20) Taxes on the income for the year (current taxes ar deferred tax assets and liabilities)			
Current taxes	116.584		1.141.503
Taxes of prior years	(50.326)		4.758
Deferred tax assets and liabilities	326.479		(108.296)
Proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale			
		392.737	1.037.965
21) Profit (loss) of the year		**1.143.049**	**362.717**
- Group profit (loss)		1.137.681	346.994
- Profit (loss) of minority shareholders		5.368	15.723

Companies Registry registration no. 02940180249
Chamber of Commerce (REA) reg. no. 286062

GLOBAL DISPLAY SOLUTIONS S.P.A

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

Cash flow statement at 31/12/2017

Description	FY 31/12/2017	FY 31/12/2016
A. Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1.143.049	362.717
Income taxes	392.737	1.037.965
Interest expense (interest income)	1.274.117	1.567.092
(Dividends)		
Total capital (gains)/losses from the disposal of assets	(203.412)	18.277
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	2.606.491	2.986.051
Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions	249.070	411.743
Amortisation/depreciation of fixed assets	5.723.367	6.104.781
Write-downs of assets due to permanent value impairment		
Value adjustments to financial assets and liabilities generated by derivative financial instruments with do not involve a cash flow	(2.084)	4.077
Other adjustments in connection with non-monetary items	(337.694)	527.003
Total adjustments in connection with non-monetary items with no offsetting items in the net working capital	5.632.659	7.047.604
2. Cash flow before changes in working capital	8.239.150	10.033.655
Changes in working capital		
Decrease/(increase) of inventory	1.103.228	(845.283)
Increase/(decrease) of accounts receivable from customers	398.068	862.385
Increase/(decrease) of accounts payable to suppliers	940.000	(2.391.062)
Decrease /(Increase) of accrued income and prepayments	5.279	5.443
Increase /(decrease) of accrued liabilities and deferred income	(75.553)	(210.151)
Other decreases/(increases) in working capital	807.194	(1.048.931)
Total changes in working capital	3.178.216	(3.627.599)
3. Cash flow after changes in working capital	11.417.366	6.406.056
Other adjustments		
Interest collected/(paid)	(1.274.117)	(1.567.092)
(Income taxes paid)	(1.159.061)	(1.380.389)
Dividends collected		
(Use of provisions)	(780.648)	(222.203)
Other collections/(payments)		
Total other adjustments	(3.213.826)	(3.169.684)
Cash flow from operating activities (A)	8.203.540	3.236.372
B. Cash flow from investing activities		
Tangible assets		
(Investments)	(2.064.056)	(628.290)
Realisation price of divestments	780.837	64.072
Intangible assets		
(Investments)	(6.344.243)	(4.675.150)
Realisation price of divestments		
Financial fixed assets		
(Investments)	(6.166)	(596)
Realisation price of divestments	77.706	20.883
Financial assets not included among fixed assets		
(Investments)		
Realisation price of divestments		

(Acquisition undertakings or business concerns not including cash-in-hand and cash-at-bank)		
Disposal undertakings or business concerns not including cash-in-hand and cash-at-bank		
Cash flow from investing activities (B))	(7.555.922)	(5.219.081)
C. Cash flow from financing activities		
Debt		
Increase (decrease) of short-term bank debt	1.333.285	(4.625.095)
Loans taken out	104.731	12.000.000
Loans repaid	(517.032)	(4.092.894)
Equity		
Share capital increase		
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	920.984	3.282.011
Cash increase (Decrease) (A ± B ± C)	1.568.602	1.299.302
Exchange differences in cash-at-bank, cash-in-hand and cash equivalents	(77.828)	5.577
Cash at the beginning of the year		
Bank and post office deposits	5.835.299	4.529.875
Cheques		
Cash-in-hand and cash equivalents	12.774	13.319
Total cash-at-bank, cash-in-hand and cash equivalents at the beginning of the year	5.848.073	4.543.194
of which not freely available for use		
Cash at the end of the year		
Bank and post office deposits	7.330.878	5.835.299
Cheques		
Cash-in-hand and cash equivalents	7.969	12.774
Total cash-at-bank, cash-in-hand and cash equivalents at the end of the year	7.338.847	5.848.073
of which not freely available for use		
Acquisition or sale of controlled undertakings		
Total consideration paid or received	(1.313)	(1.323.848)
Cash portion of the consideration		
Cash-in-hand or at bank obtained or transferred as a result of the acquisition/sale of the controlled undertakings		1.425.000
Book value of the assets/liabilities purchased or transferred		

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Independent auditor's report

To the shareholders of
Global Display Solutions S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Global Display Solutions (the Group), which comprise the balance sheet as 31/12/2017, the income statement and the cash flow statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as at 31/12/2017, 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report.

We are independent of the Group in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other aspects

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

Responsibilities of management and board of statutory auditors for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations and accounting principles governing financial statements and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company Global Display Solutions S.p.A. or to cease operations, or has no

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Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgment and maintain professional scepticism throughout the audit. We also have:

- identified and assessed the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures in response to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluated the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made by the management;
- concluded on the appropriateness of management’s use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions in a manner that achieves fair presentation;
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at the appropriate level as required by the ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Padova, June 14, 2018

BDO Italia S.p.A.
signed by
Stefano Bianchi
(Partner)

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.