

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 2018

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 has decelerated, and the world trade also reported signs of diminution at the end of 2018. Future trends are also conditioned by various risk factors: continuing trade tensions despite isolated signs of improvement; a slow-down of Chinese economy beyond the expectations; the shortfalls of the Brexit (UK exit from the EC system). The main central banks reported their plan to keep their expansive approach as long as possible, supporting a reduction of long-term interest rates and a recovery of stock prices.

Within the Euro area, perspective growth figures for the current year have been significantly revised downwards and expected inflation has decreased. According to very recent data, Italy's economy allegedly recovered some ground at the beginning of 2019 after dropping in the second semester of 2018. The economic weakness of the last quarters mirrors the one reported by Germany and the other European countries. Italian exports remained positive, with a growing trend at the end of 2018 despite the reduction of global trade; however, all quality ratios confirm that some global economic uncertainties are still affecting the picture. The current account balance is still widely positive and Italy's Net International Investment Position (NIIP) is only slightly below the indicative debt thresholds. At the beginning of the year, non-resident investors started to buy Italian public bonds and securities again.

In 2018, both overall employment and permanent employment figures have increased. Likewise, contractual remunerations continued to augment.

In the first quarter of the current year, inflation decreased under the pressure of the global economy and the decreasing trends of power and energy prices: in March, it settled at 1.1%.

The improvement in the global financial markets extended also to Italy. Since the beginning of the year, Italy's Stock Exchange General Index has been increasing by 19% recovering from the strong drop of the previous autumn. This increase was partially supported by the upkeep of the expansive monetary policies enforced by Eurosystem in March and affecting credit institutions too.

(Source: Bank of Italy)

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 in the reporting year increased by 29% as compared to the previous year. This increase is higher than expected and results from the better sales of the Display and Led Lighting sectors.

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. At the same time, the programme of partial use of solidarity agreements also came to an end.
- **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 the last decade. 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 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 was further developed for supporting the sales of industrial printers.
- d) Led Lighting sector with the development of lighting systems for industrial and professional customers and for international customers. During the year, new important contracts were acquired, among which one contract was awarded by an International OEM customer for the direct supply to various world countries.
- 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 issued a bond for Euro 9,000,000 which has been fully subscribed. A first refund payment of € 1.8 million was executed at the end of 2018, and the second lot of € 2.7 million will be paid at the end of 2019. 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.

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 2018 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 industrial and display sectors remain predominant as compared to the other business sectors of the various Group companies in term of both past and future expected growth.

The printer sector has reported a sale reduction due to the lack of significant orders from Asian countries. 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 further integration of front-end functions.

The LED lighting sector reported a significant 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):

	31/12/2018	31/12/2017	Variazione
Net Sales	98.122.668	76.131.041	21.991.627
External costs	70.267.936	52.227.766	18.040.170
Added Value	27.854.732	23.903.275	3.951.457
Payroll and related costs	16.179.941	14.213.918	1.966.023
EBITDA	11.674.791	9.689.357	1.985.434
Amortization, depreciation, write-downs and other provisions	7.941.090	6.537.421	1.403.669
EBIT	3.733.701	3.151.936	581.765
Exchange gains and losses	19.121	(165.368)	184.489
Financial income and expense	(1.295.158)	(1.274.117)	(21.041)
EBT & Extraordinary	2.457.664	1.712.451	745.213
Revaluations and write-downs	20.173		20.173
Extraordinary items	(17.558)	(176.665)	159.107
Pre Tax Result	2.460.279	1.535.786	924.493
Income Tax	630.775	392.737	238.038
Net Result	1.829.504	1.143.049	686.455

Main Balance Sheet figures

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

	31/12/2018	31/12/2017	delta
Net intangible fixed assets	18.144.360	16.511.495	1.632.865
Net tangible fixed assets	5.128.131	4.662.800	465.331
Equity investments and other long-term financial assets	4.394.201	4.484.950	(90.749)
Fixed capital assets	27.666.692	25.659.245	2.007.447
Inventories	37.011.204	27.864.462	9.146.742
Account receivables	22.212.456	13.527.809	8.684.647
Other receivables	5.349.548	4.531.802	817.746
Accrued income and prepaid expenses	134.654	104.401	30.253
Short-term operating assets	64.707.862	46.028.474	18.679.388
Account payables	32.695.212	16.506.200	16.189.012
Advance payments	1.748.335	2.184.228	(435.893)
Tax and social security payables	1.866.806	1.657.132	209.674
Other payables	1.622.595	2.052.165	(429.570)
Accrued expenses and deferred income	111.284	67.865	43.419
Short-term operating liabilities	38.044.232	22.467.590	15.576.642
Net Working Capital	26.663.630	23.560.884	3.102.746
Employee leaving indemnities	675.715	688.647	(12.932)
Tax and social security payables (due beyond 12 months)	116.028		116.028
Other medium and long-term liabilities	4.159.489	3.433.949	725.540
Medium and long-term liabilities	4.951.232	4.122.596	828.636
Net invested capital	49.379.090	45.097.533	4.281.557
Shareholders' equity	(30.449.852)	(28.567.121)	(1.882.731)
Net medium and long-term financial position	(5.164.370)	(7.783.856)	2.619.486
Net short-term financial position	(13.764.868)	(8.746.556)	(5.018.312)
Shareholders' equity and net financial borrowing	(49.379.090)	(45.097.533)	(4.281.557)

Financial highlights

The net financial position as of 31 December 2018, was as follows (in Euro):

	31/12/2018	31/12/2017	delta
Bank and post office deposits	8.218.872	7.330.878	887.994
Cash and equivalents on hand	8.543	7.969	574
Liquid funds and own shares	8.227.415	7.338.847	888.568
Current financial assets	20.173		20.173
Bonds and convertible bonds (within 12 months)	2.625.395	1.710.866	914.529
Amounts due to banks (within 12 months)	19.387.061	14.374.537	5.012.524
Short-term financial payables	22.012.456	16.085.403	5.927.053
Net short-term financial position	(13.764.868)	(8.746.556)	(5.018.312)
Bonds and convertible bonds (beyond 12 months)	4.450.496	7.075.891	(2.625.395)
Amounts due to banks (beyond 12 months)	1.016.443	986.706	29.737
Financial receivables	(302.569)	(278.741)	(23.828)
Net medium and long-term financial position	(5.164.370)	(7.783.856)	2.619.486
Net financial position	(18.929.238)	(16.530.412)	(2.398.826)

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

	31/12/2018	31/12/2017	31/12/2016
EBITDA	11.674.791	9.689.357	10.786.063
Net financial position / Shareholders' equity	0,62	0,58	0,60
Financial income and expense / Net revenues	1,32%	1,67%	1,79%
Net financial position / EBITDA	1,62	1,71	1,59
EBITDA / Net revenues	11,90%	12,73%	12,30%
Shareholders' equity / Net invested capital	0,62	0,63	0,63

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, broken down as follows:

Description	31/12/2018	31/12/2017
Raw material costs	76.697.455	48.618.481
Payroll and related costs	16.179.941	14.213.918
Services	6.890.533	7.380.539
Financial expense	1.375.048	1.358.786

Revenues

Total volume of revenues, broken down as follows:

Description	31/12/2018	31/12/2017
Sales of products and services	96.513.645	74.652.201
Other income	1.709.541	1.581.840
Total Sales	98.223.186	76.234.041

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 years and fundamental for the Business of the Group 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.

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. Static page and video streaming display system based on ARM platform with 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, custom/stretched formats for subway applications. Single and tiled products in master / salve configuration. Design and electronic/SW integration for diagnostics and video controllers. Integration of in-stream displays for information/advertisement videos, control system, and fault tolerant power supply.

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 finishing and glass aesthetics silk screen printing realisations.

OTHERS

Project for the realisation of a "ribbon display" video system for subways. Design of the extra narrow bezel videowall, of the load-bearing structure and the video-control and remote diagnostics 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.
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.

LED WALLS

Development and integration of LED WALLS solutions based on LED technology for indoor, outdoor and railway use.

PRINTERS

SERIAL PLUS

Evolution of a serial product group for functional and competitive adaptation. Development of a custom power unit for energy efficiency enhancement. Improvement of printing performances to maintain efficient competitiveness levels.

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. Compliance with bank safety requirements with the development of an open source Linux SW solution.

SP40plus 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

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

URBAN DECORATION

Investments

Additionally to normal R&D activities, several investments were allocated in the following areas during the year:

Fixed Assets	Acquisitions during the period
Plant & Machinery	961.689
Industrial & Commercial Equipments	328.797
Other Tangible Fixed Assets	134.916
Advances on Tangible Fixed Assets	200.141
Concessions and licences	213.546
Trademarks	1.550.000
Development costs	306.781
Other intangible assets	58.422

Group performance by sector

- The Display sector for applications referring to Digital Signage, Advertising, Transportation, QSR, Price Sign and other similar applications registered a sale increase of 30% thanks to the launching of some contracts partly already awarded in 2017, and partly new in 2018.
- The Display sector for OEM Industrial and Medical applications together with the EMS activities experienced a 35% increase in sales thanks to the growth of some of the major customers. The revenue mainly increased as a result of a new € 4.6 million contract for electronic meters relative to a semi-finished material to be purchased by the customer (our partner in the supply consortium) and to be then assembled into the finished product and sold to the same customer with no margin for GDS.
- The Industrial Printers sector experienced a 35% decrease in the sales revenues due to the completion of some contracts in 2017 and the slow contract development in 2018.
- The Led Lighting sector experienced a 130% increase in the sales revenues as a result of new contracts from major OEM customers acquired in 2017 and 2018, as well as a general market increase in 2018 and despite the ongoing price erosion.

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 for € 9 million, the measures of the shareholders in previous years and the increase in sales and margins resulted into the generation of adequate liquidity to support the company's normal operations.

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 handling 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

There were no significant events during the year.

Business outlook

The new contracts acquired during the year just ended and in the previous years will permit growth in sales revenues also for the current year.

Among the contracts acquired in 2018, a tender was awarded for a supply to Dubai Expo 2020. In this case, the Contracting Authorities are a prime global contractor and RTA local Railways. The contract was awarded for the supply and turn-key installation of public information displays to be used on the arrival/departure train platforms in Dubai (built for the Expo). The contract involves the supply of products, their installation and testing during 2019, whilst some services will be deferred to the following years.

This will be an outstanding reference job for the Company's records. It will also be an opportunity for additional business investment in the area.

A contract for polyphase electronic meters was placed and generated income during the last two quarters in 2018 but will develop further in the current year and for another 3 years after that. More important contracts were placed in the lighting sector and their execution started in 2018 both in Italy and abroad and will continue during the current year.

Other significant opportunities for sales revenues are provided by the contracts acquired in 2018, whose execution is starting now, and other contracts in the awarding stage in relation to which the Company is well positioned.

The overcoming of the difficulties of tracking down electronic components (shortage) which had emerged at global level in the previous years and in the first months of the current year (due to a temporary imbalance between volumes requested and those produced) is another noteworthy event. The gradual removal of such shortage will allow the Company a more efficient stock management starting from the second half of 2019 when the peak requirement for the production of all new contracts, and the handling of the temporary

shortage will be over. At the moment, the demand and the offer are well-proportioned, and therefore we do not expect any more difficulties in the next years.

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 30th 2019

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 31/12/2018**Balance Sheet**

Assets	31/12/2018	31/12/2017
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	11.502.127	11.810.225
3) Industrial patent and intellectual property rights	52.835	128.368
4) Concessions, licenses, trademarks and similar rights	1.783.188	335.414
5) Goodwill	3.600	69.666
6) Work-in-progress and advances	4.073.071	3.575.715
7) Other intangible assets	729.539	592.107
	18.144.360	16.511.495
<i>II. Tangible assets</i>		
1) Land and buildings	1.124.290	1.138.383
2) Plant and machinery	2.404.949	1.994.080
3) Industrial and commercial equipment	1.303.375	1.240.469
4) Other assets	295.517	266.145
5) Work-in-progress and advances		23.723
	5.128.131	4.662.800
<i>III. Financial assets</i>		
1) Shareholdings in:		
a) non-consolidated controlled undertakings		
b) affiliated undertakings		
c) controlling companies		
d) undertakings under control by the controlling companies		
d-bis) other companies	1.250	1.250
	1.250	1.250
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		
- falling due after more than one year	302.569	278.741
	<u>302.569</u>	<u>278.741</u>
	<u>337.569</u>	<u>313.741</u>
3) Other securities	599.932	
4) Derivative financial instruments		
	<u>938.751</u>	<u>314.991</u>
Total fixed assets	24.211.242	21.489.286

C) Current assets**I. Stock**

1) Raw materials, subsidiary materials and consumables	26.009.803	19.446.256
2) Work in process and semi-finished products	3.211.281	2.466.564
3) Work in progress on order		
4) Finished products and goods	7.729.710	5.882.287
5) Advances	60.410	69.355
	<u>37.011.204</u>	<u>27.864.462</u>

II. Accounts receivable

1) From customers		
- falling due within one year	22.212.456	13.527.809
- falling due after more than one year	526.217	724.499
	<u>22.738.673</u>	<u>14.252.308</u>
2) From non-consolidated controlled undertakings		
- falling due within one year		
- falling due after more than one year		
3) From affiliated undertakings		
- falling due within one year		
- falling due after more than one year		
4) From controlling companies		
- falling due within one year	297.128	135.752
- falling due after more than one year		
	<u>297.128</u>	<u>135.752</u>

5) From undertakings under control by the controlling companies		
- falling due within one year	853.352	652.755
- falling due after more than one year		
	853.352	652.755
5-bis) Tax credits		
- falling due within one year	1.839.231	1.905.757
- falling due after more than one year		145.936
	1.839.231	2.051.693
5-ter) Deferred tax assets		
- falling due within one year	1.307.731	1.052.802
- falling due after more than one year	3.150.149	3.451.493
	4.457.880	4.504.295
5-quater) Other accounts receivable		
- falling due within one year	1.017.106	749.736
- falling due after more than one year	116.653	161.772
	1.133.759	911.508
	31.320.023	22.508.311
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	20.173	
6) Other securities		
	20.173	
IV. Cash-in-hand, cash at bank and cash equivalents		
1) Bank and postal deposits	8.218.872	7.330.878
2) Cheques		
3) Cash and cash equivalents	8.543	7.969
	8.227.415	7.338.847
Total current assets	76.578.815	57.711.620
D) Prepayments and accrued income	134.654	104.401
Total assets	100.924.711	79.305.307
Liabilities	31/12/2018	31/12/2017
A) Shareholders' equity		
I. Share capital	10.000.000	10.000.000
II. Share premium reserve		
III. Revaluation surplus		
IV. Legal reserve	788.098	723.859
V. Reserves provided for by the articles of association		
VI. Other reserves		
Extraordinary or voluntary reserve	7.430.765	6.905.211

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	237.817	262.913
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	(1.096.473)	(795.288)
Reserve from tax amnesty		
Riserva Rivalutazione Partecipazioni		
Conto personalizzabile		
Reserve from rounding-offs to whole Euros	(6)	(1)
Others ...		
Riserva da rapporti di terzi a patrimoni destinati		
Reserve for translation differences from consolidation of foreign companies	(1.263.536)	(1.361.155)
Consolidation reserve	10.161.494	10.467.911
	15.470.061	15.479.591
<i>VII. Cash flow hedge reserve</i>	(953)	(1.993)
<i>VIII. Retained earnings (loss carryovers)</i>	280.546	(857.135)
<i>IX. Profit (loss) for the year</i>	1.792.931	1.137.681
<i>Loss covered during the year</i>		
<i>X. Negative reserve for Treasury Shares</i>		
Total group shareholders' equity	28.330.683	26.482.003
Shareholders' equity and reserves of minority shareholders	2.082.596	2.079.750
Profit (loss) for the year of minority shareholders	36.573	5.368
Total shareholders' equity of minority shareholders	2.119.169	2.085.118
Total consolidated shareholders' equity	30.449.852	28.567.121
B) Provisions for contingent liabilities and charges		
1) Provision for pensions and similar benefits	81.377	79.932
2) Provision for deferred income taxes, including deferred tax assets	553.970	443.392

3) Consolidated provision for contingent liabilities and charges	953	1.993
4) Derivative financial instruments	396.196	120.129
5) Other provisions		
Total provisions for liabilities and charges	1.032.496	645.446
C) Employees' leaving indemnity	675.715	688.647
D) Accounts Payables		
1) Bonds		
- falling due within one year	2.625.395	1.710.866
- falling due after more than one year	4.450.496	7.075.891
	<u>7.075.891</u>	<u>8.786.757</u>
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	19.387.061	14.374.537
- falling due after more than one year	1.016.443	986.706
	<u>20.403.504</u>	<u>15.361.243</u>
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	1.748.335	2.184.228
- falling due after more than one year	562.267	
	<u>2.310.602</u>	<u>2.184.228</u>
7) Accounts payable to suppliers		
- falling due within one year	32.695.212	16.506.200
- falling due after more than one year	86.312	344.553
	<u>32.781.524</u>	<u>16.850.753</u>
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	58.329	59.203
- falling due after more than one year	2.000.000	2.000.000
	<u>2.058.329</u>	<u>2.059.203</u>
11-bis) Accounts payable to undertakings under control by the controlling companies		
- falling due within one year	5.000	63.935
- falling due after more than one year		
	<u>5.000</u>	<u>63.935</u>
12) Taxes payable		
- falling due within one year	1.198.242	844.707
- falling due after more than one year	116.028	
	<u>1.314.270</u>	<u>844.707</u>
13) Accounts payable to social security institutions		
- falling due within one year	668.564	812.425
- falling due after more than one year		
	<u>668.564</u>	<u>812.425</u>
14) Other accounts payable		
- falling due within one year	1.559.266	1.929.027
- falling due after more than one year	478.414	443.950
	<u>2.037.680</u>	<u>2.372.977</u>
Total accounts payable	68.655.364	49.336.228
E) Accrued liabilities and deferred income	111.284	67.865
Total shareholders' equity and liabilities	100.924.711	79.305.307
Profit and loss account	31/12/2018	31/12/2017
A) Revenues		
1) From sales and services	96.513.645	74.652.201
2) Changes in stocks of work in process, semi-finished and finished products	2.583.197	(1.017.865)
3) Changes in work in progress on order		
4) Capitalised internal work in progress	5.569.947	6.035.257
5) Other revenues and proceeds:		
- contributions on trading account	1.709.541	1.547.097
- others	21.300	34.743
	<u>1.730.841</u>	<u>1.581.840</u>
Total revenues	106.397.630	81.251.433
B) Expenses		
6) Raw materials, subsidiary materials, consumables and goods	76.697.455	48.618.481
7) Services	6.890.533	7.380.539
8) Rent/lease	1.760.660	1.554.033
9) Personnel costs		
a) salaries and wages	14.105.375	11.513.834
b) social contributions	1.752.677	2.377.876

c) employees' leaving indemnity	262.322	270.880
d) accruals for pension and similar benefits	16.580	
e) other costs	42.987	51.328
	<hr/>	<hr/>
	16.179.941	14.213.918
10) Amortisation, depreciation and value adjustments		
a) amortisation of intangible assets	5.857.792	4.677.861
b) depreciation of tangible assets	919.713	1.045.506
c) other value adjustments		
d) write down of accounts receivable recorded among current assets and liquid assets	291.119	222.000
	<hr/>	<hr/>
	7.068.624	5.945.367
11) Changes in raw materials, subsidiary materials, consumables and goods	(6.939.812)	(280.184)
12) Accruals to provisions for contingent liabilities and charges	21.954	
13) Other accruals	690.045	393.471
14) Miscellaneous running costs	312.087	450.537
	<hr/>	<hr/>
Total expenses	102.681.487	78.276.162
Difference between revenues and expenses(A-B)	3.716.143	2.975.271
	<hr/>	<hr/>
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		
	<hr/>	<hr/>
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		
	<hr/>	<hr/>
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	1.533	155
- from undertakings under control by controlling companies	17.245	18.132
- other income	61.112	66.382
	<hr/>	<hr/>
	79.890	84.669
	<hr/>	<hr/>
	79.890	84.669
17) Interest and other financial costs:		
- to non-consolidated controlled undertakings		

- Profit (loss) of minority shareholders

36.573

5.368

Presidente del Consiglio di amministrazione
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.

Cash flow statement at 31/12/2018

Description	FY 31/12/2018	FY 31/12/2017
A. Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1.829.504	1.143.049
Income taxes	630.775	392.737
Interest expense (interest income)	1.290.428	1.274.117
(Dividends)		
Total capital (gains)/losses from the disposal of assets	(10.879)	(203.412)
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	3.739.828	2.606.491
Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions	547.978	249.070
Amortisation/depreciation of fixed assets	6.777.505	5.723.367
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	(1.040)	(2.084)
Other adjustments in connection with non-monetary items	(790.264)	(337.694)
Total adjustments in connection with non-monetary items with no offsetting items in the net working capital	6.534.179	5.632.659
2. Cash flow before changes in working capital	10.274.007	8.239.150
Changes in working capital		
Decrease/(increase) of inventory	(9.146.742)	1.103.228
Increase/(decrease) of accounts receivable from customers	(8.848.338)	398.068
Increase/(decrease) of accounts payable to suppliers	15.870.962	940.000
Decrease /(Increase) of accrued income and prepayments	(30.253)	5.279
Increase /(decrease) of accrued liabilities and deferred income	43.419	(75.553)
Other decreases/(increases) in working capital	(595.208)	807.194
Total changes in working capital	(2.706.160)	3.178.216
3. Cash flow after changes in working capital	7.567.847	11.417.366
Other adjustments		
Interest collected/(paid)	(1.290.428)	(1.274.117)
(Income taxes paid)	161.828	(1.159.061)
Dividends collected		
(Use of provisions)	(283.398)	(780.648)
Other collections/(payments)		
Total other adjustments	(1.411.998)	(3.213.826)
Cash flow from operating activities (A)	6.155.849	8.203.540
B. Cash flow from investing activities		
Tangible assets		
(Investments)	(1.401.332)	(2.064.056)
Realisation price of divestments	228.091	780.837
Intangible assets		
(Investments)	(7.494.800)	(6.344.243)
Realisation price of divestments		
Financial fixed assets		
(Investments)	(14.259)	(6.166)
Realisation price of divestments	2.318	77.706
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)	(8.679.982)	(7.555.922)
C. Cash flow from financing activities		
Debt		
Increase (decrease) of short-term bank debt	5.012.524	1.333.285
Loans taken out	3.199.088	104.731
Loans repaid	(4.880.217)	(517.032)
Equity		
Share capital increase		
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	3.331.395	920.984
Cash increase (Decrease) (A ± B ± C)	807.262	1.568.602
Exchange differences in cash-at-bank, cash-in-hand and cash equivalents	81.306	(77.828)
Cash at the beginning 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 beginning of the year	7.338.847	5.848.073
of which not freely available for use		
Cash at the end of the year		
Bank and post office deposits	8.218.872	7.330.878
Cheques		
Cash-in-hand and cash equivalents	8.543	7.969
Total cash-at-bank, cash-in-hand and cash equivalents at the end of the year	8.227.415	7.338.847
of which not freely available for use		
Acquisition or sale of controlled undertakings		
Total consideration paid or received		(1.313)
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		
Book value of the assets/liabilities purchased or transferred		

Independent auditor's report

To the shareholder 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 31/12/2018, 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 31/12/2018, 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

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 13, 2019

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.