

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 2019**

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 Covid-19 pandemic has profoundly changed the economic outlook for the current year and the years to come compared to that which could have been expected on the basis of trends in 2019. According to scenarios formulated by the International Monetary Fund, world product will fall sharply rather than grow modestly. With regard to the Italian economy, which remained almost stationary in 2019, although showing considerable progress in international competitiveness, in the levels of indebtedness of businesses and in the conditions of the banking system, the strongest drop since the Second World War is expected.

The speed of the recovery of the economy will depend on the timescales of the health emergency and the continuity of the response of the economic policies, which has so far been exceptional in all countries. All scenarios indicate that the consequences of the pandemic on the global economy will in any event be significant and will extend beyond the short term.

Global economic growth in 2019 fell to 2.9%, suffering from persistent international trade tensions and fears relating to the UK's exit from the European Union (Brexit). Global trade grew by less than 1%.

According to estimates made by the International Monetary Fund in January, growth should have strengthened this year, to 3.3%, reflecting the reduction in uncertainty following the signing of the US-China trade agreement (phase-one deal) and that for the UK's withdrawal from the EU. In the IMF's forecast scenarios formulated in April, world product would by contrast drop 3.0% in 2020, concentrated mainly in the first half of the year; the trend of the activities for the current year and 2021 remains very uncertain in advanced economies and even more so in emerging economies.

With the spread of the Covid-19 epidemic globally, many countries have adopted progressively more restrictive containment measures. This has resulted in a sharp drop in production, an exceptionally large increase in the number of unemployed, and a fall in demand. Oil prices fell sharply and abruptly due to the collapse in demand and increasing storage difficulties. Conditions on the financial markets deteriorated rapidly.

The product in the Euro Zone grew by 1.2% in 2019, well below the forecasts made a year earlier; it slowed down in all major countries. The industrial sector weakened, especially in Germany, where activities decreased sharply, particularly in the automotive sector. The main contributor to the decline in GDP growth was the trend in trade. Since the end of February this year, the Covid-19 epidemic has gradually spread to all countries in the area. The consequent drop in household and business spending and the adoption, since March, of measures to contain the contagion by many governments led to a sharp decrease in economic activities in the first quarter, already slowing at the end of 2019. Available indicators suggest a further

widespread reduction in the Spring months. Employment also suffered as a result, declining in all major countries.

On average, consumer inflation fell to 1.2 per cent in 2019, due to the sharp deceleration in energy prices; the underlying component remained stable at 1.0 per cent for the second year in a row. Inflation weakened further from March 2020, in connection with the sharp fall in demand.

(Source: Bank of Italy)

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

The sectors in which the Group 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, reconfirming itself as predominant with respect to the other sectors in which the Group companies operate. In addition to the growth achieved during the year, prospects confirm additional future growth.

The Group 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 Group 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 segment, 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 segment 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 Gds Group has managed to develop important projects and customers.

The industrial segment, 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 printers sector disclosed satisfactory growth in sales turnover. 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 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.

The revenues realised during the accounting period are around 26% higher with respect to the previous year.

The total value of production increased by approximately €uro 30.8M, to which the change in contract work in progress contributes, relating to a multi-year job order valued with reference to the degree of progress measured by the ratio between the effective costs incurred as of the balance sheet date and the total costs expected to be incurred on completion of the job order (cost to cost method).

This growth is higher than expected and is mainly due to the increase in 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.
- **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 achieving this repositioning on the markets thanks to the considerable investments in research and development. The objective is to develop and make available products necessary to reach 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. In particular, the production of displays to be equipped on board anaesthesia and intensive care systems, which will prove to be fundamental for the care of people in the Covid-19 crisis, is worth mentioning.
- c) professional printer sector with the development of a new transactional printer model which integrates three counter functions (printer, scanner and multiple cheque reader).
- d) Lighting sector with the development of lighting systems for industrial and professional customers and for international customers.
- e) kiosks and reverse machine sector for the recycling of containers for liquids for sector operators.

Consolidating the financial needs and supporting the development envisaged for the next few years, a bond issue transaction was achieved back in 2016 using the “Mini bond” formula. The Consolidating company has therefore issued a bond for €uro 9,000,000, which was fully subscribed, and repaid for €uro 1,800,000 at the end of 2018 and for €uro 2,700,000 at the end of 2019. The reimbursement envisages the last tranche at the end of 2020 for Euro 4,500,000. The security is listed in Borsa Italiana's Extra-MOT Pro segment. The subscription of the Mini Bond has led to the contractual deferment of shareholder loans for €uro 2,000,000. The new financial transactions concluded in the last quarter of 2019 significantly shifted the procurement of the sources of funding from short-term bank lending to Institutional and market investors and medium/long-term bank lending.

Transactions with Institutional Investors:

- Disbursement of the second bond, Minibond 2, for €uro 10,000,000.
- Participation in the capital increase of the subsidiary GDS Romania by Simest Spa for €uro 2,500,000.

Medium/long-term transactions:

- 7-year loan from a leading credit institution for €uro 2,500,000 to support the consolidating company's share of the capital increase of GDS Romania;
- 40-month loan from another leading credit institution for €uro 3,000,000 to support investments.

The medium-long term transactions concluded and those in the process of being concluded (Digital Agenda) will allow for a serene financial management in 2020, even in the presence of the effects and stresses linked to COVID-19. The greater risks or greater financial needs that can be foreseen in relation to the consequences of the epidemic may come from increases in working capital requirements to be financed due to possible impossibility to deliver to customers and therefore stock accumulation or from slower collections from customers or requests for advance payments from suppliers. It is believed that these foreseeable increased financial requirements will in any case be temporary and will return to normal as the epidemic is gradually brought under control and activities are reopened worldwide.

We therefore confirm the guidelines indicated in the previous report, which envisages the continuous monitoring and financing of working capital and the search for suitable sources of financing to support the needs of investments, both material and above all else in R&D and commercial development, which are essential to maintain competitiveness on the market and to further 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.

The year just ended also saw the continuation of significant investments in Research and Development. The Group stands out from the competition due to these activities, which manage to increase the volumes of revenues achieved thanks to the higher quality and greater services offered to customers.

Main Income Statement figures

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

	31/12/2019	31/12/2018	delta
Net Sales	123.520.537	98.122.668	25.397.869
External costs	92.599.230	70.267.936	22.331.294
Added Value	30.921.307	27.854.732	3.066.574
Payroll and related costs	17.408.446	16.179.941	1.228.505
EBITDA	13.512.861	11.674.791	1.838.069
Amortization, depreciation, provisions and leasing	8.439.051	7.941.090	497.961
EBIT	5.073.810	3.733.701	1.340.108
Exchange gains and losses	(398.059)	19.121	(417.180)
Financial income and expense	(1.235.539)	(1.295.158)	59.619
EBT	3.440.212	2.457.664	982.547
Extraordinary items	(303.696)	(17.558)	(286.137)
Revaluations and write-downs	(9.452)	20.173	(29.625)
Pre Tax Result	3.127.064	2.460.279	666.785
Income Tax	895.962	630.775	(265.187)
Net Result	2.231.102	1.829.504	401.598

	31/12/2019	31/12/2018	delta
REVENUES			
From sales and services	121.781.683	96.513.645	25.268.038
Changes in stocks of semi-finished and finished products	18.874	2.583.197	(2.564.323)
Changes in work in progress on order	7.742.469		7.742.469
Capitalised internal work in progress	5.856.619	5.569.947	286.672
Other revenues and proceeds	1.738.854	1.609.023	129.831
Total revenues	137.138.499	106.275.812	30.862.687
EXPENSES			
Raw materials, subsidiary materials, consumables and goods	89.430.722	76.697.455	12.643.267
Services	11.417.028	6.799.093	4.617.935
Rent/lease	1.605.031	1.578.239	26.792
Changes in raw materials, subsidiary materials, consumables and goods	3.438.960	(6.939.812)	10.378.772
Accruals and miscellaneous running costs	415.451	286.105	129.346
Total expenses	106.217.192	78.421.080	27.796.112
Payroll and related costs	17.408.446	16.179.941	1.228.505
EBITDA	13.512.861	11.674.791	1.838.069
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Main Balance Sheet figures

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

	31/12/2019	31/12/2018	delta
Net intangible fixed assets	18.249.902	18.144.360	105.542
Net tangible fixed assets	5.629.641	5.128.131	501.510
Equity investments and other long-term financial assets	4.081.708	4.394.201	(312.493)
Fixed capital assets	27.961.251	27.666.692	294.559
Inventories	40.796.535	37.011.204	3.785.331
Account receivables	24.400.765	22.212.456	2.188.309
Other receivables	6.055.913	5.349.548	706.365
Accrued income and prepaid expenses	140.443	134.654	5.789
Short-term operating assets	71.393.656	64.707.862	6.685.794
Account payables	28.364.109	32.695.212	(4.331.103)
Advance payments	7.770.325	1.748.335	6.021.990
Tax and social security payables	1.806.251	1.866.806	(60.555)
Other payables	2.413.048	1.622.595	790.453
Accrued expenses and deferred income	100.047	111.284	(11.237)
Short-term operating liabilities	40.453.780	38.044.232	2.409.548
Net Working Capital	30.939.876	26.663.630	4.276.246
Employee leaving indemnities	636.635	675.715	(39.080)
Tax and social security payables (due beyond 12 months)	115.720	116.028	(308)
Other medium and long-term liabilities	4.037.491	4.159.489	(121.998)
Medium and long-term liabilities	4.789.846	4.951.232	(161.386)
Net invested capital	54.111.281	49.379.090	4.732.191
Shareholders' equity	(34.783.946)	(30.449.852)	(4.334.094)
Net medium and long-term financial position	(15.630.440)	(5.164.370)	(10.466.070)
Net short-term financial position	(3.696.895)	(13.764.868)	10.067.973
Shareholders' equity and net financial borrowing	(54.111.281)	(49.379.090)	(4.732.191)

Financial highlights

The net financial position as of 31 December 2019, was as follows (in Euro):

	31/12/2019	31/12/2018	delta
Bank and post office deposits	10.879.269	8.218.872	2.660.397
Cash and equivalents on hand	9.820	8.543	1.277
Liquid funds and own shares	10.889.089	8.227.415	2.661.674
Current financial assets	10.721	20.173	(9.452)
Bonds and convertible bonds (within 12 months)	4.450.496	2.625.395	1.825.101
Amounts due to banks (within 12 months)	10.146.209	19.387.061	(9.240.852)
Short-term financial payables	14.596.705	22.012.456	(7.415.751)
Net short-term financial position	(3.696.895)	(13.764.868)	10.067.973
Bonds and convertible bonds (beyond 12 months)	9.767.291	4.450.496	5.316.795
Amounts due to banks (beyond 12 months)	6.174.038	1.016.443	5.157.595
Financial receivables	(310.889)	(302.569)	(8.320)
Net medium and long-term financial position	(15.630.440)	(5.164.370)	(10.466.070)
Net financial position	(19.327.335)	(18.929.238)	(398.097)

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:

	31/12/2019	31/12/2018	31/12/2017	31/12/2016
EBITDA	13.512.861	11.674.791	9.689.357	10.786.063
Net financial position / Shareholders' equity	0,56	0,62	0,58	0,60
Financial income and expense / Net revenues	1,00%	1,32%	1,67%	1,79%
Net financial position / EBITDA	1,43	1,62	1,71	1,59
EBITDA / Net revenues	10,94%	11,90%	12,73%	12,30%
Shareholders' equity / Net invested capital	0,64	0,62	0,63	0,63

Information pertaining to the staff and 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:

	31/12/2019	31/12/2018
Raw material costs	89.340.722	74.059.260
Payroll and related costs	17.408.446	16.179.941
Services	11.417.028	9.528.728
Financial expense	1.358.338	1.375.048

Revenues

	31/12/2019	31/12/2018	delta
From sales and services	121.781.683	96.513.645	25.268.038
Changes in stocks of semi-finished and finished products	18.874	2.583.197	(2.564.323)
Changes in work in progress on order	7.742.469		7.742.469
Capitalised internal work in progress	5.856.619	5.569.947	286.672
Other revenues and proceeds	1.738.854	1.609.023	129.831
Total revenues	137.138.499	106.275.812	30.862.687

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.

EINK TILES

Realisation of signs for fuel price indicators based on E-INK with bonding

INDOOR DISPLAY (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".

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 / slave 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 a new large format core engine (75" and over) featuring high luminosity (>2,500 nits).
Development and integration of a 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.

INTERACTIVE TOTEMS

Smart Information Displays with integrated systems featuring high interactivity for the automation of railway stations .

NEW GENERATION OF SEMI-OUTDOOR PRODUCTS

Development of medium and large format core engines and related self-standing or wall mounted products for dust environments application.

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.

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.

TEST & INSPECTION SYSTEMS

Design and manufacture of test and inspection equipment for boards, semi-finished products and quality control of internal production.

HW/SW PLATFORM

Definition and implementation of HW/SW platform based on ARM core processors and Linux operating systems, with increased performance and oriented towards the evolution of the bank printer product line and in particular towards financial scanners.

LED LIGHTING

STREET LAMP 2020

Newly conceived lamps with lower consumption

URBAN DECORATION

STREET LAMP 2022

Lamps with new driver family and optical development using new materials.

Investments

Investments were allocated in the following areas during the year:

Fixed Assets	Acquisitions during the period
Land and buildings	132.871
Plant & Machinery	1.247.194
Industrial & Commercial Equipments	417.663
Other intangible assets	139.870

Group performance by sector

- The Digital Signage sector disclosed an improved performance of 41% thanks in particular to the Expo Dubai project and the launch of some projects already partly acquired in 2018 and new ones acquired in 2019. The total value of production in the sector is also contributed to by the change in contract work in progress relating to the multi-year Expo Dubai contract, valued with reference to the degree of progress measured by the ratio between the effective costs incurred at the balance sheet date and the total costs expected to be incurred on completion of the contract (cost to cost method).
- The OEM industrial sector disclosed an improved performance of 21% (including Industrial and Medical and Meters) as a result of the growth in current activities and the start of new contracts already acquired in previous years. The increase in revenues is due in particular to the order for electronic meters, also for the portion of €uro 17.8 million relating to the value of a semi-finished product that is purchased by the customer, then assembled in the finished product and resold to the same customer with no margin for GDS.
- The Led Lighting sector disclosed an improved performance of 167%, following the start of the orders acquired in previous years and general growth in the market despite the continuous erosion of prices.
- The Printers sector disclosed sales growth of 7.4% thanks to new orders.

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

The issue of the second bond for €uro 10 million in December 2019, the additional long-term loans for €uro 5.5 million acquired from the banking system during 2019, the capital contribution of €uro 2.5 million by Simest to the subsidiary GDS Romania in December 2019, the maintenance of shareholder loans received in previous years and the satisfactory performance of sales turnover and the margin created sufficient liquidity for the normal management of the business even in the state of stress generated by Covid-19.

The success of the activities has also made it possible to maintain the confidence with the financial/banking system and no problems 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 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 transactions takes place in US dollars.

All the risks listed above, as well as the price risk, are assessed and handled by the Consolidating 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

The health emergency resulting from the spread of the "Covid-19" virus, declared a world pandemic on 11 March by the WHO, in Italy as in the rest of the world has had and will have significant consequences.

Business outlook

Effects of "Covid-19" on the business activities

The Consolidating Company, both directly and through its subsidiaries, operates in diversified markets that responded differently to the Covid-19 event.

In particular, the medical display products sector saw a sharp increase in demand for 2020. This type of display, mainly produced by the subsidiaries GDS China and GDS USA and sold locally, is requested by a leading multinational company in the sector, our long-term OEM customer, and is used for the construction of intensive care and anaesthesia equipment. It is believed that demand will return to normal levels after the health emergency.

Increased demand for the medical sector compensates the lower demand for products in other sectors such as the Lighting Division and Digital Signage Division and the Printers Division, while the Industrial Products Division is affected by a lesser extent. However, in the second half of 2020 growth is expected with at least partial recovery of the losses in turnover in the first 5 months.

Nevertheless, the decision was made to operate with the utmost prudence and attention to both costs and liquidity in order to ensure not only the regular management during the period of greatest crisis but above all else the Group's ability, even in the future, to invest and grow by seizing all the opportunities that the market will be able to reserve on exiting the pandemic crisis.

Management's action for the containment and management of this situation involves:

- verification of the business continuity of strategic suppliers,
- constant monitoring of trade receivables,
- order monitoring,
- use of holidays / temporary unemployment benefits and talks with trade unions,
- smart working for some business units,
- discussions with banks to obtain financing with more effective instruments,
- analysis of the scenarios that can be hypothesised to verify financial sustainability in the event of a prolonged health emergency,
- assessment of the sustainability of investments for the implementation of the long-term business plan,
- attainment of certain grants and loans, including sink funds, from local governments to help keep staff employed.

Conclusion on impact at business continuity level

The Directors have updated their financial forecasts for the coming months, assuming that the crisis may end within a few months and the market will gradually recover. This analysis reveals the reasonable expectation, despite the general uncertainty commented on above, that the Group has sufficient financial resources to maintain its business continuity in the foreseeable future.

In the event of any greater need for capital, the Consolidating company and the Italian subsidiaries are eligible to apply for medium and long-term loans for amounts of up to 25% of turnover or twice the 2019 cost of personnel and in accordance with the schemes of the Italian Decree Law dated 8 April "Measures for Access to Credit for Businesses" using the guarantees issued by the Italian State through the MCC and SACE Spa structures.

Short-term forecasts

The new orders acquired during the year ended and in previous years and the growth in demand in the medical sector will allow for the realisation of the forecast turnover also for the current year.

Among the orders acquired during 2019, the important tender acquired for a contract with the Swiss national railway company for the supply and turnkey installation of Totem/Display information to the public is worth mentioning. The contract will be developed for the supply of products and related installation and test & inspection as from 2020 and in the following years.

Other significant opportunities for sales revenue may derive from contracts in the awarding stage in relation to which the Group is well positioned.

It is worth mentioning the higher costs for transport, especially by air which, due to the scarcity of cargo travel, have seen prices rise up to three times the normal pre-pandemic cost. The Group tries to use other transport solutions also by train as well as by sea for arrivals from Asia to Europe and, where possible, to pass on the additional cost to customers, since the inconvenience is known worldwide and is common to all operators. The effects of the pandemic have also translated into delays in the supply of parts from Asia, especially in the first months of the year, but the situation is gradually returning to normal over the months. The above, combined with the sudden lock-down of some customers worldwide, creates the conditions for a growth in inventory due to non-deliveries on schedule. It is believed that this stock growth will reach its peak in the middle of the year and then begin to be progressively absorbed.

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 29th 2020

The Chairman of the Board of Directors
Giovanni Cariolato

GLOBAL DISPLAY SOLUTIONS S.P.A.

Società Unipersonale
Soggetta alla direzione a coordinamento di GDS-Holding S.r.l.
Sede in Via Tezze 20/a - 36073 Cornedo Vicentino (VI)
Capitale sociale Euro 10.000.000,00 I.V.

Consolidated financial statements at 31/12/2019

Balance Sheet

Assets	31/12/2019	31/12/2018
A) Accounts receivable from shareholders in respect of unpaid share capital (of which called up)		
B) Fixed assets		
<i>I. Intangible assets</i>		
1) Start-up and expansion costs		
2) Development costs	10.301.761	11.502.127
3) Industrial patent and intellectual property rights	32.317	52.835
4) Concessions, licenses, trademarks and similar rights	1.671.873	1.783.188
5) Goodwill	2.700	3.600
6) Work-in-progress and advances	5.472.677	4.073.071
7) Other intangible assets	768.574	729.539
	18.249.902	18.144.360
<i>II. Tangible assets</i>		
1) Land and buildings	1.208.932	1.124.290
2) Plant and machinery	2.638.325	2.404.949
3) Industrial and commercial equipment	1.434.458	1.303.375
4) Other assets	334.437	295.517
5) Work-in-progress and advances	13.489	
	5.629.641	5.128.131
<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		
	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	310.889	302.569
- falling due after more than one year		
	310.889	302.569
	345.889	337.569
3) Other securities	599.895	599.932
4) Derivative financial instruments		
	947.034	938.751
Total fixed assets	24.826.577	24.211.242

C) Current assets**I. Stock**

1) Raw materials, subsidiary materials and consumables	22.033.791	26.009.803
2) Work in process and semi-finished products	3.000.718	3.211.281
3) Work in progress on order	7.742.469	
4) Finished products and goods	7.967.646	7.729.710
5) Advances	51.911	60.410
	40.796.535	37.011.204

II. Accounts receivable

1) From customers		
- falling due within one year	24.400.765	22.212.456
- falling due after more than one year	739.787	526.217
	25.140.552	22.738.673
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	324.896	297.128
- falling due after more than one year		
	324.896	297.128
5) From undertakings under control by the controlling companies		
- falling due within one year	1.263.676	853.352
- falling due after more than one year		
	1.263.676	853.352
5-bis) Tax credits		
- falling due within one year	1.270.487	1.839.231
- falling due after more than one year		
	1.270.487	1.839.231
5-ter) Deferred tax assets		
- falling due within one year	1.485.870	1.307.731
- falling due after more than one year	2.702.642	3.150.149
	4.188.512	4.457.880
5-quater) Other accounts receivable		
- falling due within one year	1.764.301	1.017.106
- falling due after more than one year	38.134	116.653
	1.802.435	1.133.759
	33.990.558	31.320.023
<i>III. Financial assets other than fixed assets</i>		
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	10.721	20.173
6) Other securities		
	10.721	20.173
<i>IV. Cash-in-hand, cash at bank and cash equivalents</i>		
1) Bank and postal deposits	10.879.269	8.218.872
2) Cheques		
3) Cash and cash equivalents	9.820	8.543
	10.889.089	8.227.415
Total current assets	85.686.903	76.578.815
D) Prepayments and accrued income	140.443	134.654
Total assets	110.653.923	100.924.711

Liabilities	31/12/2019	31/12/2018
A) Shareholders' equity		
I. Share capital	10.000.000	10.000.000
II. Share premium reserve		
III. Revaluation surplus		
IV. Legal reserve	892.625	788.098
V. Reserves provided for by the articles of association		
VI. Other reserves		
Extraordinary or voluntary reserve	8.030.407	7.430.765
Reserve from unrealised exchange gains	1.921	237.817
Reserve from conversion into Euro	(1.232.842)	(1.096.473)
Reserve from rounding-offs to whole Euros		(6)
Reserve for translation differences from consolidation of foreign companies	(1.622.578)	(1.263.536)
Consolidation reserve	10.090.844	10.161.494
	15.267.752	15.470.061
VII. Cash flow hedge reserve	(6.152)	(953)
VIII. Retained earnings (loss carryovers)	2.073.477	280.546
IX. Profit (loss) for the year	2.231.103	1.792.931
Loss covered during the year		
X. Negative reserve for Treasury Shares		
Total group shareholders' equity	30.458.805	28.330.683
Shareholders' equity and reserves of minority shareholders	4.325.142	2.082.596
Profit (loss) for the year of minority shareholders	(1)	36.573
Total shareholders' equity of minority shareholders	4.325.141	2.119.169
Total consolidated shareholders' equity	34.783.946	30.449.852
B) Provisions for contingent liabilities and charges		
1) Provision for pensions and similar benefits	84.531	81.377
2) Provision for deferred income taxes, including deferred tax assets	415.560	553.970
3) Consolidated provision for contingent liabilities and charges		
4) Derivative financial instruments	6.152	953
5) Other provisions	758.113	396.196
Total provisions for liabilities and charges	1.264.356	1.032.496
C) Employees' leaving indemnity	636.635	675.715
D) Accounts Payables		
1) Bonds		
- falling due within one year	4.450.496	2.625.395
- falling due after more than one year	9.767.291	4.450.496
	14.217.787	7.075.891

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	10.146.209	19.387.061
- falling due after more than one year	6.174.038	1.016.443
	<u>16.320.247</u>	<u>20.403.504</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	7.770.325	1.748.335
- falling due after more than one year	250.000	562.267
	<u>8.020.325</u>	<u>2.310.602</u>
7) Accounts payable to suppliers		
- falling due within one year	28.364.109	32.695.212
- falling due after more than one year	45.385	86.312
	<u>28.409.494</u>	<u>32.781.524</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	59.100	58.329
- falling due after more than one year	2.000.000	2.000.000
	<u>2.059.100</u>	<u>2.058.329</u>
11-bis) Accounts payable to undertakings under control by the controlling companies		
- falling due within one year		5.000
- falling due after more than one year		
		<u>5.000</u>
12) Taxes payable		
- falling due within one year	1.235.861	1.198.242
- falling due after more than one year	115.720	116.028
	<u>1.351.581</u>	<u>1.314.270</u>

13) Accounts payable to social security institutions		
- falling due within one year	658.707	668.564
- falling due after more than one year		
	<u>658.707</u>	<u>668.564</u>
14) Other accounts payable		
- falling due within one year	2.353.948	1.559.266
- falling due after more than one year	477.750	478.414
	<u>2.831.698</u>	<u>2.037.680</u>
Total accounts payable	73.868.939	68.655.364
E) Accrued liabilities and deferred income	100.047	111.284
Total shareholders' equity and liabilities	110.653.923	100.924.711

Profit and loss account	31/12/2019	31/12/2018
A) Revenues		
1) From sales and services	121.781.683	96.513.645
2) Changes in stocks of work in process, semi-finished and finished products	18.874	2.583.197
3) Changes in work in progress on order	7.742.469	
4) Capitalised internal work in progress	5.856.619	5.569.947
5) Other revenues and proceeds:		
- contributions on trading account	1.576.340	1.709.541
- others	184.468	21.300
	<u>1.760.808</u>	<u>1.730.841</u>
Total revenues	137.160.453	106.397.630

B) Expenses		
6) Raw materials, subsidiary materials, consumables and goods	89.340.722	74.059.260
7) Services	11.417.028	9.528.728
8) Rent/lease	1.743.031	1.760.660
9) Personnel costs		
a) salaries and wages	15.079.976	14.105.375
b) social contributions	1.949.061	1.752.677
c) employees' leaving indemnity	302.093	262.322
d) accruals for pension and similar benefits	16.611	16.580
e) other costs	60.705	42.987
	<u>17.408.446</u>	<u>16.179.941</u>
10) Amortisation, depreciation and value adjustments		
a) amortisation of intangible assets	6.280.006	5.857.792
b) depreciation of tangible assets	1.112.110	919.713

c) other value adjustments		
d) write down of accounts receivable recorded among current assets and liquid assets	220.670	291.119
	7.612.786	7.068.624
11) <i>Changes in raw materials, subsidiary materials, consumables and goods</i>	3.438.960	(6.939.812)
12) <i>Accruals to provisions for contingent liabilities and charges</i>		21.954
13) <i>Other accruals</i>	988.265	690.045
14) <i>Miscellaneous running costs</i>	441.101	312.087
Total expenses	132.390.339	102.681.487
Difference between revenues and expenses(A-B)	4.770.114	3.716.143
C) Financial income and costs		
15) <i>Income from shareholdings:</i>		
- in non-consolidated controlled undertakings		
- in affiliated undertakings		
- in controlling companies		
- in undertakings under control by controlling companies		
- other income		
16) <i>Other financial income:</i>		
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	3.171	1.533
- from undertakings under control by controlling companies	18.766	17.245
- other income	100.862	61.112
	122.799	79.890
	122.799	79.890
17) <i>Interest and other financial costs:</i>		
- to non-consolidated controlled undertakings		
- to affiliated undertakings		
- to controlling companies	83.678	84.620
- to undertakings under control by controlling companies		
- other financial costs	1.274.660	1.290.428
	1.358.338	1.375.048

17-bis) Exchange gains and losses	(398.059)	19.121
Total financial income and costs	(1.633.598)	(1.276.037)
D) Value adjustments of financial assets and liabilities		
18) Write-ups:		
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	10.721	20.173
	<u>10.721</u>	<u>20.173</u>
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	20.173	
	<u>20.173</u>	
Total value adjustments of financial assets and liabilities	(9.452)	20.173
Result before taxes (A-B±C±D±E)	3.127.064	2.460.279
20) Taxes on the income for the year (current taxes and deferred tax assets and liabilities)		
Current taxes	954.632	702.482
Taxes of prior years	1	37.308
Deferred tax assets and liabilities	(58.671)	(109.015)
	<u>895.962</u>	<u>630.775</u>
21) Profit (loss) of the year	2.231.102	1.829.504
- Group profit (loss)	2.231.103	1.792.931
- Profit (loss) of minority shareholders	(1)	36.573

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 31/12/2019

Description – indirect method	FY 31/12/2019	FY 31/12/2018
A. Cash flow from operating activities (indirect method)		
Profit (loss) for the year	2.231.102	1.829.504
Income taxes	895.962	630.775
Interest expense (interest income)	1.235.539	1.290.428
(Dividends)		
Total capital (gains)/losses from the disposal of assets	(6.198)	(10.879)
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	4.356.405	3.739.828
Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions	910.358	547.978
Amortisation/depreciation of fixed assets	7.392.116	6.777.505
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	5.199	(1.040)
Other adjustments in connection with non-monetary items	2.371.749	(790.264)
Total adjustments in connection with non-monetary items with no offsetting items in the net working capital	10.679.422	6.534.179
2. Cash flow before changes in working capital	15.035.827	10.274.007
Changes in working capital		
Decrease/(increase) of inventory	(3.785.331)	(9.146.742)
Increase/(decrease) of accounts receivable from customers	(2.839.971)	(8.848.338)
Increase/(decrease) of accounts payable to suppliers	(4.376.259)	15.870.962
Decrease /(Increase) of accrued income and prepayments	(5.789)	(30.253)
Increase /(decrease) of accrued liabilities and deferred income	(11.237)	43.419
Other decreases/(increases) in working capital	5.834.660	(595.208)
Total changes in working capital	(5.183.927)	(2.706.160)
3. Cash flow after changes in working capital	9.851.900	7.567.847
Other adjustments		
Interest collected/(paid)	(1.235.539)	(1.290.428)
(Income taxes paid)	(428.317)	161.828
Dividends collected		
(Use of provisions)	(584.367)	(283.398)
Other collections/(payments)		
Total other adjustments	(2.248.223)	(1.411.998)
Cash flow from operating activities (A)	7.603.677	6.155.849
B. Cash flow from investing activities		
Tangible assets		
(Investments)	(1.951.088)	(1.401.332)
Realisation price of divestments	301.198	228.091
Intangible assets		
(Investments)	(6.421.363)	(7.494.800)
Realisation price of divestments		
Financial fixed assets		
(Investments)	(15.291)	(14.259)
Realisation price of divestments	4.759	2.318
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)	(8.081.785)	(8.679.982)
C. Cash flow from financing activities		
Debt		
Increase (decrease) of short-term bank debt	(9.240.852)	5.012.524
Loans taken out	19.000.000	3.199.088
Loans repaid	(6.700.509)	(4.880.217)
Equity		
Share capital increase		
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	3.058.639	3.331.395
Cash increase (Decrease) (A ± B ± C)	2.580.531	807.262
Exchange differences in cash-at-bank, cash-in-hand and cash equivalents	81.143	81.306
Cash at the beginning 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 beginning of the year	8.227.415	7.338.847
of which not freely available for use		
Cash at the end of the year		
Bank and post office deposits	10.879.269	8.218.872
Cheques		
Cash-in-hand and cash equivalents	9.820	8.543
Total cash-at-bank, cash-in-hand and cash equivalents at the end of the year	10.889.089	8.227.415
of which not freely available for use		
Acquisition or sale of controlled undertakings		
Total consideration paid or received	304.695	
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 group (the "Group"), which comprise the consolidated balance sheet as 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year then ended and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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, including the provisions of Article 7 of D.L. April 8 2020, n. 23, converted in the Law June 5 2020, n. 40.

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 consolidated financial statements* section of this report.

We are independent of the company Global Display Solutions S.p.A. 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 information

We draw attention to Note Events after the reporting period in the financial statements, which indicates that the Directors, due to the effects of Covid-19 situation, have prepared the financial statements on a going concern basis also using the option provided for in Article 7 of D.L. 8 April 2020 n.23. In consistency with the provisions included in the Interpretation Document no. 6 issued by OIC, the Directors confirm their assessment of the entity's ability to continue as a going concern based on the information available as at 31 December 2019. In the same note the Directors have provided updated information regarding their assessment of the entity's ability to continue as a going concern, risk factors, assumptions taken and uncertainties identified, as well as the future business plans to face those risks and uncertainties. Our opinion is not modified in respect of this matter.

This auditor's report has not been issued pursuant to art. 14 of Legislative Decree n.39 dated 27 January 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, 12 June 2020

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.