B&C Speakers Group

Condensed Consolidated Interim Financial Report

as of 30 June 2016

Prepared in conformity with the

International Financial Reporting Standards

endorsed by the European Union

Contents

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B&C Speakers S.p.A.
Registered Office in Bagno a Ripoli (FI), at Via Poggiomoro 1
Paid-up share capital of Euro 1,100,000
Companies Register Florence Office – Tax Code 01398890481

THE B&C SPEAKERS GROUP – Corporate bodies

Board of Directors

Chairperson:	Gianni Luzi
Chief Executive Officer:	Lorenzo Coppini
Director:	Simone Pratesi
Director:	Alessandro Pancani
Director:	Francesco Spapperi
Independent Director:	Roberta Pecci
Independent Director:	Gabriella Egidi
Independent Director:	Patrizia Mantoan

Board of Auditors

Chairperson:	Sara Nuzzaci
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Leonardo Tommasini

Independent audit firm

PricewaterhouseCoopers S.p.A.

Introduction to the condensed consolidated interim financial report at 30 June 2016

INTRODUCTION

The present Condensed Consolidated Interim Financial Report of the B&C Speakers Group at 30 June 2016 was prepared observing the International Accounting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union and was drawn up in conformity with IAS 34 “Interim Financial Statements”. These condensed consolidated interim financial statements therefore do not include all the information required of the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2015.

The present report has been drawn up also in accordance with Italian Legislative Decree 58/1998, and with the Regulation for Issuers published by Consob.

Recall that, starting with the interim report as at 30 September 2015, the Group's management decided to adopt an arrangement for the Statement of Comprehensive Income with classification by destination rather than by nature. Therefore, starting from 30 September 2015, the statement of comprehensive income shows a different classification of costs together with the identification of intermediate results in terms of EBITDA, EBIT, EBT and profit for the year. This approach was adopted with the double aim of (i) aligning the periodic financial disclosure with management reporting used internally by management for decision-making and control purposes and (ii) improving the readability and effectiveness of information in annual and interim reporting towards third parties.

The main changes relate to the following items:

- the entry "*Cost of sales*" covers: purchases of raw and ancillary materials and goods and the change in inventories of raw and ancillary materials and goods (formerly classified under “Cost of raw material and others”); change in inventories of finished and semi-finished products (formerly classified under the item of the same name); the processing of third party goods (formerly classified under “Costs for services, leases and rentals”); the cost of staff directly involved in the production process (previously classified within the “Cost of labour”); transportation costs, costs for commissions payable and customs duties (previously classified under “Costs for services, leases and rentals”) and finally revenues to recover costs of transport (previously classified under “Other revenues”);
- the item *“indirect labour”* covers only the cost of staff not directly used in the production process (employees, executives and managers) previously classified under “Cost of labour”;
- the item *“Commercial expenses”* covers commercial consultancy costs, advertising costs, travel expenses and other charges relating to the commercial sector previously classified under "Costs for services, leases and rentals";
- the item *"General and Administrative Expenses"* covers: costs for maintenance, utilities and the provision of services not directly linked to the production process (previously classified under "Costs for services, leases and rentals"); purchases of goods that are also not directly associated with the production process (previously classified under "Cost of raw material and others"); remuneration for directors, professionals, consultants and supervisory bodies, as well as property rent and hire

costs (previously classified under "Costs for services, leases and rentals"); stock exchange fees; taxes other than on income; losses and contingent liabilities (previously classified under "Other costs").

Therefore, the statement of comprehensive income for the first six months of 2015 was reclassified to allow a homogeneous comparison of magnitudes and economic results. It should be noted that, following the reclassification of costs by destination, EBITDA and EBIT restated in the first six months of 2015 increased by Euro 10 thousand, mainly related to bank charge costs classified in financial costs rather than General and Administrative expenses.

During the first half of 2016 the Parent Company continued in its Buy-Back programme involving treasury shares in accordance with the resolution passed by the Shareholders' Meeting held on 26 April 2016 which renewed the mandate to purchase treasury shares for another 12 months; with reference to 30 June 2016, the treasury shares possessed amounted to 282,050 representing 2.56% of the share capital and are accounted for in accordance with the IFRSs.

At the date of this report (September 2016), the number of Treasury shares owned has changed and amounts to 288,100, equal to 2.62% of the share capital; the weighted average purchase price of shares in the portfolio is Euro 5.23. For your information we can note that the Parent Company B&C Speakers S.p.A. is controlled by R&D International S.r.l. which performs work of direction and coordination.

The equity interest held by the holding Research & Development International S.r.l. represented, at 30 June 2016, 62.11% of the share capital; further information on relations with the holding are contained in the rest of the report.

During May 2016, B&C Speakers disbursed a dividend equal to Euro 0.35 for each ordinary share in circulation, for a total disbursed dividend value of Euro 3.75 million.

Condensed consolidated interim financial report at 30 June 2016 prepared in conformity with the IFRSs endorsed by the European Union

The B&C Speakers Group is one of the international reference points as regards the economic sector of production and sale of “professional loudspeakers in a high quality band”; the business of the Group, which operates both at the national and international level, is carried on entirely in the above sector (production and sale of Loudspeakers in a high quality band). Products are manufactured and assembled at the Italian production plant of the Parent Company, which also deals directly with marketing and sales in the various geographical areas covered.

Products are distributed on the North American market through the subsidiary B&C Speakers NA LLC which performs a role of commercial support to the Parent Company.

Distribution on the Latin American market has been integrated thanks to the activity of the subsidiary B&C Speakers Brasil LTDA, a company incorporated in December 2009 and wholly controlled by the Parent Company.

Products are distributed on the Asian market through local distributors served directly by the Parent Company.

Highlights

In the tables below we present the economic and financial highlights of the half-year period:

Income statement highlights

(€ thousands)	1st half 2016	1st half 2015
Revenues	18,675	18,516
Ebitda	4,481	4,493
Ebit	4,075	4,100
Net profit	2,639	2,694

Balance sheet highlights

(€ thousands)	30 June 2016	31 December 2015
Non current Assets	5,195	5,412
Non current liabilities	3,048	3,565
Current assets	23,309	22,090
Current liabilities	8,595	5,838
Net working Capital	14,713	16,253
Net Equity	16,860	18,099

Cash flow statement highlights

(€ thousands)	1st half 2016	1st half 2015
Operating cash flow	2,015	1,444
Cash flow from investing activities	(220)	197
Cash flow from financial activities	(4,583)	(5,213)
Cash and cash equivalent at end of the year	(2,788)	(3,572)

Net financial position

(€ thousands)	30 June 2016	31 December 2015
Current net financial position	1,639	4,356
Total net financial position	(618)	1,535

Economic trend

The general economic trend during the first half of 2016 was substantially in line with that seen during the first half of the previous financial year. The order book (in relation to the Parent Company), of approximately Euro 10.2 million at 30 June 2016 rose (by around 7%) with respect to the Euro 9.5 million at 30 June 2015.

To better present the trend in operations in relation to the first half of financial year 2016 compared with the same period of the previous year, a table showing these results is provided below:

Economic trends - Group B&C Speakers

(€ thousands)	I half 2016 YTD	*Incidence*	I half 2015 YTD	*Incidence*
Revenues	18,675	*100.00%*	18,516	*100.0%*
Cost of sales	(10,941)	*-58.59%*	(10,818)	*-58.4%*
Gross margin	**7,734**	***41.41%***	**7,698**	***41.6%***
Other revenues	35	*0.19%*	63	*0.3%*
Cost of indirect labour	(1,043)	*-5.59%*	(939)	*-5.1%*
Commercial expenses	(422)	*-2.26%*	(416)	*-2.2%*
General and administrative expenses	(1,822)	*-9.75%*	(1,913)	*-10.3%*
Ebitda	**4,481**	***24.00%***	**4,493**	***24.3%***
Depreciation of tangible assets	(375)	*-2.01%*	(359)	*-1.9%*
Amortization of intangible assets	(13)	*-0.07%*	(35)	*-0.2%*
Writedowns	(19)	*-0.10%*	0	*0.0%*
Earning before interest and taxes (Ebit)	**4,075**	***21.82%***	**4,100**	***22.1%***
Financial costs	(152)	*-0.81%*	(335)	*-1.8%*
Financial income	249	*1.33%*	323	*1.7%*
Earning before taxes (Ebt)	**4,172**	***22.34%***	**4,088**	***22.1%***
Income taxes	(1,436)	*-7.69%*	(1,451)	*-7.8%*
Profit for the year	**2,736**	***14.65%***	**2,637**	***14.2%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**2,736**	***14.65%***	**2,637**	***14.2%***
Other comprehensive result	(97)	*-0.52%*	58	*0.3%*
Total Comprehensive result	**2,639**	***14.13%***	**2,694**	***14.6%***

(a) Figures restated based on the classification by destination in order to provide homogeneous comparison of amounts and economic results, as specified in the introduction to this report.

Note:

This interim report presents and comments certain financial figures and certain reclassified schedules not defined within the IFRS.

These amounts, defined below in compliance with that foreseen in Consob Communication DEM 6064293 of 28 July 2006, as subsequently amended (Consob Communication 0092543 of 3 December 2015, implementing the ESMA/2015/1415 guidelines).

The alternative performance indexes listed below should be used as additional information with respect to that foreseen in the IFRS, to assist the users of the financial report to better comprehend the Group's economic, capital and financial performance. We emphasise that the adjustment methods used by the Group to calculate these figures have remained constant over the years. We also note that they could differ from methods used by other companies.

EBITDA (Earnings Before Interest Taxes Depreciation and Amortisation) is defined by the Issuer's Directors as the "earnings before taxes and interests", as resulting from the consolidated income statement gross of amortisation of tangible assets, depreciation of property, plant and equipment, provisions and writedowns as resulting from the aforesaid consolidated income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Group's operating performance.

EBIT (Earnings Before Interest and Taxes) represents the consolidated profit/loss before taxes, financial expenses and income as shown in the income statement tables prepared by the Directors in drawing up the financial statements in accordance with the IASs/IFRSs.

EBT (Earnings Before Taxes) represents the consolidated profit/loss before taxes as shown in the income statement tables prepared by the Directors in drawing up the consolidated financial statements in accordance with the IASs/IFRSs.

Revenues

Consolidated revenues achieved during the first half of 2016 amounted to Euro 18.67 million, substantially in line (+0.86%) with the first half of 2015 when they were Euro 18.52 million.

In the table below we show the breakdown by geographical area of the turnover achieved by the Group during the period under review compared with the same period of the previous year:

Geographical Area	1st half 2016	%	1st half 2015	%	Change	Change %
America Latina	1,159,340	6.2%	1,576,960	8.5%	(417,621)	-26%
Europa	8,941,745	47.9%	6,690,663	36.1%	2,251,082	34%
Italia	1,729,355	9.3%	1,826,417	9.9%	(97,062)	-5%
Nord America	3,802,354	20.4%	3,269,549	17.7%	532,805	16%
Medio Oriente & Africa	149,312	0.8%	86,643	0.5%	62,668	72%
Asia & Pacifico	2,893,188	15.5%	5,066,128	27.4%	(2,172,940)	-43%
Totale	**18,675,293**	**100.0%**	**18,516,361**	**100.0%**	**158,931**	**0.86%**

During the period the Group increased its presence on the European market (+34% with During the period the Group increased significantly its presence on the European market (+34% with sales of Euro 8.9 million) and achieved an excellent performance on the North American market (+16% with sales of Euro 3.8 million).

After a strong growth achieved during the past years, Asian market turnover declined compared with the first half of 2015 (-43% with sales of Euro 2.9 million euro); the drop was due to recurrent market fluctuations as well as a shift of demand toward less expensive products. The Company is confident to be able to give proper industrial response on this matter.

A drop was also seen in the South American market (-26% with sales of Euro 1.2 million), mainly due to the crisis in Brazil, which led to a significant decrease in sales.

Cost of sales

This category includes raw materials (purchasing, processing by third parties and changes in inventories), the cost of personnel directly involved in the production process, transport costs and the costs for commissions payable, customs duties and other direct costs of lesser importance.

Cost of sales during the first six months of 2016 remained essentially constant in terms of its impact on revenues when compared to the first six months of 2015, shifting from 58.43% to 58.59%. This trend is mainly due to a slight increase in the impact of costs for consumption of materials (+1.5%) counterbalanced by a decrease in the impact of direct employees (-0.6%), in transport (-0.4%), customs duties and other minor components (-0.3%).

Indirect Labour

This category refers to costs for staff, executives and workers not directly associated with the production process.

Over the first six months of 2016 indirect labour costs saw a slight increase with respect to the trend for turnover, going from 5.07% as a portion of revenues during the first six months of 2015 to 5.59% during the same period last year. This trend is mainly due to strengthening of staff, with two resources added, one dedicated to developing the distribution sector and the other responsible for the North American market which is showing significant growth.

Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

Commercial expenses showed no significant changes compared to the first six months of the previous year. Their impact on revenues remained largely unchanged, representing 2.25% in the first six months of 2015 and 2.26% in the first six months of 2016.

General and Administrative Expenses

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

General and Administrative expenses decreased by around Euro 91 thousand compared to the first six months of the previous year, largely due to lower costs for consulting for the previous year. Therefore, their impact on revenue was down by one half percent compared to the first six months of the previous year.

EBITDA and EBITDA Margin

Mainly as a result of the trends described above, EBITDA in the first six months of 2016 amounted to Euro 4.48 million, substantially in line with the same period in 2015 (which amounted to Euro 4.49 million).

The EBITDA margin for the first six months of 2016 was therefore equal to 24.00% of revenues, substantially in line with that for the first six months of 2015 (when it was 24.27% of revenues for the period).

Depreciation and amortisation

The depreciation and amortisation of tangible and intangible assets was in line with that of the corresponding period of the previous year as a result of net investment flows and assets which ended their useful life.

EBIT and EBIT Margin

EBIT during the first half of 2016 amounted to Euro 4.08 million, down slightly by -0.6% with respect to the first half of 2015, when the figure was Euro 4.10 million. The EBIT margin was 21.82% of revenues (22.14% in the first half of 2015).

Group Net Result and Net Financial Position

The Group net result at the end of the first half of 2016 amounted to Euro 2.74 million and represents a percentage of 14.65% of consolidated revenues (up slightly compared with the same period of the previous financial year, when it amounted to Euro 2.64 million, equivalent to 14.24% of the revenues of the period).

The Group's financial stability remains on adequate levels although the Net Financial Position declined compared with the end of the previous financial year; at 30 June 2016 it was in fact a negative Euro 618 thousand while at 31 December 2015 it was a positive Euro 1.5 million. This difference is mainly due to the payment of the Euro 3.75 million dividend disbursed in May and payment of taxes.

Equity and financial trends

Below is the reclassified balance sheet according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**30 June 2016**	**31 December 2015**	**Change**
Property, plant & Equipment	**3,071**	**3,238**	**(167)**
Inventories	8,557	8,813	(255)
Trade receivables	8,432	7,085	1,347
Other receivables	868	977	(109)
Trade payables	(2,819)	(3,180)	362
Other payables	(1,740)	(1,524)	(216)
Working capital	**13,298**	**12,170**	**1,128**
Provisions	**(790)**	**(743)**	**(47)**
Invested net working capital	**15,579**	**14,664**	**914**
Cash and cash equvalents	1,608	1,496	112
Investments in associates	50	50	-
Goodwill	1,394	1,394	-
Short term securities	4,068	3,994	74
Other financial receivables	456	456	(0)
Financial assets	**7,576**	**7,390**	**186**
Invested net non operating capital	**7,576**	**7,390**	**186**
NET INVESTED CAPITAL	**23,155**	**22,054**	**1,100**
Equity	16,860	18,099	(1,239)
Short-term financial borrowings	4,037	1,134	2,904
Long-term financial borrowing	2,258	2,822	(564)
RAISED CAPITAL	**23,155**	**22,054**	**1,100**

Note:

Fixed assets: these are defined by the Issuer's Directors as the value of the multi-annual assets (tangible and intangible). Net Operating Working Capital: is defined by the Issuer's Directors as the value of inventories, trade receivables and other receivables net of debts for supplies and other payables. Funds: the value of bonds linked to employees' severance indemnities and directors' severance pay. Invested net working capital: is the value of financial assets and other financial receivables as described above. Raised capital: is the value of Net Equity of the Group and the total indebtedness of the Group.

A number of comments on the classification of assets and liabilities according to their operational destination are presented below.

Invested Net Working Capital shows an increase of Euro 0.9 million compared with 31 December 2015. This increase was mainly due to the combined effect of the following factors:

- an increase in trade receivables of Euro 1.3 million mainly due to the transfer of a significant part of turnover from Asia to Europe, which has longer repayment times, and to a lesser extent, the slowing in payment times for receivables relative to Brazil.
- a decrease in inventories of around Euro 0.2 million;
- a decrease in fixed assets of approximately Euro 167 thousand due to the combined effect of amortisation and depreciation of the period and of investments made in the period on the production lines;
- an increase in trade payables of around Euro 362 thousand, due to lower purchase volumes during the period.

Invested Net Non Operating Capital remained essentially stable with respect to 31 December 2015.

The other Capital categories showed no significant changes compared with 31 December 2015.

The total *Net Financial Position* was a negative Euro 618 thousand (positive at Euro 1.5 million at 31 December 2015), mainly due to the payment of the dividend in May 2016 and payment of taxes.

Corporate structure

At 30 June 2016 the Group's workforce was 121 resources, compared with 119 resources at 31 December 2015.

Investments

Investments during the first half of 2016 were mainly focused on improving production lines, to increase efficiency and production capacity and on the new photovoltaic system installed on the roof of the factory.

Transactions with related parties and subsidiaries under their management

The transactions that occurred during the first half of 2016 with related parties are summarised below together with information on transactions with related parties on the basis of the requirements of Consob Communication DEM/6664293 of 28 July 2006.

The related parties were identified by Directors as the holding company *Research & Development International S.r.l.*, a company with registered office in Florence, Viale dei Mille No. 60, Tax Code 02342270481, share capital Euro 90,000, which at 30 June 2016 holds 61.52% of the shares of B&C Speakers S.p.A.

Economic transactions

(In Euro)

General and Administrative Expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
1 half 2016	(1,821,627)	(461,941)	(461,941)	25%
1 half 2015	(1,912,642)	(461,436)	(461,436)	24%

The costs incurred in relation to "*Research & Development International S.r.l.*" are related to the rent for the property in which the Parent Company's new production line was installed and to the rent for the building in which the Parent Company's management and administrative activities are performed.

Financial Relationships

(In Euro)

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2016	455,791	88,950	88,950	20%
31 December 2015	456,171	88,950	88,950	19%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2016	(2,818,588)	(76,359)	(76,359)	3%
31 December 2015	(3,180,375)	(89,655)	(89,655)	3%

The debit positions in relation to Research & Development International S.r.l. at 30 June 2016, arose as a result of the rental contract for the property in which the Parent company's new production line was installed.

The credit position of Research & Development International S.r.l. in being at 30 June 2016, related to the credit for an IRES rebate which arose in 2012 following the rebate application made by the Holding for the financial years in which the Group companies availed themselves of tax consolidation.

We certify, under the terms of Art. 2.6.2. Section 13 of the Regulation for Markets Organized and Managed by Borsa Italiana S.p.A., the existence of the conditions pursuant to Article 37 of Consob Regulation No. 16191/2007.

Significant events during the first half of 2016

During the first half of 2016, the following significant events occurred:

- The collection of new orders again grew sharply. The order book when the present report was prepared amounted to Euro 8.2 million;
- The Shareholders' Meeting held on 26 April 2016 resolved to distribute a dividend of Euro 0.35 for each of the outstanding shares (net of treasury shares held), for a total expense of Euro 3.75 million. The dividend was paid in May;
- The Group, in order to increase its market presence, has added to its sales structure with the insertion of two resources, one dedicated to developing the distribution sector and the other responsible for the North American market which is showing significant growth.

Significant subsequent events

After the reporting date of this 2016 interim report, and up to the date on which it was prepared, no significant events occurred.

Outlook for the entire year 2016

With regard to the full-year forecast for 2016, the parent company management believes that, given trends in demand and production capacity, it can expect the year to end with increased revenue volumes compared to the previous one.

Major shareholders and main data concerning the Issuer's shares

At the date this report was prepared, the official data indicate the following significant shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 55.37% stake *(parent company)*;
- ***Alboran S*.r.l.** which holds 6.15%;
- Lazars Freres Gestion SAS with 2.97%;
- Allianz Global Investors with 2.27%;
- Fideuram Investimenti sgr with 2.26%;
- *Aldinio Colabchini* with 2.17%;
- Government of Norway, with 2.16%;
- Forager Funds Management PTYLTD with 2.05%.

Note that Alboran S.r.l. became a shareholder of B&C Speakers following the demerger operation which involved the holding **Research & Development International S.r.l.**

Main risks and uncertainties to which the group is exposed

To examine the main risks and uncertainties to which the group is exposed, since neither the internal nor the external conditions changed with respect to the final months of financial year 2015, the reader is referred to the full discussion on the matter in the report on operations of the consolidated financial statements at 31 December 2015.

Corporate Governance

The Group abides by the Code of Corporate Governance of Italian Listed Companies currently in effect.

In accordance with the legislative obligations a "*Corporate Governance Report*" is prepared annually. In addition to providing a general description of the corporate governance system adopted by the Group, this contains the information on the ownership structures and on acceptance of the single prescriptions of the Code of Corporate Governance and on observance of the consequent commitments. For a more detailed description of the elements that make up Corporate Governance see the complete document relating to the annual report available on the website www.bcspeakers.com, in the Corporate Documents section.

Condensed consolidated interim financial statements at 30 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 June 2016 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		*Notes*	30 June 2016	31 December 2015
ASSETS				
Fixed assets				
Tangible assets		*1*	2,967,106	3,145,378
Goodwill		*2*	1,393,789	1,393,789
Other intangible assets		*3*	103,455	92,329
Investments in non controlled associates		*4*	50,000	50,000
Deferred tax assets		*5*	224,387	273,887
Other non current assets		*6*	455,791	456,171
	related parties	*29*	*88,950*	*88,950*
Total non current assets			**5,194,528**	**5,411,554**
Currents assets				
Inventory		*7*	8,557,107	8,812,521
Trade receivables		*8*	8,431,531	7,084,609
Tax assets		*9*	253,269	357,913
Other current assets		*10*	4,458,415	4,339,376
Cash and cash equivalents		*11*	1,608,294	1,495,913
Total current assets			**23,308,616**	**22,090,332**
Total assets			**28,503,144**	**27,501,886**

		30 June 2016	31 December 2015
LIABILITIES			
Equity			
Share capital	*12*	1,068,851	1,072,541
Other reserves	*12*	3,020,669	3,283,847
Retained Earnings	*12*	10,281,084	8,879,546
Fair value reserve	*12*	(149,547)	(159,596)
Profit/(loss) for the year	*12*	2,638,936	5,022,801
Total equity attributable to shareholders of the parent		**16,859,993**	**18,099,139**
Minority interest		-	0
Total equity		**16,859,993**	**18,099,139**
Non current equity			
Long-term borrowings	*13*	2,257,527	2,821,554
Severance Indemnities	*14*	707,732	660,765
Provisions for risk and charges	*15*	82,596	82,596
Total non current liabilities		**3,047,855**	**3,564,915**
Current liabilities			
Short-term borrowings	*16*	4,037,042	1,133,516
Trade liabilities	*17*	2,818,588	3,180,375
Tax liabilities	*18*	646,182	557,040
Other current liabilities	*19*	1,093,484	966,901
Total current liabilities		**8,595,296**	**5,837,832**
Total Liabilities		**28,503,144**	**27,501,886**

(a) Note that, in order to ensure the reader finds comparable information in the condensed consolidated interim financial statements at 30 June 2016, the presentation of certain figures relative to the previous financial year has been modified. Specifically, the net balance of deferred tax assets and liabilities was shown after reclassifying Euro 33 thousand to deferred tax assets, which had previously been included among deferred tax liabilities. Additionally, Euro 380 thousand was reclassified from tax liabilities, reducing the item tax assets. The Company holds that this change to the figures at 31 December 2015 is not significant.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE FIRST HALF OF 2016 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		*Notes*	1st half 2016 YTD	1st half 2015 YTD
Revenues		*21*	18,675,293	18,516,361
Cost of sales		*22*	(10,941,499)	(10,818,377)
Gross Margin		*0*	**7,733,794**	**7,697,983**
Other revenues		*0*	34,614	62,951
Cost of indirect labour		*23*	(1,043,483)	(939,058)
Commercial expenses		*24*	(421,814)	(416,021)
General and administrative expenses		*25*	(1,821,627)	(1,912,642)
	related parties	*29*	*(461,941)*	*(461,436)*
Ebitda			**4,481,484**	**4,493,214**
Depreciation of tangible assets		*26*	(374,546)	(358,894)
Amortization of intangible assets		*26*	(13,028)	(34,751)
Writedowns		*26*	(18,646)	0
Earning before interest and taxes			**4,075,263**	**4,099,569**
Financial costs		*27*	(151,724)	(334,569)
Financial income		*27*	248,570	322,884
Earning before taxes			**4,172,109**	**4,087,884**
Income taxes		*28*	(1,436,091)	(1,451,359)
Profit for the year (A)			**2,736,018**	**2,636,525**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)			(13,135)	9,412
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:				
Exchange differences on translating foreign operations			(83,947)	48,244
Total other comprehensive income/(losses) for the year (B)			**(97,081)**	**57,656**
Total comprehensive income (A) + (B)			**2,638,936**	**2,694,181**
Profit attributable to:				
Owners of the parent			2,736,018	2,636,525
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			2,638,936	2,694,181
Minority interest			-	-
Basic earning per share			0.25	0.25
Diluted earning per share			0.25	0.25

(b) Figures restated based on the classification by destination in order to provide homogeneous comparison of amounts and economic results, as specified in the introduction to this report.

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2016 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows (Euro thousands)	First half		
	2016	**2015**	
A- Net current bank balances at the beginning of the period	**1,486**	**4,082**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	2,639	2,694	
Income tax expense	1,436	1,451	
Amortization of intangibles assets	13	36	
Depreciation of tangible assets	375	358	
Finance cost	152	324	
Interest income	(249)	(323)	
Net change in provisions for risk and charges and other provision relating to personell	25	25	
Change in provigion for leaving indemnities			
Allocations and revaluations	-	-	
Actuarial gain/(losses)	22	(20)	
(Use)	(0)	(14)	
(increase) decrease in current trade and other current receivables	(981)	(702)	
(increase) decrease in deferred tax assets and liabilities	50	49	
(increase) decrease in inventory	255	(1,523)	
Increase (decrease) in current trade and other payables	(782)	(52)	**Note 1**
Net cash from/(used in) operating activities	**2,955**	**2,304**	
Paid interest costs	(152)	(324)	
Collected interest income	249	323	
Taxes paid	(1,037)	(859)	
Total (B)	**2,015**	**1,444**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(196)	(174)	
Proceeds for sale of non current tangible assets	-	-	
Net (investments) in non current intangible assets	(24)	(5)	
Net (investments) in investment in associates	-	(50)	
Net (investments) in non current securities	-	-	
(Investments) in current securities	(214)	-	
Proceeds from sale of current securities	213	426	
Total (C)	**(220)**	**197**	
D- Cash flow from financing activities			
(Outflow) from financial investment	(561)	(1,572)	
Inflow from financial investment	-	-	
Purchase of treasury shares	(267)	(176)	
Dividend paid to shareholders	(3,755)	(3,465)	
Total (D)	**(4,583)**	**(5,213)**	
E- Cash flow for the period (B+C+D)	**(2,788)**	**(3,572)**	
F- Cash and cash equivalents at end of the period	**(1,302)**	**510**	

Nota 1: the cash generated by the change in trade payables and other includes an outflow of cash attributable to transactions with the parent company R & D International Srl for Euro 13 thousand

The following table shows the composition of the balance of net cash and cash equivalents at 30 June 2016 and at 30 June 2015.

	30-Jun-16	30-Jun-15
Cash	1,608	1,399
Bank overdrafts	(2,910)	(889)
Total	**(1,302)**	**510**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

We present below the changes in consolidated shareholders' equity occurred in the first half of 2016 and in the first half of 2015.

	Share Capital	Legal reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Actuarial gain/(losses) reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO actuarial gain/(losses) (net of tax effect)	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2014	**1,086**	379	3,777	44	2	**4,202**	**(137)**	**7,927**	**4,533**	**(155)**	**(23)**	**17,433**	**-**	**17,433**
Allocation of 2014 result	-	-	-	-	24	24	(22)	4,353	(4,533)	155	23	0.14	-	0
Dividend distribution	-	-	-	-	-	-	-	(3,465)	-	-	- -	3,465.00	-	**(3,465)**
Treasury shares	(3)	-	(173)	-	-	**(173)**	-	-	-	-	-	(176)	-	**(176)**
Consolidation and foreign exchange effect	-	-	-	-	-	**-**	**-**	61	-	-	-	61	-	**61**
Result of the period	-	-	-	-	-	**-**	0	0	2,637	48.24	9	2,694	-	**2,694**
Balance at 30 June 2015	**1,083**	379	3,604	44	26	**4,053**	**(159)**	**8,876**	**2,637**	**48**	**9**	**16,547**	**-**	**16,547**

	Share Capital	Legal reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Actuarial gain/(losses) reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO actuarial gain/(losses) (net of tax effect)	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2015	**1,073**	379	2,835	44	27	**3,284**	**(160)**	**8,880**	**4,977**	**36**	**10**	**18,100**	**-**	**18,100**
Allocation of 2015 result	-	-	-	-	0	-	10	5,013	(4,977)	(36)	(10)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(3,755)	-	-	- -	3,755.00	-	**(3,755)**
Treasury shares	(4)	-	(263)	-	-	**(263)**	-	-	-	-	-	(267)	-	**(267)**
Consolidation and foreign exchange effect	-	-	-	-	-	**-**	**-**	143	-	-	-	143	-	**143**
Result of the period	-	-	-	-	-	**-**	0	0	2,736 -	84.00	(13)	2,639	-	**2,639**
Balance at 30 June 2016	**1,069**	379	2,572	44	27	**3,021**	**(150)**	**10,281**	**2,736**	**(84)**	**(13)**	**16,860**	**-**	**16,860**

Notes to the condensed consolidated interim financial report at 30 June 2016 prepared in conformity with the IFRSs adopted by the European Union

Accounting policies

The present condensed consolidated interim financial statements were prepared in compliance with the International Accounting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. The term “IFRS” is also used to refer to all revised International Accounting Standards (“IAS”) and all interpretations provided by the International Financial Reporting Interpretations Committee (“IFRIC”), previously named the Standing Interpretations Committee (“SIC”).

The present condensed consolidated interim financial statements were drawn up, in a summary form, in accordance with IAS 34 “Interim Financial Statements”. These condensed interim financial statements do not include, therefore, all the information required in the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2015.
The accounting standards adopted in preparing the present condensed consolidated interim financial statements are the same as those adopted in preparing the Group's annual consolidated financial statements for the financial year ended 31 December 2015.

In the context of preparation of the condensed consolidated interim financial statements the Management of the Company carried out valuations, estimates and assumptions which have an effect on the amounts of the revenues, costs and assets and liabilities and on the disclosure related to the potential assets and liabilities at the reference date of the same. It should be noted that, as these are estimates, they may differ from the actual results that may be obtained in the future.

Certain valuation processes, in particular the more complex ones such determining any impairment losses on non-current assets are generally carried out completely only on preparation of the year-end consolidated financial statements, when all the necessary information is available, except in cases when there is evidence of impairment that requires an immediate measurement of losses.

Income taxes are recognised on the basis of the best estimate of the average rate expected for the entire financial year.

The Group's activities are generally not subject to seasonal factors.

As provided for in Art. 16, No. 8 of Italian Legislative Decree No. 213 of 24/6/1998, the financial statements and the related explanatory tables were drawn up in Euro units, with no decimal figures, unless indicated otherwise. Following the roundings made in accordance with the law some differences may appear, normally in the order of one Euro, between the totals and sub-totals and the respective individual items.

Limited auditing of the condensed consolidated interim financial report for the B&C Speakers Group at 30 June 2016 was entrusted to PricewaterhouseCoopers S.p.A.

Accounting standards, amendments and interpretations applied from 1 January 2016

As of 1 January 2016, certain amendments introduced to the international accounting standards and interpretations were applied, none of which had a significant effect on the Group's financial statements. The main changes are outlined below:

- IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation": the amendments indicate that using a revenue-based amortisation method is inappropriate. Limited to intangible assets, this instruction can only be ignored in one of the following circumstances: (i) the right to use an intangible asset is connected to the achievement of a predetermined threshold of revenues produced; or (ii) when it can be demonstrated that the achievement of revenues and the use of the economic benefits of the asset are highly correlated.
- IFRS 11 "Joint Arrangements: Acquisition of an interest in a joint arrangement": the amendments provide clarification on the recognition for accounting purposes of acquisitions of interests in joint arrangements which constitute businesses. The amendments are applicable retroactively, for annual periods starting on or after 1 January 2016.
- Annual IFRS amendments 2012-2014: these amendments involve:

  (i) IFRS 5 “Non-current assets held for sale and discontinued operations";

  (ii) IFRS 7 "Financial instruments: disclosures";

  (iii) IAS 19 "Employee benefits";

  (iv) IAS 34 "Interim financial reporting".

In regards to the first point, the amendments clarify that financial statement figures should not be restated when an asset or group of assets available for sale are reclassified as "held for distribution" or vice versa.

With reference to IFRS 7, the amendment in question establishes that if an entity transfers a financial asset on conditions that allow derecognition of said asset, a disclosure relative to the involvement of the entity with the transferred asset is required.

The proposed amendment to IAS 19 clarifies that, when determining the discount rate for obligations which arise after the termination of an employment relationship, the currency used for said obligations must be used, rather than the currency of the country in which they arise.

The proposed amendment to IAS 34 requires cross-references for information found in the interim financial report and the disclosure associated with the same.

- IAS 1 "Presentation of financial statements": the amendment to the standard is aimed at providing clarification relative to the aggregation or disaggregation of financial statement items when their amount is significant or "material". In particular, the change to the standard requires that financial statement items not be aggregated when they have different features and that financial statement items not be disaggregated when this makes it difficult to understand and comprehend the disclosure and financial statements. Additionally, the amendment establishes the requirement to provide headings, partial results and additional items, also disaggregating the items listed under section 54 (Statement of Financial Situation) and section 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of comprehending the entity's financial situation and its economic and financial results.

Finally, we note IAS 27 Revised “Separate financial statements": the amendment, which applies as of 1 January 2016, allows an entity to use the equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

Accounting standards, amendments and interpretations not yet applicable.

As of the date of this Financial Report, the competent bodies of the European Union have not yet completed the approval process required for the adoption of amendments and of the principles described below.

- In May 2014, the IASB and FASB jointly published standard IFRS 15 "Revenue from Contracts with Customers". This standard has the aim of improving disclosures about revenues and their comparability in various financial statements. The new standard is applicable retroactively, for annual periods starting on or after 1 January 2018. Early application is allowed.
- On 24 July 2014, the IASB finalised the project to revise the accounting standard relative to financial instruments, with the issuing of the complete version of IFRS 9 "Financial Instruments". Specifically, the new provisions in IFRS 9: (i) amend the model used to classify and measure financial assets; (ii) introduce a new method of recognising impairment of financial assets, which takes expected credit losses into account; and (iii) amend the provisions on hedge accounting. The provisions of IFRS 9 are in effect for financial years starting on or after 1 January 2018.
- On 18 December 2014, the IASB amended IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in associates and joint ventures".
  Relative to the first one, the amendment clarifies that the exemption from presenting the consolidated financial statements applies to a parent company, in turn controlled by an investment company, when the latter measures all of its subsidiaries at fair value. In regards to IAS 28, this standard was amended in regards to investments held in associates or joint ventures that are "investment entities". These investments can be measured using the equity method or at fair value. These amendments apply as of 1 January 2016.

- In January 2016, the IASB published IFRS 16 "Leasing". This new standard will replace the current IAS 17. The main change involves recognition by lessors which, based on IAS 17, were required to make a distinction between financial leasing (on balance sheet) and operating leasing (off balance sheet). With IFRS 16, accounting treatment of operating leasing is the same as financial leasing. The IASB has envisaged an optional exemption for certain low value and short-term rental and leasing contracts.
  This standard will apply as of 1 January 2019. Early application is possible in conjunction with IFRS 15 "Revenues from Contracts with Customers".

- In February 2016, the IASB issued an amendment to IAS 12 "Income taxes". These amendments clarify accounting methods for deferred tax assets relative to debt instruments measured at fair value.
  These amendments apply as of 1 January 2017.
- In February 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows". The amendments to IAS 7 introduce an additional disclosure that will allow users of the financial reports to assess changes in liabilities deriving from financing activities. These amendments apply as of 1 January 2017.
- In June 2016, the IASB issued an amendment to IFRS 2 "Share-based payment". These amendments clarify the recognition of certain share-based payments. These amendments apply as of 1 January 2018.

The Group will adopt these new standards, amendments and interpretations, on the basis of the envisaged application date, and will assess the relative impacts, when they have been approved by the European Union.

Content and form of the financial statements

This Condensed Consolidated Interim Report comprises the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and these Explanatory Notes.
With reference to the form of the consolidated financial statements, the Group has chosen to present the following accounting formats:

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented with opposing sections and separate indication of Assets, Liabilities and Net Equity.

In turn, the Assets and Liabilities are recorded in the consolidated financial statements on the basis of whether they are classified as current or non-current.

Consolidated Statement of Comprehensive Income

The consolidated statement of comprehensive income is presented in a single statement (one statement approach) in its classification by destination. It highlights the aggregated earnings before taxes and interests, including all elements of income and cost, regardless of whether they are one-off or recurring and part of core business or otherwise; this is with the exception of financial items entered between Earnings before taxes and interests, and Earnings before tax.

Consolidated cash flow statement

The consolidated cash flow statement is broken down according to cash-generating areas and prepared applying the indirect method. Cash and cash equivalents included in the consolidated cash flow statement include the asset balances of this item at the reporting date. Foreign currencies were converted at the average exchange rate for the period. Income and expenses relating to interest rates, dividends received and income tax are included in the cash flows generated by operational management.

Consolidated statement of changes in net equity

The consolidated statement of changes in net equity is included, as required by the international accounting standards, with the separate highlighting of the consolidated result for the period and of all income, revenues, expenses and charges that are not recorded on the income statement, but rather charged directly to consolidated net equity, in accordance with specific IASs/IFRSs.

Consolidation scope

The interim report at 30 June 2016 prepared according to the IFRSs includes line by line the financial statements of the Parent Company and of the companies of the B&C Speakers Group

The following companies therefore fall under the full consolidation scope at 30 June 2016:

Companies	Country	Group structure at 30 June 2016			Group structure at 31 December 2015		
		Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Parent Company			Parent Company		
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

There were no changes relative to the scope of consolidation at 31 December 2015.

With reference to the information required by the application of IFRS 12 we can note that the subsidiaries present linear situations for which no significant evaluations and assumptions were necessary in order to identify their classification.

The exchange rates applied in the conversion of financial statements in currencies other than the Euro in the first half of 2016, at 31 December 2015 and in the first half of 2015 are shown in the table below:

Currency	30-Jun-16		31-Dec-15		30-Jun-15	
	Avg exch.	Final exch.	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.115937	1.1102	1.110	1.089	1.1158	1.1189
EURO/REAL	4.129549	3.5898	3.700	4.312	3.3101	3.4699

Operating segments

IFRS 8 requires precise identification of the areas of business in the internal reports used by the management in order to allocate resources to the various segments and monitor their performance. Based on the definition of the operating segments given by IFRS 8, the Group operates in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

Analysis of the breakdown of the main items of the consolidated balance sheet at 30 June 2016

1. Property, plant and equipment

A breakdown of property, plant and equipment at 30 June 2016 and the related changes during the period are highlighted in the following tables:

(In Euro)

Historic cost	31-Dec-15	Additions	Reclassification	Foreign exch.	(Decreases)	30-Jun-16
Land and buildings	5,420	-	-	(105)	-	5,315
Photovoltaic System and other minor	806,919	37,942	89,280	-	-	934,141
Lightweight construction	30,879	-	-	-	-	30,879
Plants and machinery	4,568,307	-	-	(1,800)	-	4,566,507
Industrial equipment	4,309,623	146,447	-	427	-	4,456,497
Various equipment	853,436	10,416	-	4,861	-	868,713
Fixed assets in progress	89,280	-	(89,280)	-	-	-
Total	**10,663,864**	**194,804**	**-**	**3,383**	**-**	**10,862,051**

Accumulated depreciation	31-Dec-15	Depreciation	Reclassificatio	Foreign exch.	(Decreases)	30-Jun-16
Land and buildings	2,645	773	-	(47)	-	3,371
Photovoltaic System and other minor	259,201	37,489	-	-	-	296,690
Lightweight construction	8,061	1,532	-	-	-	9,593
Plants and machinery	2,541,200	211,810	-	(1,423)	-	2,751,587
Industrial equipment	3,969,851	95,795	-	227	-	4,065,873
Various equipment	737,528	27,146	-	3,157	-	767,831
Fixed assets in progress	-	-	-	-	-	-
	-	-	-	-	-	
Total	**7,518,486**	**374,546**	**-**	**1,914**	**-**	**7,894,946**

Net value	31-Dec-15	Net increases	Reclassificatio	Foreign exch.	Depreciation	Accumulated depreciation	30-Jun-16
Land and buildings	2,775	-	-	(58)	(773)	-	1,944
Photovoltaic System and other minor	547,718	37,942	89,280	-	(37,489)	-	637,451
Lightweight construction	22,818	-	-	-	(1,532)	-	21,286
Plants and machinery	2,027,107	-	-	(377)	(211,810)	-	1,814,920
Industrial equipment	339,772	146,447	-	200	(95,795)	-	390,624
Various equipment	115,908	10,416	-	1,704	(27,146)	-	100,881
Fixed assets in progress	89,280	-	(89,280)	-	-	-	-
Total	**3,145,378**	**194,804**	**-**	**1,469**	**(374,546)**	**-**	**2,967,106**

The most significant changes that occurred during the first half of 2016 related to the Parent Company and mainly refer to investments made on the production lines in order to increase their efficiency and the production capacity, as well as a new photovoltaic system installed on the roof of the factory.

2. Goodwill

A breakdown of this item at 30 June 2016 is highlighted in the following table:

(In Euro)

Goodwill	30-Jun-16	31-Dec-15
Goodwill on B&C Speakers Usa NA LLC	1,393,789	1,393,789
Writedowns	-	-
Total goodwill	**1,393,789**	**1,393,789**

Goodwill deriving from consolidation of the equity investment in B&C Speakers NA LLC, was Euro 1,394 thousand at 30 June 2016 (unchanged compared with 31 December 2015). This figure represents the surplus between the value of the investment entered at the purchase cost compared to the Group's portion of current values of assets, liabilities and identifiable contingent liabilities recognised in the financial statements of the subsidiary at the time of the first consolidation on 31 December 2004 and at the time of the purchase of the remaining 20% stake on 31 December 2007.

Goodwill, together with the other assets of the American subsidiary, was subjected to impairment tests on the occasion of preparing the annual financial statements to which you are referred for the information about the main hypotheses and assumptions adopted in calculating the value in use.

The hypotheses formulated in preparing the industrial plan used for the impairment test carried out on the occasion of preparing the annual financial statements, approved by the Board of Directors on 14 March 2016, did not undergo significant changes during the period in question, as the forecast data of the American subsidiary were substantially in line with the final figures for the first half of 2016. Impairment indicators such as to lead the management to consider necessary an update of the impairment test carried out at 31 December 2015 in support of the recognition of the consolidation difference are therefore not present, at the date on which the present report was drawn up.

3. Other Intangible assets

A breakdown of intangible assets at 30 June 2016, and the related changes in the period are shown in the following table:

(In Euro)

Other intangible fixed assets	31-Dec-15	Additions	Reclassifications	Depreciation	30-Jun-16
Patent rights	71,779	24,154	5,550	13,028	88,455
Intangible assets in progress	20,550	-	(5,550)	-	15,000
Total	**92,329**	**24,154**	**-**	**13,028**	**103,455**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.
The increase during the period is mainly due to costs sustained to implement software which generates QR codes (Quick Response codes), two dimensional bar codes that offer improved and safer identification of product origins.

4. Equity investments in related companies

This item amounts to Euro 50 thousand, unchanged with respect to 31 December 2015 and reflects the value of the investment at 33% in the new company Silence Tech S.r.l. founded together with two other companies for the purpose of exploiting "Silence" technology developed along with the two other partners. The Company is still not operational.

5. Deferred tax assets

At 30 June 2016 this item includes assets for prepaid taxes, net of deferred tax liabilities, equal to Euro 152 thousand, unchanged relative to 31 December 2015, and relating to deductible temporary differences which were created following the recognition of not-entirely-deductible costs and as a result of alignment of the Parent Company's balances to the IFRSs.

These amounts consist of prepaid taxes arising following the taxation of not-entirely-deductible costs during the period in relation to the Parent company and prepaid tax arising following derecognition of intra-Group margins.

Deferred tax assets have been recognised because the management expects the Company to generate future taxable income against which it can use this positive balance.

6. Other non-current assets

At 30 June 2016 this item is as follows:

(In Euro)

Other non current assets	30-Jun-16	31-Dec-15	Change	% Change
Insurance poilcies	0	303,405	(303,405)	-100%
Guarantee deposits	57,096	57,096	-	0%
Ires refund receivables	88,950	88,950	-	0%
Others	6,340	6,720	(380)	-6%
Total non current assets	**152,386**	**456,171**	**(303,785)**	**-67%**

At 30 June 2016, insurance policies refers to receivables accrued in respect of the insurance companies Fondiaria Assicurazioni and Allianz in relation to the capitalisation policies signed in order to guarantee adequate financial cover of the Directors' severance pay.
The value of the assets relating to insurance policies recognised in the financial statements has been measured according to the value of the premiums paid.

"Guarantee deposits" reflects the amount receivable for guarantee deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina, Via Poggio Moro No. 1, for Euro 57 thousand.

7. Inventories

Warehouse inventories are calculated according to the F.I.F.O. method and can be broken down as follows at 30 June 2016:

(In Euro)

Inventories	30-Jun-16	31-Dec-15	Change	Change %
Row materials and consumables	784,896	788,817	(3,921)	0%
Work in progress and semi-finished	6,630,393	6,745,127	(114,734)	-2%
Finished goods	1,423,107	1,477,010	(53,903)	-4%
Gross Total	**8,838,396**	**9,010,954**	**(172,558)**	**-2%**
Provision for inventory writedowns	(281,290)	(198,433)	(82,857)	42%
Net Total	**8,557,107**	**8,812,521**	**(255,414)**	**-3%**

The value of inventories is shown net of provisions for inventory writedowns of Euro 281 thousand at 30 June 2016.

Change in Provision for inventory writedowns	31-Dec-15	Increase	Use	30-Jun-16
Provision for inventory writedowns	198,433	82,857	-	281,290
Total	**198,433**	**82,857**	**-**	**281,290**

Provisions for inventory writedowns has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The gross value of inventories as at 30 June 2016 is, as a whole, substantially in line with that recorded at 31 December 2015.

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 30 June 2016:

(In Euro)

Trade receivables	30-Jun-16	31-Dec-15	Change	Change %
Trade receivables	8,822,271	7,445,501	1,376,770	18%
(Provision for doubtful accounts)	(390,740)	(360,892)	(29,848)	8%
Total	**8,431,531**	**7,084,609**	**1,346,922**	**19%**

The adjustment of the nominal value of the Group's receivables to the estimated realisable value was obtained by means of specific Provisions for the Impairment of Receivables which amount to approximately Euro 390 thousand at 30 June 2016 (Euro 361 thousand at 31 December 2015).

The gross value of trade receivables increased with respect to 31 December 2015, mainly due to the transfer of a significant part of turnover from Asia to Europe, which has longer repayment times, and to a lesser extent, the slowing in payment times for receivables relative to Brazil.

9. Tax assets

At 30 June 2016 tax assets, of Euro 253 thousand (Euro 358 thousand at 31 December 2015), consisted of receivables relative to the parent company (current tax receivables and VAT receivables) for Euro 172 thousand, and tax assets relative to the Brazilian subsidiary for Euro 81 thousand.

10. Other current assets

At 30 June 2016 other current assets amounted to Euro 4,458 thousand (Euro 4,339 thousand at 31 December 2015) and were made up as follows:

(In Euro)

Other current assets	30-Jun-16	31-Dec-15	Change	% Change
Receivables towards supplier	160,144	116,192	43,952	38%
Securities	4,067,945	3,993,718	74,227	2%
Other minor receivables	17,936	11,083	6,853	62%
Total other receivables	**4,246,025**	**4,120,993**	**125,032**	**3%**
Commercial fairs	62,434	61,738	696	1%
Phone expenses	368.00	505	(137)	-27%
Assistance and assurance fees	55,108	33,042	22,066	67%
Specialist contract	11,525	16,825	(5,300)	-32%
Other	82,955	106,274	(23,319)	-22%
Total prepaid expenses and accrued income	**212,390**	**218,384**	**(5,994)**	**-3%**
Total current assets	**4,458,415**	**4,339,377**	**119,038**	3%

Securities held in the portfolio refer to asset management items denominated in Euro and held for short-term liquidity. These securities were measured at fair value and the estimated gain (Euro 77 thousand) recognised as financial expenses on the income statement.

The item "Specialist contract" refers to accrued expenses for service fees relating to the portion accruing to the second half of 2016 to be paid to *Intermonte Sim S.p.A.* for its Specialist service.

11. Cash and cash equivalents

As required by Consob Communication No. DEM/6064293 of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the Group's net financial position at 30 June 2016 is detailed below:

(In Euro thousands)

	30 June 2016 (a)	31 December 2015 (a)	Change %
A. Cash	1,608	1,496	8%
C. Securities held for trading	4,068	3,994	2%
D. Cash and cash equivalent (A+C)	**5,676**	**5,490**	**3%**
F. Bank overdrafts	(2,910)	(10)	30217%
G. Current portion of non current borrowings	(1,127)	(1,124)	0%
I. Current borrowingse (F+G)	**(4,037)**	**(1,134)**	**256%**
J. Current net financial position (D+I)	**1,639**	**4,356**	**-62%**
K. Non current borrowings	(2,258)	(2,822)	-20%
N. Non current borrowings	**(2,258)**	**(2,822)**	**-20%**
O. Total net financial position (J+N)	**(618)**	**1,534**	**-140%**

(a) Information taken and/or calculated from the financial statements prepared in compliance with IFRS adopted by the European Union.

Below is a statement of reconciliation between the cash and cash equivalents at end of the period highlighted in the consolidated cash flow statement and the net financial position shown above.

	30-Jun-16	31-Dec-15
Cash and cash equivalents at end of the period	**(1,302)**	**1,486**
Current portion of non current borrowings	(1,127)	(1,124)
Non current borrowings	(2,258)	(2,822)
Securities held for trading	4,068	3,995
Total net financial position	**(618)**	**1,534**

For further details concerning the change in cash and cash equivalents, please refer to the enclosed consolidated cash flow statement.

12. NET EQUITY

- Share Capital

The share capital was Euro 1,068 thousand at 30 June 2016 and had decreased by Euro 4 thousand following accounting for the purchase of treasury shares according to the provisions of the IASs/IFRSs. As a result of the continuation of the buy-back plan, on 30 June 2016 B&C Speakers S.p.A. held a total of 139,390 equal to 1.27% of the share capital.

When this report was prepared, the number of Treasury shares owned had changed and amounts to 282,050, equal to 2.56% of the share capital; the weighted average purchase price of shares in the portfolio is Euro 5.23.

- Other reserves

This item, equal to Euro 3,021 thousand at 30 June 2016, comprises the legal reserve for Euro 379 thousand, the extraordinary reserve for Euro 44 thousand, the reserve for unrealised capital gains on currency exchange for Euro 26 thousand and the share premium reserve for Euro 2,572 thousand.

In particular, the share premium reserve, which originated on placing of the Parent Company's ordinary shares, during the period in question fell by Euro 263 thousand following the recognition of operations carried out on treasury shares.

- Profit/(loss) carried forward

This item includes the economic results of previous years.

- Fair value reserve

This item includes the effects on net equity of the actuarial component of severance indemnity.

- Total comprehensive result

This item comprises the profit for the year for Euro 2,736 thousand and other period profits/(losses) for a negative value of Euro 97 thousand relative to (i) the profits generated by the conversion of the financial statements of foreign companies booked in compliance with IAS 1, revised for Euro 84 thousand and (ii) the actuarial losses component deriving from the actuarial measurement of severance indemnities for Euro 13 thousand. This financial component is stated, net of the related tax effect of Euro 6 thousand, amongst other comprehensive income items, as envisaged by the amendment to IAS 19.

- Earnings per share

Earnings per share have been calculated as indicated in IAS 33; the value of this indicator is equal to Euro 0.25 per share (Euro 0.25 in the first half of 2015). This indicator has been calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period.

13. Long-term borrowings

This item amounted to Euro 2,258 thousand at 30 June 2016 (Euro 2,822 thousand at 31 December 2015) and is made up as follows:

(In Euro)

Long-term borrowings	30-Jun-16	31-Dec-15	Change	% Change
Credemleasing loan	14,493	29,338	(14,845)	-51%
Long-term Simest loan	150,000	200,000	(50,000)	-25%
Long-term CRF loan	2,093,034	2,592,215	(499,181)	-19%
Total long-term borrowing	**2,257,527**	**2,821,553**	**(564,026)**	**-20%**

The “CredemLeasing loan”, (Euro 14 thousand at 30 June 2016), includes the portion due beyond the next 12 months of the implicit debt connected with the financial leasing contract stipulated in 2010, relative to the palletising system. The contract matures on 3 December 2017.

The item “Long-term Simest loan” (Euro 150 thousand at 30 June 2016), includes the portion due beyond the next 12 months of the unsecured long-term loan agreed with Simest S.p.A. on 19 April 2011 for an original amount of Euro 500 thousand. This loan was granted by the Italian company for businesses abroad to protect capital stability and thus increase competitiveness on export markets.

The item “Long-term CRF loan” of Euro 2,093 thousand at 30 June 2016 includes the portion due beyond the following year of the long-term financing agreement with Cassa di Risparmio di Firenze S.p.A. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract with CR Firenze S.p.A., aimed at keeping the interest rate of the loan fixed. The fair value of this contract was recognised in the income statement under financial costs.

The table below outlines the changes in financial debt for both the current and non-current portions:

Change in borrowings	31-dic-15	Refunds	New borrowings	Reclassification current portion	30-giu-16
Non current portion					
Bank borrowings	2,792,215	-	-	(549,181)	2,243,034
Leasing	29,338	-	-	(14,845)	14,493
Total non current borrowings	**2,821,553**	**-**	**-**	**(564,026)**	**2,257,527**
Curent portion					
Bank overdrafts	9,787	-	2,900,646	0	2,910,433
Bank borrowings	1,094,735	(546,762)	-	549,181	1,097,154
Leasing	28,994	(14,384)	-	14,845	29,455
Total current borrowings	**1,133,516**	**(561,146)**	**2,900,646**	**564,026**	**4,037,042**

The following tables show the main features and conditions of said loans and the Interest Rate Swap hedging contract.

(In Euro)

Loans details	Simest Loan	CRF
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	4,000,000
Contract date	19-Apr-11	31-lug-15
Due date	31-Dec-18	29-lug-19
N. instalments	10	48
N. pre- instalments	5	-
Periodicity	Half-yearly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	1 month Euribor + 0,5%
Current portion	100,000	997,154
Non current portion	150,000	2,093,034

Derivative instruments details	CRF
Counterpart	Banca CR Firenze S.p.A.
Type of contract	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan
Original amount	4,000,000
Periodicity	Monthly
Bank Interest Rate	Euribor 1 month
Company Interest Rate	0.15%
Contract date	29-lug-15
Due date	29-lug-19
Mark to market amount at Decembre 31, 2015	(29,029)

These loans are not subject to covenants nor do they involve any negative pledges relative to the Group.

14. Provisions for personnel and similar

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity envisaged for Directors at end of their mandate.

In order to recognise the severance indemnity appropriately, the financial-actuarial value of the liabilities was recalculated, for each employee, to determine a liability similar to that which arises in defined benefit pension plans, in accordance with the guidelines of IAS 19. These provisions are stated net of any advances paid and cash disbursed following resignations which occurred during the period in question.

The present value of liabilities for severance indemnity, in accordance with IAS 19, is Euro 380 thousand (Euro 357 thousand at 31 December 2015).

Severance indemnity is a defined-benefit obligation booked in accordance with IAS 19 - Employee Benefits. The amount of severance indemnity is calculated by applying the Projected Unit Credit Method, performing actuarial evaluations at the end of the reporting period.

Please note that during first-time application, the Group had decided not to use the "Corridor Method" and, therefore, to recognise the said actuarial components in the income statement.

The amendment to IAS 19 - Employee Benefits eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring presentation on the statement of financial position of the full deficit or surplus of the provisions, and separate recognition on the income statement of the cost components connected with the employment and net financial costs, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

The following are the technical and economic bases used for the assessment of Severance Indemnity:

Technical parameters

		30-Jun-16
Technical annual discounting rate		0.67%
Annual inflation rate	2015	1.50%
	2016	1.80%
	2017 - 2018	1.70%
	2019 and over	2.00%
Annual TFR increase rate	2015	2.62%
	2016	2.85%
	2017 - 2018	2.77%
	2019 and over	3.00%

With regard to the evaluation of the discount rate, the reference used was the IBoxx Corporate AA index of June 2016 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

In compliance with the provisions of the new IAS 19, the following tables provide:

- sensitivity analysis for each relevant actuarial hypothesis at the end of the period, showing the effects that would have been seen following the changes made to the actuarial hypotheses reasonably possible at that date, in absolute terms;

- indication of the contribution for the following financial year;
- indication of the average financial term of the obligation for defined benefit plans.

Sensitivity analysis

	DBO June 30, 2016
Turnover rate +1%	376,172
Turnover rate -1%	383,540
Inflation rate + 0,25%	384,116
Inflation rate - 0,25%	375,219
Discount rate + 25%	372,576
Discount rate - 25%	386,945

Estimated future payments

Year	Amount
1	70,824
2	24,578
3	22,988
4	21,484
5	43,473

Service Cost and Duration

Service Cost	0.00
Duration	8.20

Provisions for Directors' Severance Pay at 30 June 2016 amounted to Euro 328 thousand (Euro 303 thousand at 31 December 2015) and, in order to recognise them, for each Director, provisions were set aside for the portion matured during the period on the basis of the existing agreement.

15. Provisions for risks

At 30 June 2016 the item, of Euro 82 thousand (unchanged from 31 December 2015), contains provisions to cope with the risk of warranty support for the Group's products. The value of this fund was estimated on the basis of the historical trend of costs for warranty support.

16. Short-term borrowings

This item amounted to Euro 4,037 thousand at 30 June 2016 (Euro 1,134 thousand at 31 December 2015) and is made up as follows:

(In Euro)

Short term borrowings	30-Jun-16	31-Dec-15	Change	% Change
Credemleasing loan	29,455	28,994	461	2%
Short-term Simest loan	100,000	100,000	-	0%
Short-term CRF loan	997,154	994,735	2,419.00	0%
Bank overdrafts	2,910,433	9,787	2,900,646	29638%
Total	**4,037,042**	**1,133,516**	**2,903,526**	**256%**

The "CredemLeasing" loan item, of Euro 29 thousand at 30 June 2016, contains the short-term portion of the implicit loan related to leasing contracts for the existing palletising system.

The "Short-term Simest loan" item (Euro 100 thousand on 30 June 2016), includes the short-term portion of the unsecured long-term loan agreed with Simest S.p.A. on 19 April 2011 for an original amount of Euro 500 thousand.

The item "Short-term CRF loan" of Euro 997 thousand at 30 June 2016 includes the short-term portion due of the loan agreement with Cassa di Risparmio di Firenze S.p.A.

For details on the conditions of outstanding loans, one should refer to Note 13.

For more details on the cash flows that have determined the change in short-term financial borrowings, please refer to the attached consolidated cash flow statement.

17. Trade payables

This item includes amounts due to suppliers and provisions for invoices to be received.

(In Euro)

Trade payables	30-Jun-16	31-Dec-15	Change	% Change
Trade payables	2,818,588	3,180,375	(361,787)	-11%
Total trade payables	**2,818,588**	**3,180,375**	**(361,787)**	**-11%**

The decrease in amounts due to suppliers is due to lower acquisitions made during the period.

18. Tax liabilities

This item at 30 June 2016 was Euro 646 thousand (Euro 557 thousand at 31 December 2015) and comprises the tax liabilities of the American subsidiary for Euro 225 thousand, the tax liabilities of the Brazilian subsidiary for Euro 17 thousand, the current tax payable for the Parent Company for Euro 337 thousand, net of advances paid, and other minor tax liabilities for Euro 67 thousand.

19. Other current liabilities

At 30 June 2016, this item is made up as follows:

(In Euro)

Other current liabilities	30-Jun-16	31-Dec-15	Change	% Change
Due to social security funds	188,075	253,771	(65,696)	-26%
Unused vacation time and holidays	475,253	252,963	222,290	88%
Due to personnel	220,910	270,806	(49,896)	-18%
Other liabilities	209,247	189,362	19,885	11%
Total current liabilities	**1,093,484**	**966,902**	**126,582**	13%

The item "Unused vacation time and holidays" includes accruals for the thirteenth month bonus as well as the payable for remaining holidays at 30 June 2016. The increase in the payable compared with 31 December 2015 was due to the greater accumulation of holidays recorded physiologically at the end of the first half of the financial year compared with the end of the previous financial year.

The category of "Due to personnel" includes payables for salary and retribution not yet paid at 30 June 2016 and settled within the third working day of the next month.

The item "Other liabilities" mainly includes the debt accrued for the management performance bonus (Euro 104 thousand), the payable for directors' fees (Euro 37 thousand), the payable for fair value measurement of the IRS contract with Banca CR Firenze S.p.A. (Euro 29 thousand) and other smaller amounts.

20. Guarantees given to third parties

At 30 June 2016, as also at 31 December 2015, there are no records of any guarantees given to third parties by Group companies.

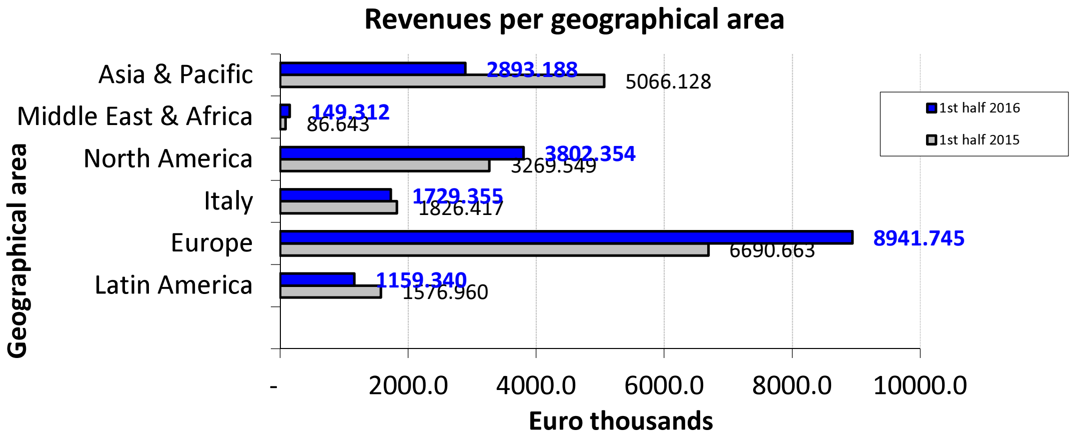
Analysis of the breakdown of the main items of the consolidated income statement closed at 30 June 2016

21. Revenue from sales and services

(In Euro)

Geographical Area	1st half 2016	%	1st half 2015	%	Change	Change %
America Latina	1,159,340	6.2%	1,576,960	8.5%	(417,621)	-26%
Europa	8,941,745	47.9%	6,690,663	36.1%	2,251,082	34%
Italia	1,729,355	9.3%	1,826,417	9.9%	(97,062)	-5%
Nord America	3,802,354	20.4%	3,269,549	17.7%	532,805	16%
Medio Oriente & Africa	149,312	0.8%	86,643	0.5%	62,668	72%
Asia & Pacifico	2,893,188	15.5%	5,066,128	27.4%	(2,172,940)	-43%
Totale	**18,675,293**	**100.0%**	**18,516,361**	**100.0%**	**158,931**	**0.86%**

The item can only be broken down in relation to the geographical area for the sales, as the Group's business segment is identifiable exclusively as the manufacture and sale of "top-quality professional loudspeakers". Sales reported here are net of intra-Group transactions carried out by Group companies.



Sales on the Italian market in the course of the two periods here compared were made entirely by the Parent Company.

During the period the Group increased its presence on the European market (+34% with sales of Euro 8.9 million) and saw good performance in the North American market (+16% with sales of Euro 3.8 million). On the other hand, lower results were seen in Asia and Italy when compared with the first half of 2015 (respectively -43% with sales of Euro 2.9 million and -5% with sales of Euro 1.7 million). A drop was also seen in the South American market (-26% with sales of Euro 1.2 million), mainly due to the crisis in Brazil, which led to a significant decrease in sales.

22. Cost of sales

This category includes raw materials (purchasing, processing by third parties and changes in inventories), the cost of personnel directly involved in the production process, transport costs and the costs for commissions payable, customs duties and other direct costs of lesser importance.

The item is made up of:

Cost of sales	I half 2016	I half 2015	Change	Change %
Consumption of production materials	8,365,821	8,016,142	349,679	4%
Direct labour	2,100,390	2,196,472	(96,082)	-4%
Freight	298,050	378,494	(80,444)	-21%
Duties, commissions and other minor costs	177,238	227,269	(50,032)	-22%
Totale Cost of Sales	**10,941,498**	**10,818,377**	**123,121**	**1%**

The cost of sales as a whole remains substantially unchanged with respect to the first half of 2015.

In terms of its essential components, costs for consumption of materials and third party processing were counterbalanced by a decrease in direct employee costs, transport, customs duties and other minor components.

As specified in the report on operations, the cost of sales during the first six months of 2016 remained essentially constant in terms of its impact on revenues when compared to the first six months of 2015, shifting from 58.43% to 58.59%.

23. Indirect labour

This category refers to costs of R&D staff, office personnel, top executives and workers not directly involved in the production process.

The item is made up of:

Cost of indirect labour	I half 2016	I half 2015	Variazione	Variazione %
Retribution	813,755	729,527	84,229	12%
Social charges	194,610	177,450	17,160	10%
Severance indemnity	35,118	32,081	3,037	9%
Total cost of indirect labour	**1,043,483**	**939,058**	**104,426**	**11%**

The increase seen in “Retribution” and “Social charges” was mainly due to the increase in the work force and contractual adjustments during the year. As specified in the report on operations, over the first six months of 2016 indirect labour costs saw a slight increase with respect to the trend for turnover, going from 5.07% as a portion of revenues during the first six months of 2015 to 5.59% during the first six months of 2016.

24. Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

Commercial expenses, at Euro 422 thousand (Euro 416 thousand in the first half of 2015) did not see significant changes with respect to the first six months of the previous year.

25. General and Administrative Expenses

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

General and Administrative Expenses at Euro 1,822 thousand, decreased by around Euro 91 thousand compared to the first six months of the previous year, largely due to lower costs for consulting for the previous year. Therefore, their impact on revenue was down by one half percent compared to the first six months of the previous year.

26. Amortisation, depreciation, provisions and writedowns

The item is made up of:

Amortization, depreciation and writedowns	I half 2016	I half 2015	Change	Change %
Amortization of intangibles assets	13,028	34,751	(21,722)	-63%
Depreciation of tangible assets	374,546	358,894	15,652	4%
Total amortizations and depreciations	**387,574**	**393,645**	**(6,070)**	**-2%**
Bad debt provision	18,646	-	18,646	n/a
Warranty provision	-	-	-	n/a
Total Writedowns	**18,646.10**	**-**	**18,646**	**#DIV/0!**

The bad debt provision for impairment of receivables was made due to the increased realisation risk for receivables following the continuation of the unfavourable economic situation.

It was not necessary to set aside any warranty provisions given that the provisions in being at 31 December 2015 were sufficient to cover the risk of warranty support that the Group's management can reasonably expect on the basis of the historical trend of this parameter.

27. Financial income and expenses

The item is made up of:

Financial income and expenses	I half 2016	I half 2015	Change	Change %
Bank interest income	1,063	5,600	(4,537)	-81%
Interest on securities	-	43,255	(43,255)	-100%
Accrued income on futures	14,052	10,543	3,509	33%
Accrued income on securities	77,366	20,955	56,411	269%
Exchange rate differences income	150,472	203,036	(52,564)	-26%
Exchange rate differences accruals	5,371	38,890	(33,518)	-86%
Other financial income	245	606	(360)	-59%
Total financial income	**248,570**	**322,884**	**(74,314)**	**-23%**
Interest expenses	16,375	24,512	(8,137)	-33%
Financial expenses for Defined Benefit Obligation	3,267	-	3,267	n/a
Accrued loss on IRS contract	29,029	-	29,029	n/a
Exchange rate difference expenses	70,742	232,544	(161,802)	-70%
Loss on Securities	3,483	-	3,483	n/a
Exchange rate differences accruals	18,239	60,003	(41,764)	-70%
Banck expenses	8,756	11,225	(2,468)	-22%
Other financial costs	1,832	6,284	(4,452)	-71%
Total financial expenses	**151,724**	**334,569**	**(182,845)**	**-55%**
Total financial income (expenses)	**400,294**	**657,453**	**(257,160)**	**-39%**

28. Taxes

This item at Euro 1.436 thousand (Euro 1.451 thousand in the first half of 2015) refers to current and deferred income taxes.

Income taxes are recognised on the basis of the best estimate of the average rate expected for the entire financial year (average tax rate expected on the basis of the Group's budget forecasts).

Deferred taxation refers essentially to deferred tax assets/liabilities originating from taxes prepaid following the elimination of intra-Group margins.

29. Related party transactions

The related parties were identified by Directors as the holding company *Research & Development International S.r.l.*, a company with registered office in Florence, Viale dei Mille No. 60, Tax Code 02342270481, share capital of Euro 90,000, which, at 30.06.2015, holds 61.52% of the shares of B&C Speakers S.p.A.

For a detailed description of the economic and financial transactions carried out with the said related parties see the indications provided in the paragraph "Transactions with related parties and subsidiaries under their control".

30. Transactions deriving from non-recurring operations

Under the terms of Consob Communication No. DEM/6064293 of 28 July 2006, we can specify that during the first half of 2016 no non-recurring operations occurred.

31. Transactions deriving from atypical and/or unusual operations

Under the terms of Consob Communication No. DEM/6064293 of 28 July 2006, we can specify that during the first half of 2016 the Group did not engage in any atypical and/or unusual operations, as defined in the said Communication.

32. Hierarchical levels of the fair value measurement

For financial instruments recorded on the statement of financial position at fair value, IFRS 7 requires these values to be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels exist: level 1 - listings taken from an active market for the assets or liabilities being measured;

level 2 – inputs other than listed prices as per the point above, which can be observed directly (prices) or indirectly (price derivatives) on the market;

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 30 June 2016, according to the hierarchical level of fair value measurement: SPECIFY LACK OF CHANGE BETWEEN LEVELS

Hierarchical level of Fair Value measurement	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Other current assets	4,067,945	-	-
Total	**4,067,945**	-	-
Financial liabilities			
Interest Rate Swap	-	(29,029)	-
Total	**-**	**(29,029)**	-

We note that, with respect to 31 December 2015, there were no movements between the various fair value levels.

33. Subsequent events

After the reporting date of this 2016 interim report, and up to the date on which it was prepared, no significant events occurred.

34. Publication authorisation

This document was published on 23 September 2016, authorised by the Chairman.

Certification of the Condensed Consolidated Interim Financial Statements under the terms of Art. 154-bis of Italian Legislative Decree 58/98

1. The undersigned Simone Pratesi, as Chief Executive Officer and Francesco Spapperi, as Financial Reporting Manager of B&C Speakers S.p.A., hereby certify, also in view of the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy with regard to the characteristics of the company, and

- the effective application of the administrative and accounting procedures for formation of the condensed interim financial statements during the first half of 2016.

2. We can also confirm that:

2.1 the condensed consolidated interim financial statements:

- are drawn up in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council, of 19 July 2002, as well as the measures enacted to implement Art. 9 of Italian Legislative Decree No. 38/2005;

- correspond to the information in the accounting ledgers;

- are capable of providing a fair and correct representation of the situation of the assets and liabilities, and the economic and financial situation, of the issuer and of all the companies included in the consolidation scope.

2.2 The interim report on operations includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

Florence, 23 September 2016

Simone Pratesi	Francesco Spapperi
Financially-Delegated Director	*Financial Reporting Manager*

Independent Auditors’ Report

pwc

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
B&C Speakers SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of B&C Speakers SpA and its subsidiaries (the B&C Speakers Group) as of 30 June 2016, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in consolidated shareholders’ equity, consolidated statement of cash flows and related notes. The Directors of B&C Speakers SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the B&C Speakers Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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Other aspects

The consolidated financial statements as of and for the year ended 31 December 2015 and the condensed consolidated interim financial statements for the period ended 30 June 2015 were audited and reviewed, respectively, by other auditors, who expressed an unqualified opinion on the consolidated financial statements on 4 April 2016, and on 28 August 2015 expressed an unqualified conclusion on the condensed consolidated interim financial statements.

Florence, 23 September 2016

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.