B&C Speakers Group

Separate and consolidated financial statements

as of 31 December 2016

Prepared in compliance with
International Financial Reporting Standards
endorsed by the European Union

B&C Speakers S.p.A.

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Contents

NOTICE CONVENING THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called, with single call, to meet at 11:00 a.m. on 26 April 2017, at the company's registered office at 1 Via Poggiomoro, Loc.tà Vallina, Bagno a Ripoli, to discuss and resolve on the following agenda:

1) Statutory and consolidated financial statements as at 31 December 2016. Related and consequent resolutions.
2) Report on Remuneration in accordance with Art. 123-ter of Italian Legislative Decree no. 58/98. Related and consequent resolutions.
3) Authorization for the purchase and disposal of treasury shares. Related and consequent resolutions.

All shareholders with the right to vote are entitled to attend the Shareholders' Meeting. The right to attend and vote at the meeting is confirmed by notification made to the Company by the authorised intermediary, in compliance with the accounts, in the favour of the party concerned; said declaration shall be made on the basis of the evidence available at the end of the seventh business day prior to the date for which the shareholders' meeting is scheduled (namely 13 April 2017). Anyone only registered as shareholder after that date shall not be entitled to attend and vote at the meeting. Voting by post or electronic means is not accepted.
Each person entitled to participate in the meeting may be represented by written power of attorney, in compliance with legislation, by signing the power of attorney included at the bottom of the copy of the above notice issued by the intermediary; alternatively, the power of attorney form available on the company website www.bcspeakers.com may be used. If the representative should provide the Company with a copy of the power of attorney, he shall certify, assuming liability, that the copy is a true copy of the original, declaring the name of the delegating party. The power of attorney may be sent to the Company by recorded delivery to its registered office or by e-mail to the address: spratesi@bcspeakers.com.
The company does not designate representatives to whom entitled persons can assign a power of attorney with voting instructions.

All those entitled to attend the shareholders' meeting may ask questions about the agenda during or prior to the meeting; they shall do so by sending a specific letter to this end, by registered letter to the Company's registered office, or by e-mailing spratesi@bcspeakers.com. Questions received prior to the shareholders' meeting are answered at latest during said meeting. The Company has the right to provide a single answer to multiple questions on the same subject. Questions must be accompanied by a certificate issued by the intermediaries to ascertain shareholder status, or be included in the same communication required to attend the shareholders' meeting.

Pursuant to art. 126-bis TUF, shareholders who, also jointly, represent at least one-fortieth of the share capital may request, within ten days of publication of this notice, the expansion of the list of subjects to be dealt with, indicating the additional topics in their application; the application must be submitted in writing to the registered office or sent by registered post, on the condition that it reaches the company within the period referred to above.
Pursuant to law, matters proposed by Directors, or on the basis of documents prepared by the same are not admitted to the agenda for the subjects on which the Shareholder's meeting resolves. The amended agenda will be published with the same method used for this notice.

The subscribed and paid-up capital totals Euro 1,100,000, divided into 11,000,000 ordinary shares, with each share giving the right to one vote. On the date of this notice, the Company holds 77,772 ordinary

shares for which applicable legislation suspends the right to vote. Any changes in treasury shares will be communicated at the start of the shareholders' meeting.
Further information is available on these rights and the foregoing from the Company's website www.bcspeakers.com.

All documentation relating to the items on the agenda will be filed with the registered office and Borsa Italiana S.p.A., and shall be made available on the website www.bcspeakers.com within the terms permitted by current legislation. Shareholders have the right to a copy.

1 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:	Leonardo Tommasini
Regular Auditor:	Giovanni Mongelli
Alternate Auditor:	Antonella Rapi
Alternate Auditor:	Placida Di Ciommo

Independent auditing firm

PricewaterhouseCoopers S.p.A.

2 Proposed approval of the financial statements and allocation of period profit

The Company's Board of Directors met on 20 March 2017 and proposed allocating the profit for the year presented in the financial statements as at 31 December 2016 as follows:

- distribution of a dividend of Euro 0.40 per ordinary share outstanding at the coupon detachment date, therefore excluding the treasury shares held at that date;

- the remainder to "retained earnings".

In addition to the above, and in order to reward shareholders of the Company during the tenth year since listing, the Board, given the ability of management to produce cash following its main activity, proposes to distribute an extraordinary dividend of Euro 0.6 for each ordinary share outstanding on the coupon detachment date.

3 Introduction to the separate and consolidated financial statements at 31 December 2016

The separate and consolidated financial statements for B&C Speakers S.p.A. as at 31 December 2016 were prepared in compliance with applicable International Accounting and Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB") and approved 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").

Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

The purpose of these financial statements is to present the financial position and results of operations of B&C Speakers S.p.A. and the B&C Speakers Group as at and for the year ended 31 December 2016, in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

In FY 2016, the Parent Company continued its treasury share buy-back programme in accordance with that established by resolution of the shareholders' meeting on 26 April 2016. At 31 December 2016, it held 68,810 treasury shares, equal to 0.63% of the share capital. The shares have been valued in accordance with the relevant accounting principles.

At the date of this report (March 2017), the number of Treasury shares owned is 77,772 equal to 0.71% of the share capital; the weighted average purchase price of shares in the portfolio is Euro 4.38.

Financial statements

As of 31 December 2016

4 Report on operations for the financial year ended on 31 December 2016

The B&C Speakers Group is a key international entity in the production and marketing of "top quality professional loudspeakers"; the business of the Group, which operates both nationally and internationally, is dedicated exclusively to this sector. 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 American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brasile LTDA, which in 2016 acted as a distribution centre.

Profit recorded for FY 2016 came to Euro 6,316 thousand, net of tax for Euro 2,572 thousand and amortisation/depreciation for Euro 774 thousand.

FY 2015 records profit of Euro 5,184 thousand, net of income tax (Euro 2,226 thousand) and amortisation/depreciation (Euro 789 thousand).

Highlights

The tables below provide the economic, equity and financial highlights for FY 2016, compared with the same data for the previous year:

Income statement highlights

(€ thousands)

	2016	2015
Revenues	36,977	35,426
Ebitda	8,958	8,074
Ebit	8,141	7,114
Net profit	6,316	5,184

Balance sheet highlights

(€ thousands)	31 December 2016	31 December 2015
Non current Assets	5,268	5,633
Non current liabilities	2,485	3,565
Current assets	25,828	21,568
Current liabilities	6,746	5,558
Net working Capital	19,082	16,010
Net Equity	21,864	18,079

Cash flow statement highlights

(€ thousands)

	2016	2015
Operating cash flow	8,422	4,351
Cash flow from investing activities	(2,391)	437
Cash flow from financial activities	(3,654)	(7,519)
Cash and cash equivalent at end of the year	2,378	(2,732)

Net financial position
(€ thousands)

	2016	2015
Current net financial position	8,433	3,890
Total net financial position	6,740	1,069

As regards the definition of alternative performance indicators, one should refer to the information later on in this document.

Share performance

The B&C Speakers S.p.A. shares are listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A..

At 30 December 2016 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at Euro 7.98 and consequently the market capitalization amounted to about Euro 87.7 million.

The following shows the share performance of B&C Speakers SpA during 2016 and first months of 2017

Macroeconomic Situation

The trend of world economic growth remained around 3% in 2016, with differing dynamics according to geographical area which showed a downward inflationary trend in Western countries and commodity prices recovering at the end of the period, partly influenced by the price of oil.
In East Asia, the two major economies confirmed significant growth rates. There was a slight deceleration in China (+6.7%) in a scenario of expanding public expenditure resulting with the resulting problem of controlling financial risk and the weakening of the national currency. Growth was stable in India (7%), driven by domestic consumption, albeit slowed by the demonetization process which was launched by the

Indian Government on 8 November 2016 leading to a reduction in the expected growth of about one percentage point.
Japan registered slight improvements in growth (almost 1%), thanks to continued expansionary monetary and fiscal policy.
Growth in the United States consolidated at about 1.6%, allowing a process of normalisation in monetary policy to get underway. The result was a strengthening in the dollar which was confirmed later with the prospect of reflationary policies announced by the new administration. The Eurozone has seen a consolidation in overall growth (1.7%), in a situation showing marginal inflation, which led the ECB to confirm its important monetary intervention programs.
The Italy recorded growth at almost 1%. The slight improvement in consumer spending and employment confirmed the necessity for further structural reforms to enhance competitiveness with Community policies not based simply on rigid control of member state commitments, but also with support for investment.

Industry scenario

The professional audio sector has grown considerably in recent years due to the technological revolution in the field of music that has effectively cancelled the opportunities for many artists to sell discs in favour of concerts and live performances. This fact has led to a huge increase in the number of live shows and a fairly high average ticket price resulting in an increase in quality expectations for the public attending live concerts.
This trend has favoured the higher quality companies and allowed B&C Speakers to grow both internally and with advantage for its competitors. In addition, our market is also affected by construction spending, since many installations relate to places such as new theatres, cinemas, clubs and discos, karaoke pubs, large stations and airports where public announcements also for security purposes have raised the need for higher quality sound systems.
The latest driver of market growth is the increasing spread of audio systems in shopping centres.

Economic trend

The income trend for the year 2016 was characterized by maintaining a trend of growing business that allowed the achievement, for the first time in the history of the company, of reaching Euro 37 million in turnover.

To provide a clearer representation of the economic management trend recorded in FY 2016 compared with the same period last year, the table below lists the major aggregates of B&C Speakers S.p.A.:

Economic trends - B&C Speakers S.p.A.

(€ thousands)	**2015**	*Incidence*	**2014**	*Incidence*
Revenues	36,977	*100.00%*	35,426	*100.0%*
Cost of sales	(22,039)	*-59.60%*	(21,377)	*-60.3%*
Gross margin	**14,939**	***40.40%***	**14,049**	***39.7%***
Other revenues	124	*0.34%*	141	*0.4%*
Cost of indirect labour	(1,808)	*-4.89%*	(1,621)	*-4.6%*
Commercial expenses	(741)	*-2.00%*	(755)	*-2.1%*
General and administrative expenses	(3,556)	*-9.62%*	(3,740)	*-10.6%*
Ebitda	**8,958**	***24.23%***	**8,074**	***22.8%***
Depreciation of tangible assets	(747)	*-2.02%*	(718)	*-2.0%*
Amortization of intangible assets	(26)	*-0.07%*	(71)	*-0.2%*
Writedowns	(43)	*-0.12%*	(170)	*-0.5%*
Earning before interest and taxes (Ebit)	**8,141**	***22.01%***	**7,114**	***20.1%***
Financial costs	(271)	*-0.73%*	(413)	*-1.2%*
Financial income	1,024	*2.77%*	699	*2.0%*
Earning before taxes (Ebt)	**8,893**	***24.05%***	**7,400**	***20.9%***
Income taxes	(2,572)	*-6.96%*	(2,226)	*-6.3%*
Profit for the year	**6,321**	***17.09%***	**5,174**	***14.6%***
Other comprehensive result	(5)	*-0.01%*	10	*0.0%*
Total profit for the year	**6,316**	***17.08%***	**5,184**	***14.6%***

Note:

These financial statements present and comment on certain financial figures and certain reclassified schedules not defined within the IFRS.

These amounts are defined below in compliance with the provisions 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 Company's economic, capital and financial performance.

The alternative performance indicators are measures used by the issuer to monitor and assess the Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IAS/IFRS. Therefore, the measurement criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. We emphasise that the adjustment methods used by the Company to calculate these figures have remained constant over the years.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Group's operating performance.

EBIT (Earnings Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

EBT (Earnings Before Taxes) is the consolidated result before tax, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

Revenues

Revenues in 2016 came to Euro 36.9 million, up by approximately 4.4% on 2015 (Euro 35.4 million).

2016 exports remained at 2015 levels, achieving a percentage of 91% of the turnover.

The result achieved in 2016 was driven primarily by the very significant growth achieved in the European market (the most important for B&C), with an increase of +19% at Group level with annual turnover of 17.4 million representing 45% of the total figure.

The North American market also performed well, continuing the growth trend (+9% compared to 2015) and achieving annual turnover of Euro 5.6 million.

After strong growth over the past years and despite the sharp recovery in turnover achieved in the second half, there was a decline in sales in the Asian market (-12% with sales of Euro 8.1 million) which is however much more modest than the half-yearly figures. The decrease is mainly due to normal fluctuations in the market.

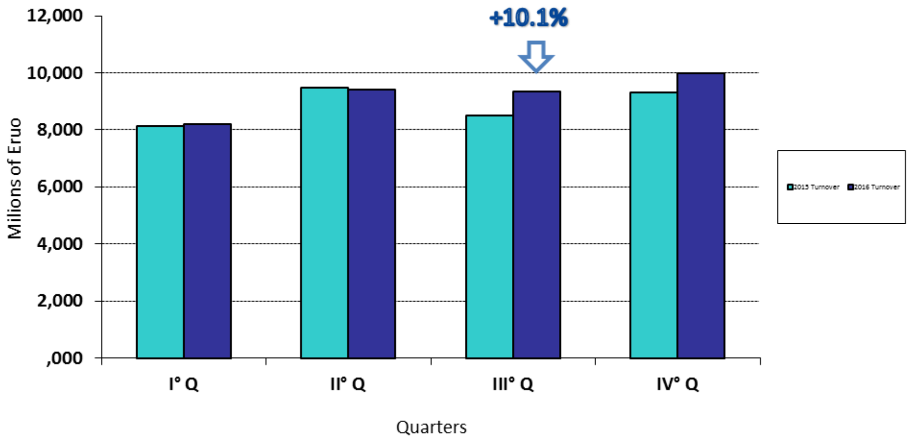
The Latin American market also recorded a decline (down by 9% compared with the previous year) due mainly to the crisis of the Brazilian market that produced a significant reduction in sales.

The very positive trend in orders from customers of the Company continued in 2016, with a calendar year total of Euro 37.88 million, up by 8% compared to the total figure in 2015. The order book value at the end of 2016 amounted to Euro 6.9 million, showing a slight increase compared to the figure of 6.5 at the end of 2015.

Revenues in the various quarters of FYs 2015 and 2016 are summarised in the table below:

Trend of B&C Spa revenues (€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2016	8.21	9.43	9.36	9.98	**36.98**
Net sales revenues 2015	8.12	9.49	8.50	9.30	**35.43**
Change 2016 - 2015	1.1%	-0.7%	10.1%	7.2%	4.4%

As can be seen from the graph below, revenue performance marked a decided tendency towards growth, particularly in the third and fourth quarters of the year. In particular, the third quarter marked an increase of 10.1%.



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 cost of sales showed a fractional reduction in its impact on revenues moving from 60.3% in 2015 to 59.6% in 2016. This variation is mainly due to an increase in direct labour costs that was slightly less than the growth in revenues. The other components in cost of sales (transport costs, commissions payable and other costs) have generally maintained the same proportion with respect to revenues.

Indirect personnel

This category refers to costs for office staff, executives and workers not associated with the production process.
The cost for indirect personnel during 2016 was substantially consistent in the percentage of turnover that totalled 4.89% (4.58% in 2015), despite the inclusion of some commercial and research & development resources.

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 2016.

Administrative and General

Administrative and general expenses showed a significant decrease over the previous year mainly due to the disappearance, in 2016, of costs related to external resources who had taken part in some projects that were completed during the year 2015. Therefore, as a percentage of revenues they made a positive fall from 10.56% in 2015 to 9.62% in 2016.

The table below summarises the EBITDA trend for the periods described.

(€ thousands)	**2016**	*Incidence*	**2015**	*Incidence*
Ebitda	**8,958**	*24.23%*	**8,074**	*22.8%*

EBITDA and EBITDA margin

Due to the trends described above, the EBITDA in 2016 amounted to Euro 8.9 million, an increase of 11% compared to 2015.

The EBITDA margin relating to 2016 was therefore 24.2% of revenues, compared with 22.8% for the same period in 2015.

EBIT and EBIT margin

The EBIT at the end of 2016 totalled Euro 8.1 million up by 14.4% compared to 2015.

The EBIT margin relating to 2016 was therefore 22% of revenues, compared with 20.1% for the same period in 2015.

Total net profit (loss)

Net profits at the end of 2016 amounted to Euro 6.3 million and represent 17.1% of revenues; this result is 21.8% higher than those achieved during the year 2015 (Euro 5.18 million).

Equity and financial trend

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

Reclassified Balance sheet (€ thousands)	31 December 2016	31 December 2015	Change
Fixed Assets	**2,775**	**3,195**	**(420)**
Inventories	7,379	8,039	(660)
Trade receivables	8,462	7,914	548
Other receivables	487	662	(175)
Trade payables	(3,930)	(3,204)	(726)
Other payables	(1,687)	(1,229)	(458)
Working Capital	**10,711**	**12,182**	(1,471)
Provisions	**(793)**	**(743)**	(50)
Invested net working capital	**12,693**	**14,634**	**(1,941)**
Cash and cash equvalents	3,398	1,020	2,378
Investments	1,928	1,928	0
Short term securities	6,164	3,994	2,170
Other financial receivables	503	449	54
Financial assets	**11,993**	**7,391**	4,602
Invested net non operating capital	**11,993**	**7,391**	4,602
NET INVESTED CAPITAL	**24,686**	**22,025**	**2,661**
Equity	21,864	18,079	3,785
Short-term financial borrowings	1,129	1,124	5
Long-term financial borrowing	1,693	2,822	(1,129)
RAISED CAPITAL	**24,686**	**22,025**	**2,661**

Note:
Fixed assets: are defined by the Issuer's Directors as the value of long-term assets (tangible and intangible). Working Capital: is defined by the Issuer's Directors as the value of inventories, trade receivables and other receivables net of trade payables and other payables. Provisions: the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. Invested net working capital: is the value of financial assets and other financial credits as described above. Raised capital: is the value of Equity of the Company and the total indebtedness of the Company.

Below are comments on the changes to assets and liabilities classified according to administrative allocation.

Invested net working capital shows a decrease of around Euro 1.9 million compared to 31 December 2015. This reduction is due to the combined effect of the following factors:

- a reduction in warehouse inventories of Euro 0.7 thousand, mainly in semi-finished products;
- an increase in trade receivables totalling Euro 0.5 million and an increase of Euro 0.1 million in other receivables;
- an increase in trade payables totalling Euro 0.7 million and an increase of Euro 0.5 million in other payables;
- a decrease in fixed assets amounting to approximately Euro 0.4 million due to the net effect of investment and depreciation for the year.

The *Invested net non operating capital* showed an increase of about Euro 4.6 million compared to 31 December 2015, largely due to the increase in liquidity of approximately Euro 2.4 million (due mainly to the significant cash flow produced by operations) and the increase in portfolio securities held for liquidity.

The other asset categories showed no significant changes on 31 December 2015.

The importance of the Invested Net Working Capital when compared to total invested capital warrants more flexibility from the Company in order to better respond to industrial and business needs. The same can be said for its current structure, but in spite of conspicuous investments, fixed investments are not excessively burdened.

As far as *Raised Capital* is concerned, one should note that Equity accounts for almost all this category.

The *Net Financial Position* (including portfolio securities held for liquidity use) is positive by Euro 6.7 million (positive by Euro 1.1 million at 31 December 2015). The Company's financial stability remains good, particularly in view of the fact that in May 2016, dividends were paid for a total Euro 3,755 thousand (equal to Euro 0.35 per ordinary share outstanding at coupon detachment). This amount was calculated in accordance with Consob Communication 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".

Key performance indicators

To provide a more comprehensive representation of the Company's position, the performance and the result of the business as a whole are presented using both financial and non-financial key performance indicators.

Key performance indicators (B&C Speakers S.p.A.)	2016	2015
R.O.E.	28.9%	28.7%
Return on Equity; Net result/Equity		
R.O.I.	26.2%	26.1%
Return on Investments; Ebit/Total assets		
R.O.S.	22.0%	20.1%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2.37	1.97
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	19.37	16.09
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	4
Current Assets/Current Liabilities		
Net working capital	10,711	12,182
Primary liquidity ratio	50.4%	18.4%
Cash and cash equivalents/Current Liabilities		

	2016	2015
Days of Inventory Turnover	76.09	78.79
Days of Receivables Turnover	80.82	79.13

Indicators relating to the rotation of the items of equity show substantial stability in collection terms compared to the previous year.

More specifically, the index of Total Debt shows that the Company's Equity exceeds the value of Current and non-Current Liabilities.

Corporate structure

As at 31 December 2016 the Company workforce numbered 115 resources.

The following shows the Company's workforce structure in the last three years:

Personnel headcount	**31-Dec-16**	**31-Dec-15**	**31-Dec-14**
Workers	87	87	79
Employees	22	21	16
Lower management	5	5	5
Upper management	1	1	1
Total	**115**	**114**	**101**

Investments

During 2016 there were investments made of around Euro 0.4 million, mainly targeted towards industrial plant and equipment with the intention of increasing production efficiency.

There are two loudspeaker production lines operating in the plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines meet the latest productivity and efficiency criteria.

As regards the production of diffusers for high frequencies (Drivers), there are two production lines that have benefited from investments made to improve efficiency.

All investments made in structures and fixed installations have been agreed with the parent company ***Research & Development International S.r.l.*** with the goal of achieving significant improvement in production capacity.

Research and Development

The company continues to maintain its commitment to managing cultural and organisational growth that will enable it to maintain the level of excellence achieved thus far, at a time when international competition is becoming fiercer with every day that passes.

Investments made in Research and Development remain consistently high and current projects have been concluded; new projects have also been launched. In FY 2016, our company carried out research and development into technological innovation, mainly focusing its efforts on projects considered to be particularly innovative and regarding the Vallina plant in Florence.

These include the following projects:

- Continuation of R&D for the design and development of a prototype air motion transformer driver

- R&D activities for the identification, definition and implementation of specific technical solutions for substantial improvement to the electro-acoustic components for active absorbers
- Continuation of R&D for the design and development of a prototype for new types of voice annunciators for tunnels
- R&D aimed at identifying and developing new technical solutions relating to sensors for monitoring loudspeakers
- R&D for the analysis and pre-competitive development of new technical solutions for the creation of new types of drivers for headphones
- R&D activities for the identification, definition and implementation of specific technical solutions for the creation of induction motors
- R&D for the analysis and pre-competitive development of new technical solutions for the creation of magnetic units for loudspeakers including more than one magnet
- R&D activities aimed at the design, creation and testing of a prototype for an innovative midrange-speaker characterised by rectangular flat membrane driven by two linear coils
- R&D activities for obtaining a new speaker suspension system based on linear bearings
- R&D activities for the study and experimentation of new types of compression drivers featuring large annular membrane and new type of PCF
- R&D activities for defining technical solutions intended for the analysis of non-linear behaviour of moving coil speakers
- R&D activities for the analysis and study of sound source directivity control

During 2016 the company has incurred R&D costs amounting to Euro 380 thousand for the development of these projects; we believe the success of these innovations could generate good results in terms of turnover with favourable effects on the economy of the company.

With respect to the accounting treatment of development costs, it should be noted that, as indicated in the paragraph "Accounting standards adopted" in the Notes, these are capitalised on condition that the cost is reliably determinable and that it can be demonstrated that the activity is able to generate future economic benefits. Research costs are charged to the income statement in the period in which they are incurred.

Based on the characteristics of the development costs incurred, it was considered inappropriate to capitalise these charges among assets, in that, although the activities are aimed at the creation of a new and better product or manufacturing process, it is considered that on the basis of the information available to date, the recoverability of the charges in question through future revenues (essential prerequisite for the capitalisation of Development costs) is a highly subjective and uncertain aspect to assess.

Significant events of 2016

The following significant events occurred during FY 2016, affecting the company's performance:

- The very positive trend in orders from customers also continued, with a calendar year total of Euro 37.88 million, up by 8% compared to the total figure in 2015.

- The Shareholders' Meeting, held on 26 April 2016, resolved to distribute a dividend of Euro 0.35 for each of the shares outstanding (net of treasury shares held), for a total expense of Euro 3.75 million. The dividend was paid during the month of May;

- In order to increase its presence on the market, the Company has strengthened its marketing structure with introduction of two new roles, one dedicated to the development of the distribution sector and the other aimed at managing the strongly developing North American market.

Business outlook

The available data, as at the date of preparation of this document suggests that 2017 will be a year of consolidation compared to the previous one.
The Management is confident that the company can continue on its path of consolidation in the professional loudspeakers market and can make inroads into new products/markets with attractive potential in terms of size and margins.

Essential elements of the adjustment plan under Articles 36 and 39 Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62 paragraph 3-bis of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group and shows, for each of the conditions required by Art. 36, the level of implementation currently existing and, where necessary, adjustment operations provided with their deadlines.

The essential elements of this plan can be summarised as follows:

- The scope of application concerns two subsidiaries (B&C Speakers NA LLC and B&C Speakers Brasil Ltda), located in two different non-EU countries, which are of significant importance pursuant to paragraph 2 of said Art. 36;
- The administrative, accounting and reporting systems currently used by the B&C Speakers Group are already substantially aligned with legal requirements, regarding the companies within the above-mentioned scope of application, both in terms of i) making the accounting documents compiled in order to prepare the consolidated financial statements publicly available, and ii) providing the necessary information for preparation of the consolidated financial statements to management and to the Auditor of the Parent Company.
- With regards to the request to receive a copy of the articles of association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent company enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices;
- With regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent's annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense.

Major shareholders and main data concerning the Issuer's shares

As at the date of preparing these financial statements (March 2017), the official data reveals the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 55.37% stake *(parent company)*;
- Alboran S.r.l. which holds 6.17%;

- Allianz Global Investors which holds 3.7%;
- Lazard freres Gestion sas which holds 2.97%;
- Aldinio Colbacchini who holds 2.17%;
- Norges Bank which holds 2.16%;

Disclosure pursuant to Art. 79 of the Issuers' Regulation no. 11971/99

In relation to the disclosure obligations laid down by Art. 79 of the Issuers' Regulation no. 11971/99, with regard to holdings, in issuers themselves and their subsidiaries, pertaining to members of the administrative and auditing bodies, general managers and key managers, as well as by spouses (where not legally separated) and their under-age children, whether directly or through subsidiaries, trustees or third parties, as resulting from the book of members, communications received and other information acquired by the members of the administrative and auditing bodies, general managers and key managers, the following information is provided:

- as at 31 December 2016, the Director Lorenzo Coppini holds 60,000 shares in B&C Speakers S.p.A.
- as at 31 December 2016, the Director Simone Pratesi holds 2,655 shares in B&C Speakers S.p.A.
- as at 31 December 2016, the Director Alessandro Pancani holds 7,234 shares in B&C Speakers S.p.A..

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbered 8 members and was appointed by majority vote (in accordance with the voting rules laid down by the articles of association) by the ordinary Shareholders Meeting held on 24 April 2015; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2017.

Board of Auditors

Pursuant to art. 24 of the Issuer's articles of association, the Board of Auditors, in office since 24 April 2015, numbers three Regular Auditors and two Alternate Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2017.

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For information on **Corporate governance** and the **Main risks and uncertainties** to which the Company is exposed, one should refer to the Report on Operations accompanying the consolidated financial statements.

5 Separate financial statements of the Parent Company B&C Speakers S.p.A. at 31 December 2016

5.1 STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

(Values in Euro)		*Notes*	31 December 2016	31 December 2015
ASSETS				
Non current assets				
Tangible assets		*1*	2,679,744	3,105,541
Other intangible assets		*2*	94,948	89,447
Investments in controlled associates		*3*	1,877,937	1,877,937
Investments in non controlled associates		*4*	50,000	50,000.00
Deferred tax assets		*5*	62,160	60,731
Other non current assets		*6*	502,808	449,451
	related parties	*30*	*88,950*	*88,950*
Total non current assets			**5,267,597**	**5,633,106**
Currents assets				
Inventory		*7*	7,379,316	8,038,575
Trade receivables		*8*	8,461,721	7,913,785
	related parties	*30*	*1,451,237*	*1,436,252*
Tax assets		*9*	172,470	262,898
Other current assets		*10*	6,416,842	4,332,430
Cash and cash equivalents		*11*	3,397,714	1,020,405
Total current assets			**25,828,063**	**21,568,093**
Total assets			**31,095,660**	**27,201,200**

(Valori in Euro)			31 December 2016	31 December 2015
Liabilities				
Equity				
Share capital		*12*	1,087,340	1,072,541
Other reserves		*12*	4,494,290	3,283,847
Ris.IAS FTA		*12*	11,764	11,764
Riserve di risultato		*12*	16,270,537	13,710,439
Total equity			**21,863,930**	**18,078,591**
Non current equity				
Long-term borrowings		*13*	1,692,635	2,821,554
Severance Indemnities		*14*	710,137	660,765
Provisions for risk and charges		*15*	82,596	82,596
Deferred tax liabilities		*16*	0	0
Total non current liabilities			**2,485,368**	**3,564,915**
Current liabilities				
Short-term borrowings		*16*	1,128,918	1,123,729
Trade liabilities		*17*	3,930,419	3,204,289
	related parties	*30*	*340*	*17,256*
Tax liabilities		*18*	458,838	291,186
Other current liabilities		*19*	1,228,187	938,489
Total current liabilities			**6,746,362**	**5,557,694**
Total Liabilities			**31,095,660**	**27,201,200**

(a) One should note that, in order to ensure the reader greater comparison with the information in the financial statements at 31 December 2016, the presentation of certain details relative to the previous financial year have 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. The Company holds that this change to the figures at 31 December 2015 is not significant.

5.2 STATEMENT OF COMPREHENSIVE INCOME 2016

(Values in Euro)

			Year 2016	**Year 2015**
Revenues		*21*	36,977,287	35,425,525
	related parties	*30*	*2,366,193*	2,426,508
Cost of sales		*22*	(22,038,630)	(21,377,007)
Other revenues		*23*	124,366	140,813
Cost of indirect labour		*24*	(1,808,447)	(1,621,029)
Commercial expenses		*25*	(740,852)	(754,745)
General and administrative expenses		*26*	(3,555,908)	(3,740,008)
	related parties	*30*	*(924,949)*	*(927,249)*
Depreciation of tangible assets		*27*	(747,380)	(717,841)
Amortization of intangible assets		*27*	(26,419)	(71,347)
Writedowns		*27*	(43,496)	(169,998)
Financial costs		*28*	(270,851)	(413,214)
Financial income		*28*	1,023,558	698,568
Earning before taxes (Ebt)			**8,893,229**	**7,399,718**
Income taxes		*29*	(2,572,349)	(2,225,578)
Profit for the year (A)			**6,320,880**	**5,174,140**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		*12*	(5,335)	10,049
Total other comprehensive income/(losses) for the year (B)			**(5,335)**	**10,049**
Total profit for the year (A) + (B)			**6,315,545**	**5,184,189**

5.3 STATEMENT OF CASH FLOW 2016

Statement of cash flows (Euro thousands)	Year 2016	Year 2015	
A- Net current bank balances at the beginning of the period	**1,020**	**3,752**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	6,316	5,184	
Income tax expense	2,572	2,226	
Amortization of intangibles assets	26	71	
Depreciation of tangible assets	747	718	
Finance cost	271	413	
Interest income	(1,024)	(699)	
Net change in provisions for risk and charges and other provision relating to personell	54	49	
Change in provigion for leaving indemnities			
Allocations and revaluations	-	4	
Actuarial gain/(losses)	11	(15)	
(Use)	(15)	(20)	
Investment in associates writedown		169	
(increase) decrease in current trade and other current receivables	(313)	(142)	**Note 1**
(increase) decrease in deferred tax assets and liabilities	(1)	(19)	
(increase) decrease in inventory	659	(784)	
Increase (decrease) in current trade and other payables	701	(734)	**Note 2**
Net cash from/(used in) operating activities	**10,003**	**6,422**	
Paid interest costs	(240)	(413)	
Collected interest income	779	699	
Taxes paid	(2,120)	(2,357)	
Total (B)	**8,422**	**4,351**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(322)	(474)	
Proceeds for sale of non current tangible assets	-	-	
Net (investments) in non current intangible assets	(32)	(30)	
Net (investments) in investment in associates	-	(50)	
Net (investments) in non current securities	(53)	18	
(Investments) in current securities	(2,200)	(200)	
Proceeds from sale of current securities	217	1,173	
Total (C)	**(2,391)**	**436**	
D- Cash flow from financing activities			
(Outflow) from financial investment	(1,124)	(7,099)	
Inflow from financial investment	-	4,000	
Purchase of treasury shares	1,225	(955)	
Dividend paid to shareholders	(3,755)	(3,465)	
Total (D)	**(3,654)**	**(7,519)**	
E- Cash flow for the period (B+C+D)	**2,378**	**(2,732)**	
F- Cash and cash equivalents at end of the period	**3,398**	**1,020**	

Note 1: the liquidity used by the change in trade receivables and other current receivables includes an increase in liquid funds due to the transactions with the subsidiary B&C Usa NA LLC in the amount of approximately Euro 7 thousand, and with the subsidiary B&C Brasil LTDA for approximately Euro 22 thousand.

Note 2: the liquidity generated as a result of the change in the amounts owed to suppliers and others includes an absorption of liquid funds due to transactions with the parent company R&D International S.r.l. amounting to about Euro 17 thousand.

The following table shows the composition of the balance of net final cash and cash equivalents at 31 December 2016 and at 31 December 2015.

(thousand of Euro)

	31-Dec-16	31-Dec-15
Cash	3,398	1,020
Bank overdrafts	-	-
Total	**3,398**	**1,020**

5.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Below is the statement of changes in equity that took place in FY 2015 and FY 2016.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Retained earnings	TOTAL EQUITY
Euro thousand							
Balance December 31, 2014	**1,086**	**379**	**3,776**	**44**	**2**	**12,028**	**17,315**
Result of the period						5,174	**5,174**
Other comprehensive income/expenses						**10**	**10**
Totale other comprehensive income/expenses	**0**	**0**	**0**			**5,184**	**5,184**
Shareholders							
Allocation of previous year result					25	(25)	**0**
Dividend distribution						(3,465)	**(3,465)**
Treasury shares allocation	(13)		(942)			0	**(955)**
Balance December 31, 2015	**1,073**	**379**	**2,834**	**44**	**27**	**13,722**	**18,079**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Retained earnings	TOTAL EQUITY
Euro thousand							
Balance December 31, 2015	**1,073**	**379**	**2,834**	**44**	**27**	**13,722**	**18,079**
Result of the period						6,320	**6,320**
Other comprehensive income/expenses						**(5)**	**(5)**
Totale other comprehensive income/expenses	**0**	**0**	**0**			**6,315**	**6,315**
Shareholders							
Allocation of previous year result						0	**0**
Dividend distribution						(3,755)	**(3,755)**
Treasury shares allocation	15		1,210			0	**1225**
Balance December 31, 2016	**1,088**	**379**	**4,044**	**44**	**27**	**16,282**	**21,864**

6 Explanatory notes to the financial statements at 31 December 2016

6.1 Basis of preparation

The financial statements for B&C Speakers S.p.A. for the year ending on 31 December 2016 are the separate financial statements of the Parent company. They have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved 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"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

These financial statements are prepared on the basis of historic cost and considering the business as a going concern. The Company has assessed that there are no significant uncertainties (as defined in para. 25 of IAS 1) on business continuity, since the volume of business, as well as the portfolio of current orders, of the Company and the Group give no indications of business continuity risks.

These financial statements were audited by PricewaterhouseCoopers S.p.A..

Content and form of the financial statements

The financial statements comprise the Balance sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and these Explanatory Notes.
With the reference to the form of the consolidated financial statements, the Company has chosen to submit the following statements:

Statement of Financial Situation

The Statement of financial position is presented with opposing sections and separate indication of assets, liabilities and shareholders' equity.

In turn, the assets and liabilities are recorded in the financial statements for the financial year on the basis of whether they are classified as current or non-current.

Statement of Comprehensive Income

The income statement is classified according to destination. The following aggregates are highlighted: (i) EBIT, which includes all components of income and cost, net of depreciation, amortisation, write-downs and other provisions (ii) EBT, which includes EBT net of tax on income and finally (iii) net income for the period. The Comprehensive Income Statement is presented with a breakdown of Other comprehensive profits and losses that distinguishes between gains and losses that will be reclassified in the income statement and gains and losses that will not be reclassified in the income statement.

Statement of cash flow

The statement of cash flow is broken down according to areas of cash flow formation. The statement of cash flows adopted by the Company was drawn up using the indirect method. Cash and cash equivalents included in the statement of cash flow include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. Income and expenses relating to interest rates, dividends received and income tax are included in the cash flows generated by operational management.

Statement of changes in equity

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

Measurement criteria

The most significant measurement criteria adopted for the preparation of financial statements at 31 December 2015 are set out below.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, only if it is identifiable, controllable and predictable that it will generate future economic benefits and its cost can be reliably determined.
These assets are entered at their cost of purchase or production and depreciated in constant shares along the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Development costs can be capitalised, provided the cost can be reliably determined and that it can be demonstrated that the activity is able to generate future economic benefits.
Research costs are charged to the Income Statement in the period in which they are incurred.
Fixed assets in progress are stated at cost based on contractual progress reports defined with the supplier and are depreciated from the period in which they come into operation.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	Ammortization period
Patent rights	3 - 5 years
Development costs	5 years

Property, plant and equipment

The Company opted for the cost method in the initial preparation of IAS/IFRS financial statements, as permitted by IFRS 1. For the valuation of property, plant and equipment, the preferred idea was to produce the accounts using the fair value method.
Property, plant and equipment are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.
The depreciation rates applied for each category of assets are:

Category	% depreciation
Buildings	2.60%
Photovoltaic asset and other minor	12.5% - 5%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the specified rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to the income statement.

Leased assets

Leases are classified as financial leases whenever the terms of the contract are such as to transfer substantially all the risks and benefits of the property to the lessee. All other leases are considered operating assets.
The asset under lease is recognised as an asset of the Company at its "fair value" on the date of the contract, or, if lower, the present value of minimum lease payments due under the lease contract. The corresponding liability to the lessor is included in the balance sheet as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial expenses are charged directly to the income statement.
The costs of operating lease instalments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Investments

Equity investments in subsidiaries are recorded at cost, adjusted for impairment.
The positive difference emerging at the time of purchase between the acquisition cost and the share of equity to current values of the investee pertaining the company are therefore included in the book value of the investment.
Investments in subsidiaries are audited each year, or if necessary more frequently, to evaluate their loss in value. If there is evidence that such investments have suffered a loss of value, this is recognised in the income statement as devaluation. If any minority interest of the losses of the investee should exceed the carrying value of the investment and the company is obliged or intends to be held accountable, it proceeds to zero the value of participation and the share of further losses is entered as a fund under liabilities. If, on a later date, the loss of value should be lesser or reduced, it is recognised in the Income statement as a write-back, within the limits of the cost.

Impairment

As at the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there is any indication that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. When the recoverable amount of an asset cannot be individually estimated, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in value regardless of the existence, or otherwise of indicators for the reduction of their value.
The recoverable amount is the greater of the "fair value" net of the cost of sale and the value in use. In calculating the value in use, the future estimated cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount; this shall not, however, exceed the net book value of that asset had it not been written down as impairment loss. Recovery of value is charged to the Income statement.

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.
Non-current assets (and available asset groups) are classified as held for sale when their book value is expected to be recovered through a disposal, instead of using them in the operational activities of the company. This condition is only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and, for finished products or work-in-progress, the production cost includes raw materials, direct labour and other costs directly attributable to production in addition to converging the indirect production costs that are reasonably attributable to production work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The market value as regards raw materials and works in progress is represented by the presumed net realisable value of the corresponding finished products less costs for completion; as for finished products, it is represented by the presumed net realisable value (price lists less cost of sale and distribution).
Any lower valuation established on the basis of market trends is deleted in subsequent years if the reasons that led to it no longer exists.
Inventories that are obsolete, slow-moving and/or surplus to normal requirements are devalued in relation to their possible future use or realisation by means of an inventory depreciation provision.

Receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured in

accordance with the amortized cost method, net of the provision for doubtful accounts. Losses on receivables are accounted for in the financial statements when there is objective proof that the company will not be able to recover the amount owed by the counterpart based on the contractual terms.
When the collection of receivables is deferred beyond standard conditions offered to customers, the receivable is discounted.

Financial assets

Financial assets are entered on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, assets that the Company intends to and can hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When are financial assets held for trading, profits (or losses) arising from changes in "fair value" are charged to the income statement of the period; in the case of available-for-sale financial assets, gains and losses arising from changes in fair value are entered directly under equity until they are disposed of or have sustained a loss of value; on that date, cumulative gains or losses previously entered under equity are also listed in the income statement of the period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; their value may change significantly. The item does not include bank overdrafts that are repayable on sight.

Financial liabilities and instruments representative of shareholders' equity

Financial liabilities and equity instruments issued by the Company are classified according to the contractual agreements that have generated them and according to the respective definitions of liabilities and equity instruments. These are contracts that give the right to benefit from residue interest in the Company's assets after deducting its liabilities.
The equity instruments issued by the issuer are entered based on the amount collected, net of the direct costs of issuance.

Bank loans

These consist of bank overdrafts and loans. Loans are recognised initially at cost represented by the fair value of the amount initially received net of ancillary expenses in acquiring the loan. After this initial recognition, loans are reported with the amortised cost criteria using the effective interest method.

Loans are classified as current liabilities unless the Company has the absolute right to defer the extinction of such a liability for at least 12 months after the balance sheet date.

Long-term provisions

The Company enters risks and expenses when it has a legal or implied obligation toward third parties and it is likely that it will have to use resources to fulfil said obligation, when a reliable estimate can be made of the amount of the obligation itself.
Changes in estimates are accounted for in the income statement in the year of their competence.
When their impact is significant, the provisions are calculated discounted of any estimate future cash flows at a discount rate gross of tax, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Provisions for personnel and similar

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statements. Consequently, Severance Indemnity is recalculated by applying the "projected unit credit method".
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the financial statements represents the current value of the liabilities for defined benefit plans, adjusted to take into account the actuarial gains and losses and costs relating to the performance of past employment services and reduced to the fair value of the plan assets. Any net assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid employment services, including the current value of any refunds and reductions in future contributions to the plan.
The amendment to IAS 19 - Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items in the statement of comprehensive income.

Severance pay for Directors has been calculated using the statutory method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

Payables are entered at fair value and subsequently measured using the amortised cost method.

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is revised annually and reduced to the extent that it is no longer probable that the company will generate taxable income to allow all or part of the recovery of the assets.
Deferred taxes are determined based on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to the currently applicable rate or pending approval. Deferred taxes are attributed directly to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same agency and the Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euros at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of

fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realisation.

Revenue entry

Revenues from the sale of products are recognized to the extent that it is probable that the Company will receive the economic benefits and that the amount can be measured reliably. Revenues are recognised when the risks and rewards associated with ownership are transferred to the buyer, the sale price is agreed upon or determinable and its collection is reasonably certain.
Revenues are declared net of returns, discounts, rebates and rewards as well as of taxes directly related to the sale of the goods.
Revenues from the provision of services are recognised when they are delivered with reference to a progress report.
The Company does not apply deferred collection terms above normal market terms, so it is not necessary to distinguish between the sales component and interest component in revenues as required by IAS 18.

Costs

The costs are charged to the income statement when their existence is ascertained and when the amount can be objectively determined and when it is substantially possible to verify that the company has incurred such costs on an accrual basis.

Financial income

Financial income is recognised on an accrual basis. This includes interest income on invested funds, income from financial assets held for trading and gains on exchange rate differences. Interest income is entered into the income statement when it accrues, considering its effective yield.

Financial charges

Financial charges are recognized on an accrual basis and include interest expense on financial debts calculated using the effective interest method and losses on exchange rate differences.
The share of interest expense from instalments on financial leasing operations is charged to the income statement using the effective interest method.
Financial charges, incurred against investments in assets for which there is normally a determined period of time before making the asset ready for use, are capitalised and amortised over the useful life of the class of assets to which they relate.

Dividends

Dividends entered in the income statement are recorded on an accrual basis, i.e. when due to distribution of the investee, the shareholder’s right to receive the payment accrues.

Contributions

Contributions are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
“Contributions for plant investments” are recorded on the income statement according to the useful life of the asset against which they are disbursed.
“Contributions for operating expenses” are credited to the income statement in relation to costs against which they are disbursed.

Income tax

Taxes for the year represent the sum of current and deferred tax.
Taxes were divided between current taxes, calculated on the taxable income, and deferred tax assets (tax assets and/or liabilities) with respect to the taxable income of the subsequent years.
They are included in the separate financial statement as taxes allocated in the financial statements of individual consolidated companies, based on the estimate taxable income determined in accordance with the national laws applicable on the closing date of the statement, accounting for the applicable exemptions and tax credits. Income tax is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.
They are entered under "tax payables" net of any advances and withholdings applied. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Treasury shares

Treasury shares are deducted from shareholders' equity. The original cost of treasury shares and the revenues arising from subsequent sales are recorded as changes in shareholders' equity.

Use of estimates

The preparation of financial statements and related Notes in application of the IFRS requires the Management to make estimates and assumptions that have effect on the values of assets and liabilities, as well as on the information relating to potential assets and liabilities as at the reporting date. Final results may differ from these estimates. The estimates are used to evaluate intangible assets subjected to impairment testing, as well as to calculate provisions for risks on loans, for obsolete inventories, depreciation, asset amortisation, employee benefits, taxes, restructuring funds and other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility in the coming year that actual results will differ from the estimates which may therefore, require major adjustments that we are currently unable to predict.

Below there is a summary of the critical processes of assessment and the key assumptions used by the Company in the process of implementing IFRS and which are likely to have significant effects on the values recorded in the Financial Statements or for which there is a risk that significant value differences may arise compared to the carrying amount of assets and liabilities in the future.

Recoverable value of non-current assets
Non-current assets include tangible fixed assets, other intangible assets, equity investments and other non-current assets. The Company periodically reviews the carrying amount of non-current assets held and used and of assets that need to be disposed of, whenever events and circumstances require such a review. This analysis is carried out for equity investments at least once a year and whenever events and circumstances warrant. The recoverability of the carrying amount of equity investments is generally analysed using cash flow estimates that are expected from the use or sale of assets and the appropriate discount rates for calculating their current value. When the carrying amount of a non-current asset has undergone an impairment loss, the Group enters a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale thereof, calculated by reference to the cash flows inherent in the most recent business plans.

Recoverability of deferred tax assets

The Company has deferred tax assets for temporary deductible differences and theoretical tax benefits from losses that could be carried forward. In determining the estimated recoverable amount, the Company took the results of the business plan into account.

Pension plans and other post-employment benefits

The provisions for employee benefits and net financial charges are assessed using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and payroll growth rates and considers the probable occurrence of potential future events through the use of demographic parameters such as mortality rates and the resignations or retirement of employees. The assumptions used for evaluation are detailed in Note 14 "Provisions for personnel and similar".

Provision for doubtful accounts

The provision for doubtful accounts reflects the management's estimate on expected losses related to the portfolio of receivables. Provisions against expected losses on receivables are made on the basis of past experience. The Management closely monitors the quality of the portfolio of receivables and the current and forecast conditions for the economy and markets. The estimates and assumptions are regularly reviewed and the effects of each change are reflected in the relevant Income Statement.

Provision for inventory writedowns

The provision for inventory writedowns reflects the management's estimate of the Company's expected losses, calculated on the basis of past experience. Abnormal trends in market prices could lead to future inventory write-downs.

Funds for Product Warranty

At the time of selling a product, the Company sets aside funds relating to the estimated costs for product warranty. The estimate for this fund is calculated on the basis of historical information regarding the nature, frequency and average cost of works on guarantee.

Contingent liabilities

The Company ascertains a liability regarding pending disputes and lawsuits, when it considers it is likely there will be a financial outlay and when the amount of losses arising from it can be reasonably estimated. In the event that a financial outlay becomes possible but the amount cannot be determined, that fact is reported in the notes to the financial statements. The Company monitors the status of any pending lawsuits and seeks advice from its legal advisers and experts in legal and tax matters.

Depreciation and amortisation

The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group's fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.

The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax

In order to determine the Company's tax liabilities, the Management has to use certain forms of assessment regarding transactions whose tax implications are not certain on the date the balance sheet is closed. The company acknowledges the liabilities which might arise from future inspections by the tax authorities according to the estimate of tax that will be due. If the outcome of any of the aforesaid inspections were to differ from that estimated by management, it could have some significant effects on current and deferred taxes.

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 expenses given by IFRS 8, the Company pursues business in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

New accounting standards, amendments and interpretations applied since 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 Company'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 financial statement items not to be aggregated when they have different features and requires financial statement items not to be disaggregated when this makes it difficult to understand and comprehend the disclosure and financial statements. In addition, 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.

- 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.
- IAS 28 "Investments in associates and joint ventures" This standard was amended with regard 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.

Amendments and interpretations effective from 1 January 2016 but not applicable to the company

The following amendments and interpretations, applicable from 1 January 2016, govern situations and cases not found in the Company at the date of these financial statements:

- IAS 41 "Agriculture" and IAS 16 "Property, Plant and Equipment": with the changes to these international accounting standards, the IASB established that fruiting trees, used exclusively for the cultivation of agricultural products over several financial years should be subject to the same accounting treatment as property, plant and equipment under IAS 16, since their "operation" is similar to that of manufacturing.
- IFRS 14 "Regulatory Deferral Accounts": the new transitional standard issued by the IASB on 30 January 2014, allows an entity adopting IAS/IFRS for the first time, to continue to apply previous GAAP accounting policies as regards assessment (including impairment) and to eliminate regulatory deferral accounts.The IFRS is effecyed by January 1st 2016 but the EU commission decided to suspend the omologation process.

Accounting standards, amendments and interpretations not yet applicable

As of the date of this Financial Report, the competent bodies of the European Union have 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, approved on September 22, 2016, 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. The Company initiated a thorough analysis of its contract formats associated with the disposal of products (the most significant component of revenues). Other contract formats with a less significant economic impact are also being examined. The Management believes it will be able to make a more reliable assessment of accounting impacts within the next 12 months. It should be noted that there are no contracts with an extension to the product warranty beyond the statutory time.
- in April 2016, the IASB issued the document "clarifications to IFRS 15". The objective of this document is to clarify the guidelines relating to IFRS 15 with reference to certain critical elements emerged in the discussions of the "Transition Resource Group of revenue recognition" (TRG). The new rules will apply from the financial periods beginning on or after 1 January 2018, subject to any subsequent postponements following the approval by the European Union of changes to the standards, that had not yet been made as of the date of this condensed consolidated interim financial report.

- 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, approved on November 22, 2016: (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.

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 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 January 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 January 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.
- Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The changes are intended to better define the accounting treatment of gains or losses arising from transactions with joint ventures or associates measured using the equity method. As of the date of this condensed consolidated interim financial report, the date from which the new provisions will apply has not yet been decided.
- In June 2016, the IASB issued an amendment to IAS 2 "Share-based payment". These amendments clarify the recognition of certain share-based payments. These amendments apply as of 1 January 2018.
- In December 2016, the IASB issued an amendment to IAS 40 "Investment property". These changes clarify that the change of use is a necessary condition for transfer from/to Investment Property. These amendments apply as of 1 January 2018.
- In September 2016, the IASB issued an amendment to IFRS 4 "Insurance Contracts" as regards the application of IFRS 9 "Financial Instruments".
  The changes to the standard will enable all companies that issue insurance contracts the option of recognising in the statement of comprehensive income, rather than in the income statement, the volatility that might arise when IFRS 9 is applied before the new standard on insurance contracts is issued. In addition, it will allow businesses whose activity is mainly associated with insurance contracts a temporary waiver in the application of IFRS 9 until 2021. Entities deferring the application of IFRS 9 will continue to apply IAS 39. These amendments apply as of 1 January 2018.
- In December 2016, the IASB issued a series of annual changes to the 2014–2016 IFRS. These amendments involve:

- IFRS 12 - Disclosure of interests in Other Entities (applicable from 1 January 2017);
- IFRS 1- First-time Adoption of International Financial Reporting Standards (applicable from 1 January 2018);
- IAS 28 – Investments in associates and joint ventures (applicable from 1 January 2018) The amendments clarify, correct or remove the redundant text in the related IFRS and it is thought unlikely that they will have a significant impact on the Financial Statements or disclosures.

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration. The change refers to the exchange rate to be used in transactions and advanced sums paid or received in foreign currency. The amendment will be applicable from 1 January 2018.

The Company 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.

6.2 Analysis of the breakdown of the main items of the Parent Company's balance sheet at 31 December 2016

1. Property, plant and equipment

The structure of property, plant and equipment at 31 December 2016 and their change during the year are highlighted in the following tables:

Historic cost	31 December 2015	Additions	Reclassification	(Decreases)	31 December 2016
Land and buildings	-	-	-	-	-
Leasehold improvements	806,919	37,063	89,280	-	933,262
Lightweight construction	30,879	-	-	-	30,879
Plants and machinery	4,475,380	0	-	-	4,475,380
Industrial equipment	4,307,464	259,994	-	-	4,567,458
Various equipment	805,869	12,527	-	-	818,396
Fixed assets in progress	89,280	12,000	(89,280)	-	12,000
Total	**10,515,791**	**321,584**	**-**	**-**	**10,837,375**

Accumulated depreciation	31 December 2015	Depreciation	Reclassification	(Decreases)	31 December 2016
Land and buildings	-	-	-	-	-
Leasehold improvements	259,201	77,162	-	-	336,363
Lightweight construction	8,061	3,088	-	-	11,149
Plants and machinery	2,466,932	421,321	-	-	2,888,253
Industrial equipment	3,968,806	199,219	-	-	4,168,025
Various equipment	707,251	46,590	-	-	753,841
Fixed assets in progress	-	-	-	-	-
Total	**7,410,251**	**747,380**	**-**	**-**	**8,157,631**

Net value	31 December 2015	Net increases	Reclassification	Depreciation	Accumulated depreciation decrease	31 December 2016
Land and buildings	-	-	-	-	-	-
Leasehold improvements	547,717	37,063	89,280	(77,162)	-	596,898
Lightweight construction	22,818	-	-	(3,088)	-	19,730
Plants and machinery	2,008,449	0	-	(421,321)	-	1,587,128
Industrial equipment	338,658	259,994	-	(199,219)	-	399,433
Various equipment	98,618	12,527	-	(46,590)	-	64,555
Fixed assets in progress	89,280	12,000	(89,280)	-	-	12,000
Total	**3,105,540**	**321,584**	**-**	**(747,380)**	**-**	**2,679,744**

"Various equipment" includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant changes that took place in 2016 concern the integration of production machinery and equipment at the plant.

The increase in the Photovoltaic System item refers to the completion of the system installed on the roof of part of the property adjacent to the production plant.

The plant and machinery category includes an entry (for Euro 75 thousand) for the palletising equipment covered by a leasing contract with Istituto Credem Leasing S.p.A..
The "Various equipment" category includes entries for two fully depreciated forklift trucks.

2. Intangible fixed assets

The structure of the intangible assets on 31 December 2016, and the related changes are highlighted in the following table:

Intangible assets	31-dic-15	Reclassification	Increases	Other	Amortization	31-dic-16
Patent rights	68,897	20,550	31,920	-	26,419	94,948
Intangible assets in progress	20,550	(20,550)	-	-	-	0
Total	**89,447**	**0**	**31,920**	**-**	**26,419**	**94,948**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase in this year is related to the purchase of software for the planning and reporting of production times.

3. Equity investments in subsidiaries measured at cost

Equity investments in subsidiaries as at 31 December 2016 came to Euro 1,878 thousand (unchanged compared to 31 December 2015); they can be broken down as follows:

Investment in subsidiaries	% holding 31-Dec-16	Balance 31-Dec-16	% holding 31-Dec-15	Balance 31-Dec-15	Change	% Change
Investment in B&C Speakers Usa NA LLC	100%	1,449,786	100%	1,449,786	-	0%
Investment in B&C Brasil	100%	428,151	100%	428,151	-	0%
Total investment in subsidiaries		**1,877,937**		**1,877,937**	**-**	**0%**

The directors have identified the subsidiaries as cash-generating units (or "CGUs"), insofar as the assets are devoted entirely to the single business sector that can be identified as the sale of "top quality professional loudspeakers".

The value of investments in the American and the Brazilian subsidiaries were tested for impairment by calculating the present value of the cash flows that may originate from the five-year Industrial Plan, approved by the Boards of Director of the subsidiaries as well as by the Board of Directors of the Parent Company B&C Speakers S.p.A. on 13 March 2017.

In application of the accounting method provided by IAS 36, the Company has verified the recoverability of the values entered by comparing the book value with the recoverable value (value in use). This recoverable amount is the present value of future cash flows that are expected to be generated from the continuous use of the goods and the terminal value attributable to the Company.

The basic assumptions used by the Company for the determination of future cash flows, and the resulting recoverable amount (value in use) refer to:

a) a hypothesis of provisional cash flows over a five-year period that may be inferred from the five-year plans of B&C Speakers USA LLC and B&C Speakers Brasil Ltda for the period 2017–2021, approved by the management of the subsidiaries and by the parent company's Board of Directors, together with the impairment tests on 13 March 2017;
b) the discount rate (WACC).
c) in addition to the explicit period a growth rate (g rate) was also estimated.

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) differentiated by CGU, which reflects the current market valuations of the cost of money and which takes into account the specific risks of the activity and the geographical area in which the CGU operates. The model for discounting future cash flows requires that, at the end of the projected cash flow period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The terminal value represents the current value, at the final year of the projection, of all subsequent cash flows calculated as perpetual return, and has been determined using a growth rate (g rate) that differs by CGU, to reflect the different potential growth of each CGU.

Main financial parameters on impairment tests		**CAGR revenues**	**WACC**	**g**
B&C USA	2016	2.00%	7.50%	2.00%
	2015	3.00%	7.44%	2.00%
B&C Brasile	2016	3.00%	19.00%	3.00%
	2015	6.00%	21.65%	3.00%

The growth rate of the Terminal Value (g rate) is specific to the individual CGU, in order to account for the growth potential of the area.

The medium-long term growth rate (g-rate) for the determination of the Terminal Value was considered reasonable and conservative in light of the real, forecast long-term GDP growth trend and the expected trend in the reference sector.

The analysis did not bring any impairment losses light. Therefore, no impairment loss has been reflected in the data as at 31 December 2016.

In addition, based on the information contained in joint document no. 2 of 6 February 2009 issued by the Bank of Italy, Consob and Isvap, the Parent Company conducted a sensitivity analysis on the test results compared to the change in the basic assumptions (use of the growth rate in processing the terminal value and discount rate) that affect the value in use of the CGU. Even in the event of a positive or negative variation of 0.5% of the WACC and G, the tests would not lead to any highlighted impairment losses. In all cases analysed, the current value of forecast cash flows generated by the CGU exceeds the net book value subjected to impairment tests.

Given that the recoverable amount was determined on the basis of estimates, the Parent Company cannot guarantee that there will be no impairment of goodwill in future periods. In the current market environment, the various factors used in the preparation of the estimates may be reviewed; the Group will monitor constantly these factors and the existence of impairment.

4. Equity investments in associated companies

This item amounts to Euro 50 thousand at 31 December 2016 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 was established in late 2015 and is still in the start up phase and its first financial statements will close on 31 December 2016. These financial statements have not yet been approved by the Board of Directors.

5. Deferred tax assets

As at 31 December 2016, this item includes net receivables for deferred tax assets of Euro 62 thousand (Euro 60 thousand as at 31 December 2015), relating to temporary deductible differences that pertain to the Company and that were generated following entry of costs not entirely deductible in the year.

The table below illustrates the composition and changes that occurred during the financial year:

Deferred tax assets	**31-Dec-15**	**Increase**	**Use**	**31-Dec-16**
Ammortization difference IFRS/TUIR	37,316	2,706	(3,031)	36,991
Management remuneration	36,832	45,619	(29,929)	52,523
Other	19,710	8,473	(13,824)	14,360
Total deferred tax assets	***93,858***	***56,799***	***(46,783)***	***103,874***
Deferred tax liabilities	**31-Dec-15**	**Increase**	**Use**	**31-Dec-16**
Leasing	(19,358)			(19,358)
Other	(13,769)	(15,960)	7,373	(22,356)
Total deferred tax liabilities	***(33,127)***	***(15,960)***	***7,373***	***(41,714)***
Net total	**60,731**	**40,839**	**(39,410)**	**62,160**

Deferred tax assets have been included in the Balance sheet, 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 31 December 2016 this item is as follows:

Other non current assets	31-Dec-16	31-Dec-15	Change	% Change
Insurance policies	357,032	303,405	53,627	18%
Guarantee deposits	56,826	57,096	- 270	0%
Ires refund receivables	88,950	88,950	0	0%
Total non current assets	**502,808**	**449,451**	**53,357**	**12%**

As at 31 December 2016, insurance refers to receivables accrued in respect of the insurance companies "Milan Insurance" and "La Fondiaria Assicurazioni" in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors' severance pay.
The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	31-Dec-15	Increases	(Decreases)	31-Dec-16
Insurance policies	303,405	53,627	-	357,032
Total	**303,405**	**53,627**	**-**	**357,032**

The period increase is due to the new payments made by the Company during the year.

"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 48 thousand, and other minor guarantee deposits for Euro 9 thousand.

"IRES refund receivable" includes the credit generated in FY 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Company has therefore applied for the rebate of the greater IRES paid during the period 2007–2011.
During the second half of 2015 the Company received a rebate from the Tax Authority for the share not relating to the parent company Research & Development S.r.l, under the consolidated taxation scheme in force at the time the credit was constituted.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2016:

Inventories	31-Dec-16	31-Dec-15	Change	% Change
Row materials and consumables	734,118	788,817	(54,699)	-7%
Work in progress and semi-finished	5,765,880	6,745,127	(979,246)	-15%
Finished goods	1,162,751	703,065	459,686	65%
Gross Total	**7,662,749**	**8,237,008**	**(574,259)**	**-7%**
Provision for inventory writedowns	(283,433)	(198,433)	(85,000)	43%
Net Total	**7,379,316**	**8,038,575**	**(659,259)**	**-8%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at 31 December 2016, it totals Euro 283 thousand.

The gross value of inventories as at 31 December 2016 would appear to have decreased by 7% overall with respect to the total as at 31 December 2015. The decrease in the value of inventories (mainly concentrated in the category of semi-finished products) is due to a timing effect at the end of the year. In fact during the early months of 2017, the value of inventories returned to normal levels as required to sustain the increased Company turnover.

Provision for inventory writedowns, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The table below shows changes in the provision for inventory writedowns:

Change in provision for inventory writedowns	31-Dec-15	Increase	Use	31-Dec-16
Provision for inventory writedowns	198,433	85,000	-	283,433
Total	**198,433**	**85,000**	**-**	**283,433**

For more details on changes in inventories, one should refer to the note below that comments the income statement.

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2016:

Trade receivables	31-Dec-16	31-Dec-15	Change	% Change
Trade receivables	8,732,407	8,140,975	591,432	7%
(Provision for doubtful accounts)	(270,686)	(227,190)	- 43,496.49	19%
Total	**8,461,721**	**7,913,785**	**547,936**	**7%**

The adjustment of the nominal value of the credits to the realisable value was obtained by means of a suitable provision for doubtful accounts, which on 31 December 2016 stood at Euro 271 thousand.

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 terms.

Trade receivables include loans to related parties as described in Note 30.

The table below shows changes in the provision for doubtful accounts.

Change in provision for doubtful accounts	**31-Dec-15**	**Increase**	**Use**	**31-Dec-16**
Provision for doubtful accounts	227,190	43,496.49	-	270,686
Total	**227,190**	**43,496.49**	**-**	**270,686**

The value of trade receivables towards customers, not represented by Bank Receipts, amounted to Euro 7,166 thousand. In the table below we report *the ageing* of receivables as of 31 December 2016 as required by IFRS 7:

	Total amount	**Not overdue**	**Overdue 0-60 days**	**Overdue 61-90 days**	**Overdue over 90 days**
Balance at 31 December 2016	7,166,100	5,785,302	942,031	65,579	373,188
Incidence	100%	81%	13%	1%	5%

9. Tax assets

As at 31 December 2016, tax receivables are as follows:

Tax receivables	**31-Dec-16**	**31-Dec-15**	**Change**	**% Change**
Advances on provision for serevance indemnities	2,387	2,387	-	0%
VAT Receivables	170,083	196,557	(26,474)	-13%
Current tax receivables	-	63,954	(63,954)	-100%
Total tax receivables	**172,470**	**262,898**	**(90,428)**	**-34%**

Tax receivables for current taxes at 31 December 2015 were a consequence of the payment, during the year, of advances exceeding the tax expense of the year. The increase in the taxable result of 2016 resulted in the absorption of the receivables exposed as at 31 December of the previous year.

10. Other current assets

As at 31 December 2016, “Other current assets” are as follows:

Other current assets	31-Dec-16	31-Dec-15	Change	% Change
Receivables towards suppliers	65,994	116,192	(50,198)	-43%
Securities	6,164,655	3,993,718	2,170,938	n/a
Other Receivables	32,655	4,137	28,518	689%
Total other receivables	**6,263,304**	**4,114,047**	**2,149,258**	52%
Commercial fairs	69,213	61,738	7,475	12%
Phone expenses	5,479	505	4,973	984%
Assistance and assurance fees	18,913	33,042	(14,129)	-43%
Specialist contracts	12,250	16,825	(4,575)	-27%
Other	47,683	106,273.94	(58,591)	n/a
Total prepaid expenses and accrued income	**153,537**	**218,384**	**(64,847)**	-30%
Total current assets	**6,416,842**	**4,332,431**	**2,084,411**	**48%**

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 as at 31 December 2016 and the estimated gain (Euro 187 thousand) recognised in financial income on the income statement. As of 31 January 2017, asset management operations recorded a fair value of Euro 6,182 thousand.

The item Specialist contract fees refers to accrued income for service fees relating to the portion due in 2017 to *Intermonte Sim S.p.A.* for its Specialist service.

The item *Other* relates to deferrals for instalments on software licences for 30 thousand Euro and other minor items covering the remainder.

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-Dec-16	31-Dec-15	Change	% Change
Bank and postal deposit	3,396,827	1,019,676	2,377,151	233%
Cash	888	729	159	22%
Total cash and cash eqivalents	**3,397,714**	**1,020,405**	**2,377,310**	**233%**

The increase in cash and cash equivalents is mainly due to the significant cash flow from operations.

12. Shareholders’ equity and its components

Share capital

The Company’s share capital as at 31 December 2016 amounted to Euro 1,087 thousand (Euro 1,073 thousand at 31 December 2015) net of treasury shares held. The original share capital of B&C Speakers is equal to Euro 1,100 thousand and is composed of 11 million ordinary shares with a unit value of Euro 0.10 each. All capital is fully paid up.

As a result of the continuation of the Buy-Back plan, on 31 December 2016 B&C Speakers S.p.A. held a total 68,810 treasury shares equal to 0.63% of the share capital, bought at an average value of Euro 4.3 per share.

The following table shows the changes that occurred, in 2016, in the number of shares outstanding:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2015	**10,755,450**
Treasury shares purchased	(64,260)
Treasury Shares sold	240,000
December 31, 2016	**10,931,190**

The next table shows a breakdown of the items in equity according to their possibility of use:

Equity items by possible use and distributable portion *(Euro thousand)*	Amount	Possible use	Distributable portion
Share capital	**1,088**		
Legal reserve	*379*	*B*	
Extraordinary reserve	*44*	*A, B, C*	*44*
Share premium reserve	*4,044*	*A, B, C*	*4,044*
Exchange rate reserve	*27*	*A, B*	*27*
Total other reserves	**4,494**		
FTA Reserve	12	*A, B, C*	12
Retained earnings	10,105	*A, B, C*	10,105
DBO Reserve	(155)	*A, B*	-
Result of the period	6,320	*A, B, C*	6,320
Total retained earnings	**16,282**		
Total	**21,864**		
Distributable portion	**1,339**		
Non-distributable portion	**20,525**		

A: for capital increase; **B**: to cover losses; **C**: for distribution to shareholders.

The quota available was determined by taking into account the minimum constraints in forming the legal reserve.

Other reserves

This item, equal to Euro 4,494 thousand at 31 December 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 27 thousand and the share premium reserve for Euro 4,044 thousand.

More specifically, the share premium reserve increased by Euro 1,210 thousand compared to 31 December 2015, following entry of the result of treasury shares traded in the year.

First Time Adoption Reserve

This item, equal to Euro 12 thousand at 31 December 2016, concerns the impact resulting from the adoption of international accounting standards starting from the financial statements of 31 December 2006; in particular, this amount represents the net value of adjustments determined by the application of IFRS to equity on 1 January 2006, the date of transition to international accounting standards.

Retained earnings reserves

This item includes the following reserves:

Retained earnings

This includes the results of previous years net of distribution of dividends.

DBO Reserve

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

Result of the period

This item comprises the net period result for Euro 6,320 thousand and other period profits/(losses) for a negative value of Euro 5 thousand relative to the actuarial losses component deriving from the actuarial measurement of severance indemnity. This financial component is stated, net of the related tax effect, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013.

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.

The following tables show the effects recognised in the other components of the Statement of Comprehensive Income:

		Retained earnings	**Total other comprehensive income/(losses)**
Euro Thousand			
December 31, 2016			
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		(5)	(5)
Total	-	**(5)**	**(5)**
Total other comprehensive income/(losses) for the year:	-	**(5)**	**(5)**
December 31, 2015			
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		10	10
Total	-	**10**	**10**
Total other comprehensive income/(losses) for the year:	-	**10**	**10**

	December 31, 2016			December 31, 2015		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	(7)	2	(5)	15	(5)	10
Total other comprehensive income/(losses)	**(7)**	**2**	**(5)**	**15**	**(5)**	**10**

13. Long-term borrowings

As at 31 December 2016, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-16	31-Dec-15	Change	% Change
Credemleasing loan	-	29,338	(29,338)	-100%
Long-term Simest loan	100,000	200,000	(100,000)	-50%
Long-term CRF loan	1,592,635	2,592,215	(999,580)	-39%
Total long-term borrowing	**1,692,635**	**2,821,553**	**(1,128,918)**	**-40%**

The item "Long-term Simest loan" (Euro 100 thousand on 31 December 2016), includes the portion due beyond the next twelve months of the unsecured long-term loan stipulated with Simest S.p.A. of 19 April 2011 for an original amount equal to 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 table below shows the change in current and non current borrowings occurred during 2016:

Change in borrowings	31-Dec-15	Refunds	New borrowings	Reclassification current portion	31-dic-16
Non current portion					
Bank borrowings	2,792,215	-	-	(1,099,580)	1,692,635
Leasing	29,338	-	-	(29,338)	-
Total non current borrowings	**2,821,553**	**-**	**-**	**(1,128,918)**	**1,692,635**
Curent portion					
Bank overdrafts	-	-	-	-	-
Bank borrowings	2,792,215	(2,792,215)	-	1,099,580	1,099,580
Leasing	29,338	(29,338)	-	29,338	29,338
Total current borrowings	**2,821,553**	**(2,821,553)**	**-**	**1,128,918**	**1,128,918**

The item "Long-term CRF loan" of Euro 1,593 thousand at 31 December 2016 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 29 July 2015. 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 following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	**Simest**	**CRF**
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	4,000,000
Contract date	19-Apr-11	29-Jul-15
Due date	31-Dec-18	29-Jul-19
N. installments	10	48
Advance instalments	5	-
Periodicity	Half-yearly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%
Current portion	100,000	999,581
Non current portion	100,000	1,592,635

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

The company has no outstanding loans with a maturity exceeding 5 years.

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	(24,622)

One should note that the company does not apply hedge accounting and the changes in fair value of the afore-mentioned derivative shall be charged to the income statement.

14. Provisions for personnel and similar

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

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.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 353 thousand.

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.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, 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.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year it changed as follows:

Provision for severance indemnities	**31-Dec-15**	**Provision (interest & service cost)**	**(Use)**	**Actuarial effects**	**31-Dec-16**
Provision for severance indemnities	357,359	3,049	(15,037)	7,733	353,104
Total provision for severance indemnities	**357,359**	**3,049**	**(15,037)**	**7,733**	**353,104**

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

Technical parameters	**31-Dec-16**
Technical annual discounting rate	0.86%
Annual inflation rate	1.50%
Tasso annuo incremento TFR	2.625%

With regard to the evaluation of the discount rate, in line with the previous year, the reference used was the IBoxx Eurozone Corporate AA index of December 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 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 31-dec-2016
Turnover rate +1%	350,786
Turnover rate -1%	355,731
Inflation rate + 0,25%	357,160
Inflation rate - 0,25%	349,131
Discount rate + 25%	346,779
Discount rate - 25%	359,677

Estimated future payments

Year	Amount
1	69,973
2	23,415
3	21,881
4	45,620
5	32,438

Service Cost and Duration

Service Cost	0.00
Duration	7.90

For the purpose of reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision is equal to the value of the corresponding policies entered as assets and described in Note 6.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-15	Provision	(Use)	31-Dec-16
Executive retirement provision (TFM)	303,406	53,627	0	357,033
Total TFM	**303,406**	**53,627**	**0**	**357,033**

15. Provisions for risks

The item, equal to Euro 83 thousand at 31 December 2016 (unchanged compared to 31 December 2015), contains the fund to cope with the risk of warranty support for products marketed by the company. The value of this fund was estimated on the basis of the historical trend of costs for warranty support.

16. Short-term borrowings and net financial position

This item amounted to Euro 1,129 thousand at 31 December 2016 (Euro 1,124 thousand at 31 December 2015) and is made up as follows:

Short term borrowings	31-Dec-16	31-Dec-15	Change	% Change
Credemleasing loan	29,337	28,994	343	1%
Short-term Simest loan	100,000	100,000	-	0%
Short-term CRF loan	999,581	994,735	4,846	0%
Bank overdrafts	-	-	-	0%
Total	**1,128,918**	**1,123,729**	**5,189**	**0%**

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

It should be noted that were no bank overdrafts as at 31 December 2016 nor at 31 December 2015.

As required by Consob Communication 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 net financial position of the company as at 31 December 2016 is detailed below:

	31 december 2016 (a)	31 december 2015 (a)	Variazione
A. Cash	3,398	1,020	233%
C. Securities held for trading	6,164	3,994	54%
D. Cash and cash equivalent (A+C)	**9,562**	**5,014**	**91%**
F. Bank overdrafts	-	-	
G. Current portion of non current borrowings	(1,129)	(1,124)	0%
I. Current borrowingse (F+G)	**(1,129)**	**(1,124)**	**0%**
J. Current net financial position (D+I)	**8,433**	**3,890**	**117%**
K. Non current borrowings	(1,693)	(2,822)	-40%
N. Non current borrowings	**(1,693)**	**(2,822)**	**-40%**
O. Total net financial position (J+N)	**6,740**	**1,069**	**531%**

(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 net final cash and cash equivalents highlighted in the statement of cash flow and the net financial position shown above.

	31-Dec-16	31-Dec-15
Cash and cash equivalents at end of the period	**3,398**	**1,020**
Current portion of non current borrowings	(1,129)	(1,123)
Non current borrowings	(1,693)	(2,822)
Securities held for trading	6,164	3,994
Total net financial position	**6,740**	**1,069**

For a better understanding of the dynamics underlying changes in the Net Financial Position, one should refer to the statement of cash flow.

17. Trade payables

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

Trade payables	31-Dec-16	31-Dec-15	Change	% Change
Trade payables	3,930,419	3,204,289	726,129	23%
Total trade payables	**3,930,419**	**3,204,289**	**726,129**	**23%**

The increase in payables to suppliers compared to 31 December 2015 is due to higher purchase volumes made over the previous year in order to support the increased production volumes.

18. Tax liabilities

At 31 December 2016, this item is made up as follows:

Tax liabilities	31-Dec-16	31-Dec-15	Change	% Change
Employee witholding taxes	119,229	147,114	(27,885)	-19%
Income tax liabilities	339,609	144,072.72	195,536	136%
Total tax liabilities	**458,838**	**291,186**	**167,651**	58%

Withholding taxes represent the value of withholdings made in December 2016 and paid in the first months of 2017. Payables for current taxes at 31 December 2016 includes payables for IRES of Euro 299 thousand and for IRAP of Euro 41 thousand (net of advances paid).

19. Other current liabilities

At 31 December 2016, this item is made up as follows:

(In Euro)

Other current liabilities	31-Dec-16	31-Dec-15	Change	% Change
Due to social security funds	273,432	253,771	19,661	8%
Unused vacation time and holidays	337,733	252,963	84,770	34%
Due to personnel	326,549	270,806	55,743	21%
Other liabilities	290,473	160,950	129,523	80%
Total current liabilities	**1,228,186**	**938,489**	**289,697**	31%

"Amounts due to social security entities" includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 246 thousand).

"Unused vacation time and holidays" includes the deferred costs for holidays remaining on 31 December 2016.

"Amounts due to personnel" refers to payables for salaries and wages still to be paid on the reporting date.

The item "Other liabilities" includes payables to directors for Euro 204 thousand, while the remainder comprises balances due to customers.

20. Guarantees given to third parties

As at 31 December 2016, as also at 31 December 2015, there are no records of any guarantees given to third parties.

The table below shows the operating leases of the Company as of 31 December 2016:

Euro thousands	In 1 year	Between 2 and 5 years	Beyond 5 years	Total
Operating Lease contracts	924	2,911	601	4,436
Total				

6.3 Structural analysis of main items of the parent company's income statement for FY 2016

21. Revenue from sales and services

Revenues from sales and services are up compared to the 2015 figure (+4%). The table below highlights revenue from sales and services broken down by geographical area:

Geographical Area	2016	%	2015	%	Change	% Change
Latin America	2,440,635	7%	2,683,472	8%	(242,837)	-9%
Europe	17,452,874	47%	14,694,823	41%	2,758,051	19%
Italy	3,146,075	9%	3,464,389	10%	(318,314)	-9%
North America	5,588,030	15%	5,122,336	14%	465,694	9%
Middle East & Africa	214,937	1%	209,241	1%	5,696	3%
Asia & Pacific	8,134,735	22%	9,251,264	26%	(1,116,528)	-12%
Total revenues	**36,977,287**	**100%**	**35,425,525**	**100%**	**1,551,762**	**4%**

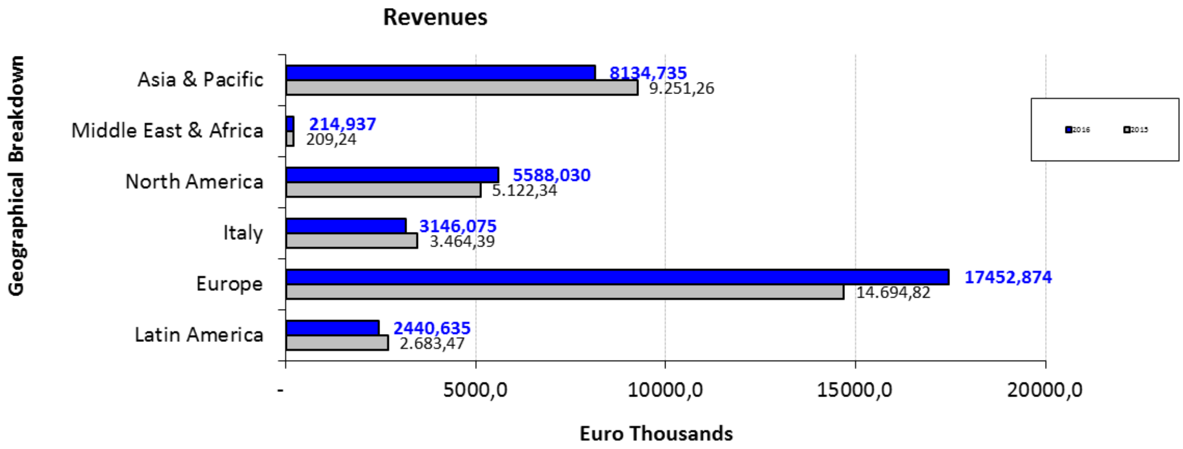
2016 exports remained at the levels achieved in 2015, continuing to account for 91% of the Company's turnover.

The result achieved in 2016 was driven primarily by the very significant growth achieved in the European market (the most important for B&C), with an increase of +19% at Group level with annual turnover of 17.4 million representing 45% of the total figure.

The North American market also performed well, continuing the growth trend (+9% compared to 2015) and achieving annual turnover of Euro 5.6 million.

After strong growth over the past years and despite the sharp recovery in turnover achieved in the second half, there was a decline in sales in the Asian market (-12% with sales of Euro 8.1 million) which is however much more modest than the half-yearly figures. The decrease is mainly due to normal fluctuations in the market.

The Latin American market also recorded a decline (down by 9% compared with the previous year) due mainly to the crisis of the Brazilian market that produced a significant reduction in sales.



The item can only be broken down in reference to the geographical area for the sales, as the market segment of the Company is identified exclusively in the manufacture and sale of "top quality professional loudspeakers".

However, this single category of products can be further broken down in terms of turnover based on the type of loudspeakers sold. Below is a table summarising 2016 sales according to product category compared with their respective value in the previous year:

Product category	2016	%	2015	%	Change	% Change
LF FE Drivers	10,739,258	29.0%	11,281,919	31.8%	(542,661)	-5%
LF ND Drivers	10,507,442	28.4%	9,673,652	27.3%	833,789	9%
HF Drivers	10,235,299	27.7%	10,891,122	30.7%	(655,823)	-6%
Coaxials	4,088,956	11.1%	2,798,932	7.9%	1,290,024	46%
Others	1,406,333	3.8%	779,899	2.2%	626,434	80%
Total revenues	**36,977,287**	**100.0%**	**35,425,525**	**100.0%**	**1,551,762**	**4%**

In 2016 three customers generated turnover exceeding 10% of the total:

1st customer – 16%

2nd customer – 13%

3rd customer – 12%

For a more detailed analysis of revenues during the year, one should refer to the relevant section of the Report on Operations.

22. Cost of sales

The item is composed as follows according to the nature of the charges:

Cost of sales	**2016**	**2015**	**Change**	**% Change**
Purchases of raw materials and finished products	(1,602,191)	(1,792,347)	190,156	-11%
Purchases of WIP	(10,815,872)	(10,979,589)	163,717	-1%
External manufacturing costs	(2,255,137)	(2,368,705)	113,568	-5%
Accessories and consumables costs	(1,045,960)	(1,102,268)	56,308	-5%
Packaging costs	(413,244)	(405,688)	(7,556)	2%
Other purchasing costs	(112,855)	(118,076)	5,221	-4%
Change in WIP inventories	(597,814)	560,060	(1,157,874)	-207%
Change in finished products inventories	(6,746)	231,125	(237,871)	-103%
Change in raw materials and consumables inventories	(54,699)	(7,539)	(47,160)	626%
Totale purchases and external manufactring costs	**(16,904,519)**	**(15,983,027)**	**(921,492)**	**6%**
Salaries	(2,739,133)	(2,605,413)	(133,720)	5%
Social security charges	(809,794)	(790,827)	(18,967)	2%
Severance for indemnities	(173,287)	(165,016)	(8,271)	5%
Other personnel costs	(704,816)	(891,060)	186,244	-21%
Total direct labour	**(4,427,030)**	**(4,452,316)**	**25,286**	**-1%**
Freight and forwarding	(527,063)	(601,105)	74,042	-12%
Royalties	(27,887)	(132,462)	104,575	-79%
Other costs	(152,130)	(208,097)	55,967	-27%
Total direct costs	**(707,080)**	**(941,664)**	**234,584**	**-25%**
Total COGS	**(22,038,630)**	**(21,377,007)**	**(661,623)**	**3%**

In 2016, the cost of sales as a whole showed an increase in absolute value terms equal to Euro 0.6 million. Despite this increase, the more than proportional increase in revenues resulted in a slight decrease in percentage terms compared to turnover.

As highlighted in the table above, costs for *purchases and external manufacturing costs* increased by Euro 0.9 million. In particular, the purchase of raw materials, finished and semi-finished products and costs for external manufacturing costs showed a marked increase compared to the previous period as a result of increased production volumes in 2016.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house.

One should note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed. Purchases of other goods relate to purchases of office machinery, small equipment for production and the warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

Direct labour costs increased by Euro 25 thousand, compared to a much higher increase in turnover. This situation has led to an improvement in percentage incidence over turnover for this cost category. It is worth mentioning that in the year 2016, the use of temporary staff was lower compared to the previous year (classified under "Other personnel costs").

23. Other revenues

The item is made up of:

Other revenues	**2016**	**2015**	**Change**	**% Change**
Other revenues	67,528	106,101	(38,573)	-36%
Grants and contributions	39,141	10,465	28,676	274%
Other minor	17,696	24,247	(6,551)	-27%
Total other revenues	**124,366**	**140,813**	**(16,447)**	**-12%**

The item "Other revenues" refers to recoveries of expenses and bonuses received from suppliers for achieving contractually agreed expenditure.

The entry "Grants and contributions" refers to the balance of the aid received for the project *Silence* described in full in Note 4.

24. Indirect personnel

The item is made up of:

Cost of indirect labour	**2016**	**2015**	**Change**	**% Change**
Retribution	(1,356,953)	(1,209,092)	(147,861)	12%
Social charges	(373,393)	(338,761)	(34,632)	10%
Severance indemnity	(78,101)	(73,176)	(4,925)	7%
Total cost of indirect labour	**(1,808,447)**	**(1,621,029)**	**(187,418)**	**12%**

The increase in the items "Retribution" and "Social Charges" is primarily due to the inclusion of some resources in the sales and research and development areas. As specified in the Report on Operations the increase of indirect personnel costs did not result in a substantial variation in its incidence over turnover that has remained almost constant.

25. Commercial expenses

The item is made up of:

Commercial expenses	**2016**	**2015**	**Change**	**% Change**
Commercial consulting services	(339,472)	(338,491)	(981)	0%
Advertising	(196,389)	(200,148)	3,759	-2%
Travelling expenses	(204,991)	(216,106)	11,115	-5%
Total commercial expenses	**(740,852)**	**(754,745)**	**13,893**	**-2%**

Commercial expenses remain broadly in line with the previous year.

26. Administrative and General expenses

The item is made up of:

General and administrative expenses	2016	2015	Change	Change %
Manteinance & utilities	(703,323)	(715,048)	11,725	-2%
Professional services	(498,395)	(577,263)	78,868	-14%
Corporate bodies fees	(862,038)	(846,822)	(15,216)	2%
Other suplies	(117,543)	(189,929)	72,386	-38%
Insurance	(88,150)	(78,176)	(9,974)	13%
Taxes	(47,762)	(75,463)	27,701	-37%
Stock Exchange expenses	(114,401)	(124,446)	10,045	-8%
Executive retirement indemnities	(53,627)	(49,394)	(4,233)	9%
Rent expenses	(929,283)	(934,099)	4,816	-1%
Rental fees	(78,870)	(76,595)	(2,275)	3%
Other	(62,517)	(72,773)	10,256	-14%
Total general and administrative expenses	**(3,555,908)**	**(3,740,008)**	**184,100**	**-5%**

Maintenance and utilities costs are mainly related to assistance for software of about Euro 252 thousand (Euro 185 thousand in 2015), and costs for utilities of Euro 264 thousand (Euro 299 thousand in 2015) and maintenance of instrumental assets and properties for Euro 185 thousand (Euro 229 thousand in 2015).

Professional services include technical, administrative and legal consulting services received by the Company in 2016. The decrease compared with the previous year is due to the absence in 2016 of some projects that reached completion, through the use of external resources, in the previous year.

The entry "Rental fees" refers to costs for renting premises where the activities of the Company are carried out.

Stock exchange expenses include management costs related to Borsa Italiana S.p.A. and Consob.

27. Amortisation, depreciation, provisions and writedowns

Amortization, depreciation, provisions and writedowns	2016	2015	Change	% Change
Amortization of intangibles assets	(26,419)	(71,347)	44,928	-63%
Depreciation of tangible assets	(747,380)	(717,841)	(29,539)	4%
Total amortizations and depreciations	**(773,798)**	**(789,188)**	**15,390**	**-2%**
Bad debt provision	(43,496)	-	(43,496)	-
Warranty provision	-	-	-	-
Writedown of investments	-	(169,998)	169,998	
Total provisions and writedowns	**(43,496)**	**(169,998)**	**126,502**	**-74%**

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

The item Writedown of investments referred to the writedown made as at 31 December 2015 on the carrying amount of the investment in the Brazilian subsidiary B&C Speakers Brasile Ltda. As described in Note 3 the outcome of *impairment testing* conducted on the CGU consisting of two subsidiaries did not result in the need to carry out any writedown on 31 December 2016.

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2016	2015	Change	Change %
Interest expenses	(26,841)	(55,195)	28,354	-51%
Bank charges	(20,904)	(26,096)	5,192	-20%
Exchange rate difference expenses	(161,140)	(277,436)	116,296	-42%
Exchange rate differences accruals	(30,812)	(18,352)	(12,460)	68%
Loss on securities	(3,483)	-	(3,483)	-
Accrued loss on securities	-	(31,916)	31,916	-100%
Financial expenses for Defined Benefit Obligation	(24,622)	(4,220)	(20,402)	484%
Other	(3,049)	-	(3,049)	-
Total financial expenses	**(270,851)**	**(413,214)**	**142,363**	**-34%**
Bank interest income	3,678	6,382	(2,704)	-42%
Exchange rate differences income	313,635	274,910	38,725	14%
Exchange rate differences accruals	39,494	26,811	12,683	47%
Financial income accrual on futures	18,542	51,398.00	(32,856)	-64%
Dividends	454,120	290,747	163,372	56%
Accrued income on securities	187,085	48,319	138,766	287%
Altri	7,005	-	7,005	-
Total financial income	**1,023,558**	**698,568**	**324,991**	**47%**

The decrease in the item "financial expenses" is essentially due to the effect of lower losses in exchange rates realized during 2016.

The item of presumed loss on IRS refers to the economic effect of assessment at fair value of IRS hedging contract with Banca CR Firenze S.p.A. as specified in Note 13.

The increase in the item "Financial income" is essentially due to higher dividends received from the U.S. subsidiary over the previous year and to higher income from fair value assessment of asset management as at 31 December 2016, held for short-term liquidity and classified among other current assets.

The entry "Financial income accrual on futures" refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2016.

29. Income tax

The item is made up of:

Current and deferred taxes	2015	2014	Change	% Change
IRES	(2,230,559)	(1,913,902)	(316,656)	17%
IRAP	(340,823)	(335,680)	(5,143)	2%
Total current taxes	**(2,571,382)**	**(2,249,583)**	**(321,799)**	**14%**
Deferred tax expenses/(income)	(968)	24,005	(24,973)	-104%
Total income taxes	**(2,572,349)**	**(2,225,577)**	**(346,772)**	16%

Current taxes include the tax expense that originated during the year in application.

The reconciliation between the tax expense entered in the financial statements and the theoretical tax expense determined on the basis of the theoretical tax rates applicable in Italy is shown in the following table:

Euro thousand	31-Dec-16		31-Dec-15	
	IRES	**IRAP**	**IRES**	**IRAP**
EBT	**8,893**	**13,816**	**7,399**	**13,484**
Tax rate	27.5%	3.9%	27.5%	3.9%
Theorical tax expenses	**2,446**	**539**	**2,035**	**526**
Variations				
- cash dividends	(431)		(276)	
- IRAP deductions	(76)		(77)	
- a.c.e.	(378)		(294)	
- cost of labour		(2,731)		(2,743)
- other deductible cost of labour		(2,896)		(2,792)
Variations (net)	(89)	559	202	627
Temporary variations (net)	148		167	
Taxable income	**8,067**	**8,748**	**7,121**	**8,576**
Tax expenses	2,218	341	1,958	334
Prior years tax expenses	15		(63)	
Deferred tax	(2)		24	
Total tax expenses	**2,231**	**341**	**1,919**	**334**

Prepaid tax assets were calculated by critically measuring the existence of conditions for future recoverability of these assets based on the updated strategic plans and the corresponding tax plans.

30. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2014 the Company did not incur costs in connection with non-recurrent operations.

31. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2014 the Company did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

32. Information on financial risks

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, interest rate risk and liquidity risk. The strategy adopted by the Company with regard to the management of financial risks is based on the impossibility of being able to influence the external markets and consequently the strategy focuses on an attempt to reduce the adverse effects on the financial performance of the company itself.

Currency exchange risks

The company operates internationally and is exposed to exchange risk arising from changes in exchange rates for foreign currencies, primarily the USD and GBP; the exchange risk will be manifest in future transactions. The Company does not make provision for coverage of this risk, except to seek a long term balance between its sales and purchases, especially in the U.S. dollar zone.

In 2016 the Company continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies (USD) is summarised as follows:

- Purchases in US Dollars equal to 8.8 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 7.9 million.
- Purchases in HK Dollars equal to 0.4 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 47 thousand.
- Purchases in CAD Dollars equal to 0.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 0.2 million.

In 2016, the Company conversely invoiced customers in foreign currency; in particular, the item *Revenues* includes sales in foreign currency (USD and HKD) which are summarised below:

- Sales in US Dollars equal to 4.7 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 4.2 million.
- Sales in HK Dollars equal to 36.5 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 4.2 million.

These figures show that purchases in foreign currency account for approximately 28% of total purchases (27% in 2015), while sales in foreign currency account for 22% of the Company's turnover (10% in 2015).
The value of purchases in US and HK dollars in 2016, proved substantially in line with the currency value of sales in the same currencies; consequently it is possible to affirm that the Company hedged its dealings in US dollars.
A hypothetical appreciation/depreciation of euro by 3%, would generate respectively, potential gains of Euros 9 thousand and losses of Euro 8 thousands.

On the Balance sheet, the equivalent in euros of trade receivables entered in US dollars on 31 December 2016 amounted to Euro 1.3 million (the total value on 31 December 2015 was Euro 1.1 million), while the equivalent value of trade payables in US dollars on 31 December 2016 amounted to Euro 1 million (the total value on 31 December 2015 amounted to Euro 0.9 million). Trade Receivables and Payables in other currencies are negligible. A hypothetical appreciation/depreciation of euro by 3%, would generate respectively, potential gains of Euros 6 thousand and losses of Euro 6 thousands.

We must stress that the Company provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
The incidence of tax receivables in currency reaches, based on the above data, approximately 15% of the overall trade value, while the incidence of trade payables in currency accounts for 25% of the total value of corporate debt.

The balance sheet assets in a currency other than the Euro were adequate to the exact exchange rate on 31 December 2016, with the associated costs and profits entered in the income statement.

Credit risk

The Company does not have significant concentrations of credit risk, since the strategy adopted has aimed at working with customers who have good credit standing. When transactions entailed a higher risk margin or information on the customer was insufficient, the Company demanded to receive advance payment before supplying the products.

Interest rate risk

The company has no outstanding financial assets or liabilities which is such as to significantly affect the profitability of the Company. Therefore, despite the Company not being significantly affected by changes in interest rates the management adopted adequate hedging instruments for interest rate fluctuation risk in particular with regard to the long term loan with CR Firenze S.p.A., through the signing of an IRS (Interest Rate Swaps) agreement.

Liquidity risk

As at 31 December 2016, the Company has a positive Net Financial Position of Euro 6.71 million (1.07 million as at 31 December 2015). It is the result of a current positive NFP of about Euro 8.4 million (3.89 million as at 31 December 2015) and non-current net financial debt of Euro 1.69 million (Euro 2.82 million as at 31 December 2015). For the characteristics of the loans in question, one should refer to Note 13. The Company believes that the existing loans and short and medium term credit lines, as well as those that will be generated by operations, will allow it to meet its requirements arising from investment activities, management of working capital and repayment of debts in line with their natural due dates.

33. 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 are established:

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 31 December 2016, according to the hierarchical level of fair value measurement.

Hierarchical level of Fair Value measurement	Level 1	Level 2	Level 3
Financial assets			
Other current assets	6,164,655	-	-
Total	**6,164,655**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(24,622)	
Total	-	**(24,622)**	-

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

The Company assesses its financial assets and financial liabilities at amortised cost except for asset management included among other current assets and IRS hedging agreement that are measured at fair value through profit and loss.

34. Management and control

The Parent Company, B&C Speakers S.p.A. is a subsidiary of Research & Development International S.r.l., which manages and controls it. The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2015).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2015**	**31 december 2014**
Total assets	12,501	11,477
Equity	10,249	8,312
Net income	1,937	2,487

The above essential data was taken from the financial statements for the year ended 31 December 2015. For a proper and complete understanding of the financial and equity position of Research and Development International S.r.l. at 31 December 2015, as well as the profit or loss achieved by the company in the year ended on that date, one should refer to the reading of the financial statements which, accompanied by the independent auditors' report, is available in the form and in the manner provided by law.

The equity interest held by the holding at 31 December 2016 represented, 55.37% of the share capital. Further informations about transactions with related parties are disclosed in the following paragraph

Transactions with related parties and subsidiaries under their management

The following table summarises 2016 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

In particular, one should note transactions implemented with the company ***Research & Development International S.r.l.***, a company based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000 (owner of the parent company B&C Speakers S.p.A..

The parent company ***Research & Development International S.r.l.*** owns 55.37% of the shares of B&C Speakers S.p.A., equal to 6,090,529 shares.

In accordance with Art. 2.6.2, paragraph 13 of the Regulation governing the Markets Organised and Managed by Borsa Italiana S.p.A., it is hereby certified that the conditions pursuant to Art. 37 of Consob Regulation no. 16191/2007 have been met.

The tables below also take due account of relations with the two companies controlled by B&C Speakers S.p.A. (B&C Speakers NA LLC and B&C Speakers Brasil LTDA).

Economic transactions

Revenues and other revenues	**Total balance**	**Research & Development Intl. Srl**	**B&C Speakers NA LLC**	**B&C Speakers Brasil LTDA**	**Total related parties**	**Incidence**
2016	36,977,287	-	2,086,689	279,504	2,366,193	6%
2015	35,425,525	-	2,167,548	258,960	2,426,508	7%

General and administrative expenses	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2016	(3,555,908)	(924,949)	-	-	(924,949)	26%
2015	(3,740,008)	(927,249)	-	-	(927,249)	25%

The costs incurred with reference to Research & Development International S.r.l. relate to the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

Trade relations refer to the two subsidiaries B&C Speakers NA LLC and B&C Speakers Brasile LTDA for the supply of commercial services purchased at fair value.

Equity transactions

Trade receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2016	8,461,721	-	936,833	514,404	1,451,237	17%
31 December 2015	7,913,785	-	944,056	492,196	1,436,252	18%

Other non current receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2016	502,808	88,950	-	-	88,950	18%
31 December 2015	449,451	88,950	-	-	88,950	20%

Trade payables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2016	(3,930,419)	(340)	-	-	(340)	0%
31 December 2015	(3,204,289)	(17,256)	-	-	(17,256)	1%

The credit position of Research & Development International S.r.l. as at 31 December 2016, refer to credits for an IRAP rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

The other positions vis-à-vis the two subsidiaries B&C Speakers NA LLC and B&C Speakers Brasile LTDA refer to commercial services purchased at fair value.

35. Events subsequent to the closure of FY 2016

Since the closure of FY 2016, the following significant events have occurred affecting company performance, specifically:

- The flow of orders from customers showed a slight decline during the winter months though the general optimism shown by customers of the company was still evident;
- The Company finished designing a new range of products intended for the road safety sector: (a) an

audible warning device for tunnels (called **"**safevoice**"**) and (b) a lighting product for tunnels (called **"**Tunneled**"**). As at the date of preparation of this document, the Company was in the process of presenting offers to act as subcontractor to the main contractor in tenders issued for the revamping of existing tunnels.

37. Authorization for publication

This document was published on 5 April 26, 2017 on authorization of the member of the Board of directors with financial delegation.

7 Certification of the financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

1. The undersigned Simone Pratesi, as financially delegated Director 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:

    - that the financial statements reflect the business and structure and
    - that the administrative and accounting procedures for the formation of financial statements for year 2016 have been effectively applied.

2. The undersigned also certify that:

    2.1. the financial statements:

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

    b) correspond to the information in the accounting ledgers;

    c) provide a true and accurate representation of the issuer’s economic, financial and equity position.

    2.2. The Report on Operations includes a reliable analysis of the progress and results of the management as well as the position of the issuer, together with descriptions of the main risks and uncertainties to which they are exposed.

Simone Pratesi   Francesco Spapperi

8 Report of the Independent Auditors to the Separate Financial Statements of B&C Speakers S.p.A. at 31 December 2016

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
B&C Speakers SpA

Report on the financial statements

We have audited the accompanying financial statements of B&C Speakers SpA, which comprise the statement of financial position as of 31 December 2016, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of B&C Speakers SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of B&C Speakers SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Other matters

The financial statements of B&C Speakers SpA for the year ended 31 December 2015 were audited by other independent auditors that on 4 April 2016, expressed an unqualified opinion on these financial statements.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the directors of B&C Speakers SpA, with the financial statements of B&C Speakers SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of B&C Speakers SpA as of 31 December 2016.

Florence, 4 April 2017

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.

Consolidated financial statements

as of 31 December 2016

9 Consolidated report on operations for the financial year ended on 31 December 2016

The B&C Speakers Group is a key international entity in the production and marketing of “top quality professional loudspeakers”; the business of the Group, which operates both nationally and internationally, is dedicated exclusively to this sector. 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 American market via the Group’s US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brasile LTDA, which in 2016 acted as a distribution centre.

Profit recorded for FY 2016 came to Euro 6,307 thousand, net of tax for Euro 2,764 thousand and amortisation/depreciation for Euro 789 thousand.

FY 2015 records profit of Euro 5,023 thousand, net of income tax (Euro 2,440 thousand) and amortisation/depreciation (Euro 804 thousand).

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2016 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2016	**2015**
Revenues	38,432	36,588
Ebitda	9,351	8,457
Ebit	8,490	7,575
Net profit	6,307	5,023

Balance sheet highlights

(€ thousands)	**31 December 2016**	**31 December 2015**
Non current Assets	5,057	5,412
Non current liabilities	2,485	3,565
Current assets	26,334	22,090
Current liabilities	7,028	5,838
Net working Capital	19,306	16,253
Net Equity	21,878	18,099

Cash flow statemen highlights

(€ thousands)

	2016	**2015**
Operating cash flow	8,296	4,487
Cash flow from investing activities	(2,397)	436
Cash flow from financial activities	(3,654)	(7,519)
Cash and cash equivalent at end of the year	2,246	(2,596)

Net financial position

(€ thousands)	31 December 2016	31 December 2015
Current net financial position	8,766	4,357
Total net financial position	7,074	1,535

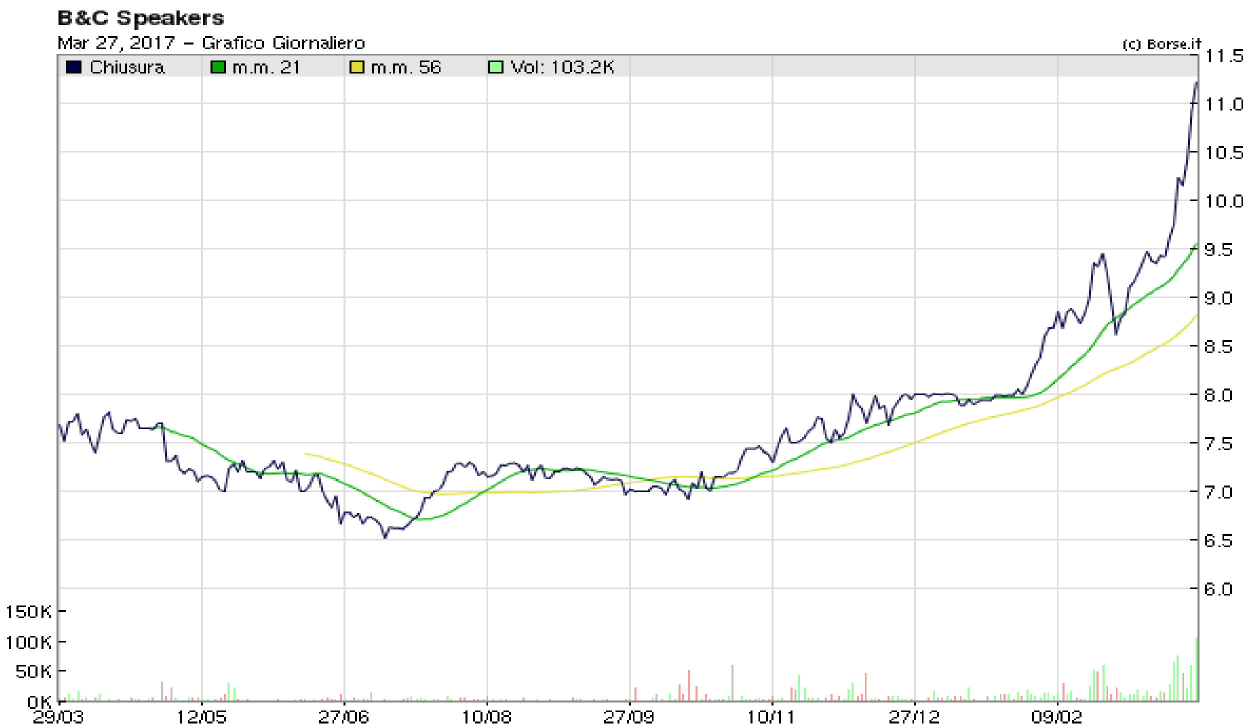
As regards the definition of alternative performance indicators, one should refer to the information later on in this document.

Share performance

The B&C Speakers S.p.A. shares are listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A..

At 30 December 2016 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at Euro 7.98 and consequently the market capitalization amounted to about Euro 87.7 million.

The following shows the share performance of B&C Speakers SpA during 2016 and the first months of 2017



Macroeconomic Situation

The trend of world economic growth remained around 3% in 2016, with differing dynamics according to geographical area which showed a downward inflationary trend in Western countries and commodity prices recovering at the end of the period, partly influenced by the price of oil.
In East Asia, the two major economies confirmed significant growth rates. There was a slight deceleration in China (+6.7%) in a scenario of expanding public expenditure resulting with the resulting problem of controlling financial risk and the weakening of the national currency. Growth was stable in India (7%), driven by domestic consumption, albeit slowed by the demonetization process which was launched by the

Indian Government on 8 November 2016 leading to a reduction in the expected growth of about one percentage point.
Japan registered slight improvements in growth (almost 1%), thanks to continued expansionary monetary and fiscal policy.
Growth in the United States consolidated at about 1.6%, allowing a process of normalisation in monetary policy to get underway. The result was a strengthening in the dollar which was confirmed later with the prospect of reflationary policies announced by the new administration. The Eurozone has seen a consolidation in overall growth (1.7%), in a situation showing marginal inflation, which led the ECB to confirm its important monetary intervention programs.
The Italy recorded growth at almost 1%. The slight improvement in consumer spending and employment confirmed the necessity for further structural reforms to enhance competitiveness with Community policies not based simply on rigid control of member state commitments, but also with support for investment.

Industry scenario

The professional audio sector has grown considerably over recent decades due to the technological revolution in the field of music that has effectively cancelled the opportunities for many artists to sell discs in favour of concerts and live performances. This fact has led to a huge increase in the number of live shows and a fairly high average ticket price resulting in an increase in quality expectations for the public attending live concerts.
This trend has favoured the higher quality companies and allowed B&C Speakers Group to grow both internally and with advantage for its competitors. In addition, our market is also affected by construction spending, since many installations relate to places such as new theatres, cinemas, clubs and discos, karaoke pubs, large stations and airports where public announcements also for security purposes have raised the need for higher quality sound systems.
The latest driver of market growth is the increasing spread of audio systems in shopping centres.

Economic trend

The economic trend in the year 2016 was characterised by appreciable corporate growth of the Group in general that allowed us to achieve a new company record in terms of turnover with a consolidated value amounting to Euro 38.43 million.

To provide a clearer representation of how economic management evolved in FY 2016 compared with the same period in the previous year, the table below lists the major aggregates of the B&C Speakers Group:

Economic trends - Group B&C Speakers

(€ thousands)	**2016**	***Incidence***	**2015**	***Incidence***
Revenues	38,432	*100.00%*	36,588	*100.0%*
Cost of sales	(22,415)	*-58.33%*	(21,577)	*-59.0%*
Gross margin	**16,016**	***41.67%***	**15,011**	***41.0%***
Other revenues	124	*0.32%*	148	*0.4%*
Cost of indirect labour	(2,109)	*-5.49%*	(1,898)	*-5.2%*
Commercial expenses	(824)	*-2.14%*	(827)	*-2.3%*
General and administrative expenses	(3,857)	*-10.04%*	(3,977)	*-10.9%*
Ebitda	**9,351**	***24.33%***	**8,457**	***23.1%***
Depreciation of tangible assets	(761)	*-1.98%*	(732)	*-2.0%*
Amortization of intangible assets	(28)	*-0.07%*	(72)	*-0.2%*
Writedowns	(71)	*-0.19%*	(78)	*-0.2%*
Earning before interest and taxes (Ebit)	**8,490**	***22.09%***	**7,575**	***20.7%***
Financial costs	(342)	*-0.89%*	(680)	*-1.9%*
Financial income	733	*1.91%*	522	*1.4%*
Earning before taxes (Ebt)	**8,881**	***23.11%***	**7,416**	***20.3%***
Income taxes	(2,764)	*-7.19%*	(2,440)	*-6.7%*
Profit for the year	**6,117**	***15.92%***	**4,977**	***13.6%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**6,117**	***15.92%***	**4,977**	***13.6%***
Other comprehensive result	190	*0.49%*	46	*0.1%*
Total Comprehensive result	**6,307**	***16.41%***	**5,023**	***13.7%***

Note:

These financial statements present and comment on certain financial figures and certain reclassified schedules not defined within the IFRS.

These amounts are defined below in compliance with the provisions 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 Company's economic, capital and financial performance.

The alternative performance indicators are measures used by the issuer to monitor and assess the Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IAS/IFRS. Therefore, the measurement criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. We emphasise that the adjustment methods used by the Company to calculate these figures have remained constant over the years.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Group's operating performance.

EBIT (Earnings Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

EBT (Earnings Before Taxes) is the consolidated result before tax, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

Consolidated revenues

Consolidate revenues during 2016 reached Euro 38.43 million, showing an increase of about 5% compared to 2015.

2016 exports remained at 2015 levels, representing 92% of the Group's turnover.

The result achieved in 2016 was driven primarily by the very significant growth achieved in the European market (the most important for B&C), with an increase of +19% at Group level with annual turnover of 17.4 million representing 45% of the total figure.

The North American market also performed well, continuing the growth trend (+13% compared to 2015) and achieving annual turnover of Euro 6.8 million.

After strong growth over the past years and despite the sharp recovery in turnover achieved in the second half, there was a decline in sales in the Asian market (-12% with sales of Euro 8.1 million) which is however much more modest than the half-yearly figures. The decrease is mainly due to normal fluctuations in the market.

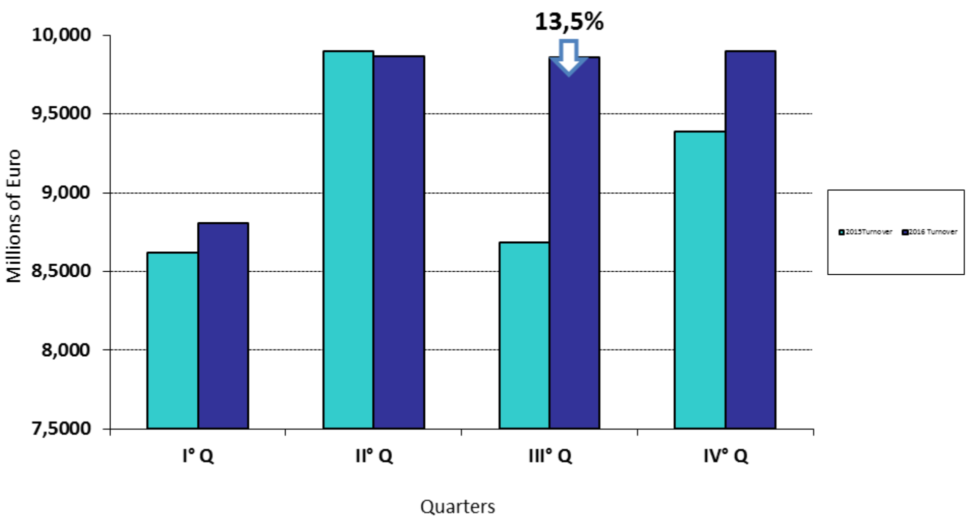
The Latin American market also recorded a decline (down by 9% compared with the previous year) due mainly to the crisis of the Brazilian market that produced a significant reduction in sales.

The very positive trend in orders from customers of the Parent company continued in 2016, with a calendar year total of Euro 37.88 million, up by 8% compared to the total figure in 2015. The order book value (of the Parent company) at the end of 2016 amounted to Euro 6.9 million, showing a slight increase compared to the figure of 6.5 at the end of 2015.

Consolidated revenues in the four quarters (2016 and 2015) are summarised in the table below:

Trend of consolidated revenues *(€ millions)*	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2016	8.81	9.87	9.86	9.90	**38.43**
Net sales revenues 2015	8.62	9.90	8.68	9.39	**36.59**
Change 2016 - 2015	2.2%	-0.3%	13.5%	5.4%	5.0%

As can be seen from the graph below, revenue performance marked a decided tendency towards growth, particularly in the third and fourth quarters of the year. In particular, the third quarter marked an increase of 13.5%.



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 cost of sales showed a fractional reduction in its impact on revenues moving from 58.97% in 2015 to 58.33% in 2016. This variation is mainly due to an increase in direct labour costs that was slightly less than the growth in revenues. The other components in cost of sales (transport costs, commissions payable and other costs) have generally maintained the same proportion with respect to revenues.

Indirect personnel

This category refers to costs for office staff, executives and workers not associated with the production process.
The cost for indirect personnel during 2016 was substantially consistent in the percentage of turnover that totalled 5.49% (5.20% in 2015), despite the inclusion of some commercial and research & development resources.

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 2015.

Administrative and General

Administrative and general expenses showed a significant decrease over the previous year mainly due to the disappearance, in 2016, of costs related to external resources who had taken part in some projects that were completed during the year 2015. Therefore, as a percentage of revenues they made a positive fall from 10.87% in 2015 to 10.04% in 2016.

EBITDA and EBITDA Margin

As a result of the dynamics described above, the EBITDA for 2016 amounted to Euro 9.3 million, representing an increase (+10.6%) over that of 2015 (Euro 8.5 million); hence the EBITDA margin increased to 24.3% of revenues in the period, compared to 23.1% in 2015. This increase is mainly due to higher manufacturing volumes, associated with the variations mentioned above.

EBT and EBT margin

The *EBT* relating to 2016 amounted to Euro 8.88 million, an increase of 19.75% compared to 2015, and the very positive outcome of the Group's financial management is worth commenting on as it ensured during 2016 a positive net balance (between income and expenses) of Euro 391 thousand (at the end of the previous year the corresponding balance was negative to the tune of Euro 158 thousand). This excellent result was made possible by very careful and effective monetary and currency management and good performance of the securities portfolio where surplus liquidity funds were invested.

Group Net Profits

Overall net profits for the Group at the end of 2016 amounted to Euro 6.3 million and represent 16.4% of consolidated revenues; this result is 25.6% higher than that achieved during the year 2015 (Euro 5 million).

Equity and financial trend

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

Reclassified Balance sheet *(€ thousands)*	**31 December 2016**	**31 December 2015**	**Change**
Property, plant & Equipment	**2,807**	**3,238**	**(430)**
Inventories	8,182	8,813	(631)
Trade receivables	7,774	7,085	689
Other receivables	780	977	(197)
Trade payables	(3,949)	(3,180)	(768)
Other payables	(1,950)	(1,524)	(426)
Working capital	**10,836**	**12,170**	**(1,334)**
Provisions	**(793)**	**(743)**	**(49)**
Invested net working capital	**12,851**	**14,664**	**(1,814)**
Cash and cash equvalents	3,731	1,496	2,235
Investments in associates	50	50	0
Goodwill	1,394	1,394	-
Short term securities	6,164	3,994	2,170
Other financial receivables	510	456	54
Financial assets	**11,849**	**7,390**	**4,459**
Invested net non operating capital	**11,849**	**7,390**	**4,459**
NET INVESTED CAPITAL	**24,700**	**22,054**	**2,645**
Equity	21,878	18,099	3,779
Short-term financial borrowings	1,129	1,134	(5)
Long-term financial borrowing	1,693	2,822	(1,129)
RAISED CAPITAL	**24,700**	**22,054**	**2,645**

Note:
Fixed assets: are defined by the Issuer's Directors as the value of long-term assets (tangible and intangible). Working Capital: is defined by the Issuer's Directors as the value of inventories, trade receivables and other receivables net of trade payables and other payables. Provisions: the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. Invested net working capital: is the value of financial assets and other financial credits as described above. Raised capital: is the value of Equity of the Group and the total indebtedness of the Group.

The financial stability of the Group remains excellent and, thanks to the significant cash flow generated by current management (Euro 8.5 million in 2016), there was a positive figure of Euro 7.04 million at the end of 2016.

Below are comments on the changes to assets and liabilities classified according to administrative allocation.

Invested net working capital shows a decrease of around Euro 1.8 million compared to 31 December 2015. This reduction is due to the combined effect of the following factors:

- a reduction in warehouse inventories of Euro 0.6 thousand, mainly in semi-finished products;
- an increase in trade receivables of Euro 0.7 million;
- an increase in trade payables totalling Euro 0.7 million and an increase of Euro 0.4 million in other payables;
- a decrease in fixed assets amounting to approximately Euro 0.4 million due to the net effect of investment and depreciation for the year.

The ***Invested net non operating capital*** showed an increase of about Euro 4.4 million compared to 31 December 2015, largely due to the increase in liquidity of approximately Euro 2.2 million (due mainly to the significant cash flow produced by operations) and the increase in portfolio securities held for liquidity.

The other asset categories showed no significant changes on 31 December 2015.

The importance of the Invested Net Working Capital when compared to total invested capital warrants more flexibility from the Company in order to better respond to industrial and business needs. The same can be said for its current structure, but in spite of conspicuous investments, fixed investments are not excessively burdened.

As far as ***Raised Capital*** is concerned, one should note that equity accounts for almost all this category.

The *Net Financial Position*(including portfolio securities held for liquidity use) is positive by Euro 7 million (positive by Euro 1.5 million at 31 December 2015). The Group's financial stability remains good, particularly in view of the fact that in May 2016, dividends were paid for a total Euro 3,755 thousand (equal to Euro 0.35 per ordinary share outstanding at coupon detachment). This amount was calculated in accordance with Consob Communication 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".

Key performance indicators

To provide a more comprehensive representation of the Group's position, the performance and the result of the business as a whole are presented using both financial and non-financial key performance indicators.

Group Key performance indicators	**2016**	**2015**
R.O.E.	28.0%	27.5%
Return on Equity; Net result/Equity		
R.O.I.	27.0%	27.5%
Return on Investments; Ebit/Total assets		
R.O.S.	22.1%	20.7%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2.30	1.84
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	19.38	15.97
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	4
Current Assets/Current Liabilities		
Net working capital	10,836	12,170

Primary liquidity ratio	53.1%	24.1%
Cash and cash equivalents/Current Liabilities		

Days of Inventory Turnover	80.70	83.95

Days of Receivables Turnover	70.56	69.40

Indicators relating to the rotation of the items of equity show substantial stability in collection terms compared to the previous year.

More specifically, the index of Total Debt shows that the Group's Equity exceeds the value of Current and non-Current Liabilities.

Corporate structure

As at 31 December 2016 the Group workforce numbered 120 units.

The following shows the changes in the Group's workforce in the last three years:

Personnel headcount	**31-Dec-16**	**31-Dec-15**	**31-Dec-14**
Workers	88	88	80
Employees	26	25	20
Lower management	5	5	5
Upper management	1	1	1
Total	**120**	**119**	**106**

Investments

During 2016 there were investments made of around Euro 0.4 million, mainly targeted towards industrial plant and equipment with the intention of increasing production efficiency.

There are two loudspeaker production lines operating in the plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines meet the latest productivity and efficiency criteria.

As regards the production of diffusers for high frequencies (Drivers), there are two production lines that have benefited from investments made to improve efficiency.

All investments made in structures and fixed installations have been agreed with the parent company ***Research & Development International S.r.l.*** with the goal of achieving significant improvement in production capacity.

Research and development

The company continues to maintain its commitment to managing cultural and organisational growth that will enable it to maintain the level of excellence achieved thus far, at a time when international competition is becoming fiercer with every day that passes.

Investments made in Research and Development remain consistently high and current projects have been concluded; new projects have also been launched. In FY 2016, our company carried out research and development into technological innovation, mainly focusing its efforts on projects considered to be particularly innovative and regarding the Vallina plant in Florence.

These include the following projects:

- Continuation of R&D for the design and development of a prototype air motion transformer driver
- R&D activities for the identification, definition and implementation of specific technical solutions for substantial improvement to the electro-acoustic components for active absorbers
- Continuation of R&D for the design and development of a prototype for new types of voice annunciators for tunnels
- R&D aimed at identifying and developing new technical solutions relating to sensors for monitoring loudspeakers
- R&D for the analysis and pre-competitive development of new technical solutions for the creation of new types of drivers for headphones
- R&D activities for the identification, definition and implementation of specific technical solutions for the creation of induction motors
- R&D for the analysis and pre-competitive development of new technical solutions for the creation of magnetic units for loudspeakers including more than one magnet
- R&D activities aimed at the design, creation and testing of a prototype for an innovative midrange-speaker characterised by rectangular flat membrane driven by two linear coils
- R&D activities for obtaining a new speaker suspension system based on linear bearings
- R&D activities for the study and experimentation of new types of compression drivers featuring large annular membrane and new type of PCF
- R&D activities for defining technical solutions intended for the analysis of non-linear behaviour of moving coil speakers
- R&D activities for the analysis and study of sound source directivity control

During 2016 the company has incurred R&D costs amounting to Euro 330 thousand for the development of these projects; we believe the success of these innovations could generate good results in terms of turnover with favourable effects on the economy of the company.

With respect to the accounting treatment of development costs, it should be noted that, as indicated in the paragraph “Accounting standards adopted” in the Notes, these are capitalised on condition that the cost is reliably determinable and that it can be demonstrated that the activity is able to generate future economic benefits. Research costs are charged to the income statement in the period in which they are incurred.

Based on the characteristics of the development costs incurred, it was considered inappropriate to capitalise these charges among assets, in that, although the activities are aimed at the creation of a new and better product or manufacturing process, it is considered that on the basis of the information available to date, the recoverability of the charges in question through future revenues (essential prerequisite for the capitalisation of Development costs) is a highly subjective and uncertain aspect to assess.

Comparison of profits and shareholders’ equity of the Parent company in accordance with IFRS accounting standards and profits and shareholders’ equity of the group in accordance with IFRS as at 31 December 2016

The table below compares the profit and shareholders’ equity of the Parent Company under IFRS and the profit and shareholders' equity of the Group on 31 December 2016.

(values in Euro)	**Equity**	**Net Result**
Holding Equity and Net Result IFRS	**21,863,930**	**6,315,545**
Consolidation of controlled entities - Netting of investments	(1,877,937)	-
Consolidation of controlled entities - Reserves and Net Equity allocation	904,961	298,432
Goodwill	1,393,789	-
Dividends	-	(454,120)
Intercompany transactions	-	(106,993)
Intercompany inventory margins	(406,701)	58,982
	-	-
Group Equity and Net Result IFRS	**21,878,042**	**6,111,846**

The entries in this consolidation statement are already net of the relative deferred tax effects where applicable.

Significant events of 2016

The following significant events occurred during FY 2016, affecting the company's performance:

- The very positive trend in orders from customers also continued, with a calendar year total of Euro 37.88 million, up by 8% compared to the total figure in 2015.
- The Shareholders' Meeting of the Parent Company, held on 26 April 2016, resolved to distribute a dividend of Euro 0.35 for each of the shares outstanding (net of treasury shares held), for a total expense of Euro 3.75 million. The dividend was paid during the month of May;
- In order to increase its presence on the market, the Company has strengthened its marketing structure with introduction of two new roles, one dedicated to the development of the distribution sector and the other aimed at managing the strongly developing North American market.

Business outlook

The available data, as at the date of preparation of this document suggests that 2017 will be a year of consolidation for the Group compared to the previous one.

The Management is confident that the Group can continue on its path of consolidation in the professional loudspeakers market and can make inroads into new products/markets with attractive potential in terms of size and margins.

Essential elements of the adjustment plan under Articles 36 and 39 Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62 paragraph 3-bis of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group and shows, for each of the conditions required by Art. 36, the level of implementation currently existing and, where necessary, adjustment operations provided with their deadlines.

The essential elements of this plan can be summarised as follows:

- The scope of application concerns two subsidiaries (B&C Speakers NA LLC and B&C Speakers Brasil Ltda), located in two different non-EU countries, which are of significant importance pursuant to paragraph 2 of said Art. 36.
- The administrative, accounting and reporting systems currently used by the B&C Speakers Group are already substantially aligned with legal requirements, regarding the companies within the above-mentioned scope of application, both in terms of i) making the accounting documents compiled in order to prepare the consolidated financial statements publicly available, and ii) providing the necessary information for preparation of the consolidated financial statements to management and to the Auditor of the Parent Company.
- With regards to the request to receive a copy of the articles of association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent Company enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices.
- With regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent's annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense. Methods are, however, currently being examined by which to obtain centralised formal evidence of communication from its subsidiaries to the independent auditor.

Major shareholders and main data concerning the Issuer's shares

As at the date of preparing these financial statements (March 2017), the official data reveals the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 55.37% stake *(parent company)*;
- Alboran S.r.l. which holds 6.17%;
- Allianz Global Investors which holds 3.7%;
- Lazard freres Gestion sas which holds 2.97%;
- Aldinio Colbacchini who holds 2.17%;
- Norges Bank which holds 2.16%;

Disclosure pursuant to Art. 79 of the Issuers' Regulation no. 11971/99

In relation to the disclosure obligations laid down by Art. 79 of the Issuers' Regulation no. 11971/99, with regard to holdings, in issuers themselves and their subsidiaries, pertaining to members of the administrative and auditing bodies, general managers and key managers, as well as by spouses (where not legally separated) and their under-age children, whether directly or through subsidiaries, trustees or third parties, as resulting from the book of members, communications received and other information acquired by the members of the administrative and auditing bodies, general managers and key managers, the following information is provided:

- as at 31 December 2016, the Director Lorenzo Coppini holds 60,000 shares in B&C Speakers S.p.A.

- as at 31 December 2016, the Director Simone Pratesi holds 2,655 shares in B&C Speakers S.p.A.
- as at 31 December 2016, the Director Alessandro Pancani holds 7,234 shares in B&C Speakers S.p.A..

Corporate Governance

The Group abides by the Code of Corporate Governance of Italian Listed Companies issued in March 2006.

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. Below is a summarised listing of the main elements of Corporate Governance. 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 Investor Relations section.

More specifically, one should refer to the above-mentioned document for the information relating to the internal control system employed by management to monitor risks relating to financial reporting, as per former art. 123-bis TUF.

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbered 8 members and was appointed by majority vote (in accordance with the voting rules laid down by the articles of association) by the ordinary Shareholders Meeting held on 24 April 2015; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2017.

Board of Auditors

Pursuant to art. 24 of the Issuer's articles of association, the Board of Auditors, in office since 24 April 2015, numbers three Regular Auditors and two Alternate Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2017.

Main risks and uncertainties to which B&C Speakers S.p.A. and the Group are exposed

Risks connected with the general condition of the economy

The Group's economic, equity and financial position is influenced by various factors that together make up the macroeconomic context; these include the increase or decrease of the gross domestic product, the level of consumer faith and that of business, interest rate trends for consumer credit, the cost of raw materials and the unemployment rate.

In 2016, the world macroeconomic context began to confirm the signs of recovery shown in 2015 with demand showing growth as compared to the same period of last year. The market in which the Group operates is extremely cyclical and tends to reflect the general trend of the economy, in some cases even extending its scope. Due to the difficulties in forecasting the dimension and duration of the economic cycles, it is impossible to provide any assurance with regards to future demand or supply trends of the products sold by the Company on the markets on which it operates.

Moreover, some important economies are still very much suffering the recession, or have experienced recent low growth rates or periods of a stagnant economy. These latter or new recession conditions in markets that have just left them behind, can ultimately influence the industrial development of a great many businesses, including those of the Group. There can be no certainty that the steps taken by the governments and monetary authorities will be successful in re-establishing the conditions required to ensure the sustainable recovery of economic growth. This is why so much uncertainty still remains with regards to the trend of the global economy, just as it is also possible that the economies of some countries may yet experience slow growth periods or recession.

Dependence on suppliers

The Group believes that the suppliers of two transducer components - the cone and coil - would be difficult to replace quickly, given the specific technical characteristics and quality required of these, which affect the transducer yield. Therefore, should today's suppliers for some reason become unavailable, this could well have an adverse effect on the Group's business. In fact, although the Group could turn to other suppliers of these components, this may result in different conditions and technical standards to those enjoyed at present, and may result in delays in the production cycle, with all the relative negative fall-out on the Company's business.

One should also note that relations between the Parent Company and its suppliers are not governed by any long-term contracts; rather they are regulated by individual purchase orders in which prices are negotiated on the basis of the volumes of assets requested and the technical-quality characteristics offered by the different suppliers. Should one or more suppliers choose to cease working with the Company, or should disputes arise concerning the nature or terms of business, the Company will be unable to take the standard legal action applicable to supply contracts, framework agreements or other such long-term commitments; in this case, its business may suffer accordingly.

The Company seeks to mitigate this risk by using multiple vendors for the purchase of the components and for each process outsourced. In thus doing, it strives to limit the risk of interruption to production as far as possible, should the relationship with one or more suppliers be interrupted.

In the event of significant difficulties by key suppliers of the Parent Company, we cannot rule out major interventions and/or investments in terms of stocks and the purchases of components for production, in order to benefit from considerable economic savings, whilst keeping production unchanged.

Dependence on key figures

The Group is currently managed by some key figures, namely the directors of the Parent Company with their operative powers of attorney, whose consolidated experience in the industry allows them to make an important contribution towards the Company's success. Should the contracts be terminated between the Company and one or more of these key management figures, there is no guarantee that the Group can successfully replace them promptly with equally qualified persons able to ensure, in the short-term, the same contribution; the consequence would be a potentially negative effect on the Company's business.

Exchange rate fluctuation

The Group also operates in non-Eurozone countries and this exposes the Group to the risks deriving from changes in the exchange rates between the different currencies. We are therefore unable to exclude the possibility that repeated changes in exchange rates may have a negative impact on the Group's economic-financial position.

Exposure to economic risk is constituted by debts and loans in foreign currency, related to sales and to future purchases.

Concentration of the customers

Most of the Group's revenues come from orders placed by OEM customers. Should there be a reduction in the demand generated by these OEM customers, with which there are no particular contractual constraints, or should payments by these customers be delayed, this would negatively impact the Group's economic and financial position.

In accordance with its risk management policy, the Group places particular emphasis on the process of product development aiming to extend the life cycle of a product by means of high quality maintenance. In particular, the difficulty replacing components supplied by the Group in a line of enclosures, involves a high level of customer loyalty and a consequent lowering of the risk of concentration on the main customers.

Difficulty protecting intellectual property

With the exception of the product lines DCX and ME102, for which the company has submitted (respectively, in 2005 and 2006) international patent applications, the products marketed by the Group are not protected by patents. Therefore, we cannot rule out the risk that the competitors of the Issuer may develop equivalent products and processes, to compete with those marketed by the Group; Such circumstances may have an adverse effect on the Group's business.

Partial adoption of the code of corporate governance of listed companies

The Company strives towards the continuous gradual encompassing of the Governance regulations laid down by the code of conduct for listed companies, as far as the parts considered applicable to the dimension and complexity of the Company are concerned. More specifically, a Remunerations Committee has been established consisting of an independent director and a non-executive director, an Appointments Committee and an Internal Audit and Risks Committee consisting of two independent directors; additionally; an Investor Relator has been appointed to manage relations with stakeholders in general, the organisational and control model pursuant to Italian Legislative Decree no. 231/01 has been approved and the supervisory body appointed and assigned the task of verifying the application of the model. The Parent Company also has an Internal Auditor Manager.

Reference market and the threat posed by competition

Entry on the market of new Italian or foreign competitors may have a negative impact on the Group's economic-financial results in the medium/long-term. There is no certainty that the competitive structures of the reference market shall remain such as to allow the Group to pursue its strategies. We can also not exclude the possibility that in the future, producers of loudspeaker systems may decide to produce electro-acoustic transducers in-house, with all consequent negative effects on the Group's economic, equity and financial position.

The Group believes that adequate financial support to product development, with a view to maintaining and improving product quality and its potential customisation (the Group's real strength) can help to mitigate the risk of competition.

Fluctuation in the price of production factors

The prices of the components purchased by the group are subject to fluctuations as a result, for example, of changes in the price of the raw materials used to make the components themselves, such as steel, iron, aluminium and plastic. An increase in prices of raw materials and components used in the production could have negative effects on the Group's economic, equity and financial position.

Financial risks

As regards Financial Risks, one should refer to the specific section in the Explanatory Notes.

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B&C Speakers S.p.A., as Parent Company, is basically exposed to the same risks and uncertainties as described above for the Group.

10 Consolidated financial statements of the B&C Speakers Group at 31 December 2016

10.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)		Notes	31 December 2016	31 December 2015 (a)
ASSETS				
Fixed assets				
Tangible assets		1	2,709,902	3,145,378
Goodwill		2	1,393,789	1,393,789
Other intangible assets		3	97,355	92,329
Investments in non controlled associates		4	50,000	50,000
Deferred tax assets		5	296,702	273,887
Other non current assets		6	509,749	456,171
	related parties	30	*88,950*	*88,950*
Total non current assets			**5,057,498**	**5,411,554**
Currents assets				
Inventory		7	8,181,834	8,812,521
Trade receivables		8	7,773,575	7,084,609
Tax assets		9	225,624	357,913
Other current assets		10	6,421,637	4,339,376
Cash and cash equivalents		11	3,731,312	1,495,913
Total current assets			**26,333,982**	**22,090,332**
Total assets			**31,391,480**	**27,501,886**

			31 December 2016	31 December 2015 (a)
LIABILITIES				
Equity				
Share capital		12	1,087,340	1,072,541
Other reserves		12	4,494,290	3,283,847
Foreign exchange reserve		12	559,170	363,970
Retained earnings		12	15,737,242	13,378,781
Total equity attributable to shareholders of the parent			**21,878,042**	**18,099,139**
Minority interest			-	0
Total equity			**21,878,042**	**18,099,139**
Non current equity				
Long-term borrowings		13	1,692,635	2,821,554
Severance Indemnities		14	710,137	660,765
Provisions for risk and charges		15	82,596	82,596
Deferred tax liabilities		16	0	0
Total non current liabilities			**2,485,368**	**3,564,915**
Current liabilities				
Short-term borrowings		16	1,128,918	1,133,516
Trade liabilities		17	3,948,795	3,180,375
	related parties	30	*340*	*89,655*
Tax liabilities		18	712,098	557,040
Other current liabilities		19	1,238,259	966,901
Total current liabilities			**7,028,070**	**5,837,832**
Total Liabilities			**31,391,480**	**27,501,886**

(a) One should note that, in order to ensure the reader greater comparison with the information in the consolidated financial statements at 31 December 2016, the presentation of certain details relative to the previous financial year have 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.

10.2 STATEMENT OF COMPREHENSIVE INCOME 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		*Notes*	**2016**	**2015**
Revenues		*21*	38,431,521	36,588,399
Cost of sales		*22*	(22,415,395)	(21,577,174)
Other revenues		*23*	124,366	148,023
Cost of indirect labour		*24*	(2,109,407)	(1,897,617)
Commercial expenses		*25*	(823,590)	(827,163)
General and administrative expenses		*26*	(3,856,739)	(3,977,351)
	related parties	*30*	*(924,949)*	*(927,249)*
Depreciation of tangible assets		*27*	(761,490)	(732,007)
Amortization of intangible assets		*27*	(27,500)	(72,475)
Writedowns		*27*	(71,499)	(77,940)
Earning before interest and taxes			**8,490,265**	**7,574,696**
Financial costs		*28*	(341,734)	(680,225)
Financial income		*28*	732,702	521,962
Earning before taxes			**8,881,233**	**7,416,433**
Income taxes		*29*	(2,764,052)	(2,439,881)
Profit for the year (A)			**6,117,181**	**4,976,552**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		*12*	(5,335)	10,049
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:				
Exchange differences on translating foreign operations		*12*	195,200	36,199
Total other comprehensive income/(losses) for the year (B)			**189,865**	**46,248**
Total comprehensive income (A) + (B)			**6,307,046**	**5,022,800**
Profit attributable to:				
Owners of the parent			6,117,181	4,976,552
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			6,307,046	5,022,800
Minority interest			-	-
Basic earning per share		*12*	0.57	0.46
Diluted earning per share		*12*	0.57	0.46

10.3 CONSOLIDATED STATEMENT OF CASH FLOW 2016 PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows
(Euro thousands)

	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)	6,307	5,023	
Income tax expense	2,764	2,440	
Amortization of intangibles assets	28	72	
Depreciation of tangible assets	761	732	
Finance cost	342	680	
Interest income	(733)	(522)	
Net change in provisions for risk and charges and other provision relating to personell	54	49	
Change in provigion for leaving indemnities			
Allocations and revaluations	-	4	
Actuarial gain/(losses)	11	(15)	
(Use)	(15)	(20)	
(increase) decrease in current trade and other current receivables	(410)	28	
(increase) decrease in deferred tax assets and liabilities	(23)	8	
(increase) decrease in inventory	631	(794)	
Increase (decrease) in current trade and other payables	767	(683)	**Note 1**
Net cash from/(used in) operating activities	**10,484**	**7,002**	
Paid interest costs	(311)	(680)	
Collected interest income	488	522	
Taxes paid	(2,365)	(2,357)	
Total (B)	**8,296**	**4,487**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(326)	(475)	
Proceeds for sale of non current tangible assets	-	-	
Net (investments) in non current intangible assets	(33)	(29)	
Net (investments) in investment in associates	-	(50)	
Net (investments) in non current securities	(54)	17	
(Investments) in current securities	(2,200)	(200)	
Proceeds from sale of current securities	217	1,173	
Total (C)	**(2,397)**	**436**	
D- Cash flow from financing activities			
(Outflow) from repayment of loans	(1,124)	(7,099)	
Inflow from borrowing activities	-	4,000	
Purchase of treasury shares	1,225	(955)	
Dividend paid to shareholders	(3,755)	(3,465)	
Total (D)	**(3,654)**	**(7,519)**	
E- Cash flow for the period (B+C+D)	**2,246**	**(2,596)**	
F- Cash and cash equivalents at end of the period	**3,732**	**1,486**	

Note 1: the liquidity generated as a result of the change in the amounts owed to suppliers and others includes an absorption of liquid funds due to transactions with the parent company R&D International S.r.l. amounting to about Euro 17 thousand.

The following table shows the composition of the balance of net final cash and cash equivalents at 31 December 2016 and at 31 December 2015.

	31-Dec-16	31-Dec-15
Cash	3,732	1,496
Bank overdrafts	-	(10)
Total	**3,732**	**1,486**

10.4 STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 31 December 2016, PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Below is the statement of changes in consolidated shareholder's equity that took place in FY 2015 and FY 2016.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	FTA Reserve	DBO reserve	Result of the period	Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
Euro thousand														
Balance December 31, 2014	1,086	379	3,777	44	2	263	7,496	12	(160)	4,533	11,881	17,432	0	17,432
Result of the period										4,977	4,977	4,977		4,977
Other comprehensive income/expenses						36			10		10	46		46
Totale other comprehensive income/expenses	-	-	-			36	0	0	10	4,977	4,987	5,023	0	5,023
Shareholders														
Allocation of previous year result					25		4,508			(4,533)	(25)	0		0
Dividend distribution							(3,465)				(3,465)	(3,465)		(3,465)
Treasury shares allocation	(13)		(942)								0	-955		-955
Other						65						65		65
Balance December 31, 2015	1,073	379	2,835	44	27	364	8,539	12	(150)	4,977	13,378	18,100	0	18,100

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	FTA Reserve	DBO reserve	Result of the period	Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
Euro thousand														
Balance December 31, 2015	1,073	379	2,835	44	27	364	8,539	12	(150)	4,977	13,378	18,100	0	18,100
Result of the period										6,117	6,117	6,117		6,117
Other comprehensive income/expenses						195			(5)		(5)	190		190
Totale other comprehensive income/expenses	0	0	0			195	0	0	(5)	6,117	6,112	6,307	0	6,307
Shareholders														
Allocation of previous year result							4,977			(4,977)	0	0		0
Dividend distribution							(3,755)				(3,755)	(3,755)		(3,755)
Treasury shares allocation	15		1,210								0	1,225		1225
Balance December 31, 2016	1,088	379	4,045	44	27	559	9,761	12	(155)	6,117	15,735	21,877	0	21,877

11 Explanatory notes to the consolidated financial statements as at 31 December 2016

11.1 Basis of preparation

The consolidated financial statements as at 31 December 2016 of B&C Speakers S.p.A . (hereinafter the "B&C Speakers Group") have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved 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"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

These Consolidated Financial Statements for the Group are expressed in Euro as this is the currency used to conduct most of the operations of the Parent Company and its subsidiaries.

International accounting standards have been uniformly applied to all Group companies.

The financial statements of the subsidiaries, used for consolidation, have been duly amended and reclassified wherever necessary, in order to bring them into line with the international accounting standards and homogeneous classification criteria used throughout the Group.

These financial statements are prepared on the basis of historic cost and considering the business as a going concern. The Group has in fact determined that, despite the difficult economic and financial environment, there are no significant uncertainties (as defined by para. 25 of IAS 1) on business continuity, since the volume of business, as well as the portfolio of current orders, of the Company and the Group give no indications of business continuity risks.

These consolidated financial statements were audited by PricewaterhouseCoopers S.p.A..

Content and form of the financial statements

The consolidated financial statements comprise the Balance sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flow and these Explanatory Notes.
With reference to the form of the consolidated financial statements, the Group has chosen to submit the following:

Consolidated statement of financial position

The consolidated balance sheet is presented with opposing sections and separate indication of assets, liabilities and shareholders' 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 income statement is classified according to destination. The following aggregates are highlighted: (i) EBIT, which includes all components of income and cost, net of depreciation, amortisation, write-downs and other provisions (ii) EBT, which includes EBT net of tax on income and finally (iii) net income for the period. The Comprehensive Income Statement is presented with a breakdown of Other comprehensive profits and losses that distinguishes between gains and losses that will be reclassified in the income statement and gains and losses that will not be reclassified in the income statement.

Consolidated cash flow statement

The consolidated statement of cash flows is broken down according to cash-generating areas. The statement of cash flows adopted by the B&C Speakers Group was drawn up using the indirect method. Cash and cash equivalents included in the statement of cash flow include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. 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 equity is included, as required by the international accounting standards, with the separate highlighting of the consolidated result for the year and of all income, revenues, expenses and charges that are not recorded on the income statement, but rather charged directly to consolidated equity, in accordance with specific IAS/IFRS.

Consolidation scope

All subsidiaries, i.e. those companies in which the Parent Company have been included in consolidation.

The following companies therefore fall within the scope of full consolidation at 31 December 2016. There were no changes in the scope of consolidation compared with 31 December 2015.

Companies	Country	Group structure at 31 december 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%

Associated company	Country	Group structure at 31 december 2016			Group structure at 31 December 2015		
		Direct	Indirect	Total	Direct	Indirect	Total
Silence Tech S.r.l.	Italia	33%	-	33%	33%	-	33%

The key data of the Parent Company's subsidiaries and associates as at 31 December 2016 are shown below:

Company		B & C SPEAKERS, NA LLC (USA)
Share Capital	Dollars	30,000
Net Equity	Dollars	537,315
Profit / Loss	Dollars	289,884
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	1,449,786

Company		B&C SPEAKERS BRASILE (Brasile)
Share Capital	Real	1,720,729
Net Equity	Real	1,355,812
Profit / Loss	Real	140,922
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	428,151

Company		SILENCE TECH S.r.l. (Italia)
Share Capital	Euro	150,000
Net Equity	Euro	(a)
Profit / Loss	Euro	(a)
Stake held directly		33%
Stake held indirectly		0%
% capital shareholding		33%
Book value	Euro	50,000

(a) The Company was established in late 2015 and is still in the start up phase and its first financial statements will close on 31 December 2016. These financial statements have not yet been approved by the Board of Directors.

Consolidation standards

The main criteria for consolidation, applied in preparing the consolidated financial statements as at 31 December 2016 in accordance with IFRS, in continuity with the previous year, are as follows:

a) the book value of equity investments in subsidiaries is eliminated against the relative shareholders' equity, against the assumption of the assets and liabilities of the investees in accordance with the full integration method; control exists when the Group is exposed to, or has the right to, variable returns from its involvement in the enterprise and has the ability to influence these variable returns through its power over the controlled company; the acquisition of a subsidiary is accounted for using the acquisition method. The acquisition cost is measured at the aggregate of the current (fair) values, at the date of obtaining the assets, the incurred or assumed liabilities and the financial instruments issued by the Group in exchange for control of the acquired enterprise;

b) assets, liabilities and potential liabilities acquired and identifiable are entered at their current (fair) value on the date of acquisition. The positive difference between cost of acquisition and the share of Group interest in the current value of those assets and liabilities is classified as goodwill and is entered in the balance sheet as intangible asset. In accordance with the transitional provisions of IFRS 3, the Group has fully applied this principle since the preparation of the first consolidated financial statements (31 December 2004);

c) if a negative difference should emerge, IFRS 3 does not allow for the recognition of a negative consolidation difference, hence the excess interest of the purchaser in the fair value of the assets, liabilities and potential liabilities that can be identified for the acquired business with respect to the cost of the acquisition is recognised in the income statement, after having re-determined the fair value of the assets, liabilities and potential liabilities that can be identified for the acquired business;

d) once control over the investee has been acquired, any acquisitions of additional investments are entered by charging the difference between the price paid and the value of the corresponding share of the investee's shareholders' equity directly as a reduction to the consolidated shareholders' equity. Similarly, if any equity investments are sold but do not lead to the loss of control, the capital gain or loss is charged or credited to an entry in net equity and subsequently transferred to the income statement only when control over the investee is sold;

e) the economic results of the subsidiaries acquired or transferred during the financial year are included in the consolidated income statement from the actual acquisition date until the actual date of sale;

f) investments in associated companies are valued on the basis of the equity method; if any portion of the losses of the associate attributable to the Parent Company exceeds the carrying amount of the investment, the value of the investment is reduced to zero and the portion of any further losses is recognized to the extent that the Parent Company is obliged to that liability;

g) significant operations between consolidated companies are derecognised, as are receivables and payables, costs and income and profits not yet realised deriving from transactions implemented between Group companies, net of any tax effect;

h) the interest share of minority shareholders in net assets of the consolidated subsidiaries is identified separately from the Group's shareholders' equity. This interest is determined according to the percentage they hold in the fair value of the assets and liabilities recorded as at the original purchase date and in the changes of shareholders' equity after said date. Thereafter, losses attributable to minority shareholders exceeding their share in the shareholders' equity, are assigned to the Group's shareholders' equity, with the exception of cases where minorities have a binding obligation and are able to make additional investments to cover the losses. For acquisitions made prior to the date of first-time application of the IFRS, as permitted by IFRS 1, consolidation takes place according to the standards previously in force. Therefore, the shareholders' equity of minorities was originally determined according to the share of shareholders' equity booked and pertaining to the minority shareholder as at the acquisition date.

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic context in which it operates (functional currency). For the purpose of the consolidated financial statements, the financial statements of each foreign entity are specified in euros, which is the Group's functional currency and the currency in which the consolidated financial statements are presented.

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries, whose functional currencies differ from the euro, are converted at exchange rates in force as at the reporting date. Income and expenses are converted at average rates for the period. The foreign exchange differences resulting from the application of this method, as well as the difference of currency conversion resulting from the comparison between the initial shareholders' equity converted at current exchange rates and those converted at historical exchange rates, pass through the statement of comprehensive income and are accumulated in a specific reserve in shareholders' equity (so-called Foreign exchange reserve) until disposal of the investment. This reserve is recognised on the income statement as income or expense in the period in which the relevant subsidiary is sold.

The rates applied on the conversion of financial statements into a currency other than the euro as at 31 December 2015 and 31 December 2016 are shown in the following table (source: Bank of Italy):

Currency	**31-dic-16**		**31-dic-15**	
	Avg exch.	**Final exch.**	**Avg exch.**	**Final exch.**
EURO/USD	1.107	1.054	1.110	1.089
EURO/REAL	3.856	3.431	3.700	4.312

Accounting standards adopted

The measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2016 are as follows.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, only if it is identifiable, controllable and predictable that it will generate future economic benefits and its cost can be reliably determined.
These assets are entered at their cost of purchase or production and depreciated in constant shares along the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Development costs can be capitalised, provided the cost can be reliably determined and that it can be demonstrated that the activity is able to generate future economic benefits.
Research costs are charged to the Income Statement in the period in which they are incurred.
Fixed assets in progress are stated at cost based on contractual progress reports defined with the supplier and are depreciated from the period in which they come into operation.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	Ammortization period
Patent rights	3 - 5 years
Development costs	5 years

Goodwill

In the case of company acquisitions, assets, liabilities and potential liabilities acquired and identifiable are entered at their current (fair) value on the date of acquisition. The positive difference between cost of acquisition and the share of Group interest in the current value of those assets and liabilities is classified as Goodwill and is entered in the balance sheet as intangible asset. Any negative difference ("negative goodwill") is instead entered in the Income statement on the date of acquisition.
Goodwill is not amortised, but once a year, or more frequently should specific events or changed circumstances indicate possible impairment, it is subjected to tests to identify any impairments, in accordance with the provisions of IAS 36 - Impairment of assets. Any goodwill recognized following acquisitions of control prior to 31 December 2004 were recorded in accordance with the principles applicable at the time. After initial recognition, goodwill is measured at cost less any accumulated impairment losses

Property, plant and equipment

These assets are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.

The depreciation rates applied for each category of assets are:

Category	% depreciation
Buildings	2.60%
Photovoltaic asset and other minor	12.5% - 5%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the specified rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to the income statement.

Leased assets

Leases are classified as financial leases whenever the terms of the contract are such as to transfer substantially all the risks and benefits of the property to the lessee. All other leases are considered operating assets.
Leased assets are recognised as assets pertaining to the Parent Company at "fair value" on the date of the contract, or, if lower, the current value of minimum lease payments due under the lease contract. The corresponding liability to the lessor is included in the balance sheet as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial expenses are directly charged to the income statement for the year.
The costs of operating lease instalments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Impairment

On the closing date, the Parent Company reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. When the recoverable amount of an asset cannot be individually estimated, the Parent Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in value regardless of the existence, or otherwise of indicators for the reduction of their value.
The recoverable amount is the greater of the "fair value" net of the cost of sale and the value in use. In

calculating the value in use, the future estimated cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount; this shall not, however, exceed the net book value of that asset had it not been written down as impairment loss. Recovery of value is charged to the Income statement.

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.
Non-current assets (and groups of assets held for disposal) are classified as available for sale when their book value is expected to be recovered through a disposal, instead of using them in business operations. This condition is only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and, for finished products or work-in-progress, the production cost includes raw materials, direct labour and other costs directly attributable to production in addition to converging the indirect production costs that are reasonably attributable to production work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The market value as regards raw materials and works in progress is represented by the presumed net realisable value of the corresponding finished products less costs for completion; as for finished products, it is represented by the presumed net realisable value (price lists less cost of sale and distribution).
Any lower valuation established on the basis of market trends is deleted in subsequent years if the reasons that led to it no longer exists.
Inventories that are obsolete, slow-moving and/or surplus to normal requirements are devalued in relation to their possible future use or realisation by means of an inventory depreciation provision.

Receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured in accordance with the amortized cost method, net of the provision for doubtful accounts. Losses on receivables are accounted for in the financial statements when there is objective proof that the company will not be able to recover the amount owed by the counterpart based on the contractual terms.
When the collection of receivables is deferred beyond standard conditions offered to customers, the receivable is discounted.

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Financial assets

Financial assets are entered on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, the financial assets that the Parent Company intends to and has the capacity

to hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When are financial assets held for trading, profits (or losses) arising from changes in "fair value" are charged to the income statement of the period; in the case of available-for-sale financial assets, gains and losses arising from changes in fair value are entered directly under equity until they are disposed of or have sustained a loss of value; on that date, cumulative gains or losses previously entered under equity are also listed in the income statement of the period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; there is no significant risk that their value may change. The item does not include bank overdrafts that are repayable on sight.

Financial liabilities and instruments representative of shareholders' equity

Financial liabilities and equity instruments issued by the Company are classified according to the contractual agreements that have generated them and according to the respective definitions of liabilities and equity instruments. These are contracts that give the right to benefit from residue interest in the Company's assets after deducting its liabilities.
The equity instruments issued by the issuer are entered based on the amount collected, net of the direct costs of issuance.

Bank loans

These consist of bank overdrafts and loans. Loans are recognised initially at cost represented by the fair value of the amount initially received net of ancillary expenses in acquiring the loan. After this initial recognition, loans are reported with the amortised cost criteria using the effective interest method.
Loans are classified as current liabilities unless the Company has the absolute right to defer the extinction of such a liability for at least 12 months after the balance sheet date.

Long-term provisions

The Company enters risks and expenses when it has a legal or implied obligation toward third parties and it is likely that it will have to use resources to fulfil said obligation, when a reliable estimate can be made of the amount of the obligation itself.
Changes in estimates are accounted for in the income statement in the year of their competence.
When their impact is significant, the provisions are calculated discounted of any estimate future cash flows at a discount rate gross of tax, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Provisions for personnel and similar

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statements. Consequently, Severance Indemnity is recalculated by applying the "projected unit credit method".
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the financial statements represents the current value of the liabilities for defined benefit plans, adjusted to take into account the actuarial gains and losses

and costs relating to the performance of past employment services and reduced to the fair value of the plan assets. Any net assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid employment services, including the current value of any refunds and reductions in future contributions to the plan.
The amendment to IAS 19 - Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, has eliminated the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items in the statement of comprehensive income.

Severance pay for Directors has been calculated using the statutory method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

Payables are entered at fair value and subsequently measured using the amortised cost method.

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is revised annually and reduced to the extent that it is no longer probable that the company will generate taxable income to allow all or part of the recovery of the assets.
Deferred taxes are determined based on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to the currently applicable rate or pending approval. Deferred taxes are attributed directly to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same agency and the Parent Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euros at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realisation.

Revenue entry

Revenues from the sale of products are recognized to the extent that it is probable that the Company will receive the economic benefits and that the amount can be measured reliably. Revenues are recognised when the risks and rewards associated with ownership are transferred to the buyer, the sale price is agreed upon or determinable and its collection is reasonably certain.
Revenues are declared net of returns, discounts, rebates and rewards as well as of taxes directly related to

the sale of the goods.
Revenues from the provision of services are recognised when they are delivered with reference to a progress report.
The Company does not apply deferred collection terms above normal market terms, so it is not necessary to distinguish between the sales component and interest component in revenues as required by IAS 18.

Costs

The costs are charged to the income statement when their existence is ascertained and when the amount can be objectively determined and when it is substantially possible to verify that the company has incurred such costs on an accrual basis.

Financial income

Financial income is recognised on an accrual basis. This includes interest income on invested funds, income from financial assets held for trading and gains on exchange rate differences. Interest income is entered into the income statement when it accrues, considering its effective yield.

Financial charges

Financial charges are recognized on an accrual basis and include interest expense on financial debts calculated using the effective interest method and losses on exchange rate differences.
The share of interest expense from instalments on financial leasing operations is charged to the income statement using the effective interest method.
Financial charges, incurred against investments in assets for which there is normally a determined period of time before making the asset ready for use, are capitalised and amortised over the useful life of the class of assets to which they relate.

Dividends

Dividends entered in the income statement are recorded on an accrual basis, i.e. when due to distribution of the investee, the shareholder's right to receive the payment accrues.

Contributions

Contributions are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
"Contributions for plant investments" are recorded on the income statement according to the useful life of the asset against which they are disbursed.
"Contributions for operating expenses" are credited to the income statement in relation to costs against which they are disbursed.

Income tax

Taxes for the year represent the sum of current and deferred tax.
Taxes were divided between current taxes, calculated on the taxable income, and deferred tax assets (tax assets and/or liabilities) with respect to the taxable income of the subsequent years.
They are included in the consolidated financial statement as taxes allocated in the financial statements of individual consolidated companies, based on the estimate taxable income determined in accordance with the national laws applicable on the closing date of the statement, accounting for the applicable exemptions

and tax credits. Income tax is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.
They are entered under "tax payables" net of any advances and withholdings applied. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Treasury shares

Treasury shares are deducted from shareholders' equity. The original cost of treasury shares and the revenues arising from subsequent sales are recorded as changes in shareholders' equity.

Earnings per share

The basic earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the Company by the weighted average of the ordinary shares outstanding, considering the effects of all potential ordinary shares with diluted effect.

Use of estimates

The preparation of financial statements and related Notes in application of the IFRS requires the Management to make estimates and assumptions that have effect on the values of assets and liabilities, as well as on the information relating to potential assets and liabilities as at the reporting date. Final results may differ from these estimates. The estimates are used to evaluate intangible assets subjected to impairment testing, as well as to calculate provisions for risks on loans, for obsolete inventories, depreciation, asset amortisation, employee benefits, taxes, restructuring funds and other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility in the coming year that actual results will differ from the estimates which may therefore, require major adjustments that we are currently unable to predict.

Below there is a summary of the critical processes of assessment and the key assumptions used by the Group in the process of implementing IFRS and which are likely to have significant effects on the values recorded in the Consolidated Financial Statements or for which there is a risk that significant value differences may arise compared to the carrying amount of assets and liabilities in the future.

Recoverable value of non-current assets
Non-current assets include Tangible Fixed Assets, Other intangible assets, Goodwill and Other Non-current financial assets and Investments in associates. The Group periodically reviews the carrying amount of non-current assets held and used and of assets that need to be disposed of, whenever events and circumstances require such a review. This analysis is carried out for goodwill at least once a year and whenever events and circumstances warrant. The recoverability of the carrying amount of goodwill is generally analysed using cash flow estimates that are expected from the use or sale of assets and the appropriate discount rates for calculating their current value. When the carrying amount of a non-current asset has undergone an impairment loss, the Group enters a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale thereof, calculated by reference to the cash flows inherent in the most recent business plans.

Recoverability of deferred tax assets
The Company has deferred tax assets for temporary deductible differences and theoretical tax benefits

from losses that could be carried forward. In determining the estimated recoverable amount, the Group took the results of the business plan into account.

Pension plans and other post-employment benefits

The provisions for employee benefits and net financial charges are assessed using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and payroll growth rates and considers the probable occurrence of potential future events through the use of demographic parameters such as mortality rates and the resignations or retirement of employees. The assumptions used for evaluation are detailed in Note 14 “Provisions for personnel and similar”.

Provision for doubtful accounts

The provision for doubtful accounts reflects the management’s estimate on expected losses related to the portfolio of receivables. Provisions against expected losses on receivables are made on the basis of past experience. The Management closely monitors the quality of the portfolio of receivables and the current and forecast conditions for the economy and markets. The estimates and assumptions are regularly reviewed and the effects of each change are reflected in the relevant Income Statement.

Provision for inventory writedowns

The provision for inventory writedowns reflects the management’s estimate of the Company’s expected losses, calculated on the basis of past experience. Abnormal trends in market prices could lead to future inventory write-downs.

Funds for Product Warranty

At the time of selling a product, the Company sets aside funds relating to the estimated costs for product warranty. The estimate for this fund is calculated on the basis of historical information regarding the nature, frequency and average cost of works on guarantee.

Contingent liabilities

The Company ascertains a liability regarding pending disputes and lawsuits, when it considers it is likely there will be a financial outlay and when the amount of losses arising from it can be reasonably estimated. In the event that a financial outlay becomes possible but the amount cannot be determined, that fact is reported in the notes to the financial statements. The Company monitors the status of any pending lawsuits and seeks advice from its legal advisers and experts in legal and tax matters.

Depreciation and amortisation

The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group’s fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.

The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax

The Company is subject to different tax legislation on income in a number of different jurisdictions. In order to determine the Group’s tax liabilities, the Management has to use certain forms of assessment regarding transactions whose tax implications are not certain on the date the balance sheet is closed. The Group acknowledges the liabilities which might arise from future inspections by the tax authorities according to the estimate of tax that will be due. If the outcome of any of the aforesaid inspections were to differ from that estimated by management, it could have some significant effects on current and deferred taxes.

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.

New accounting standards, amendments and interpretations applied since 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 financial statement items not to be aggregated when they have different features and requires financial statement items not to be disaggregated when this makes it difficult to understand and comprehend the disclosure and financial statements. In addition, 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.
- IFRS 10 "Consolidated Financial Statements" and IAS 12 "Investments in Associates and Joint

Ventures".
Relative to the first one, the amendment clarifies that the exemption from presenting 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. With regard to IAS 28, this standard was amended regarding investments held in associates or joint ventures that are "investment entities". These investments can be measured using the equity method or at fair value.

Amendments and interpretations effective from 1 January 2016 but not applicable to the Group

The following amendments and interpretations, applicable from 1 January 2016, govern situations and cases not found in the Group at the date of these financial statements:

- IAS 41 "Agriculture" and IAS 16 "Property, Plant and Equipment": with the changes to these international accounting standards, the IASB established that fruiting trees, used exclusively for the cultivation of agricultural products over several financial years should be subject to the same accounting treatment as property, plant and equipment under IAS 16, since their "operation" is similar to that of manufacturing.
- IFRS 14 "Regulatory Deferral Accounts": the new transitional standard issued by the IASB on 30 January 2014, allows an entity adopting IAS/IFRS for the first time, to continue to apply previous GAAP accounting policies as regards assessment (including impairment) and to eliminate regulatory deferral accounts.
- IFRS 10 "Consolidated Financial Statements": The amendment clarifies that the exemption from presenting 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.

Accounting standards, amendments and interpretations not yet applicable

As of the date of this Financial Report, the competent bodies of the European Union have 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. The Company initiated a thorough analysis of its contract formats associated with the disposal of products (the most significant component of revenues). Other contract formats with a less significant economic impact are also being examined. The Management believes it will be able to make a more reliable assessment of accounting impacts within the next 12 months. It should be noted that there are no contracts with an extension to the product warranty beyond the statutory time.
- in April 2016, the IASB issued the document "clarifications to IFRS 15". The objective of this document is to clarify the guidelines relating to IFRS 15 with reference to certain critical elements emerged in the discussions of the "Transition Resource Group of revenue recognition" (TRG). The new rules will apply from the financial periods beginning on or after 1 January 2018, subject to any subsequent postponements following the approval by the European Union of changes to the standards, that had not yet been made as of the date of this condensed consolidated interim financial report
- 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.

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 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 January 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 January 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.
- Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The changes are intended to better define the accounting treatment of gains or losses arising from transactions with joint ventures or associates measured using the equity method. As of the date of this condensed consolidated interim financial report, the date from which the new provisions will apply has not yet been decided.
- In June 2016, the IASB issued an amendment to IAS 2 "Share-based payment". These amendments clarify the recognition of certain share-based payments. These amendments apply as of 1 January 2018.
- In December 2016, the IASB issued an amendment to IAS 40 "Investment property". These changes clarify that the change of use is a necessary condition for transfer from/to Investment Property. These amendments apply as of 1 January 2018.
- In September 2016, the IASB issued an amendment to IFRS 4 "Insurance Contracts" as regards the application of IFRS 9 "Financial Instruments".
  The changes to the standard will enable all companies that issue insurance contracts the option of recognising in the statement of comprehensive income, rather than in the income statement, the volatility that might arise when IFRS 9 is applied before the new standard on insurance contracts is issued. In addition, it will allow businesses whose activity is mainly associated with insurance contracts a temporary waiver in the application of IFRS 9 until 2021. Entities deferring the application of IFRS 9 will continue to apply IAS 39. These amendments apply as of 1 January 2018.
- In December 2016, the IASB issued a series of annual changes to the 2014–2016 IFRS. These amendments involve:
  - IFRS 12 - Disclosure of interests in Other Entities (applicable from 1 January 2017);
  - IFRS 1- First-time Adoption of International Financial Reporting Standards (applicable from 1 January 2018);

- IAS 28 – Investments in associates and joint ventures (applicable from 1 January 2018) The amendments clarify, correct or remove the redundant text in the related IFRS and it is thought unlikely that they will have a significant impact on the Financial Statements or disclosures.

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration. The change refers to the exchange rate to be used in transactions and advanced sums paid or received in foreign currency. The amendment will be applicable from 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.

11.2 Analysis of the breakdown of the main items of the consolidated balance sheet as at 31 December 2016

1. Property, plant and equipment

The structure of property, plant and equipment at 31 December 2016 and their change during the year are highlighted in the following tables:

Historic cost	31-Dec-15	Additions	Reclassificatio n	Foreign exch.	(Decreases)	31-Dec-16
Land and buildings	5,420	-	-	179	-	5,599
Photovoltaic System and other minor	806,919	37,063	89,280	-	-	933,262
Lightweight construction	30,879	-	-	-	-	30,879
Plants and machinery	4,568,307	-	-	3,050	-	4,571,357
Industrial equipment	4,309,623	259,994	-	545	-	4,570,162
Various equipment	853,436	14,106	-	7,408	-	874,950
Fixed assets in progress	89,280	12,000	(89,280)	-	-	12,000
Total	**10,663,864**	**323,163**	**-**	**11,182**	**-**	**10,998,209**

Accumulated depreciation	31-Dec-15	Depreciation	Reclassificatio	Foreign exch.	(Decreases)	31-Dec-16
Land and buildings	2,645	1,559	-	165	-	4,369
Photovoltaic System and other minor	259,201	77,162	-	-	-	336,363
Lightweight construction	8,061	3,088	-	-	-	11,149
Plants and machinery	2,541,200	427,134	-	2,728	-	2,971,062
Industrial equipment	3,969,851	199,456	-	298	-	4,169,605
Various equipment	737,528	53,091	-	5,140	-	795,759
Fixed assets in progress	-	-	-	-	-	-
	-	-	-	-	-	
Total	**7,518,486**	**761,490**	**-**	**8,331**	**-**	**8,288,307**

Net value	31-Dec-15	Net increases	Reclassificatio	Foreign exch.	Depreciation	Accumulated depreciation	31-Dec-16
Land and buildings	2,775	-	-	14	(1,559)	-	1,230
Photovoltaic System and other minor	547,718	37,063	89,280	-	(77,162)	-	596,899
Lightweight construction	22,818	-	-	-	(3,088)	-	19,730
Plants and machinery	2,027,107	-	-	322	(427,134)	-	1,600,295
Industrial equipment	339,772	259,994	-	247	(199,456)	-	400,557
Various equipment	115,908	14,106	-	2,268	(53,091)	-	79,191
Fixed assets in progress	89,280	12,000	(89,280)	-	-	-	12,000
Total	**3,145,378**	**323,163**	-	**2,851**	**(761,490)**	-	**2,709,902**

"Various equipment" includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant changes that took place in 2016 concern the integration of production machinery and equipment at the plant.

The increase in the Photovoltaic System item refers to the completion of the system installed on the roof of part of the property adjacent to the production plant of the Parent Company.

The plant and machinery category includes an entry (for Euro 75 thousand) for the palletising equipment covered by a leasing contract with Istituto Credem Leasing S.p.A..
The "Various equipment" category includes entries for two fully depreciated forklift trucks.

2. Goodwill

A breakdown of this item at 31 December 2016 is highlighted in the following table:

Goodwill	31-Dec-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 derives from the greater value paid compared to the corresponding portion of shareholders' equity of the investees at the time of purchase. This amount, relating to consolidation of the equity investment in *B&C Speakers NA LLC,* was Euro 1,394 thousand at 31 December 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.

As highlighted in the explanation about accounting standards, goodwill is subjected once a year, or more frequently should specific events or changed circumstances indicate possible impairment, to tests to identify any impairments, in accordance with the provisions of IAS 36 - Impairment of assets (*impairment test*). The recoverability of the carrying amount is tested by comparing the net book value of individual *cash generating units* ("CGU") with the recoverable amount (value in use). This recoverable amount is the present value of future cash flows that are expected from continuous use of the assets belonging to the *cash generating units* and from the terminal value attributable to them. The recoverability of goodwill is tested at least once a year (on 31 December) even in the absence of evidence of impairment.

Therefore, on 31 December 2016, an impairment test was conducted on the net carrying amount allocated to the CGU B&C US, including goodwill and other assets related to the US subsidiary *B&C Speakers NA LLC*; these valueswere identified by the directors as being part of the single CGU since the assets of the Company are entirely dedicated to the single sector of activity i.e. the sale of "top quality professional loudspeakers".

The basic assumptions used by the Company for the determination of future cash flows, and the resulting recoverable amount (value in use) refer to:

d) a hypothesis of provisional cash flows over a five-year period that may be inferred from the Five-year Plan of B&C USA for the period 2017–2021, approved by the Parent Company's Board of Directors, together with the impairment tests on 13 March 2017;
e) the discount rate (WACC).
f) in addition to the explicit period a growth rate (g rate) was also estimated.

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) differentiated by CGU, which reflects the current market valuations of the cost of money and which takes into account the specific risks of the activity and the geographical area in which the CGU operates. The model for discounting future cash flows requires that, at the end of the projected cash flow period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The closing value represents the current value, at the final year of the projection, of all subsequent cash flows calculated as perpetual return, and has been determined using a growth rate (g rate) that differs by CGU, to reflect the different potential growth of each CGU.

Main financial parameters on impairment tests		**CAGR revenues**	**WACC**	**g**
B&C USA	2016	2.00%	7.50%	2.00%
	2015	3.00%	7.44%	2.00%

The growth rate of the Terminal Value (g rate) is specific to the CGU, in order to account for the growth potential of the area.

The medium-long term growth rate (g-rate) for the determination of the Terminal Value was considered reasonable and conservative in light of the real, forecast long-term GDP growth trend and the expected trend in the reference sector.

The analysis did not bring any impairment losses light. Therefore, no impairment loss has been reflected in the data as at 31 December 2016.

In addition, based on the information contained in joint document no. 2 of 6 February 2009 issued by the Bank of Italy, Consob and Isvap, the Group conducted a sensitivity analysis on the test results compared to the change in the basic assumptions (use of the growth rate in processing the terminal value and discount rate) that affect the value in use of the CGU. Even in the event of a positive or negative variation of 0.5% of the WACC and G, the tests would not lead to any highlighted impairment losses. In all cases analysed, the current value of forecast cash flows generated by the CGU exceeds the net book value subjected to impairment tests.

Given that the recoverable amount was determined on the basis of estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. In the current market environment, the various factors used in the preparation of the estimates may be reviewed; the Group will monitor constantly these factors and the existence of impairment.

3. Intangible fixed assets

The structure of the intangible assets on 31 December 2016, and the related changes are highlighted in the following table:

Intangible assets	31-dic-15	Reclassification	Increases	Foreign Exch.	Amortization	31-dic-16
Patent rights	71,779	20,550	31,920	606	27,500	97,355
Intangible assets in progress	20,550	(20,550)	-	-	-	0
Total	**92,329**	**0**	**31,920**	**606**	**27,500**	**97,355**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase in this year is related to the purchase of software by the Parent Company for the planning and reporting of production times.

4. Equity investments in associated companies

This item amounts to Euro 50 thousand at 31 December 2016 and reflects the value of the investment at 33% in the new company Silent 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 was established in late 2015 and is still in the start up phase and its first financial statements will close on 31 December 2016. These financial statements have not yet been approved by the Board of Directors.

5. Deferred tax assets

As at 31 December 2016, this item includes net receivables for deferred tax assets of Euro 297 thousand (Euro 274 thousand as at 31 December 2015), relating to temporary deductible differences that pertain to the Company and that were created following entry of costs not entirely deductible in the year.

The table below illustrates the composition and changes that occurred during the financial year:

Deferred tax assets	31-Dec-15	Increase	Use	31-Dec-16
Ammortization difference IFRS/TUIR	37,316	2,706	(3,031)	36,991
Management remuneration	36,832	45,619	(29,929)	52,523
Consolidation entries	213,155	0	(26,997)	186,158
USA provisions	-	48,384	-	48,384
Other	19,710	8,473	(13,824)	14,360
Total deferred tax assets	***307,013***	***105,183***	***(73,780)***	***338,416***
Deferred tax liabilities	**31-Dec-15**	**Increase**	**Use**	**31-Dec-16**
Leasing	(19,358)	-	-	(19,358)
Other	(13,769)	(15,960)	7,373	(22,356)
Total deferred tax liabilities	***(33,127)***	***(15,960)***	***7,373***	***(41,714)***
Net total	**273,886**	**89,223**	**(66,407)**	**296,702**

Deferred tax assets have been included in the Balance sheet, 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 31 December 2016 this item is as follows:

Other non current assets	31-Dec-16	31-Dec-15	Change	% Change
Insurance poilcies	357,032	303,405	53,627	18%
Guarantee deposits	56,826	57,096	- 270	0%
Ires refund receivables	88,950	88,950	0	0%
Others	6,941	6,720	221	3%
Total non current assets	**509,749**	**456,171**	**53,578**	**12%**

As at 31 December 2016, insurance refers to receivables accrued in respect of the insurance companies "Milan Insurance" and "La Fondiaria Assicurazioni" in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors' severance pay.

The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	31-Dec-15	Increases	(Decreases)	31-Dec-16
Insurance policies	303,405	53,627	-	357,032
Total	**303,405**	**53,627**	**-**	**357,032**

The period increase is due to the new payments made by the Company during the year. The payments made during the period reflect the value of the provision made to the relevant "Directors' Severance Pay" fund, as explained under note 13.

"Guarantee deposits" reflects the amount receivable for guarantee deposits issued by the Parent Company based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina Via Poggio Moro no. 1, for Euro 48 thousand, and other minor guarantee deposits for Euro 9 thousand.

"IRES refund receivable" includes the credit generated in FY 2012 following the submission by the Parent Company, of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Parent Company has therefore applied for the rebate of the greater IRES paid during the period 2007–2011.
During the second half of 2015 the Parent Company received a rebate from the Tax Authority for the share not relating to the parent company Research & Development S.r.l, under the consolidated taxation scheme in force at the time the credit was constituted.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2016:

Inventories	31-Dec-16	31-Dec-15	Change	% Change
Row materials and consumables	734,118	788,817	(54,699)	-7%
Work in progress and semi-finished	5,765,880	6,745,127	(979,247)	-15%
Finished goods	2,066,169	1,477,010	589,159	40%
Gross Total	**8,566,167**	**9,010,954**	**(444,787)**	**-5%**
Provision for inventory writedowns	(384,333)	(198,433)	(185,900)	94%
Net Total	**8,181,834**	**8,812,521**	**(630,687)**	**-7%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at 31 December 2016, it totals Euro 384 thousand.

The gross value of inventories as at 31 December 2016 would appear to have decreased by 7% overall with respect to the total as at 31 December 2015. The decrease in the value of inventories (mainly concentrated in the category of semi-finished products) is due to a timing effect at the end of the year. In fact during the early months of 2017, the value of inventories returned to normal levels as required to sustain the increased Company turnover.

Provision for inventory writedowns, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The table below shows changes in the provision for inventory writedowns.

Change in provision for inventory writedowns	31-Dec-15	Increase	Use	Foreign Exch.	31-Dec-16
Provision for inventory writedowns	198,433	176,875	-	9,025	384,333
Total	**198,433**	**176,875**	**-**	**9,025**	**384,333**

For more details about the changes in inventories, one should refer to the note commenting on the income statement item "Cost of sales".

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2016:

Trade receivables	31-Dec-16	31-Dec-15	Change	% Change
Trade receivables	8,224,857	7,445,501	779,356	10%
(Provision for doubtful accounts)	(451,282)	(360,892)	(90,390)	25%
Total	**7,773,575**	**7,084,609**	**688,966**	**10%**

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 down of receivables relative to Brazil.

The adjustment of the nominal value of receivables to their presumed realisable value was obtained by means of a suitable provision for doubtful accounts, which on 31 December 2016 stood at Euro 451 thousand.

The table below shows changes in the provision for doubtful accounts.

Change in provision for doubtful accounts	31-Dec-15	Increase	Use	Foreign Exch.	31-Dec-16
Provision for doubtful accounts	360,910	71,499	- 3,788.42	22,661	451,282
Total	**360,910**	**71,499**	**- 3,788.42**	**22,661**	**451,282**

The increase was made in the year is to cover the risk of irrecoverable receivables in the Brazil area given the sharp deterioration in the country's economic conditions.

9. Tax assets

As at 31 December 2016, tax receivables are as follows:

Tax receivables	31-Dec-15	31-Dec-14	Change	% Change
Advances on provision for serevance indemnities	2,387	2,387	-	0%
VAT receivables	170,083	196,557	(26,474)	-13%
Current tax receivables B&C Italia	-	63,954	(63,954)	-100%
Currente tax receivables B&C Brasil	53,154	95,015	(41,861)	-44%
Total tax receivables	**225,624**	**357,913**	**(132,289)**	**-37%**

Tax receivables for current taxes at 31 December 2015 were a consequence of the payment, during the year, of advances exceeding the tax expense of the year. The increase in the taxable result of 2016 resulted in the absorption of the receivables exposed as at 31 December of the previous year.

10. Other current assets

As at 31 December 2016, "Other current assets" are as follows:

Other current assets	31-Dec-16	31-Dec-15	Change	% Change
Receivables towards supplier	65,994	116,192	(50,198)	-43%
Securities	6,164,655	3,993,718	2,170,938	54%
Other minor receivables	37,451	11,083	26,368	238%
Total other receivables	**6,268,100**	**4,120,993**	**2,147,108**	52%
Commercial fairs	69,213	61,738	7,475	12%
Phone expenses	5,479	505	4,973	984%
Assistance and assurance fees	18,913	33,042	(14,129)	-43%
Specialist contract	12,250	16,825	(4,575)	-27%
Other	47,683	106,274	(58,591)	-
Total prepaid expenses and accrued income	**153,537**	**218,384**	**(64,847)**	**-30%**
Total current assets	**6,421,638**	**4,339,377**	**2,082,261**	**48%**

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 as at 31 December 2016 and the estimated gain (Euro 187 thousand) recognised in financial income on the income statement. As of 31 January 2017, asset management operations recorded a fair value of Euro 6,182 thousand.

The item Specialist contract fees refers to accrued income for service fees relating to the portion due in 2017 to *Intermonte Sim S.p.A.* for its Specialist service.

The item *Other* relates to deferrals for instalments on software licences for 30 thousand Euro and other minor items covering the remainder.

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

(In Euro)

Cash and cash equivalents	31-Dec-16	31-Dec-15	Change	% Change
Bank and postal deposit	3,726,693	1,493,515	2,233,178	150%
Cash	4,619	2,398	2,221	93%
Total cash and cash eqivalents	**3,731,312**	**1,495,913**	**2,235,399**	**149%**

For further details concerning the increase in cash and cash equivalents, one should refer to the consolidated statement of cash flow.

12. Shareholders' equity and its components

Share capital

The Group's share capital as at 31 December 2016 amounted to Euro 1,087 thousand (Euro 1,073 thousand at 31 December 2015) net of treasury shares held. The original share capital of B&C Speakers S.p.A. is equal to Euro 1,100 thousand and is composed of 11 million ordinary shares with a unit value of Euro 0.10 each. All capital is fully paid up.

As a result of the continuation of the Buy-Back plan, on 31 December 2016 B&C Speakers S.p.A. held a total 68,810 treasury shares equal to 0.63% of the share capital, bought at an average value of Euro 4.3 per share.

The following table shows the changes that occurred, in 2016, in the number of shares outstanding of the Parent Company:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2015	**10,755,450**
Treasury shares purchased	(64,260)
Treasury Shares sold	240,000
December 31, 2016	**10,931,190**

Other reserves

This item, equal to Euro 4,494 thousand at 31 December 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 27 thousand and the share premium reserve for Euro 4,044 thousand.

More specifically, the share premium reserve increased by Euro 1,210 thousand compared to 31 December 2015, following entry of the result of treasury shares traded in the year.

Foreign Exchange reserve

This item amounted to Euro 559 as at 31 December 2016 and includes the exchange differences arising from conversion of the financial statements in foreign currencies. This reserve increased by Euro 195 thousand due to the recognition of other comprehensive gains relating to the conversion of financial statements in foreign currency.

Retained earnings reserves

This item includes the following reserves:

Retained earnings

This includes the results of previous years net of distribution of dividends.

DBO Reserve

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

Result of the period

This item comprises the net period result for Euro 6,117 thousand and other period profits/(losses) for a negative value of Euro 5 thousand relative to the actuarial losses component deriving from the actuarial measurement of severance indemnity. This financial component is stated, net of the related tax effect, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013.

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.

The following tables show the effects recognised in the other components of the Statement of Comprehensive Income:

	Foreign exchange reserve	Retained earnings	Total Group	Minority interests	Total other comprehensive income/(losses)
Euro Thousand					
December 31, 2016					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(5)	(5)		(5)
Total	-	**(5)**	**(5)**	-	**(5)**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operati	195		195	-	195
Total	195	-	195	-	195
Other comprehensive income/(losses) for the year:	**195**	**(5)**	**190**	**-**	**190**
December 31, 2015					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		10	10		10
Total	-	10	10	-	10
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operati	36		36	-	36
Total	36	0	36	-	36
Other comprehensive income/(losses) for the year:	**36**	**10**	**46**	**0**	**46**

	December 31, 2016			December 31, 2015		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	(7)	2	(5)	15	(5)	10
Exchange differences on translating foreign operati	195		195	36		36
Other comprehensive income/(losses)	**188**	**2**	**190**	**51**	**(5)**	**46**

Earnings per share

Basic earnings per share have been calculated as indicated in IAS 33; the value of this indicator is equal to Euro 0.57 per share. In FY 2015, basic earnings per share were Euro 0.46. This indicator was calculated by dividing the profit attributable to shareholders of the Parent Company (Euro 6,117 thousand in 2016) by the weighted average of ordinary shares outstanding during the period (10,808,951 shares in 2016).

13. Long-term borrowings

As at 31 December 2016, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-16	31-Dec-15	Change	% Change
Credemleasing loan	-	29,338	(29,338)	-100%
Long-term Simest loan	100,000	200,000	(100,000)	-50%
Long-term CRF loan	1,592,635	2,592,215	(999,580)	-39%
Total long-term borrowing	**1,692,635**	**2,821,553**	**(1,128,918)**	**-40%**

The item "Long-term Simest loan" (Euro 100 thousand on 31 December 2016), includes the portion due beyond the next twelve months of the unsecured long-term loan stipulated with Simest S.p.A. of 19 April 2011 for an original amount equal to 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 table below shows the change in current and non current borrowings occurred during 2016:

Change in borrowings	31-Dec-15	Refunds	New borrowings	Reclassification current portion	31-dic-16
Non current portion					
Bank borrowings	2,792,215	-	-	(1,099,580)	1,692,635
Leasing	29,338	-	-	(29,338)	-
Total non current borrowings	**2,821,553**	**-**	**-**	**(1,128,918)**	**1,692,635**
Curent portion					
Bank overdrafts	9,787	(9,787)			-
Bank borrowings	1,094,735	(1,094,735)	-	1,099,580	1,099,580
Leasing	28,994	(28,994)	-	29,338	29,338
Total current borrowings	**1,133,516**	**(1,133,516)**	**-**	**1,128,918**	**1,128,918**

The item “Long-term CRF loan” of Euro 1,593 thousand at 31 December 2016 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 29 July 2015. 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 following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	Simest	CRF
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	4,000,000
Contract date	19-Apr-11	29-Jul-15
Due date	31-Dec-18	29-Jul-19
N. installments	10	48
Advance instalments	5	-
Periodicity	Half-yearly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%
Current portion	100,000	999,581
Non current portion	100,000	1,592,635

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

The Group has no outstanding loans with a maturity exceeding 5 years.

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	(24,622)

One should note that the company does not apply hedge accounting and the changes in fair value of the afore-mentioned derivative shall be charged to the income statement.

14. Provisions for personnel and similar

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

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.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 353 thousand.

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.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the “Corridor Method”, instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, 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.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year it changed as follows:

Provision for severance indemnities	**31-Dec-15**	**Provision (interest & service cost)**	**(Use)**	**Actuarial effects**	**31-Dec-16**
Provision for severance indemnities	357,359	3,049	(15,037)	7,733	353,104
Total provision for severance indemnities	**357,359**	**3,049**	**(15,037)**	**7,733**	**353,104**

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

Technical parameters

	31-Dec-16
Technical annual discounting rate	0.86%
Annual inflation rate	1.50%
Tasso annuo incremento TFR	2.625%

With regard to the evaluation of the discount rate, in line with the previous year, the reference used was the IBoxx Eurozone Corporate AA index of December 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 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 31-dec-2016
Turnover rate +1%	350,786
Turnover rate -1%	355,731
Inflation rate + 0,25%	357,160
Inflation rate - 0,25%	349,131
Discount rate + 25%	346,779
Discount rate - 25%	359,677

Estimated future payments

Year	Amount
1	69,973
2	23,415
3	21,881
4	45,620
5	32,438

Service Cost and Duration

Service Cost	0.00
Duration	7.90

For the purpose of reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision is equal to the value of the corresponding policies entered as assets and described in Note 6.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-15	Provision	(Use)	31-Dec-16
Executive retirement provision (TFM)	303,406	53,627	-	357,033
Total TFM	**303,406**	**53,627**	**-**	**357,033**

15. Provisions for risks

The item, equal to Euro 83 thousand at 31 December 2016 (unchanged compared to 31 December 2015), contains the fund to cope with the risk of warranty support for products marketed by the company. The value of this fund was estimated on the basis of the historical trend of costs for warranty support.

16. Short-term borrowings and net financial position

This item amounted to Euro 1,128 thousand at 31 December 2016 (Euro 1,134 thousand at 31 December 2015) and is made up as follows:

Short term borrowings	31-Dec-16	31-Dec-15	Change	% Change
Credemleasing loan	29,337	28,994	343	1%
Short-term Simest loan	100,000	100,000	-	0%
Short-term CRF loan	999,581	994,735	4,846	0%
Bank overdrafts	-	9,787	(9,787)	-100%
Total	**1,128,918**	**1,133,516**	**(4,598)**	**0%**

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

It should be noted that were no bank overdrafts as at 31 December 2016.

As required by Consob Communication 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 net financial position of the Group as at 31 December 2016 is detailed below:

	31 december 2016 (a)	31 december 2015 (a)	Variazione
A. Cash	3,731	1,496	149%
C. Securities held for trading	6,164	3,994	54%
D. Cash and cash equivalent (A+C)	**9,895**	**5,490**	**80%**
F. Bank overdrafts	0	(10)	-100%
G. Current portion of non current borrowings	(1,129)	(1,124)	0%
I. Current borrowingse (F+G)	**(1,129)**	**(1,134)**	**0%**
J. Current net financial position (D+I)	**8,766**	**4,357**	**101%**
K. Non current borrowings	(1,693)	(2,822)	-40%
Debito per acquisto partecipazioni, quota non corrente			
N. Non current borrowings	**(1,693)**	**(2,822)**	**-40%**
O. Total net financial position (J+N)	**7,074**	**1,535**	**361%**

(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:

	31-Dec-16	31-Dec-15
Cash and cash equivalents at end of the period	**3,731**	**1,486**
Current portion of non current borrowings	(1,129)	(1,124)
Non current borrowings	(1,693)	(2,822)
Securities held for trading	6,164	3,994
Total net financial position	**7,074**	**1,535**

For a better understanding of the dynamics underlying changes in the Net Financial Position, one should refer to the consolidated statement of cash flow.

17. Trade payables

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

Trade payables	31-Dec-16	31-Dec-15	Change	% Change
Trade payables	3,948,795	3,180,375	768,420	24%
Total trade payables	**3,948,795**	**3,180,375**	**768,420**	**24%**

The increase in payables to suppliers compared to 31 December 2015 is due to higher purchase volumes made over the previous year in order to support the increased production volumes.

18. Tax liabilities

At 31 December 2016, this item is made up as follows:

Tax liabilities	31-Dec-16	31-Dec-15	Change	% Change
Employee witholding taxes	119,229	147,114	(27,885)	-19%
Income tax liabilities	339,609	144,072.72	195,536	136%
Tax liabilities B&C USA	234,540	253,474	(18,934)	-7%
Tax liabilities B&C Brasil	18,720	12,380	6,340	51%
Total tax liabilities	**712,098**	**557,040**	**155,057**	28%

Withholding taxes represent the value of withholdings made in December 2016 and paid in the first months of 2017.

Tax payables of foreign subsidiaries reflect the amount due to local authorities for period income tax.

19. Other current liabilities

At 31 December 2016, this item is made up as follows:

Other current liabilities	31-Dec-16	31-Dec-15	Change	% Change
Due to social security funds	273,432	253,771	19,661	8%
Unused vacation time and holidays	337,733	252,963	84,770	34%
Due to personnel	326,549	270,806	55,743	21%
Other liabilities	300,544	189,362	111,182	59%
Total current liabilities	**1,238,258**	**966,902**	**271,356**	28%

"Amounts due to social security entities" includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 246 thousand).

"Unused vacation time and holidays" includes the deferred costs for holidays remaining on 31 December 2016.

"Amounts due to personnel" refers to payables for salaries and wages still to be paid on the reporting date.

The item "Other liabilities" includes payables to directors for Euro 204 thousand, while the remainder comprises balances due to customers and other minor liabilities.

20. Guarantees given to third parties

As at 31 December 2016, as also at 31 December 2015, there are no records of any guarantees given to third parties.

The table below shows the operating leases of the Group as of 31 December 2016:

Euro thousands	In 1 year	Between 2 and 5 years	Beyond 5 years	Total
Operating Lease contracts	924	2,911	601	4,436
Total				

11.3 Analysis of the breakdown of the main items of the consolidated income statement for 2016

21. Revenue from sales and services

Revenues from sales and services recorded a significant increase (+5%). The table below highlights revenue from sales and services broken down by geographical area:

Geographical Area	2016	%	2015	%	Change	% Change
Latin America	2,702,652	7%	2,966,459	8%	(263,807)	-9%
Europe	17,452,874	45%	14,694,823	40%	2,758,051	19%
Italy	3,146,075	8%	3,464,389	9%	(318,314)	-9%
North America	6,780,247	18%	6,002,224	16%	778,023	13%
Middle East & Africa	214,937	1%	209,241	1%	5,696	3%
Asia & Pacific	8,134,735	21%	9,251,264	25%	(1,116,528)	-12%
Total revenues	**38,431,521**	**100%**	**36,588,399**	**100%**	**1,843,121**	**5%**

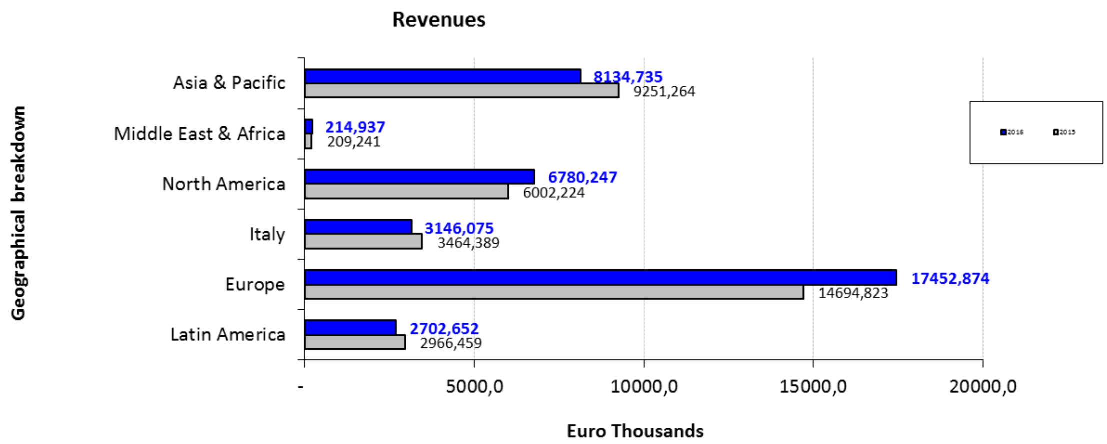
Sales on the Italian market in the course of the two periods here compared were made entirely by the Parent Company.

2016 exports remained at 2015 levels, representing 92% of the Group's turnover.
The result achieved in 2016 was driven primarily by the very significant growth achieved in the European market (the most important for B&C), with an increase of +19% at Group level with annual turnover of 17.4 million representing 45% of the total figure.

The North American market also performed well, continuing the growth trend (+13% compared to 2015) and achieving annual turnover of Euro 6.8 million.

After strong growth over the past years and despite the sharp recovery in turnover achieved in the second half, there was a decline in sales in the Asian market (-12% with sales of Euro 8.1 million) which is however much more modest than the half-yearly figures. The decrease is mainly due to normal fluctuations in the market.

The Latin American market also recorded a decline (down by 9% compared with the previous year) due mainly to the crisis of the Brazilian market that produced a significant reduction in sales.



The item can only be broken down in reference to the geographical area for the sales, as the market segment of the Group is identified exclusively in the manufacture and sale of "top quality professional loudspeakers".

However, this single category of product sales can be further broken down in terms of turnover based on the type of loudspeakers sold. Below is a table summarising 2016 sales according to product category compared with their respective value in the previous year:

Product category	2016	%	2015	%	Change	% Change
LF FE Drivers	11,161,609	29.0%	11,652,258	31.8%	(490,649)	-4%
LF ND Drivers	10,920,676	28.4%	9,991,199	27.3%	929,477	9%
HF Drivers	10,637,830	27.7%	11,248,633	30.7%	(610,803)	-5%
Coaxials	4,249,765	11.1%	2,890,810	7.9%	1,358,955	47%
Others	1,461,641	3.8%	805,500	2.2%	656,141	81%
Total revenues	**38,431,521**	**100.0%**	**36,588,399**	**100.0%**	**1,843,121**	**5%**

Furthermore, as can be inferred from the above table, in 2016 the Group's sales have privileged products with higher added value and profit margins (drivers).

In 2016 three customers generated turnover exceeding 10% of the total:

1st customer – 16%

2nd customer – 13%

3rd customer – 12%

For a more detailed analysis of period revenue trends, one should refer to the relevant section within the Report on Operations.

22. Cost of sales

The item is made up of:

Cost of sales	2016	2015	Change	% Change
Purchases of raw materials and finished products	327,747	(2,029,867)	2,357,614	-116%
Purchases of WIP	(10,815,872)	(10,979,589)	163,717	-1%
External manufacturing costs	(2,255,137)	(2,368,705)	113,568	-5%
Accessories and consumables costs	(1,045,960)	(1,102,268)	56,308	-5%
Packaging costs	(413,244)	(405,688)	(7,556)	2%
Other purchasing costs	(112,855)	(118,076)	5,221	-4%
Change in WIP inventories	(597,814)	560,060	(1,157,874)	-207%
Change in finished products inventories	1,738	295,887	(294,149)	-99%
Change in raw materials and consumables inventories	(54,699)	(7,539)	(47,160)	626%
Totale purchases and external manufactring costs	**(14,966,097)**	**(16,155,785)**	**1,189,688**	**-7%**
Salaries	(2,739,133)	(2,605,413)	(133,720)	5%
Social security charges	(809,794)	(790,827)	(18,967)	2%
Severance for indemnities	(173,287)	(165,016)	(8,271)	5%
Other personnel costs	(704,816)	(891,060)	186,244	-21%
Total direct labour	**(4,427,030)**	**(4,452,316)**	**25,286**	**-1%**
Freight and forwarding	(715,600)	(691,788)	(23,812)	3%
Royalties	(27,887)	(132,462)	104,575	-79%
Other costs	(152,565)	(144,823)	(7,742)	5%
Total direct costs	**(896,052)**	**(969,073)**	**73,021**	**-8%**
Total COGS	**(20,289,179)**	**(21,577,174)**	**1,287,995**	**-6%**

In 2016, the cost of sales as a whole showed an increase in absolute value terms equal to Euro 0.8 million.

Despite this increase, the more than proportional increase in revenues resulted in a slight decrease in percentage terms compared to turnover.

As highlighted in the table above, costs for *purchases and external manufacturing costs* increased by Euro 0.9 million. In particular, the purchase of raw materials, finished and semi-finished products and costs for external manufacturing costs showed a marked increase compared to the previous period as a result of increased production volumes in 2016.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house.

One should note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed. Purchases of other goods relate to purchases of office machinery, small equipment for production and the warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

Direct labour costs increased by Euro 25 thousand, compared to a much higher increase in turnover. This situation has led to an improvement in percentage incidence over turnover for this cost category. It is worth mentioning that in the year 2016, the use of temporary staff was lower compared to the previous year (classified under “Other personnel costs”).

23. Other revenues

The item is made up of:

Other revenues	**2016**	**2015**	**Change**	**% Change**
Other revenues	67,528	113,311	(45,783)	-40%
Grants and contributions	39,141	10,465	28,676	274%
Other minor	17,696	24,247	(6,551)	-27%
Total other revenues	**124,366**	**148,023**	**(23,657)**	**-16%**

The item “Other revenues” refers to recoveries of expenses and bonuses received from suppliers for achieving contractually agreed expenditure.

The entry “Grants and contributions” refers to the balance of the aid received for the project *Silence* described in full in Note 4.

24. Indirect personnel

The item is made up of:

Cost of indirect labour	**2016**	**2015**	**Change**	**% Change**
Retribution	(1,657,913)	(1,485,680)	(172,233)	12%
Social charges	(373,393)	(338,761)	(34,632)	10%
Severance indemnity	(78,101)	(73,176)	(4,925)	7%
Total cost of indirect labour	**(2,109,407)**	**(1,897,617)**	**(211,790)**	**11%**

The increase in the items “Retribution” and “Social Charges” is primarily due to the inclusion of some resources in the sales and research and development areas. As specified in the Report on Operations the increase of indirect personnel costs did not result in a substantial variation in its incidence over turnover that has remained almost constant.

25. Commercial expenses

The item is made up of:

Commercial expenses	2016	2015	Change	% Change
Commercial consulting services	(339,472)	(338,491)	(981)	0%
Advertising	(215,674)	(222,690)	7,016	-3%
Travelling expenses	(261,346)	(261,881)	535	0%
Other	(7,098)	(4,101)	(2,997)	73%
Totale spese commerciali	**(823,590)**	**(827,163)**	**3,573**	**0%**

Commercial expenses remain broadly in line with the previous year.

26. Administrative and General expenses

The item is made up of:

General and administrative expenses	2016	2015	Change	Change %
Manteinance & utilities	(741,313)	(745,695)	4,382	-1%
Professional services	(526,332)	(608,613)	82,281	-14%
Corporate bodies fees	(862,038)	(846,822)	(15,216)	2%
Other suplies	(117,543)	(189,929)	72,386	-38%
Insurance	(143,015)	(126,997)	(16,018)	13%
Taxes	(65,092)	(91,507)	26,415	-29%
Stock Exchange expenses	(114,401)	(124,446)	10,045	-8%
Executive retirement indemnities	(53,627)	(49,394)	(4,233)	9%
Rent expenses	(977,602)	(982,953)	5,351	-1%
Rental fees	(78,870)	(76,595)	(2,275)	3%
Other	(176,906)	(134,400)	(42,506)	32%
Total general and administrative expenses	**(3,856,739)**	**(3,977,351)**	**120,612**	**-3%**

Maintenance and utilities costs are mainly related to assistance for software of about Euro 252 thousand (Euro 185 thousand in 2015), and costs for utilities of Euro 280 thousand (Euro 321 thousand in 2015) and maintenance of instrumental assets and properties for Euro 185 thousand (Euro 229 thousand in 2015).

Professional services include technical, administrative and legal consulting services received by the Company in 2016. The decrease compared with the previous year is due to the absence in 2016 of some projects that reached completion, through the use of external resources, in the previous year.

The entry "Rental fees" refers to costs for renting premises where the activities of the Company are carried out.

Stock exchange expenses include management costs related to Borsa Italiana S.p.A. and Consob.

27. Amortisation, depreciation, provisions and writedowns

Amortization, depreciation, provisions and writedowns	2016	2015	Change	% Change
Amortization of intangibles assets	(27,500)	(72,475)	44,975	-62%
Depreciation of tangible assets	(761,490)	(732,007)	(29,483)	4%
Total amortizations and depreciations	**(788,991)**	**(804,483)**	**15,492**	**-2%**
Bad debt provision	(71,499)	(77,940)	6,441	-8%
Warranty provision	-	-	-	
Total provisions and writedowns	**(71,499)**	**(77,940)**	**6,441**	**-8%**

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

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2016	2015	Change	Change %
Interest expenses	(31,026)	(64,761)	33,735	-52%
Bank charges	(20,904)	(26,096)	5,192	-20%
Exchange rate difference expenses	(177,605)	(315,943)	138,338	-44%
Exchange rate differences accruals	(79,030)	(232,680)	153,650	-66%
Loss on securities	(3,483)	0	(3,483)	-
Accrual loss on securities	0	(31,916)	31,916	-100%
Financial expenses for Defined Benefit Obligation	(3,049)	(4,220)	1,171	-28%
Other	(2,014)	(4,609)	2,595	-56%
Total financial expenses	**(317,112)**	**(680,225)**	**363,113**	**-53%**
Bank interest income	4,172	9,123	(4,951)	-54%
Exchange rate differences income	317,954	275,030	42,924	16%
Exchange rate differences accruals	197,692	138,091	59,601	43%
Financial income accrual on futures	18,542	51,398	(32,856)	-64%
Accrued income on securities	187,085	48,319	138,766	287%
Total financial income	**732,703**	**521,961**	**210,742**	**40%**

The decrease in the item "Financial expenses" is essentially due to the effect of lower losses in exchange rates realized and presumed during 2016 compared to the previous year.

The item of presumed loss on IRS refers to the economic effect of assessment at fair value of IRS hedging contract with Banca CR Firenze S.p.A. as specified in Note 13.

The increase in the item "Financial income" is essentially due to higher income from fair value assessment of asset management as at 31 December 2016, held for short-term liquidity and classified among other current assets.

The entry "Financial income accrual on futures" refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2016.

29. Taxes

The item is made up of:

Current and deferred taxes	2015	2014	Change	% Change
IRES	(2,230,559)	(1,913,902)	(316,656)	17%
IRAP	(340,823)	(335,680)	(5,143)	2%
B&C USA current taxes	(207,349)	(187,180)	(20,169)	11%
B&C Brasil current taxes	(3,431)	-	(3,431)	-
Total current taxes	**(2,782,161)**	**(2,436,763)**	**(321,799)**	**13%**
Deferred tax expenses/(income)	18,110	(3,118)	21,228	-681%
Total income taxes	**(2,764,051)**	**(2,439,881)**	**21,228**	**-1%**

Current taxes include the tax expense that originated during the year in application.

The Item "deferred/prepaid tax" mainly includes the effect the consolidated entries relating to the cancellation of the internal inventory margin.

The reconciliation between the tax expense entered in the financial statements and the theoretical tax expense determined on the basis of the theoretical tax rates applicable is shown in the following table:

Euro thousand	31-Dec-16	31-Dec-15
EBT	**9,356**	**7,598**
Tax rate	27.5%	27.5%
Theorical tax expenses	**2,573**	**2,089**
Variations		
- cash dividends	(431)	(276)
- IRAP deductions	(76)	(77)
- a.c.e.	(378)	(294)
- cost of labour		
- other deductible cost of labour		
Variations (net)	(89)	202
Temporary variations (net)	148	167
Taxable income	**8,530**	**7,320**
Tax expenses	2,346	2,013
Prior years tax expenses	15	(63)
IRAP	341	331
Deferred tax	18	(3)
Difference between foreign fiscal rate and Italian fiscal rate	44	162
Total tax expenses	**2,764**	**2,440**

30. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2016 the Group did not incur costs in connection with non-recurrent operations.

31. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2016 the Group did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

32. Information on financial risks

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, interest rate risk and liquidity risk. The strategy adopted by the Group with regard to the management of financial risks is based on the impossibility of being able to influence the external markets and consequently the strategy focuses on an attempt to reduce the adverse effects on the financial performance of the Group itself.

Currency exchange risks

The Group operates internationally and is exposed to exchange risk arising from changes in exchange rates for foreign currencies, primarily the USD and GBP; the exchange risk will be manifest in future transactions. The Company does not make provision for coverage of this risk, except to seek a long term balance between its sales and purchases, especially in the U.S. dollar zone.

In 2016 the Group continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies (USD) is summarised as follows:

- Purchases in US Dollars equal to 8.8 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 7.9 million.
- Purchases in HK Dollars equal to 0.4 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 47 thousand.
- Purchases in CAD Dollars equal to 0.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 0.2 million.

In 2016, the Group conversely invoiced customers in foreign currency; in particular, the item *Revenues* includes sales in foreign currency (USD and HKD) which are summarised below:

- Sales in US Dollars equal to 6.1 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 7.4 million.
- Sales in HK Dollars equal to 36.5 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 4.2 million.

These figures show that purchases in foreign currency account for approximately 28% of total purchases (27% in 2015), while sales in foreign currency account for 22% of the Group's turnover (10% in 2015).
The value of purchases in US and HK dollars in 2016, proved substantially in line with the currency value of sales in the same currencies; consequently it is possible to affirm that the Company hedged its dealings in US dollars.

On the Balance sheet, the equivalent in euros of trade receivables entered in US dollars on 31 December 2016 amounted to Euro 1.7 million (the total value on 31 December 2015 was Euro 1.5 million), while the equivalent value of trade payables in US dollars on 31 December 2016 amounted to Euro 1 million (the total value on 31 December 2015 amounted to Euro 0.9 million). Trade Receivables and Payables in other currencies are negligible.

We must stress that the Group provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
The incidence of tax receivables in currency reaches, based on the above data, approximately 15% of the overall trade value, while the incidence of trade payables in currency accounts for 25% of the total value of corporate debt.

The balance sheet assets in a currency other than the Euro were adequate to the exact exchange rate on 31 December 2016, with the associated costs and profits entered in the income statement.

Credit risk

The Company does not have significant concentrations of credit risk, since the strategy adopted has aimed at working with customers who have good credit standing. When transactions entailed a higher risk margin or information on the customer was insufficient, the Company demanded to receive advance payment before supplying the products.

Interest rate risk

The company has no outstanding financial assets or liabilities which is such as to significantly affect the profitability of the Company. Therefore, despite the Company not being significantly affected by changes in interest rates the management adopted adequate hedging instruments for interest rate fluctuation risk in particular with regard to the long term loan with CR Firenze S.p.A., through the signing of an IRS (Interest Rate Swaps) agreement.

Liquidity risk

As at 31 December 2016, the Company has a positive Net Financial Position of Euro 7.04 million (1.53 million as at 31 December 2015). It is the result of a current positive NFP of about Euro 7.73 million (5.49 million as at 31 December 2015) and non-current net financial debt of Euro 1.69 million (Euro 2.82 million as at 31 December 2015). For the characteristics of the loans in question, one should refer to Note 13. The Company believes that the existing loans and short and medium term credit lines, as well as those that will be generated by operations, will allow it to meet its requirements arising from investment activities, management of working capital and repayment of debts in line with their natural due dates.

33. 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 are established:

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 31 December 2014, according to the hierarchical level of fair value measurement.

Hierarchical level of Fair Value measurement	Level 1	Level 2	Level 3
Financial assets			
Other current assets	6,164,655	-	-
Total	**6,164,655**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(24,622)	
Total	-	**(24,622)**	-

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

The Group assesses its financial assets and financial liabilities at amortised cost except for asset management included among other current assets and IRS hedging agreement that are measured at fair value through profit and loss.

34. Management and control

The issuer and its subsidiaries are, pursuant to art. 2497 et seq. of the Italian Civil Code, under the management and control of the parent company Research & Development International S.r.l.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2015).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2015**	**31 december 2014**
Total assets	12,501	11,477
Equity	10,249	8,312
Net income	1,937	2,487

The above essential data was taken from the financial statements for the year ended 31 December 2015. For a proper and complete understanding of the financial and equity position of Research and Development International S.r.l. at 31 December 2015, as well as the profit or loss achieved by the company in the year ended on that date, one should refer to the reading of the financial statements which, accompanied by the independent auditors' report, is available in the form and in the manner provided by law.

The investment held by the Parent on 31 December 2016 is 55.37% of the Share Capital of the Parent. Further informations about transactions with related parties are disclosed in the following paragraph

35. Transactions with related parties and subsidiaries under their management

The following table summarises 2016 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

The parent company ***Research & Development International S.r.l.*** owns 55.37% of the shares of B&C Speakers S.p.A., equal to 6,090,529 shares.

In particular, one should note transactions implemented with the company ***Research & Development International S.r.l.***, a company based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000 (owner of the parent company B&C Speakers S.p.A.).

Economic transactions

General and Administrative Expenses	**Total balance**	**Research & Development Intl. Srl**	**Total related parties**	**Incidence**
2016	(3,856,739)	(924,949)	(924,949)	24%
2015	(3,977,351)	(927,249)	(927,249)	23%

The costs incurred with reference to Research & Development International S.r.l. relate to the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

Equity transactions

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2016	509,749	88,950	88,950	17%
31 December 2015	456,171	88,950	88,950	19%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2016	(3,948,795)	(340)	(340)	0%
31 December 2015	(3,180,375)	(17,256)	(17,256)	1%

The credit position of Research & Development International S.r.l. as at 31 December 2016, refer to credits for an IRES rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

In accordance with Art. 2.6.2, paragraph 13 of the Regulation governing the Markets Organised and Managed by Borsa Italiana S.p.A., it is hereby certified that the conditions pursuant to Art. 37 of Consob Regulation no. 16191/2007 have been met.

36. Events subsequent to the closure of FY 2016

Since the closure of FY 2016, the following significant events have occurred affecting company performance, specifically:

- The flow of orders from customers showed a slight decline during the winter months, though still within the context of general optimism from customers of the company; the current data available to management suggests that 2017 will represent a year of consolidation compared to the previous one.

- The Parent Company finished designing a new range of products intended for the road safety sector: (a) an audible warning device for tunnels (called "safevoice") and (b) a lighting product for tunnels (called "Tunneled"). As at the date of preparation of this document the Company was in the process of presenting offers to act as subcontractor to the main contractor in tenders issued for the revamping of existing tunnels.

37. Authorization for publication

This document was published on 5 April 26, 2017 on authorization of the member of the Board of directors with financial delegation.

12 Further information

12.1 Report of equity investments as required by Consob (Communication no. DEM/6064293 of 28 July 2006)

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
B&C Speakers NA L.L.C. (Pompton Plains) *						
At 31 December 2014	Us Dollars/thousands	30	216	752	100%	1,450
At 31 December 2015	US Dollars/thousands	30	290	537	100%	1,450
B&C Speakers Brasile LTDA*						
At 31 December 2014	Real/thousands	1,721	(677)	1,214	100%	428
At 31 December 2015	Real/thousands	1,721	141	1,356	100%	428
Silence Tech S.r.l. (Firenze, Italia) **						
Al 31 dicembre 2015	Euro/thousands	150	-	-	33%	50
Al 31 dicembre 2016	Euro/thousands	150	-	-	33%	50

* Subsidiaries

** Associated company (the Company was established in late 2015 and is still in the start up phase and its first financial statements will close on 31 December 2016. These financial statements have not yet been approved by the Board of Directors).

12.2 Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (thousands of euros) (art 78 reg. Consob no. 11971/99).

Name	2015 nomination	Period in charge	Expiry date*	Remuneration**	Non monetary benefits	Bonus and other	Other remuneration	Total
Gianni Luzi	Chairman	01/01/2015-31/12/2017	2017	15	-	-	-	15
Lorenzo Coppini	Director	01/01/2015-31/12/2017	2017	190	-	56	-	246
Simone Pratesi	Director	01/01/2015-31/12/2017	2017	175	-	51	-	226
Alessandro Pancani	Director	01/01/2015-31/12/2017	2017	197	-	58	-	255
Patrizia Mantoan***	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Francesco Spapperi***	Director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Gabriella Egidi***	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Roberta Pecci	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Sara Nuzzaci	Chairman of Board of Auditors	01/01/2015-31/12/2017	2017	12	-	-	-	12
Giovanni Mongelli	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10
Leonardo Tommasini	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10

* Year in which the shareholders' meeting is held to approve the financial statements at which time the office expires.

** € thousands

12.3 Information in accordance with Art. 149-duodecies of the Consob Issuers' Regulations.

The statement below, prepared in accordance with Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees of FY 2015 for auditing services and for services other than auditing provided by the same independent auditing firm. No services were provided by entities belonging to its network.

Service	Company	Client	Notes	Fees 2016
Statutory audit	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.	A	48,200
		Consociate	B	25,400
Servizi di attestazione	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Fiscal services	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Other Services	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Total				**73,600**

A: fees for the Statutory Audit of the consolidated financial statements and the separate financial statements of B&C Speakers SpA, for the limited auditing of the condensed consolidated financial interim report of the Group and the periodic checks.

B: including Euro 9,000 related to auditing for the US subsidiary B&C Speakers NA LLC and Euro 19,400 for the revision of the Brazilian subsidiary B&C Speakers Brasile LTDA.

13 Certification of the consolidated financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

1. The undersigned Simone Pratesi, as financially delegated Director 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:

   11 that the financial statements reflect the business and structure and

   12 that the administrative and accounting procedures for the formation of financial statements for year 2016 have been effectively applied.

2. The undersigned also certify that:

   2.1. the consolidated financial statements:

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

   b) correspond to the information in the accounting ledgers;

   c) provide a true and accurate representation of the issuer's economic, financial and equity position and that of the group of businesses included in the consolidation.

   2.2. The Report on Operations includes a reliable analysis of the progress and results of the management as well as the position of the issuer and consolidated companies together with descriptions of the main risks and uncertainties to which they are exposed.

Simone Pratesi   Francesco Spapperi

14 Report of the Independent Auditors to the Consolidated Financial Statements of the B&C Speakers Group at 31 December 2016

pwc

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
B&C Speakers SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the B&C Speakers Group, which comprise the consolidated statement of financial position as of 31 December 2016, the consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of B&C Speakers SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the B&C Speakers Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Other matters

The consolidated financial statements of the B&C Speakers Group for the year ended 31 December 2015 were audited by other independent auditors that, on 4 April 2016, expressed an unqualified opinion on these consolidated financial statements.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the directors of B&C Speakers SpA, with the consolidated financial statements of the B&C Speakers Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the B&C Speakers Group as of 31 December 2016.

Florence, 4 April 2017

PricewaterhouseCoopers S.p.A.

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.

15 Report by the Board of Statutory Auditors

Report by the Board of Auditors to the shareholders' meeting of "B. & C. Speakers S.p.A." (Art. 153 of Legislative Decree no. 59/98 and Art. 2429, second paragraph, Italian Civil Code)

To the Shareholders,

We inform You that we carried out supervisory activities pursuant to article 2429, paragraph 2. Italian Civil Code and article 153, Legislative Decree no 58/1998, following the principles of conduct recommended by the Italian Board of Chartered Accountants and CONSOB communication dated April 6th, 2001 and later amendments and additions. During the 2016 financial year, we complied with the duties referred to in article 149, Legislative Decree no 58/1998, which enable us to report about the following topics.

Pursuant to applicable provisions of the law, Your Company is also bound to submit the consolidated financial statements.

The separated and consolidated financial statements at the date of December 31, 2016 were issued in compliance with the International Financial Reporting Standards (IAS/IFRS), approved by the International Accounting Standard Board (IASB), adopted by the European Union.

In the financial statements explanatory notes the general principles, followed to issue the financial statements, are indicated in detail.

1 The Board of Statutory Auditors attended all Board of Directors' Meetings (no5), during which it was informed by the Directors about the activities carried out and the most significant economic, financial and equity transactions, as resolved and carried out by the Company, either directly or through subsidiaries, pursuant to article 150 Legislative Decree no 58/1998.

The following important events have occurred on the 2016 financial year:

a) The Shareholders' Meeting on April 26th, 2016, approved the distribution of a Euro 0,35 dividend per each outstanding share (net of treasury shares head) for a total amount of euro 37,5 million.
b) The Company built up the business hiring two additional resources, one involved in the development of the North America market and one allocated to developing the retail sector.
c) On March 7th, 2016, the Board of Directors resolved to update and review the Organization, Management and Control Model (MOGC).
d) The Board of Directors' resolution of May 12nd, 2016 appointed Mr. Luzi as Chairman of the Risk Management Committee, which is now made up of Ms. Gabriella Egidi and Ms. Patrizia Mantoan in addition to Mr. Luzi himself.

After the closing of 2016 financial year, as the Directors outline in the Report on Operations, the following important event occurred:

a) The Company completed the design of a new range of products intended for road safety: (a) an audible warning device for tunnels (called "Safevoice") and (b) a technical-illumination product for tunnels (called "Tunnelled");
b) At the meeting dated January 31st, 2017, the Board of Directors approved the new Organization, Management and Control Model (MOGC) and appointed Dott. Giacomo Mazzini as an additional member of the Supervisory Board, which has changed from a monocratic auditing body to a collegial body.

2 The Board of Statutory Auditors has verified that the operations carried out by the Board are compliant with the law and the Company Bylaw, they are not in conflict with the Shareholders' resolutions and they are compliant with the principles of correct administration.

3 The Board of Statutory Auditors did not detect either during the year 2016 or after its closing, or it has received any evidence from the Board of Directors or from the Independent Audit Firm about the existence of atypical and/or unusual transactions carried out with third parties, related parties or among group companies.

4 As far as the information carried out within the group and with related parties are concerned, the Directors provided specific and timely information, in the Report on Operations and in the explanatory Notes of the separate financial statement and consolidated financial statement, pointing out, in particular, that the Company carried out transactions with other companies of the group and with the top management, under normal market conditions.

5 The Company provided the information related to remuneration required by current regulations through a specific report.

6 The Independent Auditor PricewaterhouseCoopers S.p.A has issued today (April 4th 2017) the opinion pursuant to articles 14 and 16 Legislative Decree no 39/2010, in which it states that the separate financial statement and the consolidated financial statement as of December 31st, 2016 give a true and fair view of the financial position, financial performance and cash flows of B&C Speakers and B&C Speakers Group, and also that the Report of Operations and the information mentioned in the Corporate Governance Report are consistent with the separated financial statement and the group consolidated financial statement;

7 No further professional assignments other than the audit and certification of the financial statements were conferred either to the Independent Auditor PricewaterhouseCoopers S.p.A. or to any entity pertaining to that company.

8 The Board of Statutory Auditor did not receive either any complaint pursuant to article 2408 Italian Civil Code or notification from the Shareholders during the 2016 financial year.

9 In the course of its duties, the Board of Statutory Auditors met on a regular basis and drew up 5 minutes on the activity carried out, including the one related on the separated and consolidated financial statements; equally it participated in the Board of Directors' Meetings (no 5), in the Risk and Control Committee Meetings (no 3) and in the Shareholders' Meeting of the Company.

10 The Board ascertained and monitored, in the course of its duties, the respect of the principles of correct administration, through direct observation, hearings, gathering information from the people in charge of the different company departments and from the management and through meetings with the Control and Risk Committee, the Supervisory Board and the Independent Auditor, aiming at a reciprocal exchange of relevant information and data. No issues were disclosed with regard to this point.

11 The Board ascertained and monitored, in the course of its duties, the adequacy of the organizational structure of the Company, which has proved to be appropriate in relation to its size. This has allowed an exhaustive gathering of information on the respect of the principles of the diligent and proper administrative behaviour, also through meetings with the people in charge of the company departments and of the Independent Auditor.

12 The Board monitored the adequacy of the internal control and of the administrative and accounting system, as well as the reliability of the latter to properly represent the management events through i) the examination of the report issued by the Financial Reporting Manager on the administrative and

accounting system and on the internal control system on the corporate information document ii) regular meetings with the Chief Executive Officer with the aim of supervising the internal control system; iii) gathering information from the people in charge of the corresponding company departments; iv) exchange of information with the Supervisory Board and the Independent Auditor; v) the participation in the Control and Risk Committee works. From the activities carried out no irregularities or critical issues emerged, that could be considered as indicative of the unsuitability of the internal control system.

13 In accordance with the provisions of article 19 of Legislative Decree January 27th, 2010 no. 39, identified as the Internal Control and Audit Committee – the Board of Statutory Auditors also monitored:

- The financial reporting process;
- The Statutory Audit of separated and consolidated Financial Statements;
- The Auditor independence.

No evidence of issues and/or comments were found.

14 The Board of Statutory Auditors reckons that the administrative and accounting system is able to properly represent the corporate information in order to draft corporate accounting documents.

15 The Board of Statutory Auditors, through direct verification and information, provided by the Independent Auditor, ascertained the compliance with the legal provisions related to drawing up the separated and the consolidated financial statements, and with the corresponding Reports on Operations. In particular it verified that no derogation was permitted according to article 2423, paragraph 5, of the Italian Civil Code.

16 As far as *Corporate Governance* and the methods of implementing the corporate governance rules are concerned, the Company prepared the specific report pursuant to article 123bis of Legislative Decree no 58/98 and the Board of Statutory Auditors agrees with its content.

17 During the supervisory and control activity carried out by the Board of Statutory Auditors, as described above, no relevant issues emerged, that needs to be reported in the Shareholders' Meeting or to the supervisory and control bodies.

18 Based on the foregoing considerations, considering our supervisory activities performed during the financial year 2016 and the Independent Auditor report content, the Board of Statutory Auditors has no remarks on the separated financial statements and the consolidated financial statement and related explanatory notes and on the related Reports on Operations, and agrees with the proposal of the Board of Directors on the allocation of the year's profit for the amount of Euro 6.315.545.

Firenze, April 4th 2017

BOARD OF STATUTORY AUDITORS

Ms. Sara Nuzzaci (President)

Mr. Leonardo Tommasini (Statutory Auditor)

Mr. Giovanni Mongelli (Statutory Auditor)

Attachment to the Annual Report of the Board of Auditors:

List of positions held within the Companies as per Volume V, chapters V, VI and VII of the Civil Code As at the reporting date

Sara Nuzzaci

	Company	Nomination	Expiry date
1	Accademia del Maggio Musicale Fiorentino	Statutory Auditor	October 5, 2019
2	B&C SPEAKERS S.p.A.	Chairman of the Board of Auditors	Financial Statement 31/12/2017
3	CIBIS SRL	Statutory Auditor	Financial Statement 31/12/2018
4	FONDAZIONE ANGELI DEL BELLO	Statutory Auditor	Financial Statement 31/12/2016
5	FONDAZIONE GUESS	Statutory Auditor	October 28, 2017
6	GAP (ITALY) SRL	Chairman of the Board of Auditors	Financial Statement 31/01/2017
7	GRIFOLS ITALIA SPA	Statutory Auditor	Financial Statement 31/12/2016
8	GUESS ITALIA	Statutory Auditor	Financial Statement 28/01/2017
9	GUESS SERVICE SRL	Statutory Auditor	Financial Statement 02/02/2019
10	IMM HYDRAULICS SPA	Statutory Auditor	Financial Statement 31/12/2017
11	INTERPUMP HYDRAULICS S.P.A	Sindaco supplente	Financial Statement 31/12/2018
12	LIMAGRAIN ITALIA SPA	Sindaco supplente	Financial Statement 30/06/2019
13	NUFARM ITALIA SRL	Statutory Auditor	Financial Statement 30/11/2018
14	OBI ITALIA SRL	Statutory Auditor	Financial Statement 31/12/2017
15	TENUTA BIONDI SANTI	Chairman of the Board of Auditors	Financial Statement 31/12/2019
16	VIANSE SPA	Chairman of the Board of Auditors	Financial Statement 30/09/2017
17	WALVOIL SPA	Sindaco supplente	Financial Statement 31/12/2017

Number of Appointment in public Companies:	1
Total Number of Appointment:	17

Leonardo Tommasini

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Statutory Auditor	Financial Statement 31/12/2017
2	ABF S.r.l.	Chairman of the Board of Auditors	Financial Statement 31/12/2017
3	CO.FI.GI. S.p.A.	Statutory Auditor	Financial Statement 31/12/2018
4	RIFLE HOLDING S.p.A.	Statutory Auditor	Financial Statement 31/12/2017
5	BASALTO LA SPICCA SPA	Statutory Auditor	Financial Statement 31/12/2017
6	RESEARCH & DEVELOPMENT S.r.l.	Statutory Auditor	Financial Statement 31/12/2018
7	GIORGIO GIORGI SRL	Statutory Auditor	Financial Statement 31/12/2017
8	MISERICORDIA DI PONTASSIEVE	Statutory Auditor	Financial Statement 31/12/2018
9	FIGC LND CR TOSCANA	Statutory Auditor	Financial Statement 30/6/2020

Number of Appointment in public Companies:	1
Total Number of Appointment:	9

Giovanni Mongelli

	Company	Nomination	Expiry date
1	RESEARCH & DEVELOPMENT INTERNATIONAL S.R.L.	Chairman of the Board of Auditors	Financial Statement 31/12/2018
2	SAMOA S.P.A.	Statutory Auditor	Financial Statement 31/12/2018
3	HOTEL RIVOLI S.P.A.	Statutory Auditor	Financial Statement 31/12/2018
4	B. & C. SPEAKERS S.P.A.	Statutory Auditor	Financial Statement 31/12/2017
5	ANGIOLO FRASCONI S.R.L.	Statutory Auditor	Financial Statement 31/12/2016
6	ANDREOTTI IMPIANTI S.P.A.	Statutory Auditor	Financial Statement 31/12/2016
7	SIRMA SOCIETA' IMMOBILIARE ROMA - S.P.A.	Statutory Auditor	Financial Statement 31/12/2016
8	JM INVESTMENTS SPA	Supplente	Financial Statement 31/12/2016

Number of Appointment in public Companies:	1
Total Number of Appointment:	8