B&C Speakers Group

Condensed Interim Financial Report

as of 30 June 2017

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

Contents

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www.bcspeakers.com

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

Board of Directors

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

Board of Auditors

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

Independent auditing firm

PricewaterhouseCoopers S.p.A.

Introduction to the condensed consolidated interim financial statement at 30 June 2017

INTRODUCTION

The present Condensed Consolidated Interim Financial Statement of the B&C Speakers Group at 30 June 2017 was prepared observing the International Accounting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and was drawn up in conformity with IAS 34 "Interim Financial Statements". These condensed consolidated interim financial statements therefore do not include all the information required of the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2016.

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

During the first half of 2017 the Parent Company continued in its Buy-Back programme involving treasury shares in accordance with the resolution passed by the Shareholders' Meeting held on 26 April 2017 which renewed the mandate to purchase treasury shares for another 12 months. At 30 June 2017, it held 77,772 treasury shares, equal to 0.71% of the share capital. The shares have been accounted for in accordance with IFRS. The weighted average purchase price of shares in the portfolio is Euro 4.39.

At the date of this report (September 2017), the number of Treasury shares owned has changed and amounts to 47,772, equal to 0.43% of the share capital; For your information we can note that the Parent Company B&C Speakers S.p.A. is controlled by R&D International S.r.l. which performs work of direction and coordination.

The equity interest held by the holding Research & Development International S.r.l. represented, at 30 June 2017, 55.36% of the share capital; further information on relations with the holding are contained in the rest of the report.

During May 2017, B&C Speakers issued an ordinary dividend of Euro 0.4 per ordinary share in circulation in addition to an extraordinary dividend, on the tenth anniversary of the Company's listing, of Euro 0.6 per ordinary share in circulation. The total value of the dividend issued was therefore Euro 10.9 million.

Condensed consolidated interim financial statement at 30 June 2017 prepared in conformity with the IFRSs endorsed by the European Union

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

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

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

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

Highlights

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

Income statement highlights

(€ thousands)	**1st half 2017**	**1st half 2016**
Revenues	20,116	18,675
Ebitda	4,852	4,481
Ebit	4,455	4,075
Net profit	3,066	2,639

Balance sheet highlights

(€ thousands)	**30 June 2017**	**31 December 2016**
Non current Assets	4,900	5,057
Non current liabilities	5,374	2,485
Current assets	24,087	26,334
Current liabilities	9,662	7,028
Net working Capital	14,425	19,306
Net Equity	13,950	21,878

Cash flow statement highlights

(€ thousands)	1st half 2017	1st half 2016
Operating cash flow	996	2,016
Cash flow from investing activities	2,615	(220)
Cash flow from financial activities	(6,787)	(4,583)
Cash and cash equivalent at end of the year	(3,175)	(2,788)

Net financial position

(€ thousands)	30 June 2017	31 December 2016
Current net financial position	1,567	8,766
Total net financial position	(3,099)	7,073

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 June 2017 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at Euro 11.37 and consequently the market capitalization amounted to about Euro 125 million.

The following shows the share performance of B&C Speakers SpA during the last 12 months:

Macro-economic scenario

The world economy is consolidating with more solid and widespread expansion, compared to the one recorded at the end of 2016.

The prospects for global growth are overall positive, though there remain significant downsizing risks related to uncertainty over economic policies, the persistence of geopolitical tensions and the doubts associated with Brexit.

In the Euro area, the economy is growing more than expected in 2017, with expansive rates in the second quarter of 2017, higher than in the first quarter and as initially estimated. As for Italy, economic activity accelerated in the first months of 2017, driven mainly by the sharp rise in household expenditure and the strengthening of the services sector.

Industry scenario

he 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.

Following the policies of the Chinese Government, the trend of rare earth (neodymium and disprosion) prices used as raw materials in magnets production is experiencing a growth that could have an impact on the costs for components of the Group.

Economic trend of the Group

The general economic trend during the first half of 2017 was up compared to that seen during the first half of the previous financial year. The order book (in relation to the Parent Company), of approximately Euro 8.4 million at 30 June 2017 rose (by around 21%) with respect to the Euro 6.9 million at 31 December 2016.

To better present the trend in operations in relation to the first half of financial year 2017 compared with the same period of the previous year, a table showing these results is provided below:

Economic trends - Group B&C Speakers

(€ thousands)	I half 2017	*Incidence*	I half 2016	*Incidence*
Revenues	20,116	*100.00%*	18,675	*100.0%*
Cost of sales	(11,688)	*-58.10%*	(10,941)	*-58.6%*
Gross margin	**8,428**	***41.90%***	**7,734**	***41.4%***
Other revenues	95	*0.47%*	35	*0.2%*
Cost of indirect labour	(1,140)	*-5.67%*	(1,043)	*-5.6%*
Commercial expenses	(478)	*-2.38%*	(422)	*-2.3%*
General and administrative expenses	(2,052)	*-10.20%*	(1,822)	*-9.8%*
Ebitda	**4,852**	***24.12%***	**4,481**	***24.0%***
Depreciation of tangible assets	(383)	*-1.90%*	(375)	*-2.0%*
Amortization of intangible assets	(14)	*-0.07%*	(13)	*-0.1%*
Writedowns	0	*0.00%*	(19)	*-0.1%*
Earning before interest and taxes (Ebit)	**4,455**	***22.15%***	**4,075**	***21.8%***
Financial costs	(253)	*-1.26%*	(152)	*-0.8%*
Financial income	284	*1.41%*	249	*1.3%*
Earning before taxes (Ebt)	**4,486**	***22.30%***	**4,172**	***22.3%***
Income taxes	(1,334)	*-6.63%*	(1,436)	*-7.7%*
Profit for the year	**3,153**	***15.67%***	**2,736**	***14.7%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**3,153**	***15.67%***	**2,736**	***14.7%***
Other comprehensive result	(87)	*-0.43%*	(97)	*-0.5%*
Total Comprehensive result	**3,066**	***15.24%***	**2,639**	***14.1%***

Note:

This interim report presents and comments 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 Group's economic, capital and financial performance. We emphasise that the adjustment methods used by the Group to calculate these figures have remained constant over the years. We also note that they could differ from methods used by other companies.

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

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

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

Revenues

Consolidated revenues achieved during the first half of 2017 amounted to 20.12 million Euro; an increase (+7.72%) compared with the first half of 2016 when they were 18.67 million Euro.

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

Geographical Area	1st half 2017	%	1st half 2016	%	Change	Change %
America Latina	1,338,680	6.7%	1,159,340	6.2%	179,340	15%
Europa	9,313,806	46.3%	8,941,745	47.9%	372,061	4%
Italia	1,274,300	6.3%	1,729,355	9.3%	(455,055)	-26%
Nord America	4,031,946	20.0%	3,802,354	20.4%	229,592	6%
Medio Oriente & Africa	236,580	1.2%	149,312	0.8%	87,268	58%
Asia & Pacifico	3,920,880	19.5%	2,893,188	15.5%	1,027,692	36%
Totale	**20,116,191**	**100.0%**	**18,675,293**	**100.0%**	**1,440,899**	**7.72%**

During the period, the Group has significantly increased its presence in the Asian market (+36% with sales of Euro 3.9 million) and has achieved good performance in the South American market (+15% with sales of Euro 1.3 million), in the North American market (+6% with sales of Euro 4 million) and on the European market (+4% with sales of Euro 9.3 million) which remains the most important market for the Group. Unlike the Italian market the results achieved were down compared with the first half of 2016 (-26% with sales of 1.3 million Euro).

Cost of sales

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

Cost of sales during the first three months of 2017 had a slightly lower impact on revenues compared to the first six months of 2016, rising from 58.59% to 58.10%. The trend was due essentially to a decrease in the impact of costs for raw materials (-0.8 percentage points) offset by an increase in transport, customs duties and other minor components (+0.4 percentage points). Direct labour costs increased proportionally to the increase in revenue and therefore the impact of this item on revenue remained constant compared to the first half of 2016.

Indirect personnel

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

Over the first six months of 2017, indirect personnel costs did not show significant changes compared to the first half of 2016.

Commercial expenses

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

Commercial expenses showed no significant changes compared to the first six months of the previous year. Their impact on revenues remained largely unchanged, representing 2.26% in the first six months of 2015 and 2.38% in the first six months of 2017.

Administrative and General

Administrative and general expenses increased by around Euro 230 thousand compared to the first six months of the previous period, with a slightly increased impact on revenues which went from 9.75% in the first six months of 2016 to 10.20% of the first six months 2017. The increase is principally due to the use of technical consulting aimed at improving manufacturing and operational procedures as well as investment associated with the new company division.

EBITDA and EBITDA Margin

Mainly as a result of the trends described above, EBITDA in the first six months of 2017 amounted to Euro 4.85 million, an increase of 8,28% compared to the first six months of 2016 which amounted to Euro 4.48 million.

The EBITDA margin for the first six months of 2017 was therefore equal to 24.12% of revenues, substantially in line with the first six months of 2016 (when it was 24.00% of revenues for the period).

Depreciation and amortisation

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

EBIT and EBIT Margin

EBIT of the first half of 2017 amounted to Euro 4.45 million; a, increase (9.33%) compared with the first half of 2016 (when the figure was Euro 4.07 million). The EBIT margin was 22.15% of revenues (21.82% in the first half of 2016).

Group Net Result and Net Financial Position

The net profit of the Group at the end of the first half of 2017 amounted to 3.15 million Euro and represents a percentage of 15.67% of consolidated revenues (up compared with the same period of the previous financial year, when it amounted to 2.74 million Euro, equivalent to 14.65% of the revenues of the period).

The Group's financial stability remains on adequate levels although the Net Financial Position declined compared with the end of the previous financial year; at 30 June 2017 it was in fact a negative 3.01 million Euro while at 31 December 2016 it was a positive 7.07 million Euro. The difference is mainly due to the payment of the Euro 10.9 million dividend disbursed in May as well as payment of taxes.

Equity and financial trend

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

Reclassified Balance sheet *(€ thousands)*	**June 30, 2017**	**December 31, 2016**	**Change**
Property, plant & Equipment	**2,693**	**2,807**	**(114)**
Inventories	9,229	8,182	1,048
Trade receivables	9,348	7,774	1,575
Other receivables	681	780	(99)
Trade payables	(4,394)	(3,949)	(445)
Other payables	(1,753)	(1,950)	197
Working capital	**13,112**	**10,836**	**2,276**
Provisions	**(709)**	**(793)**	**84**
Invested net working capital	**15,096**	**12,851**	**2,246**
Cash and cash equvalents	1,712	3,731	(2,019)
Investments in associates	50	50	-
Goodwill	1,394	1,394	-
Short term securities	3,370	6,164	(2,794)
Other financial receivables	509	510	(1)
Financial assets	**7,035**	**11,849**	**(4,814)**
Invested net non operating capital	**7,035**	**11,849**	**(4,814)**
NET INVESTED CAPITAL	**22,131**	**24,700**	**(2,568)**
Equity	13,950	21,878	(7,928)
Short-term financial borrowings	3,515	1,129	2,386
Long-term financial borrowing	4,666	1,693	2,973
RAISED CAPITAL	**22,131**	**24,700**	**(2,568)**

Note:

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

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

Invested Net Working Capital shows an increase of Euro 2.2 million compared with 31 December 2016. This increase was mainly due to the combined effect of the following factors:

- an increase in trade receivables of Euro 1.6 million due to the Group’s increased turnover.
- an increase in inventories of around Euro 1 million needed to face the increase in the order backlog for the second half of 2017;

- a decrease in fixed assets of approximately Euro 114 thousand due to the combined effect of amortisation and depreciation of the period and of investments made in the period on the production lines;
- an increase in trade payables of around Euro 445 thousand, due to lower purchase volumes during the period.

Invested Net Non-Operating Capital has dropped around Euro 4.8 million compared to 31 December 2016, principally due to the effect of the decrease in short-term securities held due to liquidity reasons and due to the decrease in liquidity. The decrease in the two categories is due to the decrease in liquidity following payment of dividends and taxes.

The other Capital categories showed no significant changes compared with 31 December 2016.

The total *Net Financial Position* was a negative Euro 3.01 million (positive at Euro 7.07 million at 31 December 2016), mainly due to the payment of the extraordinary dividend in May 2017 and payment of taxes.

Corporate structure

At 30 June 2017 the Group's workforce numbered 120 employees, in line with 31 December 2016.

Investments

Investments during the first half of 2017 were mainly focused on improving production lines, in order to increase efficiency and production capacity, and on the purchase of new vehicles for transporting goods.

Significant events during the first half of 2017

During the first half of 2017, the following significant events occurred:

- The collection of new orders was again satisfactory. The order book on the date when the present report was prepared amounted to Euro 8.4 million;
- The Shareholders' Meeting held on the 26 April 2017 defined the issue of an ordinary dividend of Euro 0.40 per ordinary share in circulation at the ex-coupon date. In addition to the ordinary dividend, and in order to reward shareholders of the Company during the tenth year since listing, the Shareholders' Meeting defined the distribution of an extraordinary dividend of Euro 0.6 for each ordinary share in circulation at the coupon detachment date. The total value of the dividend issued was therefore Euro 10.9 million.

Outlook for the entire year 2017

With regard to the full-year forecast for 2017, the parent company management believes that, given trends in demand and production capacity, it can expect the year to end with increased revenue volumes compared to the previous one.

Major shareholders and main data concerning the Issuer's shares

As at the date of preparing these financial statements (September 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%;

Main risks and uncertainties to which the group is exposed

To examine the main risks and uncertainties to which the group is exposed, since neither the internal nor the external conditions changed with respect to the final months of financial year 2016, the reader is referred to the full discussion on the matter in the report on operations of the consolidated financial statements at 31 December 2016.

For a description of the financial risks please refer to the notes to the condensed interim financial statement.

Corporate Governance

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

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

Condensed consolidated interim financial statement at 30 June 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 June 2017 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		*Notes*	June 30, 2017	December 31, 2016
ASSETS				
Fixed assets				
Tangible assets		*1*	2,610,377	2,709,902
Goodwill		*2*	1,393,789	1,393,789
Other intangible assets		*3*	82,953	97,355
Investments in non controlled associates		*4*	50,000	50,000
Deferred tax assets		*5*	253,363	296,702
Other non current assets		*6*	509,219	509,749
	related parties	*30*	*88,950*	*88,950*
Total non current assets			**4,899,702**	**5,057,498**
Currents assets				
Inventory		*7*	9,229,445	8,181,834
Trade receivables		*8*	9,348,129	7,773,575
Tax assets		*9*	146,608	225,624
Other current assets		*10*	3,651,173	6,421,637
Cash and cash equivalents		*11*	1,711,879	3,731,312
Total current assets			**24,087,234**	**26,333,982**
Total assets			**28,986,936**	**31,391,480**

			June 30, 2017	December 31, 2016
LIABILITIES				
Equity				
Share capital		*12*	1,086,444	1,087,340
Other reserves		*12*	4,450,540	4,494,290
Foreign exchange reserve		*12*	469,517	559,170
Retained earnings		*12*	7,943,879	15,737,242
Total equity attributable to shareholders of the parent			**13,950,380**	**21,878,042**
Minority interest			-	0
Total equity			**13,950,380**	**21,878,042**
Non current equity				
Long-term borrowings		*13*	4,665,547	1,692,635
Severance Indemnities		*14*	670,272	710,137
Provisions for risk and charges		*15*	38,540	82,596
Deferred tax liabilities		*16*	0	0
Total non current liabilities			**5,374,359**	**2,485,368**
Current liabilities				
Short-term borrowings		*16*	3,515,275	1,128,918
Trade liabilities		*17*	4,393,853	3,948,795
	related parties	*30*	*80*	*340*
Tax liabilities		*18*	422,830	712,098
Other current liabilities		*19*	1,330,239	1,238,259
Total current liabilities			**9,662,197**	**7,028,070**
Total Liabilities			**28,986,936**	**31,391,480**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE FIRST HALF OF 2017 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		*Notes*	**I half 2017**	**I half 2016**
Revenues		*21*	20,116,191	18,675,293
Cost of sales		*22*	(11,688,231)	(10,941,499)
Other revenues		*23*	94,662	34,614
Cost of indirect labour		*24*	(1,140,490)	(1,043,483)
Commercial expenses		*25*	(477,891)	(421,814)
General and administrative expenses		*26*	(2,051,832)	(1,821,627)
	related parties	*30*	*(461,941)*	*(461,941)*
Depreciation of tangible assets		*27*	(382,686)	(374,546)
Amortization of intangible assets		*27*	(14,242)	(13,028)
Writedowns		*27*	0	(18,646)
Earning before interest and taxes			**4,455,481**	**4,075,264**
Financial costs		*28*	(252,679)	(151,724)
Financial income		*28*	283,646	248,570
Earning before taxes			**4,486,448**	**4,172,110**
Income taxes		*29*	(1,333,895)	(1,436,091)
Profit for the year (A)			**3,152,553**	**2,736,019**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		*12*	2,635	(13,135)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:				
Exchange differences on translating foreign operations		*12*	(89,653)	(83,947)
Total other comprehensive income/(losses) for the year (B)			**(87,018)**	**(97,082)**
Total comprehensive income (A) + (B)			**3,065,535**	**2,638,937**
Profit attributable to:				
Owners of the parent			3,152,553	2,736,019
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			3,065,535	2,638,937
Minority interest			-	-
Basic earning per share		*12*	0.29	0.25
Diluted earning per share		*12*	0.29	0.25

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 June 2017 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows (Euro thousands)	**First half**		
	2017	**2016**	
A- Net current bank balances at the beginning of the period	**3,732**	**1,486**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	3,066	2,639	
Income tax expense	1,334	1,436	
Amortization of intangibles assets	14	13	
Depreciation of tangible assets	383	375	
Finance cost	253	152	
Interest income	(284)	(249)	
Net change in provisions for risk and charges and other provision relating to personell	(15)	25	
Change in provigion for leaving indemnities			
Allocations and revaluations	-	-	
Actuarial gain/(losses)	(4)	22	
(Use)	(65)	-	
(increase) decrease in current trade and other current receivables	(1,527)	(981)	
(increase) decrease in deferred tax assets and liabilities	43	50	
(increase) decrease in inventory	(1,048)	255	
Increase (decrease) in current trade and other payables	290	(782)	**Note 1**
Net cash from/(used in) operating activities	**2,444**	**2,955**	
Paid interest costs	(109)	(152)	
Collected interest income	184	249	
Taxes paid	(1,523)	(1,036)	
Total (B)	**996**	**2,016**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(294)	(196)	
Proceeds for sale of non current tangible assets	6.70	-	
Net (investments) in non current intangible assets	-	(24)	
Net (investments) in investment in associates	-	-	
Net (investments) in non current securities	1	-	
(Investments) in current securities	(327)	(214)	
Proceeds from sale of current securities	3,229	213	
Total (C)	**2,615**	**(220)**	
D- Cash flow from financing activities			
(Outflow) from repayment of loans	(795)	(561)	
Inflow from borrowing activities	5,000	-	
Purchase of treasury shares	(71)	(267)	
Dividend paid to shareholders	(10,921)	(3,755)	
Total (D)	**(6,787)**	**(4,583)**	
E- Cash flow for the period (B+C+D)	**(3,175)**	**(2,788)**	
F- Cash and cash equivalents at end of the period	**557**	**(1,302)**	

Note 1: the liquidity absorbed by the change in the amounts owed to suppliers and others comprises the absorption of liquid funds due to transactions with the parent R&D International S.r.l. for an amount which is not significant.

The following table shows the composition of the balance of net cash and cash equivalents at 30 June 2017 and at 30 June 2016:

	30-Jun-17	30-Jun-16
Cash	1,712	1,608
Bank overdrafts	(1,155)	(2,910)
Total	**557**	**(1,302)**

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

We present below the changes in net equity that occurred in the first half of 2017 and in the first half of 2016.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	Net Group Equity	Minority interest	Total net Equity
Euro thousand										
Balance at January 1, 2017	**1.088**	**379**	**4.045**	**44**	**27**	**559**	**15.736**	**21.878**	**-**	**21.878**
							0	0		0
Result of the period							**3.182**	**3.182**		**3.182**
Other comprehensive income/expenses						(89)	**2**	**(87)**		**(87)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**(89)**	**3.184**	**3.095**	**-**	**3.095**
Shareholders										
Allocation of previous year result					27		**(27)**	**-**	**-**	**-**
Dividend distribution							**(10.921)**	**(10.921)**	**-**	**(10.921)**
Treasury shares allocation	(1)		(70)				**-**	**(71)**		**(71)**
Other							**-**	**-**		**-**
Balance at June 30, 2017	**1.087**	**379**	**3.975**	**44**	**54**	**470**	**7.972**	**13.981**	**-**	**13.981**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	Net Group Equity	Minority interest	Total net Equity
Euro thousand										
Balance at January 1, 2017	**1,087**	**379**	**4,047**	**44**	**25**	**559**	**15,737**	**21,878**	**-**	**21,878**
							0	0		0
Result of the period							**3,153**	**3,153**		**3,153**
Other comprehensive income/expenses						(89)	**2**	**(87)**		**(87)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**(89)**	**3,155**	**3,066**	**-**	**3,066**
Shareholders										
Allocation of previous year result					27		**(27)**	**-**	**-**	**-**
Dividend distribution							**(10,921)**	**(10,921)**	**-**	**(10,921)**
Treasury shares allocation	(1)		(71)				**-**	**(72)**		**(72)**
Other							**-**	**-**		**-**
Balance at June 30, 2017	**1,086**	**379**	**3,976**	**44**	**52**	**470**	**7,943**	**13,951**	**-**	**13,951**

Notes to the condensed consolidated interim financial statement at 30 June 2017 prepared in conformity with the IFRSs adopted by the European Union

Accounting policies

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

The present condensed consolidated interim financial statements were drawn up, in a summary form, in accordance with IAS 34 “Interim Financial Statements”. These condensed interim financial statements do not include, therefore, all the information required in the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2016.
The accounting standards adopted in preparing the present condensed consolidated interim financial statements are the same as those adopted in preparing the Group's annual consolidated financial statements for the financial year ended 31 December 2016.

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

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

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

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

Limited auditing of the condensed consolidated interim financial statement for the B&C Speakers Group at 30 June 2017 was entrusted to PricewaterhouseCoopers S.p.A.

Accounting standards, amendments and interpretations applied from 1 January 2017

This condensed interim financial statement does not implement new international accounting principles or changes to those adopted in the preparation of the 2016 report.

Accounting standards, amendments and interpretations not yet applied.

At the date of this 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 22 September 2016, has the aim of improving disclosures regarding revenues and their comparability between financial statements. The new standard is applicable retroactively, for annual periods starting on or after 1 January 2018. Early application is allowed. The Group is continuing its detailed analysis of the various types of existing contracts. The Management believes it will be able to make a more reliable assessment of accounting impacts within the next 6 months. It should be noted that there are no contracts for extending the warranty beyond the terms of the law.
- 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”. The standard was approved on 22 November 2016. 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; (iii) amend the provisions on hedge accounting and (iv) define new criteria for accounting of transactions which change financial liabilities. The provisions of IFRS 9 are in effect for financial years starting on or after 1 January 2018. Early application is allowed. The Group is in the process of analysing the impacts of the revised standard on the various accounting items. The Management believes it will be able to make a more reliable assessment of accounting impacts within the next 6 months.

Accounting standards, amendments and interpretations not yet applicable.

As of the date of this 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 capital leasing (recorded using financial method) and operating leasing (recorded using the equity method). 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 taxes relative to debt instruments measured at fair value.
  These changes will be applicable as of 1 January 2017, after completion of the endorsement process by the EU.
- 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 changes will be applicable as of 1 January 2017, after completion of the endorsement process by the EU.

- 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 IAS 4 “Insurance Contracts” regarding 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 as of 1 January 2018);
  - IAS 28 – Investments in associates and joint ventures (applicable as of 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.

- In December 2016, the IASB the interpretation 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.
- In May 2017, the IASB issued the new standard IFRS 17 – “Insurance Contracts”. The new standard will replace IFRS 4 and will be applicable as of 1 January 2021.

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

Content and form of the financial statements

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

Consolidated Statement of Financial Position

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

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

Consolidated Statement of Comprehensive Income

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

Consolidated statement of changes in net equity

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

Consolidation scope

The Consolidated Interim Financial Statement at 30 June 2017 prepared according to the IFRSs includes line by line the financial statements of the Parent Company and of the companies of the B&C Speakers Group

The following companies therefore fall under the full consolidation scope at 30 June 2017:

Companies	Country	Currency	Share capital	Group structure at 30 June 2016			Group structure at 31 December 2016		
				Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Euro	1,086,444	Parent Company			Parent Company		
B&C Speaker NA LLC	USA	USD	30,000	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	Real	1,720,729	100%	-	100%	100%	-	100%

Associated company	Country	Currency	Share capital	Group structure at 30 June 2016			Group structure at 31 December 2016		
				Direct	Indirect	Total	Direct	Indirect	Total
Silence Tech S.r.l.	Italia	Euro	150,000	33%	-	33%	33%	-	33%

There were no changes relative to the scope of consolidation at 31 December 2016.

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

The exchange rates applied in the conversion of financial statements in currencies other than the Euro in the first half of 2017, at 31 December 2015 and in the first half of 2015 are shown in the table below:

Currency	30-Jun-17		31-Dec-16		30-Jun-16	
	Avg exch.	Final exch.	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.083022	1.1412	1.107	1.054	1.115937	1.1102
EURO/REAL	3.443113	3.76	3.856	3.431	4.129549	3.5898

Operating segments

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

Analysis of the breakdown of the main items of the consolidated statement of financial position at 30 June 2017

1. Property, plant and equipment

A breakdown of property, plant and equipment at 30 June 2017 and the related changes during the period are highlighted in the following tables:

(In Euro)

Historic cost	31-Dec-16	Additions	Reclassification	Foreign exch.	(Decreases)	30-Jun-17
Land and buildings	5,599	-	-	(427)	-	5,172
Photovoltaic System and other minor	933,262	4,229	-	-	-	937,491
Lightweight construction	30,879	-	-	-	-	30,879
Plants and machinery	4,571,357	58,900	-	(7,325)	(6,800)	4,616,132
Industrial equipment	4,570,162	75,489	-	(234)	-	4,645,417
Various equipment	874,950	118,674	-	(6,498)	(59,164)	927,962
Fixed assets in progress	12,000	42,110	-	-	-	54,110
Total	**10,998,209**	**299,402**	**-**	**(14,484)**	**(65,964)**	**11,217,163**

Accumulated depreciation	31-Dec-16	Depreciation	Reclassificatio	Foreign exch.	(Decreases)	30-Jun-17
Land and buildings	4,369	797	-	(374)	-	4,792
Photovoltaic System and other minor	336,363	39,068	-	-	-	375,431
Lightweight construction	11,149	1,531	-	-	-	12,680
Plants and machinery	2,971,062	213,281	-	(6,469)	(4,216)	3,173,658
Industrial equipment	4,169,605	109,147	-	(151)	-	4,278,601
Various equipment	795,759	18,863	-	(2,586)	(50,412)	761,623
Fixed assets in progress	-	-	-	-	-	-
	-	-	-	-	-	
Total	**8,288,307**	**382,686**	**-**	**(9,580)**	**(54,628)**	**8,606,785**

Net value	31-Dec-16	Net increases	Reclassificatio	Foreign exch.	Depreciation	Accumulated depreciation	30-Jun-17
Land and buildings	1,230	-	-	(53)	(797)	-	380
Photovoltaic System and other minor	596,899	4,229	-	-	(39,068)	-	562,060
Lightweight construction	19,730	-	-	-	(1,531)	-	18,199
Plants and machinery	1,600,295	52,100	-	(856)	(213,281)	4,216	1,442,474
Industrial equipment	400,557	75,489	-	(83)	(109,147)	-	366,816
Various equipment	79,191	59,510	-	(3,912)	(18,863)	50,412	166,338
Fixed assets in progress	12,000	42,110	-	-	-	-	54,110
Total	**2,709,902**	**233,438**	**-**	**(4,904)**	**(382,686)**	**54,628**	**2,610,377**

The most significant changes that occurred during the first half of 2017 mainly refer to investments made on the production lines in order to increase their efficiency and the production capacity, as well as the purchase of new vehicles for goods transport to replace those that had been disposed of.

2. Goodwill

A breakdown of this item at 30 June 2017 is highlighted in the following table:

(In Euro)

Goodwill	30-Jun-17	31-Dec-16
Goodwill on B&C Speakers Usa NA LLC	1,393,789	1,393,789
Writedowns	-	-
Total goodwill	**1,393,789**	**1,393,789**

Goodwill deriving from consolidation of the equity investment in B&C Speakers NA LLC was Euro 1,394 thousand at 30 June 2017 (unchanged compared with 31 December 2016). This figure represents the surplus between the value of the investment entered at the purchase cost compared to the Group's portion of current values of assets, liabilities and identifiable contingent liabilities recognised in the financial statements of the subsidiary at the time of the first consolidation on 31 December 2004 and at the time of the purchase of the remaining 20% stake on 31 December 2007.

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

The hypotheses formulated in preparing the industrial plan used for the impairment test carried out on the occasion of preparing the annual financial statements, approved by the Board of Directors on 20 March 2017, did not undergo significant changes during the half-year in question. Impairment indicators such as to lead the management to consider necessary an update of the impairment test carried out at 31 December 2016 in support of the recognition of the goodwill difference are therefore not present, at the date on which the present report was drawn up.

Given that the recoverable amount is determined on the basis of estimates, the group can not ensure that no goodwill impairment occurs in future periods.

3. Other Intangible assets

A breakdown of intangible assets at 30 June 2017, and the related changes in the period are shown in the following table:

(In Euro)

Other intangible fixed assets	31-Dec-16	Additions	Reclassifications	Foreign Exchange	Depreciation	30-Jun-17
Patent rights	97,335	-	-	(140)	14,242	82,953
Intangible assets in progress	-	-	-	-	-	-
Total	**97,335**	**-**	**-**	**(140)**	**14,242**	**82,953**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

4. Equity investments in associated companies

This item amounts to Euro 50 thousand, unchanged with respect to 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, established at the end of 2015 is still in the start-up phase.

5. Deferred tax assets

At 30 June 2017 this item includes assets for prepaid taxes, net of deferred tax liabilities, equal to Euro 253 thousand, (Euro 297 thousand at 31 December 2016).

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

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

6. Other non-current assets

At 30 June 2017 this item is as follows:

(In Euro)

Other non current assets	30-Jun-17	31-Dec-16	Change	% Change
Insurance poilcies	357,032	357,032	0	0%
Guarantee deposits	56,826	56,826	-	0%
Ires refund receivables	88,950	88,950	-	0%
Others	6,411	6,941	(530)	-8%
Total non current assets	**509,219**	**509,749**	**(530)**	**0%**

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

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

7. Inventories

Warehouse inventories are calculated according to the F.I.F.O. method and can be broken down as follows at 30 June 2017:

(In Euro)

Inventories	30-Jun-17	31-Dec-16	Change	Change %
Row materials and consumables	813,930	734,118	79,812	11%
Work in progress and semi-finished	7,501,703	5,765,880	1,735,823	30%
Finished goods	1,304,683	2,066,169	(761,486)	-37%
Gross Total	**9,620,316**	**8,566,167**	**1,054,149**	**12%**
Provision for inventory writedowns	(390,872)	(384,333)	(6,539)	2%
Net Total	**9,229,445**	**8,181,834**	**1,047,611**	**13%**

The value of inventories is shown net of provisions for inventory writedowns of Euro 391 thousand at 30 June 2017.

Change in Provision for inventory writedowns	31-Dec-16	Increase	Use	Foreign Exchange	30-Jun-17
Provision for inventory writedowns	384,333	15,000	-	(8,461)	390,872
Total	**384,333**	**15,000**	**-**	**(8,461)**	**390,872**

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

The gross value of inventories as at 30 June 2017 would appear to have increased by Euro 1 million overall with respect to the total at 31 December 2016. The increase in final inventories is based on the sustained increase in the Group's turnover and in the order backlog at the date of this report, as reported in the management report.

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 30 June 2017:

(In Euro)

Trade receivables	30-Jun-17	31-Dec-16	Change	Change %
Trade receivables	9,759,708	8,224,857	1,534,851	19%
(Provision for doubtful accounts)	(411,579)	(451,282)	39,703	-9%
Total	**9,348,129**	**7,773,575**	**1,574,554**	**20%**

The adjustment of the value of the Group's receivables to the estimated realisable value was obtained by means of specific Provisions for the Impairment of Receivables which amount to approximately Euro 411 thousand at 30 June 2017 (Euro 451 thousand at 31 December 2016).

The gross amount of trade receivables increased compared with 31 December 2016 principally due to the Group's increased turnover.

9. Tax assets

At 30 June 2017, tax assets of Euro 147 thousand (Euro 226 thousand at 31 December 2016), consisted principally of VAT receivables of Euro 101 thousand, current withholding taxes of Euro 32 thousand and tax receivables of the Brazilian subsidiary of Euro 13 thousand.

10. Other current assets

At 30 June 2017 other current assets amounted to Euro 3,651 thousand (Euro 6,422 thousand at 31 December 2016) and were made up as follows:

(In Euro)

Other current assets	30-Jun-17	31-Dec-16	Change	% Change
Receivables towards supplier	118,396	65,994	52,402	79%
Securities	3,370,299	6,164,655	(2,794,356)	-45%
Other minor receivables	13,006	37,450	(24,444)	-65%
Total other receivables	**3,501,702**	**6,268,099**	**(2,766,397)**	**-44%**
Commercial fairs	72,002	69,213	2,789	4%
Phone expenses	5,563	5,479	84	2%
Assistance and assurance fees	29,544	18,913	10,631	56%
Specialist contract	12,750	12,250	500	4%
Other	29,613	47,683	(18,070)	-38%
Total prepaid expenses and accrued income	**149,472**	**153,538**	**(4,066)**	**-3%**
Total current assets	**3,651,173**	**6,421,637**	**(2,770,464)**	-43%

Securities held in the portfolio refer to asset management items denominated in Euro and held for short-term liquidity. These securities were measured at fair value and the estimated gain (Euro 130 thousand) recognised as financial expenses on the income statement.

The significant decrease compared to 31 December 2016 is due to the sale of part of the portfolio aimed at covering the financial demands generated by payment of the extraordinary dividend and taxes. The aforementioned sale generated capital gains of Euro 52 thousand classified amongst financial income.

The item "Specialist contract" refers to accrued expenses for service fees relating to the portion accruing to the second half of 2017 to be paid to *Intermonte Sim S.p.A.* for its Specialist service.

11. Cash and cash equivalents

As required by Consob Communication No. DEM/6064293 of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the Group's net financial position at 30 June 2017 is detailed below:

(In Euro thousands)

	30 June 2017 (a)	31 December 2016 (a)	Change %
A. Cash	1,712	3,731	-54%
C. Securities held for trading	3,370	6,164	-45%
D. Cash and cash equivalent (A+C)	**5,082**	**9,895**	**-49%**
F. Bank overdrafts	(1,154)	0	#DIV/0!
G. Current portion of non current borrowings	(2,361)	(1,129)	109%
I. Current borrowingse (F+G)	**(3,515)**	**(1,129)**	**211%**
J. Current net financial position (D+I)	**1,567**	**8,766**	**-82%**
K. Non current borrowings	(4,666)	(1,693)	176%
N. Non current borrowings	**(4,666)**	**(1,693)**	**176%**
O. Total net financial position (J+N)	**(3,099)**	**7,073**	**-144%**

(a) Informations extracted and / or calculated from the financial statements prepared in accordance with IFRS as adopted by the European Union.

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

	30-Jun-17	31-Dec-16
Cash and cash equivalents at end of the period	**558**	**3,731**
Current portion of non current borrowings	(2,361)	(1,129)
Non current borrowings	(4,666)	(1,693)
Securities held for trading	3,370	6,164
Total net financial position	**(3,099)**	**7,073**

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

12. NET EQUITY

- Share Capital

The share capital was Euro 1,086 thousand at 30 June 2017 and had decreased by Euro 1 thousand following accounting for the purchase of treasury shares according to the provisions of the IASs/IFRSs. As a result of the continuation of the buy-back plan, on 30 June 2017 B&C Speakers S.p.A. held a total of 78,272 equal to 0.71% of the share capital. At the time this report was prepared (September 2017), the number of Treasury shares owned has changed and amounts to 48,272, equal to 0.44% of the share capital;

The following table shows the changes, in the first half of 2017, to the number of shares outstanding of the Parent Company:

Reconciliation of the number of outstanding shares	**Outstanding shares (n.)**
December 31, 2016	**10,931,190**
Treasury shares purchased	(9,462)
Treasury Shares sold	-
June 30, 2017	**10,921,728**

Other reserves

This item, equal to Euro 4,451 thousand at 30 June 2017, 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 52 thousand and the share premium reserve for Euro 3,976 thousand.

In particular, the share premium reserve, which originated on placing of the Parent Company's ordinary shares, during the period in question, fell by Euro 71 thousand following the recognition of operations carried out on treasury shares.

Foreign Exchange reserve

This item amounted to Euro 470 as at 31 December 2017 and includes the exchange differences arising from conversion of the financial statements in foreign currencies. This reserve decreased by Euro 89 thousand due to the recognition of other comprehensive income components 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 discounting component of severance indemnity.

Result of the period

This item comprises the net period result for Euro 3,152 thousand and other period profits/(losses) for a positive value of Euro 3 thousand relative to the actuarial gains 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.

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					
June 30, 2017					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		2	2		2
Total	**-**	**2**	**2**	**-**	**2**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operati	(89)		(89)	-	(89)
Total	(89)	-	(89)	-	(89)
Other comprehensive income/(losses) for the year:	**(89)**	**2**	**(87)**	**-**	**(87)**
June 30, 2016					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(13)	(13)		(13)
Total	-	(13)	(13)	-	(13)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operati	(84)		(84)	-	(84)
Total	(84)	0	(84)	-	(84)
Other comprehensive income/(losses) for the year:	**(84)**	**(13)**	**(97)**	**0**	**(97)**

	June 30, 2017			June 30, 2016		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	3	(1)	2	(19)	6	(13)
Exchange differences on translating foreign operati	(89)		(89)	(84)		(84)
Other comprehensive income/(losses)	**(86)**	**(1)**	**(87)**	**(103)**	**6**	**(97)**

Earnings per share

Earnings per share have been calculated as per IAS 33. The value of this indicator is Euro 0.29 per share (Euro 0.25 in the first half of 2016). This indicator has been calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period (n. 10,982,697 shares in the first half of 2017).

13. Long-term borrowings

This item amounted to Euro 4,690 thousand at 30 June 2017 (Euro 1,693 thousand at 31 December 2016) and is made up as follows:

(In Euro)

Long-term borrowings	30-Jun-17	31-Dec-16	Change	% Change
Long-term Simest loan	50,000	100,000	(50,000)	-50%
Long-term Unicredit loan	3,524,931	-	3,524,931	
Long-term CRF loan	1,090,616	1,592,635	(502,019)	-32%
Total long-term borrowing	**4,665,547**	**1,692,635**	**2,972,912**	**176%**

The item “Long-term Simest loan” (Euro 50 thousand at 30 June 2017), includes the portion due beyond the next 12 months of the unsecured long-term loan agreed with Simest S.p.A. on 19 April 2011 for an original amount of Euro 500 thousand. This loan was granted by the Italian company for businesses abroad to protect capital stability and thus increase competitiveness on export markets.

The item “UniCredit loan” of Euro 3,524 thousand at 30 June 2017 includes the portion due beyond the following year of the long-term financing agreement with UniCredit S.p.A. in April of this year.

The item “Short-term CRF loan” of Euro 1,091 thousand at 30 June 2017 includes the portion due beyond the following year of the long-term financing agreement with Cassa di Risparmio di Firenze S.p.A. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract with CR Firenze S.p.A., aimed at keeping the interest rate of the loan fixed. The fair value of this contract was recognised in the income statement under financial costs.

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

Change in borrowings	31-dic-16	Refunds	New borrowings	Reclassification current portion	30-giu-17
Non current portion					
Bank borrowings	1,692,635	-	3,524,931	(552,019)	4,665,547
Leasing	-	-	-	-	-
Total non current borrowings	**1,692,635**	**-**	**3,524,931**	**(552,019)**	**4,665,547**
Curent portion					
Bank overdrafts	-	-	1,154,193	-	1,154,193
Bank borrowings	1,099,581	(549,183)	1,244,172	552,019	2,346,588
Leasing	29,337	(14,844)	-	-	14,493
Total current borrowings	**1,128,918**	**(564,027)**	**2,398,365**	**552,019**	**3,515,274**

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

(In Euro)

Loans details	Simest Loan	Unicredit	CRF
Lender	Simest S.p.A.	Unicredit S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	5,000,000	4,000,000
Contract date	19-Apr-11	18-apr-17	31-lug-15
Due date	31-Dec-18	30-apr-21	29-lug-19
N. instalments	10	48	48
N. pre- instalments	5	-	-
Periodicity	Half-yearly	Monthly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	0.35%	1 month Euribor + 0,5%
Current portion	100,000	1,244,172	1,002,417
Non current portion	50,000	3,524,931	1,090,616

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	(14,202)

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

14. Provisions for personnel and similar

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

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

The present value of liabilities for severance indemnity, in accordance with IAS 19, is Euro 285 thousand (Euro 353 thousand at 31 December 2016).

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

Technical parameters

	30-Jun-17
Technical annual discounting rate	1.08%
Annual inflation rate	1.50%
Annual TFR increase rate	2.625%

With regard to the evaluation of the discount rate, the reference used was the IBoxx Corporate AA index of June 2017 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

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

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

- indication of the contribution for the following financial year;

- indication of the average financial term of the obligation for defined benefit plans.

Sensitivity analysis

	DBO June 30, 2017
Turnover rate +1%	282,786
Turnover rate -1%	286,304
Inflation rate + 0,25%	287,983
Inflation rate - 0,25%	280,964
Discount rate + 25%	278,872
Discount rate - 25%	290,914

Estimated future payments

Year	Amount
1	23,698
2	22,143
3	20,686
4	44,875
5	31,586

Service Cost and Duration

Service Cost	0.00
Duration	8.60

Provisions for Directors' Severance Pay at 30 June 2017 amounted to Euro 386 thousand (Euro 357 thousand at 31 December 2016) and, in order to recognise them, for each Director, provisions were set aside for the portion matured during the period on the basis of the existing agreement.

15. Provisions for risks

At 30 June 2017 the item, of Euro 39 thousand (Euro 82 thousand at 31 December 2016), contains provisions to cope with the risk of warranty support for the Group's products.

The decrease compared to the figure at 31 December 2016 is due to the issue of part of the fund which, based on the historic trend of costs sustained for hedging, had become excessive.

16. Short-term borrowings

This item amounted to Euro 3,515 thousand at 30 June 2017 (Euro 1,129 thousand at 31 December 2016) and is made up as follows:

(In Euro)

Short term borrowings	30-Jun-17	31-Dec-16	Change	% Change
Credemleasing loan	14,493	29,337	(14,844)	-51%
Short-term Simest loan	100,000	100,000	-	0%
Finanziamento Unicredit	1,244,172	-	1,244,172	
Short-term CRF loan	1,002,417	999,581	2,836.00	0%
Bank overdrafts	1,154,193	-	1,154,193	
Total	**3,515,275**	**1,128,918**	**2,386,357**	**211%**

The “Credem Leasing” loan item, of Euro 14 thousand at 30 June 2017, contains the short-term portion of the implicit loan related to leasing contracts for the existing palletising system.

The “Long-term Simest loan” item (Euro 100 thousand on 30 June 2017), includes the short-term portion of the unsecured long-term loan agreed with Simest S.p.A. on 19 April 2011 for an original amount of Euro 500 thousand.

The item “UniCredit loan” of Euro 1,244 thousand at 30 June 2017 includes the short-term portion of the financing agreement with UniCredit S.p.A. in April of this year.

The item “Short-term CRF loan” of Euro 1,002 thousand at 30 June 2017 includes the short-term portion due of the loan agreement with Cassa di Risparmio di Firenze S.p.A.

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

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

17. Trade payables

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

(In Euro)

Trade payables	30-Jun-17	31-Dec-16	Change	% Change
Trade payables	4,393,853	3,948,795	445,058	11%
Total trade payables	**4,393,853**	**3,948,795**	**445,058**	**11%**

The increase in amounts owed to suppliers is due to greater purchasing volumes in the period in order to support the Group’s increased turnover.

18. Tax liabilities

At 30 June 2017, this item was Euro 435 thousand (Euro 712 thousand at 31 December 2016) and includes tax liabilities for current taxes of the Group net of advances paid.

19. Other current liabilities

At 30 June 2017, this item is made up as follows:

(In Euro)

Other current liabilities	30-Jun-17	31-Dec-16	Change	% Change
Due to social security funds	162,243	273,432	(111,189)	-41%
Unused vacation time and holidays	520,646	337,733	182,913	54%
Due to personnel	315,699	326,549	(10,850)	-3%
Other liabilities	331,651	300,545	31,106	10%
Total current liabilities	**1,330,239**	**1,238,259**	**91,980**	7%

The item “Unused vacation time and holidays” includes accruals for the thirteenth month bonus as well as the payable for remaining holidays at 30 June 2017. The increase in the payable compared with 31 December 2016 was due to the greater accumulation of holidays recorded normally at the end of the first half of the financial year compared with the end of the previous financial year.

The category of “due to personnel” includes payables for salary and retribution not yet paid at 30 June 2017 and settled within the third working day of the next month.

The item "Other liabilities" mainly includes the debt accrued for the management performance bonus (Euro 130 thousand), the payable for directors' fees (Euro 77 thousand), the payable for fair value measurement of the IRS contract with Banca CR Firenze S.p.A. (Euro 14 thousand) and other smaller amounts.

20. Guarantees given to third parties

At 30 June 2017, as also at 31 December 2016, there are no records of any guarantees given to third parties by Group companies.

Contractual requirements taken on by the Group are listed below by deadline:

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

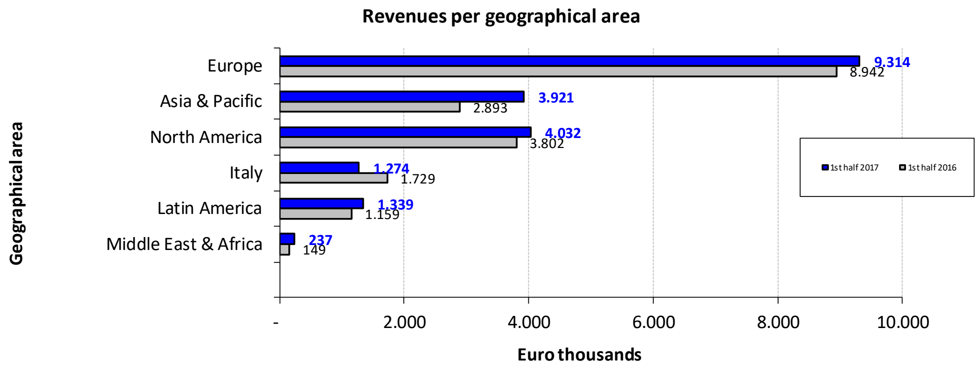
Analysis of the breakdown of the main items of the consolidated statement of comprehensive income closed at 30 June 2017

21. Revenue from sales and services

(In Euro)

Geographical Area	1st half 2017	%	1st half 2016	%	Change	Change %
America Latina	1,338,680	6.7%	1,159,340	6.2%	179,340	15%
Europa	9,313,806	46.3%	8,941,745	47.9%	372,061	4%
Italia	1,274,300	6.3%	1,729,355	9.3%	(455,055)	-26%
Nord America	4,031,946	20.0%	3,802,354	20.4%	229,592	6%
Medio Oriente & Africa	236,580	1.2%	149,312	0.8%	87,268	58%
Asia & Pacifico	3,920,880	19.5%	2,893,188	15.5%	1,027,692	36%
Totale	**20,116,191**	**100.0%**	**18,675,293**	**100.0%**	**1,440,899**	**7.72%**

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



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

During the period, the Group has significantly increased its presence in the Asian market (+36% with sales of Euro 3.9 million) and has achieved good performance in the South American market (+15% with sales of Euro 1.3 million), in the North American market (+6% with sales of Euro 4 million) and on the European market (+4% with sales of Euro 9.3 million) which remains the most important market for the Group. Unlike the Italian market the results achieved were slightly down compared with the first half of 2016 (-26% with sales of 1.3 million Euro).

In the first semester of 2017, three clients achieved turnover above 10% of the total: they make up 10%, 13% and 17% of half-year turnover, respectively.

22. Cost of sales

The item is made up of:

Cost of sales	I half 2017	I half 2016	Change	Change %
Consumption of production materials	8,847,557	8,365,821	481,736	6%
Direct labour	2,254,775	2,100,390	154,385	7%
Freight	418,563	298,050	120,513	40%
Duties, commissions and other minor costs	167,337	177,238	(9,901)	-6%
Totale Cost of Sales	**11,688,232**	**10,941,499**	**746,733**	**7%**

The increase in costs of raw materials and third-party manufacturing, direct labour costs, and transport costs is due to the increased levels of production in the first half of 2017 compared to the same period of the previous year.

As specified in the report on operations, the cost of sales during the first six months of 2017 decreased slightly in terms of its impact on revenues when compared to the first six months of 2016, shifting from 58.59% to 58.10%.

23. Other revenues

This category mainly refers to recoveries of expenses and premiums received by suppliers to reach the contractually planned spending budget.

24. Indirect personnel

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

The item is made up of:

Cost of indirect labour	I half 2017	I half 2016	Variazione	Variazione %
Retribution	889,251	813,755	75,496	9%
Social charges	212,081	194,610	17,471	9%
Severance indemnity	39,158	35,118	4,040	12%
Total cost of indirect labour	**1,140,490**	**1,043,483**	**97,007**	**9%**

The increase seen in “Retribution” and “social charges” was mainly due to contractual adjustments during the year. As specified in the report on operations, over the first six months of 2017 indirect personnel costs saw a slight increase with respect to the trend for turnover, going from 5.59% of revenues during the first six months of 2016 to 5.67% during the first half of 2017.

25. Commercial expenses

Commercial expenses, at Euro 478 thousand (Euro 422 thousand in the first half of 2016) did not see significant changes with respect to the first six months of the previous year.

26. Administrative and General expenses

Administrative and general costs, at Euro 2,052 thousand, increased by around Euro 230 thousand compared to the first six months of the previous year, largely due to use of technical consultants with the aim of increasing manufacturing efficiency.

27. Amortisation, depreciation, provisions and writedowns

The item is made up of:

Amortization, depreciation and writedowns	I half 2017	I half 2016	Change	Change %
Amortization of intangibles assets	14,242	13,028	1,214	9%
Depreciation of tangible assets	382,686	374,546	8,140	2%
Total amortizations and depreciations	**396,927**	**387,574**	**9,353**	**2%**
Bad debt provision	-	18,646	(18,646)	-100%
Total Writedowns	**-**	**18,646**	**(18,646)**	**-100%**

It was not necessary to set aside any bad-debt-impairment provisions given that the provisions existing at 31 December 2016 were sufficient to cover the risk of bad debts.

Please refer to the Note 8. For further informations.

28. Financial income and expenses

The item is made up of:

Financial income and expenses	I half 2017	I half 2016	Change	Change %
Bank interest income	374	1,063	(689)	-65%
Interest on securities	52,081	-	52,081	
Accrued income on futures	-	14,052	(14,052)	-100%
Accrued income on securities	87,236	77,366	9,870	13%
Exchange rate differences income	111,573	150,472	(38,899)	-26%
Exchange rate differences accruals	13,211	5,371	7,840	146%
Accrued income on IRS contract	14,202	-	14,202	
Other financial income	4,969	245	4,723	1925%
Total financial income	**283,646**	**248,570**	**35,076**	**14%**
Interest expenses	16,071	16,375	(305)	-2%
Financial expenses for Defined Benefit Obligation	-	3,267	(3,267)	
Accrued loss on IRS contract	-	29,029	(29,029)	
Exchange rate difference expenses	80,845	70,742	10,103	14%
Loss on Securities	-	3,483	(3,483)	
Exchange rate differences accruals	144,200	18,239	125,961	691%
Banck expenses	8,371	8,756	(385)	-4%
Other financial costs	3,192	1,832	1,360	74%
Total financial expenses	**252,679**	**151,724**	**100,955**	**67%**
Total financial income (expenses)	**30,967**	**96,846**	**(65,879)**	**-68%**

29. Taxes

This item, including current and deferred taxes, is Euro 1,346 thousand (Euro 1,436 thousand in the first half of 2016).

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

30. Transactions with related parties and subsidiaries under their management

The transactions that occurred during the first half of 2017 with related parties are summarised below together with information on transactions with related parties on the basis of the requirements of Consob Communication DEM/6664293 of 28 July 2006.

The related parties were identified by Directors as the holding company *Research & Development International S.r.l.*, a company with registered office in Florence, Viale dei Mille No. 60, Tax Code 02342270481, share capital Euro 90,000, which at 30 June 2017 holds 55.36% of the shares of B&C Speakers S.p.A.

Economic transactions

(In Euro)

General and Administrative Expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
1 half 2017	(2.051.832)	(461.941)	(461.941)	23%
1 half 2016	(1.821.627)	(461.941)	(461.941)	25%

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

Financial Relationships

(In Euro)

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2017	509.219	88.950	88.950	17%
31 December 2016	509.749	88.950	88.950	17%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2017	(4.393.853)	(80)	(80)	0%
31 December 2016	(3.948.795)	(340)	(340)	0%

The debit positions in relation to Research & Development International S.r.l. at 30 June 2017, arose as a result of the rental contract for the property in which the Parent company's new production line was installed.

The credit position of Research & Development International S.r.l. existing at 30 June 2017, related to the credit for an IRES rebate which arose in 2012 following the rebate application made by the Holding for the financial years in which the Group companies availed themselves of tax consolidation.

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

Transactions with related parties were carried out under conditions equivalent to those prevailing in free transactions between independent parties.

31. Transactions deriving from non-recurring operations

Pursuant to the Consob Communication of 28 July 2006, it is noted that during the first half of 2017 no non-recurring operations occurred.

32. Transactions deriving from atypical and/or unusual operations

Under the terms of Consob Communication of 28 July 2006, we can specify that during the first half of 2017 the Group did not engage in any atypical and/or unusual operations, as defined in the said Communication.

33. 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 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 the first half of 2017, 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 5.4 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 4.9 million.

- Purchases in Canadian Dollars equal to Euro 147 thousand whose corresponding value in Euro (calculated according to the average exchange rate for the year) is equal to Euro 102 thousand.

Meanwhile, during the first half of 2017, the Group invoiced clients in foreign currency. More specifically, within the item revenue, the elements paid in foreign currency (USD and HKD) are listed below:

- Sales in US Dollars equal to 4.2 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 3.9 million.

- Sales in HK Dollars equal to 1.9 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 0.2 million.

- Sales in Brazilian Real equal to 1 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 0.3 million.

These figures show that purchases in foreign currency account for approximately 26% of total purchases (25% in the first half of 2016), while sales in foreign currency account for 21% of the Group's turnover (16% in the first half of 2016).

On the basis of that set out above, a 3% increase/decrease in the Euro would generate potential gains of Euro 17 million and losses of Euro 19 million, respectively.

On the Balance sheet, the equivalent in Euros of trade receivables entered in US dollars on 30 June 2017 amounted to Euro 0.5 million (the total value on 31 December 2016 was Euro 1.7 million), while the equivalent value of trade payables in US dollars on 30 June 2017 amounted to Euro 1.6 million (the total value on 31 December 2016 amounted to Euro 1 million).

Trade Receivables and Payables in other currencies are negligible.

Considering that which is set out above, an increase/decrease of 3% in the Euro would generate potential gains of Euro 11 thousand and losses of Euro 11 thousand, respectively.

We must stress that the Group continues to guarantee its suppliers receive a constant and significant cash flow to pay for supplies, with consequent limited currency exposure at the end of the period.

Based on the above data, the impact of tax receivables in currency reaches approximately 14% of the overall trade value, while the impact of trade payables in currency accounts for 36% 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 30 June 2017, 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 30 June 2017, the Company has a negative Net Financial Position of Euro 3.01 million (7.04 million as at 31 December 2016). It is the result of a current positive NFP of about Euro 1.57 million (8.77 million as at 31 December 2016) and non-current net financial debt of Euro 4.67 million (Euro 1.69 million as at 31 December 2016). For the characteristics of the loans in question, one should refer to Note 11. 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.

34. Hierarchical levels of the fair value measurement

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

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 30 June 2017, 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	3,370,299	-	-
Total	**3,370,299**	-	-
Financial liabilities			
Interest Rate Swap	-	(14,202)	-
Total	**-**	**(14,202)**	-

We note that, with respect to 31 December 2016, 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.

35. Subsequent events

After the reporting date of this 2017 interim report, and up to the date on which it was prepared, no significant events occurred.

36. Publication authorisation

This document was published on 18 September 2017, authorised by the Director with financial delegation.

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

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

- the adequacy with regard to the characteristics of the company, and
- the effective application of the administrative and accounting procedures for formation of the condensed interim financial statements during the first half of 2017.

2. We can also confirm that:

2.1 the condensed consolidated interim financial statements:

- are drawn up in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council, of 19 July 2002, as well as the measures enacted to implement Art. 9 of Italian Legislative Decree No. 38/2005;
- correspond to the information in the accounting ledgers;
- are capable of providing a fair and correct representation of the situation of the assets and liabilities, and the economic and financial situation, of the issuer and of all the companies included in the consolidation scope.

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

Florence, 18 September 2017

Simone Pratesi

Financially-Delegated Director

Francesco Spapperi

Financial Reporting Manager

Independent Auditors’ Report

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
B&C Speakers SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of B&C Speakers SpA and its subsidiaries (the B&C Speakers Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in consolidated shareholders’ equity, consolidated statement of cash flows and related notes. The Directors of B&C Speakers SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

PricewaterhouseCoopers SpA

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the B&C Speakers Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 18 September 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.