B&C Speakers Group

Separate and consolidated financial statements

as of 31 December 2017

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

B&C Speakers S.p.A.

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Contents

NOTICE CONVENING THE ORDINARY SHAREHOLDERS’ MEETING

Extraordinary session

The Shareholders are called to meet on 26 April 2018 at the company’s registered office in Bagno a Ripoli (FI). Via Poggiomoro 1, Località Vallina at 11:00, with single call, to discuss and decide on the following agenda:

1) Amendments and adjustments of the articles of association. Related and consequent resolutions.

Ordinary session

The Shareholders are called to meet on 26 April 2018 at the company’s registered office in Bagno a Ripoli (FI). Via Poggiomoro 1, Località Vallina at 12:00, with single call, to discuss and resolve on the following agenda:

1) Statutory and consolidated financial statements as at 31 December 2017. Related and consequent resolutions.
2) Report on Remuneration in accordance with Art. 123-ter of Italian Legislative Decree no. 58/98. Related and consequent resolutions.
3) Appointment of the Board of Directors after determining the number of Directors. Determination of term of office and remuneration of the directors. Related and consequent resolutions.
4) Appointment of the Board of Auditors and determination of their remuneration; related and consequent resolutions;
5) Authorization for the purchase and disposal of treasury shares. Related and consequent resolutions.

All shareholders with the right to vote are entitled to attend the Shareholders’ Meeting. The right to attend and vote at the meeting is confirmed by notification made to the Company by the authorised intermediary, in compliance with the accounts, in the favour of the party concerned; said declaration shall be made on the basis of the evidence available at the end of the seventh business day prior to the date for which the shareholders’ meeting is scheduled (namely 17 April 2018). Anyone only registered as shareholder after that date shall not be entitled to attend and vote at the meeting. Voting by post or electronic means is not accepted.
Each person entitled to participate in the meeting may be represented by written power of attorney, in compliance with legislation, by signing the power of attorney included at the bottom of the copy of the above notice issued by the intermediary; alternatively, the power of attorney form available on the company website www.bcspeakers.com may be used. If the representative should provide the Company with a copy of the power of attorney, he shall certify, assuming liability, that the copy is a true copy of the original, declaring the name of the delegating party. The power of attorney may be sent to the Company by recorded delivery to its registered office or by e-mail to the address: spratesi@bcspeakers.com.
The company does not designate representatives to whom entitled persons can assign a power of attorney with voting instructions.

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

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

In relation to points no. 3 and 4 of the agenda (appointment of the Board of Directors and appointment of the Board of Auditors) it should be noted that, in accordance with applicable legislation and the articles of association (Articles 12 and 24), appointments are made on the basis of slates presented by the shareholders. Entitlement to submit lists is held only by shareholders who, alone or together with other shareholders, can prove ownership of a combined share capital investment with voting rights no less than 2.5% (investment determined by Consob with resolution No. 19109/2015). Each shareholder may not submit or jointly submit, even through a third party or trust company, more than one slate. Slates must be filed at the registered office or sent electronically to spratesi@bcspeakers.com at least 25 days before the day set for the meeting on first call or single call (i.e. by 01 April 2018). Ownership of the minimum share required for the submission of slates is determined with regard to the shares registered in the name of shareholders on the day the slates are filed at the company's registered office; certified entitlement to participation may be submitted also after the filing of the slates, providing it is within 21 days of the date of the meeting (i.e. by 05 April 2018).
Slates containing 3 (three) or more candidates cannot consist only of candidates of one gender (masculine and feminine); these lists shall include a number of candidates of the least represented gender to ensure that the composition of the Board of Directors complies with the laws and regulations in force regarding the balance of genders (masculine and feminine), it being understood that if the application of the legally required criterion for gender allocation does not result in an integer, this should be rounded up.
Shareholders who intend to submit slates for the appointment of the Board of Auditors are reminded to take into account the recommendations of Consob Communication DEM/9017893 of 26 February 2009. Slates submitted in non-compliance with the above provisions shall not be eligible for voting.

The subscribed and paid-up capital totals Euro 1,100,000, divided into 11,000,000 ordinary shares, with each share giving the right to one vote. On the date of this notice, the Company holds 29,832 ordinary shares for which applicable legislation suspends the right to vote. Any changes in treasury shares will be communicated at the start of the shareholders' meeting.
Further information on these rights and the foregoing is available from the Company's website www.bcspeakers.com.

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

1 THE B&C SPEAKERS GROUP – Corporate bodies

Board of Directors

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

Board of Auditors

Chairperson:	Sara Nuzzaci
Regular Auditor:	Leonardo Tommasini
Regular Auditor:	Giovanni Mongelli
Alternate Auditor:	Antonella Rapi
Alternate Auditor:	Placida Di Ciommo

Independent auditing firm

PricewaterhouseCoopers S.p.A.

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

The Company's Board of Directors met on 21 March 2018 and proposed allocating the profit for the year presented in the financial statements as at 31 December 2016 as follows:

- distribution of a dividend of Euro 0.42 per ordinary share outstanding at the coupon detachment date, therefore excluding the treasury shares held at that date;

- the remainder to "retained earnings".

3 Introduction to the separate and consolidated financial statements at 31 December 2017

The separate and consolidated financial statements for B&C Speakers S.p.A. as at 31 December 2017 were prepared in compliance with applicable International Accounting and Financial Reporting standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

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

The purpose of these financial statements is to present the financial position and results of operations of B&C Speakers S.p.A. and the B&C Speakers Group as at and for the year ended 31 December 2017, in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

In FY 2017, the Parent Company continued its treasury share buy-back programme in accordance with that established by resolution of the shareholders' meeting on 26 April 2017. At 31 December 2017, it held 10,454 treasury shares, equal to 0.10% of the share capital. The shares have been valued in accordance with the relevant accounting principles.

At the date of this report (March 2018), the number of Treasury shares owned is 29,432 equal to 0.27% of the share capital; the weighted average purchase price of shares in the portfolio is Euro 3.32.

The financial data set out and commented below was prepared on the basis of the Consolidated Financial Statements of the Group at 31 December 2017 to which reference is made, since, pursuant to what is allowed by current legislation, it was considered more appropriate to prepare a single report on operations and therefore provide a detailed analysis of what are considered to be the most illuminating economic-financial trends of the Group.

Consolidated report on operations and Parent Company data

As of 31 December 2017

4 Consolidated report on operations for the financial year ended on 31 December 2017

The B&C Speakers Group is a key international entity in the production and marketing of "top quality professional loudspeakers"; the business of the Group, which operates both nationally and internationally, is dedicated exclusively to this sector. Products are manufactured and assembled at the Italian production plant of the Parent Company, which also deals directly with marketing and sales in the various geographical areas covered.

Products are distributed on the American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brasile LTDA, which in 2017 acted as a distribution centre.

As stated in the press release of 11 December 2017, B&C Speakers S.p.A. on that date completed the acquisition of shares representing 100% of the share capital of Eighteen Sound S.r.l. for a total value of Euro 7.4 million. Discounting the Net Financial Position at the closing date, the final payment amounted to Euro 6.58 million. This acquisition led to the consolidation of the newly acquired Eighteen Sound S.r.l. and of its controlled company Sound & Vision S.r.l. subsequent to the purchase date (11 December 2017) and the recognition of goodwill for Euro 0.9 million

Specifically, the reasons for the operation can be summarised thus:

- proceed with the expansion of its product range and thereafter possibly increase its presence on the reference market. It will also be possible to break into new markets such as car audio;
- pursue the achievement of economies of scale in relation to purchasing costs through a policy integrated in terms of procurement and supplier management and the optimisation of production costs through the balancing of production requirements of both the company plants;
- sharing and improvement of the company's best practices.

Profit recorded for FY 2017 came to Euro 6,107 thousand, net of tax for Euro 2,221 thousand and amortisation/depreciation for Euro 838 thousand.

FY 2016 records profit of Euro 6,307 thousand, net of income tax (Euro 2,764 thousand) and amortisation/depreciation (Euro 789 thousand).

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2017 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2017	2016
Revenues	(40,309)	38,432
Ebitda	9,332	9,351
Ebitda adjusted	9,586	9,351
Ebit	8,485	8,490
Net profit	6,107	6,307

As more fully specified below in this document, the EBITDA adjusted refers to EBITDA minus the costs relating to the above mentioned operation for the acquisition of Eighteen Sound, which entailed legal and business advice costs for about Euro 254 thousand.

Balance sheet highlights

(€ thousands)	31 December 2017	31 December 2016
Non current Assets	7,207	5,057
Non current liabilities	11,362	2,485
Current assets	35,844	26,334
Current liabilities	13,875	7,028
Net working Capital	21,970	19,306
Net Equity	17,814	21,878

Cash flow statemen highlights

(€ thousands)	2017	2016
Operating cash flow	4,273	8,296
Cash flow from investing activities	(6,909)	(2,397)
Cash flow from financial activities	1,872	(3,654)
Cash and cash equivalent at end of the year	(765)	2,246

Net financial position

(€ thousands)	31 December 2017	31 December 2016
Current net financial position	3,797	8,767
Total net financial position	(6,722)	7,074

As regards the definition of alternative performance indicators, please refer to the information below in this document.

Share performance

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

At 31 December 2017 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at Euro 10.91 and consequently the market capitalization amounted to about Euro 120.5 million.

The following shows the share performance of B&C Speakers SpA in 2017 and in the first few months of 2018.

Macroeconomic Situation

The International Monetary Fund has upwardly revised the world economic trend estimates it presented in July: gross domestic product growth should stand at approximately 3.6 % in 2017 with a growth estimate of 3.7% for 2018 (the 2016 figure was 3.2%). The global economic recovery is being supported by renewed investment, the growth of international trade and increased consumer confidence. Along with adjusted global projections, there is a similar correction of estimates of contributions from the different economic areas, resulting from better than expected results for the first half of 2017. In both forecast years, there is indeed an increase in the growth estimates for all the countries concerned except for the United Kingdom, whose October estimates repeat those formulated in July. The growth outlook of the United States, based on an unchanging fiscal policy, reflects the favourable financial conditions and the buoyant confidence of consumers and businesses. Similarly, the Eurozone's good results in terms of development is ascribable to an accommodating monetary policy and renewed confidence linked to the calming of political uncertainty.

Business in Europe will benefit from an increase in exports and the strengthening of internal demand. In the medium-long term, it is expected that European growth will be slowed down by sluggish productivity, modest demographic trends and, for some countries, excessive public and private debt.

Within the euro area the divergence of the different countries' growth rates is diminishing: in the second quarter of 2017 the mean square deviation between GDP upward increments fell to 1.0% against the 1.2% detected in the first quarter. This is a positive development that indicates increasingly homogeneous economic development between the different countries that have adopted the single European currency.
Italy is also included in he upward growth revisions reported in the World Economic Outlook published by the International Monetary Fund in October. The increase in GDP in the first half (+1.4% YOY), linked to various economic indicators pointing to continued brisk development in the next quarter, allow the forecast of a reasonable overall result for the current year. There is no lack of signs confirming the progression of growth: in the January - August period the seasonally adjusted industrial production index rose by 3.1%. The unemployment rate also fell from 11.8% in January to 11.1% in September. The business confidence climate index grew during 2017, rising from 100.4 in December 2016, peaking at 106.8 in April and then, having maintained this high level for a few months, reaching a new peak of 109.1 in October.

Industry scenario

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

Economic trend

Economic performance in financial year 2017 was characterised by a strengthening of the positions achieved on various markets and made it possible to achieve slight growth in performance with respect to the previous year.

To provide a clearer representation of how economic management evolved in FY 2017 compared with the same period in the previous year, the table below lists the major aggregates of the B&C Speakers Group:

(€ thousands)	**12 months 2017**	*Incidence*	**12 months 2016**	*Incidence*
Revenues	40,309	*100.00%*	38,432	*100.0%*
Cost of sales	(23,667)	*-58.71%*	(22,415)	*-58.3%*
Gross margin	**16,642**	***41.29%***	**16,016**	***41.7%***
Other revenues	294	*0.73%*	124	*0.3%*
Cost of indirect labour	(2,264)	*-5.62%*	(2,109)	*-5.5%*
Commercial expenses	(941)	*-2.33%*	(824)	*-2.1%*
General and administrative expenses	(4,399)	*-10.91%*	(3,857)	*-10.0%*
Ebitda	**9,332**	***23.15%***	**9,351**	***24.3%***
Depreciation of tangible assets	(788)	*-1.95%*	(761)	*-2.0%*
Amortization of intangible assets	(50)	*-0.12%*	(28)	*-0.1%*
Writedowns	(9)	*-0.02%*	(71)	*-0.2%*
Earning before interest and taxes (Ebit)	**8,485**	***21.05%***	**8,490**	***22.1%***
Financial costs	(509)	*-1.26%*	(342)	*-0.9%*
Financial income	475	*1.18%*	733	*1.9%*
Earning before taxes (Ebt)	**8,452**	***20.97%***	**8,881**	***23.1%***
Income taxes	(2,221)	*-5.51%*	(2,764)	*-7.2%*
Profit for the year	**6,231**	***15.46%***	**6,117**	***15.9%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**6,231**	***15.46%***	**6,117**	***15.9%***
Other comprehensive result	(124)	*-0.31%*	190	*0.5%*
Total Comprehensive result	**6,107**	***15.15%***	**6,307**	***16.4%***

Note:
These financial statements present and comment on certain financial figures and certain reclassified schedules not defined within the IFRS.
These amounts are defined below in compliance with the provisions in Consob Communication (DEM 6064293) of 28 July 2006, as subsequently amended (Consob Communication 0092543 of 3 December 2015, implementing the ESMA/2015/1415 guidelines).
The alternative performance indexes listed below should be used as additional information with respect to that foreseen in the IFRS, to assist the users of the financial report to better comprehend the Company's economic, capital and financial performance. The alternative performance indicators are measures used by the issuer to monitor and assess the Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IAS/IFRS. Therefore, the measurement

criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. We emphasise that the adjustment methods used by the Company to calculate these figures have remained constant over the years.
EBITDA (Earnings Before Interest Taxes Depreciation and Amortisation) is defined by the Issuer's Directors as the "before tax and financial income and expenses", 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.
EBITDA adjusted (Earnings Before Interest Taxes Depreciation and Amortisation – Adjusted) is defined by the Issuer's Directors as the "result before tax and financial income and expenses", as resulting from the consolidated income statement gross of amortisation of intangible assets, depreciation of property, plant and equipment, provisions and writedowns and the Eighteen Sound acquisition costs as resulting from the aforesaid consolidated income statement. EBITDA adjusted 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 consolidated financial statements.

Consolidated revenues

Consolidated revenues made during 2017 reached Euro 40.31 million, showing an increase of 4.9% compared to 2016. Part of this increase (Euro 0.9 million) was achieved by the new subsidiary Eighteen Sound S.r.l. during the last twenty days of December.

2017 exports remained at 2016 levels, representing 93% of the Group's turnover.

The result achieved in 2017 was driven primarily by the growth achieved in the European market (the most important one for B&C), with an increase of +9% at Group level with annual turnover of 19 million representing 47% of the total figure.

After the decrease seen in 2016, an increase of +4% in sales on the Asian market was achieved with sales equal to Euro 8.5 million.

An increase was also achieved on the Latin American market (+9% with respect to the previous year), thanks to the recovery of the Brazilian economy and the consequent increase in sales by the local subsidiary.

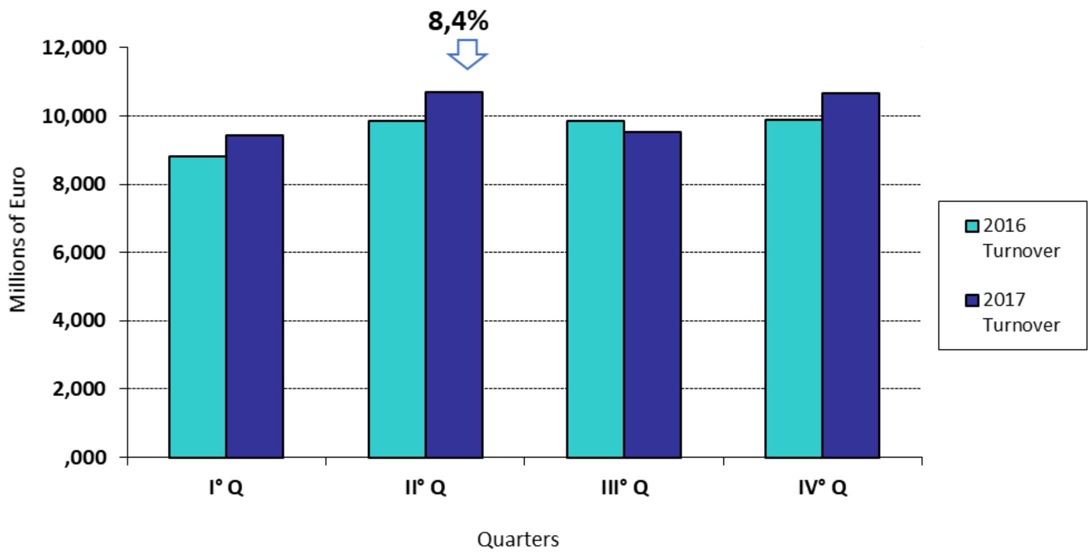
On the other hand, the Italian and North American markets saw slight reductions in sales, respectively falling by 8% and 3% compared to 2016.

The very positive trend in orders from customers of the Parent Company continued in 2017, with a calendar year total of Euro 39.61 million, up by 5% compared to the total figure in 2016.

Consolidated revenues in the four quarters (2017 and 2016) are summarised in the table below.

Trend of consolidated revenues

(€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2017	9.42	10.70	9.54	10.65	**40.31**
Net sales revenues 2016	8.81	9.87	9.86	9.90	**38.43**
Change 2017 - 2016	6.9%	8.4%	-3.3%	7.6%	4.9%



As can be seen from the table above, revenue performance showed a tendency towards growth during the first and second quarters of the year. In particular, the second quarter saw an increase of 8.4%. Growth during the fourth quarter was essentially due to the effects of Eighteen Sound entering within the scope of consolidation.

Cost of Sales

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

The cost of sales was substantially constant in its impact on revenues in 2017, moving from 58.33% in 2016 to 58.71% in 2017. This was partly due to the effects of Eighteen Sound entering the Group, as it has lower margins than the Parent Company. Direct personnel saw growth proportional to the growth in revenues. There were no particular tensions relative to the cost of raw materials used in production.

Indirect Personnel

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

The cost for indirect personnel during 2017 was substantially consistent in the percentage of turnover, with a figure of 5.62% (5.49% in 2016). The entry of Eighteen Sound to the Group did not lead to any substantial changes in the trend of the cost for indirect personnel.

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 increased by 14% with respect to 2016, while their effect on revenues remained essentially unchanged. The entry of Eighteen Sound to the Group did not create any substantial effects.

Administrative and General

Administrative and general costs increased significantly with respect to the previous financial year (14.07%). This increase is due to non-recurring costs of around Euro 254 thousand for legal and administrative consulting associated with the acquisition of Eighteen Sound. As a consequence, the impact of administrative and general costs on revenues rose from 10.04% in 2016 to 10.91% in 2017.

EBITDA and EBITDA Margin

As a result of the dynamics described above, the EBITDA for 2017 amounted to Euro 9.3 million, substantially in line with that of 2016. Consequently, the EBITDA margin decreased to 23.1% of revenues during the period, compared to 24.3% in 2016.
The EBITDA 2017 data is positively influenced by the consolidation of Eighteen Sound, which resulted in a net contribution of Euro 97 thousand.

As described above, the operation to acquire Eighteen Sound entailed costs totalling around Euro 254 thousand. The EBITDA and EBITDA Margin before this non-recurring effect is indicated in the table below:

(€ thousands)	**12 months 2017**	***Incidence***	**12 months 2016**	***Incidence***
Ebitda	**9,332**	***23.15%***	**9,351**	***24.33%***
Legal and Consultancy costs for business combination	254	*0.63%*	-	*0.00%*
Ebitda adjusted	**9,586**	***23.78%***	**9,351**	***24.33%***

EBT and EBT Margin

EBT relative to 2017 amounts to Euro 8.45 million, down by 4.84% with respect to 2016. This decrease can be attributed to a reduction in foreign exchange gains compared with 2016.

Group Net Profits

Net profits at the end of 2017 amounted to Euro 6.1 million and represent 15.2% of consolidated revenues; this result is 3.2% lower than that achieved during 2016 (Euro 6.3 million). The reduction is also caused by the above mentioned costs incurred in the acquisition of Eighteen Sound S.r.l..

Equity and financial trend

Below is the reclassified statement of financial position according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2017**	**31 December 2016**	**Change**
Property, plant & Equipment	**3,918**	**2,807**	**1,111**
Inventories	13,216	8,182	5,034
Trade receivables	11,253	7,774	3,479
Other receivables	2,143	780	1,363
Trade payables	(6,129)	(3,949)	(2,180)
Other payables	(1,957)	(1,950)	(7)
Working capital	**18,526**	**10,836**	**7,690**
Provisions	**(843)**	**(793)**	**(51)**
Invested net working capital	**21,601**	**12,851**	**8,750**
Cash and cash equvalents	4,411	3,731	680
Investments in associates	50	50	- 0
Goodwill	2,318	1,394	924
Short term securities	5,174	6,164	(990)
Other financial receivables	568	510	58
Financial assets	**12,522**	**11,849**	**673**
Invested net non operating capital	**12,522**	**11,849**	**673**
NET INVESTED CAPITAL	**34,122**	**24,700**	**9,422**
Equity	17,814	21,878	(4,064)
Short-term financial borrowings	5,789	1,129	4,660
Long-term financial borrowing	10,519	1,693	8,826
RAISED CAPITAL	**34,122**	**24,700**	**9,422**

Note:
Fixed assets: these are defined by the Issuer's Directors as the value of 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. Provisions: the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. Invested net working capital: is the value of financial assets and other financial receivables as described above. Raised capital: is the value of Net Equity of the Group and the total indebtedness of the Group.

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

Invested net working capital shows an increase of € 8.8 million compared with 31 December 2016. This trend is due to the combined effect of the following factors:

- An increase in warehouse inventories of Euro 5 million, arising from Euro 4.3 million from the business combination with Eighteen Sound and the remainder from a stock increase needed to support the Group's increased turnover;
- an increase in trade receivables for Euro 3.5 million arising from Euro 2.7 million from the business combination with Eighteen Sound and the remainder from a physiological increase in loans linked to the higher turnover;
- an increase in trade payables for about Euro 2.2 million from the overall effect of the business combination with Eighteen Sound (Euro +2.4 million) and the decrease in trade payables of other Group companies.

- An increase in other receivables for Euro 1.4 million due to the overall effect of the business combination with Eighteen Sound for Euro 0.9 million and Euro 0.5 million relating to the credit position with the Treasury for greater advances paid in the year against tax charges.
- an increase in fixed assets for about Euro 1.1 million from the overall effect of the business combination with Eighteen Sound (Euro 1.4 million) and a decrease in the fixed assets of other Group companies as a result of depreciation for the period.

Invested net non operating capital shows an increase of Euro 0.6 million compared with 31 December 2016, due mainly to the combined effect of the following factors:

- An increase in liquidity for about Euro 0.7 million;
- An increase in the goodwill item for approximately Euro 0.9 million due entirely to the business combination with Eighteen Sound;
- A decrease of portfolio securities held for liquidity use for 1 million Euro.

The other asset categories showed no significant changes on 31 December 2016.

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

With reference to the ***Raised Capital***, note that in 2017 intense financing activities were carried out in order to complete the acquisition described above, which led to the opening of three medium/long term loans for a total value of Euro 14 million. Note also that in May 2017 an extraordinary dividend for about Euro 6.6 million was paid, adding to the ordinary dividend of Euro 4.3 million.

The Group's *Net Financial Position* (including securities held for liquidity use) was negative for Euro 6.72 million at the end of 2017 (positive for Euro 7.07 million at the end of 2016). This amount was calculated in accordance with Consob Communication of 28 July 2006 and in accordance with the CESR Recommendation of 10 February 2005 “Recommendations for the standardised implementation of the regulation of the European Commission on financial statements”.
As described above, the change in NFP was due to the opening of the two medium-long term loans and the payment of the extraordinary dividend.

	31 december 2017 (a)	31 december 2016 (a)	Variazione
A. Cash	4,411	3,731	18%
C. Securities held for trading	5,174	6,164	-16%
D. Cash and cash equivalent (A+C)	**9,586**	**9,896**	**-3%**
F. Bank overdrafts	(1,443)	-	n/a
G. Current portion of non current borrowings	(4,346)	(1,129)	285%
I. Current borrowingse (F+G)	**(5,789)**	**(1,129)**	**413%**
J. Current net financial position (D+I)	**3,797**	**8,767**	**-57%**
K. Non current borrowings	(10,519)	(1,693)	521%
Debito per acquisto partecipazioni, quota non corrente			
N. Non current borrowings	**(10,519)**	**(1,693)**	**521%**
O. Total net financial position (J+N)	**(6,722)**	**7,074**	**-195%**

Key performance indicators

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

Group Key performance indicators	**2017**	**2016**
R.O.E.	35.0%	28.0%
Return on Equity; Net result/Equity		
R.O.I.	19.7%	27.0%
Return on Investments; Ebit/Total assets		
R.O.S.	21.1%	22.1%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	0.71	2.30
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	3.08	19.38
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	3	4
Current Assets/Current Liabilities		
Net working capital	18,526	10,836
Primary liquidity ratio	31.8%	53.1%
Cash and cash equivalents/Current Liabilities		
Days of Inventory Turnover	96.88	80.70
Days of Receivables Turnover	86.14	70.56

The debt indices show the growth of third party funds compared to company resources following the above mentioned financing activities aimed mainly at the completion of the extraordinary operation.

Corporate structure

As at 31 December 2017 the Group workforce numbered 163 units.

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

Personnel headcount	31-Dec-17	31-Dec-16	31-Dec-15
Workers	113	88	88
Employees	42	26	26
Lower management	7	5	5
Upper management	1	1	1
Total	**163**	**120**	**120**

The workforce increase of 40 employees was attributable to the business combination operation with Eighteen Sound.

Investments

During 2017 there were investments made of around Euro 0.5 million, mainly targeted towards industrial plant and equipment with the intention of increasing production efficiency.
Note that the business combination operation with Eighteen Sound resulted in the take-up of tangible assets for approximately Euro 0.9 million, consisting mainly of manufacturing plant and equipment.

In the production plant at Vallina (FI) there are two loudspeaker production lines: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines meet the latest productivity and efficiency criteria.

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

With regard to the newly acquired Eighteen Sound, the productive plants at Reggio Emilia have three production lines.

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

Research and development

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

Investments made in Research and Development remain consistently high and current projects have been concluded; new projects have also been launched. Note in particular that during 2017, the parent company carried out research and development into technological innovation, focusing its efforts mainly on projects considered to be particularly innovative, carried out in the Vallina plant in Florence.

These include the following projects:

- Continuation of R&D for the design and development of a prototype air motion transformer driver
- R&D activities for the identification, definition and implementation of specific technical solutions for substantial improvement to the electro-acoustic components for active absorbers

- Continuation of R&D for the design and development of a prototype for new types of voice annunciators for tunnels
- R&D aimed at identifying and developing new technical solutions relating to sensors for monitoring loudspeakers.
- R&D activities for the identification, definition and implementation of specific technical solutions for the creation of induction motors
- R&D for the analysis and pre-competitive development of new technical solutions for the creation of magnetic units for loudspeakers including more than one magnet
- R&D activities aimed at the design, creation and testing of a prototype for an innovative midrange-speaker characterised by rectangular flat membrane driven by two linear coils
- R&D activities to develop a new speaker suspension system based on linear bearings
- R&D activities for the study and experimentation of new types of compression drivers featuring large annular membrane and new type of PCF
- R&D activities for defining technical solutions for the analysis of non-linear behaviour of moving coil speakers
- R&D activities for the analysis and study of sound source directivity control
- Research and experimentation activities to find new technical solutions for the development of a new type of loudspeaker magnetic structure, characterised by a double air gap and moving coil with double winding
- Research and experimentation activities to identify, define and develop special technical solutions for obtaining compression drivers featuring magnesium alloy domes
- Research and experimentation activities supporting the analysis and precompetitive development of new methods of measurement, processing and control of electroacoustic systems

During 2017 the company has incurred R&D costs amounting to Euro 551 thousand for the development of these projects; we believe the success of these innovations could generate good results in terms of turnover with favourable effects on the economy of the company.

Comparison of profits and shareholders' equity of the Parent company in accordance with IFRS accounting standards and profits and shareholders' equity of the group in accordance with IFRS as at 31 December 2017

The table below compares the profit and shareholders' equity of the Parent Company under IFRS and the profit and shareholders' equity of the Group on 31 December 2017.

(values in Euro)	**Equity**	**Net Result**
Holding Equity and Net Result IFRS	**17,580,455**	**5,886,938**
Consolidation of controlled entities - Netting of investments	(8,460,926)	-
Consolidation of controlled entities - Reserves and Net Equity allocation	6,730,019	475,092
Goodwill	2,318,181	-
Dividends	-	(172,816)
Intercompany transactions	-	(12,245)
Intercompany inventory margins	(353,249)	53,452
	-	-
Group Equity and Net Result IFRS	**17,814,482**	**6,230,421**

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

Significant events of 2017

The following significant events affecting the company's performance occurred during 2017:

- On 11 December 2017 the acquisition of shares representing 100% of the share capital of Eighteen Sound S.r.l. was completed for a total value of Euro 7.4 million. Discounting the Net Financial Position at the closing date, the final payment amounted to Euro 6.58 million.
  The Group's choice to acquire the entire shareholding of Eighteen Sound is part of an overall plan to strengthen the competitive position of the Group in domestic and international markets and follows the same strategy as adopted by major industry operators with benefits both in organisational and dimensional terms. The operation therefore is in line with the Group's historic objectives and represents an event of significant strategic value: by acquiring an operator with a strong market position, an experienced management Group can access an important and uncovered territory by leveraging a well established platform, thereby increasing market share and sales volumes and also possibly benefiting from further economies of scale.
- The very positive trend in orders from customers of the Parent Company continued in 2017, with a calendar year total of Euro 39.61 million, up by 5% compared to the total figure in 2016.
- The Shareholders' Meeting of the Parent Company, held on 26 April 2017, resolved to distribute a dividend of Euro 1 for each of the shares outstanding (net of treasury shares held), for a total expense of Euro 10.9 million. The dividend was paid during the month of May.

Business outlook

The data available at the date of the writing of this document suggests that 2018 will be a year of expansion for the Group compared to 2017 mainly as a consequence of growth from external lines in 2017 with the acquisition of Eighteen Sound S.r.l..
The Management is therefore confident that the Group can continue on its path of consolidation in the professional loudspeaker market and can make inroads into new products/markets with attractive potential in terms of size and margins.

Art. 36 of the Consob Markets Regulation (adopted with Consob Resolution No. 16191/2007 and subsequent amendments): conditions for listing of companies that control companies incorporated and governed by the law of States not belonging to the European Union

In relation to the regulatory requirements regarding the conditions for the listing of companies that control companies incorporated and governed by the laws of States not belonging to the European Union and of significant relevance for the purposes of consolidated financial statements, note that:

- as of 31 December 2017 the regulatory requirements of art. 36 of the Markets Regulation apply to the subsidiaries B&C Speakers NA LLC and B&C Speakers Brasil LTDA.
- appropriate procedures were adopted in order to ensure complete compliance with the aforesaid regulations.

Art. 37 of the Consob Markets Regulation: Conditions that inhibit the listing of shares in subsidiaries subject to the direction and coordination of another company

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

Major shareholders and main data concerning the Issuer's shares

As at the date of preparing these financial statements (March 2018), the official data reveals the following major shareholders:

- **Research & Development International S.r.l**, which holds a 54.00% stake (parent company);
- Alboran S.r.l. which holds 6.25%;

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

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

- as at 31 December 2017, the Director Lorenzo Coppini holds 50,000 shares in B&C Speakers S.p.A.;
- as at 31 December 2017, the Director Alessandro Pancani holds 7,234 shares in B&C Speakers S.p.A..

Corporate Governance

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

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

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

It should be noted that the company is not required to draft the declaration referred to in Art. 3 and to Art. 4 of Legislative Decree No. 254/2016 (non-financial declaration) because the size limits referred to in Article 2 of the Decree in question have not been exceeded.

Board of Directors

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

Board of Auditors

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

Main risks and uncertainties to which the group is exposed

Risks connected with the general condition of the economy

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

In 2017, the world macroeconomic context began to confirm the signs of recovery shown in 2016 with demand showing growth as compared to the same period of last year. The market in which the Group operates is extremely cyclical and tends to reflect the general trend of the economy, in some cases even extending its scope. Due to the difficulties in forecasting the dimension and duration of the economic cycles, it is impossible to provide any assurance with regards to future demand or supply trends of the products sold by the Company on the markets on which it operates.

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

Dependence on suppliers

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

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

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

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

Dependence on key figures

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

Exchange rate fluctuation

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

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

Concentration of the customers

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

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

Adoption of the code of corporate governance of listed companies

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

Reference market and the threat posed by competition

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

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

Fluctuation in the price of production factors

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

Financial risks

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

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5 Main data of the Parent Company

In this paragraph we report the main data relating to the Parent Company B&C Speakers S.p.A..

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2017 compared with the same items in the previous year:

Income statement highlights
(€ thousands)

	2017	2016
Revenues	37,844	36,977
Ebitda	8,637	8,958
Ebitda adjusted	8,891	8,958
Ebit	7,854	8,141
Net profit	5,887	6,316

Balance sheet highlights

(€ thousands)	31 December 2017	31 December 2016
Non current Assets	11,603	5,268
Non current liabilities	11,241	2,485
Current assets	26,491	25,828
Current liabilities	9,273	6,746
Net working Capital	17,218	19,082
Net Equity	17,580	21,864

Cash flow statement highlights
(€ thousands)

	2017	2016
Operating cash flow	3,342	8,422
Cash flow from investing activities	(6,041)	(2,391)
Cash flow from financial activities	1,872	(3,654)
Cash and cash equivalent at end of the year	(827)	2,378

Net financial position
(€ thousands)

	2017	2016
Current net financial position	3,400	3,890
Total net financial position	(7,119)	1,069

Economic trend

Economic performance in financial year 2017 was characterised by a strengthening of the positions achieved on various markets and made it possible to achieve slight growth in performance with respect to the previous year.

To provide a clearer representation of the economic management trend recorded in FY 2017 compared with the same period last year, the table below lists the major aggregates of B&C Speakers S.p.A.:

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

(€ thousands)	**2017**	***Incidence***	**2016**	***Incidence***
Revenues	37,844	*100.00%*	36,977	*100.0%*
Cost of sales	(22,653)	*-59.86%*	(22,039)	*-59.6%*
Gross margin	**15,192**	***40.14%***	**14,939**	***40.4%***
Other revenues	183	*0.48%*	124	*0.3%*
Cost of indirect labour	(1,890)	*-5.00%*	(1,808)	*-4.9%*
Commercial expenses	(850)	*-2.25%*	(741)	*-2.0%*
General and administrative expenses	(3,997)	*-10.56%*	(3,556)	*-9.6%*
Ebitda	**8,637**	***22.82%***	**8,958**	***24.2%***
Depreciation of tangible assets	(754)	*-1.99%*	(747)	*-2.0%*
Amortization of intangible assets	(29)	*-0.08%*	(26)	*-0.1%*
Writedowns	0	*0.00%*	(43)	*-0.1%*
Earning before interest and taxes (Ebit)	**7,854**	***20.75%***	**8,141**	***22.0%***
Financial costs	(379)	*-1.00%*	(271)	*-0.7%*
Financial income	592	*1.56%*	1,024	*2.8%*
Earning before taxes (Ebt)	**8,067**	***21.32%***	**8,893**	***24.1%***
Income taxes	(2,181)	*-5.76%*	(2,572)	*-7.0%*
Profit for the year	**5,886**	***15.55%***	**6,321**	***17.1%***
Other comprehensive result	1	*0.00%*	(5)	*0.0%*
Total profit for the year	**5,887**	***15.56%***	**6,316**	***17.1%***

Note:

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

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

The alternative performance indexes listed below should be used as additional information with respect to that foreseen in the IFRS, to assist the users of the financial report to better comprehend the Company's economic, capital and financial performance. The alternative performance indicators are measures used by the Issuer to monitor and assess the Company's performance; they are not defined as accounting measures either by the Italian Accounting Standards or by the IAS/IFRS. Therefore, the measurement criteria applied by the Company may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. We emphasise that the adjustment methods used by the Company to calculate these figures have remained constant over the years.

EBITDA (Earnings Before Interest Taxes Depreciation and Amortisation) is defined by the Issuer's Directors as the "result before tax and financial income and expenses", 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 Company's operating performance.

EBITDA adjusted (Earnings Before Interest Taxes Depreciation and Amortisation – Adjusted) is defined by the Issuer's Directors as the "result before tax and financial income and expenses", as resulting from the income statement gross of amortisation of intangible assets, depreciation of property, plant and equipment, provisions and writedowns and the Eighteen Sound acquisition costs as resulting from the aforesaid consolidated income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Company'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

Revenues in 2017 amounted to Euro 37.84 million, showing an increase of about 2.3% compared to 2016. As can be seen from the table below the increase occurred mainly in the first two quarters of the year.

Trend of B&C Spa revenues

(€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2017	8.74	10.40	9.15	9.54	**37.84**
Net sales revenues 2016	8.21	9.43	9.36	9.98	**36.98**
Change 2017 - 2016	6.5%	10.4%	-2.2%	-4.4%	2.3%

From the point of view of geographical distribution, it should be noted that exports reached 2016 levels, making up 92% of turnover.

The results of 2017 were driven primarily by growth achieved in the European market (the most important market for B&C), with an 8% increase on 2016 and an annual turnover of Euro 19 million, representing 50% of the total figure.

Orders received in 2017 reached the total amount of Euro 39.61 million, growing 5% over the total amount received in 2016.

The cost of sales was substantially constant in its impact on revenues in 2017, moving from 59.60% in 2016 to 59.86% in 2017. Direct personnel saw growth proportional to the growth in revenues. There were no particular tensions relative to the cost of raw materials used in production.

The cost for indirect personnel during 2017 was substantially consistent in the percentage of turnover, with a figure of 5.00% (4.89% in 2016).

Commercial expenses increased by 14.8% with respect to 2016, while their effect on revenues remained essentially unchanged.

Administrative and general costs increased significantly with respect to the previous financial year (12.4%). This increase is due to non-recurring costs of around Euro 254 thousand for legal and administrative consulting associated with the acquisition of Eighteen Sound. As a consequence, the impact of administrative and general costs on revenues rose from 9.62% in 2016 to 10.56% in 2017.

EBITDA and EBITDA Margin

As a result of the trends described above, the EBITDA for 2017 amounted to Euro 8.6 million (8.9 million in 2016). Consequently, the EBITDA margin decreased to 28.1% of revenues during the period, compared to 24.2% in 2016.

As described above, the operation to acquire Eighteen Sound entailed costs for legal and business advice totalling around Euro 254 thousand. The EBITDA margin before this non-recurring effect is indicated in the table below:

(€ thousands)	**2017**	***Incidence***	**2016**	***Incidence***
Ebitda	**8,637**	***22.8%***	**8,958**	***24.2%***
Legal and Consultancy costs for business combination	254	*0.7%*	-	*0.0%*
Ebitda Adjusted	**8,891**	***23.5%***	**8,958**	***24.2%***

EBT and EBT Margin

EBT relative to 2017 amounts to Euro 8.1 million, down by 9.3% with respect to 2016. This decrease can be attributed to a reduction in foreign exchange gains compared with 2016.

Net profit of the year

Net profits at the end of 2017 amounted to Euro 5.9 million and represent 15.6% of revenues; this result is 6.8% lower than those achieved during the year 2016 (Euro 6.3 million). The reduction is also caused by the above mentioned costs incurred in the acquisition of Eighteen Sound S.r.l..

Equity and financial trend

Below is the reclassified statement of financial position according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2017**	**31 December 2016**	**Change**
Fixed Assets	**2,474**	**2,775**	**(301)**
Inventories	8,258	7,379	879
Trade receivables	8,833	8,462	371
Other receivables	1,716	487	1,229
Trade payables	(3,637)	(3,930)	293
Other payables	(1,290)	(1,687)	397
Working Capital	**13,880**	**10,711**	3,169
Provisions	**(722)**	**(793)**	71
Invested net working capital	**15,632**	**12,693**	**2,939**
Cash and cash equvalents	2,571	3,398	(827)
Investments	8,511	1,928	6,583
Short term securities	5,174	6,164	(990)
Other financial receivables	557	503	54
Financial assets	**16,813**	**11,993**	4,820
Invested net non operating capital	**16,813**	**11,993**	4,820
NET INVESTED CAPITAL	**32,445**	**24,686**	**7,759**
Equity	17,580	21,864	(4,284)
Short-term financial borrowings	4,346	1,129	3,217
Long-term financial borrowing	10,519	1,693	8,826
RAISED CAPITAL	**32,445**	**24,686**	**7,759**

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. Provisions: the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. Invested net working capital: is the value of financial assets and other financial receivables as described above. Raised capital: is the value of the Equity and the total indebtedness of the Company.

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

Invested net working capital shows an increase of € 2.9 million compared with 31 December 2016. This increase is mainly due to the growth of Net Working Capital mainly affected in turn by the physiological increase of inventory and trade and other receivables.

Invested net non operating capital shows an increase of Euro 4.8 million compared with 31 December 2016, due mainly to the increase in investments after the acquisition of 100% of the shares of Eighteen Sound S.r.l. (Euro 6.58 million) and to the decrease of liquidity and short-term securities held.

With reference to the ***Raised Capital***, note that in 2017 intense financing activities were carried out in order to complete the acquisition described above, which led to the opening of three medium/long term loans for a total value of Euro 14 million. Note also that in May 2017 an extraordinary dividend for about Euro 6.6 million was paid.

The table below shows the ***Net Financial Position*** of the Company:

	31 december 2017 (a)	31 december 2016 (a)	Variazione
A. Cash	2,571	3,398	-24%
C. Securities held for trading	5,174	6,164	-16%
D. Cash and cash equivalent (A+C)	**7,746**	**9,562**	**-19%**
F. Bank overdrafts	-	-	
G. Current portion of non current borrowings	(4,346)	(1,129)	285%
I. Current borrowingse (F+G)	**(4,346)**	**(1,129)**	**285%**
J. Current net financial position (D+I)	**3,400**	**8,433**	**-60%**
K. Non current borrowings	(10,519)	(1,693)	521%
N. Non current borrowings	**(10,519)**	**(1,693)**	**521%**
O. Total net financial position (J+N)	**(7,119)**	**6,740**	**-206%**

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

The Net Financial Position (including portfolio securities held for liquidity use) is negative for Euro 7.12 million at the end of 2017 (positive for Euro 6.74 million at the end of 2016). This amount was calculated in accordance with Consob Communication of 28 July 2006 and in accordance with the CESR Recommendation of 10 February 2005 “Recommendations for the standardised implementation of the regulation of the European Commission on financial statements”.

Consolidated financial statements and notes to the consolidated financial statements

As of 31 December 2017

6 Consolidated financial statements of the B&C Speakers Group as of 31 December 2017

6.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		31 December 2017	31 December 2016
ASSETS			
Fixed assets			
Tangible assets		3,318,310	2,709,902
Goodwill		2,318,181	1,393,789
Other intangible assets		599,748	97,355
Investments in non controlled associates		50,000	50,000
Deferred tax assets		352,514	296,702
Other non current assets		568,135	509,749
	related parties	*88,950*	*88,950*
Total non current assets		**7,206,889**	**5,057,497**
Currents assets			
Inventory		13,215,651	8,181,834
Trade receivables		11,252,674	7,773,575
Tax assets		1,297,287	225,624
Other current assets		5,667,487	6,421,637
Cash and cash equivalents		4,411,203	3,731,312
Total current assets		**35,844,302**	**26,333,982**
Total assets		**43,051,191**	**31,391,479**

		31 December 2017	31 December 2016
LIABILITIES			
Equity			
Share capital		1,096,845	1,087,340
Other reserves		5,262,923	4,494,290
Foreign exchange reserve		435,600	559,170
Retained earnings		11,019,113	15,737,242
Total equity attributable to shareholders of the parent		**17,814,481**	**21,878,042**
Minority interest		-	0
Total equity		**17,814,481**	**21,878,042**
Non current equity			
Long-term borrowings		10,518,623	1,692,635
Severance Indemnities		805,650	710,137
Provisions for risk and charges		37,831	82,596
Deferred tax liabilities		0	0
Total non current liabilities		**11,362,104**	**2,485,368**
Current liabilities			
Short-term borrowings		5,788,990	1,128,918
Trade liabilities		6,128,625	3,948,795
	related parties	*1,407*	*961*
Tax liabilities		414,206	712,098
Other current liabilities		1,542,784	1,238,258
Total current liabilities		**13,874,605**	**7,028,069**
Total Liabilities		**43,051,190**	**31,391,479**

6.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FY 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		12 months 2017	12 months 2016
Revenues		40,308,912	38,431,521
Cost of sales		(23,666,945)	(22,415,395)
Other revenues		293,823	124,366
Cost of indirect labour		(2,263,784)	(2,109,407)
Commercial expenses		(940,814)	(823,590)
General and administrative expenses		(4,399,253)	(3,856,739)
	related parties	*(928,887)*	*(924,949)*
Depreciation of tangible assets		(787,738)	(761,490)
Amortization of intangible assets		(49,895)	(27,500)
Writedowns		(8,891)	(71,499)
Earning before interest and taxes		**8,485,416**	**8,490,267**
Financial costs		(508,641)	(341,734)
Financial income		474,857	732,702
Earning before taxes		**8,451,632**	**8,881,235**
Income taxes		(2,220,837)	(2,764,052)
Profit for the year (A)		**6,230,795**	**6,117,183**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		(373)	(5,335)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:			
Exchange differences on translating foreign operations		(123,570)	195,200
Total other comprehensive income/(losses) for the year (B)		**(123,943)**	**189,865**
Total comprehensive income (A) + (B)		**6,106,852**	**6,307,048**
Profit attributable to:			
Owners of the parent		6,230,795	6,117,183
Minority interest		-	-
Total comprehensive income atributable to:			
Owners of the parent		6,106,852	6,307,048
Minority interest		-	-
Basic earning per share		0.57	0.57
Diluted earning per share		0.57	0.57

6.3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR FY 2017 PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows
(Euro thousands)

	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)	6,107	6,307	
Income tax expense	2,221	2,764	
Amortization of intangibles assets	50	28	
Depreciation of tangible assets	788	761	
Finance cost	509	342	
Interest income	(475)	(733)	
Net change in provisions for risk and charges and other provision relating to personell	(7)	54	
Change in provigion for leaving indemnities			
Allocations and revaluations	15	-	
Actuarial gain/(losses)	(2)	11	
(Use)	(66) -	15.04	
(increase) decrease in current trade and other current receivables	(1,391)	(410)	
(increase) decrease in deferred tax assets and liabilities	21	(23)	
(increase) decrease in inventory	(334)	631	
Increase (decrease) in current trade and other payables	169	767	**Note 1**
Net cash from/(used in) operating activities	**7,610**	**10,484**	
Paid interest costs	(403)	(311)	
Collected interest income	274	488	
Taxes paid	(3,208)	(2,365)	
Total (B)	**4,273**	**8,296**	
C- Cash flow from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	(7,422)	-	
(Investments) in non current tangible assets	(469)	(326)	
Proceeds for sale of non current tangible assets	6.70	-	
Net (investments) in non current intangible assets	(53)	(33)	
Net (investments) in investment in associates	-	-	
Net (investments) in non current securities	(53)	(54)	
(Investments) in current securities	(2,170)	(2,200)	
Proceeds from sale of current securities	3,252	217	
Total (C)	**(6,909)**	**(2,397)**	
D- Cash flow from financing activities			
(Outflow) from repayment of loans	(1,957)	(1,124)	
Inflow from borrowing activities	14,000	-	
Purchase of treasury shares	750	1,225	
Dividend paid to shareholders	(10,921)	(3,755)	
Total (D)	**1,872**	**(3,654)**	
E- Cash flow for the period (B+C+D)	**(765)**	**2,246**	
F- Cash and cash equivalents at end of the period	**2,967**	**3,732**	

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

The following table shows the composition of the balance of net final cash and cash equivalents at 31

December 2017 and at 31 December 2016.

	31-Dec-17	31-Dec-16
Cash	4,411	3,732
Bank overdrafts	(1,444)	-
Total	**2,967**	**3,732**

6.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE B&C SPEAKERS GROUP AS OF 31 DECEMBER 2017, PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Below is the Consolidated statement of changes in equity that took place in FY 2016 and FY 2017.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve		Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
Euro thousand											
Balance December 31, 2015	**1,073**	**379**	**2,835**	**44**	**27**	**364**	**0**	**13,377**	**18,099**	**-**	**18,099**
Result of the period								**6,119**	**6,119**		**6,119**
Other comprehensive income/expenses						195		**(5)**	**190**		**190**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**195**		**6,114**	**6,309**	**-**	**6,309**
Shareholders											
Allocation of previous year result					0			**0**	**0**		**0**
Dividend distribution								**(3,755)**	**(3,755)**		**(3,755)**
Treasury shares allocation	15		1,210					**-**	**1,225**		**1225**
Other									**-**		**0**
Balance December 31, 2016	**1,088**	**379**	**4,045**	**44**	**27**	**559**		**15,736**	**21,878**	**-**	**21,878**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve		Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
Euro thousand											
Balance December 31, 2016	**1,088**	**379**	**4,045**	**44**	**27**	**559**	**-**	**15,736**	**21,878**	**-**	**21,878**
Result of the period								**6,231**	**6,231**		**6,231**
Other comprehensive income/expenses						(124)		**-**	**(124)**		**(124)**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**(124)**		**6,231**	**6,107**	**-**	**6,107**
Shareholders											
Allocation of previous year result					27			**(27)**	**-**		**-**
Dividend distribution								**(10,921)**	**(10,921)**		**(10,921)**
Treasury shares allocation	9		741					**-**	**750**		**750**
Balance December 31, 2017	**1,097**	**379**	**4,786**	**44**	**54**	**435**		**11,019**	**17,814**	**-**	**17,814**

7 Notes to the consolidated financial statements as of 31 December 2017

7.1 Basis of preparation

The consolidated financial statements as at 31 December 2017 of B&C Speakers S.p.A . (hereinafter the "B&C Speakers Group") have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

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

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

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

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

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

Content and form of the financial statements

The consolidated financial statements comprise the Consolidated statement of financial position, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and these Notes to the consolidated financial statements.

With reference to the form of the consolidated financial statements, the Group has chosen to submit the following:

Consolidated statement of financial position

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

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

Consolidated Statement of Comprehensive Income

The consolidated statement of comprehensive income is 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 statement of cash flows

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

Consolidated statement of changes in equity

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

Consolidation scope

The controlled undertakings, i.e. those controlled by the Parent Company, were fully consolidated.

In 2017 there occurred a change in the consolidation scope due to the effect of the acquisition of 100% of the shares in Eighteen Sound S.r.l, which in turn owns 100% of the shares in Sound & Vision S.r.l..

The following companies therefore fall within the scope of full consolidation at 31 December 2017:

Companies	Country	Group structure at 31 december 2017			Group structure at 31 December 2016		
		Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Parent Company			Parent Company		
Eighteen Sound S.r.l.	Italy	100%	-	100%	-	-	-
Sound & Vision S.r.l.	Italy	0%	100%	100%	-	-	-
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

Associated company	Country	Group structure at 31 december 2017			Group structure at 31 December 2016		
		Direct	Indirect	Total	Direct	Indirect	Total
Silence Tech S.r.l.	Italia	33%	-	33%	33%	-	33%

The key data of the Parent Company’s subsidiaries and associates as at 31 December 2017 are shown below:

Company		**Eighteen Sound S.r.l. (Italy)**
Share Capital	**Euro**	5,630,000
Net Equity	**Euro**	5,768,021
Profit / Loss	**Euro**	(47,805)
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	6,582,989

Company		Eighteen Sound S.r.l. (Italy)
Share Capital	Euro	5,630,000
Net Equity	Euro	5,768,021
Profit / Loss	Euro	(47,805)
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	6,582,989

Company		Sound & Vision S.r.l. (Italy)
Share Capital	Euro	10,000
Net Equity	Euro	7,304
Profit / Loss	Euro	(134,390)
Stake held directly		0.00%
Stake held indirectly		100.00%
% capital shareholding		100.00%
Book value	Euro	-

Company		B & C SPEAKERS, NA LLC (USA)
Share Capital	Dollars	30,000
Net Equity	Dollars	805,650
Profit / Loss	Dollars	468,336
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	1,449,786

Company		B&C SPEAKERS BRASILE (Brasil)
Share Capital	Real	1,720,729
Net Equity	Real	1,439,049
Profit / Loss	Real	83,237
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	428,151

Company		SILENCE TECH S.r.l. (Italy)
Share Capital	Euro	150,000
Net Equity	Euro	125,289
Profit / Loss	Euro	(5,911)
Stake held directly		33%
Stake held indirectly		0%
% capital shareholding		33%
Book value	Euro	50,000

Consolidation standards

The main criteria for consolidation, applied in preparing the consolidated financial statements as at 31 December 2017 in accordance with IFRS, in continuity with the previous year, are as follows:

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

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

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

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

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

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

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

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

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

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

The rates applied on the conversion of financial statements into a currency other than the euro as at 31 December 2016 and 31 December 2017 are shown in the following table (source: Bank of Italy):

Currency	**31-dic-17**		**31-dic-16**	
	Avg exch.	**Final exch.**	**Avg exch.**	**Final exch.**
EURO/USD	1.130	1.199	1.107	1.054
EURO/REAL	3.605	3.973	3.856	3.431

Accounting standards adopted

The measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2017 are as follows.

Goodwill

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

Other intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets only if it is identifiable, controllable and predictable that it will generate future economic benefits and its cost can be reliably determined.
These assets are entered at their cost of purchase or production and depreciated in constant shares along the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of accumulated

amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Development costs can be capitalised, provided the cost can be reliably determined and that it can be demonstrated that the activity is able to generate future economic benefits.
Research costs are charged to the Income Statement in the period in which they are incurred.
Fixed assets in progress are stated at cost based on contractual progress reports defined with the supplier and are depreciated from the period in which they come into operation.
Below is a summary of the amortisation periods of the various items of the intangible assets:

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

Property, plant and equipment

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

The depreciation rates applied for each category of assets are:

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

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

Leased assets

Leases are classified as financial leases whenever the terms of the contract are such as to transfer substantially all the risks and benefits of the property to the lessee. All other leases are considered operating assets.
Leased assets are recognised as assets pertaining to the Parent Company at “fair value” on the effective date of the contract, or, if lower, the current value of minimum lease payments due under the lease

contract. The corresponding liability to the lessor is included in the statement of financial position as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial charges are recognised directly in the income statement of the year.
The costs of operating lease instalments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Impairment

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

Non-current assets held for sale

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

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and, for finished products or work-in-progress, the production cost includes raw materials, direct labour and other costs directly attributable to production in addition to converging the indirect production costs that are reasonably attributable to production work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The market value as regards raw materials and works in progress is represented by the presumed net realisable value of the corresponding finished products less costs for completion; as for finished products, it is represented by the presumed net realisable value (list prices less cost of sale and distribution).

Any lower valuation established on the basis of market trends is deleted in subsequent years if the reasons that led to it no longer exists.
Inventories that are obsolete, slow-moving and/or surplus to normal requirements are devalued in relation to their possible future use or realisation by means of an inventory depreciation provision.

Receivables

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

Financial assets

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

Cash and cash equivalents

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

Financial liabilities and instruments representative of shareholders' equity

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

Bank loans

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

Long-term provisions

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

Provisions for personnel and similar

The liabilities relating to benefits due to employees and paid on or after the cessation of the employment contract for plans with defined benefits is determined, separately for each plan, on the basis of actuarial assumptions by estimating the amount of future benefits accrued by employees at the reference date (known as the "Projected unit credit method"). The liability entered in the financial statements net of any assets servicing the plan, is recognised on an accruals basis over the maturation period of the entitlement. The liability assessment is carried out by independent actuaries.
The cost components of the defined benefits are recognised as follows:

- The costs relating to the performance of the service are recognised in the income statement under personnel costs;
- net financial charges on liabilities or assets in defined benefits are recognised in the income statement as Financial income/(charges), and are determined by multiplying the value of the net liabilities/(assets) by the rate used to discount the bonds, taking into account contributions payments and benefits accrued during the period;
- The components of the net liability re-measurement, consisting of actuarial gains and losses, the return on assets (excluding interest income recognised in the income statement) and any variation within the limit of the asset, are recognised immediately in Other profits (losses). These components must not be reclassified in the income statement in a subsequent period.

The evaluation of the Severance pay for Directors was performed by seeing that the annual provision corresponds to the amount accrued and simultaneously paid into the insurance policy.

Payables

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

Deferred tax assets and liabilities

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

liabilities and when referring to tax due to the same agency and the Parent Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

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

Revenue entry

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

Costs

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

Financial income

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

Financial charges

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

Dividends

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

Contributions

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

Income tax

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

Treasury shares

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

Earnings per share

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

Use of estimates

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

unable to predict.

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

Recoverable value of non-current assets

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

Recoverability of deferred tax assets

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

Pension plans and other post-employment benefits

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

Provision for doubtful accounts

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

Provision for inventory writedowns

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

Funds for Product Warranty

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

Contingent liabilities

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

Depreciation and amortisation

The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group's fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.
The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax

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

Operating segments

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

New accounting standards, amendments and interpretations applied since 1 January 2017

As of 1 January 2017, certain amendments introduced to the international accounting standards and interpretations were applied, none of which had a significant effect on the Group's financial statements.
The main changes are outlined below:

- 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.
- 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.
- In December 2016, the IASB issued an amendment to the 2014–2016 IFRS. The change concerns IFRS 12 "Disclosure of interests in Other Entities" (applicable from 1 January 2017). The amendment makes clear that the disclosure provided by the standard must be given for the investments classified as held for sale, except as provided for in paragraph B12.

Accounting standards, amendments and interpretations not yet applied

At the date of this Financial Report, the competent bodies of the European Union have completed the approval process required for the adoption of amendments and of the principles described below:

- In May 2014, the IASB and FASB jointly published standard IFRS 15 "Revenue from Contracts with Customers". The new standard, approved on 22 September 2016, is applicable retroactively for annual periods starting on or after 1 January 2018. Early application is allowed. The IFRS 15 dictates the rules for recording of revenues, introducing an approach that says income shall be recognised only when contractual obligations are completely fulfilled. The standard provides for the recognition of the revenue on the basis of the following five steps:
  - identification of the contract;
  - identification of individual obligations;
  - the determination of the transaction price;
  - allocation of the transaction price to the individual bonds on the basis of their "market price" or "stand-alone selling price";
  - the recognition of revenue allocated to the single bond when it is adjusted, i.e. when the customer obtains control of the goods and/or services.

  The Group has carried out a thorough analysis of the different types of contracts, which are almost entirely represented by the sale of products (acoustic transducers), as well as the types of transactions presenting, to date, a lower economic impact (other revenues). Following this analysis, the Group has concluded that there are no significant impacts arising from the adoption of the new standard since the most significant component of revenue will continue to be recognized in a manner consistent with the previous accounting guidelines.

- 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", approved on 22 November 2016. Specifically, the new provisions in IFRS 9: (i) amend the model used to classify and measure financial assets; (ii) introduce a new method of recognising impairment of financial assets, which takes expected credit losses into account; (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 has completed the analysis of the quantitative impacts deriving from the application of this standard and has concluded that no significant impacts are expected deriving from the adoption of the new standard.
- 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 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.
  The assessment of potential impacts arising from the application of the standard in question will be carried out in the next 12 months.

Accounting standards, amendments and interpretations not yet applicable

At the date of these financial statements, the competent bodies of the European Union have completed the approval process of the following accounting standards and amendments:

- In June 2016, the IASB issued an amendment to IFRS 2 "Share-based payment". These amendments clarify the recognition of certain share-based payments. These amendments apply as of 1 January 2018.
- 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 December 2016, the IASB issued a series of annual changes to the 2014–2016 IFRS. These amendments involve:
  - 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 issued 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.
- In June 2017 The IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments", which provides guidance on how to reflect, in income tax accounting, uncertainties over the tax treatment of a given phenomenon. IFRIC 23 will enter into force on 1 January 2019.

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.

7.2 Business combinations

On 11 December 2017, with the signing of the relevant contractual documentation, B&C Speakers S.p.A. finalised the acquisition of shares representing 100% of the share capital of Eighteen Sound S.r.l., which in turn owns 100% of the share capital of Sound & Vision S.r.l. (companies previously held by the Landi Renzo Group). At the time of closing, new Boards of Directors were appointed for the two companies. The transaction was concluded for a total value equal to Euro 7.4 million; net of the Net Financial Position at the closing date, the final consideration stood at Euro 6.58 million. This acquisition led to the consolidation of the newly acquired Eighteen Sound S.r.l. and of its controlled company Sound & Vision S.r.l. subsequent to the purchase date (11 December 2017) and to the recognition of goodwill for Euro 0.9 million.

Specifically, the reasons for the operation can be summarised thus:

- proceed with the expansion of its product range and thereafter possibly increase its presence on the reference market. It will also be possible to break into new markets such as car audio;
- pursue the achievement of economies of scale in relation to purchasing costs through a policy

integrated in terms of procurement and supplier management and the optimisation of production costs through the balancing of production requirements of both the company plants;

- sharing and improvement of the company's best practices.

The following tables show the breakdown of the consideration agreed for the acquisition and the breakdown of the assets and liabilities acquired with the aforesaid business combination operation:

Purchase consideration	
Cash paid	6,788,399
Price correction	(205,411)
Total	**6,582,988**

The price adjustment follows on from the contractual forecasts, which envisaged a reconsideration of the NFP acquired after the closing date.

Assets and liabilities acquired	*Fair value* at the date of acquisition
Non current assets	
Tangible assets	938,167
Other intangible assets	498,691
Deferred tax assets	77,055
Other non current assets	4,564
Total non current assets	**1,518,476**
Current assets	
Inventory	4,699,865
Trade receivables	2,388,803
Tax assets	588,081
Other current assets	105,069
Cash and cash equivalents	75,657
Total current assets	**7,857,475**
Total assets	**9,375,951**
Non current liabilities	
Severance Indemnities	93,987
Provisions for risk and charges	15,830
Total non current liabilities	**109,817**
Current liabilities	
Short-term borrowings	709,257
Trade liabilities	2,235,541
Tax liabilities	190,363
Other current liabilities	472,377
Total current liabilities	**3,607,538**
Total liabilities	**3,717,355**
Net asset	**5,658,596**
Cash consideration	**6,582,988**
Goodwill	**924,392**

Note that the goodwill recognised is referable to the know-how of the personnel of the acquired company and to the profitability of the same and is not deductible for tax purposes.

The fair value net of trade receivables acquired in the operation is Euro 2,389 thousand, determined on the basis of the total amount of receivables acquired for Euro 2,373 thousand, gross of a provision for bad debts of Euro 16 thousand.

The business combination, concluded close to the end of the financial year, contributed Euro 906 thousand in terms of revenues and Euro 37 thousand in terms of net result. Note that if the operation had been completed on 1 January 2017 the contribution in terms of revenues and net result would have been Euro 12,119 thousand and Euro 24 thousand respectively. These figures were calculated using the subsidiaries' adjusted financial statements of the intercompany accounts.

The following table gives a breakdown of the net outflow of cash from the operation:

Outflow of cash to acquire subsidiary, net of balance acquired	**6,788,399**
Balance acquired	
Cash	75,657
Bank overdrafts	(709,257)
Total balance acquired	**(633,600)**
Net outflow of cash	**7,421,999**

The operation described above entailed the incurring of costs for Euro 254 thousand for legal and business advice. These costs are included in the income statement for the year (under the item "Administrative and general costs") and in the cash flows arising from operating activities.

7.3 Analysis of the breakdown of the main items of the consolidated statement of financial position as of 31 December 2017

1. Property, plant and equipment

The structure of property, plant and equipment at 31 December 2017 and their change during the year are highlighted in the following tables:

Historic cost	**31-Dec-16**	**Additions**	**Business combination**	**Reclassification**	**Foreign exch.**	**(Decreases)**	**31-Dec-17**
Land and buildings	5,599	-	-	-	(678)	-	4,921
Photovoltaic System and other minor	933,262	48,412	141,532	-	-	-	1,123,206
Lightweight construction	30,879	-	43,875	-	-	-	74,754
Plants and machinery	4,571,357	58,900	2,578,454	-	(11,620)	(6,800)	7,190,291
Industrial equipment	4,570,162	219,838	2,253,042	12,000	(364)	-	7,054,678
Various equipment	874,950	133,912	412,612	-	(9,312)	(58,513)	1,353,649
Fixed assets in progress	12,000	14,100	22,927	(12,000)	-	-	37,027
Total	**10,998,209**	**475,162**	**5,452,441**	**-**	**(21,973)**	**(65,313)**	**16,838,525**

Accumulated depreciation	**31-Dec-16**	**Depreciation**	**Business combination**	**Reclassification**	**Foreign exch.**	**(Decreases)**	**31-Dec-17**
Land and buildings	4,369	1,305	-	-	(605)	-	5,069
Photovoltaic System and other minor	336,363	74,718	101,598	-	-	-	512,679
Lightweight construction	11,149	3,088	17,768	-	-	-	32,005
Plants and machinery	2,971,062	448,414	2,033,324	-	(10,304)	(4,216)	5,438,280
Industrial equipment	4,169,605	216,747	2,030,489	-	(240)	-	6,416,600
Various equipment	795,759	43,466	331,096	-	(4,979)	(49,761)	1,115,581
Fixed assets in progress	-	-	-	-	-	-	-
				-	-	-	
Total	**8,288,307**	**787,738**	**4,514,274**	**-**	**(16,127)**	**(53,977)**	**13,520,215**

Net value	31-Dec-16	Net increases	Business combination	Reclassification	Foreign exch.	Depreciation	Accumulated depreciation decrease	31-Dec-17
Land and buildings	1,230	-	-	-	-	- 1,230	-	-
Photovoltaic System and other minor	596,899	48,412	39,934	-	-	- 74,718	-	610,527
Lightweight construction	19,730	-	26,107	-	-	- 3,088	-	42,749
Plants and machinery	1,600,295	52,100	545,130	-	- 1,390	- 448,489	4,216	1,751,862
Industrial equipment	400,557	219,838	222,554	12,000	- 124	- 216,747	-	638,078
Various equipment	79,191	75,399	81,516	-	- 4,333	- 43,466	49,761	238,068
Fixed assets in progress	12,000	14,100	22,927	- 12,000	-	-	-	37,027
	-	-	-	-	-	-	-	-
Total	**2,709,902**	**409,849**	**938,167**	**-**	**- 5,847**	**- 787,738**	**53,977**	**3,318,310**

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

The most significant acquisitions that took place in 2017 concern the integration of production machinery and equipment at the plant.

The increase in the Photovoltaic System item refers to the optimisation of the system installed on the roof of part of the production plant building.

The plant and machinery category includes an entry (for Euro 55 thousand) for the palletising equipment covered by a leasing contract with Istituto Credem Leasing S.p.A..

The tables show the effect of the above business combination that in terms of tangible assets contributed a net book value of Euro 938 thousand composed mainly of production machinery and equipment at the plant in Reggio Emilia.

2. Goodwill

A breakdown of this item at 31 December 2017 is highlighted in the following table:

Goodwill	31-Dec-17	31-Dec-16
Goodwill on Eighteen Sound S.r.l.	924,392	-
Goodwill on B&C Speakers Usa NA LLC	1,393,789	1,393,789
Writedowns	-	-
Total goodwill	**2,318,181**	**1,393,789**

The item Goodwill is attributable to:

(i) the consolidation of the equity investment in *B&C Speakers NA LLC,* for Euro 1,394 thousand (unchanged compared with 31 December 2016);

(ii) the consolidation of the equity investment in Eighteen Sound S.r.l. for Euro 924 thousand resulting from the above business combination.

The value of the goodwill is the positive difference between the purchase cost and the Group's share in the current values of the identifiable assets, liabilities and contingent liabilities entered in the financial statements of the subsidiaries at the date of acquisition.

As highlighted in the explanation about accounting standards, goodwill is subjected annually – or more frequently if specific events or changed circumstances indicate possible impairment – to tests to identify any impairments, in accordance with the provisions of IAS 36 - Impairment of assets. 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 represented by 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.

Consequently, on 31 December 2017 the impairment test was carried out on:

(i) the net carrying amount allocated to the CGU B&C USA, including goodwill and other assets referred to the US subsidiary *B&C Speakers NA LLC;* these values were identified by the directors as being part of the single CGU since the assets of the Company are entirely dedicated to a single sector of activity i.e. the sale of “top quality professional loudspeakers”.

(ii) the net carrying amount allocated to the CGU Eighteen Sound, which includes goodwill and other assets referred to the subsidiary Eighteen Sound S.r.l. and to the subsidiary Sound & Vision S.r.l.; these values were identified by the directors as being part of a single CGU since the assets of the two subsidiaries are entirely dedicated to a single sector of activity identifiable as the production and sale of “top quality professional loudspeakers”.

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

a) a hypothesis of provisional financial flows based on the five-year plan of B&C Speakers USA LLC for the 2018-2022 period and on the three-year plan of Eighteen Sound for the period 2018-2020, approved by the administrative body of the investee companies and by the Board of Directors of the Parent Company, together with the impairment test, on 14 March 2018;
b) the discount rate (WACC).
c) in addition to the explicit period a growth rate (g rate) was also estimated.

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

Main financial parameters on impairment tests		**CAGR revenues**	**WACC**	**g**
B&C USA	2017	2%	7.76%	2.00%
	2016	2%	7.50%	2.00%
Eighteen Sound	2017	7%	7.50%	2.00%
	2016	-	-	-

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

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

The analysis did not bring any impairment losses light. Therefore, no impairment loss has been reflected in the data as at 31 December 2017.

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

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

3. Other intangible assets

The structure of the intangible assets on 31 December 2017, and the related changes are highlighted in the following table:

Intangible assets	31-dic-16	Reclassification	Business combination	Increases	Foreign Exch.	Amortization	31-dic-17
Patent rights	97,355	-	43,984	52,441	1,156	39,699	155,237
Development costs	-	-	454,707	-	-	10,196	444,511
Intangible assets in progress	-	-		-	-	-	-
Total	**97,355**	**-**	**498,691**	**52,441**	**1,156.00**	**49,895**	**599,748**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase in the year is related to the purchase of software extensions for the design and improvement of management software.

4. Equity investments in associated companies

This item amounts to Euro 50 thousand at 31 December 2017 and reflects the value of the investment at 33% in the company Silent Tech S.r.l. founded together with two other companies for the purpose of exploiting "Silence" technology developed along with the two other partners. The Company, established at the end of 2015, is still in the start-up phase.

5. Deferred tax assets

As at 31 December 2017, this item includes net receivables for deferred tax assets of Euro 352 thousand (Euro 297 thousand as at 31 December 2016), relating to temporary deductible differences that pertain to the Group and that were created following entry of costs not entirely deductible in the year.

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

Deferred tax assets	31-Dec-16	Business combinations	Increase	Use	31-Dec-17
Ammortization difference IFRS/TUIR	36,991	-	1,164	(3,046)	35,110
Management remuneration	52,523	-	25,736	(35,533)	42,726
Consolidation entries	186,158	-	27,090	(49,464)	163,784
USA provisions	48,384	-	-	(7,791)	40,593
Other	14,360	77,055	13,091	(5,111)	99,395
Total deferred tax assets	***338,416***	***77,055***	***67,082***	***(100,945)***	***381,608***
Deferred tax liabilities	**31-Dec-16**		**Increase**	**Use**	**31-Dec-17**
Leasing	(19,358)	-	(495)	-	(19,852)
Other	(22,356)	-	(2,845)	15,960	(9,241)
Total deferred tax liabilities	***(41,714)***	***-***	***(3,339)***	***15,960***	***(29,093)***
Net total	**296,702**	**77,055**	**63,742**	**(84,986)**	**352,514**

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

6. Other non-current assets

At 31 December 2017 this item is as follows:

Other non current assets	31-Dec-17	31-Dec-16	Change	% Change
Insurance poilcies	411,489	357,032	54,457	15%
Guarantee deposits	61,595	56,826	4,769	8%
Ires refund receivables	88,950	88,950	0	0%
Others	6,101	6,941	(840)	-12%
Total non current assets	**568,135**	**509,749**	**58,386**	**11%**

As at 31 December 2017, insurance refers to receivables accrued in respect of the insurance companies “Milan Insurance” and “La Fondiaria Assicurazioni” in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors’ severance pay.

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

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

Changes in insurance policies	31-Dec-16	Increases	(Decreases)	31-Dec-17
Insurance policies	357,032	54,457	-	411,489
Total	**357,032**	**54,457**	**-**	**411,489**

The period increase is due to the new payments made by the Company during the year. The payments made during the period reflect the value of the provision made to the relevant “Directors’ Severance Pay” fund, as explained in note 14.

The item Guarantee deposits reflects mainly the amount receivable for guarantee deposits issued by the

Parent Company based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina, Via Poggio Moro No. 1, for Euro 48 thousand.

"IRES refund receivable" includes the credit generated in 2012 following the submission by the Parent Company, of the request for an IRES rebate in accordance with Art. 4 of Italian Legislative Decree No. 16 of 02 March 2012, converted with amendments into Italian Law No. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for a rebate of the greater IRES amount paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Parent Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2017:

Inventories	31-Dec-17	31-Dec-16	Change	% Change
Row materials and consumables	3,180,363	734,118	2,446,245	333%
Work in progress and semi-finished	7,624,898	5,765,880	1,859,018	32%
Finished goods	2,988,296	2,066,169	922,127	45%
Gross Total	**13,793,557**	**8,566,167**	**5,227,390**	**61%**
Provision for inventory writedowns	(577,906)	(384,333)	(193,573)	50%
Net Total	**13,215,651**	**8,181,834**	**5,033,817**	**62%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at 31 December 2017, it totals Euro 577 thousand.

The gross value of inventories as at 31 December 2017 would appear to have decreased by Euro 5,227 overall with respect to the 31 December 2016 total. This increase is due to Euro 4,700 thousand in inventories acquired with the above business combination, with the remainder arising from the Group's increased turnover.

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

The following table shows the change in inventory writedowns, highlighting the effect of the business combination:

Change in provision for inventory writedowns	31-Dec-16	Increase	Use	Business combination	Foreign Exch.	31-Dec-17
Provision for inventory writedowns	384,333	40,000	(15,172)	180,597	(11,852)	577,906
Total	**384,333**	**40,000**	**(15,172)**	**180,597**	**(11,852)**	**577,906**

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

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2017:

Trade receivables	31-Dec-17	31-Dec-16	Change	% Change
Trade receivables	11,667,554	8,224,857	3,442,697	42%
(Provision for doubtful accounts)	(414,880)	(451,282)	36,402	-8%
Total	**11,252,674**	**7,773,575**	**3,479,099**	**45%**

The gross value of trade receivables increased by Euro 3,479 thousand compared with 31 December 2017. This increase is due to Euro 2,388 thousand in trade receivables acquired with the above business combination, with the remainder arising from the Group's increased volume of business. The trade receivables are shown net of a separate impairment provision equal to Euro 415 thousand at 31 December 2017 .

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

Change in provision for doubtful accounts	31-Dec-16	Increase	Use	Business combination	Foreign Exch.	31-Dec-17
Provision for doubtful accounts	451,282	8,891	(35,714)	12,283	(21,862)	414,880
Total	**451,282**	**8,891**	**(35,714)**	**12,283**	**(21,862)**	**414,880**

The figures for use in the year relate to the closure of credit positions no longer due, referring mainly to the Brazilian market.

9. Tax assets

As at 31 December 2017, tax receivables are as follows:

Tax receivables	31-Dec-17	31-Dec-16	Change	% Change
Advances on provision for serevance indemnities	-	2,387 -	2,387.08	-100%
VAT receivables	728,087	170,083	558,004	328%
Current tax receivables B&C Italia	569,200	53,154	516,046	971%
Total tax receivables	**1,297,287**	**225,624**	**1,071,663**	**475%**

Tax receivables for current taxes at 31 December 2017 are a consequence of the payment, during the year, of advances exceeding the tax expense of the year.

10. Other current assets

As at 31 December 2017, "Other current assets" are as follows:

Other current assets	**31-Dec-17**	**31-Dec-16**	**Change**	**% Change**
Receivables towards supplier	75,705	65,994	9,711	15%
Securities	5,174,467	6,164,655	(990,188)	-16%
Other minor receivables	257,245	37,450	219,795	587%
Total other receivables	**5,507,417**	**6,268,099**	**(760,682)**	-12%
Commercial fairs	60,797	69,213	(8,416)	-12%
Phone expenses	5,513	5,479	34	1%
Assistance and assurance fees	44,292	18,913	25,379	134%
Specialist contract	12,250	12,250	0	0%
Other	37,218	47,683	(10,465)	-
Total prepaid expenses and accrued income	**160,070**	**153,537**	**6,533**	**4%**
Total current assets	**5,667,487**	**6,421,637**	**(754,150)**	**-12%**

Securities held in the portfolio refer to asset management items denominated in Euro and held for short-term liquidity. During the year the portfolio decreased overall as a result of acquisitions for Euro 2,170 thousand and sales for Euro 3,252 thousand. These securities were measured at fair value as at 31 December 2017 and the estimated gain (Euro 91 thousand) recognised in financial income on the income statement. As of 28 February 2018, asset management operations recorded a fair value of Euro 5,615 thousand.

The item "Other receivables" comprises Euro 205 thousand for credit due from Landi Renzo S.p.A., emerging subsequent to the finalisation of the acquisition price for 100% of the share capital of Eighteen Sound S.r.l. as provided for in the purchase contract.

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

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	**31-Dec-17**	**31-Dec-16**	**Change**	**% Change**
Bank and postal deposit	4,405,113	3,726,693	678,420	18%
Cash	6,091	4,619	1,472	32%
Total cash and cash eqivalents	**4,411,203**	**3,731,312**	**679,891**	**18%**

The effect of the above business combination amounts to Euro 75 thousand.

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

12. Shareholders’ equity and its components

Share capital

The Group’s share capital as at 31 December 2017 amounted to Euro 1,097 thousand (Euro 1,087 thousand at 31 December 2016) net of treasury shares held. The original share capital of the Parent Company is equal to Euro 1,100 thousand and is composed of 11 million ordinary shares with a unit value of Euro 0.10 each.

All capital is fully paid up.

As a result of the continuation of the Buy-Back plan, on 31 December 2017 B&C Speakers S.p.A. held a total 10,454 treasury shares equal to 0.10% of the share capital, bought at an average value of Euro 2.9 per share.

The following table shows the changes that occurred, in 2017, in the number of shares outstanding:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2016	**10,931,190**
Treasury shares purchased	(19,416)
Treasury Shares sold	77,772
December 31, 2017	**10,989,546**

Other reserves

This item, equal to Euro 5,263 thousand at 31 December 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 27 thousand and the share premium reserve for Euro 4,786 thousand.

More specifically, the share premium reserve increased by Euro 741 thousand compared to 31 December 2016, following entry of the result of treasury shares traded in the year.

Foreign Exchange reserve

This item amounted to Euro 435 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 124 thousand due to the recognition of other comprehensive losses relating to the conversion of financial statements into 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.

TFR discounting 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 6,231 thousand and other period profits/(losses) relative to the actuarial losses component deriving from the actuarial measurement of severance indemnity. This financial component is shown, net of the relevant tax effect, in the other components of the statement of comprehensive income.

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

December 31, 2016

Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(5)	(5)		(5)
Total	**-**	**(5)**	**(5)**	**-**	**(5)**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	195		195	-	195
Total	195	-	195	-	195
Other comprehensive income/(losses) for the year:	**195**	**(5)**	**190**	**-**	**190**

December 31, 2017

Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		-	-		-
Total	-	-	-	-	-
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	(124)		(124)	-	(124)
Total	(124)	-	(124)	-	(124)
Other comprehensive income/(losses) for the year:	**(124)**	**-**	**(124)**	**-**	**(124)**

	December 31, 2016			**December 31, 2015**		
	Gross value	**Fiscal effect**	**Net value**	**Gross value**	**Fiscal effect**	**Net value**
Euro thousand						
Actuarial gain/(losses) on DBO	(1)	1	0	(7)	2	(5)
Exchange differences on translating foreign operatic	(124)		(124)	195		195
Other comprehensive income/(losses)	**(125)**	**1**	**(124)**	**188**	**2**	**190**

Dividends paid

During May 2017, B&C Speakers disbursed a dividend equal to Euro 1 for each ordinary share in circulation, for a total disbursed dividend value of Euro 10.9 million.

Earnings per share

Basic earnings per share have been calculated as indicated in IAS 33; the value of this indicator is equal to Euro 0.57 per share. In 2016, basic earnings per share were Euro 0.57. This indicator was calculated by dividing the profit attributable to shareholders of the Parent Company (Euro 6,231 thousand in 2017) by the weighted average of ordinary shares outstanding during the period (10,951,890 shares in 2017). There were no significant dilution factors.

13. Long-term borrowings

As at 31 December 2017, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-17	31-Dec-16	Change	% Change
Long-term Simest loan	-	100,000	(100,000)	-100%
Long-term CRF 1 loan	588,188	1,592,635	(1,004,447)	-63%
Long-term CRF 2 loan	4,000,024	-	4,000,024	n/a
Long-term Unicredit loan	2,925,169	-	2,925,169	n/a
Long-term BNL loan	3,005,242	-	3,005,242	n/a
Total long-term borrowing	**10,518,623**	**1,692,635**	**8,825,988**	**521%**

The item "CRF 1 loan" of Euro 588 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 29 July 2015. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract with CR Firenze S.p.A., aimed at keeping the interest rate of the loan fixed.

The item "CRF 2 loan" of Euro 4,000 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 26 October 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound S.r.l.. 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 item "UniCredit loan" for Euro 2,925 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term financing agreement with UniCredit S.p.A. on 18 April 2017.

The item "Long-term CRF loan" of Euro 3,005 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 23 November 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound S.r.l..

The table below outlines the changes in borrowings in 2017 for both the current and non-current portions:

Change in borrowings	31-Dec-16	Refunds	New borrowings	Business combination	Reclassification current portion	31-dic-17
Non current portion						
Bank borrowings	1,692,635	(828,480)	14,000,000		(4,345,533)	10,518,622
Leasing	-	-	-		-	-
Total non current borrowings	**1,692,635**	**- 828,479.51**	**14,000,000**	**-**	**- 4,345,533**	**10,518,622**
Curent portion						
Bank overdrafts	-	-		1,443,457	-	1,443,457.00
Bank borrowings	1,099,581	(1,099,581)	-		4,345,533	4,345,533
Leasing	29,337	(29,337)	-		-	-
Total current borrowings	**1,128,918**	**(1,128,918)**	**-**	**1,443,457**	**4,345,533**	**5,788,990**

The following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	Simest	CRF 1	CRF 2	Unicredit	BNL
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.	Unicredit S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	500,000	4,000,000	5,000,000	5,000,000	4,000,000
Contract date	19-apr-11	29-lug-15	26-ott-17	18-apr-17	23-nov-17
Due date	31-dic-18	29-lug-19	26-ott-22	30-apr-21	23-nov-21
N. installments	10	48	20	48	16
Advance instalments	5	-	-	-	-
Periodicity	Half-yearly	Monthly	Quarterly	Monthly	Quarterly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%	Euribor 3M (base 360) con floor a zero + spread 0,33%	0.35%	0.35%
Current portion	100,000	1,004,449	999,976	1,246,350	994,758
Non current portion	-	588,188	4,000,024	2,925,169	3,005,242

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

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

Derivative instruments details	CRF 1	CRF 2
Counterpart	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.
Type of contract	Interest Rate Swap (IRS)	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan (CRF 2)
Original amount	4,000,000	4,750,000
Periodicity	Monthly	Quarterly
Bank Interest Rate	Euribor 1 month	Euribor 3 months
Company Interest Rate	0.15%	0.09%
Contract date	31-lug-15	12-dic-17
Due date	29-lug-19	26-ott-22
Mark to market amount at Decembre 31, 2015	(6,609)	(10,535)

Note that the company does not apply hedge accounting and the changes in fair value of the afore-mentioned derivative are charged to the income statement.

14. Provisions for personnel and similar

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

In order to recognise the severance indemnity appropriately, the financial-actuarial value of the liabilities was recalculated, for each employee, to determine a liability similar to that which arises in defined benefit pension plans.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 289 thousand.

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

Provision for severance indemnities	**31-Dec-16**	**Provision (interest & service cost)**	**(Use)**	**Actuarial gain/(loss)**	**Business combination**	**31-Dec-17**
Provision for severance indemnities	353,104	14,566	(65,553)	(529)	92,572	394,160
Total provision for severance indemnities	**353,104**	**14,566**	**(65,553)**	**(529)**	**92,572**	**394,160**

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

Technical parameters	
	31-Dec-17
Technical annual discounting rate	0.88%
Annual inflation rate	1.50%
Tasso annuo incremento TFR	2.625%

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

The following tables provide:

- sensitivity analyses for each relevant actuarial hypothesis at the end of the period, showing the effects that would have been seen following the changes made to the actuarial hypotheses reasonably possible at that date, in absolute terms;
- indication of the contribution for the following financial year;
- indication of the average financial term of the obligation for defined benefit plans.

Sensitivity analysis	
	DBO 31-dec-2017
Turnover rate +1%	392,397
Turnover rate -1%	399,718
Inflation rate + 0,25%	402,280
Inflation rate - 0,25%	389,345
Discount rate + 25%	385,761
Discount rate - 25%	406,322

Estimated future payments	
Year	Amount
1	23,945
2	22,201
3	48,433
4	33,979
5	13,826

Service Cost and Duration	
Service Cost	0.00
Duration	8.50

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

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-16	Provision	(Use)	31-Dec-17
Executive retirement provision (TFM)	357,033	54,457	-	411,490
Total TFM	**357,033**	**54,457**	**-**	**411,490**

15. Provisions for risks

The item, equal to Euro 37 thousand at 31 December 2017 (Euro 83 thousand at 31 December 2016), contains the fund to cope with the risk of warranty support for products marketed by the Group. The business combination operation described above resulted in this fund increasing by Euro 15 thousand. Additionally, the estimate value of this fund, based on the historic trend of costs sustained for hedging, led to a Euro 61 thousand decrease of the provision.

16. Short-term borrowings and net financial position

This item amounted to Euro 5,789 thousand at 31 December 2017 (Euro 1,129 thousand at 31 December 2016) and is made up as follows:

Short term borrowings	31-Dec-17	31-Dec-16	Change	% Change
Credemleasing loan	-	29,337	(29,337)	-100%
Short-term Simest loan	100,000	100,000	0	0%
Short-term CRF 1 loan	1,004,449	999,581	4,868	0%
Short-term CRF 2 loan	999,976	-	999,976	n/a
Short-term Unicredit loan	1,246,350	-	1,246,350	n/a
Short-term BNL loan	994,758	-	994,758	n/a
Bank overdrafts	1,443,457	-	1,443,457	n/a
Total	**5,788,990**	**1,128,918**	**4,660,072**	**413%**

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

It is pointed out that the bank overdrafts are payable for Euro 709 thousand in the above business combination operation.

As required by Consob Communication of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 “Recommendations for the standardised implementation of the regulation of the European Commission on financial statements”, the net financial position of the Group as at 31 December 2017 is detailed below:

(in thousands of Euro)

	31 december 2017 (a)	31 december 2016 (a)	Variazione
A. Cash	4,411	3,731	18%
C. Securities held for trading	5,174	6,164	-16%
D. Cash and cash equivalent (A+C)	**9,586**	**9,896**	**-3%**
F. Bank overdrafts	(1,443)	-	n/a
G. Current portion of non current borrowings	(4,346)	(1,129)	285%
I. Current borrowingse (F+G)	**(5,789)**	**(1,129)**	**413%**
J. Current net financial position (D+I)	**3,797**	**8,767**	**-57%**
K. Non current borrowings	(10,519)	(1,693)	521%
Debito per acquisto partecipazioni, quota non corrente			
N. Non current borrowings	**(10,519)**	**(1,693)**	**521%**
O. Total net financial position (J+N)	**(6,722)**	**7,074**	**-195%**

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

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

(in thousands of Euro)

	31-Dec-17	31-Dec-16
Cash and cash equivalents at end of the period	**2,968**	**3,731**
Current portion of non current borrowings	(4,346)	(1,129)
Non current borrowings	(10,519)	(1,693)
Securities held for trading	5,174	6,164
Total net financial position	**(6,722)**	**7,074**

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

17. Trade payables

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

Trade payables	31-Dec-17	31-Dec-16	Change	% Change
Trade payables	6,128,625	3,948,795	2,179,830	55%
Total trade payables	**6,128,625**	**3,948,795**	**2,179,830**	**55%**

The increase in payables to suppliers as at 31 December 2016 is entirely due to the effect of the business combination operation described above, which produced an increase of Euro 2,236. The change in payables to suppliers generated in the year is therefore substantially consistent with the situation at 31 December 2016.

18. Tax liabilities

At 31 December 2017, this item is made up as follows:

Tax liabilities	31-Dec-17	31-Dec-16	Change	% Change
Employee witholding taxes	248,073	119,229	128,844	108%
Income tax liabilities	166,133	592,869	(426,736)	-72%
Total tax liabilities	**414,206**	**712,098**	**(297,892)**	-42%

Withholding taxes represent the value of withholdings made in December 2017 and paid in the first months of 2018.

Payables for current taxes reflect the amount due to tax authorities for the period income tax of the subsidiaries.

19. Other current liabilities

At 31 December 2017, this item is made up as follows:

Other current liabilities	31-Dec-17	31-Dec-16	Change	% Change
Due to social security funds	350,386	273,432	76,954	28%
Unused vacation time and holidays	449,186	337,733	111,453	33%
Due to personnel	417,031	326,549	90,482	28%
Other liabilities	326,181	300,544	25,637	9%
Total current liabilities	**1,542,784**	**1,238,258**	**304,526**	25%

“Amounts due to social security entities” includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 291 thousand).

“Unused vacation time and holidays” includes the deferred costs for holidays remaining on 31 December 2017.

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

The item “Other liabilities” includes payables to directors for Euro 165 thousand, while the remainder comprises balances due to customers and other minor liabilities.

20. Guarantees given to third parties and other commitments

As at 31 December 2017, as also at 31 December 2016, there are no records of any guarantees given to third parties.

Contractual requirements taken on by the B&C Speakers Group are listed below by deadline:

Euro thousands	In 1 year	Between 2 and 5 years	Beyond 5 years	Total
Operating Lease contracts	924	3,407	849	5,180
Total				

7.4 Analysis of the breakdown of the main items of the consolidated statement of comprehensive income for 2017

21. Revenue from sales and services

The table below highlights revenue from sales and services broken down by geographical area:

Geographical Area	2017	%	2016	%	Change	% Change
Latin America	2,945,632	7%	2,702,652	7%	242,980	9%
Europe	19,030,606	47%	17,452,874	45%	1,577,732	9%
Italy	2,897,716	7%	3,146,075	8%	(248,360)	-8%
North America	6,583,505	16%	6,780,247	18%	(196,742)	-3%
Middle East & Africa	405,849	1%	214,937	1%	190,912	89%
Asia & Pacific	8,445,604	21%	8,134,735	21%	310,869	4%
Total revenues	**40,308,912**	**100%**	**38,431,521**	**100%**	**1,877,391**	**5%**

Consolidated revenues made during 2017 reached Euro 40.31 million, showing an increase of 4.9% compared to 2016. Part of this increase (Euro 0.9 million) was achieved by the new subsidiary Eighteen Sound S.r.l., from the acquisition date until 31 December 2017.

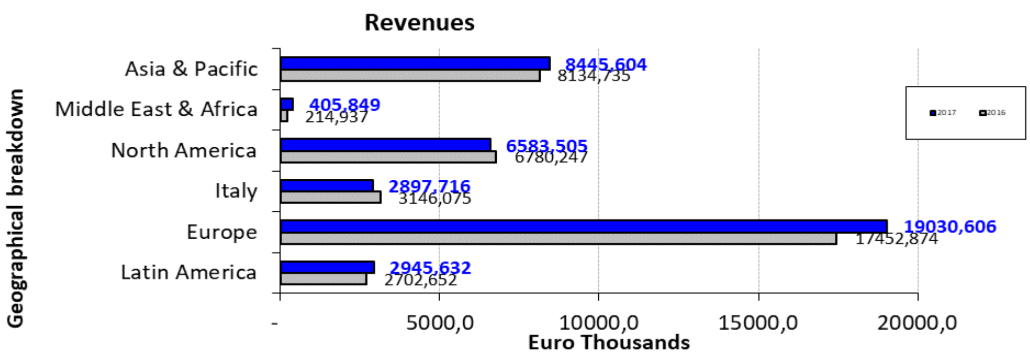
2017 exports remained at 2016 levels, representing 93% of the Group's turnover.

The result achieved in 2017 was driven primarily by the growth achieved in the European market (the most important one for B&C), with an increase of +9% at Group level with annual turnover of 19 million representing 47% of the total figure.

After the decrease seen in 2016, an increase in sales on the Asian market was achieved (+4%, with sales equal to Euro 8.5 million).

An increase was also achieved on the Latin American market (+9% with respect to the previous year), thanks to the recovery of the Brazilian economy and the consequent increase in sales by the Brazilian subsidiary.

On the other hand, the Italian and North American markets saw slight reductions in sales, respectively falling by 8% and 3% compared to 2016.



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

However, this single category of product sales can be further broken down in terms of turnover based on the type of loudspeakers sold. Below is a table summarising 2017 sales according to product category compared with their respective value in the previous year:

Product category	2017	%	2016	%	Change	% Change
LF FE Drivers	10,379,182	25.7%	11,161,609	29.0%	(782,427)	-7%
LF ND Drivers	13,380,982	33.2%	10,920,676	28.4%	2,460,306	23%
HF Drivers	11,545,286	28.6%	10,637,830	27.7%	907,455	9%
Coaxials	3,353,293	8.3%	4,249,765	11.1%	(896,473)	-21%
Others	1,650,169	4.1%	1,461,641	3.8%	188,529	13%
Total revenues	**40,308,912**	**100.0%**	**38,431,521**	**100.0%**	**1,877,391**	**5%**

Furthermore, as can be inferred from the above table, in 2017 the Group's sales have privileged products with higher added value and profit margins (drivers).

In 2017 two customers generated turnover exceeding 10% of the total:

1st customer – 15%

2nd customer – 14%

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

22. Cost of sales

The item is made up of:

Cost of sales	2017	2016	Change	% Change
Purchases of raw materials and finished products	(2,338,858)	(1,602,575)	(736,283)	46%
Purchases of WIP	(12,423,509)	(10,815,872)	(1,607,637)	15%
External manufacturing costs	(2,384,627)	(2,255,137)	(129,490)	6%
Accessories and consumables costs	(1,102,211)	(1,045,960)	(56,251)	5%
Packaging costs	(418,570)	(413,244)	(5,326)	1%
Other purchasing costs	(118,026)	(112,855)	(5,171)	5%
Change in WIP inventories	1,184,053	(597,814)	1,781,867	-298%
Change in finished products inventories	(167,974)	(194,157)	26,183	-13%
Change in raw materials and consumables inventories	(136,959)	(54,699)	(82,260)	150%
Totale purchases and external manufactring costs	**(17,906,680)**	**(17,092,313)**	**(814,367)**	**5%**
Salaries	(2,814,866)	(2,739,133)	(75,733)	3%
Social security charges	(820,608)	(809,794)	(10,814)	1%
Severance for indemnities	(187,553)	(173,287)	(14,266)	8%
Other personnel costs	(831,601)	(704,816)	(126,785)	18%
Total direct labour	**(4,654,629)**	**(4,427,030)**	**(227,599)**	**5%**
Freight and forwarding	(869,023)	(715,600)	(153,423)	21%
Royalties	(83,964)	(27,887)	(56,077)	201%
Other costs	(152,649)	(152,565)	(84)	0%
Total direct costs	**(1,105,636)**	**(896,052)**	**(209,584)**	**23%**
Total COGS	**(23,666,945)**	**(22,415,395)**	**(1,251,550)**	**6%**

In 2017, the cost of sales as a whole showed an increase in absolute value terms equal to Euro 1.3 million. Part of this increase (Euro 0.7 million) was attributable to the new subsidiary Eighteen Sound S.r.l., during the last twenty days of December. Despite this increase, the proportional increase in revenues was substantially constant in its impact on turnover.

As highlighted in the table above, costs for *purchases and external manufacturing costs* increased by Euro 0.8 million. In particular, the purchase of raw materials, finished and semi-finished products and, to a lesser decree, costs for external manufacturing costs showed a marked increase compared to the previous period as a result of increased production volumes in 2017.

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

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

Direct labour costs increased by Euro 228 thousand (mainly as a result of the greater use of temp staff) but with a substantially unchanged impact on turnover compared to 2016.

23. Other revenues

The item is made up of:

Other revenues	**2017**	**2016**	**Change**	**% Change**
Other revenues	106,868	67,528	39,340	58%
Grants and contributions	0	39,142	(39,142)	-100%
Refunds	109,332	-	109,332	n/a
Other minor	77,623	17,696	59,927	339%
Total other revenues	**293,823**	**124,366**	**169,458**	**136%**

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

The item Insurance settlements relates to compensation received from Generali Assicurazioni for the fire in the Reggio Emilia plant.

24. Indirect Personnel

The item is made up of:

Cost of indirect labour	**2017**	**2016**	**Change**	**% Change**
Retribution	(1,765,235)	(1,657,913)	(107,322)	6%
Social charges	(407,311)	(373,393)	(33,918)	9%
Severance indemnity	(91,237)	(78,101)	(13,136)	17%
Total cost of indirect labour	**(2,263,784)**	**(2,109,407)**	**(154,377)**	**7%**

The increase in the cost of indirect personnel for a total of Euro 154 thousand is due for Euro 63 thousand to the effect of the above business combination operation and the remainder for the recruitment of two new employees at the Parent Company during the year. As specified in the Report on Operations the increase of indirect personnel costs did not result in a substantial variation in its incidence over turnover that has remained almost constant.

25. Commercial Expenses

The item is made up of:

Commercial expenses	2017	2016	Change	% Change
Commercial consulting services	(420,951)	(339,472)	(81,479)	24%
Advertising	(232,683)	(215,674)	(17,009)	8%
Travelling expenses	(267,313)	(261,346)	(5,967)	2%
Other	(19,867)	(7,098)	(12,769)	180%
Totale spese commerciali	**(940,814)**	**(823,590)**	**(117,224)**	**14%**

The increase in Commercial expenses totalling Euro 117 thousand is mainly due to higher costs incurred for commercial advice, specifically for an analysis of the company's market positioning.

26. Administrative and General expenses

The item is made up of:

General and administrative expenses	2017	2016	Change	Change %
Manteinance & utilities	(791,868)	(741,313)	(50,555)	7%
Professional services	(844,730)	(526,332)	(318,398)	60%
Corporate bodies fees	(807,446)	(862,038)	54,592	-6%
Other suplies	(102,745)	(117,543)	14,798	-13%
Insurance	(145,199)	(143,015)	(2,184)	2%
Taxes	(95,584)	(65,092)	(30,492)	47%
Stock Exchange expenses	(127,036)	(114,401)	(12,635)	11%
Executive retirement indemnities	(56,127)	(53,627)	(2,500)	5%
Rent expenses	(1,012,513)	(977,602)	(34,911)	4%
Rental fees	(107,186)	(78,870)	(28,316)	36%
Other	(308,819)	(176,906)	(131,913)	75%
Total general and administrative expenses	**(4,399,253)**	**(3,856,739)**	**(542,514)**	**14%**

The increase in Administrative and general costs for a total of Euro 543 thousand is due for Euro 123 thousand to the effect of the above business combination operation.

Maintenance and utilities costs are mainly related to assistance for software of about Euro 238 thousand (Euro 252 thousand in 2016), and costs for utilities of Euro 266 thousand (Euro 280 thousand in 2016) and maintenance of instrumental assets and properties for Euro 237 thousand (Euro 185 thousand in 2016).

Professional services include technical, administrative and legal consulting services received by the Group in 2017. The increase compared to the previous year is mainly due to legal and business advice costs (Euro 254 thousand) incurred for the completion of the acquisition process of Eighteen Sound S.r.l..

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

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

27. Amortisation, depreciation, provisions and writedowns

Amortization, depreciation, provisions and writedowns	2017	2016	Change	% Change
Amortization of intangibles assets	(49,895)	(27,500)	(22,395)	81%
Depreciation of tangible assets	(787,738)	(761,490)	(26,248)	3%
Total amortizations and depreciations	**(837,633)**	**(788,991)**	**(48,643)**	**6%**
Bad debt provision	(8,891)	(71,499)	62,608	-88%
Warranty provision	-	-	-	
Total provisions and writedowns	**(8,891)**	**(71,499)**	**62,608**	**-88%**

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

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2017	2016	Change	Change %
Interest expenses	(35,441)	(31,026)	(4,415)	14%
Bank charges	(61,047)	(20,904)	(40,143)	192%
Exchange rate difference expenses	(296,662)	(177,605)	(119,057)	67%
Exchange rate differences accruals	(90,103)	(79,030)	(11,073)	14%
Loss on securities	-	(3,483)	3,483	-
Accrual loss on IRS	(10,535)	(24,622)	14,087	-57%
Financial costs for Defined Benefit Obligation	-	(3,049)		
Other	(14,853)	(2,014)	(12,839)	637%
Total financial expenses	**(508,641)**	**(341,734)**	**(169,957)**	**50%**
Bank interest income	5,248	4,172	1,076	26%
Exchange rate differences income	189,427	317,954	(128,527)	-40%
Exchange rate differences accruals	77,529	197,692	(120,163)	-61%
Income on securities	52,081	0	52,081	
Accrued income on futures	14,689	18,542	(3,853)	-21%
Accrued income on securities	91,704	187,085	(95,381)	-51%
Accrued income on IRS	17,108	0	17,108	
Other	27,070	7,257	19,813	273%
Total financial income	**474,857**	**732,703**	**(257,846)**	**-35%**

The increase in the item “Financial expenses” is essentially due to the effect of greater losses on exchange rates realized during 2017.

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

The decrease in the item "Financial income" is attributable essentially to lower gains on actual and presumed exchanges.

The item "Income from the valuation of securities entered under current assets" refers to the effect of the fair value valuation of securities held at 31 December 2017 for liquidity use.

The entry “Financial income accrual on futures” refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2017.

29. Taxes

The item is made up of:

Current and deferred taxes	2017	2016	Change	% Change
IRES	(1,814,177)	(2,230,559)	416,381	-19%
IRAP	(363,638)	(340,823)	(22,814)	7%
Foreign investments current taxes	25,905	(210,780)	236,685	-112%
Total current taxes	**(2,151,910)**	**(2,782,162)**	**393,567**	**-14%**
Deferred tax expenses/(income)	(68,927)	18,110	(87,036)	-481%
Total income taxes	**(2,220,837)**	**(2,764,052)**	**(87,036)**	**3%**

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

The Item "deferred/prepaid tax" mainly includes the effect the consolidated entries relating to the cancellation of the internal inventory margin.

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

Euro thousand	**31-Dec-17**	**31-Dec-16**
EBT	**8,452**	**9,356**
Tax rate	*24.0%*	*27.5%*
Theorical tax expenses	**2,028**	**2,573**
Variations		
- cash dividends	(164)	(431)
- IRAP deductions	(94)	(76)
- a.c.e.	0	(378)
Other Variations (net)	(250)	59
Taxable income	**7,944**	**8,530**
Tax expenses	1,907	2,346
Prior years tax expenses	(211)	15
IRAP	357	341
Deferred tax	(69)	18
Difference between foreign fiscal rate and Italian fiscal rate	238	44
Total tax expenses	**2,221**	**2,764**

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

30. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2017 the Group did not incur costs in connection with non-recurrent operations.

31. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, note that in 2017 the Group did not sustain costs in any atypical and/or unusual transactions, as defined in the Communication.

32. Information on financial risks

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

Currency exchange risks

The Group operates internationally and is exposed to exchange risk arising from changes in exchange rates for foreign currencies, primarily the USD and GBP; the exchange risk will 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 2017 the Group continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies is summarised as follows:

- Purchases in US Dollars equal to 10.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 9.2 million.
- Purchases in CAD Dollars equal to 0.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 0.2 million.
- Purchases in GBP equal to 0.1 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 0.1 million.

In 2017, the Group instead generated turnover from customers in foreign currency; in particular, in the item *Revenues,* those in foreign currencies are summarised below:

- Sales in USD equal to 6.1 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 5.3 million;
- Sales in HK Dollars equal to 27.5 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 3.1 million.

The turnover in GBP for 2017 is a negligible amount.

Purchases in foreign currency account for approximately 27% of total purchases (no percentage change over 2016), while sales in foreign currency account for around 22% of the Group's turnover (no percentage change over 2016).
The value of purchases in US and HK dollars in 2017 proved substantially in line with the currency value of sales in the same currencies; consequently it is possible to affirm that the Company hedged its dealings in US dollars.
On the basis of the above, a hypothetical 3% increase/decrease in the Euro would generate potential gains of Euro 28 thousand and losses of Euro 30 thousand, respectively.

On the Consolidate statement of financial position, the equivalent in Euros of trade receivables entered in US dollars on 31 December 2017 amounted to Euro 1.1 million (the total value on 31 December 2017 was Euro 1.7 million), while the equivalent value of trade payables in US dollars on 31 December 2017 amounted to Euro 1.1 million (the total value on 31 December 2016 amounted to Euro 1 million).
Trade Receivables and Payables in other currencies are negligible.
On the basis of that set out above, a 3% increase/decrease in the Euro would generate potential gains of Euro 8 thousand and losses of Euro 10 thousand, respectively.

We must stress that the Group provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
Based on the above data, the impact of tax receivables in currency reaches approximately 10% of the overall trade value, while the impact of trade payables in currency accounts for 18% of the total value of corporate debt.

The Consolidated statement of financial position assets in a currency other than the Euro were adequate to the exact exchange rate on 31 December 2017, with the associated costs and profits entered in the Consolidated statement of comprehensive income.

Credit risk

The Group 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 Group has no outstanding financial assets or liabilities capable of significantly affecting its profitability. Therefore, despite the Group not being significantly affected by changes in interest rates, the management adopted adequate hedging instruments for interest rate fluctuation risks, in particular with regard to the medium-long term loan with Banca CR Firenze S.p.A., through the signing of two IRS (Interest Rate Swaps) agreements.

Liquidity risk

As at 31 December 2017, the Group has a negative Net Financial Position of Euro 6.72 million (positive for 7.07 million as at 31 December 2016). It is the result of a current positive NFP of about Euro 3.79 million (8.76 million as at 31 December 2016) and non-current net financial debt of Euro 10.52 million (Euro 1.69 million as at 31 December 2016). For the characteristics of the loans in question, one should refer to Note 13. The Company believes that the existing loans and short and medium term credit lines, as well as those that will be generated by operations, will allow it to meet its requirements arising from investment activities, management of working capital and repayment of debts in line with their natural due dates.

33. Hierarchical levels of the fair value measurement

For financial instruments recorded on the statement of financial position at fair value, IFRS 7 requires these values to be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels are established:

level 1 - listings taken from an active market for the assets or liabilities being measured;

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 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	5,174,467	-	-
Total	**5,174,467**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(17,144)	
Total	-	**(17,144)**	-

One should 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 shown among other current assets and IRS hedging agreements that are measured at fair value through profit and loss.

34. Management and control

The issuer and its subsidiaries are, pursuant to art. 2497 et seq. of the Italian Civil Code, under the management and control of the parent company ***Research & Development International S.r.l.***, with registered offices in Florence, Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000.

The parent company Research & Development International S.r.l. owns 54.00% of the shares of B&C Speakers S.p.A., equal to 5,940,529 shares.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2016).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2016**	**31 december 2015**
Total assets	13,654	12,648
Equity	10,568	9,785
Net income	2,447	1,937

The above essential data was taken from the financial statements for the year ended 31 December 2016. For a proper and complete understanding of the financial and equity position of Research and Development International S.r.l. at 31 December 2016, as well as the profit or loss achieved by the company in the year ended on that date, one should refer to the reading of the financial statements which, accompanied by the independent auditors' report, is available in the form and in the manner provided by law.

More information about relations with the parent company is given in the next paragraph.

35. Transactions with related parties, parent companies and subsidiaries of the latter

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

Note in particular the transactions implemented with the parent company ***Research & Development International S.r.l.***.

Economic transactions

General and Administrative Expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
2017	(4,399,253)	(928,887)	(928,887)	21%
2016	(3,856,739)	(924,949)	(924,949)	24%

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

Equity transactions

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2017	568,135	88,950	88,950	16%
31 December 2016	509,749	88,950	88,950	17%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2017	(6,128,625)	(1,407)	(1,407)	0%
31 December 2016	(3,948,795)	(961)	(961)	0%

The credit position of Research & Development International S.r.l. as at 31 December 2017 refer to credits for an IRAP rebate from 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

Transactions with related parties were made on terms equivalent to those prevailing in free transactions between unrelated parties.

36. Events subsequent to the closure of FY 2017

After the closure of the financial year 2017 there were no significant events that affected the performance of the Group, except for the flow of orders from customers that pointed to a positive start to the beginning of 2018. At the date of the writing of this document the data available to the management suggests that

2018 will be a year of growth compared to the previous year.

8 Further information

8.1 Report of equity investments as required by Consob (Communication no. DEM/6064293 of 28 July 2006)

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
Eighteen Sound S.r.l. (Reggio Emilia, Italy)*						
At 31 december 2016	Euro/thousands					
At 31 december 2017	Euro/thousands	5,630	- 48	5,768	100%	6,583
Sound & Vision S.r.l. (Senigallia, Italy)***						
Al 31 dicembre 2016	Migliaia di Euro					
Al 31 dicembre 2017	Migliaia di Euro	10	- 134	7	100%	-
B&C Speakers NA L.L.C. (Pompton Plains, NJ USA) *						
At 31 December 2014	Us Dollars/thousands	30	290	537	100%	1,450
At 31 December 2015	US Dollars/thousands	30	468	806	100%	1,450
B&C Speakers Brasile LTDA (Porto Alegre, Brasil)*						
At 31 December 2014	Real/thousands	1,721	141	1,356	100%	428
At 31 December 2015	Real/thousands	1,721	83	1,439	100%	428
Silence Tech S.r.l. (Firenze, Italy) **						
Al 31 dicembre 2015	Euro/thousands	150	-	-	33%	50
Al 31 dicembre 2016	Euro/thousands	150	- 5.91	125.29	33%	50

* Subsidiaries

** Associated company: the Company, established at the end of 2015 is still in the start-up phase. The financial statements as at 31 December 2017 have not yet been approved by the Board of Directors

*** Indirectly controlled subsidiary

8.2 Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (thousands of euros) (art 78 reg. Consob no. 11971/99).

Name	2017 nomination	Period in charge	Expiry date*	Remuneration**	Non monetary benefits	Bonus and other	Other remuneration	Total
Gianni Luzi	Chairman	01/01/2015-31/12/2017	2017	15	-	-	-	15
Lorenzo Coppini	Director	01/01/2015-31/12/2017	2017	190	-	40	-	230
Simone Pratesi	Director	01/01/2015-31/12/2017	2017	175	-	37	-	212
Alessandro Pancani	Director	01/01/2015-31/12/2017	2017	197	-	42	-	239
Patrizia Mantoan***	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Francesco Spapperi***	Director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Gabriella Egidi***	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Roberta Pecci	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Sara Nuzzaci	Chairman of Board of Auditors	01/01/2015-31/12/2017	2017	12	-	-	-	12
Giovanni Mongelli	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10
Leonardo Tommasini	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10

* Year in which the shareholders' meeting is held to approve the financial statements, at which time the office expires.

** € thousands

8.3 Information in accordance with Art. 149-duodecies of the Consob Issuers' Regulations.

The statement below, prepared in accordance with Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees of FY 2015 for auditing services and for services other than auditing provided by the same independent auditing firm. No services were provided by entities belonging to its network.

Service	Company	Client	Notes	Fees 2017
Statutory audit	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.	A	48,200
		Consociate	B	32,250
Servizi di attestazione	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Other Services	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.	C	38,000
		Consociate	D	20,000
Total				**138,450**

A: Fees for the Statutory Audit of the consolidated financial statements and the separate financial statements of B&C Speakers SpA, for the limited auditing of the condensed consolidated financial interim report of the Group and the periodic checks.

B: Fees for the audit of the consolidation dossiers of the subsidiary B&C Speakers NA LLC (Euro 9,000), audit of the consolidation dossiers of the subsidiary B&C Speakers Brazil LTDA (11,250 Euros) and the Statutory Audit of Eighteen Sound Srl (Euro 12,000).

C: Fees for the examination of the Pro-Forma Consolidated Financial Statements pursuant to art. 71 and Annex 3B of Legislative Decree 58/98 made available for the acquisition of Eighteen Sound Srl (Euro 38,000).

D: Fees for the conduct of the agreed verification procedures.

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

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

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of consolidated financial statements for year 2017 have been effectively applied.

2. The undersigned also certify that:

   2.1. the consolidated financial statements:

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

   b) correspond to the information in the accounting ledgers;

   c) provide a true and accurate representation of the issuer's economic, financial and equity position and that of the group of businesses included in the consolidation.

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

Simone Pratesi　　　　Francesco Spapperi

10 Report of the Independent Auditors to the Consolidated Financial Statements of the B&C Speakers Group at 31 December 2017

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of B&C Speakers SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of B&C Speakers Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of B&C Speakers SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Goodwill *Paragraph 7.3, Note 2 to the consolidated financial statements as of 31 December 2017 "Goodwill"* A significant goodwill was recognised in the consolidated financial statements as of 31 December 2017 amounting to Euro 2,318 thousand, equal to 5% of the Group assets. Such item is referable for Euro 1,394 thousand to the "B&C USA" cash generating unit and for Euro 924 thousand to the "Eighteen Sound" cash generating unit. Evaluating goodwill in accordance with *"IAS 36 - Impairment of Assets"* adopted by the European Union, required management to make estimates with particular reference to the methods for the determination of the expected future cash flows, the calculation of the discount rate and of the steady growth rate of financial flows beyond the time period of the B&C USA and Eighteen Sound Plans. Within our audit process, we paid special attention to the evaluation process of goodwill performed by management, considering the significance of such item and the estimates implied in the evaluation performed by management.	We analysed the changes in this item during 2017, we understood and assessed the procedures adopted by management in order to verify whether these complied with *"IAS 36 - Impairment of Assets"* adopted by the European Union, verifying the reasonableness of the assumptions used by management in order to estimate the cash flows expected for the relevant time period and resulting from the 2018-2022 B&C USA Plan and the 2018-2020 Eighteen Sound Plan. We also controlled the mathematical accuracy of the calculations made by management. Furthermore, we re-performed the calculation methods of the discount rate and of the steady growth rate of financial flows beyond the time period of the B&C USA and Eighteen Sound Plans approved on 14 March 2018 by management of the parent company, together with the impairment test. Finally, we conducted specific sensitivity analyses as regards the key assumptions adopted by management in verifying the existence of an impairment loss of goodwill. We carried out such activities with the support of PwC network experts.

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Acquisition of Eighteen Sound	
Paragraph 7.2 of the notes to the consolidated financial statements as of 31 December 2017: "Business combinations" The evaluation and recognition process of the acquisition of 100% of the capital of Eighteen Sound Srl required management to make estimates with particular reference to the determination of the fair value of the acquired business, its allocation to the assets and liabilities identified and the recognition of goodwill as a residual item. As a result of this process, Goodwill was recognised for Euro 924 thousand. As part of our auditing, given the degree of estimate implied in management's evaluation, we paid special attention to the evaluation and recognition process they performed in relation to such acquisition.	As part of our audit activities, we analysed the documentation supporting the acquisition and held discussions with management. Moreover, we obtained an understanding of and assessed the method adopted by management to determine the fair value of the acquired business, its allocation to the assets and liabilities identified and of the recognition of goodwill as a residual item. Finally, we analysed if the acquisition had been recognised in accordance with *"IFRS 3 – Business Combinations"* adopted by the European Union.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate B&C Speakers SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 24 April 2015, the shareholders of B&C Speakers SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No.39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of B&C Speakers SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the B&C Speakers Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the B&C Speakers Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of B&C Speakers SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 30 March 2018

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.

Financial statements and notes to the financial statements of the Parent Company

As of 31 December 2017

11 Financial statements of the Parent Company B&C Speakers S.p.A. as of 31 December 2017

11.1 STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

(Values in Euro)		*Notes*	31 December 2017	31 December 2016
ASSETS				
Non current assets				
Tangible assets		*1*	2,354,891	2,679,744
Other intangible assets		*2*	118,632	94,948
Investments in controlled associates		*3*	8,460,926	1,877,937
Investments in non controlled associates		*4*	50,000	50,000.00
Deferred tax assets		*5*	61,135	62,160
Other non current assets		*6*	557,265	502,808
	related parties	*30*	*88,950*	*88,950*
Total non current assets			**11,602,849**	**5,267,597**
Currents assets				
Inventory		*7*	8,258,212	7,379,316
Trade receivables		*8*	8,833,205	8,461,721
	related parties	*30*	*1,172,697*	*1,451,237*
Tax assets		*9*	635,864	172,470
Other current assets		*10*	6,192,538	6,416,842
	di cui verso correlate	*30*	*612,404*	-
Cash and cash equivalents		*11*	2,571,038	3,397,714
Total current assets			**26,490,856**	**25,828,063**
Total assets			**38,093,705**	**31,095,660**

(Valori in Euro)			31 December 2017	31 December 2016
Liabilities				
Equity				
Share capital		*12*	1,096,844	1,087,340
Other reserves		*12*	5,262,923	4,494,290
Ris.IAS FTA		*12*	11,764	11,764
Riserve di risultato		*12*	11,208,924	16,270,537
Total equity			**17,580,455**	**21,863,930**
Non current equity				
Long-term borrowings		*13*	10,518,623	1,692,635
Severance Indemnities		*14*	700,079	710,137
Provisions for risk and charges		*15*	21,928	82,596
Deferred tax liabilities		*16*	0	0
Total non current liabilities			**11,240,630**	**2,485,368**
Current liabilities				
Short-term borrowings		*16*	4,345,533	1,128,918
Trade liabilities		*17*	3,636,847	3,930,419
	related parties	*30*	*1,407*	*340*
Tax liabilities		*18*	157,186	458,838
Other current liabilities		*19*	1,133,054	1,228,187
Total current liabilities			**9,272,620**	**6,746,362**
Total Liabilities			**38,093,705**	**31,095,660**

11.2 STATEMENT OF COMPREHENSIVE INCOME FOR FY 2017

(Values in Euro)

			Year 2017	Year 2016
Revenues		*21*	37,844,230	36,977,287
	related parties	*30*	*2,143,170*	2,366,193
Cost of sales		*22*	(22,652,681)	(22,038,630)
Other revenues		*23*	183,184	124,366
Cost of indirect labour		*24*	(1,890,377)	(1,808,447)
Commercial expenses		*25*	(850,289)	(740,852)
General and administrative expenses		*26*	(3,997,477)	(3,555,908)
	related parties	*30*	*(928,887)*	*(924,949)*
Depreciation of tangible assets		*27*	(753,822)	(747,380)
Amortization of intangible assets		*27*	(28,756)	(26,419)
Writedowns		*27*	0	(43,496)
Financial costs		*28*	(378,888)	(270,851)
Financial income		*28*	591,572	1,023,558
Earning before taxes (Ebt)			**8,066,695**	**8,893,229**
Income taxes		*29*	(2,181,166)	(2,572,349)
Profit for the year (A)			**5,885,529**	**6,320,880**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		*12*	1,409	(5,335)
Total other comprehensive income/(losses) for the year (B)			**1,409**	**(5,335)**
Total profit for the year (A) + (B)			**5,886,938**	**6,315,545**

11.3 STATEMENT OF CASH FLOWS FOR FY 2017

Statement of cash flows (Euro thousands)	Year 2017	Year 2016	
A- Net current bank balances at the beginning of the period	**3,398**	**1,020**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	5,887	6,316	
Income tax expense	2,181	2,572	
Amortization of intangibles assets	29	26	
Depreciation of tangible assets	754	747	
Finance cost	379	271	
Interest income	(592)	(1,024)	
Net change in provisions for risk and charges and other provision relating to personell	(6)	54	
Change in provigion for leaving indemnities			
Allocations and revaluations	-	-	
Actuarial gain/(losses)	1	11	
(Use)	(66)	(15)	
(increase) decrease in current trade and other current receivables	(1,528)	(313)	**Note 1**
(increase) decrease in deferred tax assets and liabilities	1	(1)	
(increase) decrease in inventory	(879)	659	
Increase (decrease) in current trade and other payables	94	701	**Note 2**
Net cash from/(used in) operating activities	**6,260**	**10,003**	
Paid interest costs	(350)	(240)	
Collected interest income	426	779	
Taxes paid	(2,994)	(2,120)	
Total (B)	**3,342**	**8,422**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(440)	(322)	
Proceeds for sale of non current tangible assets	6.70	-	
Net (investments) in non current intangible assets	(52)	(32)	
Net (investments) in investment in associates	(6,583)	0	
Net (investments) in non current securities	(54)	(53)	
(Investments) in current securities	(2,170)	(2,200)	
Proceeds from sale of current securities	3,252	217	
Total (C)	**(6,041)**	(2,391)	
D- Cash flow from financing activities			
(Outflow) from financial investment	(1,957)	(1,124)	
Inflow from financial investment	14,000	-	
Purchase of treasury shares	750	1,225	
Dividend paid to shareholders	(10,921)	(3,755)	
Total (D)	**1,872**	**(3,654)**	
E- Cash flow for the period (B+C+D)	**(827)**	**2,378**	
F- Cash and cash equivalents at end of the period	**2,571**	**3,398**	

Note 1: the absorption of liquidity determined by the change in trade receivables and other current receivables includes an increase in liquid funds due to transactions with the subsidiary B&C USA NA LLC for approximately Euro 266 thousand, the generation of liquidity due to transactions with the subsidiary B&C Brasil LTDA for approximately Euro 11 thousand and an absorption of liquidity due to transactions with the subsidiary Eighteen Sound S.r.l. for Euro 612 thousand.

Note 2: the liquidity generated as a result of the change in the amounts owed to suppliers and others includes the generation of liquid funds due to transactions with the parent company R&D International S.r.l. for about Euro 1 thousand.

The following table shows the composition of the balance of net final cash and cash equivalents at 31 December 2017 and at 31 December 2016.

(In Euro thousands)

	31-Dec-17	31-Dec-16
Cash	2,571	3,398
Bank overdrafts	-	-
Total	**2,571**	**3,398**

11.4 STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY B&C SPEAKERS S.p.A.

Below is the statement of changes in equity that took place in FY 2016 and FY 2017.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve		Retained earnings	TOTAL EQUITY
Euro thousand								
Balance December 31, 2015	**1,073**	**379**	**2,834**	**44**	**27**	**0**	**13,722**	**18,079**
Result of the period							6,320	**6,320**
Other comprehensive income/expenses							**(5)**	**(5)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**		**6,315**	**6,315**
Shareholders								
Allocation of previous year result							-	**0**
Dividend distribution							(3,755)	**(3,755)**
Treasury shares allocation	15		1,210				-	**1,225**
Balance December 31, 2016	**1,088**	**379**	**4,044**	**44**	**27**		**16,282**	**21,864**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve		Retained earnings	TOTAL EQUITY
Euro thousand								
Balance December 31, 2016	**1,088**	**379**	**4,044**	**44**	**27**	**0**	**16,282**	**21,864**
Result of the period							5,886	**5,886**
Other comprehensive income/expenses							**2**	**2**
Totale other comprehensive income/expenses	**0**	**0**	**0**				**5,888**	**5,888**
Shareholders								
Allocation of previous year result					27		-27	**0**
Dividend distribution							(10,921)	**(10,921)**
Treasury shares allocation	9		741				0	**750**
Balance December 31, 2017	**1,097**	**379**	**4,785**	**44**	**54**		**11,222**	**17,581**

12 Notes to the financial statements as of 31 December 2017

12.1 Basis of preparation

The financial statements for B&C Speakers S.p.A. for the year ending on 31 December 2017 are the separate financial statements of the Parent company. They have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

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

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

Content and form of the financial statements

The financial statements comprise the Statement of financial position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and these Notes to the Financial statement.
With the reference to the form of the consolidated financial statements, the Company has chosen to submit the following statements:

Statement of Financial position

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

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

Statement of Comprehensive Income

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

Statement of cash flows

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

Statement of changes in equity

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

Measurement criteria

The most significant measurement criteria adopted for the preparation of financial statements at 31 December 2017 are set out below.

Other intangible assets

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

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

Property, plant and equipment

Property, plant and equipment are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.
The depreciation rates applied for each category of assets are:

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

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

Leased assets

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

Investments

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

Impairment

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

Non-current assets held for sale

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

Inventories

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

Receivables

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

When the collection of receivables is deferred beyond standard conditions offered to customers, the receivable is discounted.

Financial assets

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

Cash and cash equivalents

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

Financial liabilities and instruments representative of shareholders' equity

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

Bank loans

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

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

Long-term provisions

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

Provisions for personnel and similar

The liabilities relating to benefits due to employees and paid on or after the cessation of the employment contract for plans with defined benefits is determined, separately for each plan, on the basis of actuarial assumptions by estimating the amount of future benefits accrued by employees at the reference date (known as the "Projected unit credit method"). The liability entered in the financial statements net of any assets servicing the plan, is recognised on an accruals basis over the maturation period of the entitlement. The liability assessment is carried out by independent actuaries.
The cost components of the defined benefits are recognised as follows:

- The costs relating to the performance of the service are recognised in the income statement under personnel costs;
- net financial charges on liabilities or assets in defined benefits are recognised in the income statement as Financial income/(charges), and are determined by multiplying the value of the net liabilities/(assets) by the rate used to discount the bonds, taking into account contributions payments and benefits accrued during the period;
- The components of the net liability re-measurement, consisting of actuarial gains and losses, the return on assets (excluding interest income recognised in the income statement) and any variation within the limit of the asset, are recognised immediately in Other profits (losses). These components must not be reclassified in the income statement in a subsequent period.

The evaluation of the Severance pay for Directors was performed by seeing that the annual provision corresponds to the amount accrued and simultaneously paid into the insurance policy.

Payables

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

Deferred tax assets and liabilities

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

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euros at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a

reserve not distributable to its realisation.

Revenue entry

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

Costs

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

Financial income

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

Financial charges

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

Dividends

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

Contributions

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

Income tax

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

Treasury shares

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

Use of estimates

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

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

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

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

Pension plans and other post-employment benefits

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

Provision for doubtful accounts

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

Provision for inventory writedowns

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

Funds for Product Warranty

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

Contingent liabilities

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

Depreciation and amortisation

The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group's fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.
The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax

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

Operating segments

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

New accounting standards, amendments and interpretations applied since 1 January 2017

As of 1 January 2017, certain amendments introduced to the international accounting standards and interpretations were applied, none of which had a significant effect on the Company's financial statements. The main changes are outlined below:

- 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.
- 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.
- In December 2016, the IASB issued an amendment to the 2014–2016 IFRS. The change concerns IFRS 12 "Disclosure of interests in Other Entities" (applicable from 1 January 2017). The amendment makes clear that the disclosure provided by the standard must be given for the investments classified as held for sale, except as provided for in paragraph B12.

Accounting standards, amendments and interpretations not yet applied

At the date of this Financial Report, the competent bodies of the European Union have completed the approval process required for the adoption of amendments and of the principles described below:

- In May 2014, the IASB and FASB jointly published standard IFRS 15 "Revenue from Contracts with Customers". The new standard is applicable retroactively, for annual periods starting on or after 1 January 2018. Early application is allowed. The IFRS 15 dictates the rules for recording of revenues, introducing an approach that says income shall be recognised only when contractual obligations are completely fulfilled. The standard provides for the recognition of the revenue on the basis of the following five steps:
  - identification of the contract;
  - identification of individual obligations;
  - the determination of the transaction price;
  - allocation of the transaction price to the individual bonds on the basis of their "market price" or "stand-alone selling price";
  - the recognition of revenue allocated to the single bond when it is adjusted, i.e. when the customer obtains control of the goods and/or services.

  The Company has carried out a thorough analysis of the different types of contracts, which are almost entirely represented by the sale of products (acoustic transducers), as well as the types of transactions presenting, to date, a lower economic impact (other revenues). Following this analysis, the Company has concluded that there are no significant impacts arising from the adoption of the new standard since the most significant component of revenue will continue to be recognized in a manner consistent with the previous accounting guidelines.
- 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", approved on 22 November 2016. Specifically, the new provisions in IFRS 9: (i) amend the model used to classify and measure financial assets; (ii) introduce a new method of

recognising impairment of financial assets, which takes expected credit losses into account; (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 Company has completed the analysis of the quantitative impacts deriving from the application of the standard in question and has concluded that no significant impacts are expected deriving from the adoption of the new standard.

- 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 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.
  The assessment of potential impacts arising from the application of the standard in question will be carried out in the next 12 months.

Accounting standards, amendments and interpretations not yet applicable

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

- In June 2016, the IASB issued an amendment to IFRS 2 "Share-based payment". These amendments clarify the recognition of certain share-based payments. These amendments apply as of 1 January 2018.
- 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 December 2016, the IASB issued a series of annual changes to the 2014–2016 IFRS. These amendments involve:
  - 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 issued 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.
- In June 2017 The IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments", which provides guidance on how to reflect, in income tax accounting, uncertainties over the tax treatment of a given phenomenon. IFRIC 23 will enter into force on 1 January 2019.

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

12.2 Analysis of the breakdown of the main items of the Parent Company's statement of financial position as of 31 December 2017

1. Property, plant and equipment

The structure of property, plant and equipment at 31 December 2017 and their change during the year are highlighted in the following tables:

Historic cost	31 December 2016	Additions	Reclassification	(Decreases)	31 December 2017
Land and buildings	-	-	-	-	-
Leasehold improvements	933,262	48,412	-	-	981,674
Lightweight construction	30,879	-	-	-	30,879
Plants and machinery	4,475,380	58,900	-	(6,800)	4,527,480
Industrial equipment	4,567,458	219,838	12,000	-	4,799,296
Various equipment	818,396	99,054	-	(44,702)	872,748
Fixed assets in progress	12,000	14,100	(12,000)	-	14,100
Total	**10,837,375**	**440,304**	**-**	**(51,502)**	**11,226,177**

Accumulated depreciation	31 December 2016	Depreciation	Reclassification	(Decreases)	31 December 2017
Land and buildings	-	-	-	-	-
Leasehold improvements	336,363	74,718	-	-	411,081
Lightweight construction	11,149	3,088	-	-	14,237
Plants and machinery	2,888,253	425,329	-	(4,216)	3,309,366
Industrial equipment	4,168,025	216,493	-	-	4,384,518
Various equipment	753,841	34,193	-	(35,950)	752,084
Fixed assets in progress	-	-	-	-	-
Total	**8,157,631**	**753,821**	**-**	**(40,166)**	**8,871,286**

Net value	31 December 2016	Net increases	Reclassification	Depreciation	Accumulated depreciation decrease	31 December 2017
Land and buildings	-	-	-	-	-	-
Leasehold improvements	596,898	48,412	-	(74,718)	-	570,592
Lightweight construction	19,730	-	-	(3,088)	-	16,642
Plants and machinery	1,587,128	52,100	-	(425,329)	4,216	1,218,115
Industrial equipment	399,433	219,838	12,000	(216,493)	-	414,778
Various equipment	64,555	54,352	-	(34,193)	35,950	120,664
Fixed assets in progress	12,000	14,100	(12,000)	-	-	14,100
Total	**2,679,744**	**388,802**	**-**	**(753,821)**	**40,166**	**2,354,891**

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

The most significant changes that took place in 2017 concern the integration of production machinery and equipment at the plant.

The increase in the Photovoltaic System item refers to the optimisation of the system installed on the roof of part of the production plant building.

The plant and machinery category includes an entry (for Euro 55 thousand) for the palletising equipment covered by a leasing contract with Istituto Credem Leasing S.p.A..
The "Various equipment" category includes entries for two fully depreciated forklift trucks.

2. Intangible fixed assets

The structure of the intangible assets on 31 December 2017, and the related changes are highlighted in the following table:

Intangible assets	31-dic-16	Reclassification	Increases	Other	Amortization	31-dic-17
Patent rights	94,948	-	52,441	-	28,756	118,632
Intangible assets in progress	-	-	-	-	-	-
Total	**94,948**	**-**	**52,441**	**-**	**28,756**	**118,632**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase in the year is related to the purchase of software extensions for the design and improvement of management software.

3. Equity investments in subsidiaries

Equity investments in subsidiaries as at 31 December 2017 came to Euro 8,461 thousand (Euro 1,878 at 31 December 2016). The increase is due entirely to the acquisition of shares representing 100% of the share capital of Eighteen Sound S.r.l. on 11 December 2017.

Investment in subsidiaries	31-Dec-17	31-Dec-17	31-Dec-16	31-Dec-16	Change	% Change
Investment in Eighteen Sound S.r.l.	100%	6,582,989	0%	-	6,582,989	
Investment in B&C Speakers Usa NA LLC	100%	1,449,786	100%	1,449,786	-	0%
Investment in B&C Brasil	100%	428,151	100%	428,151	-	0%
Total investment in subsidiaries		**8,460,926**		**1,877,936**	**-**	**0%**

The directors have identified the foreign subsidiaries as cash-generating units (CGU), insofar as the assets are devoted entirely to the single business sector that can be identified as the production and sale of "top quality professional loudspeakers". For the newly acquired Eighteen Sound S.r.l. the cash-generating unit has been identified as the aggregate named Eighteen Sound, constituted by the company Eighteen Sound S.r.l. (controlled directly) and by the indirectly controlled company Sound & Vision S.r.l. , whose assets are dedicated to the single business sector of activity identifiable as the production and sale of ""top quality professional loudspeakers".

The values of the cost of investments in these subsidiaries were subjected to an impairment test as described below.

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

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

a) a hypothesis of provisional financial flows based on the five-year plan of B&C Speakers USA LLC and B&C Speakers Brasil LTDA for the 2018-2022 period and on the three-year plan of Eighteen Sound for the period 2018-2020, approved by the administrative body of the investee companies and by the Board of Directors of the Parent Company, together with the impairment test, on 14 March 2018;
b) the discount rate (WACC).
c) in addition to the explicit period a growth rate (g rate) was also estimated.

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

Main financial parameters on impairment tests		CAGR revenues	WACC	g
B&C USA	2017	2%	7.76%	2.00%
	2016	2%	7.50%	2.00%
B&C Brasil	2017	4%	15.73%	2.00%
	2016	3%	19.00%	3.00%
Eighteen Sound	2017	7%	7.50%	2.00%
	2016	-	-	-

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

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

The analysis did not bring any impairment losses light. Therefore, no impairment loss has been reflected in the data as at 31 December 2017.

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

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

4. Equity investments in associated companies

This item amounts to Euro 50 thousand at 31 December 2017 and reflects the value of the investment at 33% in the 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

As at 31 December 2017, this item includes net receivables for deferred tax assets of Euro 61 thousand (Euro 62 thousand as at 31 December 2016), relating to temporary deductible differences that pertain to the Company and that were generated following entry of costs not entirely deductible in the year.

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

Deferred tax assets	31-Dec-16	Increase	Use	31-Dec-17
Ammortization difference IFRS/TUIR	36,991	1,164	(3,046)	35,110
Management remuneration	52,523	25,736	(35,533)	42,726
Other	14,360	3,143	(5,111)	12,392
Total deferred tax assets	***103,874***	***30,044***	***(43,690)***	***90,228***
Deferred tax liabilities	**31-Dec-16**	**Increase**	**Use**	**31-Dec-17**
Leasing	(19,358)	(495)	0	(19,852)
Other	(22,356)	(2,845)	15,960	(9,241)
Total deferred tax liabilities	***(41,714)***	***(3,339)***	***15,960***	***(29,093)***
Net total	**62,160**	**26,704**	**(27,730)**	**61,135**

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

6. Other non-current assets

At 31 December 2017 this item is as follows:

Other non current assets	31-Dec-17	31-Dec-16	Change	% Change
Insurance policies	411,489	357,032	54,457	15%
Guarantee deposits	56,826	56,826	-	0%
Ires refund receivables	88,950	88,950	0	0%
Total non current assets	**557,265**	**502,808**	**54,457**	**11%**

As at 31 December 2017, the item Insurance refers to receivables accrued in respect of the insurance companies "Milano Assicurazioni" and "Unipol Sai Assicurazioni" in relation to the guaranteed capital capitalisation policies agreed in order to provide suitable financial cover of the directors' severance pay.
The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

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

Changes in insurance policies	31-Dec-16	Increases	(Decreases)	31-Dec-17
Insurance policies	357,032	54,457	-	411,489
Total	**357,032**	**54,457**	**-**	**411,489**

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

“Guarantee deposits” reflects the amount receivable for guarantee deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina, Via Poggio Moro No. 1, for Euro 48 thousand.

“IRES refund receivable” includes the credit generated in 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2017:

Inventories	31-Dec-17	31-Dec-16	Change	% Change
Row materials and consumables	620,863	734,118	(113,255)	-15%
Work in progress and semi-finished	6,842,535	5,765,880	1,076,655	19%
Finished goods	1,118,247	1,162,751	(44,504)	-4%
Gross Total	**8,581,645**	**7,662,749**	**918,896**	**12%**
Provision for inventory writedowns	(323,433)	(283,433)	(40,000)	14%
Net Total	**8,258,212**	**7,379,316**	**878,896**	**12%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at 31 December 2017, it totals Euro 323 thousand.

The gross value of inventories as at 31 December 2017 would appear to have decreased by 12% overall with respect to the 31 December 2016 total. The increase in the value of inventories (concentrated mainly in the category of semi-finished products) is linkable to the Company's increased turnover.

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

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

Change in provision for inventory writedowns	31-Dec-16	Increase	Use	31-Dec-17
Provision for inventory writedowns	283,433	40,000	-	323,433
Total	**283,433**	**40,000**	**-**	**323,433**

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

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2017:

Trade receivables	31-Dec-17	31-Dec-16	Change	% Change
Trade receivables	9,093,758	8,732,407	361,351	4%
(Provision for doubtful accounts)	(260,552)	(270,686)	10,133.81	-4%
Total	**8,833,205**	**8,461,721**	**371,484**	**4%**

The gross amount of trade receivables increased compared with 31 December 2016 mainly due to the Company's increased turnover. The trade receivables are shown net of a separate impairment provision equal to Euro 261 thousand at 31 December 2017.

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

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

Change in provision for doubtful accounts	31-Dec-16	Increase	Use	31-Dec-17
Provision for doubtful accounts	270,686	-	(10,134)	260,552
Total	**270,686**	**-**	**(10,134)**	**260,552**

The value of trade receivables towards customers, not represented by Bank Receipts, amounted to Euro 7,366 thousand. In the table below we report the ageing of receivables as of 31 December 2017:

	Total amount	Not overdue	Overdue 0-60 days	Overdue 61-90 days	Overdue over 90 days
Balance at 31 December 2016	7,366,569	5,576,423	1,423,453	37,446	329,247
Incidence	100%	76%	19%	1%	4%

9. Tax assets

As at 31 December 2017, tax receivables are as follows:

Tax receivables	31-Dec-17	31-Dec-16	Change	% Change
Advances on provision for serevance indemnities	-	2,387	(2,387)	-100%
VAT Receivables	116,988	170,083	(53,094)	-31%
Current tax receivables	518,875	-	518,875	n/a
Total tax receivables	**635,864**	**172,470**	**463,394**	**269%**

Tax receivables for current taxes at 31 December 2017 are a consequence of the payment, during the year, of advances exceeding the tax expense of the year.

10. Other current assets

As at 31 December 2017, "Other current assets" are as follows:

Other current assets	31-Dec-17	31-Dec-15	Change	% Change
Receivables towards suppliers	27,516	65,994	(38,478)	-58%
Securities	5,174,467	6,164,655	(990,188)	-16%
Financial receivable	612,404	-	612,404	n/a
Other Receivables	249,186	32,655	216,531	663%
Total other receivables	**6,063,574**	**6,263,304**	**(199,731)**	-3%
Commercial fairs	48,170	69,213	(21,043)	-30%
Phone expenses	5,513	5,479	34	1%
Assistance and assurance fees	44,292	18,913	25,379	134%
Specialist contracts	12,250	12,250	0	0%
Other	18,739	47,682.57	(28,944)	n/a
Total prepaid expenses and accrued income	**128,964**	**153,537**	**(24,573)**	-16%
Total current assets	**6,192,538**	**6,416,842**	**(224,304)**	**-3%**

Securities held in the portfolio refer to asset management items denominated in Euro and held for short-term liquidity. During the year the portfolio decreased overall as a result of acquisitions for Euro 2,170 thousand and sales for Euro 3,252 thousand. These securities were measured at fair value as at 31 December 2017 and the estimated gain (Euro 91 thousand) recognised in financial income on the income statement. As of 28 February 2018, asset management operations recorded a fair value of Euro 5,615 thousand.

The item "Financial receivables from subsidiaries" refers to an interest-bearing loan granted to the subsidiary Eighteen Sound S.r.l. to give it the necessary cash elasticity.

The item "Other receivables" comprises Euro 205 thousand for credit due from Landi Renzo S.p.A., emerging subsequent to the finalisation of the acquisition price for 100% of the share capital of Eighteen Sound S.r.l. as provided for in the purchase contract.

The item Specialist contract refers to accrued income for service fees relating to the portion due in 2018 to Intermonte Sim S.p.A. for its Specialist service.

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-Dec-17	31-Dec-16	Change	% Change
Bank and postal deposit	2,570,440	3,396,827	(826,386)	-24%
Cash	597	888	(290)	-33%
Total cash and cash eqivalents	**2,571,038**	**3,397,714**	**(826,676)**	**-24%**

The decrease in cash and cash equivalents is mainly due to the reduced cash flow from operations.

12. Shareholders' equity and its components

Share capital

The Company's share capital as at 31 December 2017 amounted to Euro 1,097 thousand (Euro 1,087 thousand at 31 December 2016) net of treasury shares held. The original share capital of B&C Speakers is equal to Euro 1,100 thousand and is composed of 11 million ordinary shares with a unit value of Euro 0.10 each. All capital is fully paid up.

As a result of the continuation of the Buy-Back plan, on 31 December 2017 B&C Speakers S.p.A. held a total 10,454 treasury shares equal to 0.10% of the share capital, bought at an average value of Euro 2.9 per share.

The following table shows the changes that occurred, in 2017, in the number of shares outstanding:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2016	**10,931,190**
Treasury shares purchased	(19,416)
Treasury Shares sold	77,772
December 31, 2017	**10,989,546**

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

Equity items by possible use and distributable portion *(Euro thousand)*	**Amount**	**Possible use**	**Distributable portion**
Share capital	**1,097**		
Legal reserve	*379*	*B*	
Extraordinary reserve	*44*	*A, B, C*	*44*
Share premium reserve	*4,785*	*A, B, C*	*4,785*
Exchange rate reserve	*54*	*A, B*	*54*
Total other reserves	**5,262**		
FTA Reserve	12	*A, B*	12
Retained earnings	5,477	*A, B, C*	5,477
DBO Reserve	(153)	*A, B*	-
Result of the period	5,886	*A, B, C*	5,886
Total retained earnings	**11,222**		
Total	**17,581**		
Distributable portion	**1,377**		
Non-distributable portion	**16,204**		

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

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

Other reserves

This item, equal to Euro 5,263 thousand at 31 December 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 27 thousand and the share premium reserve for Euro 4,785 thousand.

More specifically, the share premium reserve increased by Euro 741 thousand compared to 31 December 2016, following entry of the result of treasury shares traded in the year.

First Time Adoption Reserve

This item, equal to Euro 12 thousand at 31 December 2017, concerns the impact resulting from the adoption of international accounting standards starting from the financial statements of 31 December 2006; in particular, this amount represents the net value of adjustments determined by the application of IFRS to equity on 1 January 2006, the date of transition to international accounting standards.

Retained earnings reserves

This item includes the following reserves:

Retained earnings

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

TFR discounting 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 5,886 thousand and other period profits/(losses) for a positive value of Euro 2 thousand relative to the actuarial losses component deriving from the actuarial measurement of severance indemnity. This financial component is stated, net of the related tax effect, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013.

During May 2017, B&C Speakers disbursed a dividend equal to Euro 1 for each ordinary share in circulation, for a total disbursed dividend value of Euro 10.9 million.

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

		Retained earnings	Total other comprehensive income/(losses)
Euro Thousand			
December 31, 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
Total	-	**2**	**2**
Total other comprehensive income/(losses) for the year:	-	**2**	**2**
December 31, 2016			
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		(5)	(5)
Total	-	**(5)**	**(5)**
Total other comprehensive income/(losses) for the year:	-	**(5)**	**(5)**

	December 31, 2017			December 31, 2016		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	3	(1)	2	(7)	2	(5)
Total other comprehensive income/(losses)	**3**	**(1)**	**2**	**(7)**	**2**	**(5)**

13. Long-term borrowings

As at 31 December 2017, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-17	31-Dec-16	Change	% Change
Long-term Simest loan	-	100,000	(100,000)	-100%
Long-term CRF 1 loan	588,188	1,592,635	(1,004,447)	-63%
Long-term CRF 2 loan	4,000,024	-	4,000,024	n/a
Long-term Unicredit loan	2,925,169	-	2,925,169	n/a
Long-term BNL loan	3,005,242	-	3,005,242	n/a
Total long-term borrowing	**10,518,623**	**1,692,635**	**8,825,988**	**521%**

The item "CRF 1 loan" of Euro 588 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 29 July 2015. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract with CR Firenze S.p.A., aimed at keeping the interest rate of the loan fixed.

The item "CRF 2 loan" of Euro 4,000 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 26 October 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound

S.r.l.. 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 item “UniCredit loan” for Euro 2,925 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term financing agreement with UniCredit S.p.A. on 18 April 2017.

The item “Long-term CRF loan” of Euro 3,005 thousand at 31 December 2017 includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on 23 November 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound S.r.l..

The table below outlines the changes in borrowings in 2017 for both the current and non-current portions:

Change in borrowings	**31-Dec-16**	**Refunds**	**New borrowings**	**Reclassification current portion**	**31-dic-17**
Non current portion					
Bank borrowings	1,692,635	(828,480)	14,000,000	(4,345,533)	10,518,622
Leasing	0	-	-	-	-
Total non current borrowings	**1,692,635**	**(828,480)**	**14,000,000**	**(4,345,533)**	**10,518,622**
Curent portion					
Bank overdrafts	-	-	-	-	-
Bank borrowings	1,099,581	(1,099,581)	-	4,345,533	4,345,533
Leasing	29,337	(29,337)	-	-	-
Total current borrowings	**1,128,918**	**(1,128,918)**	**-**	**4,345,533**	**4,345,533**

The following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	**Simest**	**CRF 1**	**CRF 2**	**Unicredit**	**BNL**
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.	Unicredit S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	500,000	4,000,000	5,000,000	5,000,000	4,000,000
Contract date	19-apr-11	29-lug-15	26-ott-17	18-apr-17	23-nov-17
Due date	31-dic-18	29-lug-19	26-ott-22	30-apr-21	23-nov-21
N. installments	10	48	20	48	16
Advance instalments	5	-	-	-	-
Periodicity	Half-yearly	Monthly	Quarterly	Monthly	Quarterly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%	Euribor 3M (base 360) con floor a zero + spread 0,33%	0.35%	0.35%
Current portion	100,000	1,004,449	999,976	1,246,350	994,758
Non current portion	-	588,188	4,000,024	2,925,169	3,005,242

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

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

Derivative instruments details	**CRF 1**	**CRF 2**
Counterpart	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.
Type of contract	Interest Rate Swap (IRS)	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan (CRF 2)
Original amount	4,000,000	4,750,000
Periodicity	Monthly	Quarterly
Bank Interest Rate	Euribor 1 month	Euribor 3 months
Company Interest Rate	0.15%	0.09%
Contract date	31-lug-15	12-dic-17
Due date	29-lug-19	26-ott-22
Mark to market amount at Decembre 31, 2015	(6,609)	(10,535)

Note that the company does not apply hedge accounting and the changes in fair value of the afore-mentioned derivative are charged to the income statement.

14. Provisions for personnel and similar

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

In order to recognise the severance indemnity appropriately, the financial-actuarial value of the liabilities was recalculated, for each employee, to determine a liability similar to that which arises in defined benefit pension plans.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 289 thousand.

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

Provision for severance indemnities	**31-Dec-16**	**Provision (interest & service cost)**	**(Use)**	**Actuarial gain/(loss)**	**31-Dec-17**
Provision for severance indemnities	353,104	2,982	(65,553)	(1,944)	288,589
Total provision for severance indemnities	**353,104**	**2,982**	**(65,553)**	**(1,944)**	**288,589**

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

Technical parameters	**31-Dec-17**
Technical annual discounting rate	0.88%
Annual inflation rate	1.50%
Tasso annuo incremento TFR	2.625%

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

The following tables provide:

- sensitivity analyses for each relevant actuarial hypothesis at the end of the period, showing the effects that would have been seen following the changes made to the actuarial hypotheses

reasonably possible at that date, in absolute terms;
- indication of the contribution for the following financial year;
- indication of the average financial term of the obligation for defined benefit plans.

Sensitivity analysis

	DBO 31-dec-2017
Turnover rate +1%	392,397
Turnover rate -1%	399,718
Inflation rate + 0,25%	402,280
Inflation rate - 0,25%	389,345
Discount rate + 25%	385,761
Discount rate - 25%	406,322

Estimated future payments

Year	Amount
1	23,945
2	22,201
3	48,433
4	33,979
5	13,826

Service Cost and Duration

Service Cost	0.00
Duration	8.50

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

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-16	Provision	(Use)	31-Dec-17
Executive retirement provision (TFM)	357,033	54,457	-	411,490
Total TFM	**357,033**	**54,457**	**-**	**411,490**

15. Provisions for risks

The item, equal to Euro 22 thousand at 31 December 2017 (Euro 83 thousand at 31 December 2016), contains the fund to cope with the risk of warranty support for products marketed by the company. The estimate value of this fund, based on the historic trend of costs sustained for hedging, led to a Euro 61 thousand decrease of the provision.

16. Short-term borrowings and net financial position

This item amounted to Euro 4,346 thousand at 31 December 2017 (Euro 1,129 thousand at 31 December 2016) and is made up as follows:

Short term borrowings	31-Dec-17	31-Dec-16	Change	% Change
Credemleasing loan	-	29,337	(29,337)	-100%
Short-term Simest loan	100,000	100,000	-	0%
Short-term CRF 1 loan	1,004,449	999,581	4,868	0%
Short-term CRF 2 loan	999,976	-	999,976	n/a
Short-term Unicredit loan	1,246,350	-	1,246,350	n/a
Short-term BNL loan	994,758	-	994,758	n/a
Bank overdrafts	-	-	0	n/a
Total	**4,345,533**	**1,128,918**	**3,216,615**	**285%**

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

It should be noted that were no bank overdrafts as at 31 December 2017 nor at 31 December 2016.

As required by Consob Communication of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the net financial position of the company as at 31 December 2017 is detailed below:

	31 december 2017 (a)	31 december 2016 (a)	Variazione
A. Cash	2,571	3,398	-24%
C. Securities held for trading	5,174	6,164	-16%
D. Cash and cash equivalent (A+C)	**7,746**	**9,562**	**-19%**
F. Bank overdrafts	-	-	
G. Current portion of non current borrowings	(4,346)	(1,129)	285%
I. Current borrowingse (F+G)	**(4,346)**	**(1,129)**	**285%**
J. Current net financial position (D+I)	**3,400**	**8,433**	**-60%**
K. Non current borrowings	(10,519)	(1,693)	521%
N. Non current borrowings	**(10,519)**	**(1,693)**	**521%**
O. Total net financial position (J+N)	**(7,119)**	**6,740**	**-206%**

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

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

	31-Dec-17	31-Dec-16
Cash and cash equivalents at end of the period	**2,571**	**3,398**
Current portion of non current borrowings	(4,346)	(1,129)
Non current borrowings	(10,519)	(1,693)
Securities held for trading	5,174	6,164
Total net financial position	**(7,119)**	**6,740**

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

17. Trade payables

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

Trade payables	31-Dec-17	31-Dec-16	Change	% Change
Trade payables	3,636,847	3,930,419	(293,571)	-7%
Total trade payables	**3,636,847**	**3,930,419**	**(293,571)**	**-7%**

The increase in payables to suppliers compared to 31 December 2016 is due to higher purchase volumes made over the previous year in order to obtain better commercial conditions.

18. Tax liabilities

At 31 December 2017, this item is made up as follows:

Tax liabilities	31-Dec-17	31-Dec-16	Change	% Change
Employee witholding taxes	157,186	119,229	37,957	32%
Income tax liabilities	-	339,609	(339,609)	-100%
Total tax liabilities	**157,186**	**458,838**	**(301,652)**	-66%

Withholding taxes represent the value of withholdings made in December 2017 and paid in the first months of 2018. Tax receivables for current taxes at 31 December 2017 were zero as a consequence of the payment, during the year, of advances exceeding the tax expense of the year.

19. Other current liabilities

At 31 December 2017, this item is made up as follows:

Other current liabilities	31-Dec-17	31-Dec-16	Change	% Change
Due to social security funds	221,863	273,432	(51,569)	-19%
Unused vacation time and holidays	364,670	337,733	26,937	8%
Due to personnel	347,930	326,549	21,382	7%
Other liabilities	198,591	290,473	(91,882)	-32%
Total current liabilities	**1,133,054**	**1,228,186**	**(95,132)**	-8%

"Amounts due to social security entities" includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 194 thousand).

"Unused vacation time and holidays" includes the deferred costs for holidays remaining on 31 December 2017.

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

The item "Other liabilities" includes payables to directors for Euro 165 thousand, while the remainder comprises balances due to customers.

20. Guarantees given to third parties and commitments

As at 31 December 2017, as also at 31 December 2016, there are no records of any guarantees given to third parties.

Contractual commitments taken on by B&C Speakers S.p.A. are listed below by deadline:

Euro thousands	In 1 year	Between 2 and 5 years	Beyond 5 years	Total
Operating Lease contracts	924	3,407	849	5,180
Total				

12.3 Analysis of main items of the parent company's Statement of comprehensive income for FY 2017

21. Revenue from sales and services

Revenues from sales and services are up compared to the 2016 figure (+2%). The table below highlights revenue from sales and services broken down by geographical area:

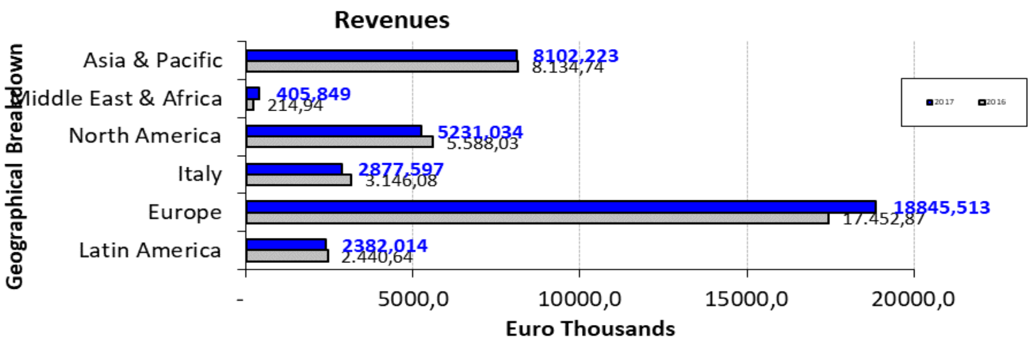
Geographical Area	**2017**	**%**	**2016**	**%**	**Change**	**% Change**
Latin America	2,382,014	6%	2,440,635	7%	(58,621)	-2%
Europe	18,845,513	50%	17,452,874	47%	1,392,639	8%
Italy	2,877,597	8%	3,146,075	9%	(268,479)	-9%
North America	5,231,034	14%	5,588,030	15%	(356,996)	-6%
Middle East & Africa	405,849	1%	214,937	1%	190,912	89%
Asia & Pacific	8,102,223	21%	8,134,735	22%	(32,512)	0%
Total revenues	**37,844,230**	**100%**	**36,977,287**	**100%**	**866,942**	**2%**

2017 exports remained at 2016 levels, representing 92% of the Group's turnover.

The result achieved in 2017 was driven primarily by the growth achieved in the European market (the most important one for B&C), with an increase of 8% and an annual turnover of 18.8 million representing 50% of the total figure.

Sales in the Asian market are substantially unchanged compared with 2016, having achieved a turnover of Euro 8.1 million.

The Italian, North American and Latin American markets saw slight reductions in sales, respectively falling by 6%, 9% and 2% from 2016.



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

However, this single category of products can be further broken down in terms of turnover based on the type of loudspeakers sold. Below is a table summarising 2017 sales according to product category compared with their respective value in the previous year:

Product category	2017	%	2016	%	Change	% Change
LF FE Drivers	9,744,549	25.7%	10,739,257	29.0%	(994,708)	-9%
LF ND Drivers	12,562,804	33.2%	10,507,442	28.4%	2,055,362	20%
HF Drivers	10,839,351	28.6%	10,235,299	27.7%	604,052	6%
Coaxials	3,148,256	8.3%	4,088,956	11.1%	(940,700)	-23%
Others	1,549,270	4.1%	1,406,333	3.8%	142,937	10%
Total revenues	**37,844,230**	**100.0%**	**36,977,287**	**100.0%**	**866,943**	**2%**

In 2017 three customers generated turnover exceeding 10% of the total:

1st customer – 15%

2nd customer – 14%

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

22. Cost of sales

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

Cost of sales	2017	2016	Change	% Change
Purchases of raw materials and finished products	(1,800,477)	(1,602,191)	(198,286)	12%
Purchases of WIP	(12,423,509)	(10,815,872)	(1,607,637)	15%
External manufacturing costs	(2,294,209)	(2,255,137)	(39,072)	2%
Accessories and consumables costs	(1,087,526)	(1,045,960)	(41,566)	4%
Packaging costs	(415,496)	(413,244)	(2,252)	1%
Other purchasing costs	(112,866)	(112,855)	(10)	0%
Change in WIP inventories	1,171,805	(597,814)	1,769,619	-296%
Change in finished products inventories	(118,986)	(6,746)	(112,240)	1664%
Change in raw materials and consumables inventories	(113,255)	(54,699)	(58,556)	107%
Totale purchases and external manufactring costs	**(17,194,518)**	**(16,904,520)**	**(289,998)**	**2%**
Salaries	(2,762,731)	(2,739,133)	(23,598)	1%
Social security charges	(804,043)	(809,794)	5,751	-1%
Severance for indemnities	(172,766)	(173,287)	521	0%
Other personnel costs	(805,510)	(704,816)	(100,694)	14%
Total direct labour	**(4,545,049)**	**(4,427,030)**	**(118,019)**	**3%**
Freight and forwarding	(679,082)	(527,063)	(152,019)	29%
Royalties	(81,383)	(27,887)	(53,496)	192%
Other costs	(152,649)	(152,130)	(519)	0%
Total direct costs	**(913,114)**	**(707,080)**	**(206,034)**	**29%**
Total COGS	**(22,652,681)**	**(22,038,630)**	**(614,051)**	**3%**

In 2017, the cost of sales as a whole showed an increase in absolute value terms equal to Euro 0.6 million. Despite this increase, the proportional increase in revenues was substantially constant in its impact on turnover.

As highlighted in the table above, costs for *purchases and external manufacturing costs* increased by Euro

0.3 million. In particular, the purchase of raw materials, finished and semi-finished products and costs for external manufacturing showed a marked increase compared to the previous period as a result of increased production volumes in 2017.

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

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

Direct labour costs increased by Euro 118 thousand (mainly as a result of the greater use of temp staff) but with a substantially unchanged impact on turnover compared to 2016.

23. Other revenues

The item is made up of:

Other revenues	**2017**	**2016**	**Change**	**% Change**
Other revenues	106,868	67,528	39,340	58%
Grants and contributions	-	39,141	(39,141)	-100%
Other minor	76,316	17,696	58,620	331%
Total other revenues	**183,184**	**124,365**	**58,819**	**47%**

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

24. Indirect Personnel

The item is made up of:

Cost of indirect labour	**2017**	**2016**	**Change**	**% Change**
Retribution	(1,408,077)	(1,356,953)	(51,124)	4%
Social charges	(394,037)	(373,393)	(20,644)	6%
Severance indemnity	(88,264)	(78,101)	(10,163)	13%
Total cost of indirect labour	**(1,890,377)**	**(1,808,447)**	**(81,930)**	**5%**

The increase of the cost of indirect personnel is due essentially to the recruitment of two new employees during the financial year. As specified in the Report on Operations the increase of indirect personnel costs did not result in a substantial variation in its incidence over turnover that has remained almost constant.

25. Commercial Expenses

The item is made up of:

Commercial expenses	2017	2016	Change	% Change
Commercial consulting services	(420,951)	(339,472)	(81,479)	24%
Advertising	(210,568)	(196,389)	(14,179)	7%
Travelling expenses	(218,769)	(204,991)	(13,778)	7%
Total commercial expenses	**(850,289)**	**(740,852)**	**(109,437)**	**15%**

The increase in Commercial expenses is mainly due to the higher costs incurred for commercial consulting, specifically for an analysis of the company's market positioning.

26. Administrative and General expenses

The item is made up of:

General and administrative expenses	2017	2016	Change	Change %
Manteinance & utilities	(723,495)	(703,323)	(20,172)	3%
Professional services	(765,015)	(498,395)	(266,620)	53%
Corporate bodies fees	(807,446)	(862,038)	54,592	-6%
Other suplies	(99,686)	(117,543)	17,857	-15%
Insurance	(111,384)	(88,150)	(23,234)	26%
Taxes	(73,495)	(47,762)	(25,733)	54%
Stock Exchange expenses	(127,036)	(114,401)	(12,635)	11%
Executive retirement indemnities	(54,456)	(53,627)	(829)	2%
Rent expenses	(933,687)	(929,283)	(4,404)	0%
Rental fees	(103,994)	(78,870)	(25,124)	32%
Other	(197,785)	(62,517)	(135,268)	216%
Total general and administrative expenses	**(3,997,477)**	**(3,555,908)**	**(441,569)**	**12%**

Maintenance and utilities costs are mainly related to assistance for software of about Euro 236 thousand (Euro 252 thousand in 2016), and costs for utilities of Euro 250 thousand (Euro 264 thousand in 2016) and maintenance of instrumental assets and properties for Euro 237 thousand (Euro 185 thousand in 2016).

The item Professional services includes technical, administrative and legal consulting services received by the Company in 2017. The increase compared to the previous year is mainly due to legal and business consulting costs incurred for the completion of the acquisition process of Eighteen Sound S.r.l..

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

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

27. Amortisation, depreciation, provisions and writedowns

Amortization, depreciation, provisions and writedowns	2017	2016	Change	% Change
Amortization of intangibles assets	(28,756)	(26,419)	(2,338)	9%
Depreciation of tangible assets	(753,822)	(747,380)	(6,443)	1%
Total amortizations and depreciations	**(782,579)**	**(773,798)**	**(8,780)**	**1%**
Bad debt provision	-	(43,496)	43,496	-
Warranty provision	-	-	-	-
Total provisions and writedowns	**-**	**(43,496)**	**43,496**	**-100%**

No impairment provision was necessary because the existing fund as at 31 December 2016 was sufficient to cover the risk of recoverable receivables outstanding at 31 December 2017.

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2017	2016	Change	Change %
Interest expenses	(28,292)	(26,841)	(1,451)	5%
Bank charges	(61,047)	(20,904)	(40,143)	192%
Exchange rate difference expenses	(265,919)	(161,140)	(104,779)	65%
Exchange rate differences accruals	(13,095)	(30,812)	17,717	-57%
Loss on securities	-	(3,483)	3,483	-
Accrued loss on IRS	(10,535)	(24,622)	14,087	-57%
Financial expenses for Defined Benefit Obligation	-	(3,049)	3,049	-
Total financial expenses	**(378,888)**	**(270,851)**	**(108,037)**	**40%**
Bank interest income	4,557	3,678	879	24%
Exchange rate differences income	181,906	313,635	(131,729)	-42%
Exchange rate differences accruals	40,565	39,494	1,072	3%
Income on securities	52,081	-	52,081	-
Financial income accrual on futures	14,689	18,542	(3,853)	-21%
Dividends	172,816	454,120	(281,304)	-62%
Accrued income on securities	91,704	187,085	(95,381)	-51%
Financial income for Defined Benefit Obligation	17,108	-	17,108	-
Other	16,147	7,005	9,142	-
Total financial income	**591,572**	**1,023,558**	**(431,986)**	**-42%**

The increase in the item “Financial expenses” is essentially due to the effect of greater losses on exchange rates realized during 2017.

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

The decrease in the item "Financial income" is attributable essentially to lower dividends received from the US subsidiary compared to the previous year and lower gains on completed exchanges.

The item "Income from the valuation of securities entered under current assets" refers to the effect of the fair value valuation of securities held at 31 December 2017 for liquidity use.

The entry “Financial income accrual on futures” refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2017.

29. Income tax

The item is made up of:

Current and deferred taxes	2017	2016	Change	% Change
IRES	(1,814,177)	(2,230,559)	416,381	-19%
IRAP	(356,738)	(340,823)	(15,915)	5%
Total current taxes	**(2,170,916)**	**(2,571,382)**	**400,466**	**-16%**
Deferred tax expenses/(income)	(10,250)	(968)	(9,282)	959%
Total income taxes	**(2,181,165)**	**(2,572,349)**	**391,184**	-15%

Current taxes contain the tax burden originating in the course of the financial year, which undergoes an appreciable decrease due to the effect of the statutory reduction of the IRES rate from 27.5% to 24%.

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

Euro thousand	31-dic-17		31-Dec-16	
	IRES	**IRAP**	**IRES**	**IRAP**
EBT	**8,067**	**14,901**	**8,893**	**13,816**
Tax rate	24.0%	3.9%	27.5%	3.9%
Theorical tax expenses	**1,936**	**581**	**2,446**	**539**
Variations				
- cash dividends	(164)		(431)	
- IRAP deductions	(94)		(76)	
- a.c.e.	0		(378)	
- cost of labour		(2,794)		(2,731)
- other deductible cost of labour		(2,963)		(2,896)
Other variations (net)	(250)	4	59	559
Taxable income	**7,559**	**9,147**	**8,067**	**8,748**
Tax expenses	1,814	357	2,218	341
Prior years tax expenses	0		15	
Deferred tax	11		(2)	
Total tax expenses	**1,825**	**357**	**2,231**	**341**

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

30. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2017 the Company did not incur costs in connection with non-recurrent operations.

31. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, one should note that in 2017 the Company did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

32. Information on financial risks

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

Currency exchange risks

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

In 2017 the company continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies is summarised as follows:

- Purchases in US Dollars equal to 10.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 9.2 million.
- Purchases in CAD Dollars equal to 0.3 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 0.2 million.
- Purchases in GBP equal to 0.1 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 0.1 million.

In 2017, the Company instead generated turnover from customers in foreign currency; in particular, in the item *Revenues,* those in foreign currency are summarised below:

- Sales in USD equal to 4.5 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 4.0 million;
- Sales in HK Dollars equal to 27.5 million whose corresponding value in Euros (calculated according to the average exchange rate for the year) is equal to Euro 3.1 million.

The turnover in GBP for 2017 is a negligible amount.

Purchases in foreign currency account for approximately 27% of total purchases (no percentage change over 2016), while sales in foreign currency account for 18% of the Group's turnover (22% in 2016).
The value of purchases in US and HK dollars in 2017 proved substantially in line with the currency value of sales in the same currencies; consequently it is possible to affirm that the Company hedged its dealings in US dollars.
On the basis of the above, a hypothetical 3% increase/decrease in the Euro would generate potential gains of Euro 67 thousand and losses of Euro 72 thousand, respectively.

On the Statement of financial position, the equivalent in Euros of trade receivables entered in US dollars on 31 December 2017 amounted to Euro 0.7 million (the total value on 31 December 2016 was Euro 1.3 million), while the equivalent value of trade payables in US dollars on 31 December 2017 amounted to Euro 1.1 million (the total value on 31 December 2016 amounted to Euro 1 million). Trade Receivables and Payables in other currencies are negligible.
On the basis of the above, a hypothetical 3% increase/decrease in the Euro would generate potential gains of Euro 19 thousand and losses of Euro 2 thousand, respectively.

We must stress that the Company provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
Based on the above data, the impact of tax receivables in currency reaches approximately 8% of the overall trade value, while the impact of trade payables in currency accounts for 30% of the total value of corporate debt.

The Statement of financial position assets in a currency other than the Euro were adequate to the exact exchange rate on 31 December 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 medium-long term loan with Banca CR Firenze S.p.A., through the signing of two IRS (Interest Rate Swap) contracts.

Liquidity risk

As at 31 December 2017, the Company has a negative Net Financial Position of Euro 7.12 million (positive for 6.74 million as at 31 December 2016). It is the result of a current positive NFP of about Euro 3.40 million (8.43 million as at 31 December 2016) and non-current net financial debt of Euro 10.5 million (Euro 1.69 million as at 31 December 2016). For the characteristics of the loans in question, one should refer to Note 13. The Company believes that the existing loans and short and medium term credit lines, as well as those that will be generated by operations, will allow it to meet its requirements arising from investment activities, management of working capital and repayment of debts in line with their natural due dates.

33. Hierarchical levels of the fair value measurement

For financial instruments recorded on the statement of financial position at fair value, IFRS 7 requires these values to be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels are established:

level 1 - listings taken from an active market for the assets or liabilities being measured;

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 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	5,174,467	-	-
Total	**5,174,467**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(17,144)	
Total	-	**(17,144)**	-

One should note that, with respect to 31 December 2016, there were no movements between the various fair value levels.

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

34. Management and control

The issuer and its subsidiaries are, pursuant to art. 2497 et seq. of the Italian Civil Code, under the management and control of the parent company ***Research & Development International S.r.l.***, with registered offices in Florence, Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000.

The parent company Research & Development International S.r.l. owns 54.00% of the shares of B&C Speakers S.p.A., equal to 5,940,529 shares.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2016).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2016**	**31 december 2015**
Total assets	13,654	12,648
Equity	10,568	9,785
Net income	2,447	1,937

The above essential data was taken from the financial statements for the year ended 31 December 2016. For a proper and complete understanding of the financial and equity position of Research and Development International S.r.l. at 31 December 2016, as well as the profit or loss achieved by the company in the year ended on that date, one should refer to the reading of the financial statements which, accompanied by the independent auditors' report, is available in the form and in the manner provided by law.

More information about relations with the parent company is given in the next paragraph.

35. Transactions with related parties, parent companies and subsidiaries of the latter

The following table summarises 2017 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

In particular, note the transactions implemented with the company ***Research & Development International S.r.l.***, a company based in Florence, Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000 (owner of the parent company B&C Speakers S.p.A.).

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

The tables below also take account of relations with the three companies controlled by B&C Speakers S.p.A. (B&C Speakers NA LLC, B&C Speakers Brasile LTDA and Eighteen Sound S.r.l.). Note that there are no relations with the company Sound & Vision S.r.l. (indirectly controlled).

Economic transactions

Revenues and other revenues	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2017	37,844,230	-	-	1,840,422	302,748	2,143,170	6%
2016	36,977,287	-	-	2,086,689	279,504	2,366,193	6%

General and administrative expenses	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2017	(3,997,477)	(928,887)	-	-	-	(928,887)	23%
2016	(3,555,908)	(924,949)	-	-	-	(924,949)	26%

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

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

Equity transactions

Trade receivables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2017	8,833,205	-	-	670,094	502,603	1,172,697	13%
31 December 2016	8,461,721	-	-	936,833	514,404	1,451,237	17%

Other current receivables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Totale Parti Correlate	Incidenza % Schema di Bilancio
31 December 2017	5,987,127	-	612,404	-	-	612,404	10%
31 December 2016	6,416,842	-	-	-	-	-	0%

Other non current receivables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2017	557,265	88,950	-	-	-	88,950	16%
31 December 2016	502,808	88,950	-	-	-	88,950	18%

Trade payables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2017	(3,636,847)	(1,407)	-	-	-	(1,407)	0%
31 December 2016	(3,930,419)	(340)	-	-	-	(340)	0%

The credit position with Research & Development International S.r.l. as at 31 December 2017 refer to credits for an IRAP rebate from 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

The credit position with Eighteen Sound S.r.l. as at 31 December 2017 relates to the interest-bearing shareholder loan made to the subsidiary to give it the necessary cash flow flexibility.

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

Transactions with related parties were made on terms equivalent to those prevailing in free transactions between unrelated parties.

36. Events subsequent to the closure of FY 2017

After the year-end 2017 there were no significant events that affected the performance of the company, except for the flow of orders from customers that pointed to a positive start to the beginning of 2018. At the date of the writing of this document the data available to the management suggests that 2018 will be a year of growth compared to the previous year.

37. Publication authorisation

This document was published on 30 March 2018, authorised by the Director with financial delegation.

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

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

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of financial statements for year 2017 have been effectively applied.

2. The undersigned also certify that:

   2.1. the financial statements:

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

   b) correspond to the information in the accounting ledgers;

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

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

Simone Pratesi Francesco Spapperi

14 Report of the Independent Auditors to the Separate Financial Statements of B&C Speakers S.p.A. at 31 December 2017

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of B&C Speakers SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of B&C Speakers SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the carrying amounts of equity investments in subsidiaries *Paragraph 12.2, Note 3 to the financial statement as of 31 December 2017: "Equity investments in subsidiaries"* Equity investments in subsidiaries are recognised in the financial statements as of 31 December 2017 in the amount of Euro 8,461 thousand equal to 22% of the Company's assets. Such item includes equity investments in B&C Speakers NA LLC for Euro 1,450 thousand, in B&C Speakers Brasil Ltda for Euro 428 thousand and in Eighteen Sound Srl for Euro 6,583 thousand. Evaluating the recoverability of the amounts recognised in the financial statements required management to make estimates with particular reference to the method to determine expected future cash flows, the calculation of the discount rate and of the steady growth rate of financial flows beyond the time period of the plans of the subsidiaries under analysis. Within our audit process, we paid special attention to the evaluation process of this item performed by management, considering its significance and the estimates implied in the evaluation performed by management.	We understood and assessed the procedures adopted by management in order to verify whether these complied with *"IAS 36 - Impairment of Assets"* adopted by the European Union. We verified the reasonableness of the assumptions used by management in order to estimate the cash flows expected for the relevant time period and resulting from the Plans of B&C Speakers NA LLC, B&C Speakers Brasil Ltda and Eighteen Sound Srl. We also controlled the mathematical accuracy of the calculations made by management. Furthermore, we re-performed the calculation methods of the discount rate and of the steady growth rate of financial flows beyond the time period of the Plans approved by the management of the subsidiaries and of the parent company on 14 March 2018 together with the impairment test. Finally, we conducted specific sensitivity analyses as regards the key assumptions adopted by management in verifying the existence of an impairment loss of equity investments. We carried out such activities with the support of PwC network experts.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 24 April 2015, the shareholders of B&C Speakers SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No.537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of B&C Speakers SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of B&C Speakers SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of B&C Speakers SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of B&C Speakers SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 30 March 2018

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.

15 Report by the Board of Statutory Auditors

Report by the Board of Auditors to the shareholders' meeting of "B. & C. Speakers S.p.A." (Art. 153 of Legislative Decree no. 59/98 and Art. 2429, second paragraph, Italian Civil Code)

Shareholders,

the Board of the Statutory Auditors of B. & C. Speakers S.p.a. (hereinafter "B&C" or "Company"), pursuant to article 153, Legislative Decree 58/1998, and article 2429, paragraph 2, of the Italian Civil Code, is requested to report to the Shareholders' Meetng called to approve the financial statements on the supervisory activity carried out during the year in the performance of its duties, on the omissions and any censored facts found and on the results of the financial year, as well as on to make proposals regarding the financial statements, its approval and the other matters for which it is responsible.

During the financial year ended on December 31st, 2017, and until today the Board of Statutory Auditors carried out its supervisory activities in compliance with the provisions of the Law, taking into account the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts ("*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*"), the CONSOB instructions on corporate controls, as well as the provisions contained in article 19, Legislative Decree 39/2010.

The financial statements and the consolidated financial statements of the Company have been drafted on the basis of the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, and in compliance with the provisions issued by CONSOB in implementation of article 9, paragraph 3, Legislative Decree 38/2005.

The general principles adopted in the preparation of the financial statements are illustrated in detail in the Notes to the financial statements.

The Company has not drafted the reports pursuant to in articles 3 and 4, Legislative Decree 254/2016 (individual report and consolidated report of a non-financial nature), as it did not exceed the size limits set out in article 2 of such decree.

The Board of Statutory Auditors acquired the information needed for the performance of its supervisory duties through participation in the meetings of the Board of Directors and in the Committees established within the Board of Directors, hearings of the Company's management, information acquired from the competent corporate structures as well as further control activities.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors, in charge at the date of this report, was appointed by the Shareholders' Meeting on April 24th, 2015: it is composed of Sara Nuzzaci (Chairman), Giovanni Mongelli and Leonardo Tommasini (Statutory Auditors), as well as Antonella Rapi and Placida Di Ciommo (Alternate Auditors). The control body will expire on the date of the Shareholders' Meeting which will approve the financial statements of the Company for the 2017 financial year.

The composition of the Board of Statutory Auditors respects the criteria of division between the genders pursuant to article 148 Legislative Decree 58/1998.

The Board of Statutory Auditors, at the appointment and during its office, verified the existence of the independence requirement.

Supervisory and control activities of the Board of Statutory Auditors

The Board of Statutory Auditors carried out its supervisory activity in compliance with the rules provided by article 2403 of the Italian Civil Code and of article 149, Legislative Decree 58/1998, as well as the article 19, Legislative Decree 39/2010, as illustrated below.

Supervisory and information activities required by CONSOB

The Board, in carrying out its duties, performed the supervisory activity prescribed by article 2403 of the Italian Civil Code and by article 149, Legislative Decree 58/1998, by CONSOB's recommendations on corporate controls and activities of the Board of Statutory Auditors, following the indications contained in the Corporate Governance Code ("*Codice di Autodisciplina*"), the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts ("*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*"). In drafting this Report, the Board of Statutory Auditors took into account CONSOB communications no. 1025564 of 6 April 2001, n. 3021582 of 4 April 2003 and n. 6031329 of 7 April 2006, concerning the content of the reports of the Boards of Statutory Auditors of companies with shares listed on the stock exchange.

Therefore, within the scope of its functions, the Board of Statutory Auditors:

- participated at the Shareholders' Meeting (No. 1) and at the Board of Directors' Meeting (No. 9), overseeing compliance with the statutory, legislative and regulatory provisions governing the the Company's bodies, as well as compliance with the principles of correct administration;
- supervised, as far as its competence is concerned, on the adequacy of the Company's organizational structure and on the compliance with the principles of correct administration, through direct observations, gathering of information from the heads of certain company functions and meetings with the auditing firm PricewaterhouseCoopers SpA. (hereinafter "PwC" or " Audit Firm") as part of a mutual exchange of relevant data and information;
- assessed and monitored the adequacy of the internal control system and of the administrative and accounting system, as well as the reliability of the latter to correctly represent the management facts, through the information of the managers of the relevant functions, the examination of the documents and the analysis of the results of the work carried out by the Audit Firm;
- during the year it carried out no. 5 meetings, participated in all the meetings of the Board of Directors and was informed of the topics discussed and the results of the meetings of the Risk Control Committee, the Remuneration Committee and the Appointments Committee;
- monitored the adequacy of the reciprocal flow of information between the Company and its subsidiaries pursuant to article 114, paragraph 2, Legislative Decree 58/1998, ensured by the instructions issued by the Company's management towards the Group.

Moreover, the Board of Statutory Auditors:

- obtained adequate information from the Directors on the activities carried out and on the most important economic, financial and equity transactions carried out by the Company and its subsidiaries pursuant to article 150, paragraph 1, Legislative Decree 58/1998. In this regard, both collegially and individually, the Board placed particular attention on the fact that the operations deliberated and implemented were in accordance with the law, the Company's by-laws and were not imprudent or risky, in contrast with the resolutions passed by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with the representatives of the Audit Firm pursuant to article 150, paragraph 3, Legislative Decree 58/1998, and no significant data and/or information emerged that should be highlighted in this Report;

- supervised the concrete implementation of the corporate governance rules provided for by the Corporate Governance Code ("*Codice di Autodisciplina*") to which the Company adheres as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance with article 124-ter, Legislative Decree 58/1998, and of article 89-bis of the Issuers' Regulation.

Supervisory and information activities required by the Consolidated Law on Auditing

Pursuant to article 19, Legislative Decree 39/2010 (Consolidated Law on Auditing, "*Testo Unico sulla Revisione Legale*"), the Board of Statutory Auditors, as the internal control and auditing committee pursuant to Legislative Decree 39/2010, is requested to monitor:

- the financial reporting process;
- the effectiveness of internal control and risk management systems;
- the audit of the financial statements and the consolidated financial statements;
- on the independence of the Audit Firm, in particular as regards the adequacy of the provision of services other than auditing to the Company.

Financial reporting process

The Board of Statutory Auditors monitored the existence of rules and procedures relating to the process of formation and diffusion of financial information.

In this regard, it should be noted that the Report on Corporate Governance and Ownership Structure illustrates the ways in which the Group defined its Internal Control and Risk Management System in relation to the consolidated financial reporting process.

The Person Responsible for the preparation of the corporate financial documents is Francesco Spapperi, who also holds the office of Director, to whom the Board of Directors has attributed the responsibility of:

- preparing, formalizing and issuing appropriate administrative and accounting procedures for the drafting of financial reporting documents and for the identification of the main legal connected to financial reporting;
- monitoring the application of the procedures;
- issuing to the market the certification regarding the adequacy and effective application of administrative and accounting procedures for the purposes of the Group's financial reporting.

The Board of Statutory Auditors acknowledges that it received adequate information on the activity of monitoring corporate processes with administrative-accounting impact within the Internal Control System. Such activity has been carried out both during the year in relation to the periodic reports on operations and in the phase of closing the accounts for the preparation of the financial statements and the consolidated financial statements.

The adequacy of the administrative-accounting system has been judged also through the acquisition of information from the managers of the respective functions and the analysis of the results of the work performed by the Audit Firm.

No particular critical issue or elements impeding the issuing of the attestation by the Person Responsible for the preparation of the corporate financial documents and the Chief Executive Officer emerged regarding the adequacy of the administrative and accounting procedures for the preparation of the financial statements and the consolidated financial statements for the 2017 financial year.

The Board of Statutory Auditors supervised on the compliance with the regulations concerning the formation and publication of the Half-Year Financial Report, as well as on the settings given to them and on the correct application of accounting standards, also using the information obtained from the Independent Auditors.

Effectiveness of internal control and risk management systems

The Board of Statutory Auditors assessed and monitored the adequacy of internal control and the effectiveness of internal control and risk management systems.

The Board of Statutory Auditors acknowledges that it verified the most significant activities carried out by the overall internal control and risk management system through a specific exchange of information with all the functions in charge.

The Board of Statutory Auditors acknowledges to have received and examined during its control activity:

- periodic reports on the activities carried out by the Control and Risk Committee and by the Internal Audit Manager;
- periodic updates on the evolution of the risk management process, the outcome of the monitoring and assessment activities performed by the Internal Audit, as well as the objectives achieved.

The Board of Statutory Auditors periodically met the Supervisory Board and examined on a six-monthly basis the periodic reports on its activities, verifying the activity plan and the budget. Similarly, the Board of Statutory Auditors took note of the compliance activity pursuant to Legislative Decree 231/2001 and the plan of planned activities, also taking into account the updating of the Organization and Management Model pursuant to Legislative Decree 231/2001.

The Management Report lists the main risks identified, monitored and managed.

Following the activity carried out in the relevant period, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee with regard to the adequacy of the internal control and risk management system.

Statutory audit of the financial statements and of the consolidated financial statements and independence of the Audit Firm

The Board of Statutory Auditors acknowledges that:

- the Audit Firm, in charge of the statutory audit of the accounts for the period 2016-2024, carried out the controls required by the applicable rules and in the periodic meetings with the Board of Statutory Auditors did not reveal any fact and/or finding such as to be reported in this Report;
- the Board of Statutory Auditors monitored the auditing of the annual and consolidated accounts, sharing information with the Auditing Company, also in the light of the changes introduced with regard to the Audit Firm's report.

In particular, all the main phases of the auditing activity have been illustrated to the Board of Statutory Auditors, including the identification of the risk areas with a description of the related procedures adopted. In addition, we focused on the regulatory changes that took place, starting from the 2017 financial statements, on the content and methods for drafting the Audit Firm’s report.

The Board of Statutory Auditors supervised on the independence of PricewaterhouseCoopers S.p.A., verifying the nature and extent of services other than statutory auditing of the Company and its subsidiaries.

In this regard, the Board of Statutory Auditors reports that during the course of the year two separate appointments were conferred to the Audit Firm other thant relating to the statutory audit of accounts, in relation to which, also following a specific declaration by the Audit Firm, the Board of Statutory Auditors, in compliance with the provisions of article 19, paragraph 1, letter e), Legislative Decree 39/2010, has not identified any reasons for incompatibility.

In light of the above, the Board of Statutory Auditors believes that the independence requirement of the Audit Firm exists.

Lastly, it should be noted that the Audit Firm today:

- issued the reports pursuant to article 14, Legislative Decree 39/2010, and article 10, European Regulation 537/2014, that show that the financial statements of the Company and the consolidated financial statements of the Group at December 31st, 2017, are drafted in compliance with the International Accounting Standards (IFRS) adopted by the European Union, as well as with the provisions issued pursuant to article 9, Legislative Decree 38/2005, are drafted clearly and represent truthfully and correctly the financial position, the economic result and the cash flows for the year ended on that date;
- expressed its opinion of consistency of the Management Report and of some specific information contained in the Report on Corporate Governance and Ownership Structure with the financial statements and the consolidated financial statements of the Company and the Group, confirming that the aforementioned reports are drafted in compliance with the law;
- submitted to the Board of Statutory Auditors the additional report pursuant to article 11, European Regulation 537/2014, in relation to which this control body has no observations such as to be reported in this Report;
- provided the annual confirmation of its independence pursuant to article 6, paragraph 2, lett. a), European Regulation 537/2014.

Operations and events of significant relevance

On the basis of the information acquired and the analysis conducted during its supervisory activity, the Board of Statutory Auditors reports the following significant events that took place during the 2017 financial year:

a) The Shareholders' Meeting held on April 26th, 2017, resolved to distribute the profit for the fiscal year ended on December 31st, 2016, of Euro 6,315,544.83, through allocation to the Reserve for Unrealized Gains on Currencies of Euro 27,223.27, distribution of a dividend equal to Euro 0.40 for each of the shares outstanding (net of held treasury shares) on the ex-dividend date and remittance of the balance, as well as resolving the distribution of an extraordinary dividend equal to Euro 0.60 for each of the shares outstanding at the ex-coupon date

b) On January 31st, 2017, the Board of Directors approved the updating of the Organization, Management and Control Model (MOGC), the Code of Ethics and the Disciplinary System

c) On December 11th, 2017, the Company completed the acquisition of the entire corporate capital of Eighteen Sound S.r.l. with the payment of a final price of Euro 6.58 million (equal to a countervalue of Euro 7.44 million, less the net financial position at the closing date).

No significant events occurred after the end of the 2017 financial year, as indicated by the Directors in the Management Report.

Irregularities, censurable facts, complaints pursuant to article 2408 of the Italian Civil Code, atypical and/or unusual transactions

Following the supervisory and control activity carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or censurable facts were found, or in any case significant enough to require notification to the control bodies or mention in this Report;
- the Board of Statutory Auditors received no complaints pursuant to article 2408 of the Italian Civil Code or complaints by third parties;
- no transactions with third parties, intra-group and/or with related parties were found such as to highlight atypical or unusual profiles, for content, nature, size and timing.

Intra-group transactions or transactions with related parties

With regard to transactions carried out within the Group and with related parties, the Directors provided specific and accurate information in the Management Report and in the notes to the financial statements and the consolidated financial statements, indicating in particular that the Company has maintained, at normal market conditions, relations with other Group companies and with top management.

With regard to intra-group transactions, the Directors indicated in the Management Report and in the notes to the financial statements and the consolidated financial statements the characteristics of the commercial and financial relationships with subsidiaries and affiliated companies.

The Board of Statutory Auditors, during its activities and checks, believes that the amounts are appropriate and that the transactions carried out are made in the interest of the Company.

Impairment test

On March 14th, 2018, the Board of Directors approved the setting up of the impairment test procedure complying with the requirements of IAS 36.

The results of the impairment tests are adequately illustrated in the notes to the financial statements.

Additional supervisory activity in relation to the financial statements and the consolidated financial statements

With regard to the financial statements for the financial year ended on December 31st, 2017, the consolidated financial statements and the Management Report, we report the following:

- the Board of Statutory Auditors assessed, by means of direct checks and information obtained from the Audit Firm, the compliance with the rules relating to the structure inherent to the preparation of the financial statements and the consolidated financial statements and the Management Report;
- the effects of transactions with related parties are expressly indicated in the financial statements;
- the financial statements and the consolidated financial statements match with the facts and information that the Board of Statutory Auditors has become aware of in the exercise of its supervisory duties and its powers of control and inspection;
- as far as the Board of Statutory Auditors knows, the Directors, while drafting the financial statements and the consolidated financial statements, did not derogate from the legal provisions pursuant to article 2423, paragraph 5, of the Italian Civil Code;

- with regard to corporate governance and the methods of concrete implementation of corporate governance rules, the Company has prepared a specific report pursuant to article 123-bis, Legislative Decree no. 58/1998, which the College shares in its content. In this regard, it should be noted that the Company and the Group adhere to the Corporate Governance Code of Italian listed companies;
- the supervisory and control activities performed by the Board of Statutory Auditors, as described above, did not reveal any significant facts to be mentioned in this report or to be reported to the supervisory and control bodies;
- pursuant to the provisions of article 123-ter, Legislative Decree 58/1998, the Report on Remuneration is presented to the Shareholders' Meeting and the Board of Statutory Auditors has examined and shared the approach followed in its drafting in a joint meeting with the Remuneration Committee.

Proposal to the Shareholders' Meeting

On the basis of the above, as a summary of the supervisory activities performed during the financial year, also taking into account the findings of the Audit Firm's report, the Board of Statutory Auditors has no observations to make regarding the matters pertaining to the financial statements of the Company and to the consolidated financial statements of the Group and the related explanatory notes and the Management Report, or regarding the proposal of the Board of Directors to the Shareholders' Meeting on the allocation of the profit of the financial year equal to Euro 6,106,852.

Florence, March 30th,2018

THE BOARD OF STATUTORY AUDITORS

President	Dott.ssa Sara Nuzzaci
Statutory Auditor	Dott. Leonardo Tommasini
Statutory Auditor	Dott. Giovanni Mongelli

Attachment to the Annual Report of the Board of Auditors:

List of positions held within the Companies as per Volume V, chapters V, VI and VII of the Civil Code As at the reporting date

Sara Nuzzaci

	Company	Nomination	Expiry date
1	Accademia del Maggio Musicale Fiorentino	Statutory Auditor	October 5, 2019
2	B&C Speakers Spa	Chairman of the Board of Auditors	Financial Statement 31/12/2017
3	Cibis Srl	Statutory Auditor	Financial Statement 31/12/2018
4	Fondazione Angeli del Bello Onlus	Member of the Board	Financial Statement 28/4/2020
5	Fondazione Guess	Statutory Auditor	Financial Statement 31/12/2017
6	Gap (ITALY) Srl	Chairman of the Board of Auditors	Financial Statement 1/02/2020
7	Guess Italia Srl	Statutory Auditor	Financial Statement 1/02/2020
8	Imm Hydraulics Spa	Statutory Auditor	Financial Statement 31/12/2017
9	Interpump Hydraulics Spa	Statutory Auditor	Financial Statement 31/12/2018
10	Nufarm Italia Srl	Statutory Auditor	Financial Statement 31/12/2018
11	Obi Italia Srl	Statutory Auditor	Financial Statement 31/12/2017
12	Tenuta Biondi Santi Spa	Chairman of the Board of Auditors	Financial Statement 31/12/2019
13	Vianse Spa	Chairman of the Board of Auditors	Financial Statement 30/9/2020
14	Walvoil Spa	Statutory Auditor	Financial Statement 31/12/2017

Number of Appointment in public Companies:	1
Total Number of Appointment:	14

Leonardo Tommasini

	Company	Nomination	Expiry date
1	B&C Speakers Spa	Statutory Auditor	Financial Statement 31/12/2017
2	Basalto La Spicca Spa	Statutory Auditor	Financial Statement 31/12/2019
3	Co.Fi.Gi. Spa	Statutory Auditor	Financial Statement 31/12/2018
4	A.B.F. Srl	Statutory Auditor	Financial Statement 31/12/2017
5	Research & Development Srl	Statutory Auditor	Financial Statement 31/12/2018
6	Giorgio Giorgi Srl	Statutory Auditor	Financial Statement 31/12/2017
7	Misericordia di Pontassieve	Chairman of the Board of Auditors	Financial Statement 31/12/2018
8	Figc LND Cmitato Regionale Toscana	Statutory Auditor	Financial Statement 30/6/2020
9	Mon & Tex Spa	Statutory Auditor	Financial Statement 31/12/2018
10	Absolute Italy Spa con socio unico	Statutory Auditor	Financial Statement 31/12/2019
11	Nemo Spa in liquidazione	Statutory Auditor	Financial Statement 31/12/2017
12	Lionard Spa	Statutory Auditor	Financial Statement 31/12/2018

Number of Appointment in public Companies:	1
Total Number of Appointment:	12

Giovanni Mongelli

	Company	Nomination	Expiry date
1	RESEARCH & DEVELOPMENT INTERNATIONAL S.R.L.	Chairman of the Board of Auditors	Financial Statement 31/12/2018
2	SAMOA S.P.A.	Statutory Auditor	Financial Statement 31/12/2018
3	HOTEL RIVOLI S.P.A.	Statutory Auditor	Financial Statement 31/12/2018
4	B. & C. SPEAKERS S.P.A.	Statutory Auditor	Financial Statement 31/12/2017
5	AUTOFAN SRL	Statutory Auditor	Financial Statement 31/12/2019
6	ANDREOTTI IMPIANTI S.P.A.	Statutory Auditor	Financial Statement 31/12/2019
7	TREND S.R.L.	Statutory Auditor	Financial Statement 31/12/2019
8	JM INVESTMENTS SPA	Statutory Auditor	Financial Statement 31/12/2019

Number of Appointment in public Companies:	1
Total Number of Appointment:	8