GRUPPO B&C SPEAKERS

INTERIM REPORT at March, 31st 2018

The Board of Directors of May, 14th 2018

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1 THE COMPANY B&C SPEAKERS S.p.A. – Corporate bodies

Board of Directors

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

Board of Auditors

Chairmen:	Riccardo Foglia Taverna
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Sara Nuzzaci

Independent auditing firm

PricewaterhouseCoopers S.p.A.

2 INTRODUCTION

The *Interim Report* at 31 March 2018 has been prepared pursuant to Legislative Decree 195/2007 and article 154 *ter* of the T.U.F.; the economic and financial aggregates shown below, even if determined on the basis of IFRS and in particular the same measurement criteria used for the preparation of the consolidated financial statements as at 31 December 2015, do not represent an interim financial statement prepared in accordance with *I.F.R.S.* and in particular with *IAS 34*.

This interim report has not been subjected to audit.

3 The main aspects of the period from January to March 2018

- The quarter under analysis represents the first with the full contribution of Eighteen Sound S.r.l. to the economic data of the B&C Speakers Group (company acquired on December, 11 2017).

- Also as a result of the foregoing, during the period January-March 2018, the Group's turnover reached a value of Euro 12.9 million, an increase of 37.3% compared to the same period of 2017, when turnover was equal to on 9.4 million euros.

- During 2018, the Parent Company continued the execution of the Buy-Back plan for its own shares. As at 31 March 2018 it held 29,832 treasury shares, representing 0.27% of the share capital. The new plan, valid until the date of approval of the financial statements at 31 December 2018, was approved by the Shareholders' Meeting on 26 April 2018;

Information on ownership structure

At the date of preparation of this report, official data indicate the following significant shareholders

- ***Research & Development International* S.r.l**. holding a 54.00% stake *(parent company)*;
- Alboran S.r.l. holding 5.45%;

4 Results Of Ownership Structure, Asset Management and Financial Management

This Interim Report at 31 March 2018 contains the information required by *art. 154 ter of the TUF.*

The IFRS accounting standards used by the Group are the same as those applied in the preparation of the financial statements for the year ended 31 December 2017, to which reference should be made.

In particular, as required by IFRS, a provision was made for the carrying out of estimates and the formulation of assumptions, which are reflected in the determination of the carrying amounts of assets and liabilities, including potential assets and liabilities at the end of the period. These estimates and assumptions are used specifically for determining amortisation and depreciation, *impairment testing* of assets (including the measurement of receivables), provisions, employee benefits, deferred tax assets and liabilities. The final results could therefore differ from these estimates and assumptions; moreover, the estimates and assumptions are reviewed and updated periodically and the effects of each change are immediately reflected in the financial statements.

Below are the financial statements and the explanatory notes to the statements. All values are expressed in euros, unless otherwise indicated. The financial and economic data presented, are compared with the corresponding figures of 2017.

These financial statements, prepared in accordance with the requirements of art. 154 ter of the TUF, report the positive and negative components of income, the net financial position, divided between short, medium and long term items, as well as the Group's financial position. In view of this, the financial statements presented and the relative explanatory notes, were prepared for the sole purpose of compliance with the provisions of the aforementioned Issuer Regulations, are devoid of certain data and information that would be required for a complete representation of the financial position and the results of the Group for the quarter ended at 31 March 2017 in accordance with IFRS.

B&C Speakers is a key international entity in the production and marketing of "*top quality professional loudspeakers*"; owing to the nature and type of business carried on, the Group operates exclusively in this sector, both nationally and internationally.

Products are manufactured and assembled at the Italian production plant of the Parent Company and the subsidiary Eighteen Sound S.r.l., which also deals directly with marketing and sales in the various geographical areas covered.

Distribution in the US market is handled through the American subsidiary B&C Speakers NA LLC, which also offers support services for sales to local customers.

Distribution in the Brazilian market is handled through the subsidiary B&C Speakers Brasil LTDA.

Below is the table showing the Group's economic performance during the first three months of 2018 compared with the figures for the same period of 2017.

Economic trends - Group B&C Speakers

(€ thousands)	1 Q 2018 YTD	*Incidence*	1 Q 2017 YTD	*Incidence*
Revenues	12.931	*100,00%*	9.419	*100,0%*
Cost of sales	(7.884)	*-60,97%*	(5.418)	*-57,5%*
Gross margin	**5.047**	***39,03%***	**4.001**	***42,5%***
Other revenues	115	*0,89%*	28	*0,3%*
Cost of indirect labour	(884)	*-6,83%*	(548)	*-5,8%*
Commercial expenses	(250)	*-1,94%*	(204)	*-2,2%*
General and administrative expenses	(1.267)	*-9,80%*	(996)	*-10,6%*
Ebitda	**2.761**	***21,35%***	**2.281**	***24,2%***
Depreciation of tangible assets	(272)	*-2,11%*	(190)	*-2,0%*
Amortization of intangible assets	(75)	*-0,58%*	(7)	*-0,1%*
Writedowns	(6)	*-0,05%*	(3)	*0,0%*
Earning before interest and taxes (Ebit)	**2.407**	***18,62%***	**2.082**	***22,1%***
Financial costs	(168)	*-1,30%*	(51)	*-0,5%*
Financial income	129	*1,00%*	147	*1,6%*
Earning before taxes (Ebt)	**2.368**	***18,31%***	**2.178**	***23,1%***
Income taxes	(696)	*-5,38%*	(639)	*-6,8%*
Profit for the year	**1.672**	***12,93%***	**1.540**	***16,3%***
Minority interest	0	*0,00%*	0	*0,0%*
Group Net Result	**1.672**	***12,93%***	**1.540**	***16,3%***
Other comprehensive result	(14)	*-0,11%*	17	*0,2%*
Total Comprehensive result	**1.659**	***12,83%***	**1.556**	***16,5%***

Some financial indicators and some reclassified financial statements not defined by the IFRS are presented and commented on in this financial statement.

These figures are defined below in compliance with the Consob Communication of July 28, 2006 (DEM 6064293) and subsequent amendments and additions (Consob Communication No. 0092543 of December 3, 2015, which incorporates the ESMA / 2015/1415 guidelines).

The alternative performance indicators listed below shall be used as an informative supplement to the provisions of the IFRS to assist the users of the financial report with a better understanding of the Company's economic, equity and financial performance. The alternative performance indicators are measures used by the Issuer to monitor and evaluate the performance of the Group and are not defined as accounting measures, either in the Italian Accounting Principles or in the IAS / IFRS. Therefore, the determination criterion applied by the Group may not be homogeneous with the one adopted by other operators and/or Groups and therefore may not be comparable. It is emphasized that the method of calculation of these corrective measures used by the Company is consistent over the years.

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

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

EBIT (Earnings Before Interest and Tax) is the consolidated result before tax, charges and financial income as recorded in the income statement prepared by the Directors in drawing up the IAS/IFRS-compliant financial statements.

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

Consolidated revenues

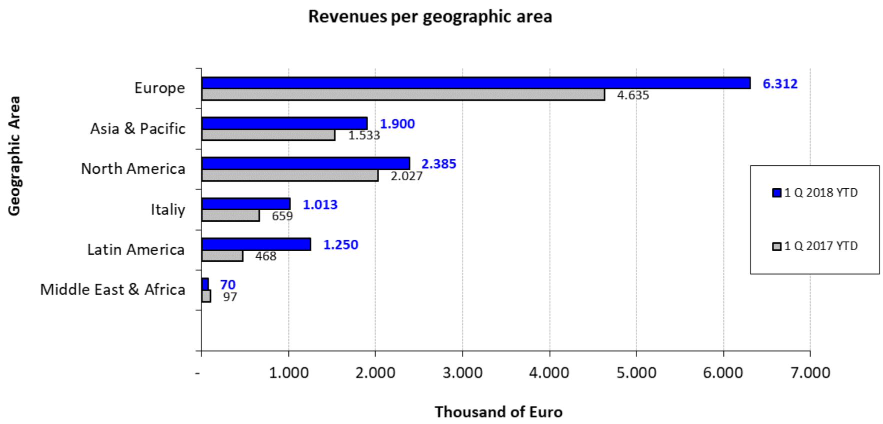
In the first three months of 2018 amounted to Euro 12.93 million, resulting in growth of 37.28% over the same period of 2017 when turnover stood at Euro 9.42 million.

This significant increase was the result of the 8.7% growth achieved by the B&C Speakers Group when the scope of consolidation is held constant, to which was added the turnover achieved by Eighteen Sound which provided a net contribution of Euro 2.6 million.

During the period, thanks also the effects of the acquisition, the Group heavily increased turnover in all operating areas. In particular we note the significant growth in the European market (+36% with sales of Euro 6.3 million) and in the Latin American market (+167% with sales of Euro 1.3 million).

Below is a full breakdown for the first quarter of 2018 by geographic area:

Revenues per geographic area *(values in Euro/thousand)*	**1 Q 2018 YTD**	**%**	**1 Q 2017 YTD**	**%**	**Difference**	**Difference %**
Latin America	1.250	10%	468	5%	782	*167%*
Europe	6.312	49%	4.635	49%	1.677	*36%*
Italy	1.013	8%	659	7%	354	*54%*
North America	2.385	18%	2.027	22%	358	*18%*
Middle East & Africa	70	1%	97	1%	(27)	*-28%*
Asia & Pacific	1.900	15%	1.533	16%	367	*24%*
Total	**12.931**	**100%**	**9.419**	**100%**	**3.512**	***37%***



Cost of good sold

During the first three months of 2018 had an increased impact on revenues compared to the first three months of 2017, rising from 57.52% to 60.97%.

The greater impact of the Cost of Sales with respect to revenues was due to the inclusion of the subsidiary *Eighteen Sound* within the scope of consolidation, which at present still has margins which are much lower than those traditionally associated with B&C Speakers. The positive effects deriving from the integration of the two structures, mainly associated with synergies in acquisitions and production, will be progressively seen during the year and will be fully achieved during 2019.

Indirect Personnel

Costs for indirect personnel increased in both absolute terms and in terms of impact on turnover. This increase can mainly be attributed to the acquisition of *Eighteen Sound*.

Commercial Expenses

Commercial expenses showed no significant changes compared to the first three months of the previous year. Consequently, their impact remained essentially unchanged.

Administrative and General

General and administrative costs increased in a manner less than proportional to the increase in Group sales, essentially due to greater production volumes following the acquisition.

EBITDA and EBITDA Margin

Mainly as a result of the trends described above, EBITDA in the first three months of 2018 amounted to Euro 2.76 million, an increase of 21.03% over the same period of 2017 (when the amount was Euro 2.28 million).

The ***EBITDA margin*** relative to the first three months of 2018 (equal to 21.35% of revenues in the first quarter of 2018 and to 24.22% in the first three months of the previous year) is due to the combined effects of the increase in volumes and the consolidation of Eighteen Sound that still has lower margins with respect to B&C Speakers.

Depreciation and amortisation

The depreciation and amortisation of tangible and intangible assets are stable compared to the corresponding period of the previous year due to the combined effect of the natural conclusion of the amortization process of existing assets and of the investment activity carried out in the first three months of 2018, essentially aimed at improving production plants.

EBIT and EBIT margin

EBIT referred to the first three months of 2018 amounting to 2.37 million euros, an increase of 8.71% compared to the same period of 2017 (when it was equal to 2.18 million euros). The EBIT margin is equal to 18.31% of revenues (23.13% in the corresponding period of 2017).

Group Net Result and Net Financial Position

The Group’s net profit at the end of the first three months of 2018 amounted to Euro 1.67 million and represents 12.93% of consolidated revenues with a total increase of 8.63% with respect to the corresponding period of 2017; the procedure for the application of the Patent Box, from which a substantial reduction in the corporate tax rate is expected, is in its final phase.

The Group’s financial stability continues to be good, unchanged with respect to the end of 2017. The Net Financial Position at the end of the first quarter of 2018 was negative and equal to Euro 6.64 million.

The balance sheet figures for the year ended March 31, 2018 compared with the balance sheet values at the end of 2017 are shown below.

Reclassified Balance sheet *(€ thousands)*	**31 March 2018**	**31 December 2017**	**Change**
Property, plant & Equipment	**3.653**	**3.918**	**(265)**
Inventories	12.404	13.216	(811)
Trade receivables	12.810	11.253	1.557
Other receivables	1.937	2.143	(207)
Trade payables	(4.805)	(6.129)	1.323
Other payables	(2.171)	(1.957)	(214)
Working capital	**20.174**	**18.526**	**1.648**
Provisions	**(863)**	**(843)**	**(20)**
Invested net working capital	**22.965**	**21.601**	**1.364**
Cash and cash equvalents	6.365	4.411	1.954
Investments in associates	50	50	-
Goodwill	2.318	2.318	-
Short term securities	5.725	5.174	551
Other financial receivables	568	568	(0)
Financial assets	**15.026**	**12.522**	**2.505**
Invested net non operating capital	**15.026**	**12.522**	**2.505**
NET INVESTED CAPITAL	**37.991**	**34.122**	**3.869**
Equity	19.260	17.814	1.446
Short-term financial borrowings	7.561	5.789	1.772
Long-term financial borrowing	11.170	10.519	651
RAISED CAPITAL	**37.991**	**34.122**	**3.869**

Nota:

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

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

Net Operating Invested Capital shows a decrease of € 1.3 million compared with 31 December 2017. This increase was mainly due to the combined effect of the following factors:

- an increase in trade receivables and in inventories respectively of approximately € 0.8 million and approximately € 1.5 million due essentially to the increased turnover;
- a decrease in fixed assets of € 265 thousand, due to the combined effect of depreciation and amortisation in the period and of the investments made over the period on production lines;
- a decrease in trade payables of approximately € 1.3 million;
- an increase in various payables due also to taxes for the period

Net Non-Operating capital showed an increase of around € 2.5 million compared to 31 December 2017, primarily due to the increase in Group liquidity (of about +1.9 million of Euro) and Short term securities (about +0.6 million of Euro).

The other Capital categories showed no significant changes compared with 31 December 2017.

Equity

Changes in net equity reserves of the Group during the first three months of 2018 are attributable primarily to the balance of Treasury shares (negative as a result of purchases made in the period) and to the period positive result. It should be noted, however, that the decrease in share capital is due to *IFRS-compliant* handling of trading of Treasury shares.

Financial debt

Net Financial Position as of March 31st 2018 was great and equal to 6.6 million of Euro, substantially in line with the 6.7 million euros reached at the end of 2017.

The **Short-term financial debt** of € 7.5 million is represented by € 5.6 million of the short-term portion of loans taken out by the Parent Company and € 1.9 million of bank overdrafts.

Financial debt in the **medium/long term** equal to € 1,5 million is made up of the long-term portion of the loans contracted by the parent company (€ 1,4 million relating to long-term financing granted by Cassa di Risparmio di Firenze, € 0,1 thousand regarding the SIMEST loan.

Medium/long-term financial debt of € 11.2 million is represented by the medium-term portion of loans taken out by the Parent Company.

5 Statement of changes in equity

Below is the statement of changes in equity from 1 January 2018 to 31 March 2018 (figures in thousands of Euro):

	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, 2017	**1.097**	**379**	**4.786**	**44**	**54**	**435**	**11.019**	**17.814**	**-**	**17.814**
Result of the period							**1.673**	**1.673**		**1.673**
Other comprehensive income/expenses						(14)	-	**(14)**		**(14)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**(14)**	**1.673**	**1.659**	**-**	**1.659**
Shareholders										
Allocation of previous year result					-		-	-		-
Dividend distribution							-	-		-
Treasury shares allocation	(2)		(212)				-	**(214)**		**(214)**
Balance March 31, 2018	**1.095**	**379**	**4.574**	**44**	**54**	**421**	**12.692**	**19.260**	**-**	**19.260**

6 Net Financial Position

Below is the Net Financial Position table prepared in line with that reported in the consolidated financial statements as at 31 December 2017 (figures in thousands of Euro).

Values in Euro Thousands	31 March 2018	31 December 2017	Change %
A. Cash	6.365	4411,4	44%
C. Securities held for trading	5.725	5.174	11%
D. Cash and cash equivalent (A+C)	**12.090**	**9.586**	**26%**
F. Bank overdrafts	(1.926)	(1.443)	33%
G. Current portion of non current borrowings	(5.634)	(4.346)	30%
I. Current borrowingse (F+G)	**(7.561)**	**(5.789)**	**31%**
J. Current net financial position (D+I)	**4.529**	**3.797**	**19%**
K. Non current borrowings	(11.170)	(10.519)	6%
N. Non current borrowings	**(11.170)**	**(10.519)**	**6%**
O. Total net financial position (J+N)	**(6.640)**	**(6.722)**	**-1%**

Note: The net financial position, calculated by the Parent Company management as detailed above, is not identified as an accounting measurement under the Italian Accounting Standards or the IFRSs endorsed by the European Commission. Therefore, the measurement criteria may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. Moreover, the definition may differ from that established by the Issuer's loan contracts.

Net Financial Position shows, as previously stated, a substantial consistency compared to December, 31 2017.

7 Significant events occurring after 31 March 2018

The Shareholders' Meeting, held on 26 April 2018, resolved the issue of an ordinary dividend of € 0.42 per ordinary share in circulation at the coupon detachment date (April, 30, 2018, record date on May 2, 2018 and payment on May 3, 2018). The ordinary dividend up with respect to the forty cents seen in 2017. It should be noted that the shareholders also renewed the corporate bodies.

~~At the same time, the first positive signs relative to growth in orders received by the subsidiary *Eighteen Sound* were seen. After the year largely began with uncertainty relative to the transfer of ownership, the market reacted positively and during the last two months the Company has received new orders totalling Euro 2.75 million, decidedly higher than the forecasts.~~

8 Outlook for the entire year 2018

The available data, as at the date this document was prepared, suggests that 2018 will be a year of significant growth for the B&C Speakers Group.

- Indeed, the first quarter was very positive for B&C Speakers and both order collection data and the number of projects already approved by existing customers and new, suggests that 2018 will be a very positive year. During April, very significant orders continued to be received for the *Parent Company B&C Speakers S.p.A.* Indeed, the flow of orders received during the first 4 months of 2018 was up by 10% with respect to the same period in 2017.
- The procedure for the application of the Patent Box, from which a significant reduction in the company tax rate, is due to be concluded soon;

- With regards to the subsidiary Eighteen Sound, a verification work was started on the entire supplier network aimed at obtaining the best synergies that should guarantee substantial savings on the supply front; the economic effects of this work will emerge starting from the second half of 2018. At the same time, work has begun to rationalize production and operating activities, aimed at optimizing profitability;

- At the same time, the first positive signs regarding the growth of orders from the subsidiary Eighteen Sound were found; after a beginning of the year of uncertainty linked to the transfer of ownership, the market reacted positively and over the last two months the Company received new orders for approximately 2.75 million euros.

9 Share performance

Below is a table showing the share performance from January, 1 2018 to the date of preparation of this document (source: Borsaitaliana.it).

Balance Sheet and Consolidated Income Statement relating to March, 31 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		31 March 2018	31 December 2017
ASSETS			
Fixed assets			
Tangible assets		3.116.626	3.318.310
Goodwill		2.318.181	2.318.181
Other intangible assets		536.526	599.748
Investments in non controlled associates		50.000	50.000
Deferred tax assets		468.131	352.514
Other non current assets		567.992	568.135
	related parties	*88.950*	*88.950*
Total non current assets		**7.057.456**	**7.206.888**
Currents assets			
Inventory		12.404.180	13.215.651
Trade receivables		12.809.925	11.252.674
Tax assets		883.376	1.297.287
Other current assets		6.310.273	5.667.487
Cash and cash equivalents		6.364.898	4.411.203
Total current assets		**38.772.652**	**35.844.302**
Total assets		**45.830.108**	**43.051.190**

		31 March 2018	31 December 2017
LIABILITIES			
Equity			
Share capital		1.094.947	1.096.845
Other reserves		5.052.164	5.262.923
Foreign exchange reserve		420.842	435.600
Retained earnings		12.692.357	11.019.113
Total equity attributable to shareholders of the parent		**19.260.310**	**17.814.481**
Minority interest		-	0
Total equity		**19.260.310**	**17.814.481**
Non current equity			
Long-term borrowings		11.169.529	10.518.623
Severance Indemnities		822.974	805.650
Provisions for risk and charges		40.029	37.831
Total non current liabilities		**12.032.532**	**11.362.104**
Current liabilities			
Short-term borrowings		7.560.797	5.788.990
Trade liabilities		4.805.457	6.128.625
	related parties	*557*	*1.407*
Tax liabilities		531.594	414.206
Other current liabilities		1.639.418	1.542.784
Total current liabilities		**14.537.266**	**13.874.605**
Total Liabilities		**45.830.108**	**43.051.190**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		1Q 2018 YTD	1Q 2017 YTD
Revenues		12.930.770	9.419.076
Cost of sales		(7.883.717)	(5.417.891)
Other revenues		115.349	28.036
Cost of indirect labour		(883.721)	(547.969)
Commercial expenses		(250.470)	(203.665)
General and administrative expenses		(1.267.166)	(996.240)
	related parties	*(232.372)*	*(230.821)*
Depreciation of tangible assets		(272.236)	(190.267)
Amortization of intangible assets		(75.198)	(6.857)
Writedowns		(6.245)	(2.500)
Earning before interest and taxes		**2.407.366**	**2.081.723**
Financial costs		(168.412)	(50.776)
Financial income		129.136	147.438
Earning before taxes		**2.368.090**	**2.178.385**
Income taxes		(695.660)	(638.874)
Profit for the year (A)		**1.672.430**	**1.539.510**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		966	(535)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:			
Exchange differences on translating foreign operations		(14.759)	17.165
Total other comprehensive income/(losses) for the year (B)		**(13.792)**	**16.630**
Total comprehensive income (A) + (B)		**1.658.638**	**1.556.141**
Profit attributable to:			
Owners of the parent		1.672.430	1.539.510
Minority interest		-	-
Total comprehensive income atributable to:			
Owners of the parent		1.658.638	1.556.141
Minority interest		-	-
Basic earning per share		0,15	0,14
Diluted earning per share		0,15	0,14

Certification of Financial Reporting Manager pursuant to article 154-bis, paragraph 2 of Legislative Decree No. 58/1998.

The Financial Reporting Manager, Mr. Francesco Spapperi declares, pursuant to paragraph 2 article 154-bis of the Consolidated Financial Law, that the accounting information contained in this document, "Interim report at 31 March 2018", corresponds to the Company's accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi