



# **B&C Speakers Group**

## **Condensed Consolidated Interim Financial Report**

as of 30 June 2018

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

## Contents

THE B&C SPEAKERS GROUP – Corporate bodies .....	3
Introduction to the condensed consolidated interim financial report at 30 June 2018 .....	4
Condensed consolidated interim financial report at 30 June 2018 prepared in conformity with the IFRSs endorsed by the European Union .....	5
Condensed consolidated interim financial statements at 30 June 2018 .....	15
Notes to the condensed consolidated interim financial report at 30 June 2018 prepared in conformity with the IFRSs adopted by the European Union .....	19
23. Other revenues .....	36
24. Indirect Personnel .....	36
25. Commercial Expenses .....	37
26. Administrative and General expenses .....	37
27. Amortisation, depreciation, provisions and writedowns .....	37
28. Financial income and expenses .....	37
33. Information on financial risks.....	39
Certification of the Condensed Consolidated Interim Financial Statements under the terms of Art. 154-bis of Italian Legislative Decree 58/98.....	43
Independent Auditors’ Report € .....	44

The present file is available on the Internet at the address:

[www.bcspeakers.com](http://www.bcspeakers.com)

**B&C Speakers S.p.A.**

Registered Office in Bagno a Ripoli (FI), at Via Poggiomoro 1

Paid-up share capital of € 1,100,000

Companies Register Florence Office – Tax Code 01398890481

## **THE B&C SPEAKERS GROUP – Corporate bodies**

### **Board of Directors**

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

### **Board of Auditors**

Chairperson:	Riccardo Foglia Taverna
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Sara Nuzzaci
Alternate Auditor:	Placida Di Ciommo
Alternate Auditor:	Antonella Rapi

### **Financial Reporting Manager**

Francesco Spapperi

### **Independent auditing firm**

PricewaterhouseCoopers S.p.A.

# Introduction to the condensed consolidated interim financial statements at 30 June 2018

## INTRODUCTION

The present Condensed Consolidated Interim Financial Statements of the B&C Speakers Group at 30 June 2018 was prepared observing the International Accounting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union and was drawn up in conformity with IAS 34 “Interim Financial Statements”. These condensed consolidated interim financial statements therefore do not include all the information required of the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2017.

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

During the first half of 2018 the Parent Company continued in its Buy-Back programme involving treasury shares in accordance with the resolution passed by the Shareholders’ Meeting held on 26 April 2018 which renewed the mandate to purchase treasury shares for another 12 months. At 30 June 2018, it held 29,532 treasury shares, equal to 0.27% of the share capital. The weighted average purchase price of shares in the portfolio is € 3.32.

At the date of this report (September 2018), the number of Treasury shares owned has changed with respect to 30 June 2018 and amounts to 29,897, equal to 0.27% of the share capital. For your information we can note that the Parent Company B&C Speakers S.p.A. is controlled by R&D International S.r.l. which performs work of direction and coordination.

The equity interest held by the holding Research & Development International S.r.l. represented, at 30 June 2018, 54.00% of the share capital; further information on relations with the holding are contained in the rest of the report.

During May 2018, B&C Speakers issued an ordinary dividend of € 0.42 per each ordinary share in circulation. The total value of the dividend issued was therefore € 4.6 million.

## Condensed consolidated interim financial statements at 30 June 2018 prepared in conformity with the IFRSs endorsed by the European Union

The B&C Speakers Group is one of the international reference points as regards the economic sector of production and sale of “professional loudspeakers in a high quality band”; the business of the Group, which operates both at the national and international level, is carried on entirely in the above sector (production and sale of Loudspeakers in a high quality band). Products are manufactured and assembled at the Italian production plants of the Parent Company and the subsidiary Eighteen Sound S.r.l., which also directly supervise 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.

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

### Highlights

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

#### Income statement highlights

<i>(€ thousands)</i>	<b>1st half 2018</b>	<b>1st half 2017</b>
Revenues	28.007	20.116
Ebitda	5.842	4.852
Ebit	5.150	4.455
Net profit	3.686	3.066

#### Balance sheet highlights

<i>(€ thousands)</i>	<b>30 June 2018</b>	<b>31 December 2017</b>
Non current Assets	7.032	7.207
Non current liabilities	10.557	11.362
Current assets	37.495	35.844
Current liabilities	17.291	13.875
Net working Capital	20.204	21.970
Net Equity	16.679	17.814

### Cash flow statement highlights

(€ thousands)

	1st half 2018	1st half 2017
Operating cash flow	4.135	996
Cash flow from investing activities	(849)	2.615
Cash flow from financial activities	(3.992)	(6.787)
Cash and cash equivalent at end of the year	(706)	(3.175)

### Net financial position

(€ thousands)

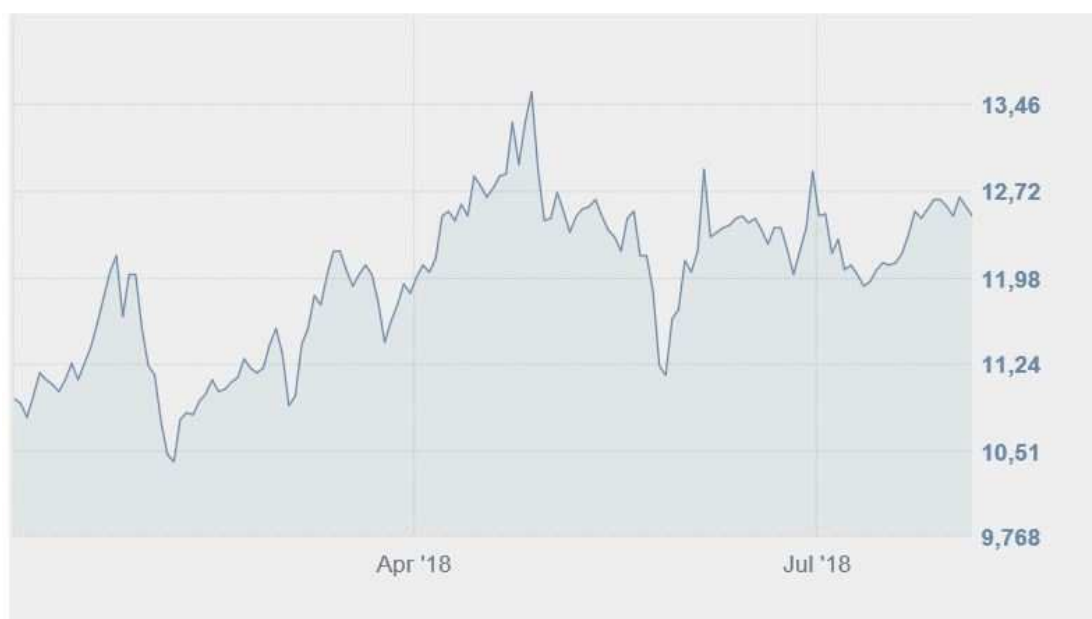
	30 June 2018	31 December 2017
Current net financial position	1.776	3.797
Total net financial position	(7.901)	(6.722)

### Share performance

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

At 30 June 2018 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at € 12.88 and consequently the market capitalization amounted to about € 141.6 million.

The following shows the share performance of B&C Speakers SpA during the period from January - July 2018.



## Macroeconomic Situation

The trend in the world economy is becoming stronger, with expansion more solid and widespread than that seen at the end of 2017. Prospects for global growth are favourable overall, even if there are still significant risks associated with uncertainty about economic policies, the continuation of geopolitical tensions and the uncertainties associated with the Brexit. In the Eurozone, the economy has been growing more than expected, at a greater rate with respect to the first quarter and to that initially estimated. With regards to Italy, economic activities are continuing on a slow growth path, even if most recently signs of a slowdown in growth have been seen.

## Industry scenario

The professional audio sector continues to grow at a notable rate, confirming the trend of recent years, due to the technological revolution in the field of music that has effectively cancelled the opportunities for many artists to sell discs in favour of concerts and live performances. This fact has led to a huge increase in the number of live shows and a fairly high average ticket price resulting in an increase in quality expectations for the public attending live concerts.

This fact has favoured the higher quality companies and allowed the 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.

In terms of supplying trends, following the policies of the Chinese government, trends in the prices of rare earth listings are up (neodymium and dysprosium), used as raw materials in magnet production, which could have impacts on the Group's supply costs.

## Group economic performance

The half in question is the first one to include the full contribution of Eighteen Sound S.r.l. in the economic and financial figures of the B&C Speakers Group. The general economic trend during the first half of 2018 was up compared to that seen during the first half of the previous financial year. The order book (in relation to the Parent Company), of approximately € 8.9 million at 30 June 2018 rose (by around 11%) with respect to the € 8.0 million at 31 December 2017.

To better present the trend in operations in relation to the first half of financial year 2018 compared with the same period of the previous year, a table showing these results is provided below:

## Economic trends - Group B&C Speakers

(€ thousands)	1 half 2018 YTD	Incidence	1 half 2017 YTD	Incidence
Revenues	28.007	100,00%	20.116	100,0%
Cost of sales	(17.210)	-61,45%	(11.688)	-58,1%
<b>Gross margin</b>	<b>10.798</b>	<b>38,55%</b>	<b>8.428</b>	<b>41,9%</b>
Other revenues	194	0,69%	95	0,5%
Cost of indirect labour	(1.895)	-6,77%	(1.140)	-5,7%
Commercial expenses	(605)	-2,16%	(478)	-2,4%
General and administrative expenses	(2.648)	-9,46%	(2.052)	-10,2%
<b>Ebitda</b>	<b>5.842</b>	<b>20,86%</b>	<b>4.852</b>	<b>24,1%</b>
Depreciation of tangible assets	(537)	-1,92%	(383)	-1,9%
Amortization of intangible assets	(153)	-0,55%	(14)	-0,1%
Writedowns	(3)	-0,01%	0	0,0%
<b>Earning before interest and taxes (Ebit)</b>	<b>5.150</b>	<b>18,39%</b>	<b>4.455</b>	<b>22,1%</b>
Financial costs	(473)	-1,69%	(253)	-1,3%
Financial income	203	0,72%	284	1,4%
<b>Earning before taxes (Ebt)</b>	<b>4.880</b>	<b>17,42%</b>	<b>4.486</b>	<b>22,3%</b>
Income taxes	(1.275)	-4,55%	(1.334)	-6,6%
<b>Profit for the year</b>	<b>3.606</b>	<b>12,87%</b>	<b>3.153</b>	<b>15,7%</b>
Minority interest	0	0,00%	0	0,0%
<b>Group Net Result</b>	<b>3.606</b>	<b>12,87%</b>	<b>3.153</b>	<b>15,7%</b>
Other comprehensive result	80	0,29%	(87)	-0,4%
<b>Total Comprehensive result</b>	<b>3.686</b>	<b>13,16%</b>	<b>3.066</b>	<b>15,2%</b>

### Note:

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

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

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

**EBITDA** (Earnings Before Interest Taxes Depreciation and Amortisation) is defined by the Issuer's Directors as the "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.

**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.

### Revenues

Consolidated revenues in the first half of 2018 amounted to € 28.01 million, resulting in growth of 39.23% over the same period of 2017 when turnover stood at € 20.12 million.

This significant increase was the result of excellent growth of 9.75% achieved by the B&C Speakers Group when the scope of consolidation is held constant with respect to the first half of 2017, to which was added the turnover achieved by Eighteen Sound and Sound & Vision which provided a net contribution of € 5.9 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 (+33% with sales of € 12.4 million) and in the Latin American market (+95% with sales of € 2.6 million). Growth in North America and in the Asia-Pacific area was also very strong, with rates above 23% and 43% respectively.

Below is a full breakdown for the first half of 2018 by geographic area (amounts in euros):

Geographical Area	1st half 2018	%	1st half 2017	%	Change	Change %
America Latina	2.608.963	9,3%	1.338.680	6,7%	1.270.283	95%
Europa	12.373.261	44,2%	9.313.806	46,3%	3.059.455	33%
Italia	2.274.561	8,1%	1.274.300	6,3%	1.000.261	78%
Nord America	4.955.008	17,7%	4.031.946	20,0%	923.062	23%
Medio Oriente & Africa	189.408	0,7%	236.580	1,2%	(47.172)	-20%
Asia & Pacifico	5.606.211	20,0%	3.920.880	19,5%	1.685.331	43%
<b>Totale</b>	<b>28.007.411</b>	<b>100,0%</b>	<b>20.116.191</b>	<b>100,0%</b>	<b>7.891.220</b>	<b>39,23%</b>

### **Cost of sales**

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

Cost of sales during the first six months of 2018 had an increased impact on revenues compared to the first half of 2017, rising from 58.10% to 61.45%.

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 still has margins which are much lower than those of 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**

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

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**

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

Commercial expenses showed a slight increase in absolute value compared to the first six months of the previous year. Therefore, their impact was slightly reduced, given the strong corporate growth.

### ***Administrative and General***

General and administrative costs also increased in a manner less than proportional to the increase in Group sales, reducing their impact by almost one percent; 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 six months of 2018 increased to € 5.84 million, an increase of 20.4% over the same period of 2017 (when the amount was € 4.85 million).

**The EBITDA margin** for the first six months of 2018 was 20.86% of revenues in the first half of 2018 (24.12% in the first six months of the previous year). The decrease is due to the combined effect of the increase in volumes and the inclusion of Eighteen Sound, which still has lower margins with respect to B&C Speakers.

### ***Depreciation and amortisation***

The increase in depreciation and amortisation of property, plant and equipment and intangible assets with respect to the same period the previous year is entirely a consequence of the inclusion of Eighteen Sound.

### ***EBIT and EBIT Margin***

EBIT of the first half of 2018 amounted to € 5.15 million; a, increase (15.59%) compared with the first half of 2017 (when the figure was € 4.45 million). The EBIT margin was 18.39% of revenues (22.15% in the first half of 2017).

### ***Group Net Result and Net Financial Position***

The Group's net profit at the end of the first six months of 2018 amounted to € 3.61 million and represents 12.87% of consolidated revenues with a total increase of 14.37% with respect to the corresponding period in 2017.

The Group maintains good financial stability, with a significant generation of cash during the period; the Net Financial Position at the end of the first half of 2018 was negative and equal to € 7.90 million against a value of 6.72 at the end of 2017. However, it should be noted that in the same period, dividends were paid totalling € 4.61 million.

### ***Equity and financial trend***

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

Reclassified Balance sheet (€ thousands)	31 June 2018	31 December 2017	Change
<b>Property, plant &amp; Equipment</b>	<b>3.590</b>	<b>3.918</b>	<b>(328)</b>
Inventories	13.345	13.216	129
Trade receivables	14.046	11.253	2.793
Other receivables	1.573	2.143	(571)
Trade payables	(7.375)	(6.129)	(1.246)
Other payables	(2.654)	(1.957)	(697)
<b>Working capital</b>	<b>18.934</b>	<b>18.526</b>	<b>408</b>
<b>Provisions</b>	<b>(880)</b>	<b>(843)</b>	<b>(37)</b>
<b>Invested net working capital</b>	<b>21.644</b>	<b>21.601</b>	<b>43</b>
Cash and cash equivalents	3.507	4.411	(904)
Investments in associates	50	50	-
Goodwill	2.318	2.318	-
Short term securities	5.531	5.174	357
Other financial receivables	568	568	0
<b>Financial assets</b>	<b>11.974</b>	<b>12.522</b>	<b>(547)</b>
<b>Invested net non operating capital</b>	<b>11.974</b>	<b>12.522</b>	<b>(547)</b>
<b>NET INVESTED CAPITAL</b>	<b>33.618</b>	<b>34.122</b>	<b>(504)</b>
Equity	16.679	17.814	(1.135)
Short-term financial borrowings	7.262	5.789	1.473
Long-term financial borrowing	9.677	10.519	(842)
<b>RAISED CAPITAL</b>	<b>33.618</b>	<b>34.122</b>	<b>(504)</b>

**Note:**

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

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

**Net Invested Operating Capital** remained essentially unchanged with respect to 31 December 2017. The performance was mainly due to the combined effect of the following factors:

- an increase in trade receivables of € 2.8 million due to the Group's increased turnover;
- a decrease in fixed assets of approximately € 328 thousand due to the combined effect of amortisation and depreciation of the period and of investments made in the period on the production lines;
- an increase in trade payables and other of around € 1.9 million due to higher purchase volumes during the period.

**Invested Net Non Operating Capital** decreased by around € 0.5 million with respect to 31 December 2017, mainly due to the combined effects of an increase in short term securities held for liquidity purposes and the decrease in liquidity, essentially due to the absorption of

liquidity following payment of dividends, repayment of instalments for existing loans and payment of taxes.

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

The overall *Net Financial Position* is negative and equal to € 7.90 million, compared to the figure of 6.72 at the end of 2017, mainly due to the payment of the dividend during May 2018.

### **Corporate structure**

At 30 June 2018 the Group's workforce numbered 171 employees, in line with 31 December 2017.

### **Investments**

Investments during the first half of 2018 were mainly focused on improving production lines, in order to increase efficiency and production capacity.

### **Significant events during the first half of 2018**

During the first half of 2018, the following significant events occurred:

- The collection of new orders was again satisfactory. The order book on the date when the present report was prepared amounted to € 9.9 million;
- The shareholders' meeting held on the 26 April 2018 defined the issue of an ordinary dividend of € 0.42 per ordinary share in circulation at the ex-coupon date. The total value of the dividend issued was therefore € 4.6 million.

### **Significant events subsequent to 30 June 2018**

On 11 July 2018, the company finalised the ruling procedure with the Regional Revenue Office for the Patent Box scheme presented from 2015. As a result of the agreement made with the Revenue Office, B&C Speakers will benefit from a consistent tax discount which, for the first five-year period 2015/2019, has been estimated at over € 2.8 million in minor direct taxes, thanks to the high level of know-how developed by the company and the B&C Speakers brand, registered in over 60 countries. Tax savings for financial year 2015 amounted to around € 414 thousand, while that relative to subsequent years is still being determined.

### **Business outlook**

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, supported by the following elements:

- the first half was very positive for B&C Speakers and both order collection data and the number of projects already approved by existing customers and new issues suggests that 2018 will be a positive year. During the summer months 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 8 months of 2018 was up by 17% with respect to the same period in 2017;

- at the same time, the first positive signals have been seen relative to an increase in orders from the subsidiary Eighteen Sound. After a year of greater uncertainties associated with the transfer of ownership, the market reacted positively, with orders collected in line with management forecasts.

### **Major shareholders and main data concerning the Issuer's shares**

As at the date of preparing these financial statements (September 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 3.29%;

### **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 30 June 2018, the Director Lorenzo Coppini holds 50,000 shares in B&C Speakers S.p.A.;
- as at 30 June 2018, the Director Alessandro Pancani holds 7,234 shares in B&C Speakers S.p.A..

### **Main risks and uncertainties to which the group is exposed**

To examine the main risks and uncertainties to which the group is exposed, since neither the internal nor the external conditions changed with respect to the final months of financial year 2017, the reader is referred to the full discussion on the matter in the report on operations of the consolidated financial statements at 31 December 2017.

With reference to financial risks, please see that indicated in the explanatory notes below.

### **Corporate Governance**

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

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

**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 30 June 2018 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.

# Condensed consolidated interim financial statements at 30 June 2018

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 June 2018 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			30 June	31 December
(Values in Euro)		Notes	2018	2017
<b>ASSETS</b>				
<b>Fixed assets</b>				
Tangible assets	1		3.019.986	3.318.310
Goodwill	2		2.318.181	2.318.181
Other intangible assets	3		569.880	599.748
Investments in non controlled associates	4		50.000	50.000
Deferred tax assets	5		505.940	352.514
Other non current assets	6		568.330	568.135
	<i>related parties</i>	30	88.950	88.950
<b>Total non current assets</b>			<b>7.032.317</b>	<b>7.206.888</b>
<b>Currents assets</b>				
Inventory	7		13.344.593	13.215.651
Trade receivables	8		14.045.627	11.252.674
Tax assets	9		667.047	1.297.287
Other current assets	10		5.930.715	5.667.487
Cash and cash equivalents	11		3.506.757	4.411.203
<b>Total current assets</b>			<b>37.494.739</b>	<b>35.844.302</b>
<b>Total assets</b>			<b>44.527.056</b>	<b>43.051.190</b>
<b>LIABILITIES</b>				
<b>Equity</b>				
Share capital	12		1.094.937	1.096.845
Other reserves	12		5.050.994	5.262.923
Foreign exchange reserve	12		513.907	435.600
Retained earnings	12		10.019.340	11.019.113
<b>Total equity attributable to shareholders of the parent</b>			<b>16.679.178</b>	<b>17.814.481</b>
Minority interest			-	0
<b>Total equity</b>			<b>16.679.178</b>	<b>17.814.481</b>
<b>Non current equity</b>				
Long-term borrowings	13		9.676.781	10.518.623
Severance Indemnities	14		839.663	805.650
Provisions for risk and charges	15		40.339	37.831
<b>Total non current liabilities</b>			<b>10.556.783</b>	<b>11.362.104</b>
<b>Current liabilities</b>				
Short-term borrowings	16		7.262.101	5.788.990
Trade liabilities	17		7.374.588	6.128.625
	<i>related parties</i>	30	557	1.407
Tax liabilities	18		797.036	414.206
Other current liabilities	19		1.857.370	1.542.784
<b>Total current liabilities</b>			<b>17.291.095</b>	<b>13.874.605</b>
<b>Total Liabilities</b>			<b>44.527.056</b>	<b>43.051.190</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE FIRST HALF OF 2018 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION**

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b> (Values in Euro)	<i>Notes</i>	<b>1 half 2018</b>	<b>1half 2017</b>
Revenues	21	28.007.411	20.116.191
Cost of sales	22	(17.209.801)	(11.688.231)
Other revenues	23	193.529	94.662
Cost of indirect labour	24	(1.894.895)	(1.140.490)
Commercial expenses	25	(605.448)	(477.891)
General and administrative expenses	26	(2.648.341)	(2.051.832)
	<i>related parties</i> 30	(464.745)	(461.941)
Depreciation of tangible assets	27	(536.773)	(382.686)
Amortization of intangible assets	27	(153.082)	(14.242)
Writedowns	27	(2.508)	0
<b>Earning before interest and taxes</b>		<b>5.150.093</b>	<b>4.455.481</b>
Financial costs	28	(472.694)	(252.679)
Financial income	28	202.874	283.646
<b>Earning before taxes</b>		<b>4.880.272</b>	<b>4.486.448</b>
Income taxes	29	(1.274.580)	(1.333.895)
<b>Profit for the year (A)</b>		<b>3.605.692</b>	<b>3.152.553</b>
<b>Other comprehensive income/(losses) for the year that will not be reclassified in income statement:</b>			
Actuarial gain/(losses) on DBO (net of tax)	12	2.158	2.635
<b>Other comprehensive income/(losses) for the year that will be reclassified in income statement:</b>			
Exchange differences on translating foreign operations	12	78.307	(89.653)
<b>Total other comprehensive income/(losses) for the year (B)</b>		<b>80.465</b>	<b>(87.018)</b>
<b>Total comprehensive income (A) + (B)</b>		<b>3.686.157</b>	<b>3.065.535</b>
<b>Profit attributable to:</b>			
Owners of the parent		3.605.692	3.152.553
Minority interest		-	-
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		3.686.157	3.065.535
Minority interest		-	-
<b>Basic earning per share</b>	12	<b>0,33</b>	<b>0,29</b>
<b>Diluted earning per share</b>	12	<b>0,33</b>	<b>0,29</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 June 2018 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION**

Consolidated statement of cash flows (Euro thousands)	First half	
	2018	2017
<b>A- Net current bank balances at the beginning of the period</b>	<b>2.967</b>	<b>3.732</b>
<b>B- Cash flow from operating activities</b>		
Profit/loss for the period (Including third parties Profit/loss)	3.686	3.066
Income tax expense	1.275	1.334
Amortization of intangibles assets	153	14
Depreciation of tangible assets	537	383
Finance cost	473	253
Interest income	(203)	(284)
Net change in provisions for risk and charges and other provision relating to personell	31	(15)
Change in provigion for leaving indemnities		
Allocations and revaluations	-	-
Actuarial gain/(losses)	9	(4)
(Use)	(3)	(65)
(increase) decrease in current trade and other current receivables	(1.887)	(1.527)
(increase) decrease in deferred tax assets and liabilities	(153)	43
(increase) decrease in inventory	(129)	(1.048)
Increase (decrease) in current trade and other payables	449	290
<b>Net cash from/(used in) operating activities</b>	<b>4.238</b>	<b>2.444</b>
Paid interest costs	(255)	(109)
Collected interest income	152	184
Taxes paid	0	(1.523)
<b>Total (B)</b>	<b>4.135</b>	<b>996</b>
<b>C- Cash flow from investing activities</b>		
(Investments) in non current tangible assets	(238)	(294)
Proceeds for sale of non current tangible assets	0	7
Net (investments) in non current intangible assets	(123)	0
Net (investments) in investment in associates	-	-
Net (investments) in non current securities	0	1
(Investments) in current securities	(620)	(327)
Proceeds from sale of current securities	132	3.229
<b>Total (C)</b>	<b>(849)</b>	<b>2.616</b>
<b>D- Cash flow from financing activities</b>		
(Outflow) from repayment of loans	(2.171)	(795)
Inflow from borrowing activities	3.000	5.000
Purchase of treasury shares	(214)	(71)
Dividend paid to shareholders	(4.607)	(10.921)
<b>Total (D)</b>	<b>(3.992)</b>	<b>(6.787)</b>
<b>E- Cash flow for the period (B+C+D)</b>	<b>(706)</b>	<b>(3.175)</b>
<b>F- Cash and cash equivalents at end of the period</b>	<b>2.261</b>	<b>557</b>

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

The following table shows the composition of the balance of net cash and cash equivalents at 30 June 2018 and at 30 June 2017:

	30-Jun-18	30-Jun-17
Cash	3.507	1.712
Bank overdrafts	(1.246)	(1.155)
<b>Total</b>	<b>2.261</b>	<b>557</b>

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

We present below the changes in net equity that occurred in the first half of 2018 and in the first half of 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	
<i>Euro thousand</i>											
<b>Balance January 1, 2017</b>	1.087	379	4.047	44	25	559	0	15.737	21.878	-	21.878
Result of the period							3.153	3.153		3.153	
Other comprehensive income/expenses						(89)	2	(87)		(87)	
<b>Totale other comprehensive income/expenses</b>	-	-	-			(89)	3.155	3.066	-	3.066	
<i>Shareholders</i>											
Allocation of previous year result						27	(27)	0		0	
Dividend distribution							(10.921)	(10.921)		(10.921)	
Treasury shares allocation	(1)		(71)				-	(72)		(72)	
Other						0	-	-		-	
<b>Balance June 30, 2017</b>	1.086	379	3.976	44	25	497	7.943	13.951	-	13.951	

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	Net Group Equity	Minority interest	Total net Equity
<i>Euro thousand</i>										
<b>Balance at January 1, 2018</b>	1.097	379	4.786	44	54	435	11.019	17.814	-	17.814
Result of the period							0	0		0
Other comprehensive income/expenses						78	2	80		80
<b>Totale other comprehensive income/expenses</b>	-	-	-	-	-	78	3.608	3.686	-	3.686
<i>Shareholders</i>										
Allocation of previous year result					0		0	-	-	-
Dividend distribution							(4.607)	(4.607)	-	(4.607)
Treasury shares allocation	(2)		(212)				-	(214)		(214)
Other							-	-		-
<b>Balance at June 30, 2018</b>	1.095	379	4.574	44	54	513	10.019	16.679	-	16.679

# Notes to the condensed consolidated interim financial statements at 30 June 2018 prepared in conformity with the IFRSs adopted by the European Union

## Accounting policies

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

The present condensed consolidated interim financial statements were drawn up, in a summary form, in accordance with IAS 34 “Interim Financial Statements”. These condensed interim financial statements do not include, therefore, all the information required in the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2017.

The accounting standards adopted in preparing the present condensed consolidated interim financial statements are the same as those adopted in preparing the Group's annual consolidated financial statements for the financial year ended 31 December 2017, with the exception of that reported in the subsequent paragraph.

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

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

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

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

Limited auditing of the condensed consolidated interim financial statements for the B&C Speakers Group at 30 June 2018 was entrusted to PricewaterhouseCoopers S.p.A.

## Accounting standards, amendments and interpretations applied from 1 January 2018

*IFRS 15 “Revenues from contracts with customers”*

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 in depth analysis of the various types of transactions, which are almost entirely represented by the sale of products (acoustic transducers), as well as the types which have a lesser economic impact at present (other revenues). Following this analysis, the Group concluded that there were no significant impacts deriving from the adoption of the new standard, in that as of 1 January 2018 the most significant revenue component continued to be recognised in line with the previous accounting guidelines.

#### *IFRS 9 "Financial Instruments"*

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 adopted IFRS 9 and its associated amendments without determining any effects deriving from the introduction of the new standard.

With reference to classification and measurement of financial assets, note that the Group adopts the following business models:

- a business model whose objective is achieved both through the collection of contractual cashflows and through the sales of financial assets (the "hold to collect" business model). In this case, the contractual terms of the financial asset establish cashflows on given dates representing solely payments of capital and interest on the amount of capital to be repaid;
- a business model with the objective of achieving cashflows through the sales of assets, represented by securities in the held for trading portfolio, including under the item other current assets.

Based on these models, the financial assets held by the Group are measured:

- at amortised cost in the case of financial assets relative to the "hold to collect" business model;
- at the fair value recognised in the profit (loss) for the year in the case of securities in the portfolio.

Relative to the introduction of the new method of recognising impairment for financial assets, the Group revised as of 1 January 2018 its methodology for determining provisions to be recognised for covering losses, taking expected losses into account, as envisaged under the new standard. It saw no significant impacts on the result for the year or on equity deriving from application of IFRS 9.

The Group establishes its provision to cover losses in an amount equal to expected losses throughout the life of the receivable, using a method that takes into consideration whether or not at the reporting date the credit risk relative to a given financial instrument has significantly increased after initial recognition.

For trade receivables, the Group applies a simplified approach allowed under the new standard, establishing the provision to cover losses in an amount equal to expected losses throughout the life of the receivable.

IFRS 9 amended IAS 1 (82 ba) requiring separate exposure in the Income Statement of impairment losses (including writebacks of impairment losses or of profits due to reduction in value).

Finally, no effects were seen deriving from the new provisions regarding hedge accounting and in relation to the recognition of transactions to adjust financial liabilities in that these issues are not relevant to the Group.

#### *Amendment to IFRS 2 "Share-based payments"*

The amendments clarify the recognition of certain share-based payments.

#### *Amendment to IAS 40 "Investment property"*

The amendments clarify that the change of use is a necessary condition for transfer from/to Investment Property.

#### *Annual IFRS amendments 2014-2016*

The relevant amendment involves IAS 28 "Investments in Associates and Joint Ventures".

The amendments described above clarify, correct or remove the redundant text in the related IFRS and had no significant impact on the Financial Statements or disclosures.

#### *Interpretation, IFRIC 22*

The change refers to the exchange rate to be used in transactions and advanced sums paid or received in foreign currency.

### **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 following accounting standard:

- 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.

The Group holds that the analysis will be completed within the next six 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 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 2017The 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.

### Consolidation scope

The interim report at 30 June 2018 prepared according to the IFRSs includes line by line the financial statements of the Parent Company and of the companies of the B&C Speakers Group.

The companies within the scope of consolidation at 30 June 2018 are the following:

Companies	Country	Group structure at 30 june 2018			Group structure at 31 december 2017		
		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%	-		0%
Sound & Vision S.r.l.	Italy		100%	100%			0%
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

Related company	Country	Group structure at 30 june 2018			Group structure at 31 december 2017		
		Direct	Indirect	Total	Direct	Indirect	Total
Silence Tech S.r.l.	Italy	33%	-	33%	33%	-	33%

There were no changes relative to the scope of consolidation at 31 December 2018.

The exchange rates applied in the conversion of financial statements in currencies other than the euro in the first half of 2018, at 31 December 2017 and in the first half of 2017 are shown in the table below:

Currency	30-Jun-18		31-Dec-17		30-Jun-17	
	Avg exch.	Final exch.	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1,210	1,166	1,130	1,199	1,116	1,110
EURO/REAL	4,142	4,488	3,605	3,973	4,130	3,590

### Operating segments

IFRS 8 requires precise identification of the areas of business in the internal reports used by the management in order to allocate resources to the various segments and monitor their performance. Based on the definition of the operating segments given by IFRS 8, the Group

operates in a single sector (“acoustic transducers”) and consequently executive reporting pertains to this area of business alone.

## Analysis of the breakdown of the main items of the consolidated balance sheet at 30 June 2018

### 1. Property, plant and equipment

A breakdown of property, plant and equipment at 30 June 2018 and the related changes during the period are highlighted in the following tables:

(In Euro)

Historic cost	31-Dec-17	Additions	Reclassification	Foreign exch.	(Decreases)	30-Jun-18
Land and buildings	4.921	-	-	141	-	5.062
Photovoltaic System and other minor	1.123.206	-	-	-	-	1.123.206
Lightweight construction	74.754	-	-	-	-	74.754
Plants and machinery	7.190.291	116.709	-	2.424	-	7.309.424
Industrial equipment	7.054.678	96.575	3.207	(320)	(3.917)	7.150.223
Various equipment	1.353.649	15.091	-	(5.071)	(24.091)	1.339.578
Fixed assets in progress	37.026	26.800	(3.207)	-	(11.000)	49.619
<b>Total</b>	<b>16.838.525</b>	<b>255.175</b>	<b>-</b>	<b>(2.826)</b>	<b>(39.008)</b>	<b>17.051.866</b>

Accumulated depreciation	31-Dec-17	Depreciation	Reclassification	Foreign exch.	(Decreases)	30-Jun-18
Land and buildings	5.069	403	-	(187)	-	5.285
Photovoltaic System and other minor	512.679	49.784	-	-	-	562.463
Lightweight construction	32.005	3.591	-	-	-	35.596
Plants and machinery	5.438.280	283.655	-	2.400	-	5.724.335
Industrial equipment	6.416.600	159.985	-	(192)	(1.469)	6.574.924
Various equipment	1.115.581	39.355	-	(1.643)	(24.091)	1.129.202
Fixed assets in progress	-	-	-	-	-	-
<b>Total</b>	<b>13.520.214</b>	<b>536.773</b>	<b>-</b>	<b>378</b>	<b>(25.560)</b>	<b>14.031.805</b>

Net value	31-Dec-17	Net increases	Reclassification	Foreign exch.	Depreciation	Accumulated depreciation decrease	30-Jun-18
Land and buildings	-	-	-	328	(328)	-	-
Photovoltaic System and other minor	610.527	-	-	-	(49.784)	-	560.743
Lightweight construction	42.749	-	-	-	(3.591)	-	39.157
Plants and machinery	1.751.862	116.709	-	(50)	(283.730)	-	1.584.791
Industrial equipment	638.078	92.658	3.207	(128)	(159.985)	1.469	575.300
Various equipment	238.068	(9.000)	-	(3.428)	(39.355)	24.091	210.375
Fixed assets in progress	37.027	15.800	(3.207)	-	-	-	49.620
<b>Total</b>	<b>3.318.310</b>	<b>216.167</b>	<b>-</b>	<b>3.278</b>	<b>-</b>	<b>536.773</b>	<b>3.019.986</b>

The most significant changes that occurred during the first half of 2018 refer to investments made on the production lines in order to increase their efficiency and the production capacity.

### 2. Goodwill

A breakdown of this item at 30 June 2018 is highlighted in the following table:

(In Euro)

<b>Goodwill</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
Goodwill on Eighteen Sound S.r.l.	924.392	924.392,33
Goodwill on B&C Speakers Usa NA LLC	1.393.789	1.393.789
Writedowns	-	-
<b>Total goodwill</b>	<b>2.318.181</b>	<b>1.393.789</b>

The item Goodwill saw no changes with respect to 31 December 2017 and refers to:

- (i) the consolidation of the equity investment in *B&C Speakers NA LLC*, for € 1,394 thousand;
- (ii) the consolidation of the equity investment in Eighteen Sound S.r.l. for € 924 thousand.

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.

Goodwill, together with other assets of the subsidiaries, were subjected to an impairment test at the time the annual financial statements were prepared. 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. Please see the most recent annual financial statements for information about the main hypotheses and assumptions adopted for calculating value in use.

The hypotheses formulated in preparing the industrial plan used for the impairment test carried out on the occasion of preparing the annual financial statements, approved by the Board of Directors on 15 March 2018, did not undergo significant changes during the half-year in question. The measurements performed by the group did not identify, as of the reporting date, indicators such as to lead the management to consider necessary an update of the impairment test carried out at 31 December 2017 in support of the recognition of the goodwill difference are therefore not present, at the date on which the present report was drawn up.

Given that the recoverable amount was determined on the basis of estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods.

### **3. Other Intangible assets**

A breakdown of intangible assets at 30 June 2018, and the related changes in the period are shown in the following table:



(In Euro)

<b>Other intangible fixed assets</b>	<b>31-Dec-17</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>Foreign Exchange</b>	<b>Depreciation</b>	<b>30-Jun-18</b>
Patent rights	155.237	128.893	-	(5.679)	64.534	213.917
	444.511				88.548	355.963
Intangible assets in progress	0	-	-	-	-	-
<b>Total</b>	<b>599.748</b>	<b>128.893</b>	<b>-</b>	<b>(5.679)</b>	<b>153.082</b>	<b>569.880</b>

“Patent rights” comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase during the period can essentially be attributed to the purchase of management software and software for the corporate servers, as well as for disaster recovery management.

#### 4. Equity investments in associated companies

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

#### 5. Deferred tax assets

At 30 June 2018, this item reflects deferred tax assets, net of deferred tax liabilities, totalling € 506 thousand (€ 353 thousand at 31 December 2017).

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

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

#### 6. Other non-current assets

At 30 June 2018 this item is as follows:

(In Euro)

<b>Other non current assets</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>Change</b>	<b>% Change</b>
Insurance policies	411.489	411.489	0	0%
Guarantee deposits	61.595	61.595	-	0%
Ires refund receivables	88.950	88.950	-	0%
Others	6.296	6.101	195	3%
<b>Total non current assets</b>	<b>568.330</b>	<b>568.135</b>	<b>195</b>	<b>0%</b>

Insurance policies refers to receivables accrued in respect of the insurance companies Fondiaria Assicurazioni and Allianz in relation to the capitalisation policies signed in order to guarantee adequate financial cover of the Directors’ severance pay.

The value of the assets relating to insurance policies recognised in the financial statements has been measured according to the value of the premiums paid.

Guarantee deposits reflects the amount receivable for guarantee deposits issued based on contracts for the leasing of the Group's manufacturing and administrative offices.

## 7. Inventories

Warehouse inventories are calculated according to the F.I.F.O. method and can be broken down as follows at 30 June 2018:

(In Euro)

Inventories	30-Jun-18	31-Dec-17	Change	% Change
Raw materials and consumables	4.011.449	3.180.363	831.086	26%
Work in progress and semi-finished	7.908.051	7.624.898	283.153	4%
Finished goods	2.131.427	2.988.296	(856.869)	-29%
<b>Gross Total</b>	<b>14.050.926</b>	<b>13.793.557</b>	<b>257.369</b>	<b>2%</b>
Provision for inventory writedowns	(706.333)	(577.906)	(128.427)	22%
<b>Net Total</b>	<b>13.344.593</b>	<b>13.215.651</b>	<b>128.942</b>	<b>1%</b>

The value of inventories is shown net of provisions for inventory writedowns of € 706 thousand at 30 June 2018.

Change in provision for inventory writedowns	31-Dec-17	Increase	Use	Foreign Exchange	30-Jun-18
Provision for inventory writedowns	577.906	132.652	-	(4.225)	706.333
<b>Total</b>	<b>577.906</b>	<b>132.652</b>	<b>-</b>	<b>(4.225)</b>	<b>706.333</b>

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

The gross value of inventories as at 30 June 2018 would appear to have increased by € 257 overall with respect to the 31 December 2017 total. The increase in final inventories is functional to supporting the Group's increased turnover and its existing order portfolio as of the reporting date, as reported in the report on operations.

## 8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 30 June 2018:

(In Euro)

Trade receivables	30-Jun-18	31-Dec-17	Change	Change %
Trade receivables	14.452.391	11.667.554	2.784.837	24%
(Provision for doubtful accounts)	(406.764)	(414.880)	8.116	-2%
<b>Total</b>	<b>14.045.627</b>	<b>11.252.674</b>	<b>2.792.953</b>	<b>25%</b>

The gross amount of trade receivables increased compared with 31 December 2017 principally due to the Group's increased turnover.

## 9. Tax assets

At 30 June 2018, tax assets of € 667 thousand (€ 1,297 thousand at 31 December 2017), consisted mainly of VAT receivables for € 614 thousand, and tax receivables relative to foreign subsidiaries for the residual amount.

## 10. Other current assets

Other current assets can be broken down as follows:

(In Euro)

Other current assets	30-Jun-18	31-Dec-17	Change	% Change
Receivables towards supplier	51.734	75.705	(23.971)	-32%
Securities	5.531.221	5.174.467	356.754	7%
Other minor receivables	149.605	257.245	(107.640)	-42%
<b>Total other receivables</b>	<b>5.732.561</b>	<b>5.507.417</b>	<b>225.144</b>	<b>4%</b>
Commercial fairs	62.640	60.797	1.843	3%
Phone expenses	5.100	5.513	(413)	-7%
Assistance and assurance fees	42.132	44.292	(2.160)	-5%
Specialist contract	10.000	12.250	(2.250)	-18%
Other	78.282	37.218	41.064	110%
<b>Total prepaid expenses and accrued income</b>	<b>198.154</b>	<b>160.070</b>	<b>38.084</b>	<b>24%</b>
<b>Total current assets</b>	<b>5.930.715</b>	<b>5.667.487</b>	<b>263.228</b>	<b>5%</b>

Securities held in the portfolio refer to asset management items denominated in € and held for short-term liquidity. These securities were measured at fair value and the presumed loss (€ 131 thousand) allocated to financial expenses on the income statement.

The item "Specialist contract" refers to accrued expenses for service fees relating to the portion accruing to the second half of 2018 to be paid to *Intermonte Sim S.p.A.* for its specialist services.

## 11. Cash and cash equivalents

As required by Consob Communication No. DEM/6064293 of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the Group's net financial position at 30 June 2018 is detailed below:

(In € thousands)

	30 June 2018 (a)	31 December 2017 (a)	Change %
A. Cash	3.507	4.411	-21%
C. Securities held for trading	5.531	5.174	7%
<b>D. Cash and cash equivalent (A+C)</b>	<b>9.038</b>	<b>9.586</b>	<b>-6%</b>
F. Bank overdrafts	(1.246)	(1.443)	-14%
G. Current portion of non current borrowings	(6.016)	(4.346)	38%
<b>I. Current borrowings (F+G)</b>	<b>(7.262)</b>	<b>(5.789)</b>	<b>25%</b>
<b>J. Current net financial position (D+I)</b>	<b>1.776</b>	<b>3.797</b>	<b>-53%</b>
K. Non current borrowings	(9.677)	(10.519)	-8%
<b>N. Non current borrowings</b>	<b>(9.677)</b>	<b>(10.519)</b>	<b>-8%</b>
<b>O. Total net financial position (J+N)</b>	<b>(7.901)</b>	<b>(6.722)</b>	<b>18%</b>

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

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

	30-Jun-18	31-Dec-17
<b>Cash and cash equivalents at end of the period</b>	<b>2.261</b>	<b>2.968</b>
Current portion of non current borrowings	(6.016)	(4.346)
Non current borrowings	(9.677)	(10.519)
Securities held for trading	5.531	5.175
<b>Total net financial position</b>	<b>(7.901)</b>	<b>(6.722)</b>

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

## 12. NET EQUITY

### Share capital

Share capital was € 1,094 thousand at 30 June 2018 and had decreased by € 2 thousand following the purchase of treasury shares. As a result of the continuation of the buy-back plan, on 30 June 2018 B&C Speakers S.p.A. held a total of 29,897 equal to 0.27% of the share capital. At the date of this report (September 2018), the number of Treasury shares owned has changed with respect to 30 June 2017 and amounts to 29,897, equal to 0.27% of the share capital. The following table shows the changes, in the first half of 2018, to the number of shares outstanding of the Parent Company:

<b>Reconciliation of the number of outstanding shares</b>	<b>Outstanding shares (n.)</b>
<b>December 31, 2017</b>	<b>10.989.546</b>
Treasury shares purchased	(19.078)
Treasury Shares sold	-
<b>June 30, 2018</b>	<b>10.970.468</b>

### **Other reserves**

This item, equal to € 5,051 thousand at 30 June 2018, comprises the legal reserve for € 379 thousand, the extraordinary reserve for € 44 thousand, the reserve for unrealised capital gains on currency exchange for € 54 thousand and the share premium reserve for € 4,574 thousand.

In particular, the share premium reserve, which originated on placing of the Parent Company's ordinary shares, during the period in question, fell by € 212 thousand following the recognition of operations carried out on treasury shares.

### **Foreign Exchange reserve**

This item amounted to € 513 as at 31 December 2018 and includes the exchange differences arising from conversion of the financial statements in foreign currencies. This reserve increased by € 78 thousand due to the recognition of other statement of comprehensive income items 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 € 3,606 thousand and other period profits/(losses) for a positive value of € 2 thousand relative to the actuarial gains 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:

	Foreign exchange reserve	Retained earnings	Total Group	Minority interests	Total other comprehensive income/(losses)
<i>Euro Thousand</i>					
<b>June 30, 2018</b>					
<b>Other comprehensive income/(losses) for the year that will not be reclassified in income statement:</b>					
Actuarial gain/(losses) on DBO (net of tax)		2	2		2
<b>Total</b>	-	2	2	-	2
<b>Other comprehensive income/(losses) for the year that will be reclassified in income statement:</b>					
Exchange differences on translating foreign operatic	78		78	-	78
<b>Total</b>	78	-	78	-	78
<b>Other comprehensive income/(losses) for the year:</b>	<b>78</b>	<b>2</b>	<b>80</b>	<b>-</b>	<b>80</b>
<b>June 30, 2017</b>					
<b>Other comprehensive income/(losses) for the year that will not be reclassified in income statement:</b>					
Actuarial gain/(losses) on DBO (net of tax)		2	2		2
<b>Total</b>	-	2	2	-	2
<b>Other comprehensive income/(losses) for the year that will be reclassified in income statement:</b>					
Exchange differences on translating foreign operatic	(89)		(89)	-	(89)
<b>Total</b>	(89)	0	(89)	-	(89)
<b>Other comprehensive income/(losses) for the year:</b>	<b>(89)</b>	<b>2</b>	<b>(87)</b>	<b>0</b>	<b>(87)</b>

	June 30, 2018			June 30, 2017		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
<i>Euro thousand</i>						
Actuarial gain/(losses) on DBO	3	(1)	2	3	(1)	2
Exchange differences on translating foreign operatic	78		78	(89)		(89)
<b>Other comprehensive income/(losses)</b>	<b>81</b>	<b>(1)</b>	<b>80</b>	<b>(86)</b>	<b>(1)</b>	<b>(87)</b>

## Earnings per share

Earnings per share have been calculated as per IAS 33. The value of this indicator is € 0.33 per share (€ 0.29 in the first half of 2017). This indicator has been calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period (no. 10,970,468 in the first half of 2018).

## 13. Long-term borrowings

The item is made up of:

(In Euro)

Indebitamento finanziario a medio-lungo termine	30-giu-18	31-dic-17	Variazione	Variazione %
Finanziamento CRF 1	84.129	588.188	(504.059)	-86%
Finanziamento CRF 2	3.500.026	4.000.024	(499.998)	-12%
Finanziamento Unicredit	2.300.356	2.925.169	(624.813)	-21%
Finanziamento BNL 1	2.506.556	3.005.242	(498.686)	-17%
Finanziamento BNL 2	1.285.714	-	1.285.714	n/a
<b>Totale debiti finanziari a medio-lungo termine</b>	<b>9.676.781</b>	<b>10.518.623</b>	<b>(841.842)</b>	<b>-8%</b>

The item "CRF 1 loan" of € 84 thousand at 30 June 2018 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 € 3,500 thousand at 30 June 2018 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 € 2,300 thousand at 30 June 2018 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 “BNL Loan 1” of € 2,507 thousand at 30 June 2018 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 item “BNL Loan 2” of € 1,285 thousand at 30 June 2018 includes the portion due beyond the following year of the long-term loan agreed with Banca Nazionale del Lavoro S.p.A. on 31 March 2018.

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

Change in borrowings	31-Dec-17	Refunds	New borrowings	Reclassification current portion	30-giu-18
<b>Non current portion</b>					
Bank borrowings	10.518.623	-	3.000.000	(3.841.842)	9.676.781
Leasing	-	-	-	-	-
<b>Total non current borrowings</b>	<b>10.518.623</b>	<b>-</b>	<b>3.000.000</b>	<b>- 3.841.842</b>	<b>9.676.781</b>
<b>Curent portion</b>					
Bank overdrafts	1.443.457,00	(1.443.457)	1.245.905	-	1.245.905
Bank borrowings	4.345.533	(2.171.179)	-	3.841.842	6.016.196
<b>Total current borrowings</b>	<b>5.788.990</b>	<b>(3.614.636)</b>	<b>1.245.905,00</b>	<b>3.841.842</b>	<b>7.262.101</b>

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

(In Euro)

Loans details	Simest	CRF 1	CRF 2	Unicredit	BNL 1	BNL 2
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.	Banca Nazionale del Lavoro S.p.A.
Original amount	500.000	4.000.000	5.000.000	5.000.000	4.000.000	3.000.000
Contract date	19 April 2011	29 July 2015	26 October 2017	18 April 2017	23 November 2017	31 March 2018
Due date	31 December 2018	29 July 2019	26 October 2022	30 April 2021	23 November 2021	31 March 2020
N. installments	10	48	20	48	16	20
Advance instalments	5	-	-	-	-	5
Periodicity	Half-yearly	Monthly	Quarterly	Monthly	Quarterly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor 1 month + 0,55%	Euribor 3M (base 360) with floor at zero + spread 0,33%	0,35%	0,35%	0,10%
Current portion	50.000	1.006.893	999.985	1.248.533	996.500	1.714.286
Non current portion	-	84.129	3.500.026	2.300.356	2.506.556	1.285.714

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 July 2015	12 December 2017
Due date	29 July 2019	26 October 2022
Mark to market amount at June 30, 2018	(3.293)	(21.335)

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

#### 14. Provisions for personnel and similar

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

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

The present value of liabilities for severance indemnity, in accordance with IAS 19, is € 401 thousand (€ 394 thousand at 31 December 2017).

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

##### Technical parameters

	30-Jun-18
Technical annual discounting rate	0,98%
Annual inflation rate	1,50%
Tasso annuo incremento TFR	2,625%

With regard to the evaluation of the discount rate, the reference used was the IBoxx Corporate AA index of June 2018 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

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

- sensitivity 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 30-june-2018
Turnover rate +1%	378.162
Turnover rate -1%	382.949
Inflation rate + 0,25%	384.975
Inflation rate - 0,25%	376.945
Discount rate + 25%	373.248
Discount rate - 25%	387.848

### Estimated future payments

Year	Amount
1	33.449
2	31.036
3	56.339
4	41.553
5	20.505

### Service Cost and Duration

Service Cost	0,00
Duration	8,20

Provisions for Directors' Severance Pay at 30 June 2018 amounted to € 440 thousand (€ 411 thousand at 31 December 2017) and, in order to recognise them, for each Director, provisions were set aside for the portion matured during the period on the basis of the existing agreement.

### 15. Provisions for risks

At 30 June 2018 the item, of € 40 thousand (€ 37 thousand at 31 December 2017), contains provisions to cope with the risk of warranty support for the Group's products.

### 16. Short-term borrowings

The item is made up of:

(In Euro)

Short term borrowings	30-Jun-18	31-Dec-17	Change	% Change
Short-term Simest loan	50.000	100.000	(50.000)	-50%
Short-term CRF 1 loan	1.006.893	1.004.449	2.444	0%
Short-term CRF 2 loan	999.985	999.976	9	0%
Short-term Unicredit loan	1.248.533	1.246.350	2.183	0%
Short-term BNL 1 loan	996.500	994.758	1.742	0%
Short-term BNL 2 loan	1.714.286	-	1.714.286	n/a
Bank overdrafts	1.245.905	1.443.457	(197.552)	-14%
<b>Total</b>	<b>7.262.101</b>	<b>5.788.990</b>	<b>1.473.111</b>	<b>25%</b>

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

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

## 17. Trade payables

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

(In Euro)

Trade payables	30-Jun-18	31-Dec-17	Change	% Change
Trade payables	7.374.588	6.128.625	1.245.963	20%
<b>Total trade payables</b>	<b>7.374.588</b>	<b>6.128.625</b>	<b>1.245.963</b>	<b>20%</b>

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

## 18. Tax liabilities

At 30 June 2018, this item was € 797 thousand (€ 414 thousand at 31 December 2017) and includes tax liabilities for current taxes of the Group net of advances paid.

## 19. Other current liabilities

At 30 June 2018, this item is made up as follows:

(In Euro)

Other current liabilities	30-Jun-18	31-Dec-17	Change	% Change
Due to social security funds	275.066	350.386	(75.320)	-21%
Unused vacation time and holidays	846.568	449.186	397.382	88%
Due to personnel	376.811	417.031	(40.220)	-10%
Other liabilities	358.925	326.181	32.743	10%
<b>Total current liabilities</b>	<b>1.857.370</b>	<b>1.542.784</b>	<b>314.585</b>	<b>20%</b>

The item "Unused vacation time and holidays" includes accruals for the thirteenth month bonus as well as the payable for remaining holidays at 30 June 2018. The increase in the payable compared with 31 December 2017 was due to the greater accumulation of holidays recorded normally at the end of the first half of the financial year compared with the end of the previous financial year.

The category of "due to personnel" includes payables for salary and retribution not yet paid at 30 June 2018 and settled within the third working day of the next month.

The item "Other liabilities" mainly includes the debt accrued for the management performance bonus (€ 199 thousand), the payable for directors' fees (€ 42 thousand), the payable for fair value measurement of the IRS contracts with Banca CR Firenze S.p.A. (€ 25 thousand) and other smaller amounts.

## 20. Guarantees given to third parties

At 30 June 2018, as also at 31 December 2017, there are no records of any guarantees given to third parties by Group companies.

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

<i>Euro thousands</i>	In 1 year	Between 2 and 5 years	Beyond 5 years	Total
Operating Lease contracts	924	3.201	455	4.581
<b>Total</b>				

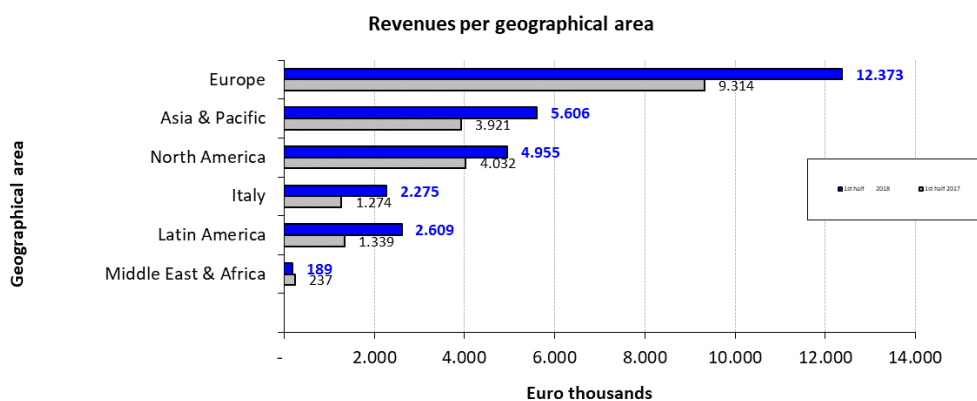
## Analysis of the breakdown of the main items of the consolidated income statement closed at 30 June 2018

### 21. Revenues

(In Euro)

Geographical Area	1st half 2018	%	1st half 2017	%	Change	Change %
America Latina	2.608.963	9,3%	1.338.680	6,7%	1.270.283	95%
Europa	12.373.261	44,2%	9.313.806	46,3%	3.059.455	33%
Italia	2.274.561	8,1%	1.274.300	6,3%	1.000.261	78%
Nord America	4.955.008	17,7%	4.031.946	20,0%	923.062	23%
Medio Oriente & Africa	189.408	0,7%	236.580	1,2%	(47.172)	-20%
Asia & Pacifico	5.606.211	20,0%	3.920.880	19,5%	1.685.331	43%
<b>Totale</b>	<b>28.007.411</b>	<b>100,0%</b>	<b>20.116.191</b>	<b>100,0%</b>	<b>7.891.220</b>	<b>39,23%</b>

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



The significant increase with respect to the corresponding period the previous year was the result of excellent growth of 10.1% achieved by the B&C Speakers Group when the scope of consolidation is held constant with respect to 2017, to which was added the turnover achieved by Eighteen Sound and Sound & Vision which provided a net contribution of € 5.9 million.

During the period, thanks in part to the effects of the acquisition, the Group saw a significant increase in turnover in all areas. In particular we note significant growth in the European market (+33% with sales of € 12.4 million) and in the Latin American market (+95% with sales

of € 2.6 million). Growth in North America and in the Asia-Pacific area was also very strong, with rates above 23% and 43% respectively.

In the first semester of 2018, two clients were responsible for turnover above 10% of the total: they each account for 11% of turnover for the half.

## 22. Cost of sales

The item is made up of:

Cost of sales	I half 2018	I half 2017	Change	Change %
Consumption of production materials	13.068.744	8.847.557	4.221.187	48%
Direct labour	3.418.447	2.254.775	1.163.672	52%
Freight	430.981	418.563	12.419	3%
Duties, commissions and other minor costs	291.628	167.337	124.291	74%
<b>Totale Cost of Sales</b>	<b>17.209.800</b>	<b>11.688.232</b>	<b>5.521.569</b>	<b>47%</b>

The increase in costs of raw materials and third-party manufacturing, direct labour costs, and transport costs is essentially due to the inclusion of the two newly acquired companies, Eighteen Sound and Sound & Vision. As indicated in the Report on Operations, 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 still has margins which are much lower than those of 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. Note that costs for materials and third-party manufacturing, with the perimeter held equal with respect to the first half of 2017, would have increased at a rate less than proportional to the increase in turnover, leading to an improvement in margins.

## 23. Other revenues

This category mainly refers to insurance indemnities received by Eighteen Sound relative to the fire at the plant in Reggio Emilia, and to a residual extent to recoveries of expenses.

## 24. Indirect Personnel

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

The item is made up of:

Cost of indirect labour	I half 2018	I half 2017	Variazione	Variazione %
Retribution	1.466.335	889.251	577.084	65%
Social charges	378.287	212.081	166.206	78%
Severance indemnity	50.273	39.158	11.115	28%
<b>Total cost of indirect labour</b>	<b>1.894.895</b>	<b>1.140.490</b>	<b>754.405</b>	<b>66%</b>

The increase in the item "Salaries" and "social security expenses on salaries" refers for € 632 thousand to the inclusion of the two newly acquired companies, while the remainder refers to contractual adjustments during the year and the addition of a new employee to the staff.

## 25. Commercial Expenses

Commercial expenses totalling € 605 thousand (€ 478 thousand in the first half of 2017) mainly increased due to the inclusion of the two newly acquired companies. Note that when the perimeter is held equal to that in the first half of 2017, commercial expenses were substantially in line with the corresponding period the previous year.

## 26. Administrative and General expenses

Administrative and general costs, at € 2,648 thousand, increased by around € 597 thousand compared to the first six months of the previous year, mainly due to the addition of the two newly acquired companies.

## 27. Amortisation, depreciation, provisions and writedowns

The item is made up of:

Amortization, depreciation and writedowns	I half 2018	I half 2017	Change	Change %
Amortization of intangibles assets	153.082	14.242	138.840	975%
Depreciation of tangible assets	536.773	382.686	154.088	40%
<b>Total amortizations and depreciations</b>	<b>689.855</b>	<b>396.927</b>	<b>292.928</b>	<b>74%</b>
Bad debt provision	-	-	-	n/a
Provision for warranty	-	-	-	n/a
Other provisions	2.508	-	2.508	n/a
<b>Total Writedowns</b>	<b>2.508</b>	<b>-</b>	<b>2.508</b>	<b>n/a</b>

The increase in amortisation/depreciation with respect to the first half of 2017 is entirely due to amortisation/depreciation deriving from the two newly acquired companies.

## 28. Financial income and expenses

Financial income totalled € 203 thousand (€ 284 thousand in the first half of 2017) and mainly includes positive exchange differences realised in the amount of € 137 thousand, with € 64 thousand unrealised, as well as interest expense on current accounts for € 2 thousand.

Financial expense amounted to € 473 thousand (€ 253 thousand in the first half of 2017) and mainly includes negative exchange differences realised in the amount of € 218 thousand, with € 80 thousand unrealised, interest expense on loans and bank overdrafts for € 33 thousand and presumed losses on current asset securities for € 131 thousand.

## 29. Taxes

This item, including current and deferred taxes, is € 1,275 thousand (€ 1,334 thousand in the first half of 2017).

Income taxes are recognised on the basis of the best estimate of the average rate expected for the entire financial year (average tax rate expected on the basis of the Group's budget forecasts). The Group's average tax rate went from 29.7% to 26.1%, mainly as an effect of the agreement signed with the Italian tax authorities, which sets methods and criteria for calculating the economic contribution to the production of corporate income for intangible assets for the purposes of the "Patent Box", with reference to tax years 2015 – 2019.

### 30. Transactions with related parties and subsidiaries under their management

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

The related parties were identified by the Directors as the holding company *Research & Development International S.r.l.*, a company which provides management and coordination over the issuer and has its with registered office in Florence, Viale dei Mille No. 60, Tax Code 02342270481, share capital € 90,000, and at 30 June 2017 holds 54% of the shares of B&C Speakers S.p.A.

#### Economic transactions

(In Euro)

General and Administrative Expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
1 half 2018	(2.648.341)	(464.745)	(464.745)	18%
1 half 2017	(2.051.832)	(461.941)	(461.941)	23%

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

#### Financial Relationships

(In Euro)

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2018	568.330	88.950	88.950	16%
31 December 2017	509.219	88.950	88.950	17%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
30 June 2018	(7.374.588)	(557)	(557)	0%
31 December 2017	(4.393.853)	(1.407)	(1.407)	0%

The debit positions in relation to Research & Development International S.r.l. at 30 June 2018, arose as a result of the rental contract for the property in which the Parent company's new production line was installed.

The creditor position of Research & Development International S.r.l. existing at 30 June 2018, is related to the credit for an IRES rebate which arose in 2012 following the rebate application made by the Holding for the financial years in which the Group companies availed themselves of tax consolidation.

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

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

### **31. Transactions deriving from non-recurring operations**

Pursuant to the Consob Communication of 28 July 2006, it is noted that during the first half of 2018 no non-recurring operations occurred.

### **32. Transactions deriving from atypical and/or unusual operations**

Under the terms of Consob Communication of 28 July 2006, we can specify that during the first half of 2018 the Group did not engage in any atypical and/or unusual operations, as defined in the said Communication.

### **33. Information on financial risks**

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

#### **Currency exchange risks**

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

In the first half of 2018, the Group continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies (USD and CAD) is summarised as follows:

- Purchases in US Dollars equal to 8.3 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 6.9 million.
- Purchases in Canadian Dollars equal to € 169 thousand whose corresponding value in € (calculated according to the average exchange rate for the period) is equal to € 109 thousand.

Meanwhile, during the first half of 2018, the Group invoiced clients in foreign currency. More specifically, within the item revenue, the elements paid in foreign currency (USD and Real) are

listed below:

- Turnover in US Dollars equal to 6.9 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 5.7 million;
- Turnover in REAL equal to 1.3 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 0.3 million.

These figures show that purchases in foreign currency account for approximately 34% of total purchases (26% in the first half of 2017), while sales in foreign currency account for 21% of the Group's turnover (unchanged in the first half of 2017).

On the basis of that set out above, a 3% increase/decrease in the euro would generate potential gains of € 30 thousand and losses of € 32 thousand, respectively.

On the Balance sheet, the equivalent in Euros of trade receivables entered in US dollars on 30 June 2018 amounted to € 2.7 million (the total value on 31 December 2017 was € 1.1 million), while the equivalent value of trade payables in US dollars on 30 June 2018 amounted to € 2.9 million (the total value on 31 December 2017 amounted to € 1.1 million).

Trade Receivables and Payables in other currencies are negligible.

Considering that which is set out above, an increase/decrease of 3% in the euro would generate potential gains of Euro 3 thousand and losses of € 4 thousand, respectively.

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

Based on the above data, the impact of tax receivables in currency reaches approximately 21% of the overall trade value, while the impact of trade payables in currency accounts for 30% of the total value of corporate debt.

The balance sheet assets in a currency other than the euro were adequate to the exact exchange rate on 30 June 2018, with the associated costs and profits entered in the income statement.

### **Credit risk**

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

### **Interest rate risk**

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



## Liquidity risk

As at 30 June 2018, the Company has a negative Net Financial Position of € 7.90 million (€ 6.72 million as at 31 December 2017). It is the result of a current positive NFP of about € 1.77 million (3.79 million as at 31 December 2017) and non-current net financial debt of € 9.67 million (€ 10.51 million as at 31 December 2017). For the characteristics of the loans in question, one should refer to Note 11. The Company believes that the short and medium term credit lines and funds currently existing, as well as those that will be generated by operations, will allow it to meet its requirements arising from investment activities, management of working capital and repayment of debts in line with their natural due dates.

## 34. Hierarchical levels of the fair value measurement

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

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 30 June 2018, according to the hierarchical level of fair value measurement:

Hierarchical level of Fair Value measurement	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Other current assets	5.531.221	-	-
<b>Total</b>	<b>5.531.221</b>	-	-
<b>Financial liabilities</b>			
Interest Rate Swap	-	(24.628)	-
<b>Total</b>	-	<b>(24.628)</b>	-

We note that, with respect to 30 June 2018, there were no movements between the various fair value levels.

## 35. Subsequent events

Following the closing date of this half of 2018 and until the draft date of this report, the following events have been worthy of note:

- On 11 July 2018, the company finalised the ruling procedure with the Regional Revenue Office for the Patent Box scheme presented from 2015. As a result of the agreement made with the Revenue Office, B&C Speakers will benefit from a consistent tax discount which, for the first five-year period 2015/2019, has been estimated at over € 2.8 million in minor direct taxes, thanks to the high level of know-how developed by the company and the B&C Speakers brand, registered in over 60

countries. Tax savings for financial year 2015 amounted to around € 414 thousand, while that relative to subsequent years is still being determined.

### **36. Publication authorisation**

This document was published on 14 September 2018, authorised by the Director with financial delegation.

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

1. The undersigned Simone Pratesi, as Chief Executive Officer and Francesco Spapperi, as Financial Reporting Manager of B&C Speakers S.p.A., hereby certify, also in view of the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:
  - the adequacy with regard to the characteristics of the company, and
  - the effective application of the administrative and accounting procedures for formation of the condensed interim financial statements during the first half of 2018.
2. We can also confirm that:
  - 2.1 the condensed consolidated interim financial statements:
    - are drawn up in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council, of 19 July 2002, as well as the measures enacted to implement Art. 9 of Italian Legislative Decree No. 38/2005;
    - correspond to the information in the accounting ledgers;
    - are capable of providing a fair and correct representation of the situation of the assets and liabilities, and the economic and financial situation, of the issuer and of all the companies included in the consolidation scope.
  - 2.2 The interim report on operations includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

Florence, 14 September 2018

Simone Pratesi

Francesco Spapperi

*Financially-Delegated Director*

*Financial Reporting Manager*

# Independent Auditors' Report



## REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of  
B&C Speakers SpA

### Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of B&C Speakers SpA and its subsidiaries (the B&C Speakers Group) as of 30 June 2018, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and related notes. The directors of B&C Speakers SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of review

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

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### PricewaterhouseCoopers SpA

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### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the B&C Speakers Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 14 September 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.*