

GROUP B&C SPEAKERS



INTERIM REPORT at September, 30th 2018

The Board of Directors of November, 14th 2018

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

Board of Directors

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

Board of Auditors

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

Financial Reporting Manager

Francesco Spapperi

Independent auditing firm

PricewaterhouseCoopers S.p.A.

2 INTRODUCTION

The *Interim Report* at September 30, 2018 has been prepared pursuant to Legislative Decree 195/2007 and article 154 *ter* of the T.U.F.; the economic and financial aggregates shown below, even if determined on the basis of IFRS and in particular the same measurement criteria used for the preparation of the consolidated financial statements as at December 31, 2017, do not represent an interim financial statement prepared in accordance with *I.F.R.S.* and in particular with *IAS 34*.

This interim report has not been subjected to audit.

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

- The quarter under analysis represents the first with the full contribution of Eighteen Sound S.r.l. to the economic data of the B&C Speakers Group.
- Also as a result of the foregoing, during the period January-September 2018, the Group's turnover reached a value of Euro 41.23 million, an increase of 37.3% compared to the same period of 2017, when turnover was equal to on 29.65 million euros.
- During the first nine months of 2018, the Parent Company continued the execution of the Buy-Back plan for its own shares. The trading of own shares has led to completely cancel the stock of own shares held. With reference to September 30, 2018, the treasury shares held therefore amounted to zero.

Information on ownership structure

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

- **Research & Development International S.r.l.** holding a 54.00% stake (*parent company*);
- Alboran S.r.l. holding 3.1%;

4 Results Of Ownership Structure, Asset Management and Financial Management

This Interim Report at September 30, 2018 contains the information required by *art. 154 ter of the TUF*.

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

In particular, as required by IFRS, a provision was made for the carrying out of estimates and the formulation of assumptions, which are reflected in the determination of the carrying amounts of assets and liabilities, including potential assets and liabilities at the end of the

period. These estimates and assumptions are used specifically for determining amortisation and depreciation, *impairment testing* of assets (including the measurement of receivables), provisions, employee benefits, deferred tax assets and liabilities. The final results could therefore differ from these estimates and assumptions; moreover, the estimates and assumptions are reviewed and updated periodically and the effects of each change are immediately reflected in the financial statements.

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

These financial statements, prepared in accordance with the requirements of art. 154 ter of the TUF, report the positive and negative components of income, the net financial position, divided between short, medium and long term items, as well as the Group's financial position. In view of this, the financial statements presented and the relative explanatory notes, were prepared for the sole purpose of compliance with the provisions of the aforementioned Issuer Regulations, are devoid of certain data and information that would be required for a complete representation of the financial position and the results of the Group for the quarter ended at September, 30 2018 in accordance with IFRS.

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

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

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

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

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

Economic trends - Group B&C Speakers

(€ thousands)	IIIQ 2018 YTD	Incidence	IIIQ 2017 YTD	Incidence
Revenues	41,230	100.00%	29,654	100.0%
Cost of sales	(25,616)	-62.13%	(17,260)	-58.2%
Gross margin	15,615	37.87%	12,394	41.8%
Other revenues	337	0.82%	143	0.5%
Cost of indirect labour	(2,740)	-6.64%	(1,644)	-5.5%
Commercial expenses	(833)	-2.02%	(664)	-2.2%
General and administrative expenses	(3,780)	-9.17%	(3,032)	-10.2%
Ebitda	8,600	20.86%	7,198	24.3%
Depreciation of tangible assets	(821)	-1.99%	(576)	-1.9%
Amortization of intangible assets	(234)	-0.57%	(21)	-0.1%
Writedowns	(3)	-0.01%	0	0.0%
Earning before interest and taxes (Ebit)	7,541	18.29%	6,601	22.3%
Financial costs	(551)	-1.34%	(351)	-1.2%
Financial income	255	0.62%	464	1.6%
Earning before taxes (Ebt)	7,245	17.57%	6,714	22.6%
Income taxes	(1,537)	-3.73%	(1,991)	-6.7%
Profit for the year	5,708	13.84%	4,723	15.9%
Minority interest	0	0.00%	0	0.0%
Group Net Result	5,708	13.84%	4,723	15.9%
Other comprehensive result	34	0.08%	(100)	-0.3%
Total Comprehensive result	5,742	13.93%	4,623	15.6%

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

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

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

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

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

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

Consolidated revenues

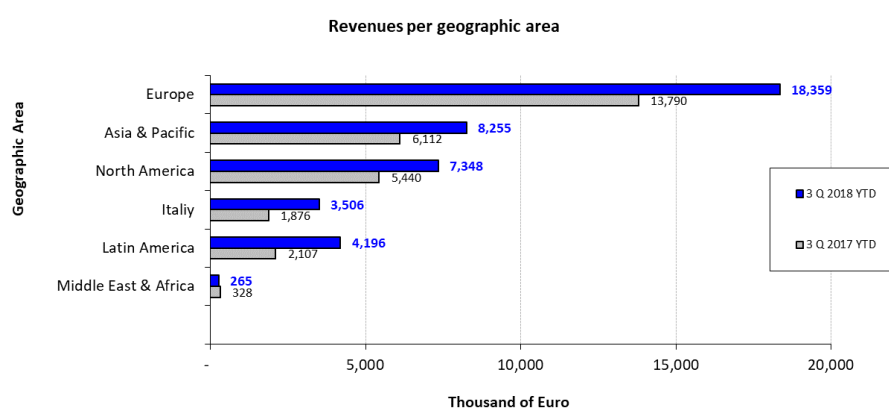
In the first nine months of 2018 amounted to Euro 41.23 million, resulting in growth of 39.04% over the same period of 2017 when turnover stood at Euro 29.65 million.

This significant increase was the result of the 6.89% growth achieved by the B&C Speakers Group when the scope of consolidation is held constant, to which was added the turnover achieved by Eighteen Sound which provided a net contribution of Euro 9.53 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 Euro 18.36 million), in the national market (+50% with sales of Euro 2.8 million) and in the Latin American market (+99% with sales of Euro 4.19 million).

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

Revenues per geographic area <i>(values in Euro/thousand)</i>	IIIQ 2018 YTD	%	IIIQ 2017 YTD	%	Difference	Difference %
Latin America	4,196	10%	2,107	7%	2,089	99%
Europe	18,359	44%	13,790	47%	4,569	33%
Italy	3,506	8%	1,876	6%	1,630	87%
North America	7,348	18%	5,440	18%	1,908	35%
Middle East & Africa	265	1%	328	1%	(63)	-19%
Asia & Pacific	8,255	20%	6,112	21%	2,143	35%
Total	41,929	100%	29,653	100%	12,276	41%



Cost of good sold

During the first nine months of 2018 had an increased impact on revenues compared to the first three months of 2017, rising from 58.20% to 62.13%.

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

Indirect Personnel

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

Commercial Expenses

Commercial expenses showed a slight increase in absolute values compared to the first nine months of the previous year. As a result, their incidence has slightly reduced given the strong growth of the company.

Administrative and General

General and administrative costs increased to a less than proportional extent compared to the increase in Group sales, reducing their impact by almost one percent; this is 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 nine months of 2018 increased to € 8.60 million, an increase of 19.48% over the same period of 2017 (when the amount was € 7.20 million).

The EBITDA margin for the first nine months of 2018 was 20.86% of revenues (24.27% in the first nine 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 amortization of tangible and intangible assets with respect to the corresponding period of the previous year is entirely due to the integration of Eighteen Sound.

EBIT and EBIT margin

EBIT referred to the first nine months of 2018 amounting to 7.54 million euros, an increase of 14.24% compared to the same period of 2017 (when it was equal to 6.60 million euros). The EBIT margin is equal to 18.29% of revenues (22.26% in the corresponding period of 2017).

Group Net Result and Net Financial Position

The Group's net profit at the end of the first nine months of 2018 amounted to € 5.71 million and represents 13.84% of consolidated revenues with a total increase of 20.85% with respect to the corresponding period in 2017.

The Group maintains good financial stability; the Net Financial Position at the end of the first nine months of 2018 was negative, equalling Euro 7.01 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 Euro 4.61 million.

The balance sheet figures for the year ended September 30, 2018 compared with the balance sheet values at the end of 2017 are shown below.

Reclassified Balance sheet (€ thousands)	30 September 2018	31 December 2017	Change
Property, plant & Equipment	3,466	3,918	(453)
Inventories	14,393	13,216	1,177
Trade receivables	13,889	11,253	2,636
Other receivables	1,502	2,143	(641)
Trade payables	(6,296)	(6,129)	(167)
Other payables	(2,890)	(1,957)	(933)
Working capital	20,599	18,526	2,073
Provisions	(897)	(843)	(54)
Invested net working capital	23,167	21,601	1,566
Cash and cash equivalents	2,985	4,411	(1,426)
Investments in associates	50	50	-
Goodwill	2,318	2,318	-
Short term securities	6,037	5,174	863
Other financial receivables	568	568	(0)
Financial assets	11,958	12,522	(564)
Invested net non operating capital	11,958	12,522	(564)
NET INVESTED CAPITAL	35,124	34,122	1,002
Equity	19,091	17,814	1,276
Short-term financial borrowings	7,682	5,789	1,893
Long-term financial borrowing	8,352	10,519	(2,167)
RAISED CAPITAL	35,124	34,122	1,002

Note:

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

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

Net Operating Invested Capital shows a decrease of € 1.5 million compared with December 31, 2017. This increase was mainly due to the combined effect of the following factors:

- an increase in trade receivables and in inventories respectively of approximately € 1.1 million and approximately € 2.6 million due essentially to the increased turnover;
- a decrease in fixed assets of Euro 0.4 million, due to the combined effect of depreciation and amortisation in the period and of the investments made over the period on production lines;
- a decrease in trade and various payables of approximately Euro 1.1 million, due to higher volumes of purchases made in the period.

The **Net Non-Operating Invested Capital** increases of around Euro 0.5 million compared to December 31, 2017, it is mainly due to the combined effect of the increase in short-term Securities held for liquidity reasons and the decrease in liquidity due essentially to the financial absorption resulting from the payment of dividends, repayment of installments of existing loans and payment of taxes.

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

Net Financial position

The Net Financial Position at the end of the first nine months of 2018 is negative and equal to Euro 7.01 million, against a value of 6.72 at the end of the 2017 financial year, but it is useful to underline that in the same period dividends were paid for an amount of 4.61 million euros.

5 Statement of changes in equity

Below is the statement of changes in equity from 1 January 2018 to September, 30 2018 (figures in thousands of Euro):

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
<i>Euro thousand</i>										
Balance December 31, 2017	1,097	379	4,786	44	54	435	11,019	17,814	-	17,814
Result of the period							5,710	5,710		5,710
Other comprehensive income/expenses						32	-	32		32
Totale other comprehensive income/expenses	-	-	-	-	-	32	5,710	5,742	-	5,742
<i>Shareholders</i>										
Allocation of previous year result							-	-		-
Dividend distribution							(4,607)	(4,607)		(4,607)
Treasury shares allocation	3		138				-	141		141
Balance September 30, 2018	1,100	379	4,924	44	54	467	12,122	19,090	-	19,090

6 Net Financial Position

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

<i>Values in Euro Thousands</i>	30 September 2018	31 December 2017	Change %
A. Cash	2,985	4411.4	-32%
C. Securities held for trading	6,037	5,174	17%
D. Cash and cash equivalent (A+C)	9,022	9,586	-6%
F. Bank overdrafts	(1,747)	(1,443)	21%
G. Current portion of non current borrowings	(5,935)	(4,346)	37%
I. Current borrowingse (F+G)	(7,682)	(5,789)	33%
J. Current net financial position (D+I)	1,340	3,797	-65%
K. Non current borrowings	(8,352)	(10,519)	-21%
N. Non current borrowings	(8,352)	(10,519)	-21%
O. Total net financial position (J+N)	(7,012)	(6,722)	4%

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

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

7 Significant events occurring after September 30, 2018

With the Regional Revenue Office finalising their ruling (on 11 July 2018) for the Patent Box scheme presented from 2015, B&C Speakers calculated the relevant tax credit for each period, namely 2015, 2016 and 2017. At the date of this release, supplementary returns have already been submitted for 2015 and 2016, whereas the tax return for 2017 is currently been submitted.

The table below sets out the contribution obtained for each individual period:

Patent Box effect <i>(Euro thousands)</i>	2015	2016	2017
Historic Tax rate pre Patent Box	30.0%	28.9%	27.0%
Tax rate post Patent Box	25.0%	21.3%	17.7%
Tax benefit	373	677	754

The tax credits resulting from the agreement will be used as from the upcoming tax deadlines.

8 Outlook for the entire 2018 year

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 nine months of 2018 were very positive for B&C Speakers, both in terms of the order collection data and the number of projects already approved, and this would suggest that 2018 will close with significant growth;
- At the same time, positive signs were also seen from the customers of Eighteen Sound and Sound&Vision; after a year of greater uncertainties associated with the transfer of ownership, the market reacted positively, with orders collected in line with management forecasts.

9 Share performance

The B&C Speakers S.p.A. title is listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

On September 28, 2018 the reference price of the B&C Speakers S.p.A. (BEC) was 12.94 Euros, and consequently the capitalization amounted to approximately 142.3 million Euros.

Below is a table showing the performance of the B & C Speakers S.p.A. in the period January - October 2018.



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)	30 September 2018	31 December 2017
ASSETS		
Fixed assets		
Tangible assets	2,964,179	3,318,310
Goodwill	2,318,181	2,318,181
Other intangible assets	501,324	599,748
Investments in non controlled associates	50,000	50,000
Deferred tax assets	522,414	352,514
Other non current assets	567,670	568,135
	<i>related parties</i>	<i>88,950</i>
Total non current assets	6,923,768	7,206,888
Currents assets		
Inventory	14,393,034	13,215,651
Trade receivables	13,888,830	11,252,674
Tax assets	658,958	1,297,287
Other current assets	6,358,093	5,667,487
Cash and cash equivalents	2,984,733	4,411,203
Total current assets	38,283,648	35,844,302
Total assets	45,207,416	43,051,190
LIABILITIES		
Equity		
Share capital	1,100,001	1,096,845
Other reserves	5,401,402	5,262,923
Foreign exchange reserve	467,677	435,600
Retained earnings	12,121,724	11,019,113
Total equity attributable to shareholders of the parent	19,090,805	17,814,481
Minority interest	-	0
Total equity	19,090,805	17,814,481
Non current equity		
Long-term borrowings	8,351,815	10,518,623
Severance Indemnities	856,615	805,650
Provisions for risk and charges	40,564	37,831
Total non current liabilities	9,248,994	11,362,104
Current liabilities		
Short-term borrowings	7,681,879	5,788,990
Trade liabilities	6,295,871	6,128,625
	<i>related parties</i>	<i>1,114</i>
Tax liabilities	931,194	414,206
Other current liabilities	1,958,673	1,542,784
Total current liabilities	16,867,617	13,874,605
Total Liabilities	45,207,416	43,051,190

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Values in Euro)

9 months 2018**9 months
2017**

Revenues	41,230,336	29,653,628
Cost of sales	(25,615,560)	(17,259,655)
Other revenues	337,031	143,477
Cost of indirect labour	(2,739,687)	(1,644,005)
Commercial expenses	(832,599)	(663,572)
General and administrative expenses	(3,779,798)	(3,032,036)
	<i>related parties</i>	<i>(694,684)</i>
Depreciation of tangible assets	(821,295)	(575,504)
Amortization of intangible assets	(234,248)	(21,019)
Writedowns	(2,733)	0
Earning before interest and taxes	7,541,447	6,601,314
Financial costs	(551,427)	(350,580)
Financial income	254,760	463,690
Earning before taxes	7,244,779	6,714,424
Income taxes	(1,536,702)	(1,991,157)
Profit for the year (A)	5,708,076	4,723,267
Other comprehensive income/(losses) for the year that will not be reclassified in income statement:		
Actuarial gain/(losses) on DBO (net of tax)	2,158	1,099
Other comprehensive income/(losses) for the year that will be reclassified in income statement:		
Exchange differences on translating foreign operations	32,077	(101,324)
Total other comprehensive income/(losses) for the year (B)	34,235	(100,225)
Total comprehensive income (A) + (B)	5,742,312	4,623,043
Profit attributable to:		
Owners of the parent	5,708,076	4,723,267
Minority interest	-	-
Total comprehensive income attributable to:		
Owners of the parent	5,742,312	4,623,043
Minority interest	-	-
Basic earning per share	0.52	0.43
Diluted earning per share	0.52	0.43

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

The B&C Speakers S.p.A. Financial Reporting Manager Francesco Spapperi confirms – in accordance with art. 154-bis, paragraph 2 of Italian Legislative Decree No. 58/1998, that the accounting disclosures contained in this press release are consistent with company's accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi