



# SPAFID CONNECT

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## PRESS RELEASE

### B&C Speakers S.p.A.:

## The Board of Directors approves the Interim Report on Operations at 30 September 2018

- Consolidated revenues equal to Euro 41.23 million (an increase of 39.04% compared to the Euro 29.65 million for the same period of 2017);
- Consolidated EBITDA equal to Euro 8.60 million (an increase of 19.48% compared to the Euro 7.20 million for the same period of 2017);
- Group profit equal to Euro 5.42 million (20.85% up from the Euro 4.72 million for the same period of 2017);
- Group net financial position negative and equal to Euro 7.01 million (negative and equal to Euro 6.72 million at year-end 2017);
- Tax contribution relative to the *Patent Box for the three-year period 2015-2017 determined, after the close of the period.*

*Bagno a Ripoli (prov. Florence), 14 November 2018* – The **Board of Directors** of **B&C Speakers S.p.A.**, one of the foremost international players in the design, manufacture, distribution and marketing of professional electro-acoustic transducers, approved the Interim Report of the Group for the first nine months of 2018 in accordance with IFRS international accounting standards. The period in question includes the full contribution of Eighteen Sound S.r.l. in the economic and financial figures of the B&C Speakers Group.

To better understand the economic trends during the period, an indication of trends with the scope of consolidation held equal (B&C Speakers S.p.A. and its foreign subsidiaries) is provided at the end of this press release (see table on page 5).

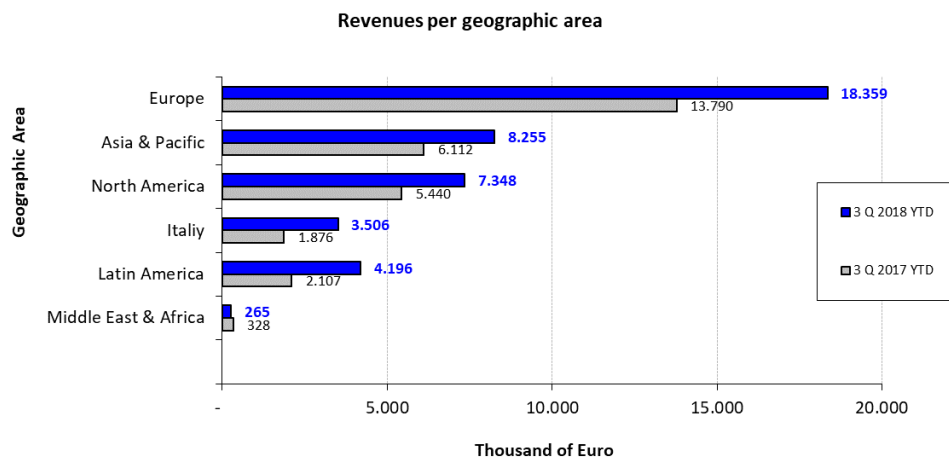
**Consolidated revenues** in the first half of 2018 amounted to Euro 41.23 million, resulting in growth of 39.04% over the same period of 2017 when turnover stood at Euro 29.65 million. This significant increase was the result of solid growth of 6.89% achieved by the B&C Speakers Group when the scope of consolidation is held constant with respect to the first nine months of 2017, to which the turnover achieved by Eighteen Sound was added, providing a net contribution of € 9.53 million.

During the period, thanks also the effects of the acquisition, the Group significantly increased turnover in all operating areas. In particular we note the significant growth in the European market (+33% with sales of € 18.36 million), the domestic market (+50% with



sales of € 2.8 million) and in the Latin American market (+99% with sales of € 4.19 million). Growth in North America and in the Asia-Pacific area was also very strong, at a rate of 35%. A full breakdown for the first nine months of 2018 by geographic area (amounts in euros) is provided below:

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%
<b>Total</b>	<b>41,929</b>	<b>100%</b>	<b>29,653</b>	<b>100%</b>	<b>12,276</b>	<b>41%</b>



During the first nine months of 2018, the proportion of the *cost of sales* to revenues increased compared to the same period 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 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 achieved to a greater extent 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 value compared to the first nine 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 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.

#### ***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 Group's reclassified Income Statement schedule relative to the first nine months of 2018 is shown below, compared with the same period in 2017 (the schedule represents the situation of the B&C Speakers Group at the end of the first nine months of 2018, following the acquisition of Eighteen Sound S.r.l.):

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%
<b>Gross margin</b>	<b>15,615</b>	<b>37.87%</b>	<b>12,394</b>	<b>41.8%</b>
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%
<b>Ebitda</b>	<b>8,600</b>	<b>20.86%</b>	<b>7,198</b>	<b>24.3%</b>
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%
<b>Earning before interest and taxes (Ebit)</b>	<b>7,541</b>	<b>18.29%</b>	<b>6,601</b>	<b>22.3%</b>
Financial costs	(551)	-1.34%	(351)	-1.2%
Financial income	255	0.62%	464	1.6%
<b>Earning before taxes (Ebt)</b>	<b>7,245</b>	<b>17.57%</b>	<b>6,714</b>	<b>22.6%</b>
Income taxes	(1,537)	-3.73%	(1,991)	-6.7%
<b>Profit for the year</b>	<b>5,708</b>	<b>13.84%</b>	<b>4,723</b>	<b>15.9%</b>
Minority interest	0	0.00%	0	0.0%
<b>Group Net Result</b>	<b>5,708</b>	<b>13.84%</b>	<b>4,723</b>	<b>15.9%</b>
Other comprehensive result	34	0.08%	(100)	-0.3%
<b>Total Comprehensive result</b>	<b>5,742</b>	<b>13.93%</b>	<b>4,623</b>	<b>15.6%</b>



For a better comparison of the economic trends, the figures for the first nine months of 2018 and the corresponding period in 2017 are provided below, with the same scope of consolidation net of the acquisition:

**Economic trends - Group B&C Speakers**  
(same scope of consolidation)

<i>(€ thousands)</i>	<b>IIIQ 2018 YTD</b>	<i>Incidence</i>	<b>IIIQ 2017 YTD</b>	<i>Incidence</i>
Revenues	31,697	100.00%	29,654	100.00%
Cost of sales	(18,075)	-57.02%	(17,260)	-58.20%
<b>Gross margin</b>	<b>13,622</b>	<b>42.98%</b>	<b>12,394</b>	<b>41.80%</b>
Other revenues	101	0.32%	143	0.48%
Cost of indirect labour	(1,811)	-5.71%	(1,644)	-5.54%
Commercial expenses	(713)	-2.25%	(664)	-2.24%
General and administrative expenses	(3,019)	-9.53%	(3,032)	-10.22%
<b>Ebitda</b>	<b>8,180</b>	<b>25.81%</b>	<b>7,198</b>	<b>24.27%</b>
Depreciation of tangible assets	(574)	-1.81%	(576)	-1.94%
Amortization of intangible assets	(31)	-0.10%	(21)	-0.07%
Writedowns	0	0.00%	0	0.00%
<b>Earning before interest and taxes (Ebit)</b>	<b>7,574</b>	<b>23.90%</b>	<b>6,601</b>	<b>22.26%</b>
Financial costs	(447)	-1.41%	(351)	-1.18%
Financial income	131	0.41%	464	1.56%
<b>Earning before taxes (Ebt)</b>	<b>7,258</b>	<b>22.90%</b>	<b>6,714</b>	<b>22.64%</b>
Income taxes	(1,488)	-4.70%	(1,991)	-6.71%
<b>Profit for the year</b>	<b>5,770</b>	<b>18.20%</b>	<b>4,723</b>	<b>15.93%</b>
Minority interest	0	0.00%	0	0.00%
<b>Group Net Result</b>	<b>5,770</b>	<b>18.20%</b>	<b>4,723</b>	<b>15.93%</b>
Other comprehensive result	33	0.10%	(100)	-0.34%
<b>Total Comprehensive result</b>	<b>5,803</b>	<b>18.31%</b>	<b>4,623</b>	<b>15.59%</b>

**Events subsequent to 30 September 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 being submitted.

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



<b>Patent Box effect</b> <i>(Euro thousands)</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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.

## **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 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.

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.

**B&C Speakers S.p.A.**  
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## Consolidated Equity Financial Position at 30 September 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)	30 September 2018	31 December 2017
<b>ASSETS</b>		
<b>Fixed assets</b>		
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>
<b>Total non current assets</b>	<b>6,923,768</b>	<b>7,206,888</b>
<b>Currents assets</b>		
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
<b>Total current assets</b>	<b>38,283,648</b>	<b>35,844,302</b>
<b>Total assets</b>	<b>45,207,416</b>	<b>43,051,190</b>
<b>LIABILITIES</b>		
<b>Equity</b>		
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
<b>Total equity attributable to shareholders of the parent</b>	<b>19,090,805</b>	<b>17,814,481</b>
Minority interest	-	0
<b>Total equity</b>	<b>19,090,805</b>	<b>17,814,481</b>
<b>Non current equity</b>		
Long-term borrowings	8,351,815	10,518,623
Severance Indemnities	856,615	805,650
Provisions for risk and charges	40,564	37,831
<b>Total non current liabilities</b>	<b>9,248,994</b>	<b>11,362,104</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>16,867,617</b>	<b>13,874,605</b>
<b>Total Liabilities</b>	<b>45,207,416</b>	<b>43,051,190</b>





## Consolidated Income Statement for the first nine months of 2018

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
<b>Earning before interest and taxes</b>	<b>7,541,447</b>	<b>6,601,314</b>
Financial costs	(551,427)	(350,580)
Financial income	254,760	463,690
<b>Earning before taxes</b>	<b>7,244,779</b>	<b>6,714,424</b>
Income taxes	(1,536,702)	(1,991,157)
<b>Profit for the year (A)</b>	<b>5,708,076</b>	<b>4,723,267</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)	2,158	1,099
<b>Other comprehensive income/(losses) for the year that will be reclassified in income statement:</b>		
Exchange differences on translating foreign operations	32,077	(101,324)
<b>Total other comprehensive income/(losses) for the year (B)</b>	<b>34,235</b>	<b>(100,225)</b>
<b>Total comprehensive income (A) + (B)</b>	<b>5,742,312</b>	<b>4,623,043</b>
<b>Profit attributable to:</b>		
Owners of the parent	5,708,076	4,723,267
Minority interest	-	-
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	5,742,312	4,623,043
Minority interest	-	-
<b>Basic earning per share</b>	<b>0.52</b>	<b>0.43</b>
<b>Diluted earning per share</b>	<b>0.52</b>	<b>0.43</b>

Fine Comunicato n.0931-39

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