B&C Speakers Group

Condensed Consolidated
Interim Financial Report

as of 30 June 2019

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

Contents

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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 report at 30 June 2019

INTRODUCTION

The present Condensed Consolidated Interim Financial Report of the B&C Speakers Group at 30 June 2019 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 2018.

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 2019 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 2019 which renewed the mandate to purchase treasury shares for another 12 months. At 30 June 2019, it held 27,892 treasury shares, equal to 0.25% of the share capital. The weighted average purchase price of shares in the portfolio is € 3.27.

At the date of this report (September 2019), the number of Treasury shares owned has changed with respect to 30 June 2018 and amounts to 38,373, equal to 0.35% 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 2019, 54.00% of the share capital; further information on relations with the holding are contained in the rest of the report.

During May 2019, B&C Speakers issued an ordinary dividend of € 0.50 per each ordinary share in circulation. The total value of the dividend issued was therefore € 5.5 million.

Condensed consolidated interim financial report at 30 June 2019 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 and the subsidiary Eighteen Sound S.r.l.

Highlights

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

Income statement highlights

(€ thousands)	**1st half 2019**	**1st half 2018**
Revenues	28,392	28,007
Ebitda	6,442	5,842
Ebit	5,282	5,150
Net profit	4,382	3,686

Balance sheet highlights

(€ thousands)	**30 June 2019**	**31 December 2018**
Non current Assets	11,709	7,053
Non current liabilities	14,020	8,126
Current assets	41,339	38,354
Current liabilities	17,731	14,581
Net working Capital	23,608	23,773
Net Equity	21,298	22,700

Cash flow statement highlights

(€ thousands)	1st half 2019	1st half 2018
Operating cash flow	3,616	4,135
Cash flow from investing activities	(463)	(849)
Cash flow from financial activities	(3,508)	(3,992)
Cash and cash equivalent at end of the year	(355)	(706)

Net financial position

(€ thousands)	30 June 2019	31 December 2018
Current net financial position	898	2,622
Total net financial position	(12,219)	(4,588)

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 28 June 2019 (the last open market day of the half), the reference price for B&C Speakers S.p.A. (BEC) shares stood at € 12.00 and consequently the market capitalisation amounted to about € 132.0 million.

The following shows the share performance of B&C Speakers SpA during the period from January - September 2019.

Macroeconomic Situation

Global economic growth saw episodic signs and trends that were lower than expectations both with regards to emerging and advanced countries. The risks for a decrease in global business increased due to the worsening of trade conflicts between the United States and China relative to a stronger protectionist stance, the continuation of geopolitical tensions and unknowns associated with the Brexit schedule.

In Italy, after a modest increase seen during the initial months of 2019, GDP remained stable or decreased slightly during the second quarter of the year, above all due to continuing international trade tensions and partially compensated for by the positive trend in services and construction.

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.

Group economic performance

The general economic trend during the first half of 2019 was up compared to that seen during the first half of the previous financial year in terms of sales and margins. The order book (in relation to the Parent Company), of approximately € 9 million at 30 June 2019 rose (by around 12%) with respect to the € 8 million at 31 December 2018.

To better present the trend in operations in relation to the first half of financial year 2019 compared with the same period of the previous year, a table showing these results is provided below:

Economic trends - Group B&C Speakers

(€ thousands)	1half 2019	Incidence	1half 2018	Incidence
Revenues	28,392	100.00%	28,007	100.0%
Cost of sales	(17,324)	-61.02%	(17,210)	-61.4%
Gross margin	**11,068**	**38.98%**	**10,798**	**38.6%**
Other revenues	70	0.25%	194	0.7%
Cost of indirect labour	(1,976)	-6.96%	(1,895)	-6.8%
Commercial expenses	(534)	-1.88%	(605)	-2.2%
General and administrative expenses	(2,186)	-7.70%	(2,648)	-9.5%
Ebitda	**6,442**	**22.69%**	**5,842**	**20.9%**
Depreciation of tangible assets	(1,019)	-3.59%	(537)	-1.9%
Amortization of intangible assets	(141)	-0.50%	(153)	-0.5%
Writedowns	0	0.00%	(3)	0.0%
Earning before interest and taxes (Ebit)	**5,282**	**18.60%**	**5,150**	**18.4%**
Financial costs	(310)	-1.09%	(473)	-1.7%
Financial income	590	2.08%	203	0.7%
Earning before taxes (Ebt)	**5,561**	**19.59%**	**4,880**	**17.4%**
Income taxes	(1,124)	-3.96%	(1,275)	-4.6%
Profit for the year	**4,438**	**15.63%**	**3,606**	**12.9%**
Minority interest	0	0.00%	0	0.0%
Group Net Result	**4,438**	**15.63%**	**3,606**	**12.9%**
Other comprehensive result	(55)	-0.19%	80	0.3%
Total Comprehensive result	**4,382**	**15.44%**	**3,686**	**13.2%**

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 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.

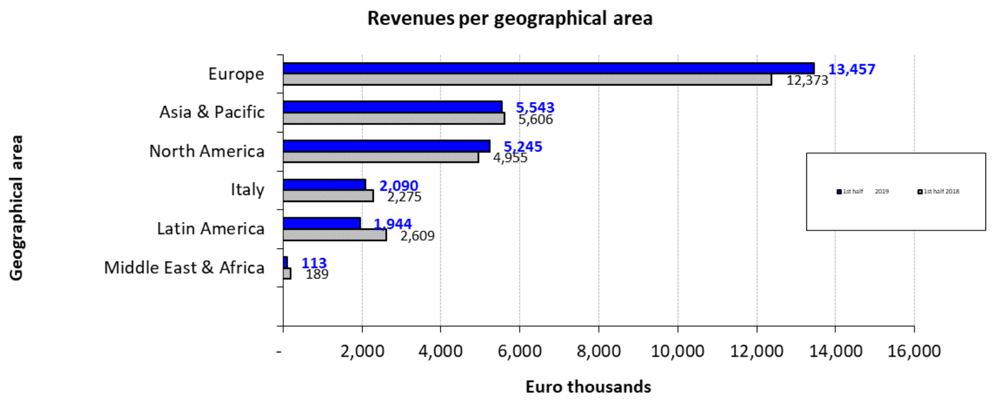
Revenues

Consolidated revenues in the first half of 2019 amounted to € 28.39 million, with 1.37% growth over the same period in 2018 when turnover was € 28.01 million.

During the period the Group increased its turnover on the European market (+9% with sales of € 13.4 million) and the North American market (+6% with sales of € 5.2 million). In contrast, there was a decrease in sales in the Latin American market (-26%) due to the area’s economic difficulties and a slowdown in sales in the Asian markets, particularly China (first half sales amounted to € 2.6 million, down 1% from the figure from the first half of 2018).

Below is a full breakdown for the first half of 2019 by geographic area compared with the same period in 2018 (amounts in euros):

Geographical Area	1st half 2019	%	1st half 2018	%	Change	Change %
America Latina	1,943,547	6.8%	2,608,963	9.3%	(665,416)	-26%
Europa	13,456,652	47.4%	12,373,261	44.2%	1,083,391	9%
Italia	2,090,125	7.4%	2,274,561	8.1%	(184,437)	-8%
Nord America	5,244,840	18.5%	4,955,008	17.7%	289,832	6%
Medio Oriente & Africa	113,406	0.4%	189,408	0.7%	(76,002)	-40%
Asia & Pacifico	5,543,038	19.5%	5,606,211	20.0%	(63,173)	-1%
Totale	**28,391,607**	**100.0%**	**28,007,411**	**100.0%**	**384,195**	**1.37%**



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 half of 2019 maintained a consistent impact on revenues compared to the first half of 2018, going from 61.45% to 61.01%.

Indirect Personnel

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

The cost for indirect personnel, though increasing slightly compared to the first half of 2018, maintained a consistent impact on turnover, going from 6.77% to 6.96%.

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, though showing a slight increase in absolute value compared to the first six months of the previous year, decreased their impact on turnover, dropping from 2.16% to 1.88%.

Administrative and General

General and administrative costs decreased by € 462 thousand, reducing their impact on sales by 1.7 percentage points. The effect of this decrease was entirely due to the adoption of the new accounting standard IFRS 16 "Leasing", applied as of 1 January 2019 and better described in the section on "Accounting standards, amendments and interpretations applied from 1 January 2019”. Applying the previous accounting methods, these costs would have increased by € 164 thousand, leaving the impact on revenues substantially unchanged from the first half of 2018. The increase that would have been seen if using the same accounting treatment as in the first half of 2018 is due to the net effect of (a) savings due to the elimination of certain types of technical consulting and (b) costs associated with the closing of the Tunneled business line for € 235 thousand.

EBITDA and EBITDA Margin

Mainly as a result of the changes illustrated above, in the first half of 2019, EBITDA rose to € 6.44 million, with an increase of € 599 thousand (+10.25%) compared to the same period in 2018. The increase of EBITDA by € 626 thousand was the result of the adoption of IFRS 16. Applying the previous accounting methods, EBITDA would have been € 5.82 million, substantially in line with the € 5.84 million for the corresponding period in 2018.

The EBITDA margin for the first half of 2019 was 22.69% of revenues (20.86% in the first half of the previous year). Adopting the previous accounting method, the *EBITDA margin* would have been 20.48%.

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets and rights of use equalled € 1,160 thousand (€ 690 thousand in the first half of 2018). Also in this case, the increase is entirely due to adoption of IFRS 16.

EBIT and EBIT margin

EBIT for the first six months of 2019 amounted to € 5.28 million, an increase of 2.56% compared with the same period of 2018 (when the figure was € 5.15 million). The EBIT margin was 18.60% of revenues (18.39% in the same period of 2018). The effect of the adoption of IFRS 16 on EBIT was not significant.

Group Net Profits

The Group’s net profit at the end of the first half of 2019 amounted to € 4.44 million and represents 15.63% of consolidated revenues, with a total increase of 23.07% with respect to the corresponding period in 2018. The effect of the adoption of IFRS 16 on net profit was not significant. Note that the Group's average tax rate went from 26.12% to 20.21%, mainly due to the effects of the tax benefit obtained through the “Patent Box”, recognised again in 2019 for the parent company B&C Speakers.

Equity and financial trend

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

Reclassified Balance sheet *(€ thousands)*	**30 June 2019**	**31 December 2018**	**Change**
Property, plant & Equipment	**8,150**	**3,484**	**4,666**
Inventories	15,398	14,001	1,397
Trade receivables	14,821	12,466	2,355
Other receivables	1,893	2,743	(850)
Trade payables	(6,583)	(5,543)	(1,040)
Other payables	(2,261)	(1,942)	(319)
Working capital	**23,268**	**21,724**	**1,543**
Provisions	**(903)**	**(915)**	**12**
Invested net working capital	**30,515**	**24,293**	**6,222**
Cash and cash equvalents	2,827	3,190	(363)
Investments in associates	50	50	-
Goodwill	2,318	2,318	-
Short term securities	6,957	6,525	432
Other financial receivables	633	629	5
Financial assets	**12,786**	**12,712**	**74**
Invested net non operating capital	**12,786**	**12,712**	**74**
NET INVESTED CAPITAL	**43,301**	**37,005**	**6,296**
Equity	21,298	22,700	(1,403)
Short-term financial borrowings	8,887	7,095	1,792
Long-term financial borrowing	13,117	7,210	5,907
RAISED CAPITAL	**43,301**	**37,005**	**6,296**

Note:

Fixed Assets: these are defined by the Issuer's Directors as the value of multi-year assets (*property, plant and equipment, rights of use and other intangible assets*). 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.

Invested net working capital shows an increase of € 6.2 million compared with 31 December 2018. This increase was mainly due to the combined effect of the following factors:

- an increase of around 4.6 million in fixed assets, due to the combined effects of amortisation/depreciation during the period, investments made during the period in productive lines and, in particular, recognition of rights of use on the basis of IFRS 16 (applied as of 1 January 2019), with a net book value of € 4.8 million;
- an increase in warehouse inventories of around € 1.4 million and an increase in trade receivables of around € 2.4 million due to an increase in Group sales;
- an increase in trade and other payables of around € 1.3 million.

Invested Net Non Operating Capital remained substantially stable with respect to 31 December 2018, due to the combined effects of an increase in the value of short term securities held for liquidity purposes and the decrease in liquidity, essentially due to financial absorption following the payment of instalments for existing loans and payment of dividends.

The other Capital categories showed no changes compared with 31 December 2018.

Financial debt

Short term financial debt increased by € 1.8 million due to the combined effects of the following factors:

- an increase in payables associated with the short-term portion of existing loans for € 0.6 million, after two new medium/long-term loans were taken out in April, for a total amount of € 6 million;
- recognition of current financial liabilities associated with rights of use for € 1.1 million based on the provisions of IFRS 16.

Medium/long-term financial debt increased by € 6 million due to the combined effects of the following factors:

- an increase in payables associated with the medium/long-term portion of loans for € 2.3 million with regards to the two new loans cited above;
- recognition of non-current financial liabilities associated with rights of use for € 3.7 million based on the provisions of IFRS 16.

The overall *Net Financial Position* is negative and equal to € 12.22 million, compared to the figure of € 4.59 million at the end of 2018, mainly due to the payment of the dividend in May 2019 and adoption of the new standard IFRS 16.

Corporate structure

At 30 June 2019 the Group's workforce numbered 174 employees, in line with 31 December 2018.

Investments

Investments during the first half of 2019 were mainly focused on improving production lines, in order to increase efficiency and production capacity. During July, a significant revision of the productive structure of the subsidiary Eighteen Sound began. For the speaker production line, this project involves a total investment of around € 600 thousand and will guarantee greater productive efficiency and efficacy, thanks to the introduction of automated actions.

Significant events during the first half of 2019

During the first half of 2019, 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 € 8.5 million;

- The Shareholders’ Meeting held on 26 April 2019 approved the issue of an ordinary dividend of € 0.50 per ordinary share in circulation at the coupon detachment date. The total value of the dividend issued was therefore € 5.5 million.

Significant events subsequent to 30 June 2019

No significant events occurred after the reporting date of 30 June 2019 and up to the date on which this report was prepared.

Business outlook

The flow of orders from customers and the data available to the management at the date of preparation of this report suggest that 2019 will be a satisfying year, with confirmation of the previous year's positive results.

Major shareholders and main data concerning the Issuer's shares

As of the date these financial statements were prepared (September 2019), the official data reveals the following major shareholders:

- **Research & Development International S.r.l**, which holds a 54.00% stake (parent company);
- Lazard Freres Banque which holds 4.44%;
- *Allianz Institutional Investors Series* which holds 3.16%;
- *Alboran S.r.l.* which holds 3.02%;
- *Berenberg European Micro Cap* which holds 3.01%.

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 2019, the Director Lorenzo Coppini holds 50,000 shares in B&C Speakers S.p.A.;
- as at 30 June 2019, the Director Alessandro Pancani holds 3,617 shares in B&C Speakers S.p.A.;
- as at 30 June 2019, the Director Roberta Pecci holds 11,542 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 2018, the reader is referred to the full discussion on the matter in the report on operations of the consolidated financial statements at 31 December 2018.

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, 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 2019 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 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 June 2019 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		*Notes*	30 June 2019	31 December 2018
ASSETS				
Fixed assets				
Tangible assets		*1*	2,977,207	3,030,360
Right of use			4,772,967	-
Goodwill		*3*	2,318,181	2,318,181
Other intangible assets		*4*	400,280	453,866
Investments in non controlled associates		*5*	50,000	50,000
Deferred tax assets		*6*	557,263	571,322
Other non current assets		*7*	633,364	628,836
	related parties	*32*	*88,950*	*88,950*
Total non current assets			**11,709,262**	**7,052,565**
Currents assets				
Inventory		*8*	15,398,219	14,001,498
Trade receivables		*9*	14,820,705	12,465,753
Tax assets		*10*	855,461	1,766,925
Other current assets		*11*	7,437,256	6,929,438
Cash and cash equivalents		*12*	2,827,497	3,190,266
Total current assets			**41,339,138**	**38,353,880**
Total assets			**53,048,400**	**45,406,445**
LIABILITIES				
Equity				
Share capital		*13*	1,097,211	1,099,681
Other reserves		*13*	5,075,941	5,366,854
Foreign exchange reserve		*12*	460,163	500,222
Retained earnings		*12*	14,664,189	15,733,541
Total equity attributable to shareholders of the parent			**21,297,504**	**22,700,298**
Minority interest			-	0
Total equity			**21,297,504**	**22,700,298**
Non current equity				
Long-term borrowings		*14*	9,554,042	7,210,266
Long-term lease liabilities			3,562,825	-
	related parties		*2,646,264*	-
Severance Indemnities		*16*	862,293	874,460
Provisions for risk and charges		*17*	40,831	40,831
Total non current liabilities			**14,019,991**	**8,125,557**
Current liabilities				
Short-term borrowings		*18*	7,642,040	7,094,917
Short-term lease liabilities			1,244,625	-
	related parties		*938,308*	-
Trade liabilities		*19*	6,583,275	5,543,421
	related parties	*32*	*1,114*	*1,715*
Tax liabilities		*20*	166,217	273,534
Other current liabilities		*21*	2,094,748	1,668,718
Total current liabilities			**17,730,905**	**14,580,590**
Total Liabilities			**53,048,400**	**45,406,445**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE FIRST HALF OF 2019 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		*Notes*	1half 2019	1 half 2018
Revenues		*23*	28,391,607	28,007,411
Cost of sales		*24*	(17,323,737)	(17,209,801)
Other revenues		*25*	69,880	193,529
Cost of indirect labour		*26*	(1,976,060)	(1,894,895)
Commercial expenses		*27*	(533,672)	(605,448)
General and administrative expenses		*28*	(2,186,438)	(2,648,341)
	related parties	*32*	*0*	*(464,745)*
Depreciation and amortization			(1,159,781)	(689,855)
Writedowns		*29*	0	(2,508)
Earning before interest and taxes			**5,281,799**	**5,150,092**
Financial costs		*30*	(310,404)	(472,694)
	related parties		*(46,471)*	-
Financial income		*30*	590,082	202,874
Earning before taxes			**5,561,477**	**4,880,272**
Income taxes		*31*	(1,123,896)	(1,274,580)
Profit for the year (A)			**4,437,581**	**3,605,692**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		*13*	(15,185)	2,158
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:				
Exchange differences on translating foreign operations		*13*	(40,059)	78,307
Total other comprehensive income/(losses) for the year (B)			**(55,244)**	**80,465**
Total comprehensive income (A) + (B)			**4,382,337**	**3,686,157**
Profit attributable to:				
Owners of the parent			4,437,581	3,605,692
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			4,382,337	3,686,157
Minority interest			-	-
Basic earning per share		*13*	0.40	0.33
Diluted earning per share		*13*	0.40	0.33

CONSOLIDATED CASH FLOW STATEMENT AT 30 June 2019 PREPARED IN CONFORMITY WITH THE IFRSs ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows (Euro thousands)	I Half 2019	2018	
A- Net current bank balances at the beginning of the period	**2,547**	**2,967**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	4,382	3,686	
Income tax expense	1,124	1,275	
Depreciation and amortization	1,160	690	
Sale of property, plant and equipment	0	0	
Finance cost	310	473	
Interest income	(590)	(203)	
Net change in provisions for risk and charges and other provision relating to personell	27	31	
Change in provigion for leaving indemnities			
Allocations and revaluations	3	-	
Actuarial gain/(losses)	21	9	
(Use)	(72)	(3)	
(increase) decrease in current trade and other current receivables	(1,450)	(1,887)	
(increase) decrease in deferred tax assets and liabilities	14	(153)	
(increase) decrease in inventory	(1,397)	(129)	
Increase (decrease) in current trade and other payables	360	449	**Note 1**
Net cash from/(used in) operating activities	**3,892**	**4,238**	
Paid interest costs	(113)	(255)	
Collected interest income	89	152	
Taxes paid	(252)	0	
Total (B)	**3,616**	**4,135**	
C- Cash flow from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	-	0	
(Investments) in non current tangible assets	(371)	(238)	
Proceeds for sale of non current tangible assets	0	-	
Net (investments) in non current intangible assets	(87)	(123)	
Net (investments) in investment in associates	-	-	
Net (investments) in non current securities	(5)	0	
(Investments) in current securities	0	(620)	
Proceeds from sale of current securities	0	132	
Total (C)	**(463)**	**(849)**	
D- Cash flow from financing activities			
(Outflow) from repayment of loans	(3,101)	(2,171)	
Inflow from borrowing activities	6,000	3,000	
(Outflow) from repayment of lease liabilities	(622)	0	
Purchase of treasury shares	(293)	(214)	
Dividend paid to shareholders	(5,492)	(4,607)	
Total (D)	**(3,508)**	**(3,992)**	
E- Cash flow for the period (B+C+D)	**(355)**	**(706)**	
F- Cash and cash equivalents at end of the period	**2,192**	**2,261**	

Note 1: the liquidity absorbed by repayment of rights of use liabilities includes absorption of liquidity attributable to transactions with the parent R&D International S.r.l. for € 468 thousand.

The following table shows the composition of the balance of net cash and cash equivalents at 30 June 2019 and at 30 June 2018:

	30-Jun-19	30-Jun-18
Cash	2,827	3,507
Bank overdrafts	(635)	(1,246)
Total	**2,192**	**2,261**

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 2019 and in the first half of 2018.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve		Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
Euro thousand											
Balance January 1, 2017	**1,097**	**379**	**4,786**	**44**	**54**	**435**	**0**	**11,019**	**17,814**	**-**	**17,814**
Result of the period								**3,606**	**3,606**		**3,606**
Other comprehensive income/expenses						78		**2**	**80**		**80**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**78**		**3,608**	**3,686**	**-**	**3,686**
Shareholders											
Allocation of previous year result								**0**	**-**		**-**
Dividend distribution								**(4,607)**	**(4,607)**		**(4,607)**
Treasury shares allocation	(2)		(212)					**-**	**(214)**		**(214)**
Other						0		**-**	**-**		**-**
Balance June 30, 2017	**1,095**	**379**	**4,574**	**44**	**54**	**513**		**10,019**	**16,679**	**-**	**16,679**

	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
Euro thousand										
Balance at January 1, 2019	**1,100**	**379**	**4,890**	**44**	**54**	**500**	**15,733**	**22,700**	**-**	**22,700**
										0
Result of the period							**4,438**	**4,438**		**4,438**
Other comprehensive income/expenses						(40)	**(15)**	**(55)**		**(55)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**(40)**	**4,422**	**4,382**	**-**	**4,382**
Shareholders										
Allocation of previous year result					-		**-**	**-**	**-**	**-**
Dividend distribution							**(5,492)**	**(5,492)**	**-**	**(5,492)**
Treasury shares allocation	(2)		(291)				**-**	**(293)**		**(293)**
Other							**-**	**-**		**-**
Balance at June 30, 2019	**1,098**	**379**	**4,599**	**44**	**54**	**460**	**14,664**	**21,298**	**-**	**21,298**

Notes to the condensed consolidated interim financial report at 30 June 2019 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 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 2018.
The accounting standards adopted to prepare these condensed consolidated interim financial statements are the same as those used to prepare the Group's annual consolidated financial statements for the year ending on 31 December 2018, with the exception of the standards adopted as of 1 January 2019, outlined in the section "Accounting standards, amendments and interpretations applied from 1 January 2019", in particular with reference to IFRS 16 "Leasing", which replaced IAS 17. The main change involves recognition of leasing contracts 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. Based on the new standard, an asset is recognised (the right to use the element being leased) and a financial liability for the rent to be paid. The IASB has envisaged an optional exemption for certain low value and short-term rental and leasing contracts.

The Group has applied the standard starting from the mandatory adoption date of 1 January 2019, using the simplified transitional approach, not amending the comparison figures from the year prior to first time adoption.

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 report for the B&C Speakers Group at 30 June 2019 was entrusted to PricewaterhouseCoopers S.p.A.

Accounting standards, amendments and interpretations applied from 1 January 2019

IFRS 16 "Leasing"

In January 2016, the IASB published IFRS 16 "Leasing", which replaced IAS 17. The main change involves recognition of leasing contracts 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. Based on the new standard, an asset is recognised (the right to use the element being leased) and a financial liability for future rent payments. The IASB has envisaged an optional exemption for certain low value and short-term rental and leasing contracts.

The standard hence mainly influenced recognition of operating leases in which the Group is the lessor.

At 31 December 2018, the Group has non-cancellable operating lease commitments totalling € 5.9 million, with around € 0.1 million relative to short-term leasing contracts and those of modest value, relative to which the Group opted to make use of the optional exemption allowed by the IASB, making it possible to recognise the cost for rights of use at constant rates.

For the remaining leasing commitments, having chosen to make use of the simplified transition approach, the Group recognised rights of use assets and liabilities for leasing of equal amounts at 1 January 2019, calculated by discounting the value of leasing payments due at the time of adoption in the amount of € 5.8 million.

The adoption of this standard led to the recognition of lower general and administrative costs in the consolidated statement of comprehensive income by € 622 thousand, greater amortisation/depreciation in the amount of € 595 thousand and greater financial expense for € 61 thousand.

No significant effects on the financial statements were seen with regards to business in which the Group is the lessor.

IFRS 9 "Financial instruments"

In October 2017, the IASB published an amendment to standard IFRS 9, regarding "Prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is changed without derecognition, the relative gain or loss must immediately be recognised in the income statement. The gain or loss is measured as the difference between the previous cash flow and the flow redetermined based on the change. This amendment, applied as of 1 January 2019, did not create any significant impacts on the financial statements or the disclosure.

IAS 28 "Investments in associates and joint ventures"

In October 2017 the IASB published amendments to IAS 28 which provide clarifications on associated companies and joint ventures to which the equity method is not applied, on the basis of IFRS 9. These amendments, applied as of 1 January 2019, did not create any significant impacts on the financial statements or the disclosure.

Annual improvements to IFRSs 2015–2017 cycle (IFRS 3, IFRS 11, IAS 12 and IAS 23)

In December 2017, the IASB issued a collection of amendments for the IFRSs (Annual Improvements to IFRSs 2015-2017 Cycle). The approved provisions made changes to: (i) standard IFRS 3 "Business combinations"; (ii) standard IFRS 11 "Joint arrangements"; (iii) standard IAS 12 "Income taxes"; (iv) standard IAS 23 "Borrowing costs", relative to the accounting treatment of loans originally associated with development of an asset. These amendments, applied as of 1 January 2019, did not create any significant impacts on the financial statements or the disclosure.

IAS 19 "Employee benefits"

In February 2018, the IASB published amendments to IAS 19 which require companies to review the hypotheses used to determine the cost and financial expense whenever the plan is changed. These amendments, applied as of 1 January 2019, did not create any significant impacts on the financial statements or the disclosure.

IFRIC 23 "Uncertainty over income tax treatments"

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 whether current and/or deferred, uncertainties over the tax treatment of a given phenomenon. IFRIC 23 took effect on 1 January 2019 and did not create any significant impacts on the financial statements or the disclosure.

Accounting standards, amendments and interpretations not yet applied.

As of the date of these condensed consolidated interim financial statements, 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 October 2018 the IASB published amendments to IAS 1 and IAS 8, providing clarifications about the definition of "materiality". The amendments will apply as of 1 January 2020.
- In October 2018 the IASB published amendments to IAS 3, amending the definition of "business". The amendments will apply as of 1 January 2020.

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 2019 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 2019 are the following:

Companies	Country	Group structure at 30 june 2019			Group structure at 31 december 2018		
		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%	100%		100%
Sound & Vision S.r.l.	Italy		100%	100%		100%	100%
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 2019			Group structure at 31 december 2018		
		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 2019, at 31 December 2018 and in the first half of 2019 are shown in the table below:

Currency	30-Jun-19		31-Dec-18		30-Jun-18	
	Avg exch.	Final exch.	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.130	1.138	1.181	1.145	1.210	1.166
EURO/REAL	4.342	4.351	4.309	4.444	4.142	4.488

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 2019

1. Property, plant and equipment

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

(In euros)

Historic cost	31-Dec-18	Additions	Reclassification	Foreign exch.	(Decreases)	30-Jun-19
Land and buildings	5,154	-	-	34	-	5,188
Photovoltaic System and other minor	1,230,837	25,382	-	-	-	1,256,219
Lightweight construction	95,208	6,696	-	-	-	101,905
Plants and machinery	7,584,958	92,053	-	564	(8,600)	7,668,975
Industrial equipment	7,243,069	118,384	-	58	-	7,361,511
Various equipment	1,345,538	12,182	-	1,190	-	1,358,910
Fixed assets in progress	73,869	120,600	-	-	-	194,469
Total	**17,578,633**	**375,297**	**-**	**1,846**	**(8,600)**	**17,947,176**

Accumulated depreciation	31-Dec-18	Depreciation	Reclassification	Foreign exch.	(Decreases)	30-Jun-19
Land and buildings	5,687	222	-	26	-	5,936
Photovoltaic System and other minor	631,799	45,760	-	-	-	677,560
Lightweight construction	39,554	4,605	-	-	-	44,160
Plants and machinery	6,013,311	192,589	-	518	(3,091)	6,203,327
Industrial equipment	6,714,477	142,075	-	(38)	-	6,856,514
Various equipment	1,143,368	38,378	-	577	-	1,182,323
Fixed assets in progress	-	-	-	-	-	-
			-	-	-	
Total	**14,548,198**	**423,629**	**-**	**1,083**	**(3,091)**	**14,969,819**

Net value	31-Dec-18	Net increases	Reclassification	Foreign exch.	Depreciation	Accumulated depreciation decrease	30-Jun-19
Land and buildings	- 310	-	-	8	(222)	- -	524
Photovoltaic System and other minor	599,038	25,382	-	-	(45,760)	-	578,659
Lightweight construction	55,654	6,696	-	-	(4,605)	-	57,745
Plants and machinery	1,571,348	83,453	-	(28)	(192,589)	3,091	1,465,275
Industrial equipment	528,591	118,384	-	96	(142,075)	-	504,996
Various equipment	202,169	12,182	-	613	(38,378)	-	176,586
Fixed assets in progress	73,870	120,600	-	-	-	-	194,470
	-	-	-	-	-	-	-
Total	**3,030,360**	**366,697**	**-**	**689 -**	**423,629**	**3,091**	**2,977,207**

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. The increase in the item fixed assets in progress refers to that capitalised against the installation (still under way) of the new speaker line at the Reggio Emilia plant.

2. Rights of use

The item in question was recognised on 1 January 2019, following first time application of the standard IFRS 16 "Leasing", as better described above in the section "New accounting standards, amendments and interpretations applied from 1 January 2019". To that end, recall that at 31 December 2018, the Group has non-cancellable operating lease commitments totalling € 5.9 million, with around € 0.1 million relative to short-term leasing contracts and those of modest value, relative to which the Group opted to make use of the optional exemption allowed by the IASB, based on which the cost for rights of use is recognised in the income statement at constant rates.

For the remaining leasing commitments, the Group recognised rights of use assets and liabilities for leasing in the same amount, discounting the value of leasing fees coming due. At 30 June 2019, the Group has rights of use with a value of € 4.8 million, broken down as follows:

- Rights of use for properties of € 4,635 thousand, relative to medium/long-term property leasing contracts;
- Rights of use for equipment of € 106 thousand, relative to medium/long-term leasing contracts for industrial, electronic and IT equipment;
- Rights of use for vehicles of € 32 thousand, relative to medium/long-term leasing contracts for company cars.

3. Goodwill

A breakdown of this item is highlighted in the following table:

(In euros)

Goodwill	**30-Jun-19**	**31-Dec-18**
Goodwill on Eighteen Sound S.r.l.	924,392	924,392
Goodwill on B&C Speakers Usa NA LLC	1,393,789	1,393,789
Writedowns	-	-
Total goodwill	**2,318,181**	**2,318,181**

The item Goodwill saw no changes with respect to 31 December 2018 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 of entities acquired, as of 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 14 March 2019, 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 2018 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.

4. Other Intangible assets

A breakdown of intangible assets and the related changes during the period are highlighted in the following table:

(In euros)

Other intangible fixed assets	31-Dec-18	Additions	Reclassifications	Foreign Exchange	Depreciation	30-Jun-19
Patent rights	250,075	98,852	-	644	52,101	297,470
	203,791				100,981	102,810
Intangible assets in progress	0	-	-	-	-	-
Total	**453,866**	**98,852**	**-**	**644**	**153,082**	**400,280**

“Patent rights” comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase during the period mainly refers to the purchase of management software for the subsidiary in Reggio Emilia and software for company servers.

5. Equity investments in associated companies

This item amounts to € 50 thousand, unchanged with respect to 31 December 2018 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.

6. Deferred tax assets

At 30 June 2019, this item reflects deferred tax assets, net of deferred tax liabilities, totalling € 557 thousand (€ 571 thousand at 31 December 2018).

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.

7. Other non-current assets

The item is made up of:

(In euros)

Other non current assets	30-Jun-19	31-Dec-18	Change	% Change
Insurance poilcies	472,585	472,585	-	0%
Guarantee deposits	61,595	61,595	-	0%
Ires refund receivables	88,950	88,950	-	0%
Others	10,234	5,706	4,528	79%
Total non current assets	**633,364**	**628,836**	**4,528**	**1%**

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.

8. Inventories

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

(In euros)

Inventories	30-Jun-19	31-Dec-18	Change	% Change
Row materials and consumables	4,423,241	3,859,835	563,406	15%
Work in progress and semi-finished	9,070,590	7,855,614	1,214,976	15%
Finished goods	2,571,059	2,848,320	(277,261)	-10%
Gross Total	**16,064,889**	**14,563,769**	**1,501,120**	**10%**
Provision for inventory writedowns	(666,670)	(562,271)	(104,399)	19%
Net Total	**15,398,219**	**14,001,498**	**1,396,721**	**10%**

The value of inventories is shown net of provisions for inventory writedowns of € 667 thousand, with the following changes during the half:

Change in provision for inventory writedowns	31-Dec-18	Increase	Use	Foreign Exchange	30-Jun-19
Provision for inventory writedowns	562,271	103,363	-	1,036	666,670
Total	**562,271**	**103,363**	**-**	**1,036**	**666,670**

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 2019 would appear to have increased by € 1.5 million overall with respect to the final figure at 31 December 2018. 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.

9. Trade receivables

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

(In euros)

Trade receivables	30-Jun-19	31-Dec-18	Change	Change %
Trade receivables	15,249,402	12,892,501	2,356,901	18%
(Provision for doubtful accounts)	(428,697)	(426,748)	(1,949)	0%
Total	**14,820,705**	**12,465,753**	**2,354,952**	**19%**

The gross amount of trade receivables increased compared with 31 December 2018 principally due to the Group's increased turnover.

10. Tax assets

Tax assets at 30 June 2019, totalling € 855 thousand (€ 1,767 thousand at 31 December 2018) mainly consist of VAT credits for € 649 thousand, current tax receivables deriving from recognition of the tax benefit associated with Patent Box, net of the tax load for the half of € 99 thousand, research and development credits for € 85 thousand and tax credits from foreign subsidiaries for the residual amount.

11. Other current assets

Other current assets can be broken down as follows:

(In euros)

Other current assets	30-Jun-19	31-Dec-18	Change	% Change
Receivables towards supplier	210,588	165,494	45,094	27%
Securities	6,956,823	6,526,866	429,957	7%
Other minor receivables	4,099	27,688	(23,589)	-85%
Total other receivables	**7,171,511**	**6,720,048**	**451,463**	**7%**
Commercial fairs	104,676	74,266	30,410	41%
Phone expenses	5,100	5,100	0	0%
Assistance and assurance fees	72,832	50,658	22,174	44%
Specialist contract	10,000	12,250	(2,250)	-18%
Other	73,137	67,115	6,022	9%
Total prepaid expenses and accrued income	**265,745**	**209,390**	**56,355**	**27%**
Total current assets	**7,437,256**	**6,929,438**	**507,818**	7%

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 estimated gain (€ 430 thousand) recognised as 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 2019 to be paid to *Intermonte Sim S.p.A.* for its specialist services.

12. 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 2019 is detailed below:

(In € thousands)

	30 June 2019 (a)	31 December 2018 (a)	Change %
A. Cash	2,827	3,190	-11%
C. Securities held for trading	6,957	6,527	7%
D. Cash and cash equivalent (A+C)	**9,784**	**9,717**	**1%**
F. Bank overdrafts	(635)	(643)	-1%
G. Current portion of non current borrowings	(7,007)	(6,451)	9%
H. Other financial current borrowings	(1,245)	-	
I. Current borrowingse (F+G)	**(8,887)**	**(7,095)**	**25%**
J. Current net financial position (D+I)	**898**	**2,622**	**-66%**
K. Non current borrowings	(9,554)	(7,210)	33%
M. Other financial non current borrowings	(3,563)	-	
N. Non current borrowings	**(13,117)**	**(7,210)**	**82%**
O. Total net financial position (J+N)	**(12,219)**	**(4,588)**	**166%**

(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-19	31-Dec-18
Cash and cash equivalents at end of the period	**2,192**	**2,547**
Current portion of non current borrowings	(7,007)	(6,451)
Non current borrowings	(9,554)	(7,210)
Securities held for trading	(1,245)	-
Other financial current borrowings	(3,563)	-
Other financial non current borrowings	6,957	6,527
Total net financial position	**(12,219)**	**(4,587)**

Note that the increase in the comprehensive net financial position is due for € 4.8 million (included other current and non-current "other financial payables") to the adoption on 1 January 2019 of the standard IFRS 16, better described in the sections "New accounting standards, amendments and interpretations applied from 1 January 2019" and "Financial liabilities for rights of use".

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

13. NET EQUITY

Share capital

Share capital was € 1,097 thousand at 30 June 2019, showing a decrease of € 2 thousand due to the purchase of treasury shares. As a result of the continuation of the treasury share buy-back plan, on 30 June 2019 B&C Speakers S.p.A. held 27,892 shares, equal to 0.25% of share capital. At the date of this report (September 2019), the number of Treasury shares owned has changed with respect to 30 June 2019 and amounts to 38,873, equal to 0.35% of the share capital. The following table shows the changes, in the first half of 2019, to the number of shares outstanding of the Parent Company:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2018	**10,996,600**
Treasury shares purchased	(40,492)
Treasury Shares sold	16,000.00
June 30, 2019	**10,972,108**

Other reserves

This item, equal to € 5,075 thousand at 30 June 2019, 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 € 4,599 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 € 291 thousand following the recognition of operations carried out on treasury shares.

Foreign Exchange reserve

This item amounted to € 460 as at 30 June 2019 and includes the exchange differences arising from conversion of the financial statements in foreign currencies. This reserve fell by € 40 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.

Actuarial measurement reserve for employee benefit funds

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 € 4,443 thousand and other period profits/(losses) for a negative value of € 12 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)
Euro Thousand					
June 30, 2019					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(15)	(15)		(15)
Total	-	**(15)**	**(15)**	-	**(15)**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	(40)		(40)	-	(40)
Total	(40)	-	(40)	-	(40)
Other comprehensive income/(losses) for the year:	**(40)**	**(15)**	**(55)**	-	**(55)**
June 30, 2018					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		2	2		2
Total	-	2	2	-	2
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	78		78	-	78
Total	78	0	78	-	78
Other comprehensive income/(losses) for the year:	**78**	**2**	**80**	**0**	**80**

	June 30, 2019			June 30, 2018		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	(21)	6	(15)	3	(1)	2
Exchange differences on translating foreign operatic	(40)		(40)	78		78
Other comprehensive income/(losses)	**(61)**	**6**	**(55)**	**81**	**(1)**	**80**

Earnings per share

Earnings per share have been calculated as per IAS 33. The value of this indicator is € 0.40 per share (€ 0.33 in the first half of 2018). 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. 10,986,202 in the first half of 2019).

14. Long-term borrowings

The item is made up of:

(In euros)

Long-term borrowings	30-Jun-19	31-Dec-18	Change	% Change
Long-term CRF 2 loan	2,500,031	3,000,030	(499,999)	-17%
Long-term Unicredit loan	1,047,446	1,674,449	(627,003)	-37%
Long-term BNL 1 loan	1,506,565	2,007,215	(500,651)	-25%
Long-term BNL 2 loan	-	428,571	(428,571)	-100%
Long-term BNL 3 loan	-	100,000	(100,000)	-100%
Long-term BNL 4 loan	2,500,000	-	2,500,000	n/a
Long-term Mediocredito Italiano	2,000,000	-	2,000,000	n/a
Total long-term borrowing	**9,554,042**	**7,210,266**	**(2,056,224)**	**-29%**

The item “CRF 2 loan” of € 2,500 thousand at 30 June 2019 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 € 1,047 thousand at 30 June 2019 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 € 1,507 thousand at 30 June 2019 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 4” of € 2,500 thousand at 30 June 2019 includes the portion due beyond the following year of the long-term loan agreed with Banca Nazionale del Lavoro S.p.A. on 18 April 2019. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract, again with Banca Nazionale del Lavoro S.p.A., aimed at keeping the interest rate of the loan fixed.

The item “Mediocredit Italiano loan” for € 2,000 thousand at 30 June 2019 includes the portion due beyond the following year of the long-term financing agreement with Mediocredito Italiano S.p.A. on 17 April 2019. In parallel with the signing of this loan agreement, the Company also signed an Interest Rate Swaps (IRS) hedging contract, again with Banca Nazionale del Lavoro S.p.A., aimed at keeping the interest rate of the loan fixed.

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

Change in borrowings	31-Dec-18	Refunds	New borrowings	Reclassification current portion	30-giu-19
Non current portion					
Bank borrowings	7,210,266	-	6,000,000	(3,656,224)	9,554,042
Total non current borrowings	**7,210,266**	**-**	**6,000,000**	**- 3,656,224**	**9,554,042**
Curent portion					
Bank borrowings	6,451,426	(3,100,816)	-	3,656,224	7,006,834
Total current borrowings	**6,451,426**	**(3,100,816)**	**-**	**3,656,224**	**7,006,834**

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

(In euros)

Loans details	CRF 1	CRF 2	Unicredit	BNL 1
Lender	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.	Unicredit S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	4,000,000	5,000,000	5,000,000	4,000,000
Contract date	29 July 2015	26 October 2017	18 April 2017	23 November 2017
Due date	29 July 2019	26 October 2022	30 April 2021	23 November 2021
N. installments	48	20	48	16
Advance instalments	-	-	-	-
Periodicity	Monthly	Quarterly	Monthly	Quarterly
Interest rate	Euribor 1 month + 0,55%	Euribor 3M (base 360) with floor at zero + spread 0,33%	0.35%	0.35%
Current portion	168,223	999,995	1,252,910	999,991
Non current portion	-	2,500,031	1,047,446	1,506,565

Loans details	BNL 2	BNL 3	BNL 4	Mediocredito Italiano
Lender	Banca Nazionale del Lavoro S.p.A.	Banca Nazionale del Lavoro S.p.A.	Banca Nazionale del Lavoro S.p.A.	Mediocredito Italiano S.p.A.
Original amount	3,000,000	500,000	3,000,000	3,000,000
Contract date	31 March 2018	10 October 2018	18 April 2019	17 April 2019
Due date	31 March 2020	10 March 2020	13 September 2022	15 June 2022
N. installments	20	18	6	6
Advance instalments	5	3	1	1
Periodicity	Monthly	Monthly	Half yearly	Half yearly
Interest rate	0.10%	0.55%	Euribor 6M + spread 0,65%	Euribor 6M + spread 0,65%
Current portion	1,285,714	300,000	500,000	1,000,000
Non current portion	-	-	2,500,000	2,000,000

Derivative instruments details	CRF 1	CRF 2	BNL 4	Mediocredito Italiano
Counterpart	Banca CR Firenze S.p.A.	Banca CR Firenze S.p.A.	Banca Nazionale del Lavoro S.p.A.	Mediocredito Italiano S.p.A.
Type of contract	Interest Rate Swap (IRS)	Interest Rate Swap (IRS)	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)	Hedging of interest variability risk associated with the Banca Nazionale del Lavoro S.p.A. loan (BNL 3)	Hedging of interest variability risk associated with Mediocredito Italiano S.p.A. loan
Original amount	4,000,000	4,750,000	3,000,000	3,000,000
Periodicity	Monthly	Quarterly	Half yearly	Half yearly
Bank Interest Rate	Euribor 1 month	Euribor 3 months	Euribor 6 months	Euribor 6 months
Company Interest Rate	0.15%	0.09%	0.07%	0.07%
Contract date	31 July 2015	12 December 2017	9 May 2019	9 May 2019
Due date	29 July 2019	26 October 2022	13 September 2022	15 June 2022
Mark to market amount at June 30, 2018	(38)	(34,531)	(18,549)	(14,921)

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

There are no financial payables with maturity dates exceeding five years.

15. Financial liabilities for rights of use (current and non-current portions)

The item in question was recognised on 1 January 2019, following first time application of the standard IFRS 16 "Leasing", as better described above in the section "New accounting standards, amendments and interpretations applied from 1 January 2019". At 30 June 2019, financial liabilities for rights of use, calculated by discounting the value of leasing fees due, amounted to € 4.8 million, of which € 3.6 million classified among non-current liabilities and € 1.2 million classified among current liabilities.

Non-current liabilities include financial liabilities with maturity dates exceeding five years for € 0.8 million.

16. 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 € 354 thousand (€ 401 thousand at 31 December 2018).

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

Technical parameters

	30-Jun-19
Technical annual discounting rate	0.35%
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 2019 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

In compliance with the provisions of 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-2019
Turnover rate +1%	343,164
Turnover rate -1%	350,213
Inflation rate + 0,25%	350,917
Inflation rate - 0,25%	342,110
Discount rate + 25%	339,459
Discount rate - 25%	353,743

Estimated future payments

Year	Amount
1	34,852
2	29,218
3	44,407
4	21,781
5	20,509

Service Cost and Duration

Service Cost	0.00
Duration	9.20

Provisions for Directors' Severance Pay at 30 June 2019 amounted to € 499 thousand (€ 473 thousand at 31 December 2018) 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.

17. Provisions for risks and charges

At 30 June 2019 the item, of € 40 thousand (unchanged from 31 December 2018), contains provisions to cope with the risk of warranty support for the Group's products.

18. Short-term borrowings

The item is made up of:

(In euros)

Short term borrowings	30-Jun-19	31-Dec-18	Change	% Change
Short-term CRF 1 loan	168,223	588,187	(419,964)	-71%
Short-term CRF 2 loan	999,995	999,990	5	0%
Short-term Unicredit loan	1,252,910	1,250,720	2,190	0%
Short-term BNL 1 loan	999,991	998,244	1,747	0%
Short-term BNL 2 loan	1,285,714	1,714,286	(428,571)	-25%
Short-term BNL 3 loan	300,000	400,000	(100,000)	-25%
Hot money BNL	500,000	500,000	0	0%
Short-term BNL 4 loan	500,000	-	500,000	n/a
Short-term Mediocredito Italiano	1,000,000	-	1,000,000	n/a
Total short term borrowings	7,006,834	**6,451,426**	**555,408**	**9%**
Bank overdrafts	**635,206**	**643,491**	**(8,285)**	**-1%**
Total	**7,642,040**	**7,094,917**	**1,102,531**	**16%**

For details on the conditions of outstanding loans, one should refer to Note 14.

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.

19. Trade payables

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

(In euros)

Trade payables	30-Jun-19	31-Dec-18	Change	% Change
Trade payables	6,583,275	5,543,421	1,039,854	19%
Total trade payables	**6,583,275**	**5,543,421**	**1,039,854**	**19%**

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.

20. Tax liabilities

At 30 June 2019, this item was € 166 thousand (€ 274 thousand at 31 December 2018) and includes tax liabilities for withholdings carried out in June 2019 and subsequently paid.

21. Other current liabilities

At 30 June 2019, this item is made up as follows:

(In euros)

Other current liabilities	30-Jun-19	31-Dec-18	Change	% Change
Due to social security funds	223,141	449,405	(226,264)	-50%
Unused vacation time and holidays	946,902	493,184	453,718	92%
Due to personnel	364,317	432,649	(68,332)	-16%
Other liabilities	560,388	293,480	266,908	91%
Total current liabilities	**2,094,748**	**1,668,718**	**426,030**	26%

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 2019. The increase in the payable compared with 31 December 2018 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 2019 and settled within the third working day of the next month.

The item "Other liabilities" mainly includes the debt associated with costs suffered to close the Tunneled business line (€ 235 thousand), that accrued for the management performance bonus (€ 50 thousand), the payable for directors' fees (€ 82 thousand), the payable for fair value measurement of the IRS contracts with Banca CR Firenze S.p.A. (€ 68 thousand) and other smaller amounts.

22. Guarantees given to third parties

At 30 June 2019, as also at 31 December 2018, there are no records of any guarantees given to third parties by Group companies.

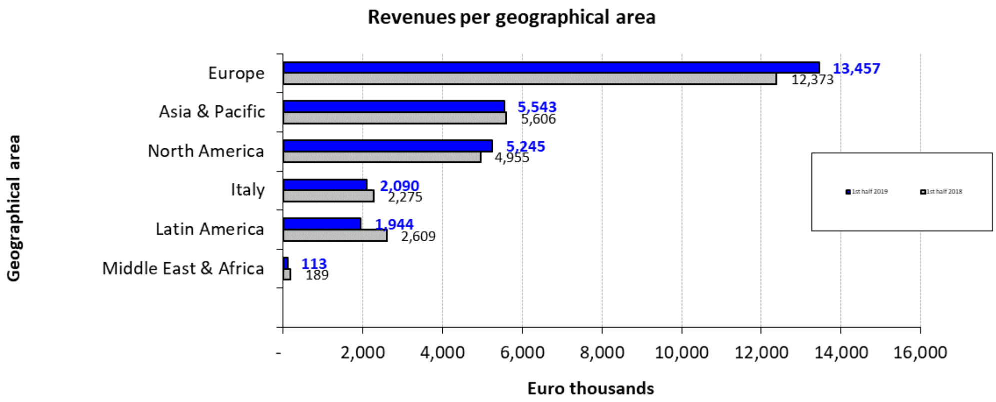
Analysis of the breakdown of the main items of the consolidated income statement closed at 30 June 2019

23. Revenues

(In euros)

Geographical Area	1st half 2019	%	1st half 2018	%	Change	Change %
America Latina	1,943,547	6.8%	2,608,963	9.3%	(665,416)	-26%
Europa	13,456,652	47.4%	12,373,261	44.2%	1,083,391	9%
Italia	2,090,125	7.4%	2,274,561	8.1%	(184,437)	-8%
Nord America	5,244,840	18.5%	4,955,008	17.7%	289,832	6%
Medio Oriente & Africa	113,406	0.4%	189,408	0.7%	(76,002)	-40%
Asia & Pacifico	5,543,038	19.5%	5,606,211	20.0%	(63,173)	-1%
Totale	**28,391,607**	**100.0%**	**28,007,411**	**100.0%**	**384,195**	**1.37%**

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.



During the period the Group increased its turnover on the European market (+9% with sales of € 13.4 million) and the North American market (+6% with sales of € 5.2 million). In contrast, there was a decrease in sales in the Latin American market (-26%) due to the area's economic difficulties and a slowdown in sales in the Asian markets, particularly China (first half sales amounted to € 2.6 million, down 1% from the 2018 figure).

In the first half of 2019, two clients were responsible for turnover above 10% of the total. They account for 18% and 15% of turnover for the half.

24. Cost of sales

The item is made up of:

Cost of sales	I half 2019	I half 2018	Change	Change %
Consumption of production materials	13,180,725	13,068,744	111,981	1%
Direct labour	3,368,366	3,418,447	(50,082)	-1%
Freight	629,566	430,981	198,585	46%
Duties, commissions and other minor costs	145,081	291,628	(146,547)	-50%
Totale Cost of Sales	**17,323,738**	**17,209,801**	**113,937**	**1%**

As noted in the report on operations, the cost of sales during the first six months of 2019 remained essentially constant in terms of its impact on revenues when compared to the first six months of 2018, shifting from 61.45% to 61.01%.

25. Other revenues

This category, which amounts to € 70 thousand for the first half of 2019 (€ 193 thousand in the first half of 2018), mainly refers to recovery of expenses. The decrease is due to the insurance payments received in the first half of the first year relative to the fire which occurred in the offices of the subsidiary Eighteen Sound S.r.l.

26. 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 2019	I half 2018	Variazione	Variazione %
Retribution	1,540,504	1,466,335	74,169	5%
Social charges	377,472	378,287	(815)	0%
Severance indemnity	58,084	50,273	7,811	16%
Total cost of indirect labour	**1,976,060**	**1,894,895**	**81,165**	**4%**

The increase in indirect personnel expenses is mainly due to contractual changes made during the year and the addition of new resources to staff.

27. Commercial expenses

Commercial expenses total € 534 thousand (€ 605 thousand in the first half of 2018) and saw a decrease mainly due to the effects of the elimination of certain commercial consulting made use of during the first half of 2018.

28. Administrative and General expenses

Administrative and general costs, at € 2,186 thousand, decreased by around € 462 thousand compared to the first six months of the previous year, mainly due to recognition of operating leases on the basis of the new reference standard (IFRS 16). Applying the previous accounting methods, these costs would have increased by € 164 thousand, leaving the impact on revenues substantially unchanged from the first half of 2018. The increase that would have been seen if using the same accounting treatment as in the first half of 2018 is due to the net effect of (a) savings due to the elimination of certain types of technical consulting and (b) costs associated with the closing of the Tunneled business line for € 235 thousand.

29. Amortisation, depreciation and writebacks (net writedowns) for trade and other receivables

The item is made up of:

Amortization, depreciation and writedowns	I half 2018	I half 2017	Change	Change %
Amortization of intangibles assets	140,827	153,082	(12,255)	-8%
Depreciation of tangible assets	423,629	536,773	(113,144)	-21%
Depreciation of right of use	595,325	-	595,325	
Total amortizations and depreciations	**1,159,781**	**689,855**	**(125,399)**	**-18%**
Total value write-backs (write-downs) of trade and other receivables	**-**	**2,508**	**(2,508)**	**-100%**

The increase in amortisation/depreciation with respect to the first half of 2018 is entirely due to amortisation of rights of use recognised after first time application of IFRS 16.

30. Financial income and expenses

Financial income totals € 590 thousand (€ 203 thousand in the first half of 2018) and mainly consists of presumed profits deriving from the fair value measurement of securities held for liquidity purposes for € 430 thousand, of realised exchange gains for € 90 thousand and unrealised exchange gains for € 71 thousand. The increase over the first half of 2018 can essentially be attributed to positive trends in the prices of securities in the portfolio which, as noted above, saw a positive effect of € 430 thousand, while during the same period of 2018 they showed a presumed loss of € 131 thousand.

Financial expenses totalled € 310 thousand (€ 473 thousand in the first half of 2018) and mainly include realised exchange losses for € 70 thousand and unrealised exchange losses for € 92 thousand, as well as interest payable on loans, bank overdrafts and rights of use for € 83 thousand (of which € 61 thousand relative to financial expenses associated with measurement of leasing contracts in accordance with IFRS 16), and financial expenses deriving from fair value measurement of IRS contracts for € 44 thousand.

31. Taxes for the period

This item, including current and deferred taxes, is € 1,124 thousand (€ 1,275 thousand in the first half of 2018).

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 26.12% to 20.21%, mainly due to the effects of the tax benefit obtained through the “Patent Box”, recognised again in 2019 for the parent company.

32. Transactions with related parties and subsidiaries under their management

The transactions that occurred during the first half of 2019 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 2019 holds 54% of the shares of B&C Speakers S.p.A.

Economic transactions

(In euros)

General and administrative	Total	Research & Development Intl. Srl	Total related parties	Incidence %
I half 2019	(2,186,438)	-	-	0%
I half 2018	(2,648,341)	(464,745)	(464,745)	18%

The costs incurred in the first half of 2018 in relation to "*Research & Development International S.r.l.*" were related to the rent for the properties 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. At 30 June 2019 these charges are no longer present, due to adoption of IFRS 16.

Financial costs	Total	Research & Development Intl. Srl	Total related parties	Incidence %
I half 2019	(310,404)	(46,471)	(46,471)	15%
I half 2018	(472,694)	-	-	0%

These financial expenses (recognised following application of IFRS 16) refer to the implicit interest associated with the existing financial liability relative to "*Research & Development International S.r.l.*" for the leasing contracts for the properties cited above.

Financial Relationships

(In euros)

Other non current assets	Total	Research & Development Intl. Srl	Total related parties	Incidence %
30 june 2019	633,364	88,950	88,950	14%
31 december 2018	628,836	88,950	88,950	14%

Long-term lease liabilities	Total	Research & Development Intl. Srl	Total related parties	Incidence %
30 june 2019	(3,562,825)	(2,646,264)	(2,646,264)	74%
31 december 2018	-	-	-	0%

Short-term lease liabilities	Total	Research & Development Intl. Srl	Total related parties	Incidence %
30 june 2019	(1,244,625)	(938,308)	(938,308)	75%
31 december 2018	-	-	-	0%

The creditor position of Research & Development International S.r.l. existing at 30 June 2019, 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.

Existing financial liabilities relative to Research & Development International S.r.l. refer to the implicit financial payable in the above noted leasing contracts, recognised following application of IFRS 16.

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.

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

33. Transactions deriving from non-recurring operations

Pursuant to the Consob Communication of 28 July 2006, it is noted that during the first half of 2019 no non-recurring operations occurred.

34. 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 2019 the Group did not engage in any atypical and/or unusual operations, as defined in the said Communication.

35. 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 Brazilian 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 2019, 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 9.1 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 8.0 million.

- Purchases in Canadian dollars equal to € 175 thousand whose corresponding value in € (calculated according to the average exchange rate for the period) is equal to € 116 thousand.

Meanwhile, during the first half of 2019, the Group invoiced clients in foreign currency. More specifically, within the item revenue, the elements paid in foreign currency (USD and Brazilian real) are listed below:

- Turnover in US dollars equal to 12.6 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 11.2 million;

- Turnover in Brazilian real equal to 1.2 million whose corresponding value in euros (calculated according to the average exchange rate for the period) is equal to € 0.2 million.

These figures show that purchases in foreign currency account for approximately 31% of total purchases (34% in the first half of 2018), while sales in foreign currency account for 40% of the Group's turnover (21% in the first half of 2018).

Considering that which is set out above, an increase/decrease of 3% in the euro would generate potential gains of € 103 thousand and losses of € 97 thousand, respectively.

On the Balance sheet, the equivalent in euros of trade receivables entered in US dollars on 30 June 2019 amounted to € 7.9 million (the total value on 31 December 2018 was € 2.4 million), while the equivalent value of trade payables in US dollars on 30 June 2018 amounted to € 2.3 million (the total value on 31 December 2018 amounted to € 1.5 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 € 158 thousand and losses of € 150 thousand, respectively.

Based on the above data, the impact of tax receivables in currency reaches approximately 57% of the overall trade value, while the impact of trade payables in currency accounts for 34% 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 2019, with the associated costs and profits entered in the income statement.

Credit risk

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

Interest rate risk

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

Liquidity risk

As at 30 June 2019, the Company has a negative Net Financial Position of € 12.22 million (€ 4.59 million as at 31 December 2018). It is the result of a current positive NFP of about € 0.89 million (€ 2.62 million as at 31 December 2018) and non-current net financial debt of € 13.12 million (€ 7.21 million as at 31 December 2018). For the characteristics of the loans in question, one should refer to Note 14.

Note that the NFP was negatively influenced by the recognition of current and non-current financial liabilities for rights of use relative to application of IFRS 16 "Leasing", which at 30 June 2019 amounted to € 4.8 million, of which € 3.6 million non-current and € 1.2 million current.

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.

36. Hierarchical levels of the fair value measurement

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

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

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 30 June 2019, according to the hierarchical level of fair value measurement:

Hierarchical level of Fair Value measurement	Level 1	Level 2	Level 3
Financial assets			
Other current assets	6,956,823	-	-
Total	**6,956,823**	-	-
Financial liabilities			
Interest Rate Swap	-	(68,039)	-
Total	**-**	**(68,039)**	-

We note that, with respect to 30 June 2019, there were no movements between the various fair value levels.

37. Subsequent events

No significant events occurred after the reporting date of 30 June 2019 and up to the date on which this report was prepared.

38. Publication authorisation

This document was published on 10 September 2019, 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 2019.

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, 10 September 2019

Simone Pratesi | Francesco Spapperi

Independent Auditors’ Report

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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 2019, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in consolidated shareholders’ equity, consolidated cash flow statement 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.

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 2019 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, 10 September 2019

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.