Gruppo B&C Speakers

Separate and consolidated financial statements

as at December 31, 2020

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

B&C Speakers S.p.A.

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Contents

NOTICE CONVENING THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to meet on April 29, 2020 at the company's registered office in Bagno a Ripoli (FI). Via Poggiomoro 1, Vallina District at 11.00am, on single call, to discuss and resolve on the following

Agenda:

1) Statutory and consolidated financial statements as at December 31, 2020. Related and consequent resolutions;

2) 2) Report on Remuneration pursuant to art. 123-ter of Legislative Decree 58/98. Related and consequent resolutions;

3) 3) Appointment of the Board of Directors: determination of the number of members of the Board of Directors; appointment of the Directors; appointment of the Chairman of the Board of Directors; determination of the annual remuneration of the members of the Board of Directors.

4) 4) Appointment of the Board of Statutory Auditors: appointment of standing and alternate members; appointment of the President; determination of the remuneration of the members.

5) 5) Authorization for the purchase and sale of own shares. Related and consequent resolutions.

COVID 19 Emergency - Methods of holding the Shareholders' Meeting pursuant to the Law Decree of 17 March 2020, n. 18

In order to minimize the risks associated with the extension of the Covid-19 health emergency, B&C Speakers S.p.A. has decided to make use of the option - pursuant to art. 106 of the Law Decree of March 17, 2020, n. 18, as referred to in art. 71 of the Law Decree of August 14, 2020 n. 104 - to provide that the participation of the shareholders in the Shareholders' Meeting takes place exclusively through the Designated Representative pursuant to art. 135-undecies of the Legislative Decree n. 58/98 ("TUF") - (hereinafter the "Designated Representative") - in the manner specified below.

In accordance with the provisions of art. 106, paragraph 2, of the aforementioned Decree, without prejudice to the foregoing, the participation in the Assembly of the members of the corporate bodies, the Secretary and the Designated Representative, as well as any other persons authorized to do so by the President of the Assembly, in compliance with the containment of the Covid-19 epidemic provided for by the applicable legal provisions, may take place exclusively through video / telecommunication means that guarantee identification, in a manner that the President himself will define and communicate to each of the aforementioned subjects, in compliance the rules applicable for this eventuality, without it being in any case necessary that the Chairman or the Secretary be in the same place.

Right to attend the Shareholders' Meeting and exercise the voting right

Those who have the right to vote are entitled to attend the Shareholders' Meeting and exercise the right to vote, exclusively through the Designated Representative, based on a communication made to the Company by a person who qualifies as "Intermediary" pursuant to of the applicable regulations, issued by the latter taking as a reference the resulting evidence at the end of the accounting day of April 20, 2021, ie the seventh open market day prior to the date set for the Shareholders' Meeting in single call (so-called record date), in accordance with the provisions of Article 83-sexies of the TUF.

The credit and debit registrations made on the accounts after the *record date* are not relevant for the purposes of legitimizing the exercise of the right to vote in the Shareholders' Meeting. The subjects who will be owners of the shares only after that date will not have the right to participate nor to vote in the Shareholders' Meeting and, therefore, will not be able to give a proxy to the Designated Representative.

Communications from the intermediary must reach the Company by April 26, 2021, that is by the end of the third open market day preceding the date set for the Shareholders' Meeting in single call.

Furthermore, the legitimacy to attend the Shareholders' Meeting and to vote, always exclusively through the Designated Representative, remains valid if the communications are received by the Company after the aforementioned deadline, provided that it is within the beginning of the meeting's work.

Voting by correspondence or by electronic means

There are no procedures for voting by correspondence or by electronic means.

Rappresentante Designato dall'Emittente

Pursuant to art. 106, paragraph 4, of the Decree Law of March 17, 2020, no. 18, participation in the Shareholders' Meeting is only permitted by granting a specific proxy to the Designated Representative identified by the Company, pursuant to Article 135-undecies of the TUF.
For the Shareholders' Meeting referred to in this Notice of Call, the Company has designated, pursuant to art. 135-undecies of the Legislative Decree of February 24, 1998, no. 58 and subsequent amendments (the "TUF"), Dr. Giacomo Mazzini as the subject ("Designated Representative") to whom the Shareholders can freely give proxy and voting instructions, by signing the form available on the website of the Company www.bcspeakers.com (Investor center / Corporate Governance / Shareholders' Meeting Archive section Shareholders: https://www.bcspeakers.com/investors/it/governance-aziendale/archivio-assemblee-dei-soci/) to be sent to the Designated Representative by registered mail to his operational headquarters located in Via della Loggetta 13, 50135 Florence (FI), or by electronic communication to his certified mail address giacomo.mazzini@legalmail.it.
The proxy to the Designated Representative must contain voting instructions on the proposal on the agenda and on any proposals for its integration, formulated by the Shareholders pursuant to art. 126-bis of the TUF, and is only effective for proposals in relation to which voting instructions have been given.
The proxy must be conferred by the end of the second open market day preceding the date set for the Shareholders' Meeting (ie April 27, 2021).
Within the same term, proxy and voting instructions can be revoked in the same way. The delegation has no effect on proposals for which no voting instructions have been given. The person designated as Designated Representative cannot be given proxies except when in compliance with the provisions of art. 135-undecies of the TUF.
As allowed by the Decree Law of March 17, 2020, n. 18, notwithstanding Art. 135-undecies, paragraph 4 of Legislative Decree no. 58/1998, those who do not intend to make use of the intervention methods provided for by Art. 135-undecies of the Legislative Decree n. 58/1998, may, alternatively, intervene exclusively by granting delegation or sub-delegation to the same Designated Representative pursuant to art. 135-novies of Legislative Decree no. 58/1998, containing voting instructions on all or some of the proposals on the agenda, using the ordinary proxy / sub-delegation form, available on the Company's website www.bcspeakers.com (Investor center / Corporate Governance / Shareholders' Meeting Archive section).
For the delegation and notification of proxies / sub-proxies, also electronically, the methods indicated must be followed in the proxy form. The proxy must be received by 1:00pm on the day preceding the Assembly.
Within the aforementioned term, the proxy and the voting instructions can always be revoked with the aforementioned procedure.
Granting proxies pursuant to art. 135-novies and 135-undecies of the TUF does not involve expenses for the Shareholder, except for those of transmission or shipment.

Right to ask questions

Subjects entitled to attend the Shareholders 'Meeting may ask questions on the items on the agenda even before the Shareholders' Meeting, by sending a specific registered mail to the registered office of the Company or by electronic communication to the e-mail address fspapperi@bcspeakers.com. Questions received before the Shareholders' Meeting will be answered at the latest during the Meeting itself, with the Company having the right to provide a single answer to questions having same content. Applications must be accompanied by specific certification issued by the intermediaries with whom the shares owned by the shareholder are deposited or, alternatively, by the same communication required for participation in the meeting.

Integration of the agenda

Pursuant to art. 126-bis of the TUF, shareholders who, even jointly, represent at least one fortieth of the share capital may request, within ten days of the publication of this notice, the integration of the list of topics to be discussed, indicating in the application the issues they propose to be added; the application must be submitted in writing to the registered office or sent by registered mail, provided that it is received by the Company within the aforementioned term, along with the suitable documentation certifying the ownership of the aforementioned shareholding, to be issued by the intermediaries who manage the accounts on which the shares are registered.
The integration of the items on the agenda is not allowed for the topics on which the assembly decides, in accordance with the law, on the proposal of the directors or on the basis of a project or report prepared by them. Any integrated list will be published with the same publication methods of this notice.
The integration of the items on the agenda is not allowed for the topics on which the Assembly resolves, in accordance with the law, on the proposal of the Directors or on the basis of a project or report they have prepared. Any integrated list will be published with the same manners of publication of this Notice.

Election of members of the management and supervisiory bodies by list voting mechanism

In relation to items no. 3 and 4 of the Agenda (appointment of the Board of Directors and appointment of the Board of Statutory Auditors) it should be noted that, as required by the applicable legislation and by the Articles of Association (articles 12 and 24), the appointment takes place on the basis of lists submitted by the shareholders. Only shareholders who, alone or jointly with other shareholders, can provide documentary evidence that they hold a stake in the share capital with voting rights of no less than 2.5%, have the right to submit lists. Each shareholder may not present or compete in presenting more than one list, not even through a third party or trust company. The lists must be filed at the registered office or by electronic communication to the email address fspapperi@bcspeakers.com at least 25 days before the day set for the Shareholders' Meeting in single call, i.e. by April 6, 2021 (term extended by two days with respect to the effective deadline, as they coincide with two holidays). If within this deadline only one list for the appointment of the Board of Statutory Auditors has been presented, that is only lists connected to each other pursuant to the applicable legislation, including regulatory ones, further lists may be presented within the following three days (and therefore within the April 9, 2021).
The lists presented will be made available to the public at the registered office, on the Company's website and with the other methods provided for by the National Commission for Companies and the Stock Exchange at least twenty-one days before the date set for the Shareholders' Meeting, therefore by April 8, 2021.
Ownership of the minimum share required for the presentation of the lists is determined with regard to the shares that are registered in favor of the shareholder or shareholders on the day in which the lists are filed at the Company; ownership of the overall shareholding held can also be certified after the filing of the lists, provided it is at least twenty-one days before the date of the meeting (ie by April 8, 2021).
Lists containing a number of candidates equal to or greater than 3 (three) cannot be composed only of candidates belonging to the same gender (male and female); these lists must include a number of candidates of the less represented gender such as to ensure that the composition of the Board of Directors and the Board of Statutory Auditors complies with the legal and regulatory provisions, in force from time to time, on gender balance (male and female), provided that if an integer number does not result from the application of the division criterion between genders, this must be rounded up to the nearest unit.
The acceptance of the candidacy by the individual candidates and the the declarations with which they certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requisites that were prescribed for the respective functions. Along with such declarations, a curriculum vitae must be filed too for each candidate, containing exhaustive information regarding the personal and professional characteristics, with an indication of the management and supervisory positions held in other companies and, if the conditions are met, the possession of the requisites of independence in accordance with the legal criteria (Article 148, paragraph 3 of the TUF) and the Corporate Governance Code for listed companies promoted by Borsa Italiana SpA (the "Corporate Governance Code")

to which the Company has adhered.
Candidates are also recommended to authorize the publication of their *curriculum vitae* on the Company's website.
Any changes that may occur up to the day the Shareholders' Meeting is held must be promptly communicated to the Company.
Lists presented without observing the foregoing provisions and those required by applicable law will be considered as not presented.

Documentation

The documentation related to the items on the agenda will be filed at the registered office and Borsa Italiana S.p.A. and will be made also available on the website www.bcspeakers.com according to the terms provided for by current legislation. Shareholders have the right to obtain a copy.
All information concerning the Shareholders' Meeting, as well as any other information required by law are contained in the integrated text of the Notice of Meeting published on the Company's website, at www.bcspeakers.com inside the "Investor Center" section, to which reference should be made, as well as in the "eMarket STORAGE" storage mechanism, available at www.emarketstorage.com, together with the documents related to the Shareholders' Meeting, made available within the terms and in the manner required by current legislation.
The subscribed and paid-up share capital is Euro 1,100,000, divided into 11,000,000 ordinary shares with no par value, each of which gives the right to one vote. At the date of this Notice of Call (March 2021), the Company holds no. 64,134 ordinary shares for which, pursuant to the law, the right to vote is suspended. Any change in treasury shares will be communicated at the opening of the Meeting.
Further information on the rights and on the above can be found on the Company's website www.bcspeakers.com.

The documentation relating to the items on the agenda will be deposited at the registered office and Borsa Italiana S.p.A. and will be also made available on the website www.bcspeakers.com within the terms provided for by current legislation. Shareholders have the right to get a copy.

1 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:	Roberta Pecci
Independent Director:	Gabriella Egidi
Independent Director:	Patrizia Mantoan
Independent Director:	Raffaele Cappiello

Board of Auditors

Chairperson:	Riccardo Foglia Taverna
Regular Auditor:	Sara Nuzzaci
Regular Auditor:	Giovanni Mongelli
Alternate Auditor:	Antonella Rapi
Alternate Auditor:	Elisa Bauchiero

Independent auditing firm

PricewaterhouseCoopers S.p.A.

2 Proposed approval of the financial statements and allocation of period profit

The Company's Board of Directors met on March 22, 2021 proposed allocating the profit for the year presented in the financial statements as at December 31, 2020 as follows:

- distribution of a dividend of Euro 0.18 per ordinary share outstanding at the ex dividend date, therefore excluding the treasury shares held at that date;

- distribution of a further dividend equal to Euro 0.08 for each ordinary share outstanding at the coupon detachment date, therefore excluding treasury shares in portfolio at that date, resulting from the available profit reserves.

3 Introduction to the separate and consolidated financial statements at December 312020

The separate and consolidated financial statements for B&C Speakers S.p.A. as at December 31, 2019 were prepared in compliance with applicable International Accounting and Financial Reporting standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB") and approved 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").

Besides, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by CONSOB Resolution no. 15519 of July 27, 2006, establishing "Drafting principles for financial statements", CONSOB Resolution no. 15520 of July 27, 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB Communication no. 6064293 of July, 28 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of May 10, 2007. 58/98" and Communication DEM/7042270 of May 10, 2007.

The purpose of these financial statements is to present the financial position and results of operations of B&C Speakers S.p.A. and the B&C Speakers Group as at and for the year ended December 31, 2020, in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

In FY 2020, the Parent Company continued its treasury share *Buy-Back* program in accordance with the provisions established by the Shareholders' Meeting on April 29, 2020. At December 31, 2020, it held 114.948 treasury shares, equal to 1.04% of the share capital. The shares have been valued in accordance with the related accounting principles.

At the date of this report (March 2021), the number of treasury shares held is equal to 64,134 equal to 0.58% of the share capital; the weighted average purchase price of the shares in the portfolio is equal to Euro 10.48.

The financial data set out and commented below was prepared on the basis of the Consolidated Financial Statements of the Group at December 31, 2020 to which reference is made, since, pursuant the current legislation, it was considered more appropriate to prepare a single report on operations and therefore to provide a detailed analysis of what are considered to be the most illuminating economic-financial trends of the Group.

Consolidated report on operations and Parent Company data

As of December 31, 2020

4 Consolidated report on operations for the financial year ended on December 31, 2020

The B&C Speakers Group is a key international entity in the production and marketing of “top quality professional loudspeakers”. The Group's business, which operates both nationally and internationally, is dedicated exclusively to this sector. Products are manufactured and assembled at the Italian production plants of the Parent Company and the subsidiary Eighteen Sound S.r.l., which directly supervise also 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.

Production and distribution of Ciare branded products is pirsed by Sound & Vision S.r.l. (indirectly controlled company).

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

The profit of the Group for the year 2020 is equal to Euro 1,647 thousand, after related taxes, for Euro 367 thousand and after depreciation of Euro 2,183 thousand.

The Group profit for 2019 was equal to Euro 8,667 thousand, after related taxes of Euro 2,039 thousand

(due to tax benefits following the Patent Box agreement for the year for an amount of Euro 773 thousand) and after amortization of € 2,292 thousand.

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2020 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2020	2019
Revenues	31,975	56,287
Ebitda	5,123	12,580
Ebit	(51)	10,286
Net profit	(269)	8,667

Balance sheet highlights

(€ thousands)	31 December 2020	31 December 2019
Non current Assets	9,967	11,429
Non current liabilities	13,997	10,992
Current assets	42,996	40,852
Current liabilities	12,755	15,676
Net working Capital	30,240	25,176
Net Equity	26,211	25,613

Cash flow statemen highlights

(€ thousands)

	2020	2019
Operating cash flow	7,182	11,534
Cash flow from investing activities	(453)	(2,097)
Cash flow from financial activities	1,723	(7,021)
Cash and cash equivalent at end of the year	8,452	2,416

Net financial position

(€ thousands)	31 December 2020	31 December 2019
Current net financial position	13,612	4,982
Total net financial position	590	(5,006)

As regards the definition of alternative performance indicators, please refer to the information hereafter in this document.

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 December 31, 2020 the listed price for shares in B&C Speakers S.p.A. (BEC) stood at € 10.35 and consequently the market capitalization amounted to about € 113.8 million.

Reported here below the share performance of B&C Speakers SpA in 2020 and in the first few months of 2021.

Macroeconomic Situation

During 2020, the global economy was strongly and heterogeneously affected by the Covid-19 pandemic (hereinafter also called "Coronavirus"). Economists have estimated a decline of 4.1% in world GDP at 12.31.2020 (+ 4.3% in 2021 according to the OECD), a slight increase compared to the IMF forecast at the beginning of September 2020 (-4.8%). The easing of the restrictive measures introduced in the first half of 2020 to counter the spread of the virus, led to a partial recovery of economic activity in Europe and North America, slowed by the autumn acceleration of infections, while Asia, which at the beginning of the year was blocked by health measures, it instead highlighted a strong recovery trend at the end of 2020.
The American economy has been significantly affected by the effects of the political and health management of the outgoing president with the country's GDP settling at -3.4% and a growth forecast of + 3.5% for 2021. The relatively favorable economic situation recorded up to October, characterized by an expansion of activity in both manufacturing and services, by continuous growth in consumption, by extraordinarily expansive economic policies and by the record level of savings, was nullified. In the currency market there is a significant appreciation of the Euro against the Dollar, a direct consequence of the collapsed yield differentials, following the Fed rate cuts.
China is the only major economic power to have recorded positive growth (+ 2.3%). Thanks to the effective control of the epidemic and the support of fiscal and monetary policy, the economic recovery was faster than expected, also driven by real estate and infrastructure investments as well as exports and the positive rate of industrial growth. Estimates for 2021 are therefore up, with GDP expected to grow by about 8.0%.
Finally, the Eurozone GDP closed down by -7.3%, after the strong bounce recorded in the third quarter, thanks to the contribution of private consumption and fixed investments. The increase in the share of the immunized population thanks to the ongoing vaccination campaign should avoid new restrictions, paving the way for a more stable recovery alongside the ECB's accommodative monetary policy which has extended three of its stimulus programmes, including PEPP (*Pandemic Emergency Purchase Program*) increased from 1,350 to 1,850 billion euros, with the duration of net purchases extended until March 2022. The conditions listed above determine a growth forecast in 2021 of + 4.5%.
The Italian economy was strongly affected by the extent of the restrictions, such as to cause a significant contraction in annual GDP, even if less marked than that which occurred during the first wave of infections dating back to the first half of 2020. During 2020, household consumption they decreased slightly more than GDP, reflecting the contraction in employment and incomes (although mitigated by the support measures), mobility restrictions and giving up certain types of expenditure due to concerns related to contagion. Nevertheless, in this scenario, monetary and financial conditions remain favorable, also thanks to the action of the Eurosystem, governments and European institutions. Growth in international trade actually continued also at the end of the year, benefiting from the recovery of the industrial sector in all countries. Economists estimate that the product, still weak at the beginning of the year, will return to grow significantly from the spring, coinciding with the hypothesized improvement in the health picture. Indeed, after the contraction of -9.0% in 2020, GDP should expand by + 4.4% in 2021 and + 2.7% in 2022.

Industry scenario

The professional audio sector has been heavily impacted by the crisis generated by the spread of Covid-19, the first effect of which remains the strong contraction in demand. In particular, the factor that makes the current crisis particularly harmful is the persistence of the ban on carrying out activities that require closeness between individuals, which at the moment makes it very difficult to truly restart the reference market, strongly characterized by live shows and concerts.
Given the current uncertainty about the duration and intensity of the health and socio-economic emergency relating to Covid-19, it is still not possible today to estimate the overall negative effect on the reference sector; reasonably, 2021 will also record significantly lower levels than the pre-Covid-19 data.

Economico trend

The general economic trend of 2020 is strongly influenced by the spread of Covid-19 and by the consequential containment actions taken by world governments, first of all the lockdown imposed by the Italian government and the subsequent limitations on gatherings that followed one another during the second half of 2020. This scenario led to lower results compared to what was achieved in the previous year both in terms of turnover and in terms of margins, but with good prospects of recovery for the future. Nonetheless, the order book (relative to the Parent Company), equal to approximately Euro 3.6 million at December 31, 2020, is in fact increasing (by approximately +12%) compared to the Euro 3.2 million at December 31, 2019.

For a better representation of the economic management trend for the year 2020, a chart is shown below which represents the main economic aggregates of the B&C Speakers Group, compared with the equivalents in the same period of the previous year:

Economic trends - Group B&C Speakers

(€ thousands)	**2020**	***Incidence***	**2019**	***Incidence***
Revenues	31,975	*100.00%*	56,287	*100.0%*
Cost of sales	(20,397)	*-63.79%*	(34,574)	*-61.4%*
Gross margin	**11,578**	***36.21%***	**21,714**	***38.6%***
Other revenues	541	*1.69%*	232	*0.4%*
Cost of indirect labour	(2,943)	*-9.20%*	(3,895)	*-6.9%*
Commercial expenses	(579)	*-1.81%*	(1,297)	*-2.3%*
General and administrative expenses	(3,474)	*-10.86%*	(4,174)	*-7.4%*
Ebitda	**5,123**	***16.02%***	**12,580**	***22.3%***
Depreciation of tangible assets	(1,989)	*-6.22%*	(1,990)	*-3.5%*
Amortization of intangible assets	(194)	*-0.61%*	(302)	*-0.5%*
Writedowns	(51)	*-0.16%*	(1)	*0.0%*
Earning before interest and taxes (Ebit)	**2,889**	***9.04%***	**10,286**	***18.3%***
Financial costs	(983)	*-3.07%*	(568)	*-1.0%*
Financial income	378	*1.18%*	932	*1.7%*
Earning before taxes (Ebt)	**2,284**	***7.14%***	**10,650**	***18.9%***
Income taxes	(367)	*-1.15%*	(2,039)	*-3.6%*
Profit for the year	**1,917**	***5.99%***	**8,612**	***15.3%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**1,917**	***5.99%***	**8,612**	***15.3%***
Other comprehensive result	(269)	*-0.84%*	55	*0.1%*
Total Comprehensive result	**1,647**	***5.15%***	**8,667**	***15.4%***

Notes:

These financial statements present and comment 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 July 28, 2006, as subsequently amended (CONSOB Communication 0092543 of December 3, 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 Company's economic, capital and financial performance. The alternative performance indicators are measures used by the issuer to monitor and assess the Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IAS/IFRS. Therefore, the measurement criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable. We emphasise that the adjustment methods used by the Company to calculate these figures have remained constant over the years.

EBITDA (*Earnings Before Interest Taxes Depreciation and Amortisation*) is defined by the Issuer's Directors as the "before tax and financial income and expenses", as resulting from the consolidated income statement gross of amortisation of intangible assets, depreciation of property, plant and equipment, provisions and writedowns as resulting from the aforesaid consolidated income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Group's operating performance.

EBIT (*Earnings Before Interest and Taxes*) represents the consolidated profit/loss before taxes, financial expenses and income as shown in the income statement tables prepared by the Directors in drawing up the financial statements in accordance with the IASs/IFRSs.

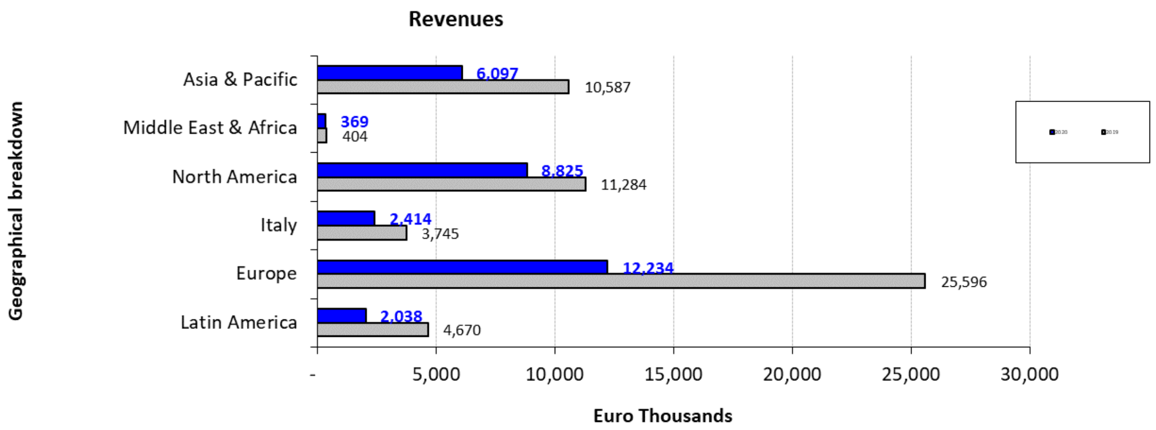
EBT (*Earnings Before Taxes*) is the consolidated result before tax, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant consolidated financial statements.

Consolidated Revenues

After a good performance at the beginning of 2020, the containment measures adopted by the Italian government led to the closure of the Group companies starting from March 20, 2020 in Florence and from March 13, 2020 in Reggio Emilia.
The Group's reference market is still strongly and negatively impacted by the consequences of Covid-19 (gatherings of people, including live events, are still prohibited in most of the reference markets), which have led to a significant decrease in turnover of Group that amounted to Euro 31.9 million at the end of 2020, down by -43.19% compared to the same period of 2019.
In addition to this, it should be noted that the health provisions that made it possible to resume production activities resulted in a loss of production efficiency that can be measured in about -20% of normal capacity, as a result of the provisions on interpersonal distancing and sanitation of the production facilities.
The decrease in the Group's turnover compared to 2019, to be attributed to the geographical spread of the Covid-19 pandemic, was particularly concentrated on the European market (-52% with a decrease in absolute value of Euro 13.3 million), on the Asian market (-42% with a decrease in absolute value of Euro 4.5 million) and on the South American market (-56% with a decrease in absolute value of Euro 2.6 million). The market that suffered the least was the North American one, in which the decrease was -22%. There is also a recovery trend, during the second half of the year, of the Asian market.

The Revenues Breakdown by geographical area for 2020 is shown below (amounts in Euro):

Geographical Area	2020	%	2019	%	Change	% Change
Latin America	2,037,630	6%	4,670,023	8%	(2,632,394)	-56%
Europe	12,233,506	38%	25,596,396	45%	(13,362,889)	-52%
Italy	2,413,606	8%	3,745,025	7%	(1,331,419)	-36%
North America	8,825,250	28%	11,284,178	20%	(2,458,928)	-22%
Middle East & Africa	368,524	1%	404,264	1%	(35,740)	-9%
Asia & Pacific	6,096,739	19%	10,587,354	19%	(4,490,616)	-42%
Total revenues	**31,975,254**	**100%**	**56,287,240**	**100%**	**(24,311,986)**	**-43%**



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.

The cost of sales, despite a decrease in absolute value of Euro 14.2 million (due to the lower production volumes of the year) showed a worsening of -2.37 percentage points in 2020 in terms of incidence on revenues compared to to 2019, going from 61.42% at December 31, 2019 to 63.79% at December 31, 2020. This worsening is due to the greater incidence of direct personnel costs on revenues, resulting from the sharp decline in production and sales volumes. The activation of social safety nets and other forms of public support made it possible to limit the impact that this phenomenon would have had in the absence of interventions by the Group's Management.

Indirect Personnel

The "Indirect personnel" category refers to costs for clerical staff, executives and blue-collar workers not associated with the production process.

The cost for indirect personnel, although decreasing by Euro 952 thousand compared to 2019 (-24.44%), increased its incidence on turnover, going from 6.92% at December 31, 2019 to 9.20% of December 31, 2020. The increase in the incidence on revenues is due to the sharp decline in production and sales volumes not completely offset by the decrease in costs for indirect personnel, mainly resulting from the activation of social safety nets and other forms of public support.

Commercial expenses

The "Commercial expenses" category refers to the costs for commercial consultancy, advertising and marketing expenses, travel and business trips and other minor expenses relating to the commercial sector.
Commercial expenses showed a decrease in absolute value compared to the previous year of Euro 718 thousand (-55.32%) with a decrease in their incidence on turnover, which went from -2.30% to -1.81%. This important decrease in commercial expenses was affected, in addition to the cost containment policies implemented by the Group's management, by the cancellation, due to the pandemic in progress, of some important trade shows in this sector.

General and Administrative

General and administrative costs, despite a decrease in absolute value of Euro 700 thousand, increased their incidence on turnover by 3.45 percentage points compared to 2019. The aforementioned decrease was affected, in addition to the cost containment policies put in place by the Management of the Group, by the voluntary reduction of the remuneration by the executive Directors, the reduction of the rent of the Bagno a Ripoli plant, and by the fact that in 2019 there were additional charges incurred for the closure of the "Tunneled" division equal to Euro 235 thousand.

EBITDA and EBITDA Margin

As a result of the dynamics described above, EBITDA for 2020 is equal to Euro 5.12 million, with a decrease of Euro 7.45 million (- 59.27%) compared to 2019.
The EBITDA *margin* for 2020 is equal to 16.02% of revenues (22.35% in the previous year).

Depreciation and provisions

Depreciation of tangible and intangible fixed assets and rights of use are substantially in line with the previous year and amount to Euro 2,183 thousand (Euro 2,292 thousand in 2019).
Provisions for the period refer to the amount set aside to reflect the risk of recoverability of receivables with particular reference to those in the South American area.

EBIT and EBIT margin

EBIT for 2020 amounts to Euro 2.89 million, down by -71.91% compared to the same period of 2019 (when it was equal to Euro 10.29 million). The EBIT margin is equal to 9.04% of revenues (18.27% in 2019).

Group net profit

The Group's net profit in 2020 amounts to Euro 1.92 million, representing a percentage of 5.99% of consolidated revenues, with an overall decrease of -77.74% compared to 2019.

Equity and financial trend

Below is the reclassified statement of financial position according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2020**	**31 December 2019**	**Change**
Property, plant & Equipment	**6,183**	**7,783**	**(1,600)**
Inventories	12,254	13,492	(1,239)
Trade receivables	7,085	12,842	(5,758)
Other receivables	2,959	1,936	1,023
Trade payables	(2,957)	(4,960)	2,003
Other payables	(1,951)	(2,579)	628
Working capital	**17,390**	**20,733**	**(3,343)**
Provisions	**(975)**	**(930)**	**(45)**
Invested net working capital	**22,598**	**27,586**	**(4,988)**
Cash and cash equivalents	13,415	5,277	8,138
Investments in associates	50	50	-
Goodwill	2,318	2,318	-
Short term securities	8,044	7,916	128
Other financial receivables	655	666	(10)
Financial assets	**24,483**	**16,227**	**8,255**
Invested net non operating capital	**24,483**	**16,227**	**8,255**
NET INVESTED CAPITAL	**47,081**	**43,813**	**3,268**
Equity	26,211	25,613	598
Short-term financial borrowings	7,848	8,138	(290)
Long-term financial borrowing	13,022	10,062	2,960
RAISED CAPITAL	**47,081**	**43,813**	**3,268**

Note:
Fixed assets: these are defined by the Issuer's Directors as the value of multi-annual assets (*tangible* and *intangible*). Net Operating Working Capital: is defined by the Issuer's Directors as the value of inventories, trade receivables and other receivables net of debts for supplies and other payables. Provisions: the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. 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.

Below are comments on the changes to assets and liabilities classified according to administrative allocation.

The *Invested net working capital* invested shows a decrease of Euro 4.988 million compared to December 31, 2019. This decrease is mainly due to the combined effect of the following factors:

- a decrease in fixed assets of approximately Euro 1.6 million due to the effect of depreciation for the period, partially offset by the investments made in this period;
- a decrease in inventories of approximately Euro 1.2 million, mainly due to the lower production volumes in 2020;
- a decrease in trade receivables of approximately Euro 5.8 million due to lower sales volumes for the year. It should be noted that, despite the damaging effects of the pandemic on customer liquidity, there have been no situations of significant doubtful loans;
- a decrease in trade and miscellaneous payables equal to approximately Euro 2.6 million due to lower production volumes for the year.

Non-Operating Net Invested Capital shows an increase of Euro 8.3 million compared to December 31, 2019. This increase is due to the significant increase in the Group's liquidity following the assumption of three new loans which guaranteed the Group income of funds for for a total of Euro 7.5 million. The increase in short-term securities is due to the strong recovery in market trends recorded during the second half of 2020, which resulted in a complete recovery of the value of the positions which, in the first half of the year, had shown losses in their value.
The other Asset categories did not show any changes compared to December 31, 2019.

Financial Debt
Short-term financial debt decreases by Euro 0.3 million due to the rescheduling of some Group loans following the voluntary moratorium on mortgage maturities up to September 2020 promoted by the Group's financial institutions.
The medium / long-term financial debt increases by Euro 2.9 million due to the assumption of the three new loans mentioned above, (Euro 7.5 million), the effect of which was partially offset by the repayments of the year.
The overall *Net Financial Position* is positive and equal to Euro 0.59 million, against a negative value of Euro 5.01 million at the end of 2019. The decision of the Shareholders' Meeting of April 29, 2020, based on the updated proposal of the Board of Directors, not to proceed with the distribution of the dividend initially proposed in order to prudently maintain the balance sheet unchanged, affected the improvement of the Net Financial Position.

This quantity is calculated in compliance with the Consob communication of July 28, 2006 and in accordance with the CESR Recommendation of February 10, 2005 "Recommendations for the uniform implementation of the European Commission regulation on prospectuses".

(values in Euro thousands)	31 december 2020 (a)	31 december 2019 (a)	Variazione
A. Cash	13,415	5,277	154%
C. Securities held for trading	8,044	7,916	2%
D. Cash and cash equivalent (A+C)	**21,460**	**13,194**	**63%**
F. Bank overdrafts	(0)	(314)	-100%
G. Current portion of non current borrowings	(6,904)	(6,686)	3%
H. Current lease liabilities	(944)	(1,212)	
I. Current borrowingse (F+G)	**(7,848)**	**(8,211)**	**-4%**
J. Current net financial position (D+I)	**13,612**	**4,983**	**173%**
K. Non current borrowings	(10,755)	(6,958)	55%
M. Non current lease liabilities	(2,267)	(3,031)	
N. Non current borrowings	**(13,022)**	**(9,989)**	**30%**
O. Total net financial position (J+N)	**590**	**(5,007)**	**-112%**

(a) Informations extracted and / or calculated from the financial statements prepared in accordance with IFRS as adopted by the European Union.

Key performance indicators

To provide a more comprehensive representation of the Group's position, the performance and the result of the business as a whole are presented using both financial and non-financial key performance indicators.

Group Key performance indicators	**2020**	**2019**
R.O.E.	7.3%	33.6%
Return on Equity; Net result/Equity		
R.O.I.	5.5%	19.7%
Return on Investments; Ebit/Total assets		
R.O.S.	9.0%	18.3%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	0.98	0.96
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	3.80	3.66
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	3	3
Current Assets/Current Liabilities		

Net working capital	17,390	20,733

Primary liquidity ratio	105.2%	33.7%
Cash and cash equivalents/Current Liabilities		

Days of Inventory Turnover	146.95	89.14

Days of Receivables Turnover	113.73	82.06

Corporate Structure

As at December 31, 2020 the Group workforce numbered 174 units.

The following chart shows the changes in the Group's workforce in the last three years:

Personnel headcount	**31-Dec-20**	**31-Dec-19**	**31-Dec-18**
Workers	124	134	124
Employees	43	45	42
Lower management	6	6	7
Upper management	1	1	1
Total	**174**	**186**	**174**

Investments

During the 2020 financial year, investments have been made of approximately Euro 0.4 million, mainly assigned to industrial plants and equipment for production with the aim of increasing the efficiency of the production plants in Vallina (Bagno a Ripoli, Florence) and Reggio Emilia.

Two lines for the production of loudspeakers are operational in the Vallina (FI) production facility, one of whom is highly automated and suitable for mass production on large batches and the other one more flexible and suitable for low-scale and diversified production; both production lines meet the most modern efficiency and productivity criteria.

As regards the production of high frequency loudspeakers (Drivers), two production lines are in operation and have been improved in terms of efficiency and production capacity.

There are three production lines in the Reggio Emilia production facility.

All investments relating to structures and fixed systems were made in agreement with the parent company ***Research & Development International S.r.l.*** with the intent to achieve a consistent improvement in the company's production capacity.

Research and development

The company has kept its commitment high towards cultural and managerial growth that will allow it to maintain the level of excellence achieved so far at a time when international competition is becoming more aggressive every day.

Investments related to Research and Development (R&D) have been maintained high. The 2020 financial year occurred both the conclusion of existing projects and the beginning of new ones. In particular, it should be noted that the Parent Company has carried out research and development activities for technological innovation and has directed its efforts in particular on projects considered particularly innovative, carried out in the Vallina plant in Florence.

For the development of these projects, the company incurred, in 2020, costs related to R&D activities in continuity with the previous year, trusting that the positive outcome of these innovations can generate good results in terms of turnover with trickle-down economics on the Company.

Comparison of profits and shareholders' equity of the Parent company in accordance with IFRS accounting standards and profits and shareholders' equity of the group in accordance with IFRS as at December 31, 2020

The chart below compares the profit and shareholders' equity of the Parent Company under IFRS and the profit and shareholders' equity of the Group on December 31, 2020.

(values in Euro)	Equity	Total comprehensive income
Holding Equity and Net Result IFRS	**25,520,077**	**2,016,231**
Consolidation of controlled entities - Netting of investments	(8,285,827)	175,099
Consolidation of controlled entities - Reserves and Net Equity allocation	7,101,550	(119,723)
Goodwill	2,318,181	-
Dividends	-	(301,618)
Intercompany transactions	-	60,000
Intercompany inventory margins	(443,259)	86,561
	-	-
Group Equity and Net Result IFRS	**26,210,723**	**1,916,549**

The entries in this consolidation statement are already net of the relative deferred tax effects where applicable.

Significant events occurred during the 2020 financial year

Due to the persistence of the Covid-19 emergency and the tightening of the related restrictive measures, all the Group's production plants remained compulsorily closed until May 4, 2020 when it was possible to resume the activities which have been necessarily distributed at lower capacity, so to comply with the health provisions in place.

In light of the strongly negative effect on market demand, especially when linked to live events that are basically still suspended and the restrictive measures adopted by government authorities in the various countries for the Covid-19 emergency, the Group reacted decisively implementing a series of actions aimed at mitigating its economic impact. In particular, the following cost containment measures have been identified and adopted:

- Cost of labor: activation of social safety nets and other forms of public support for the protection of workers envisaged or issued, on an extraordinary basis, in the countries where the Group works; proportional reduction of the variable component; voluntary salary reduction by Management;
- Marketing costs: significant reduction of non-strategic initiatives;
- Other costs: suspension of all non-strategic costs and renegotiation, where possible, of existing contracts (including rental contracts).

As far decisions of a financial nature are concerned, in order to manage the Company financial resources with the utmost prudence, the Group has implemented the following measures:

- the Shareholders' Meeting of April 29, 2020 resolved, based on the updated proposal of the Board of Directors of April 14, 2020, not to cautiously proceed with the distribution of the dividend initially proposed in order to keep the balance sheet unchanged;
- in addition to this, the Group, as described above, increased its financial resources through the subscription of three new loans for a total amount of Euro 7.5 million. Two of these three loans (for a total amount of Euro 5 million) are guaranteed by the Italian State (pursuant to Article 13 of Legislative Decree 23/2020) and offer very advantageous economic conditions with repayment starting from 2022.
- lastly, the Group adhered to the voluntary moratorium promoted by its reference financial institutions, for the maturities of the loans until September 2020 equal to approximately Euro 1,140 thousand contractually due by June and Euro 500 thousand in August.

The set of interventions listed above is deemed capable of guaranteeing liquidity and financial solidity to meet all the needs that may arise during the current crisis.

As regards the **health measures adopted**, the two manufacturing Companies of the Group approved a specific protocol, with consequent updating of the DVR (RAD- *Risk Assessment Document*), which provides for the application of all the protection and containment measures envisaged by the various legislative and regulatory interventions (national and regional) occurred during the *lockdown* period and which constituted the necessary prerequisite to allow not only the reopening of production activities, but also their continuity in a context of safety and respect for the health of workers.

Business outlook

Considering the current uncertainty about the duration and intensity of the health and socio-economic emergency relating to Covid-19, the Group believes that the forecasts for the new year, even if they're basically and moderately optimistic, could be positively influenced by the increasing and more effective spreading of vaccines for Covid-19, whose large-scale distribution is considered a necessary condition for the resumption of any outdoor activity and / or social gathering, activities that are, notoriously, a driving force for the Company's business. Given the current scenario, it is reasonably believed that the levels of turnover and margins in 2021 may be even significantly lower than those before Covid-19.
In this scenario, the Group will keep working to meet commitments and goals, continuing to take all necessary measures to manage the crisis resulting from the pandemic. The Group will also focus on containing any momentary loss of productivity due to the Coronavirus emergency that may occur in any case, confirming a strong focus on cost and investment efficiency and keeping on implementing all the health safety measures necessary to protect its own workers.

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 December 231, 018 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.

Major shareholders

At the time these financial statements were prepared (March 2021), 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%;
- *Joh. Berenberg, Gossler & Co. KG* holding 3.52%;
- *Allianz Global Investors GmbH* holding 2.42%;
- *Alboran S.r.l.* which holds 2.07%.

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 December 31, 2020 the Director Lorenzo Coppini holds 50,000 shares in B&C Speakers S.p.A.;
- as at December 31, 2020 the Director Alessandro Pancani holds 3,617 shares in B&C Speakers S.p.A.;
- as at December 31, 2020 the Director Roberta Pecci holds 11,542 shares in B&C Speakers S.p.A.;

Corporate Governance

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

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. Below is a summarised listing of the main elements of Corporate Governance. 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 *Investor Relations* section.

More specifically, one should refer to the above-mentioned document for the information relating to the internal control system employed by management to monitor risks relating to financial reporting, as per former Art. 123-bis TUF.

It should be noted that the company is not required to draft the declaration referred to in Art. 3 and to Art. 4 of Italian Legislative Decree No. 254/2016 (non-financial declaration) because the size limits referred to in Article 2 of the Decree in question have not been exceeded.

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbered 9 members and was appointed by majority vote (in accordance with the voting rules laid down by the articles of association) by the ordinary Shareholders Meeting held on April 26, 2018; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on December 31, 2020.

Board of Auditors

Pursuant to Art. 24 of the Issuer's articles of association, the Board of Auditors, in office since April 26, 2018, numbers three Regular Auditors and two Alternate Auditors, who will remain in office until the Meeting convened to approve the financial statements as at December 31, 2020.

Main risks and uncertainties to which the group is exposed

Health risks associated with the spread of the Covid-19 epidemic

The spread of the Covid-19 epidemic has led to an increase in the level of health and safety hazard at work. In this regard, the Group has put in place a series of measures aimed at containing and mitigating the risk of contagion within its plants in compliance with the provisions of the national and regional regulations of reference, guaranteeing social distancing and promoting smart working.
In particular, in addition to the integration of company signage, specific procedures have been drawn up and distributed to all staff at the production plants with the aim of summarizing and harmonizing in a single document all the measures adopted to counter and contain the spread of the Covid-19 virus. This procedure is integrated into the OSHAS 18001 system and has been shared with the RSU (*unitary trade-union representative body*), RLS (*representative of workers for safety*), Competent Doctor and RSPP (*head of safety, prevention and protection*).
Furthermore, a "Committee for the application and verification of the regulatory protocol" was established, consisting of the competent Doctor, the RSPP, RSU, RLS, the HR Manager and Plant Manager. The Committee is responsible for verifying the application and updating of the procedure.
At the same time, remote working was extended to all employees, giving them the opportunity to carry out their duties far from their office, thus reducing the potential for contagion.

The Group has also taken steps to ensure the regular operation of the supply chain, both through careful management of warehouse stocks and through the management of relationships with suppliers.

Risks associated with the general conditions of the economy, also related to the Covid-19 pandemic

The economic, equity and financial situation of the Group is influenced by various factors that make up the macro-economic framework, including the increase or decrease in the Gross National Product, the level of consumer and business trust, the trend in interest rates interest on consumer credit, the cost of raw materials and the unemployment rate.

The main macroeconomic factors that can influence the performance of the sector in which the Group works are, among others, the Gross Domestic Product, the level of business and consumer confidence, the unemployment rate and the price of oil. In general, international tensions, the high unemployment rate, the decline in household disposable income in real terms and the resulting drop in consumption, as well as events such as the spread of the Covid-19 epidemic, are causing a slowdown in demand. Should the weak economic situation persist, it cannot be excluded that this context entails the persistence of negative impacts on the economic and financial situation of the Company and the Group.
With particular reference to the Covid-19 pandemic, taking into account the current situation related to the spread of the virus both in Italy and abroad, the development in the number of infections which so far does not show a significant reduction in the affected subjects yet, however hoping that the vaccination campaigns launched at the end of 2020 confirm their effectiveness, there is still uncertainty regarding the duration of the health emergency, as well as on the impact it may have in the future on the economic results of the Company and the Group.
These effects would actually result from the maintenance of restrictive measures on the movement of people within each Country or between different Countries and geographical reas, from the critical issues and from economic impacts on multiple business sectors, and finally from the “psychological” impact that this emergency has entailed on the propensity of individuals to come together and also the possible maintenance or further tightening of measures to safeguard health (so-called “*social distancing*").
The persistence in a medium-long term time frame of a lower level of business volume than the one recorded in the period "before Covid-19" could therefore make it necessary to review the Group's business model.
In any case, it should be noted that sector studies estimate an expected return to the pre-Covid-19 situation starting from 2023-2024, especially thanks to the underway vaccination worldwide policy.
For further information, please refer to the paragraph "Liquidity risk" and "Impacts of the Covid-19 epidemic" in the Explanatory Notes.

Dipendenza dai fornitori

The Group believes that the suppliers of two transducer components - the cone and coil - would be difficult to replace quickly, given the specific technical characteristics and quality required of these, which affect the transducer yield. Therefore, unavailability of these components from current suppliers could have a negative impact on Group business. In fact, although the Group could turn to other supply channels for these components, this may result in different conditions and technical standards to those enjoyed at present, and may result in delays in the production cycle, with all the relative negative fall-out on the Company’s business.

One should also note that relations between the Parent Company and its suppliers are not governed by any long-term contracts; rather they are regulated by individual purchase orders in which prices are negotiated on the basis of the volumes of assets requested and the technical-quality characteristics offered by the different suppliers. Should one or more suppliers choose to cease working with the Company, or should disputes arise concerning the nature or terms of business, the Company will be unable to take the standard legal action applicable to supply contracts, framework agreements or other such long-term commitments; in this case, its business may suffer accordingly.

The Company seeks to mitigate this risk by using multiple vendors for the purchase of the components and for each process outsourced. In thus doing, it strives to limit the risk of interruption to production as far as possible, should the relationship with one or more suppliers be interrupted.

In the event of significant difficulties by key suppliers of the Parent Company, we cannot rule out major interventions and/or investments in terms of stocks and the purchases of components for production, in order to benefit from considerable economic savings, whilst keeping production unchanged. It should be noted that, thanks to the careful management of stocks and procurement processes, the effect of the spread of the pandemic worldwide has not resulted in significant impacts on the supply chain.

Dependence on key figures

The Group is currently managed by some key figures, namely the directors of the Parent Company with their operative powers of attorney, whose consolidated experience in the industry allows them to make an important contribution towards the Company's success. Should the contracts be terminated between the Company and one or more of these key management figures, there is no guarantee that the Group will be able to promptly replace them with equally qualified persons able to ensure, in the short-term, the same contribution; the consequence would be a potentially negative effect on the Company's business.

Exchange rate fluctuation

The Group also operates in non-euro zone countries and this exposes the Group to the risks deriving from changes in the exchange rates between the different currencies. We are therefore unable to exclude the possibility that repeated changes in exchange rates may have a negative impact on the Group's economic-financial position.
Exposure to economic risk is constituted by debts and loans in foreign currency, related to sales and to future purchases.

Concentration of the customers

Most of the Group's revenues come from orders placed by OEM customers. Should there be a reduction in the demand generated by these customers, with which there are no particular contractual constraints, or should payments by these customers be delayed, this would negatively impact the Group's economic and financial position.
In accordance with its risk management policy, the Group places particular emphasis on the process of product development aiming to extend the life cycle of a product by means of high quality maintenance. In particular, the difficulty replacing components supplied by the Group in a line of enclosures, involves a high level of customer loyalty and a consequent lowering of the risk of concentration on the main customers.

Risk related to the regulatory and training framework (including the adoption of the self-discipline code of listed companies)

The Company strives towards the continuous acceptance of the Governance regulations laid down by the Code of Corporate Governance for listed companies, regarding the parts considered applicable to the size and complexity of the Company. In particular, a Remunerations Committee has been established, consisting of an independent director and a non-executive director, as well as an Appointments Committee and an Internal Audit and Risks Committee, consisting of two independent directors. Additionally, an Investor Relator has been appointed to manage relations with stakeholders in general, the organisational and control model pursuant to Italian Legislative Decree no. 231/01 has been approved and the supervisory body appointed and assigned the task of verifying the application of the model. The Parent Company also has an Internal Auditor Manager.

Reference market and the threat posed by competition

Entry on the market of new Italian or foreign competitors may have a negative impact on the Group's economic-financial results in the medium/long-term. In this case, there is no certainty that the competitive structures of the reference market shall remain such as to allow the Group to pursue its strategies. We can also not exclude the possibility that in the future, producers of loudspeaker systems may decide to produce electro-acoustic transducers in-house, with all consequent negative effects on the Group's economic, equity and financial position.

The Group believes that adequate financial support to product development, with a view to maintaining and improving quality and potential customisation (the Group's real strength) can help to mitigate the risk of competition.

Fluctuation in the price of production factors

The prices of the components purchased by the group are subject to fluctuations as a result, for example, of changes in the price of the raw materials used to make the components themselves, such as steel, iron, aluminium and plastic. These possible increases could have a negative effect on the Group's business and its economic, equity and financial situation.

Finantial risks

As regards Financial Risks, one should refer to the specific section in the Explanatory Notes.

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5 Main data of the Parent Company

In this paragraph we report the main data relating to the Parent Company B&C Speakers S.p.A..

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2020 compared with the same items in the previous year:

Income statement highlights
(€ thousands)

	2020	2019
Revenues	24,559	42,623
Ebitda	4,237	10,456
Ebit	2,771	8,944
Net profit	2,015	7,826

Balance sheet highlights

(€ thousands)	31 December 2020	31 December 2019
Non current Assets	13,060	14,499
Non current liabilities	13,321	10,091
Current assets	35,770	32,182
Current liabilities	9,989	12,035
Net working Capital	25,781	20,147
Net Equity	25,520	24,555

Cash flow statement highlights
(€ thousands)

	2020	2019
Operating cash flow	6,327	10,177
Cash flow from investing activities	(254)	(1,319)
Cash flow from financial activities	1,784	(6,787)
Cash and cash equivalent at end of the year	7,856	2,071

Net financial position
(€ thousands)

	2020	2019
Current net financial position	13,297	5,027
Total net financial position	825	(4,253)

Economic trend

The general economic trend of 2020 is strongly influenced by the spread of Covid-19 and the consequent containment actions taken by world governments, first of all the *lockdown* imposed by the Italian government and the subsequent limitations on gatherings that followed one another during the second half of 2020. This scenario led to lower results compared to what was achieved in 2019 both in terms of turnover and in terms of margins.

To provide a clearer representation of the economic management trend recorded in FY 2020, the table below lists the major aggregates of B&C Speakers S.p.A., compared with the same period of the previous year

Economic trends - B&C Speakers S.p.A.

(€ thousands)	**2020**	*Incidence*	**2019**	*Incidence*
Revenues	24,559	*100.00%*	42,623	*100.00%*
Cost of sales	(16,252)	*-66.17%*	(26,216)	*-61.51%*
Gross margin	**8,307**	***33.83%***	**16,407**	***38.49%***
Other revenues	605	*2.46%*	342	*0.80%*
Cost of indirect labour	(1,732)	*-7.05%*	(2,373)	*-5.57%*
Commercial expenses	(414)	*-1.69%*	(1,055)	*-2.47%*
General and administrative expenses	(2,529)	*-10.30%*	(2,865)	*-6.72%*
Ebitda	**4,237**	***17.25%***	**10,456**	***24.53%***
Depreciation of tangible assets	(1,399)	*-5.70%*	(1,449)	*-3.40%*
Amortization of intangible assets	(67)	*-0.27%*	(63)	*-0.15%*
Writedowns	0	*0.00%*	0	*0.00%*
Earning before interest and taxes (Ebit)	**2,771**	***11.28%***	**8,944**	***20.98%***
Writedowns of investment in associates	(175)	*-0.71%*	-	*0.00%*
Financial costs	(634)	*-2.58%*	(366)	*-0.86%*
Financial income	612	*2.49%*	1,097	*2.57%*
Earning before taxes (Ebt)	**2,574**	***10.48%***	**9,675**	***22.70%***
Income taxes	(557)	*-2.27%*	(1,846)	*-4.33%*
Profit for the year	**2,016**	***8.21%***	**7,829**	***18.37%***
Other comprehensive result	(2)	*-0.01%*	(4)	*-0.01%*
Total profit for the year	**2,015**	***8.20%***	**7,826**	***18.36%***

Note:
These financial statements present and comment 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 July 28, 2006, as subsequently amended (CONSOB Communication 0092543 of December 3, 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 Company's economic, capital and financial performance. The alternative performance indicators are measures used by the Issuer to monitor and assess the Company's performance; they are not defined as accounting measures either by the Italian Accounting Standards or by the IAS/IFRS. Therefore, the measurement criteria applied by the Company may not be consistent with that adopted by other operators and/or groups and so it may not be comparable. It is emphasised that the adjustment methods used by the Company to calculate these figures have remained constant over the years.
EBITDA (Earnings Before Interest Taxes Depreciation and Amortisation) is defined by the Issuer's Directors as the "result before tax and financial income and expenses", as resulting from the consolidated income statement gross of amortisation of intangible assets, depreciation of property, plant and equipment, provisions and writedowns as resulting from the aforesaid consolidated income statement. EBITDA is a measure that the Issuer uses to monitor and assess the Company'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 financial statements.

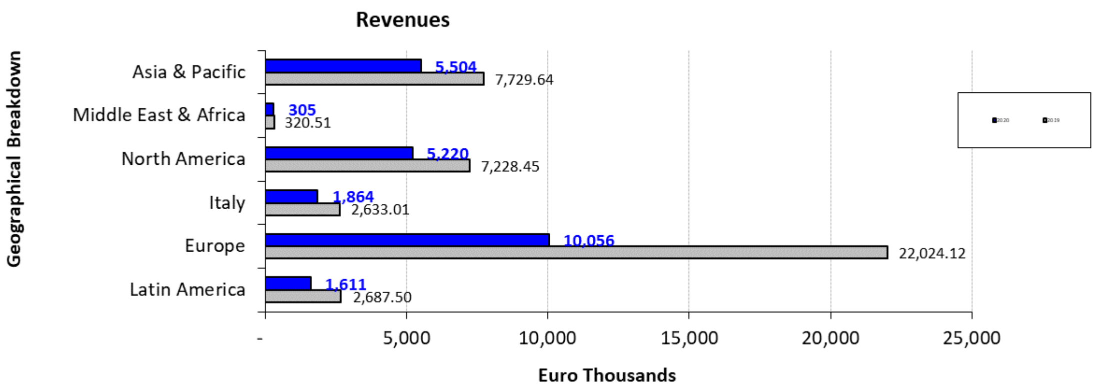
Revenues

After a good performance at the beginning of 2020, the containment measures adopted by the Italian Government led to the closure of the Company starting from March 20, 2020 and until May 4, 2020.
The reference market is still strongly and negatively impacted by the consequences of Covid-19 (gatherings of people, including live events, are still prohibited in most of the reference markets) which have led to a significant decrease in the Company's turnover, which amounted to Euro 24.6 million at the end of 2020, down by -42.4% compared to the same period of 2019.
In addition to this, it should be noted that the health provisions that made possible the resumption of production activities resulted in a loss of production efficiency measurable in about 20% of normal capacity as a result of the prescriptions on the subject of interpersonal distancing and sanitation of the production facilities.

The decrease in turnover compared to 2019, attributable to the geographical spread of the Covid-19 pandemic, was particularly concentrated on the European market (-54% with a decrease in absolute value of Euro 11.9 million), on the South American market (-40% with a decrease in absolute value of Euro 1 million). The market that suffered the least was the North American market, decreased by 28%. There is also a recovery trend, during the second half of the year, of the Asian market, whose decrease is 29% (lower revenues for -2.2 million).

The breakdown of revenues by geographic area in 2020 is shown below (amounts in Euro):

Geographical Area	2020	%	2019	%	Change	% Change
Latin America	1,610,867	7%	2,687,500	6%	(1,076,632)	-40%
Europe	10,055,850	41%	22,024,122	52%	(11,968,272)	-54%
Italy	1,863,533	8%	2,633,015	6%	(769,482)	-29%
North America	5,219,583	21%	7,228,447	17%	(2,008,864)	-28%
Middle East & Africa	305,031	1%	320,511	1%	(15,481)	-5%
Asia & Pacific	5,503,905	22%	7,729,639	18%	(2,225,735)	-29%
Total revenues	**24,558,769**	**100%**	**42,623,234**	**100%**	**(18,064,465)**	**-42%**



Cost of Sales

This category includes the consumption of materials (purchases, third party processing and changes in inventories), the cost of personnel directly involved in the production process, transport costs and costs for passive commissions, customs duties and other minor direct costs.

The cost of sales, despite a decrease in absolute value of Euro 9.9 million (due to lower production volumes for the year) showed a worsening of 4.7 percentage points in 2020 in terms of incidence on revenues compared 2019, going from 61.51% to 66.17%. This worsening is due to the greater incidence of direct personnel costs on revenues, resulting from the sharp decline in production and sales volumes. The activation of social safety nets and other forms of public support made it possible to limit the impact that this phenomenon would have had without interventions by the Group's Management.

Indirect Personnel

The "Indirect personnel" category refers to costs for clerical staf, managerial and blue-collar workers not associated with the production process.

The cost for indirect personnel, while decreasing by Euro 641 thousand compared to 2019 (-27%), increased its incidence on turnover which went from 5.57% to 7.05%. The increase in the incidence on revenues is due to the sharp decline in production and sales volumes not fully offset by the decrease in costs for indirect personnel resulting mainly from the activation of social safety nets and other forms of public support.

Commercial Expenses

The "Commercial expenses" category refers to the costs for commercial consultancy, advertising and marketing expenses, travel and business trips and other minor expenses relating to the commercial sector.

Commercial expenses showed a decrease in absolute value compared to the previous year of Euro 641 thousand (-60.7%) with a decrease in their incidence on turnover which went from 2.47% to 1.69%. This important decrease in commercial expenses was affected, in addition to the cost containment policies implemented by the Group's management, by the cancellation, due to the pandemic in progress, of some important trade shows in the sector.

General and administrative

General and administrative costs, despite a decrease in absolute value of Euro 336 thousand, increased their incidence on turnover by 3.57 percentage points compared to 2019. The aforementioned decrease was affected, in addition to the cost containment policies put in place by the Management of the Company, by the voluntary reduction of the remuneration by the executive Directors, the reduction of the rent of the Bagno a Ripoli plant, and by the fact that in 2019 there were additional charges incurred for the closure of the "Tunneled" division equal to Euro 235 thousand.

EBITDA and EBITDA Margin

As a result of the dynamics described above, EBITDA for 2020 is equal to Euro 4.24 million, with a decrease of Euro 6.21 million (- 59.5%) compared to 2019.
The EBITDA *margin* for 2020 is equal to 17.25% of revenues (24.53% in the previous year).

Depreciation and provisions

The depreciation of tangible and intangible fixed assets and rights of use are substantially in line with the previous year and amount to Euro 1,466 thousand (Euro 1,512 thousand in 2019).

EBIT and EBIT margin

EBIT for 2020 amounts to Euro 2.77 million, down by -69% compared to the same period of 2019 (when it was equal to Euro 8.94 million). The EBIT margin is equal to 11.28% of revenues (20.98% in 2019).

Net Profit

The net profit in 2020 amounts to Euro 2.02 million, representing a percentage of 8.21% of consolidated revenues, with an overall decrease of -74.2% compared to 2019.

Equity and financial trend

Below is the reclassified statement of financial position according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2020**	**31 December 2019**	**Change**
Fixed Assets	**4,011**	**5,210**	**(1,199)**
Inventories	7,516	8,609	(1,093)
Trade receivables	5,544	9,982	(4,438)
Other receivables	3,171	2,079	1,092
Trade payables	(2,234)	(3,605)	1,371
Other payables	(1,447)	(1,824)	377
Working Capital	**12,550**	**15,241**	(2,691)
Provisions	**(848)**	**(812)**	(36)
Invested net working capital	**15,713**	**19,639**	**(3,926)**
Cash and cash equvalents	11,562	3,715	7,847
Investments	8,336	8,511	(175)
Short term securities	8,044	7,916	128
Other financial receivables	646	659	(13)
Financial assets	**28,588**	**20,801**	7,787
Invested net non operating capital	**28,588**	**20,801**	7,787
NET INVESTED CAPITAL	**44,301**	**40,440**	**3,861**
Equity	25,520	24,555	965
Short-term financial borrowings	6,309	6,605	(296)
Long-term financial borrowing	12,472	9,280	3,193
RAISED CAPITAL	**44,301**	**40,440**	**3,862**

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

Below are comments on the changes to assets and liabilities classified according to administrative allocation.

The *Invested net working capital* invested shows a decrease of Euro 3.93 million compared to December 31, 2019. This decrease is mainly due to the combined effect of the following factors:

- a decrease in fixed assets of approximately Euro 1.1 million due to the effect of depreciation for the period, partially offset by the investments made in this period;
- a decrease in inventories of approximately Euro 1.2 million, mainly due to the lower production volumes in 2020;
- a decrease in trade receivables of approximately 4.4 million due to lower sales volumes for the year. It should be noted that, despite the damaging effects of the pandemic on customer liquidity, there have been no situations of significant doubtful loans;

- a decrease in trade and miscellaneous payables equal to approximately Euro 1.7 million due to lower production volumes for the year.

Non-Operating Net Invested Capital shows an increase of Euro 7.8 million compared to December 31, 2019. This increase is due to the significant increase in the iquidity following the assumption of three new loans which guaranteed the Company income of funds for for a total of Euro 7.5 million. The increase in short-term securities is due to the strong recovery in market trends recorded during the second half of 2020, which resulted in a complete recovery of the value of the positions which, in the first half of the year, had shown losses in their value.
The other Asset categories did not show any changes compared to December 31, 2019.

Financial Debt
Short-term financial debt decreases by Euro 0.3 million due to the rescheduling of some Group loans following the voluntary moratorium on mortgage maturities up to September 2020 promoted by the Company's financial institutions.
The medium / long-term financial debt increases by Euro 3.2 million due to the assumption of the three new loans mentioned above, (Euro 7.5 million), the effect of which was partially offset by the repayments of the year.
The overall *Net Financial Position* is positive and equal to Euro 0.82 million, against a negative value of Euro 4.25 million at the end of 2019. The decision of the Shareholders' Meeting of April 29, 2020, based on the updated proposal of the Board of Directors, not to proceed with the distribution of the dividend initially proposed in order to prudently maintain the balance sheet unchanged, affected the improvement of the Net Financial Position.

This quantity is calculated in compliance with the Consob communication of July 28, 2006 and in accordance with the CESR Recommendation of February 10, 2005 "Recommendations for the uniform implementation of the European Commission regulation on prospectuses".

(values in Euro thousands)	**31 december 2020 (a)**	**31 december 2019 (a)**	**Variazione**
A. Cash	11,562	3,715	211%
C. Securities held for trading	8,044	7,916	2%
D. Cash and cash equivalent (A+C)	**19,606**	**11,632**	**69%**
F. Bank overdrafts	(0)	(10)	-100%
G. Current portion of non current borrowings	(5,671)	(5,686)	0%
H. Current lease liabilities	(638)	(909)	
I. Current borrowingse (F+G)	**(6,309)**	**(5,696)**	**11%**
J. Current net financial position (D+I)	**13,297**	**5,936**	**124%**
K. Non current borrowings	(10,755)	(6,924)	55%
M. Non current lease liabilities	(1,717)	(2,355)	
N. Non current borrowings	**(12,472)**	**(6,924)**	**80%**
O. Total net financial position (J+N)	**825**	**(988)**	**-183%**

(a) Informations extracted and / or calculated from the financial statements prepared in accordance with IFRS as adopted by the European Union.

Consolidated financial statements and notes to the consolidated financial statements

As of December 31, 2020

6 Consolidated financial statements of the B&C Speakers Group at December 31, 2020

6.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)		Notes	31 December 2020	31 December 2019
ASSETS				
Fixed assets				
Tangible assets		1	2,768,007	3,252,228
Right of use		2	3,111,501	4,179,283
Goodwill		3	2,318,181	2,318,181
Other intangible assets		4	303,453	351,582
Investments in non controlled associates		5	50,000	50,000
Deferred tax assets		6	760,716	612,160
Other non current assets		7	655,222	665,646
	related parties	37	*6,700*	*68,392*
Total non current assets			**9,967,080**	**11,429,080**
Currents assets				
Inventory		8	12,253,639	13,492,428
Trade receivables		9	7,084,606	12,842,205
Tax assets		10	1,739,974	843,794
Other current assets		11	8,502,546	8,396,516
Cash and cash equivalents		12	13,415,179	5,277,278
Total current assets			**42,995,944**	**40,852,221**
Total assets			**52,963,024**	**52,281,301**
LIABILITIES				
Equity				
Share capital		13	1,088,495	1,097,829
Other reserves		13	4,745,482	5,043,360
Foreign exchange reserve		12	296,495	560,962
Retained earnings		12	20,080,251	18,910,616
Total equity attributable to shareholders of the parent			**26,210,723**	**25,612,766**
Minority interest			-	-
Total equity			**26,210,723**	**25,612,766**
Non current liabilities				
Long-term borrowings		14	10,754,968	6,957,599
Long-term lease liabilities		15	2,267,054	3,104,267
	related parties	37	*1,694,474*	2,290,500
Severance Indemnities		16	935,531	891,965
Provisions for risk and charges		17	39,271	38,238
Total non current liabilities			**13,996,824**	**10,992,069**
Current liabilities				
Short-term borrowings		18	6,904,309	6,999,955
Short-term lease liabilities		15	943,509	1,138,075
	related parties	37	*596,026*	867,957
Trade liabilities		19	2,956,786	4,959,909
	related parties	37	*47,976*	*4,377*
Tax liabilities		20	366,811	720,077
Other current liabilities		21	1,584,062	1,858,449
Total current liabilities			**12,755,477**	**15,676,465**
Total Liabilities			**52,963,024**	**52,281,301**

6.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FY 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		Notes	2020	2019
Revenues		23	31,975,254	56,287,240
Cost of sales		24	(20,396,953)	(34,573,611)
Other revenues		25	541,058	231,830
Cost of indirect labour		26	(2,942,757)	(3,894,779)
Commercial expenses		27	(579,475)	(1,297,027)
General and administrative expenses		28	(3,473,916)	(4,174,074)
	related parties	*37*	*0*	*0*
Depreciation and amortization			(2,183,381)	(2,292,241)
Writedowns		29	(50,659)	(996)
Earning before interest and taxes			**2,889,172**	**10,286,343**
Financial costs		30	(983,111)	(568,298)
	related parties	*37*	*(71,839)*	(88,766)
Financial income		30	377,869	932,439
Earning before taxes			**2,283,929**	**10,650,484**
Income taxes		31	(367,380)	(2,038,929)
Profit for the year (A)			**1,916,549**	**8,611,555**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		13	(4,826)	(5,720)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:				
Exchange differences on translating foreign operations		13	(264,466)	60,739
Total other comprehensive income/(losses) for the year (B)			**(269,292)**	**55,019**
Total comprehensive income (A) + (B)			**1,647,257**	**8,666,575**
Profit attributable to:				
Owners of the parent			1,916,549	8,611,555
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			1,647,257	8,666,575
Minority interest			-	-
Basic earning per share		13	0.18	0.78
Diluted earning per share		13	0.18	0.78

6.3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR FY 2018 PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of cash flows (Euro thousands)	**Year**		
	2020	**2019**	
A- Net current bank balances at the beginning of the period	**4.963**	**2.547**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	1.647	8.667	
Income tax expense	367	2.039	
Depreciation and amortization	2.183	2.292	
Sale of property, plant and equipment	0	0	
Finance cost	983	568	
Interest income	(378)	(932)	
Net change in provisions for risk and charges and other provision relating to personell	50	59	
Change in provigion for leaving indemnities			
Allocations and revaluations	21	23	
Actuarial gain/(losses)	7	5	
(Use)	(34)	(71)	
(increase) decrease in current trade and other current receivables	4.900	543	
(increase) decrease in deferred tax assets and liabilities	(149)	(41)	
(increase) decrease in inventory	1.239	509	
Increase (decrease) in current trade and other payables	(1.272)	(1.380)	
Net cash from/(used in) operating activities	**9.565**	**12.279**	
Paid interest costs	(770)	(331)	
Collected interest income	233	312	
Taxes paid	(1.846)	(726)	
Total (B)	**7.182**	**11.534**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(317)	(1.017)	
Proceeds for sale of non current tangible assets	0	-	
Net (investments) in non current intangible assets	(146)	(200)	
Net (investments) in non current securities	10	(37)	
(Investments) in current securities	0	(1.320)	
Proceeds from sale of current securities	0	478	
Total (C)	**(453)**	**(2.097)**	
D- Cash flow from financing activities			
(Outflow) from repayment of loans	(3.484)	(6.518)	
Inflow from borrowing activities	7.500	6.500	
(Outflow) from repayment of lease liabilities	(1.244)	(1.249)	**Note 1**
Purchase of treasury shares	(1.049)	(262)	
Dividend paid to shareholders	0	(5.492)	
Total (D)	**1.723**	**(7.021)**	
E- Cash flow for the period (B+C+D)	**8.452**	**2.416**	
F- Cash and cash equivalents at end of the period	**13.415**	**4.963**	

Nota 1: la liquidità assorbita dal rimborso delle passività per diritti d'uso comprende un assorbimento di liquidità imputabile alle transazioni con la controllante R&D International S.r.l. per Euro 867 migliaia.

La seguente tabella illustra la composizione del saldo della disponibilità monetaria netta finale al 31 dicembre

2020 ed al 31 dicembre 2019.

	31-Dec-20	31-Dec-19
Cash	13,415	5,277
Bank overdrafts	(0)	(314)
Total	**13,415**	**4,963**

6.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE B&C SPEAKERS GROUP AS AT DECEMBER 31, 2019, PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Esponiamo di seguito le variazioni del patrimonio netto avvenute nell'esercizio 2019 e nell'esercizio 2020.

	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, 2019	**1,100**	**379**	**4,890**	**44**	**54**	**500**	**0**	**15,733**	**22,700**	**-**	**22,700**
Result of the period								**8,612**	**8,612**		**8,612**
Other comprehensive income/expenses						61		**(4)**	**56**		**56**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**61**		**8,607**	**8,668**	**-**	**8,668**
Shareholders											
Allocation of previous year result								**0**	**0**		**0**
Dividend distribution								**(5,492)**	**(5,492)**		**(5,492)**
Treasury shares allocation	(2)		(261)					-	**(263)**		**(263)**
Balance December 31, 2019	**1,098**	**379**	**4,629**	**44**	**54**	**560**		**18,848**	**25,613**	**-**	**25,613**

	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, 2020	**1,098**	**379**	**4,629**	**44**	**54**	**560**	**-**	**18,848**	**25,613**	**-**	**25,613**
Result of the period								**1,917**	**1,917**		**1,917**
Other comprehensive income/expenses						(264)	**-**	**4.83**	**(269)**		**(269)**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**(264)**		**1,912**	**1,647**	**-**	**1,647**
Shareholders											
Allocation of previous year result								**-**	**-**		**-**
Dividend distribution								**-**	**-**		**-**
Treasury shares allocation	(9)		(1,040)					**-**	**(1,049)**		**(1,049)**
Balance December 31, 2020	**1,089**	**379**	**3,589**	**44**	**54**	**296**		**20,760**	**26,211**	**-**	**26,211**

7 Explanatory notes to the consolidated financial statements as at December 31, 2020

7.1 Basis of preparation

The consolidated financial statements as at December 31, 2020 of B&C Speakers S.p.A. (hereinafter "the Group") have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved 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"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: CONSOB Resolution no. 15519 of July 27, 2006, establishing "Drafting principles for financial statements", CONSOB Resolution no. 15520 of July 27, 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of May 10, 2007.

These Consolidated Financial Statements for the Group are expressed in euro as this is the currency used to conduct most of the operations of the Parent Company B&C Speakers SpA, hereinafter also the "Company" or "Parent Company", and its subsidiaries.

Il presente Bilancio consolidato del Gruppo è espresso in Euro in quanto questa è la valuta nella quale sono condotte la maggior parte delle operazioni della Capogruppo B&C Speakers SpA, di seguito anche "Società" o "Capogruppo", e delle sue controllate.

International accounting standards have been uniformly applied to all Group companies.

The financial statements of the subsidiaries, used for consolidation, have been duly amended and reclassified wherever necessary, in order to bring them into line with the international accounting standards and homogeneous classification criteria used throughout the Group.

The financial statements are drawn up on the basis of the historical cost principle and on the assumption of business continuity. In fact, the Company has assessed that, despite the difficult economic and financial context resulting from the Covid-19 pandemic, there are no significant uncertainties (as defined by paragraph 25 of IAS 1) on the going concern, since the volume of business, in addition to the portfolio of orders in place, of the Company and of the Group do not show any signs that could lead to foresee business continuity risks.

These consolidated financial statements were audited by PricewaterhouseCoopers S.p.A..

Impacts of the Covid-19 epidemic

At the end of January 2020, the World Health Organization declared the existence of the international emergency phenomenon linked to the spread of the SARS-CoV-2 virus (hereinafter also Covid-19 or Coronavirus); in Italy, starting from the beginning of March 2020, increasingly stricter measures have been adopted to counter the spread of the virus and protect health, first involving some Northen areas of the North and gradually the rest of the peninsula.

Since the first spread of the virus, the Group has put in place all possible precautions to guarantee employees health safety within its plants. In compliance with what was communicated by the President of the Council of Ministers on March 22, 2020, the production activities of the Group's Italian offices were suspended from March 20, 2020, for the Bagno a Ripoli (FI) factory, and from March 13, 2020 for the Reggio Emilia plant, then reopening all on May 4, 2020.

Distribution and sales activities in the United States and Brazil have not been suspended.

At the same time, remote working was extended to all employees, giving them the opportunity to carry out their duties far from their office.

In economic terms, the effect of the health emergency was therefore significant, resulting in a reduction in turnover of 43%.

In fact, it should be noted that the months of January and February 2020 had performed an improvement compared to the corresponding period of the previous year. The *lockdown* periods and the crisis in the sector triggered by the ongoing pandemic caused then a cumulative loss of turnover, compared with the previous period, estimated at around Euro 24.3 million (-43.16% compared to 2019).

Considering that the average marginality of the Group in terms of Ebitda was approximately 22.35% in 2019, the decrease in this margin is estimated at December 31, 2020 at approximately Euro 7.4 million.

In this context, the Group promptly prepared a series of countermeasures aimed at adjusting costs to reduce turnover: after discussing with the trade union representatives in order to share the right measures to be taken, starting from the closing dates of the factories, Redundancy Fund has been used for all workforce by maintening minimum operational services and reducing the activities of administrative employees. The measure of the Redundancy Fund was usable until December 31, 2020. After that date, the Group eventually resorted to the other social safety nets provided for by the regulations in force.

It is specified that the contraction of the results and margins reported above resulted in the absence of the conditions for the accrual of the variable part of the MBO linked to the medium-term results with consequent lower charges for Euro 233 thousand.

As for the containment of costs for services, the Management carried out an initial analysis of existing contracts, identifying non-strategic cases and activating further initiatives with suppliers.

It should also be noted that the Shareholders' Meeting held on April 29, 2020 approved the proposal of the Board of Directors, as amended and communicated to the market on April 14, 2020, not to distribute any dividends and to allocate the entire profit for the year 2019 to "retained earnings". The decision was taken following the persistence of the situation of uncertainty linked to the spread of the epidemic, with the aim of containing financial outlays and prudentially strengthening the already solid economic and financial position of the Group.

In addition to this, the Group also increased its financial resources by taking ut three new loans for a total amount of Euro 7.5 million. Two of the three mentioned loans (for a total amount of Euro 7.5 million) are guaranteed by the Italian Government (pursuant to article 13 of Legislative Decree 23/220, the so-called *Liquidity Decree*) and show very profitable economic conditions, with repayment starting from 2022.

The aforementioned decrease in turnover and margins did not affect the change in net operating working capital thanks to a careful and prudent management of trade receivables (which did not show significant problem situations), purchases and inventories. This amount went from Euro 20.7 million at December 31, 2019 to Euro 17.1 million at December 31, 2020. The increase in liquidity is instead due to the assumption of the above-mentioned loans and to a generation of cash from operating activities which remained at excellent levels despite the contraction in the Group's turnover. The Group's Net Financial Position passes from a negative value of Euro -5.0 million at December 31, 2019 to a positive value of Euro 0.6 million, thus recording an improvement compared to the end of 2019 thanks above all to the dividend policy mentioned above and to the generation of operating cash as a result of the management of working capital.

Taking into account the above as well as the financial structure, the outstanding liquidity, the bank credit lines available and the order book in place in February 2021, there are no significant uncertainties regarding the existence of the going concern assumption, having assessed the capacity of the Company and the Group to fulfill the obligations undertaken and to continue to operate as a going concern over a foreseeable horizon.

Content and form of the financial statements

The consolidated financial statements comprise the Financial Position, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and these Explanatory Notes.
With reference to the form of the consolidated financial statements, the Group has chosen to submit the following:

Consolidated statement of financial position

The Statement of financial position is presented with separate indication of Assets, Liabilities and Net Equity.
In turn, the Assets and Liabilities are recorded in the financial statements for the financial year on the basis of whether they are classified as current or non-current.

Statement of Comprehensive Income

The income statement is classified according to destination. The following aggregates are highlighted: (i) EBIT, which includes all components of income and cost, net of depreciation, amortisation, write-downs and other provisions (ii) EBT, which includes EBT net of tax on income and finally (iii) net income for the period. The Comprehensive Income Statement is presented with a breakdown of Other comprehensive profits and losses that distinguishes between gains and losses that will be reclassified in the income statement and gains and losses that will not be reclassified in the income statement.

Statement of cash flow

The consolidated statement of cash flows is broken down according to cash-generating areas. The statement of cash flows adopted by the B&C Speakers Group was drawn up using the indirect method. Cash and cash equivalents included in the statement of cash flow include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. Income and expenses relating to interest rates, dividends received and income tax are included in the cash flows generated by operational management.

Consolidated statement of changes in Net Equity

The consolidated statement of changes in equity is included, as required by the international accounting standards, with the separate highlighting of the consolidated result for the year and of all income, revenues, expenses and charges that are not recorded on the income statement, but rather charged directly to consolidated equity, in accordance with specific IAS/IFRS.

Consolidation scope

The controlled undertakings, i.e. those controlled by the Parent Company, were fully consolidated.

The companies within the scope of consolidation at 31 December 31, 2020 are the following:

Companies	Country	Group structure at 31 december 2020			Group structure at 31 December 2019		
		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	0%	100%	100%	0%	100%	100%
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

The key data of the Parent Company's subsidiaries and associates as at 31 December 31, 2020 are shown below::

Company		**Eighteen Sound S.r.l. (Italy)**
Share Capital	**Euro**	5,630,000
Net Equity	**Euro**	6,187,660
Profit / Loss	**Euro**	(463,836)
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	6,582,989

Company		**Sound & Vision S.r.l. (Italy)**
Share Capital	**Euro**	10,000
Net Equity	**Euro**	175,744
Profit / Loss	**Euro**	35,574
Stake held directly		0.00%
Stake held indirectly		100.00%
% capital shareholding		100.00%
Book value	Euro	-

Company		**B & C SPEAKERS, NA LLC (USA)**
Share Capital	Dollars	30,000
Net Equity	Dollars	1,067,324
Profit / Loss	Dollars	491,793
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	1,449,786

Company		**B&C SPEAKERS BRASILE (Brasil)**
Share Capital	Real	1,720,729
Net Equity	Real	1,300,568
Profit / Loss	Real	(723,898)
Stake held directly		100%
Stake held indirectly		0%
% capital shareholding		100%
Book value	Euro	253,052

Company		**SILENCE TECH S.r.l. (Italy)**
Net Equity	Euro	97,065
Stake held directly		33%
Stake held indirectly		0%
% capital shareholding		33%
Book value	Euro	50,000

Consolidation standards

The main criteria for consolidation, applied in preparing the consolidated financial statements as at December 31, 2020 in accordance with IFRS, in continuity with the previous year, are as follows:

the book value of equity investments in subsidiaries is eliminated against the relative shareholders' equity, against the assumption of the assets and liabilities of the investees in accordance with the full integration method. Control exists when the Group is exposed to, or has the right to, variable returns from its involvement in the enterprise and has the ability to influence these variable returns through its power over the controlled company; the acquisition of a subsidiary is accounted for using the acquisition method. The acquisition cost is measured at the aggregate of the current (fair) values at the date of obtaining the assets, the incurred or assumed liabilities and the financial instruments issued by the Group in exchange for control of the acquired enterprise;

b) assets, liabilities and potential liabilities acquired and identifiable are entered at their current (fair) value on the date of acquisition. The positive difference between cost of acquisition and the share of Group interest in the current value of those assets and liabilities is classified as goodwill and is entered in the balance sheet as intangible asset. In accordance with the transitional provisions of IFRS 3, the Group has fully applied this principle since the preparation of the first consolidated financial statements (December 31, 2004);

c) if a negative difference should arise, IFRS 3 does not allow for the recognition of a negative consolidation difference, hence the excess interest of the purchaser in the"fair value" of the assets, liabilities and potential liabilities that can be identified for the acquired business with respect to the cost of the acquisition is recognised in the income statement, after having re-determined the "fair value" of the assets, liabilities and potential liabilities that can be identified for the acquired business;

d) once control over the investee has been acquired, any acquisitions of additional investments are entered by charging the difference between the price paid and the value of the corresponding share of the investee's shareholders' equity directly as a reduction to the consolidated shareholders' equity; Similarly, if any equity investments are sold but do not lead to the loss of control, the capital gain or loss is charged or credited to an entry in net equity and subsequently transferred to the income statement only when control over the investee is sold;

e) the economic results of the subsidiaries acquired or transferred during the financial year are included in the consolidated income statement from the actual acquisition date until the actual date of sale;

f) investments in associated companies are valued on the basis of the equity method; if any portion of the losses of the associate attributable to the Parent Company exceeds the carrying amount of the investment, the value of the investment is reduced to zero and the portion of any further losses is recognized to the extent that the Parent Company is obliged to that liability;

g) significant operations between consolidated companies have been removed, as "receivables and payables, costs and income and profits not yet realised deriving from transactions implemented between Group companies, net of any tax effect;

h) the interest share of minority shareholders in net assets of the consolidated subsidiaries is identified separately from the Group's shareholders' equity. This interest is determined according to the percentage they hold in the "fair value" of the assets and liabilities recorded as at the original purchase date and in the changes of shareholders' equity after said date. For acquisitions made prior to the date of first-time application of the IFRS, as permitted by IFRS 1, consolidation takes place according to the standards previously in force.

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic context in which it operates (functional currency). For the purpose of the consolidated financial statements, the financial statements of each foreign entity are specified in euro, which is the Group's functional currency and the currency in which the consolidated financial statements are presented.

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries, whose functional currencies differ from the euro, have been converted at the current exchange rates in force at the balance sheet date, while gains and losses use average exchange rates for the period. The exchange differences resulting from the application of this method, as well as the difference resulting from the comparison between the initial shareholders' equity converted at current exchange rates and those converted at historical exchange rates, pass through the statement of comprehensive income and are accumulated in a specific reserve in shareholders' equity (so-called Foreign exchange reserve) until disposal of the investment. This reserve is recognised on the income statement as income or expense in the period in which the relevant subsidiary is sold.

The rates applied on the conversion of financial statements into a currency other than the euro as at December 31, 2019 and December 2020 are shown in the following table (source: Bank of Italy):

Currency	31-dic-20		31-dic-19	
	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.142	1.227	1.120	1.123
EURO/REAL	5.894	6.374	4.413	4.516

Accounting standards adopted

The measurement criteria adopted to prepare the consolidated financial statements as at December 31, 2020 are as follows.

Goodwill

In the case of company acquisitions, assets, liabilities and potential liabilities acquired and identifiable are entered at their current (fair value) on the date of acquisition. The positive difference between cost of acquisition and the share of Group interest in the current value of those assets and liabilities is classified as Goodwill and is entered in the balance sheet as intangible asset. Any negative difference ("negative goodwill") is instead entered in the Income statement on the date of acquisition.
Goodwill is not amortised, but once a year, or more frequently should specific events or changed circumstances indicate possible impairment, it is subjected to tests to identify any impairments, in accordance with the provisions of IAS 36 - Impairment of assets. Any goodwill recognized following acquisitions of control prior to December 31, 2004 were recorded in accordance with the principles applicable at the time. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets only if it is identifiable, controllable and predictable that it will generate future economic benefits and its cost can be reliably determined.
These assets are entered at their cost of purchase or production and depreciated in constant shares along the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when

the asset is available for use.
Development costs can be capitalised, provided the cost can be reliably determined and that it can be demonstrated that the activity is able to generate future economic benefits.
Research costs are charged to the Income Statement in the period in which they are incurred.
Fixed assets in progress are stated at cost based on contractual progress reports defined with the supplier and are depreciated from the period in which they come into operation.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	Ammortization period
Patent rights	3 - 5 years
Development costs	3 - 5 years

Property, plant and equipment

These assets are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.

The depreciation rates applied for each category of assets are:

Category	% depreciation
Photovoltaic asset and other minor	12.5% - 5%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the specified rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to the income statement.

Leasing (for lessee)

The Group recognizes for all the leasing contracts for which it is a lessee, with the exception of short-term ones (ie lease contracts with a duration of less than or equal to 12 months and which do not contain a purchase option) and of those with low value assets (i.e. having a unit value of less than Euro 5 thousand), a right of use on the leasing start date, which corresponds to the date in whose underlying asset is available for use.

Lease payments relating to short-term and low-value contracts are recognized as costs in the income statement on a straight-line basis over the lease term.
Rights of use are valued at cost, net of accumulated depreciation and impairment losses and adjusted following each remeasurement of the leasing liabilities. The value assigned to the rights of use corresponds to the amount of the leasing liabilities recognized, in addition to the initial direct costs incurred, to the leasing payments settled at the start date of the contract or previously, to the restoration costs, net of any leasing incentives received. The discounted value of the liability thus determined increases the right of use of the underlying asset, with a counterpart to the recognition of a dedicated fund. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, usage rights are amortized on a straight-line basis over the estimated useful life or duration of the contract, if less.
The lease term is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain that it will not be exercised. The Group assesses whether it is reasonably certain and whether or not to exercise the extension or resolution options, taking into account all the relevant factors that create an economic incentive for these decisions.
The financial liability for leasing is recognized at the start date of the agreement for a total value equal to the present value of the lease payments to be paid during the term of the contract, discounted using marginal interest rates (Incremental borrowing rate "IBR"), when the interest rate implicit in the leasing contract cannot be easily determined. Variable leasing payments remain recognized in the income statement as the cost for the period.

IFRS 16 requires the management to make estimates and assumptions that may influence the assessment of the right to use and the financial liability for leasing, including the determination of: contracts for the application of the new rules for the measurement of financial assets / liabilities; contract's terms; interest rate used to discount future lease payments.

Leased assets (for lessor)

Leasing contracts that see the Group as a lessor areclassified as an operating lease or as a finance lease.
A lease is classified as a finance lease if it transfers substantially all the risks and rewards associated with ownership of an underlying asset. A lease is classified as operating if, in essence, it does not transfer all the risks and rewards deriving from ownership of an underlying asset.
For financial leases, as of the effective date, the Group recognizes the assets held under finance leases in the statement of financial position and expose them as a credit at a value equal to the net investment in the lease. The net investment in the lease is measured using the implicit interest rate of the lease.
For operating leasing contracts, the Group must recognize the payments due for operating leases as income with a straight-line method or according to another systematic criterion.
The costs, including depreciation, incurred to realize the leasing proceeds as a cost.

Impairment

On the closing date, the Group reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. When the recoverable amount of an asset cannot be individually estimated, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in value regardless of the existence, or otherwise of indicators for the reduction of their value.
The recoverable amount is the greater of the “fair value” net of the cost of sale and the value in use. In calculating the value in use, the future estimated cash flows are discounted to their present value using a

pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount; this shall not, however, exceed the net book value of that asset had it not been written down as impairment loss. Recovery of value is charged to the Income statement.

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.
Non-current assets (and available asset groups) are classified as held for sale when their book value is expected to be recovered through a disposal, instead of using them in the operational activities of the company. This condition is only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and, for finished products or work-in-progress, the production cost includes raw materials, direct labour and other costs directly attributable to production in addition to converging the indirect production costs that are reasonably attributable to production work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The market value as regards raw materials and works in progress is represented by the presumed net realisable value of the corresponding finished products less costs for completion; as for finished products, it is represented by the presumed net realisable value (list prices less cost of sale and distribution).
Any lower valuation established on the basis of market trends is deleted in subsequent years if the reasons that led to it no longer exists.
Inventories that are obsolete, slow-moving and/or surplus to normal requirements are devalued in relation to their possible future use or realisation by means of an inventory depreciation provision.

Financial assets

IFRS 9 provides a single approach for the analysis and classification of all financial assets, including those with incorporated derivatives. Classification and relative measurement is done considering the model used to manage the financial asset, as well as the contractual characteristics of the cash flows obtainable through the asset. Based on the characteristics of the instrument and the business model adopted to manage it, there are three categories:
(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereafter, also OCI); (iii) financial assets measured at fair value through profit and loss.
A financial asset is measured using the amortised cost method if both of the following conditions are met:

- the business model for the financial asset consists in holding the same with the sole aim of collecting the relative cash flows; and
- the financial asset generates, at contractually established dates, cash flows consisting solely of returns from the financial asset itself.

Under the amortised cost method, the initial recognition value is subsequently adjusted to take repayments of capital into account, as well as any writedowns and amortisation of the difference between the repayment value and initial recognition value.
Amortisation is recognised on the basis of the effective internal interest rate which represents the rate that makes current expected cash flows and the initial recognition value equal, when initially recognised.
Receivables and other financial assets measured at amortised cost areshown in the balance sheet net of the relative provision for writedowns.
Financial assets represent debt instruments for which the business model offers the possibility both to collect contractual cash flows and to obtain capital gains from sale (hold to collect and sell) are measured at fair value through other comprehensive income (FVTOCI).
In this case changes in the fair value of the instrument are recognised under shareholders' equity, among other components of comprehensive income. The total amount of fair value changes recognised to the shareholders' equity reserve which holds other components of comprehensive income is subject to reversal in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange differences and writedowns is recognised in the income statement.
A financial asset which represents a debt instrument and is not measured at amortised cost or at FVTOCI is measured at fair value through profit and loss (FVTPL).

Trade receivables and other receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured in accordance with the amortized cost method, net of the provision for doubtful accounts.
IFRS 9 identifies a new impairment/writedown model for these assets, with the objective of providing users of the financial statements with useful information about expected losses. Based on this model, the Group measures receivables using an expected loss logic, replacing the IAS 39 framework which typically made use of an incurred loss logic. For trade receivables the Group uses a simplified approach, which does not require the recognition of periodic changes in credit risk, but instead the recognition of expected credit loss (ECL) calculated over the lifetime of the receivable (lifetime ECL). In particular, the policy implemented by the Group classifies trade receivables into categories on the basis of days overdue, determining provisions on the basis of historic credit loss experience, adjusted to take into account specific forecasting aspects relative to the creditors and economic situation.
Trade receivables are entirely written down if there is no reasonable expectation of collection, or in the case of no longer active trading partners.
The book value of an asset is reduced through the use of a provision for writedowns and the amount of the loss is recognised in the income statement.
When the collection of receivables is deferred beyond standard conditions offered to customers, the receivable is discounted.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; their value may change significantly. The item does not include bank overdrafts that are repayable on sight.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on the granting of loans, as well as other financial liabilities, including derivatives and liabilities relative to assets recognised as part of financial leasing contracts.

Pursuant to IFRS 9, these also include trade payables and other payables
Financial liabilities are recognised at fair value net of accessory charges. After
initial recognition, loans are reported with the amortised cost criteria, calculated using the effective interest method. With the introduction of IFRS 9, if a financial liability is renegotiated but cannot be classified as "repayment of the original debt", the difference between i) the book value of the liability prior to the change and ii) the current value of the adjusted payable cash flows, discounted at the original rate (IRR), is recognised in the income statement.
Loans are classified as current liabilities unless the Company has the absolute right to defer the extinction of such a liability for at least 12 months after the balance sheet date.

Provisions for risks and charges

The Company recognizes provisions for risks and charges when it has a legal or implicit obligation towards third parties and might use the Company's resources to fulfill the obligation and when a reliable estimate of the amount of the obligation itself can be made.
Changes in estimates are accounted for in the Income Statement of the related year.
If the effect is significant, provisions are calculated by discounting future cash flows. These future cash flows are estimated by using a discount rate gross of tax, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Provisions for personnel and similar

The liabilities relating to benefits due to employees and paid on or after the cessation of the employment contract for plans with defined benefits is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of future benefits accrued by employees at the reference date (known as the "Projected unit credit method"). "Projected unit credit method"). The liability entered in the financial statements net of any assets servicing the plan, is recognised on an accruals basis over the maturation period of the entitlement. The liability assessment is carried out by independent actuaries.
The cost components of the defined benefits are recognised as follows:

- costs relating to the performance of the service are recognised in the income statement under personnel costs;
- net financial charges on liabilities or assets in defined benefits are recognised in the income statement as Financial income/(charges), and are determined by multiplying the value of the net liabilities/(assets) by the rate used to discount the bonds, taking into account contributions payments and benefits accrued during the period;
- components of the net liability re-measurement, consisting of actuarial gains and losses, the return on assets (excluding interest income recognised in the income statement) and any variation within the limit of the asset, are recognised immediately in Other profits (losses). These components must not be reclassified in the income statement in a subsequent period.

The evaluation of the Severance pay for Directors was performed by seeing that the annual provision corresponds to the amount accrued and simultaneously paid into the insurance policy.

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is revised annually and reduced to the extent that it is no longer probable that the company will

generate taxable income to allow all or part of the recovery of the assets.
Deferred taxes are determined based on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to the currently applicable rate or pending approval. Deferred taxes are attributed directly to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same agency and the Parent Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euro at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realisation.

Revenue entry

On the basis of the five stage model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its customers and the relative performances to be satisfied (transfer of goods and/or services), determining the payment it has the right to in exchange for satisfying the performances, as well as identifying the method by which the performances are achieved (at a given time vs. over a period of time).
In particular, the Group recognises revenues only when the following requirements are met (requirements of identifying the contract with a customer):

a. the parties to the contract have approved the contract (in writing, orally or with respect to other habitual commercial practices) and have committed to fulfilling their respective obligations; hence there is an agreement between the parties which creates rights and obligations which can be acted upon, regardless of the form in which the agreement is manifested;
b. the Group can identify the rights of each party with regards to the goods or services to be transferred;
c. the Group can identify the conditions of payment for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Group will receive the payment it has a right to in exchange for the goods or services to be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control over the assets and/or provided services to the customer and all, or almost all of the payment promised by the customer has been received and cannot be refunded; or (ii) the contract has been dissolved and the payment which the Group has received from the customer is not refundable.
If the above requirements are met, the Group applies the recognition rules described below.
Revenues for the sale of products (acoustic transducers) are recognised when control of the good involved in the transaction is transferred to the buyer, or when the buyer acquires full capacity to determine the use of the good, as well as to obtain substantially all the benefits.
Revenues are recognised net of discounts including, but not limited to, sales incentive programs and customer bonuses, as well as taxes directly associated with the sale of the goods. Revenues from the provision of services are recognised when they are delivered with reference to a progress report.

Revenues also include leasing fees recognised at constant rates throughout the duration of the contract.

Costs

The costs arecharged to the income statement when their existence is ascertained and when the amount can be objectively determined and when it is substantially possible to verify that the company has incurred such costs on an accrual basis.

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Financial income

Financial income is recognised on an accrual basis. They include interest income from funds invested, exchange gains and income deriving from financial instruments, when not offset as part of hedging transactions. Interest income is entered into the income statement when it accrues, considering its effective yield.

Financial charges

Financial charges are recognized on an accrual basis and include interest expense on financial debts calculated using the effective interest method and losses on exchange rate differences.
The share of interest expense from instalments on financial leasing operations is charged to the income statement using the effective interest method.
Financial charges, incurred against investments in assets for which there is normally a determined period of time before making the asset ready for use, are capitalised and amortised over the useful life of the class of assets to which they relate.

Dividends

Dividends entered in the income statement are recorded on an accrual basis, i.e. when due to distribution of the investee, the shareholder's right to receive the payment accrues.

Contributions

Contributions are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
"Contributions for plant investments" are recorded on the income statement according to the useful life of the asset against which they are disbursed.
"Contributions for operating expenses" are credited to the income statement in relation to costs against which they are disbursed.

Income tax

Taxes for the year represent the sum of current and deferred tax.
Taxes were divided between current taxes, calculated on the taxable income, and deferred tax assets (tax assets and/or liabilities) with respect to the taxable income of the subsequent years.
They are included in the consolidated financial statement as taxes allocated in the financial statements of individual consolidated companies, based on the estimate taxable income determined in accordance with

the national laws applicable on the closing date of the statement, accounting for the applicable exemptions and tax credits. Income tax is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.
They are entered under “tax payables” net of any advances and withholdings applied. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Treasury shares

Treasury shares are deducted from shareholders’ equity. The original cost and the revenues arising from subsequent sales are recorded as changes in shareholders’ equity.

Earnings per share

The basic earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the Parent Company by the weighted average of the ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the Company by the weighted average of the ordinary shares outstanding, considering the effects of all potential ordinary shares with diluted effect.

Use of estimates

The preparation of financial statements and related Notes in application of the IFRS requires the Management to make estimates and assumptions that have effect on the values of assets and liabilities, as well as on the information relating to potential assets and liabilities as at the reporting date. Final results may differ from these estimates. The estimates are used to evaluate intangible assets subjected to impairment testing, as well as to calculate provisions for risks on loans, for obsolete inventories, depreciation, asset amortisation, employee benefits, taxes, restructuring funds and other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility in the coming year that actual results will differ from the estimates which may therefore, require major adjustments that we are currently unable to predict.

Below there is a summary of the critical processes of assessment and the key assumptions used by the Group in the process of implementing IFRS and which are likely to have significant effects on the values recorded in the Consolidated Financial Statements or for which there is a risk that significant value differences may arise compared to the carrying amount of assets and liabilities in the future.

Recoverable value of non-current assets
Non-current assets include Tangible Fixed Assets, Other intangible assets, Goodwill and Other Non-current financial assets and Investments in associates. The Group periodically reviews the carrying amount of non-current assets held and used and of assets that need to be disposed of, whenever events and circumstances require such a review. This analysis is carried out for goodwill at least once a year and whenever events and circumstances warrant. The recoverability of the carrying amount of goodwill is generally analysed using cash flow estimates that are expected from the use or sale of assets and the appropriate discount rates for calculating their current value. When the carrying amount of a non-current asset has undergone an impairment loss, the Group enters a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale thereof, calculated by reference to the cash flows inherent in the most recent business plans.

Recoverability of deferred tax assets
The Company has deferred tax assets for temporary deductible differences and theoretical tax benefits from

losses that could be carried forward. In determining the estimated recoverable amount, the Group took the results of the business plan into account.

Pension plans and other post-employment benefits

The provisions for employee benefits and net financial charges are assessed using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and payroll growth rates and considers the probable occurrence of potential future events through the use of demographic parameters such as mortality rates and the resignations or retirement of employees. The assumptions used for evaluation are detailed in Note 14 "Provisions for personnel and similar".

Provision for doubtful accounts

The provision for doubtful accounts reflects the management's estimate on expected losses related to the portfolio of receivables. The Group applies the simplified approach established under IFRS 9 and records expected losses on all trade receivables based on the residual duration, determining provisions based on historic experience with credit losses, adjusted to take into account specific aspects relative to the creditors and the economic situation (expected credit loss - ECL).

Provision for inventory writedowns

The provision for inventory writedowns reflects the management's estimate of the Company's expected losses, calculated on the basis of past experience. Abnormal trends in market prices could lead to future inventory write-downs.

Funds for Product Warranty

At the time of selling a product, the Company sets aside funds relating to the estimated costs for product warranty. The estimate for this fund is calculated on the basis of historical information regarding the nature, frequency and average cost of works on guarantee.

Contingent liabilities

The Company ascertains a liability regarding pending disputes and lawsuits, when it considers it is likely there will be a financial outlay and when the amount of losses arising from it can be reasonably estimated. In the event that a financial outlay becomes possible but the amount cannot be determined, that fact is reported in the notes to the financial statements. The Company monitors the status of any pending lawsuits and seeks advice from its legal advisers and experts in legal and tax matters.

Depreciation and amortisation

The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group's fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.
The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax

The Company is subject to different tax legislation on income in a number of different jurisdictions. In order to determine the Group's tax liabilities, the Management has to use certain forms of assessment regarding transactions whose tax implications are not certain on the date the balance sheet is closed. The Group acknowledges the liabilities which might arise from future inspections by the tax authorities according to the estimate of tax that will be due. If the outcome of any of the aforesaid inspections were to differ from that estimated by management, it could have some significant effects on current and deferred taxes.

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.

New accounting standards, amendments and interpretations applied since January 1, 2020

As of the date of this Report, the competent bodies of the European Union have approved the adoption of the following accounting standards and amendments applied by the Group as of January 1, 2020:

- In October 2019, the IASB published some amendments to IFRS 3 that modify the definition of "business" in the context of acquisitions of companies or groups of activities. The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020
- In October 2019, the IASB published some amendments to IAS 1 and IAS 8, providing clarifications regarding the definition of "material information". The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 providing clarifications in light of the reform on interbank interest rates. The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020.
- In May 2020, IASB published an amendment to IFRS 16 which provides a practical expedient for the valuation of leasing contracts, in the event that rents have been renegotiated following Covid-19. The lessee may choose to account for the concession as a variable rent over the period in which a lower payment is recognized. The Company and the Group have adopted this practical expedient, for the related details see the paragraph "Financial liabilities for use rights of these explanatory notes".

Accounting standards, amendments and interpretations not yet applied

At the date of this Report, the competent bodies of the European Union have approved the adoption of the following accounting standards and amendments not yet applicable by the Group.

- In May 2017, IASB issued the new IFRS 17 standard "Insurance contracts". The new standard will replace IFRS 4 and will be applicable with effect from and not sooner than January 1, 2023.
- In January 2020, the IASB published an amendment to IAS 1 “Presentation of financial statements” which provides clarification on the classification between current and non-current liabilities. The amendment is applicable with effect from January 1, 2022.
- In May 2020, the IASB published some amendments with reference to IFRS 3, IAS 16 and IAS 37. In addition, some amendments to IFRS 1, IFRS 9, IAS 41 and the illustrative examples were published annexes to IFRS 16. These amendments will be applicable with effect from January 1, 2022.
- In August 2020, the IASB published some amendments to IFRS 7, IFRS 4 and IFRS 16. The amendments will be applicable with effect from January 1, 2021.

The Group will adopt these new principles, amendments and interpretations, based on the expected application date, and assess their potential impacts, when these are approved by the European Union.

7.3 Analysis of the breakdown of the main items of the consolidated statement of financial position as at December 31, 2020

1. Property, plant and equipment

The structure of the item December 31, 2020 and changes during the year are highlighted in the following charts:

Historic cost	31-Dec-19	Additions	Reclassification	Foreign exch.	(Decreases)	31-Dec-20
Land and buildings	5,253	-	-	(444)	-	4,809
Photovoltaic System and other minor	1,270,040	7,269	-	-	-	1,277,309
Lightweight construction	113,605	-	-	-	-	113,605
Plants and machinery	8,253,150	166,468	45,700	(7,894)	(15,157)	8,442,267
Industrial equipment	7,495,500	125,147	-	(784)	-	7,619,863
Various equipment	1,394,326	42,537	8,160	(15,945)	-	1,429,078
Fixed assets in progress	87,950	17,300	(53,860)	-	-	51,390
Total	**18,619,823**	**358,721**	**-**	**(25,067)**	**(15,157)**	**18,938,320**

Accumulated depreciation	31-Dec-19	Depreciation	Reclassification	Foreign exch.	(Decreases)	31-Dec-20
Land and buildings	6,219	1	-	(422)	-	5,798
Photovoltaic System and other minor	718,767	73,025	-	-	-	791,792
Lightweight construction	48,944	10,455	-	-	-	59,399
Plants and machinery	6,374,551	410,283	-	(7,588)	-	6,777,246
Industrial equipment	7,000,807	257,767	-	(571)	-	7,258,003
Various equipment	1,218,157	70,477	-	(10,783)	-	1,277,851
Fixed assets in progress	-	-	-	-	-	-
			-	-	-	
Total	**15,367,445**	**822,009**	**-**	**(19,364)**	**-**	**16,170,090**

Net value	31-Dec-19	Net increases	Reclassification	Foreign exch.	Depreciation	Accumulated depreciation decrease	31-Dec-20
Land and buildings	-	-	- -	22	(1)	- -	23
Photovoltaic System and other minor	551,273	7,269	-	-	(73,025)	-	485,516
Lightweight construction	63,918	-	-	-	(10,455)	-	53,463
Plants and machinery	1,878,227	151,311	45,700	(379)	(410,283)	-	1,664,576
Industrial equipment	494,692	125,147	-	(213)	(257,767)	-	361,859
Various equipment	176,167	42,537	8,160	(5,162)	(70,477)	-	151,224
Fixed assets in progress	87,952	17,300	(53,860)	-	-	-	51,392
	-	-	-	-	-	-	-
Total	**3,252,228**	**343,564**	**- -**	**5,776**	**(822,009)**	**-**	**2,768,007**

"Various equipment" includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant purchases made during 2020 relate to additions to machinery and production equipment in the production plants in Vallina and Reggio Emilia, as well as remodelling work done at the Reggio Emilia plant.

2. Rights of use

The Group has recognized assets for the right of use and liabilities for leasing of the same amount, discounting the value of the leasing installments to expire. The Group at December 31, 2020 has a value of the Rights of Use equal to Euro 3,112 thousand (Euro 4,179 thousand at December 31, 2019), composed as follows:

- Rights of use on properties for Euro 3.046 thousand, relating to medium/long-term contracts for the rental of buildings;
- Rights of use on equipment for Euro 49 thousand, relating to medium/long-term rental contracts for industrial, electronic and IT equipment;
- Use rights on vehicles for Euro 16 thousand, relating to medium/long-term rental contracts for company cars.

The movement that took place during the year is linked to the depreciation for the period.

The duration of the lease is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain that it will not be exercised. The Group assesses whether it is reasonably certain whether or not to exercise the extension or resolution options, taking into account all the relevant factors that create an economic incentive for these decisions.

3. Goodwill

A breakdown of this item at December 31, 2020 is highlighted in the following chart:

Goodwill	31-Dec-20	31-Dec-19
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
Total goodwill	**2,318,181**	**1,393,789**

The item Goodwill is attributable to:

(i) the consolidation of the equity investment in *B&C Speakers NA LLC,* for € 1,394 thousand;

(ii) the consolidation of the equity investment in Eighteen Sound S.r.l. for € 924 thousand.

The value of the goodwill is the positive difference between the purchase cost and the Group's share in the current values of the identifiable assets, liabilities and contingent liabilities entered in the financial statements of the subsidiaries at the date of acquisition.

As highlighted in the explanation about accounting standards, goodwill is subjected annually—or more frequently if specific events or changed circumstances indicate possible impairment—to tests to identify any impairments, in accordance with the provisions of IAS 36 - Impairment of assets. 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.

Consequently, on December 31, 2020 the impairment test was carried out on:

(i) the net carrying amount allocated to the CGU B&C USA, including goodwill and other assets referred to the US subsidiary *B&C Speakers NA LLC*.; These values were identified by the directors as being part of the single CGU, since the assets of the Company are entirely dedicated to a single sector of activity, i.e. the sale of "top quality professional loudspeakers";

(ii) the net carrying amount allocated to the CGU Eighteen Sound, which includes goodwill and other assets referred to the subsidiary Eighteen Sound S.r.l. and to the subsidiary Sound & Vision S.r.l.. These values were identified by the directors as being part of a single CGU since the assets of the two subsidiaries are entirely dedicated to a single sector of activity identifiable as the production and sale of "top quality professional loudspeakers".

The Eighteen Sound CGU (*Cash Generating Unit*)

The estimate of the expected cash flows relating to the CGU in question has been defined on the basis of the related multi-year plan, for whom provision was considered the trend of the reference market in which the CGU operates recorded during the months of January and February 2021, the order book already acquired by the Group, as well as the additional initiatives launched by management for business development, considering a significant reduction in demand for the years 2021 and 2022 compared to pre-Covid levels.
The main assumptions used by the Group to determine the future cash flows, and the consequent recoverable value (value in use) of the Eighteen Sound CGU refer to:

a) the assumption of previsional cash flows deduced from Eighteen Sound's five-year plan for the period 2021-2025, approved by the Board of Directors of the Parent Company, together with the related *impairment test*, on March 18, 2021;
b) the discount rate (WACC);
c) besides the explicit period, a growth rate was estimated (g-rate).

In particular, for the discounting of cash flows, the Group has adopted a discount rate (WACC) which reflects the current market valuations and the cost of money, taking also into account the specific risks of the business and of the geographical area in which the CGU operates. In the future cash flow discounting model, at the end of the cash flow projection period, a terminal value has been added in order to reflect the residual value that the cash generating unit should generate. The terminal value represents the current value, during the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, using a perpetual growth rate (g-rate).

Main financial parameters on impairment tests		CAGR revenues	WACC	g
Eighteen Sound	2020	15%	8.01%	1.3%
	2019	4%	8.29%	1.3%

The CAGR of revenues for the years envisaged in the new Plan is higher than in the previous year, as the estimates and assumptions used expect that, as a result of the significant reduction in demand and revenues recorded in 2020, there will be a decisive recovery of turnover starting from financial years 2021 and 2022 to return to the pre-Covid business volumes between 2023 and 2024, as also supported by external information deducible from sector studies.
The WACC was determined in continuity with the previous year and increased by an additional factor, in order to reflect the current market uncertainty on the rate.
The growth rate of the Terminal Value (g-rate) is specific to the CGU and reflects the growth potential of the reference area. Also in this case, the rate construction logic hasn't been changed compared to the past.
The analyses carried out did not reveal any losses in value.
Therefore, no write-downs were reflected in the data as at December 31, 2020.

In addition, also based on the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 February 6, 2009, the Group proceeded to elaborate the sensitivity analysis on the results of the test with respect to the variation of the basic assumptions (use of the growth rate in the processing of the terminal value and discount rate) that affect the value of use by the CGU. Even in the case of a positive or negative variation of 1% of the WACC and of the g-rate used, the analyses wouldn't show losses in value. Furthermore, it should be noted that the value of the WACC, which makes the current value of the expected cash flows generated by the CGU be lower than the net book value subjected to *impairment testing*, is equal to 22%.

Finally, on the basis of what is requested in Consob's attention n. 1/21 of February 16, 2021 too and of the recommendations provided by ESMA in the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, in addition to the base scenario just commented on and also supported by external studies, another scenario has been developed, which is further penalized by the continuation of the pandemic. The hypothesized scenario foresees a further postponement of the expected timing for the recovery of trade traffic to the "pre-Covid-19" levels, especially set by applying for 2021 too the EBITDA finalized by the CGU in 2020 and assuming that it'll be possible to achieve levels of "pre Covid-19" marginality only in 2025. Despite this further element of strong penalization, the value in use of the CGU in question is higher than the net book value.

In all the precessed cases, the current value of the expected cash flows generated by the CGU is higher than the net book value subjected to impairment tests.
Considering that the recoverable value was determined based on estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. Given the current market context, the various factors used in setting the estimates could be revised; the Group will constantly monitor these factors and the occurrence of any impairment losses.

The B&C USA CGU
The estimate of the expected cash flows relating to the CGU in question has been defined on the basis of the related multi-year plan, for whom provision was considered the trend of the reference market in which the CGU operates recorded during the months of January and February 2021, the order book already acquired by the Group, as well as the additional initiatives launched by management for business development, whereas the final figures for 2020 of the CGU show a trend in contrast with the Group, having only marginally affected the impact of the pandemic. In fact, the revenues recorded by the CGU in 2020 showed an increase of 10.1% compared to 2019.
The main assumptions used by the Group to determine the future cash flows, and the resulting recoverable value (value in use) of the B&C USA CGU, refer to:

a) the assumption of previsional cash flows deduced from B&C USA's five-year plan for the period 2021-2025, approved by the Board of Directors of the Parent Company, together with the related *impairment test*, on March 18, 2021;
b) the discount rate (WACC), defined in continuity with the previous year;
c) besides the explicit period, a growth rate was estimated (g-rate), specific for the CGU, reflecting the growth potential of the reference area. Also in this case, the rate construction logic has not been changed compared to the past.

In particular, for the discounting of cash flows, the Group has adopted a discount rate (WACC) which reflects the current market valuations and the cost of money, taking also into account the specific risks of the business and of the geographical area in which the CGU operates. In the future cash flow discounting model, at the end of the cash flow projection period, a terminal value has been added in order to reflect the residual value that the *cash generating unit* should generate. The terminal value represents the current value, during the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, using a perpetual growth rate (g-rate).

Main financial parameters on impairment tests		CAGR revenues	WACC	g
B&C USA	2020	1%	6.78%	2.2%
	2019	1%	8.52%	2.3%

The CAGR is in line with 2019 since, as previously commented, the final data for 2020 of the CGU were only marginally affected by the impact of the pandemic.

WACC was determined in continuity with the previous year.
The growth rate of the Terminal Value (g-rate) is specific to the CGU and reflects the growth potential of the

reference area. Also in this case, the rate construction logic has not been changed compared to the past. The analyses carried out did not show any losses in value. Therefore, no write-downs were reflected in the data as at December 31, 2020.

Furthermore, also on the basis of the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 of February 6, 2009, the Group proceeded to elaborate the sensitivity analysis on the results of the test considering the variation of the basic assumptions (use of the growth rate in processing both the terminal value and discount rate) that affect the value of use by the CGU. Even in the case of a positive or negative variation of 1% of the WACC and of the g-rate used, the analyses wouldn't reveal any losses in value. Furthermore, it should be noted that the value of the WACC, which makes the current value of the expected cash flows generated by the CGU be lower than the net book value subjected to *impairment testing*, is equal to 30%.

Finally, on the basis of what is requested in Consob's attention n. 1/21 of February 16, 2021 too and of the recommendations provided by ESMA in the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, in addition to the base scenario just commented on and also supported by external studies, another scenario has been developed, which is further penalized by the continuation of the pandemic. The hypothesized scenario foresees a reduction in revenues of 10% for all the years of the plan compared to the actual 2020 figure. Despite this further element of strong penalization, for the considerations set out above, the value in use of the CGU in question is higher than the net book value.

In all the precessed cases, the current value of the expected cash flows generated by the CGU is higher than the net book value subjected to impairment tests.
Considering that the recoverable value was determined based on estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. Given the current market context, the various factors used in setting the estimates could be revised; the Group will constantly monitor these factors and the occurrence of any impairment losses.

4. Other intangible assets

The structure of the item December 31, 2020 and changes during the year are highlighted in the following chart:

Intangible assets	31-dic-19	Reclassification	Increases	Foreign Exch.	Amortization	31-dic-20
Patent rights	348,251	-	71,435	-	191,033	228,653
Development costs	3,061	-	-	-	3,061	-
Intangible assets in progress	-	-	74,800	-	-	74,800
Total	**351,312**	**-**	**146,235**	**-**	**194,094**	**303,453**

Le immobilizzazioni in corso si riferiscono i costi sostenuti per un progetto di sviluppo di una tipologia di prodotto commercializzato dal 2021 dal Gruppo.
"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The ongoing fixed assets refer to the costs incurred for a development project of a type of product marketed by the Group from 2021.

5. Equity investments in associated companies

This item amounts to Euro 50 thousand at December 31, 2020 and reflects the value of the 33% investment in Silent Tech S.r.l., set up together with two other companies and aimed at exploiting the "Silence" technology developed together with the other two partners.

6. Deferred tax assets

This item reflects net receivables for deferred tax assets of Euro 761 thousand at December 31, 2020 (Euro 612 thousand at December 31, 2019), relating to deductible temporary differences attributable to the Group and arose following the recognition of costs not entirely deductible during the year; the item also includes prepaid taxes calculated on the tax losses incurred by the subsidiary Eighteen Sound Srl.

The table below illustrates the composition and changes that occurred during the financial year:

Deferred tax assets	**31-Dec-19**	**Increase**	**Use**	**31-Dec-20**
Ammortization difference IFRS/TUIR	44,882	8,956	(2,706)	51,132
Management remuneration	50,647	4,200	(56,688)	(1,842)
Consolidation entries	294,121	21,126	(57,922)	257,325
USA provisions	35,452	-	-	35,452
Fiscal losses	0	262,790	-	262,790
Other	189,156	12,449	(42,255)	159,350
Total deferred tax assets	***614,257***	***309,521***	***(159,571)***	***764,207***
Deferred tax liabilities	**31-Dec-19**	**Increase**	**Use**	**31-Dec-20**
Other	(2,097)	2,097	(3,491)	(3,491)
Total deferred tax liabilities	***(2,097)***	***2,097***	***(3,491)***	***(3,491)***
Net total	**612,160**	**311,618**	**(163,062)**	**760,716**

Deferred tax assets have been accounted for it is believed that adequate future taxable income are likely to be generated against whom this credit balance can be used.

7. Other non-current assets

At December 31, 2020 this item is as follows:

Other non current assets	**31-Dec-20**	**31-Dec-19**	**Change**	**% Change**
Insurance poilcies	582,836	533,688	49,148	9%
Guarantee deposits	59,678	60,525	(847)	-1%
Ires refund receivables	6,700	68,392	(61,692)	-90%
Others	6,009	3,041	2,968	98%
Total non current assets	**655,222**	**665,646**	**(10,423)**	**-2%**

The item “Insurance policies” refers to receivables accrued in respect of the insurance companies “Milan Insurance” and “La Fondiaria Assicurazioni” in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors’ severance pay.

The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	**31-Dec-19**	**Increases**	**(Decreases)**	**31-Dec-20**
Insurance policies	533,688	49,148	-	582,836
Total	**533,688**	**49,148**	**-**	**582,836**

The increase during the year is due to new payments made by the Partent Company during the year, reflecting the value of the allocation made to the related Provision for *"severance indemnity"*.

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

"IRES refund receivable" includes the credit generated in 2012 following the submission by the Parent Company, of the request for an IRES rebate in accordance with Art. 4 of Italian Legislative Decree No. 16 of March 2, 2012, converted with amendments into Italian Law No. 44 of April 26, 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 6 December 2011, converted with amendments into Italian Law no. 214 of December 22, 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of March 2, 2012, converted with amendments into Italian Law no. 44 of April 22, 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for a rebate of the greater IRES amount paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Parent Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

8. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on December 31, 2020:

Inventories	**31-Dec-20**	**31-Dec-19**	**Change**	**% Change**
Row materials and consumables	3,594,687	3,839,242	(244,556)	-6%
Work in progress and semi-finished	6,886,924	7,882,426	(995,501)	-13%
Finished goods	2,402,394	2,354,067	48,327	2%
Gross Total	**12,884,005**	**14,075,735**	**(1,191,729)**	**-8%**
Provision for inventory writedowns	(630,841)	(583,307)	(47,534)	8%
Net Total	**12,253,165**	**13,492,428**	**(1,239,263)**	**-9%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at December 31, 2020, it totals € 631 thousand.

The gross value of inventories appears to have decreased overall by € 1,192 thousand compared to the final figure at December 31, 2019. The decrease is to be related to the lower production volumes of the year resulting from the contraction in turnover.

Provision for inventory writedowns, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The table below shows changes in the provision for inventory writedowns:

Change in provision for inventory writedowns	**31-Dec-19**	**Increase**	**Use**	**Foreign Exch.**	**31-Dec-20**
Provision for inventory writedowns	583,307	56,009	-	(8,475)	630,841
Total	**583,307**	**56,009**	**-**	**(8,475)**	**630,841**

For more details about the changes in inventories, one should refer to the note commenting on the income statement item “Cost of sales”.

9. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on December 31, 2020:

Trade receivables	31-Dec-20	31-Dec-19	Change	% Change
Trade receivables	7,530,732	13,268,863	(5,738,131)	-43%
(Provision for doubtful accounts)	(446,126)	(426,658)	(19,468)	5%
Total	**7,084,606**	**12,842,205**	**(5,757,599)**	**-45%**

The gross value of trade receivables is down compared to December 31, 2020 by € 5,777 thousand mainly due to the contraction in the Group's turnover. It should be noted that, despite the deleterious effects of the pandemic on the liquidity of the Group's customers, there were no situations of significant doubtful loans.

The table below shows changes in the provision for doubtful accounts:

Change in provision for doubtful accounts	31-Dec-19	Increase	Use	Foreign Exch.	31-Dec-20
Provision for doubtful accounts	426,658	49,599	0	(30,131)	446,126
Total	**426,658**	**49,599**	**0**	**(30,131)**	**446,126**

The provision for the year was made to face the risk of bad debt mainly in the South American area.

10. Tax assets

Tax credits at December 31, 2020, equal to Euro 1,740 thousand (Euro 844 thousand at December 31, 2019), mainly consist of VAT credits for Euro 272 thousand, current tax receivables deriving from advance payments in excess of the tax load for the year of Euro 1,218 thousand, from R&D credits for Euro 143 thousand, from tax credits for sanitation and capital goods for Euro 48 thousand, from tax credits of foreign subsidiaries for the residual amount.

11. Other current assets

As at December 31, 2020, “Other current assets” are as follows:

Other current assets	31-Dec-20	31-Dec-19	Change	% Change
Receivables towards supplier	43,932	156,040	(112,107)	-72%
Securities	8,044,346	7,916,385	127,961	2%
Other minor receivables	57,796	25,216	32,581	129%
Total other receivables	**8,146,075**	**8,097,641**	**48,434**	1%
Commercial fairs	45,301	68,629	(23,328)	-34%
Assistance and assurance fees	265,484	142,280	123,205	87%
Specialist contract	0	2,250	(2,250)	-100%
Other	45,686	85,717	(40,031)	-
Total prepaid expenses and accrued income	**356,471**	**298,875**	**57,595**	**19%**
Total current assets	**8,502,546**	**8,396,516**	**106,030**	**1%**

Securities held in the portfolio refer to asset management items denominated in euro and held for short-term liquidity. These securities were measured at *fair value* and the presumed profit (equal to Euro 128 thousand) recognised in financial income on the income statement. It should be noted that the trend in the market value of the Group's securities portfolio is significantly improved compared to the first quarter of the year, when the fair value valuation showed a loss of Euro 969 thousand

12. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-Dec-20	31-Dec-19	Change	% Change
Bank and postal deposit	13,406,787	5,270,358	8,136,429	154%
Cash	8,393	6,920	1,473	21%
Total cash and cash eqivalents	**13,415,180**	**5,277,278**	**8,137,902**	**154%**

The significant increase in liquidity is to be related to loans taken out during the year for Euro 7,500 thousand together, generating cash from operating activities that still remained at excellent levels, despite the contraction of the Group's turnover. It shoud be recalled that no dividends were distributed during the year.

For further details concerning the increase in cash and cash equivalents, one should refer to the consolidated statement of cash flow.

13. Equity and its components

Share Capital

The Group's share capital as at December 31, 2020 amouted to Euro 1,088 thousand (Euro 1,097 thousand at December 31, 2020) net of treasury shares held. The original share capital of the Parent Company is equal to Euro 1,100 thousand, consisting of 11,000,000 ordinary shares with a unit value of Euro 0,10 each. All capital is fully paid up.

As a result of the continuation of the *Buy-Back* plan, on December 31, 2020 B&C Speakers S.p.A. held a total 114,948 treasury shares equal to 1.04% of the share capital, bought at an average value of Euro 10,92 per per share.

The following table shows the changes that occurred, in 2020, in the number of shares outstanding:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2019	**10,978,685**
Treasury shares purchased	(113,633)
Treasury Shares sold	20,000
December 31, 2020	**10,885,052**

Other reserves

This item, equal to Euro 4.745 thousand at December 31, 2020, comprises the legal reserve for Euro 379 thousand, the extraordinary reserve for Euro 44 thousand, the reserve for unrealised capital gains on currency exchange for Euro 54 thousand and the share premium reserve for Euro 3.589 thousand.

Foreign Exchange reserve

This item amounted to Euro 296 thousand as at December 31, 2020 and includes the exchange differences arising from conversion of the financial statements in foreign currencies other tha Euro. This reserve increase by Euro 264 thousand due to the recognition of other comprehensive losses relating to the conversion of financial statements into foreign currency.

Retained earnings reserves

This item includes the following reserves:

Retained earnings

This includes the results of previous years net of distribution of dividends.

TFR discounting reserve

This item includes the effects on net equity of the discounting component of severance indemnity.

Result of the period

This item comprises the net period result for Euro 8,606 thousand and other period profits/(losses) relative to the actuarial losses 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 charts 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					
December 31, 2019					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(6)	(6)		(6)
Total	**-**	**(6)**	**(6)**	**-**	**(6)**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	61		61	-	61
Total	61	-	61	-	61
Other comprehensive income/(losses) for the year:	**61**	**(6)**	**55**	**-**	**55**
December 31, 2020					
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:					
Actuarial gain/(losses) on DBO (net of tax)		(5)	(5)		(5)
Total	**-**	**(5)**	**(5)**	**-**	**(5)**
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:					
Exchange differences on translating foreign operatic	(264)		(264)	-	(264)
Total	(264)	-	(264)	-	(264)
Other comprehensive income/(losses) for the year:	**(264)**	**(5)**	**(269)**	**-**	**(269)**

	December 31, 2020			December 31, 2019		
	Gross value	Fiscal effect	Net value	Gross value	Fiscal effect	Net value
Euro thousand						
Actuarial gain/(losses) on DBO	(6)	1	(5)	(7)	1	(6)
Exchange differences on translating foreign operatic	(264)		(264)	61		61
Other comprehensive income/(losses)	**(270)**	**1**	**(269)**	**54**	**1**	**55**

Dividends paid

The Shareholders' Meeting held on April 29, 2020, approved the proposal of the Board of Directors, as amended and communicated to the market on April 14, 2020, not to distribute any dividends and to allocate the entire profit for the year 2019 to "retained earnings". The decision was taken due to the persistence of the situation of uncertainty linked to the spread of the epidemic, with the aim of containing financial outlays and prudentially strengthening the already solid economic and financial position of the Group.

Earnings per share

Basic earnings per share have been calculated as indicated in IAS 33; the value of this indicator is equal to Euro 0,18 per share (Euro 0,78 per share for the 2019 financial year). This indicator was calculated by dividing the profit attributable to shareholders of the Parent Company (Euro 1,917 thousand in 2020) by the weighted average of ordinary shares outstanding during the period (n. 10,942,363 shares in 2020). There were no significant dilution factors.

14. Long-term borrowings

As at December 31, 2020, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-20	31-Dec-19	Change	% Change
Long-term CRF 2 loan	1,500,025	2,000,032	(500,007)	-25%
Long-term Unicredit loan	-	418,980	(418,980)	-100%
Long-term BNL 1	503,068	1,005,254	(502,186)	-50%
Long-term BNL 4	1,500,000	2,000,000	(500,000)	-25%
Long-term Mediocredito	1,000,000	1,500,000	(500,000)	-33%
Long-term BNL 5	-	33,333	(33,333)	-100%
Long-term Unicredit 2	1,251,875	-	1,251,875	
Long-term Banca Intesa (guaranteed)	2,500,000	-	2,500,000	
Long-term BNL (guaranteed)	2,500,000	-	2,500,000	
Total long-term borrowing	**10,754,968**	**6,957,600**	**3,797,368**	**55%**

The item "CRF 2 loan" of Euro Euro 1,500 thousand, includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on October 26, 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 "BNL 1" loan of Euro 503 thousand includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on November 23, 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound S.r.l..

The item "BNL 4" loan, equal to Euro 1,500 thousand, includes the portion falling due beyond the following year of the long-term loan contracted with Banca Nazionale del Lavoro S.p.A. on April 18, 2019. Parallel to the signing of the loan agreement, the Company has signed, again with Banca Nazionale del Lavoro SpA, an interest rate swap hedging contract of the Interest Rate Swap (IRS) type aimed at making the interest rate of the financing.

The item "Mediocredito Loan", equal to Euro 1,000 thousand, includes the portion falling due beyond the following year of the long-term loan contracted with Mediocredito Italiano S.p.A. on April 17, 2019. Parallel to the signing of the loan agreement, the Company has signed, again with Banca Nazionale del Lavoro SpA, an interest rate swap hedging contract of the Interest Rate Swap (IRS) type aimed at making the interest rate of the financing.

The item "Unicredit 2 loan" equal to Euro 1,252 thousand includes the portion due beyond the following year of the long-term loan contracted with Unicredit S.p.A. on May 31, 2020.

The item "Banca Intesa (Guaranteed)" Loan, equal to Euro 2,500 thousand includes the portion due beyond the following year of the long-term loan contracted with Intesa San Paolo S.p.A. on April 17, 2020. This loan falls within the category of loans guaranteed by Medio Credito Centrale S.p.A. pursuant to Legislative Decree n. 23/2020, art. 13, paragraph 1. Parallel to the stipulation of the loan agreement, the Group entered into, again with the same bank, an Interest Rate Swap (IRS) type hedging agreement, aimed at making the interest rate of the loan fixed.

The item " BNL (Guaranteed)" loan is equal to Euro 2,500 thousand and includes the portion due beyond the following year of the long-term loan contracted with Banca Nazionale del Lavoro S.p.A. on June 20, 2020. This loan also falls within the category of loans guaranteed by Medio Credito Centrale S.p.A. pursuant to Legislative Decree n. 23/2020, art. 13, paragraph 1. Parallel to the stipulation of the loan agreement, the Company entered into, again with the same bank, an Interest Rate Swap (IRS) type hedging agreement aimed at making the interest rate of the loan fixed.

The chart below outlines the changes in borrowings in 2020 for both the current and non-current portions:

Change in borrowings	**31-Dec-19**	**Refunds**	**New borrowings**	**Reclassification current portion**	**31-dic-20**
Non current portion					
Bank borrowings	6,957,600	0	7,500,000	(3,702,631)	10,754,969
Total non current borrowings	**6,957,600**	**0**	**7,500,000**	**(3,702,631)**	**10,754,969**
Curent portion					
Bank borrowings	6,685,782	(3,484,107)	-	3,702,631	6,904,306
Total current borrowings	**6,685,782**	**(3,484,107)**	**-**	**3,702,631**	**6,904,306**
Totale current and non current	**13,643,381**	**(3,484,107)**	**7,500,000**	**-**	**17,659,274**

The following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	**CRF 2**	**Unicredit 1**	**BNL 1**	**BNL 4**
Lender	Banca CR Firenze S.p.A.	Unicredit S.p.A.	Banca Nazionale del Lavoro S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	5,000,000	5,000,000	4,000,000	3,000,000
Contract date	26 October 2017	18 April 2017	23 November 2017	18 April 2019
Due date	26 April 2023	30 April 2021	23 May 2022	13 March 2023
N. installments	20	48	16	6
Advance instalments	-	-	-	1
Periodicity	Quarterly	Monthly	Quarterly	Half-yearly
Interest rate	Euribor 3M (base 360) with floor zero + spread 0,33%	0.35%	0.35%	6 months Eurobor + spread 0,65%
Current portion	1,000,005	419,345	1,003,495	1,000,000
Non current portion	1,500,025	-	503,068	1,500,000

Loans details	**Mediocredito Italiano**	**BNL 5**	**Unicredit 2**	**Banca Intesa (guaranteed)**	**BNL (guaranteed)**
Lender	Mediocredito Italiano S.p.A.	Banca Nazionale del Lavoro S.p.A.	Unicredit S.p.A.	Intesa S. Paolo S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	3,000,000	500,000	2,500,000	2,500,000	2,500,000
Contract date	17 April 2019	19 July 2019	07 April 2020	17 June 2020	22 June 2020
Due date	15 December 2022	19 December 2021	30 April 2022	17 June 2025	16 June 2025
N. installments	6	12	16	10	7
Advance instalments	1	3	12	3	3
Periodicity	Half-yearly	Monthly	Quarterly	Half-yearly	Half-yearly
Interest rate	6 months Eurobor + spread 0,65%	0.25%	0.60%	6 months Eurobor + spread 0,7%	6 months Eurobor + spread 0,7%
Current portion	1,000,000	233,333	1,248,127	-	-
Non current portion	1,000,000	-	1,251,875	2,500,000	2,500,000

These loans are not subject to covenants nor do they involve any *negative pledges* at the expense of the Group.

It should be noted that the Group has adhered to the voluntary moratorium, promoted by the reference financial institutions of the Group, of the maturities of the loans until September 2020 equal to approximately Euro 1,140 thousand contractually due by June and Euro 500 thousand in August.

The Group has no outstanding loans with a maturity exceeding 5 years.

Derivative instruments details	**CRF 2**	**BNL 4**	**Mediocredito Italiano**
Counterpart	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)
Purpose	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 CR Firenze S.p.A. loan (BNL 4)	Hedging of interest variability risk associated with the Mediocredito Italiano loan
Original amount	4,750,000	3,000,000	3,000,000
Periodicity	Quarterly	Half-yearly	Half-yearly
Bank Interest Rate	Euribor 3 months	Euribor 6 months	Euribor 6 months
Company Interest Rate	0.09%	0.07%	0.07%
Contract date	12 December 2017	09 May 2019	09-mag-19
Due date	26 October 2022	13 September 2022	15-giu-22
Mark to market amount at Dec 31, 2020	(14,358)	(15,480)	(10,893)

Derivative instruments details	**Banca Intesa (guaranteed)**	**BNL (guaranteed)**
Counterpart	Intesa S.Paolo S.p.A.	BNL Group
Type of contract	Interest Rate Swap (IRS)	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca Intesa loan	Hedging of interest variability risk associated with the BNl Group loan
Original amount	2,500,000	2,500,000
Periodicity	Half-yearly	Half-yearly
Bank Interest Rate	Euribor 6 months	Euribor 6 months
Company Interest Rate	0.09%	0.05%
Contract date	17 June 2020	22 June 2020
Due date	17 December 2024	16 December 2024
Mark to market amount at Dec 31, 2020	(30,962)	(31,385)

Please note that the company does not apply *hedge accounting* and changes in *fair value* of the aforementioned derivative are charged to the income statement.

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

At December 31, 2020 financial liabilities for rights of use, calculated by discounting the value of the expiring

leasing payment, amount to Euro 3,211 million, of whom Euro 2,268 million have been classified among non-current liabilities and Euro 944 million among current liabilities.
The reduction compared to December 31, 2019 is related to the payment of the expenses due during the year. It should be noted that the Group has adopted a practical expedient introduced by the amendment to IFRS 16 "Leasing" for the evaluation of leasing contracts, which can be appliable in case fees have been renegotiated following Covid-19. The Group, as lessee, has chosen to account for the concession as a variable fee in the period in whiom a lower payment is recognized: the amount of these lower payments charged to the income statement was Euro 177 thousand.
Non-current liabilities include financial liabilities due beyond five years for Euro 437 thousand.
The marginal interest rates defined by the Group are reviewed on a recurring basis and applied to all contracts with similar characteristics, which have been considered as a single portfolio of contracts. The rates are determined starting from the Parent Company's average effective debt rate, properly adjusted on the basis of whate the new accounting rules require, in order to simulate a theoretical marginal interest rate consistent with the contracts being valued. The most significant elements considered in the rate adjustment are the credit risk spread of each country remarkable on the market and the different duration of the leases. The leasing contracts do not include coventants.

16. Funds related to personnel and similar

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

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.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 358 thousand.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year it changed as follows:

Provision for severance indemnities	**31-Dec-19**	**Provision (interest & service cost)**	**(Use)**	**Actuarial gain/(loss)**	**31-Dec-20**
Provision for severance indemnities	358,278	21,379	(33,618)	6,656	352,695
Total provision for severance indemnities	**358,278**	**21,379**	**(33,618)**	**6,656**	**352,695**

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

Technical parameters	**31-Dec-20**
Technical annual discounting rate	0.02%
Annual inflation rate	0.80%
Tasso annuo incremento TFR	2.100%

With regard to the evaluation of the discount rate, in line with the previous year, the reference used was the IBoxx Eurozone Corporate AA index of December 2020 with a duration from 7 to 10 years (in line with the average duration of the evaluated group) with a duration of 7 to 10 years for the staff of the Parent

Company and greater than 10 years for that of the subsidiary in Reggio Emilia (in line with the average stay of the collective being evaluated).

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 31-dec-2020
Turnover rate +1%	333,871
Turnover rate -1%	339,957
Inflation rate + 0,25%	341,071
Inflation rate - 0,25%	332,513
Discount rate + 25%	330,142
Discount rate - 25%	343,598

Estimated future payments

Year	Amount
1	53,145
2	25,724
3	24,815
4	24,110
5	22,862

Service Cost and Duration

Service Cost	0.00
Duration	8.70

For the purpose of reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision is equal to the value of the corresponding policies entered as assets and described in Note 7.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-19	Provision	(Use)	31-Dec-20
Executive retirement provision (TFM)	533,687	49,149	-	582,836
Total TFM	**533,687**	**49,149**	**-**	**582,836**

17. Provisions for risks and charges

The item, equal to Euro 40 thousand at December 31, 2020 (unchanged from December 31, 2019), contains the fund to cope with the risk of warranty support for products marketed by the Group.

18. Short-term borrowings and net financial position

As at December 31, 2020, short-term financial debt is as follows:

Short term borrowings	31-Dec-20	31-Dec-19	Change	% Change
Short-term CRF 2 loan	1,000,005	999,998	7	0%
Short-term Unicredit 1 loan	419,345	1,255,469	(836,124)	-67%
Short-term BNL 1 loan	1,003,495	1,001,743	1,752	0%
Short-term BNL 2 loan	-	428,571	(428,571)	-100%
Short-term BNL 4 loan	1,000,000	1,000,000	-	0%
Short-term Mediocredito loan	1,000,000	1,000,000	-	0%
Short-term BNL 3 loan	-	100,000	(100,000)	-100%
Short-term BNL 5 loan	233,333	400,000	(166,667)	-42%
Hot money BNL loan	1,000,000	500,000	500,000	100%
Short-term Unicredit 2 loan	1,248,127	-	1,248,127	0%
Short-term borrowings	**6,904,306**	**6,685,782**	**218,524**	**3%**
Bank overdrafts	**3**	**314,173**	**(314,170)**	**-100%**
Total	**6,904,309**	**6,999,955**	**(95,646)**	**-1%**

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

As required by CONSOB Communication of July 28, 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 net financial position of the Group as at December 31, 2020 is detailed below:

(values in Euro thousands)	31 december 2020 (a)	31 december 2019 (a)	Variazione
A. Cash	13,415	5,277	154%
C. Securities held for trading	8,044	7,916	2%
D. Cash and cash equivalent (A+C)	**21,460**	**13,194**	**63%**
F. Bank overdrafts	(0)	(314)	-100%
G. Current portion of non current borrowings	(6,904)	(6,686)	3%
H. Current lease liabilities	(944)	(1,212)	
I. Current borrowingse (F+G)	**(7,848)**	**(8,211)**	**-4%**
J. Current net financial position (D+I)	**13,612**	**4,983**	**173%**
K. Non current borrowings	(10,755)	(6,958)	55%
M. Non current lease liabilities	(2,267)	(3,031)	
N. Non current borrowings	**(13,022)**	**(9,989)**	**30%**
O. Total net financial position (J+N)	**590**	**(5,007)**	**-112%**

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

The items "Other current financial payables" and "Other non-current financial payables" refer to the financial liability associated with the accounting of leasing contracts according to IFRS 16.

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.

(in thousands of Euro)

	31-Dec-20	31-Dec-19
Cash and cash equivalents at end of the period	**13,415**	**4,963**
Current portion of non current borrowings	(6,904)	(6,686)
Non current borrowings	(10,755)	(6,958)
Current lease liabilities	(944)	-
Non current borrowings	(2,267)	-
Securities held for trading	8,044	7,916
Total net financial position	**590**	**(5,007)**

For a better understanding of the dynamics underlying changes in the Net Financial Position, one should refer to the consolidated statement of cash flow.

19. Trade payables

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

Trade payables	31-Dec-20	31-Dec-19	Change	% Change
Trade payables	2,956,786	4,959,909	(2,003,123)	-40%
Total trade payables	**2,956,786**	**4,959,909**	**(2,003,123)**	**-40%**

The significant decrease in trade payables is due to the lower volumes of purchases made in the period, due to the decreased production volumes resulting from the crisis triggered by the spread of the ongoing Covid-19 pandemic.

20. Tax liabilities

This item at December 31, 2020 is equal to Euro 367 thousand (Euro 720 thousand at December 31, 2019) and includes tax payables of the foreign subsidiaries for Euro 109 thousand and, for the remaining amount, the withholdings payable carried out in 2020 and paid during the first months of 2021.

21. Other current liabilities

This item is made up as follows:

Other current liabilities	31-Dec-20	31-Dec-19	Change	% Change
Due to social security funds	358,106	427,827	(69,720)	-16%
Unused vacation time and holidays	484,713	580,506	(95,792)	-17%
Due to personnel	363,608	456,697	(93,089)	-20%
Other liabilities	377,634	393,420	(15,786)	-4%
Total current liabilities	**1,584,062**	**1,858,450**	**(274,388)**	-15%

Amounts “due to social security funds” includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 310 thousand), net of the CIGO (Ordinary Wages Guarantee Fund) contribution equal to Euro 74 thousand.

"Unused vacation time and holidays" includes the deferred costs for holidays remaining on December 31, 2020.

Amounts "due to personnel" refers to payables for salaries and wages still to be paid on the reporting date.

The item "Other liabilities" includes payables to directors for Euro 55 thousand, the fair value of IRS derivative contracts for Euro 103 thousand and, for the remaining amount, balances due to customers.

22. Commitments, guarantees and ongoing disputes

As at December 31, 2020, as also at December 31, 2019, there are no records of any guarantees given to third parties.

As regards disputes, there is a lawsuit against a former director of a Group subsidiary. The dispute is at an early stage and, at the date of preparation of these financial statements, the risk of losing was estimated, also with the support of the external lawyers appointed by the Group, as possible.

7.4 Analysis of the breakdown of the main items of the consolidated income statement for 2020

Summary of the impacts of the Covid-19 epidemic on the consolidated income statement

As a premise, it should be noted that the differences between the year 2020 and the same period of the previous year, both in absolute value and as a percentage set out below, are mainly due to the contraction in demand, revenues and consequent cost containment measures due to the national and global health emergency resulting from the Covid-19 pandemic, as also reported in the management report.

In particular, the following occurrences are noted:

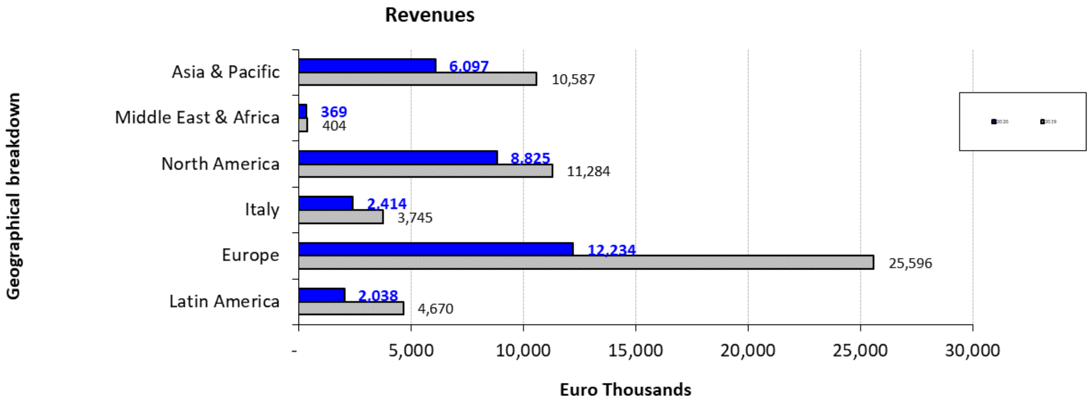
1. The reduction in revenues of Euro 24.3 million consequent not only to the production stop from March 13, 2020 (for the Reggio Emilia plant) and from March 20 2020 (for the Bagno a Ripoli plant) until May 4, 2020 but also to the contraction of the sector due to the effects of the pandemic;
2. The important cost containment actions that the Group has adopted more consistently since April, for whom, please refer to the contents of the management report. In particular, it should be noted here that the use of social safety nets has resulted in a reduction in the cost of direct and indirect labor for approximately Euro 2,218 thousand.
3. The increase in overheads due to the costs incurred for the purchase of medical equipment for the protection of workers. The total additional costs incurred for materials is approximately Euro 100 thousand.
4. The absence of the conditions for the accrual of the variable part of the MBO linked to medium-term results, with the consequent recognition of lower charges for Euro 233 thousand.
5. The waiver, by the executive Directors, of 25% of their remuneration in 2020 with a saving of approximately Euro 149 thousand.
6. The decrease in commercial expenses mainly linked to the Group's withdowal from all trade shows and to lower costs for travel and business trips by Euro 260 thousand.

23. Revenues

The reference market is still strongly and negatively affected by the consequences of Covid-19 (gatherings of people, including live events, are still prohibited in most of the reference markets) which have led to a significant decrease in the Group's turnover, which amounted to Euro 31.9 million at the end of 2020, down by 43.2% compared to the same period of 2019.

Geographical Area	2020	%	2019	%	Change	% Change
Latin America	2,037,630	6%	4,670,023	8%	(2,632,394)	-56%
Europe	12,233,506	38%	25,596,396	45%	(13,362,889)	-52%
Italy	2,413,606	8%	3,745,025	7%	(1,331,419)	-36%
North America	8,825,250	28%	11,284,178	20%	(2,458,928)	-22%
Middle East & Africa	368,524	1%	404,264	1%	(35,740)	-9%
Asia & Pacific	6,096,739	19%	10,587,354	19%	(4,490,616)	-42%
Total revenues	**31,975,254**	**100%**	**56,287,240**	**100%**	**(24,311,986)**	**-43%**

The decrease in turnover compared to 2019, to be attributed to the geographical spread of the Covid-19 pandemic, was particularly concentrated on the European market (-52% with a decrease in absolute value of Euro 13.3 million) and on the South American market (-56% with a decrease in absolute value of Euro 2.6 million). The market that suffered the least was the North American one, which decreased by 22%. There is also a recovery trend, during the second half of the year, of the Asian market, whose decrease is 42% (lower revenues of Euro 4.4 million).



The breakdown of the item in question can only be made with reference to the geographical area of reference for sales, as the operating sector of the Group can only be identified in the production and sale of "high quality professional loudspeakers".

Nevertheless, this single category of product sales can be further broken down in terms of turnover based on the type of loudspeakers sold.

Below is a table summarising 2020 sales according to product category compared with their respective value in the previous year:

Product category	2020	%	2019	%	Change	% Change
LF FE Drivers	8,139,990	25.5%	12,123,388	21.5%	(3,983,398)	-33%
LF ND Drivers	10,094,726	31.6%	22,166,945	39.4%	(12,072,219)	-54%
HF Drivers	8,210,491	25.7%	13,714,186	24.4%	(5,503,695)	-40%
Coaxials	3,923,673	12.3%	6,117,985	10.9%	(2,194,312)	-36%
Others	1,606,374	5.0%	2,164,736	3.8%	(558,362)	-26%
Total revenues	**31,975,254**	**100.0%**	**56,287,240**	**100.0%**	**(24,311,986)**	**-43%**

Furthermore, as can be inferred from the above table, in 2020 the Group's sales have privileged products with higher added value and profit margins (drivers).

In 2020 three customers generated turnover exceeding 10% of the total:

1st customer – 15%

2nd customer– 15%

3rd customer – 10%

All revenues are associated with obligations of action carried out a given time.

For a more detailed analysis of period revenue trends, one should refer to the relevant section within the Report on Operations.

24. Cost of sales

This item is made of of:

Cost of sales	2020	2019	Change	% Change
Purchases of raw materials and finished products	(2,942,396)	(6,428,159)	3,485,764	-54%
Purchases of WIP	(7,540,962)	(14,313,451)	6,772,489	-47%
External manufacturing costs	(1,709,814)	(3,327,058)	1,617,243	-49%
Accessories and consumables costs	(831,486)	(1,319,418)	487,932	-37%
Packaging costs	(371,556)	(604,046)	232,491	-38%
Other purchasing costs	(48,179)	(96,075)	47,897	-50%
Change in WIP inventories	(957,629)	(35,337)	(922,291)	2610%
Change in finished products inventories	(72,537)	(467,608)	395,071	-84%
Change in raw materials and consumables inventories	(244,556)	(20,593)	(223,963)	1088%
Totale purchases and external manufactring costs	**(14,719,114)**	**(26,611,746)**	**11,892,632**	**-45%**
Salaries	(2,941,642)	(3,836,450)	894,808	-23%
Social security charges	(947,018)	(1,234,634)	287,616	-23%
Severance for indemnities	(284,241)	(274,008)	(10,233)	4%
Other personnel costs	(600,470)	(1,149,150)	548,680	-48%
Total direct labour	**(4,773,371)**	**(6,494,242)**	**1,720,871**	**-26%**
Freight and forwarding	(803,372)	(1,216,435)	413,064	-34%
Royalties	(37,844)	(115,250)	77,407	-67%
Other costs	(63,251)	(135,938)	72,686	-53%
Total direct costs	**(904,467)**	**(1,467,624)**	**563,157**	**-38%**
Total COGS	**(20,396,952)**	**(34,573,611)**	**14,176,659**	**-41%**

The cost of sales, despite a decrease in absolute value of Euro 14.2 million (due to the lower production volumes of the year) showed a worsening of 2.34 percentage points in 2020 in terms of incidence on revenues compared to 2019, going from 61.42% to 63.77%. This worsening is due to the greater incidence of direct personnel costs on revenues, resulting from the sharp decline in production and sales volumes.

As shown in the table above, the decrease in purchase levels affected all the different categories of production factors.

The “External manufacturing costs” refer to the work of the Groups's external suppliers in relation to some stages of the production process, such as for example spin forming and painting, which are not carried out internally.

It should be noted that the purchases of raw materials mainly concern materials of ferrous origin used in the production process and whose cost can be influenced by the trend in the cost of the raw material, while the purchases of semi-finished products relate to processing components that are directly installed on the product being processed. Other purchasing costs refer to purchases of office materials, the purchase of small equipment for production and warehouse and to the purchase of samples and goods for the Architettura Sonora division.

Direct business costs decreased by Euro 1.7 million thanks to the activation of social safety nets and other forms of public support that made it possible to limit the impact that the cost of personnel would have had in the absence of intervention by the Group Management.

25. Other revenues

The item other revenues amounted to Euro 541 thousand 2020 (Euro 231 thousand in 2019).

The item also includes contributions paid by GSE S.p.A. (Energy services manager) for Euro 58 thousand (Euro 31 thousand in 2019), contributions received for personnel training and hiring for Euro 40 thousand (Euro 21 thousand in 2019), the contributions received from Sviluppo Toscana for the “Share” project of Euro 35 thousand, for the “Smart B&C” project of Euro 11 thousand and for the “Heat CS” project for Euro 54 thousand.

It also includes the cancellation of the debts of previous years of Euro 233 thousand, following the absence of the conditions for the accrual of the variable part of the MBO linked to the medium-term results, of Euro 31 thousand referring to a refund obtained by the US tax authorities for higher taxes unduly paid and of Euro 13 thousand for other minor events.
The remainder relates to the recovery of expenses and bonuses received from suppliers.

26. Indirect Personnel

This item is made up of:

Cost of indirect labour	2020	2019	Change	% Change
Retribution	(2,222,676)	(2,936,318)	713,642	-24%
Social charges	(574,100)	(772,975)	198,875	-26%
Severance indemnity	(145,982)	(185,486)	39,504	-21%
Total cost of indirect labour	**(2,942,757)**	**(3,894,779)**	**952,022**	**-24%**

The decrease in the cost for indirect personnel compared to 2019 is the direct consequence of the activation by the Management of social safety nets and other forms of public support to cope with the current crisis.

27. Commercial Expenses

This item is made up of:

Commercial expenses	2020	2019	Change	% Change
Commercial consulting services	(286,501)	(661,198)	374,697	-57%
Advertising	(114,976)	(232,942)	117,966	-51%
Travelling expenses	(97,030)	(381,968)	284,938	-75%
Other	(80,969)	(20,918)	(60,050)	287%
Totale spese commerciali	**(579,475)**	**(1,297,026)**	**717,551**	**-55%**

Commercial expenses decreased mainly due to the cost containment policies implemented by the Group's management and the cancellation, due to the ongoing pandemic, of some important trade shows in the sector.

28. Administrative and General expenses

This item is made up of:

General and administrative expenses	2020	2019	Change	Change %
Manteinance & utilities	(1,151,954)	(1,069,423)	(82,530)	8%
Professional services	(702,340)	(851,790)	149,450	-18%
Corporate bodies fees	(667,337)	(967,769)	300,432	-31%
Other suplies	(90,467)	(126,938)	36,471	-29%
Insurance	(148,584)	(184,920)	36,336	-20%
Taxes	(96,245)	(132,505)	36,260	-27%
Canteen	(46,453)	(64,675)	18,221	-28%
Stock Exchange expenses	(75,681)	(124,925)	49,244	-39%
Executive retirement indemnities	(49,148)	(61,103)	11,955	-20%
Rental fees	(89,557)	(131,392)	41,835	-32%
Other	(356,151)	(458,634)	102,483	-22%
Total general and administrative expenses	**(3,473,916)**	**(4,174,074)**	**700,157**	**-17%**

The decrease in general and administrative costs is mainly due to the effect of the cost containment policies implemented by the Group's Management, to the voluntary reduction of remuneration by executive Directors and to the fact that, in 2019, there were additional costs incurred for the closure of the "*Tunneled*" division equal to Euro 235 thousand.

Costs for maintenance and utilities mainly relate to software assistance of approximately Euro 416 thousand, to costs for utilities of Euro 332 thousand, to maintenance of capital and property assets of Euro 189 thousand and to cleaning services (which in 2019 were mainly carried out by internal staff) of Euro 142 thousand. The significant cost for cleaning activities is mainly due to the additional sanitation services required to comply with the anti Covid-19 safety protocols.

The "Professional services" item includes technical, administrative and legal consulting services received by the Group in 2020.

The entry "Rental fees" refers to costs for renting premises where the Group's business is carried out.

"Stock exchange expenses" include management costs related to Borsa Italiana S.p.A. and CONSOB.

29. Amortisation, depreciation, writedowns and writebacks on trade and other receivables

This item is made up of:

Amortization, depreciation, provisions and writedowns	2020	2019	Change	% Change
Amortization of intangibles assets	(194,094)	(302,187)	108,093	-36%
Depreciation of tangible assets	(801,996)	(795,033)	(6,963)	1%
Depreciation of right of use	(1,187,291)	(1,195,021)	7,730	-1%
Total amortizations and depreciations	**(2,183,381)**	**(2,292,241)**	**108,859**	**-5%**
Total provisions and writedowns	**(50,659)**	**(996)**	**(49,663)**	**4986%**

Depreciation of tangible and intangible fixed assets and rights of use remain substantially in line with the corresponding semester of the previous year.

The item relating to write-downs refers to the amount set aside to face the risk of bad debt of some receivables mainly in the South American area.

30. Financial income and expenses

Financial income amounted to Euro 983 thousand (Euro 568 thouasnd in 2019) consisting of Euro 590 thousand resulting from actual exchange losses (Euro 200 thousand in 2019), of Euro 119 thousand from presumed exchange losses (Euro 99 thousand in 2019), ofEuro 101 thousand from interest on loans and current account overdrafts (Euro 91 thousand in 2019), of Euro 95 thousand from the interest calculated on the financial liability connected with the accounting of leases according to IFRS16 (Euro 117 in 2019), of Euro 58 thousand due to the effect of the change in the fair value of IRS contracts (Euro 21 thousand in 2019) and for the remainder of smaller amounts.

Financial income amounted to Euro 378 thousand (Euro 932 thousand in 2019) and consisted of Euro 128 thousand of the presumed profit deriving from the *fair value* measurement of securities held for use of liquidity (Euro 546 thousand in 2019), of Euro 221 thousand from exchange gains realized (Euro 158 thousand in 2019) and of Euro 17 thousand from presumed exchange gains at the end of the year (Euro 40 thousand in 2019). It should be noted that the trend in the market value of the Group's securities portfolio is significantly improved compared to the first quarter of the year when the fair value valuation showed a loss of Euro 969 thousand.

31. Taxes

This item is made up of:

Current and deferred taxes	**2020**	**2019**	**Change**	**% Change**
IRES	(475,775)	(1,784,281)	1,308,505	-73%
IRAP	(88,511)	(298,071)	209,560	-70%
Taxes on foreign associates	(184,573)	(170,998)	(13,575)	8%
Totale current taxes	**(748,860)**	**(2,253,350)**	**1,518,065**	**-67%**
R&D fiscal benefit	**143,394**	**179,073**	**(35,679)**	**-20%**
Sanification fiscal benefit	**49,153**	**-**	**49,153**	**0%**
Previous year taxes	**23,700**	**-**	**23,700**	**0%**
Deferred tax expenses/(income)	165,232	35,348	129,884	367%
Total income taxes	**(367,381)**	**(2,038,929)**	**1,671,548**	**-82%**

Current taxes include the tax expense that originated during the year in application.

The Item “deferred/prepaid tax” mainly includes the effect the consolidated entries relating to the cancellation of the internal inventory margin.

The reconciliation between the tax expense entered in the financial statements and the theoretical tax expense determined on the basis of the theoretical tax rates applicable is shown in the following table:

Euro thousand	31-Dec-20	31-Dec-19
EBT	**2,284**	**10,650**
Tax rate	*24.0%*	*24.0%*
Theorical tax expenses	**548**	**2,556**
Variations		
- IRAP deductions	(150)	(86)
Patent Box	-	(2,771)
Other Variations (net)	(224)	(30)
Taxable income	**1,910**	**7,763**
Tax expenses	458	1,863
IRAP	89	298
Prior years tax expenses	(24)	-
Sanification fiscal benefits	(49)	-
R&D fiscal benefits	(143)	-
Deferred tax	(165)	(35)
Difference between foreign fiscal rate and Italian fiscal rate	202	(87)
Total tax expenses	**367**	**2,039**

Prepaid tax assets were calculated by critically measuring the existence of conditions for future recoverability of these assets based on the updated strategic plans.

32. Transactions deriving from non-recurring operations

Pursuant to CONSOB Communication of July 28, 2006, one should note that in 2019 the Group did not incur costs in connection with non-recurrent operations.

33. Transactions deriving from atypical and/or unusual operations

Pursuant to CONSOB Communication of July 28, 2006, note that in 2020 the Group did not sustain costs in any atypical and/or unusual transactions, as defined in the Communication.

34. Information on financial risks

The Group's business is exposed to 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 hence is exposed to exchange risks originating in the trends of exchange rates for foreign currencies, mainly the US and Canadian dollars. Due to this exchange risk, that arises in future transactions, the Group does not carry out any specific hedging activity other than attempting to, over the long term, balance sales and purchasing flows, above all relative to those made in dollars.

In 2020 the Group continued to make significant purchases abroad, particularly in Asia. The value of purchases made in foreign currencies is summarised below:

- Purchases in US Dollars equal to 7.5 million whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 6.6 million;
- Purchases in CAD Dollars equal to 0.2 million, whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 0.1 million;

During 2020, the Group also invoiced clients in foreign currency. More specifically, within the item Revenue, the elements paid in foreign currencies are indicated below:

- Sales in USD equal to 11.2 million whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 9.8 million;
- Sales in GBP and in HKD in 2020 were negligible.

These figures show that purchases in foreign currency account for approximately 41% of total purchases (34% in 2019), while sales in foreign currency account for 40% of the Group's turnover (40% in 2019).
The coverage level (expressed as the ratio between purchases in foreign currency and sales in foreign currency) was equal to around 149% (158% in 2019). Hence, it can be stated that the Group has achieved a substantial *hedging* level with respect to its transactions in foreign currency.
On the basis of the above, a hypothetical 3% increase/decrease in the euro would generate, respectively, potential gains of Euro 99 thousand and losses of Euro 93 thousand.

On the Balance sheet, the equivalent in Euro of trade receivables entered in US dollars on December 31, 2020 amounted to Euro 3.2 million (the total value at December 31, 2019 was Euro 5.4 million), while the equivalent value of trade payables in US dollars at December 31, 2020 amounted to Euro 1.1 million (the total value on December 31, 2019 amounted to Euro 0.8 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, respectively, potential gains of respectively Euro 66 thousand and losses of Euro 63 thousand.

We must stress that the Group provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
Based on the above data, the impact of tax receivables in currency reaches approximately 42% of the overall trade value, while the impact of trade payables in currency accounts for 17% 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 December 31, 2020, with the associated costs and profits entered in the Income Statement.

Credit risk

The Group 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.
Despite the effects of the ongoing pandemic, at the date of preparation of these financial statements, there are no situations of significant doubtful loans. Nevertheless, it cannot be excluded that this may happen in the future.

Interest rate risk

The Group has no outstanding financial assets or liabilities capable of significantly affecting its profitability. Therefore, despite the Group hasn't been significantly affected by changes in interest rates, the management adopted adequate hedging instruments for interest rate fluctuation risks, in particular with regard to some medium-long term loans, and by signing two IRS (Interest Rate Swaps) agreements. For further details in this respect, reference should be made to the detailed description in Note 14.

Liquidity risk

As of December 31, 2020, the Group has a negative Net Financial Position of Euro 0.59 million (negative of Euro 5.01 million at December 31, 2019). It is the result of a positive current NFP of approximately Euro 13.61 million (Euro 5.05 million at December 31, 2019) and a non-current financial debt of Euro 13.02 million (Euro 10.06 million at December 31, 2019). For the characteristics of these loans, please refer to the contents of Note 14.

As reported in the management report, in response to the increased level of liquidity risk caused by the contraction in the volume of business resulting from the ongoing Covid-19 epidemic, the Group has implemented specific initiatives:

- specific initiatives have been taken aimed at adapting the cost structure to the reduced production and sales volumes;
- the Shareholders' Meeting of April 29, 2020 resolved, based on the updated proposal of the Board of Directors of April 14, 2020, not to cautiously proceed with the distribution of the dividend initially proposed in order to keep the balance sheet unchanged;
- in addition to this, the Group, as described above, increased its financial resources through the subscription of three new loans for a total amount of Euro 7.5 million. Two of these three loans (for a total amount of Euro 5 million) are guaranteed by the Italian State (pursuant to Article 13 of Legislative Decree 23/2020) and offer very advantageous economic conditions with repayment starting from 2022.
- lastly, the Group adhered to the voluntary moratorium promoted by its reference financial institutions, for the maturities of the loans until September 2020

Furthermore, please note the presence of available revocable credit lines held by the Group as at December 31, 2020 for a total of Euro 4 million.

The Group believes that the short and medium / long-term credit lines and the outstanding liquid assets, in addition to those that will be generated by operating activities, will allow its own needs, despite the reduction in turnover due to the aforementioned health emergency, and will fulfill its obligations connected with the investment activity, the management of working capital and the repayment of debts at their contractual maturity.

35. 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 beclassified 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 December 31, 2020, 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	8,044,346	-	-
Total	**8,044,346**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(103,078)	
Total	-	**(103,078)**	-

It is noted that, with respect to December 31, 2019, there were no movements between the various fair value levels.

The Group assesses its financial assets and financial liabilities at amortised cost except for asset management shown among other current assets and IRS hedging agreements that are measured at *fair value through profit and loss*.

36. Management and control

The issuer and its subsidiaries are, pursuant to Art. 2497 *et seq*. of the Italian Civil Code, under the management and control of the parent company ***Research & Development International S.r.l.***, with registered offices in Florence (Italy), at Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000.

The parent company Research & Development International S.r.l. owns 54.00% of the shares of B&C Speakers S.p.A., equal to 5,940,529 shares.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (December 31, 2019 compared):

Highlights R&D International S.r.l. (€ Thousand)	31 december 2019	31 december 2018
Total assets	20,904	19,036
Equity	16,598	14,670
Net income	3,364	3,041

For a proper and complete understanding of the financial and equity position of Research & Development International S.r.l. at December 31, 2019, as well as the profit or loss achieved by the company in the year ended on that date, the financial statements should be read, which is available in the form and in the manner provided by law, along with the independent auditors' report.

More information about relations with the parent company is given in the following paragraph.

37. Transactions with related parties, parent companies and subsidiaries of the latter

The following table summarises 2020 related party transactions, in addition to providing information on related party transactions and including that required by CONSOB Communication on July 26, 2006.

Note in particular the transactions implemented with the parent company ***Research & Development International S.r.l.***.

Economic transactions

Financial expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
2020	(983,111)	(71,839)	(71,839)	7%
2019	(568,298)	(88,766)	(88,766)	16%

Costs incurred with reference to Research & Development International S.r.l. relate to interest expense accrued on financial liabilities for rights of use deriving from the adoption of IFRS 16.

Equity transactions

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2020	655,222	6,700	6,700	1%
31 December 2019	665,646	68,392	68,392	10%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2020	(2,956,786)	(47,976)	(47,976)	2%
31 December 2019	(4,959,909)	(4,377)	(4,377)	0%

Long-term lease liabilities	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2020	(2,267,054)	(1,694,474)	(1,694,474)	75%
31 December 2019	(3,104,267)	(2,290,500)	(2,290,500)	0%

Short-term lease liabilities	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2020	(943,509)	(596,026)	(596,026)	63%
31 December 2019	(1,138,075)	(867,957)	(867,957)	0%

The creditor position of Research & Development International S.r.l. existing at December 31, 2020, is related to the credit for an IRAP rebate which arose in 2012 following the rebate application made by the Company for the financial years in which the Group companies availed themselves of tax consolidation.

The outstanding debt positions towards Research & Development International S.r.l. at December 31, 2020 relate to financial liabilities associated with the accounting of rental contracts pursuant to IFRS 16.

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

38. Disclosure regarding public subsidies, contributions and other economic advantages received (pursuant to Italian Law 124/2017, Article 1, paragraph 125).

Pursuant to the above law, during 2019 the Group received:

- Contributions from GSE S.p.A. (Energy services manager) for Euro 58 thousand in relation to the use of photovoltaic panels.
- Tax benefits in relation to capital goods and the tax credit for sanitation for Euro 42 thousand.
- Tax benefits for research and development activities for Euro 132 thousand.
- School/work contributions received from the Chamber of Commerce of Florence for Euro 25 thousand.
- Contributions received for personnel training for Euro 15 thousand.
- Contributions for the Innovation project received by Sviluppo Toscana for Euro 35 thousand
- Tax benefits related to reseach projects for Euro 65 thousand.

39. Significant events after the end of the 2020 financial year

We inform you that after December 31, 2020 and until the date of approval of this financial statement document, no event has occurred that could have significant consequences on the equity and economic results represented.

The first months following the closure of 2020 showed some positive signals originated from the areas that are best fighting the Covid-19 pandemic. This confirms that a gradual and progressive return to normality will depend on the effective distribution of vaccines in various areas of the world.

Supported bythese positive signals, management is working to make sure that the Group can be ready in terms of positioning and commercial strength when signs of economic recovery are increasing.

40. Publication authorisation

This document was published on March 30, 2021, authorised by the Director with financial delegation.

8 Further information

8.1 Report of equity investments as required by CONSOB (Communication no. DEM/6064293 of July 28, 2006)

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
Eighteen Sound S.r.l. (Reggio Emilia, Italy)*						
At 31 december 2019	Euro/thousands	5,630	831	6,651	100%	6,583
At 31 december 2020	Euro/thousands	5,630	(464)	6,188	100%	6,583
Sound & Vision S.r.l. (Senigallia, Italy)***						
At 31 december 2019	Migliaia di Euro	10	(68)	140	100%	-
At 31 december 2020	Migliaia di Euro	10	36	176	100%	-
B&C Speakers NA L.L.C. (Pompton Plains, NJ USA) *						
At 31 december 2019	Us Dollars/thousands	30	397	926	100%	1,450
At 31 december 2020	US Dollars/thousands	30	492	1,067	100%	1,450
B&C Speakers Brasile LTDA (Porto Alegre, Brasil)*						
At 31 december 2019	Real/thousands	1,721	347	2,024	100%	428
At 31 december 2020	Real/thousands	1,721	(724)	1,301	100%	253
Silence Tech S.r.l. (Firenze, Italy) **						
At 31 december 2019	Euro/thousands	150	(6)	105	33%	50
At 31 december 2020	Euro/thousands	n/a	n/a	97	33%	50

* Subsidiaries
** Associated company
*** Indirectly controlled subsidiary

8.2 Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (thousands of euro) (Art 78, CONSOB reg. no. 11971/99).

Name	2020 nomination	Period in charge	Expiry date*	Remuneration**	Non monetary benefits	Bonus and other	Other remuneration	Total
Gianni Luzi	Chairman	01/01/2018-31/12/2020	2021	17	-	-	-	17
Lorenzo Coppini	Director	01/01/2018-31/12/2020	2021	151	-	-	-	151
Simone Pratesi	Director	01/01/2018-31/12/2020	2021	140	-	29	-	169
Alessandro Pancani	Director	01/01/2018-31/12/2020	2021	158	-	29	-	187
Patrizia Mantoan	Independent director	01/01/2018-31/12/2020	2021	13	-	-	-	13
Francesco Spapperi	Director	01/01/2018-31/12/2020	2021	11	-	-	-	11
Gabriella Egidi	Independent director	01/01/2018-31/12/2020	2021	15	-	-	-	15
Roberta Pecci	Independent director	01/01/2018-31/12/2020	2021	13	-	-	-	13
Raffaele Cappiello	Independent director	26/04/2018-31/12/2020	2021	10	-	-	-	0
				-	-	-	-	0
Riccardo Foglia Taverna	Chairman of Board of Auditors	26/04/2018-31/12/2020	2021	15	-	-	-	15
Giovanni Mongelli	Regular Auditor	01/01/2018-31/12/2020	2021	10	-	-	-	10
Sara Nuzzaci	Regular Auditor	01/01/2018-31/12/2020	2021	10	-	-	-	10

* Anno in cui si tiene l'assemblea di approvazione del bilancio in occasione della quale scade il mandato.

** Importi in migliaia di Euro

8.3 Information in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulations.

Il seguente prospetto, redatto ai sensi dell'art. 149-duodecies del Regolamento Emittenti Consob, evidenzia i corrispettivi di competenza dell'esercizio 2020 per i servizi di revisione e per quelli diversi dalla revisione resi dalla stessa Società di revisione. Non vi sono servizi resi da entità appartenenti alla sua rete.

Service	Company	Client	Notes	Fees 2020
Statutory audit	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.	A	73,000
		Associated companies	B	12,000
Servizi di attestazione	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Associated companies	C	3,500
Other Services	PricewhaterhouseCoopers S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Associated companies		-
Total				**88,500**

A: Fees for the Statutory Audit of the consolidated financial statements and the separate financial statements of B&C Speakers SpA, for the limited auditing of the condensed consolidated financial interim report of the Group and the periodic checks.

B: Fees for the auditing of the accounts for Eighteen Sound Srl.

C: Fees relating to certification services for Eighteen Sound Srl.

9 Certification of the consolidated financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

1. The undersigned Simone Pratesi, as financially delegated Director 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 February 24, 1998:

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of consolidated financial statements for year 2020 have been effectively applied.

2. The undersigned also certify that:

   2.1. the consolidated financial statements:

   a. are drawn up in accordance with the applicable international accounting standards approved by the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 of July 19, 2002, as well as the measures enacted to implement Art. 9 of Italian Legislative Decree no. 38/2005;

   b. correspond to the information in the accounting ledgers;

   c. provide a true and accurate representation of the issuer's economic, financial and equity position and that of the group of businesses included in the consolidation.

   2.2. The Report on Operations includes a reliable analysis of performance and management results as well as the position of the Issuer and consolidated companies together with descriptions of the main risks and uncertainties to which they are exposed.

Bagno a Ripoli (FI), March 22, 2021

Simone Pratesi   Francesco Spapperi

10 Report of the Independent Auditors to the Consolidated Financial Statements of the B&C Speakers Group at December 31, 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

B&C Speakers SpA

Consolidated financial statements as of 31 December 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of B&C Speakers SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of B&C Speakers Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of B&C Speakers SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill *Paragraph 7.3, note 3 "Goodwill" to the consolidated financial statements as of 31 December 2020* A significant goodwill was recognised in the consolidated financial statements as of 31 December 2020 amounting to Euro 2,318 thousand, equal to 4.4% of the Group assets. Such item is referable for Euro 1,394 thousand to the "B&C USA" cash generating unit and for Euro 924 thousand to the "Eighteen Sound" cash generating unit. Evaluating goodwill in accordance with *"IAS 36 - Impairment of Assets"* adopted by the European Union, required management to make estimates to determine the value in use, with particular reference to the methods for the determination of the expected future cash flows, the calculation of the discount rate and of the steady growth rate of financial flows beyond the time period of the B&C USA and Eighteen Sound Business Plans. Within our audit process, we paid special attention to the evaluation process of goodwill performed by management, considering the significance of such item and the estimates implied in the evaluation performed by the directors, also considering the uncertain context deriving from the health emergency due to Covid-19 (Coronavirus). In this regard, the directors deemed it proper to perform also sensitivity analyses which consider lower profitability levels compared to those identified in the Plans approved by the directors of the subsidiaries and of the parent company.	We understood and assessed the procedures adopted by management in order to verify whether these procedures complied with *"IAS 36 - Impairment of Assets"* adopted by the European Union, verifying the reasonableness of the assumptions used by the directors in order to estimate the cash flows expected for the relevant time period and resulting from the 2021-2025 B&C USA Business Plan and Eighteen Sound Business Plan. We also controlled the mathematical accuracy of the calculations made by management. Furthermore, we re-performed the calculation methods of the discount rate and of the steady growth rate of financial flows beyond the time period of the B&C USA and Eighteen Sound Business Plans approved on 18 March 2021 by the directors of the parent company, together with the impairment test. Moreover, we analysed the alternative scenarios prepared by the directors (sensitivity analysis) whitin the uncertain context deriving from the health emergency due to Coronavirus. Finally, we conducted our own sensitivity analyses as regards the key assumptions adopted by the directors in verifying the existence of an impairment loss of goodwill. We carried out such activities with the support of PwC network experts.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate B&C Speakers SpA or to cease operations, or have no realistic alternative but to do so. The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 24 April 2015, the shareholders of B&C Speakers SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of B&C Speakers SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the B&C Speakers Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the B&C Speakers Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the B&C Speakers Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 30 March 2021

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.

Financial statements and notes of the Parent Company

As at December 31,2020

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11 Financial statements of the Parent Company B&C Speakers S.p.A. at December 31, 2020

11.1 STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(Values in Euro)		*Notes*	31 December 2020	31 December 2019
ASSETS				
Non current assets				
Tangible assets		*1*	1,512,449	1,793,347
Right of use		*3*	2,271,529	3,212,276
Other intangible assets		*3*	226,540	204,230
Investments in controlled associates		*4*	8,285,827	8,460,926
Investments in non controlled associates		*5*	50,000	50,000
Deferred tax assets		*6*	67,497	118,869
Other non current assets		*7*	646,362	658,906
	related parties	*37*	*6,700*	*68,392*
Total non current assets			**13,060,204**	**14,498,554**
Currents assets				
Inventory		*8*	7,516,292	8,609,028
Trade receivables		*9*	5,543,940	9,981,888
	related parties	*37*	*1,692,636*	*1,654,866*
Tax assets		*10*	1,334,007	192,176
Other current assets		*11*	9,813,425	9,683,626
	related parties	*37*	*1,417,429*	1,405,098
Cash and cash equivalents		*12*	11,561,953	3,715,467
Total current assets			**35,769,617**	**32,182,185**
Total assets			**48,829,820**	**46,680,739**

(Valori in Euro)			31 December 2020	31 December 2019
Liabilities				
Equity				
Share capital		*13*	1,088,495	1,097,829
Other reserves		*13*	4,066,381	5,106,348
Ris.IAS FTA		*13*	11,764	11,764
Riserve di risultato		*13*	20,353,438	18,338,810
Total equity			**25,520,077**	**24,554,752**
Non current equity				
Long-term borrowings		*14*	10,754,968	6,924,266
Long-term lease liabilities		*15*	1,717,338	2,355,344.63
	related parties	*37*	*1,694,474*	*2,290,500.19*
Severance Indemnities		*16*	826,519	789,641
Provisions for risk and charges		*17*	21,928	21,928
Total non current liabilities			**13,320,753**	**10,091,180**
Current liabilities				
Short-term borrowings		*18*	5,670,975	5,695,906
Short-term lease liabilities		*15*	638,006	909,168
	related parties	*37*	*596,026*	*867,957*
Trade liabilities		*10*	2,233,629	3,605,007
	related parties	*37*	*48,686*	*6,405*
Tax liabilities		*20*	149,707	369,951
Other current liabilities		*21*	1,296,672	1,454,774
Total current liabilities			**9,988,990**	**12,034,807**
Total Liabilities			**48,829,820**	**46,680,739**

11.2 STATEMENT OF COMPREHENSIVE INCOME FOR FY 2020

(Values in Euro)

			2020	2019
Revenues		23	24,558,769	42,623,234
	related parties	37	*3,119,746*	3,058,397
Cost of sales		24	(16,251,648)	(26,216,104)
	related parties	37	*(10,413)*	(35,090)
Other revenues		25	605,291	342,060
	related parties	37	*90,963*	142,800
Cost of indirect labour		26	(1,732,236)	(2,373,415)
Commercial expenses		27	(414,259)	(1,054,859)
General and administrative expenses		28	(2,528,532)	(2,865,149)
Depreciation and amortization		29	(1,466,235)	(1,511,890)
Writedowns		29	-	-
Earning before interest and taxes (Ebit)			**2,771,150**	**8,943,877**
Writedowns of investment in associates		4	(175,099)	-
Financial costs		31	(634,274)	(365,843)
	related parties	37	*(71,839)*	*(88,766)*
Financial income		30	611,756	1,097,217
	related parties	37	*14,038*	*11,042*
Earning before taxes (Ebt)			**2,573,533**	**9,675,250**
Income taxes		31	(557,303)	(1,845,842)
Profit for the year (A)			**2,016,231**	**7,829,408**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)		12	(1,603)	(3,716)
Total other comprehensive income/(losses) for the year (B)			**(1,603)**	**(3,716)**
Total profit for the year (A) + (B)			**2,014,627**	**7,825,693**

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11.3 STATEMENT OF CASH FLOW FOR FY 2020

Statement of cash flows (Euro thousands)	Year 2020	2019	
A- Net current bank balances at the beginning of the period	**3,705**	**1,634**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	2,015	7,826	
Income tax expense	557	1,846	
Amortization of intangibles assets	67	63	
Depreciation of tangible assets	1,399	1,449	
Sale of property, plant and equipment	-	-	
Writedowns of investment in associates	175	-	
Finance cost	634	366	
Interest income	(612)	(1,097)	
Net change in provisions for risk and charges and other provision relating to personell	49	61	
Change in provigion for leaving indemnities			
Allocations and revaluations	1	2	
Actuarial gain/(losses)	2	5	
(Use)	(15)	(36)	
(increase) decrease in current trade and other current receivables	3,310	183	**Note 1**
(increase) decrease in deferred tax assets and liabilities	51	(6)	
(increase) decrease in inventory	1,093	621	
Increase (decrease) in current trade and other payables	(666)	(1,080)	**Note 2**
Net cash from/(used in) operating activities	**8,059**	**10,203**	
Paid interest costs	(450)	(198)	
Collected interest income	468	548	
Taxes paid	(1,751)	(376)	
Total (B)	**6,327**	**10,177**	
C- Cash flow from investing activities			
(Investments) in non current tangible assets	(177)	(367)	
Proceeds for sale of non current tangible assets	-	-	
Net (investments) in non current intangible assets	(90)	(68)	
Net (investments) in investment in associates	-	-	
Net (investments) in non current securities	13	(41)	
(Investments) in current securities	-	(1,320)	
Proceeds from sale of current securities	-	478	
Total (C)	**(254)**	**(1,319)**	
D- Cash flow from financing activities			
(Outflow) from financial investment	(3,684)	(6,052)	
Inflow from financial investment	7,500	6,000	
(Outflow) from repayment of lease liabilities	(983)	(981)	**Note 3**
Purchase of treasury shares	(1,049)	(262)	
Dividend paid to shareholders	0	(5,492)	
Total (D)	**1,784**	**(6,787)**	
E- Cash flow for the period (B+C+D)	**7,856**	**2,071**	
F- Cash and cash equivalents at end of the period	**11,562**	**3,705**	

Note 1: the absorption of liquidity determined by the change in trade receivables and other current receivables includes the absorption of liquidity due to transactions with the subsidiary B&C USA NA LLC for approximately Euro 352 thousand, the generation of liquidity due to transactions with the subsidiary B&C Brasil LTDA for approximately Euro 50 tousand, an absorption of liquidity due to transactions with the subsidiary Eighteen Sound S.r.l. for Euro 107 thousand and an absorption of liquidity due to transactions with the subsidiary Sound & Vision S.r.l for Euro 345 thousand.

Note 2the generation of liquidity determined by the change in amounts owed to suppliers and others includes liquidity created transactions with the parent company R&D International S.r.l. for about Euro 43 thousand and generation of liquidity due to transactions with the subsidiary Eighteen Sound S.r.l. for approximately Euro 1 thousand.

Note 3: the liquidity absorbed by the repayment of the liabilities for rights of use includes an absorption of liquidity attributable to the transactions with the parent company R&D International S.r.l. for Euro 939 thousand.

The following table shows the composition of the balance of net final cash and cash equivalents at December 31, 2020 and at December 31, 2020.

(in Euro thousands)xax

	31-Dec-20	**31-Dec-19**
Cash	11,562	3,715
Bank overdrafts	-	(10)
Total	**11,562**	**3,705**

E-MARKET SDIR CERTIFIED

11.4 STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY B&C SPEAKERS S.p.A.

Below is the statement of changes in equity that took place in FY 2019 and FY 2020.

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Retained earnings	TOTAL EQUITY
Euro thousand							
Balance January 1, 2019	**1,100**	**379**	**4,889**	**44**	**54**	**16,017**	**22,483**
Result of the period						7,829	**7,829**
Other comprehensive income/expenses						**(4)**	**(4)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**7,826**	**7,826**
Shareholders							
Allocation of previous year result						-	
Dividend distribution						(5,492)	**(5,492)**
Treasury shares allocation	(2)		(261)			-	**(262)**
Balance December 31, 2019	**1,098**	**379**	**4,628**	**44**	**54**	**18,351**	**24,555**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Retained earnings	TOTAL EQUITY
Euro thousand							
Balance January 1, 2019	**1,098**	**379**	**4,628**	**44**	**54**	**18,351**	**24,555**
Result of the period						**2,016**	**2,016**
Other comprehensive income/expenses						**(2)**	**(2)**
Totale other comprehensive income/expenses	**-**	**-**	**-**			**2,015**	**2,015**
Shareholders							
Allocation of previous year result					-	-	-
Dividend distribution						-	-
Treasury shares allocation	(9)		(1,040)			-	**(1,049)**
Balance December 31, 2020	**1,089**	**379**	**3,588**	**44**	**54**	**20,366**	**25,520**

12 Explanatory notes to the financial statements at December 31, 2020

12.1 Basis of preparation

The financial statements for B&C Speakers S.p.A. for the year ending on December 31, 2020 are the separate financial statements of the Parent company. They have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved 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"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: CONSOB Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", CONSOB Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", CONSOB Communication no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of May 10, 2007.

These financial statements are prepared on the basis of historic cost and considering the business as a going concern. The Company has assessed that there are no significant uncertainties (as defined in para. 25 of IAS 1) on business continuity, since the volume of business, as well as the portfolio of current orders, of the Company and the Group give no indications of business continuity risks.

These financial statements were audited by PricewaterhouseCoopers S.p.A..

Impacts of the Covid-19 epidemic

At the end of January 2020, the World Health Organization declared the existence of the international emergency phenomenon linked to the spread of the SARS-CoV-2 virus (hereinafter also Covid-19 or Coronavirus); in Italy, starting from the beginning of March 2020, increasingly stricter measures have been adopted to counter the spread of the virus and protect health, first involving some Northen areas of the North and gradually the rest of the peninsula.

Since the first spread of the virus, the Company has put in place all possible precautions to guarantee employees health safety within its plants. In compliance with what was communicated by the President of the Council of Ministers on March 22, 2020, the production activities of the Group's Italian offices were suspended from March 20, 2020, for the Bagno a Ripoli (FI) factory, and from March 13, 2020 for the Reggio Emilia plant, then reopening all on May 4, 2020.

Distribution and sales activities in the United States and Brazil have not been suspended.

At the same time, remote working was extended to all employees, giving them the opportunity to carry out their duties far from their office.

In economic terms, the effect of the health emergency was therefore significant, resulting in a reduction in turnover of 42%.

In fact, it should be noted that the months of January and February 2020 had performed an improvement compared to the corresponding period of the previous year. The *lockdown* periods and the crisis in the sector triggered by the ongoing pandemic caused then a cumulative loss of turnover, compared with the previous period, estimated at around Euro 18.1 million (-42.4% compared to 2019).

Considering that the average marginality of the Company in terms of Ebitda was approximately 24.53% in 2019, the decrease in this margin is estimated at December 31, 2020 at approximately Euro 6.2 million.

In this context, the Company promptly prepared a series of countermeasures aimed at adjusting costs to reduce turnover: after discussing with the trade union representatives in order to share the right measures to be taken, starting from the closing dates of the factories, Redundancy Fund has been used for all workforce by maintening minimum operational services and reducing the activities of administrative employees. The measure of the Redundancy Fund was usable until December 31, 2020. Si specifica che la contrazione dei risultati e delle marginalità sopra riportata ha determinato il venir meno delle condizioni per la maturazione della parte variabile dell'MBO legata ai risultati di medio periodo con conseguenti minori oneri per Euro 233 mila.

As for the containment of costs for services, the Management carried out an initial analysis of existing contracts, identifying non-strategic cases and activating further initiatives with suppliers.

It should also be noted that the Shareholders' Meeting held on April 29, 2020 approved the proposal of the Board of Directors, as amended and communicated to the market on April 14, 2020, not to distribute any dividends and to allocate the entire profit for the year 2019 to "retained earnings". The decision was taken following the persistence of the situation of uncertainty linked to the spread of the epidemic, with the aim of containing financial outlays and prudentially strengthening the already solid economic and financial position of the Company.

In addition to this, the Company also increased its financial resources by taking ut three new loans for a total amount of Euro 7.5 million. Two of the three mentioned loans (for a total amount of Euro 7.5 million) are guaranteed by the Italian Government (pursuant to article 13 of Legislative Decree 23/220, the so-called *Liquidity Decree*) and show very profitable economic conditions, with repayment starting from 2022

The aforementioned decrease in turnover and margins did not affect the change in net operating working capital thanks to a careful and prudent management of trade receivables (which did not show significant problem situations), purchases and inventories. This amount went from Euro 20.1 million at December 31, 2019 to Euro 25.7 million at December 31, 2020. The increase in liquidity is instead due to the assumption of the above-mentioned loans and to a generation of cash from operating activities which remained at excellent levels despite the contraction in the Company's turnover. The Company's Net Financial Position passes from a negative value of Euro -4.2 million at December 31, 2019 to a positive value of Euro 0.8 million, thus recording an improvement compared to the end of 2019 thanks above all to the dividend policy mentioned above and to the generation of operating cash as a result of the management of working capital.

Taking into account the above as well as the financial structure, the outstanding liquidity, the bank credit lines available and the order book in place in February 2021, there are no significant uncertainties regarding the existence of the going concern assumption, having assessed the capacity of the Company and the Group to fulfill the obligations undertaken and to continue to operate as a going concern over a foreseeable horizon.

Content and form of the financial statements

The consolidated financial statements comprise the Financial Position, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and these Explanatory Notes.
With reference to the form of the consolidated financial statements, the Company has chosen to submit the following:

Statement of financial position

The Statement of financial position is presented with separate indication of Assets, Liabilities and Net Equity.
In turn, the Assets and Liabilities are recorded in the financial statements for the financial year on the basis of whether they are classified as current or non-current.

Statement of Comprehensive Income

The income statement is classified according to destination. The following aggregates are highlighted: (i) EBIT, which includes all components of income and cost, net of depreciation, amortisation, write-downs and other provisions (ii) EBT, which includes EBT net of tax on income and finally (iii) net income for the period. The Comprehensive Income Statement is presented with a breakdown of Other comprehensive profits and losses that distinguishes between gains and losses that will be reclassified in the income statement and gains and losses that will not be reclassified in the income statement.

Statement of cash flow

The consolidated statement of cash flows is broken down according to cash-generating areas. The statement of cash flows adopted by the Company was drawn up using the indirect method.
Cash and cash equivalents included in the statement of cash flow include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. Income and expenses relating to interest rates, dividends received and income tax are included in the cash flows generated by operational management.

Consolidated statement of changes in Net Equity

The consolidated statement of changes in equity is included, as required by the international accounting standards, with the separate highlighting of the consolidated result for the year and of all income, revenues, expenses and charges that are not recorded on the income statement, but rather charged directly to consolidated equity, in accordance with specific IAS/IFRS.

Evalution Criteria

The most significant valuation criteria adopted for the preparation of the financial statements at December 31, 2020 are set out below.

Other intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets only if it is identifiable, controllable and predictable that it will generate future economic benefits and its cost can be reliably determined.

These assets are entered at their cost of purchase or production and depreciated in constant shares along the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Development costs can be capitalised, provided the cost can be reliably determined and that it can be demonstrated that the activity is able to generate future economic benefits.
Research costs are charged to the Income Statement in the period in which they are incurred.
Fixed assets in progress are stated at cost based on contractual progress reports defined with the supplier and are depreciated from the period in which they come into operation.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	**Ammortization period**
Patent rights	3 - 5 years
Development costs	3 - 5 years

Category	Ammortization period
Patent rights	3 - 5 years
Development costs	3 - 5 years

Tangible fixed assets

These assets are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.

The depreciation rates applied for each category of assets are:

Category	% depreciation
Photovoltaic asset and other minor	12.5% - 5%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the specified rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to the income statement.

Leasing (for lessee)

The Company recognizes for all the leasing contracts for which it is a lessee, with the exception of short-term ones (ie lease contracts with a duration of less than or equal to 12 months and which do not contain a purchase option) and of those with low value assets (i.e. having a unit value of less than Euro 5 thousand), a right of use on the leasing start date, which corresponds to the date in whose underlying asset is available for use.

Lease payments relating to short-term and low-value contracts are recognized as costs in the income statement on a straight-line basis over the lease term.
Rights of use are valued at cost, net of accumulated depreciation and impairment losses and adjusted following each remeasurement of the leasing liabilities. The value assigned to the rights of use corresponds to the amount of the leasing liabilities recognized, in addition to the initial direct costs incurred, to the leasing payments settled at the start date of the contract or previously, to the restoration costs, net of any leasing incentives received. The discounted value of the liability thus determined increases the right of use of the underlying asset, with a counterpart to the recognition of a dedicated fund. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, usage rights are amortized on a straight-line basis over the estimated useful life or duration of the contract, if less.

The lease term is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain that it will not be exercised. The Company assesses whether it is reasonably certain and whether or not to exercise the extension or resolution options, taking into account all the relevant factors that create an economic incentive for these decisions.
The financial liability for leasing is recognized at the start date of the agreement for a total value equal to the present value of the lease payments to be paid during the term of the contract, discounted using marginal interest rates (Incremental borrowing rate "IBR"), when the interest rate implicit in the leasing contract cannot be easily determined. Variable leasing payments remain recognized in the income statement as the cost for the period.

IFRS 16 requires the management to make estimates and assumptions that may influence the assessment of the right to use and the financial liability for leasing, including the determination of: contracts for the application of the new rules for the measurement of financial assets / liabilities; contract's terms; interest rate used to discount future lease payments.

Leased assets (for lessor)

Leasing contracts that see the Company as a lessor areclassified as an operating lease or as a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards associated with ownership of an underlying asset. A lease is classified as operating if, in essence, it does not transfer all the risks and rewards deriving from ownership of an underlying asset.

For financial leases, as of the effective date, the Company recognizes the assets held under finance leases in the statement of financial position and expose them as a credit at a value equal to the net investment in the lease. The net investment in the lease is measured using the implicit interest rate of the lease.
For operating leasing contracts, the Company must recognize the payments due for operating leases as income with a straight-line method or according to another systematic criterion.
The costs, including depreciation, incurred to realize the leasing proceeds as a cost.

Investments

Qualora, successivamente, la perdita di valore venga meno o si riduca, è rilevato a conto economico un ripristino di valore nei limiti del costo.

Investments in subsidiaries and associates are recorded at cost adjusted when impairment occurs.
The positive difference, arising at the time of purchase, between the acquisition cost and the share of net equity at current values of the investee pertaining to the company is, therefore, included in the book value of the investment.
Equity investments are subjected annually, or more frequently if necessary, to an impairment test. If there is evidence that these equity investments have suffered an impairment loss, this is recorded in the income statement as a write-down. If any share pertaining to the company of the investee's losses exceeds the book value of the investment, and the company has the obligation or intention to defray such cost, then the value of the investment will be cleared and the share of further losses will be recognized as a liability fund. If, subsequently, the impairment ceases or is reduced, a reinstatement of value is recognized in the income statement within the cost limits.

Impairment

On the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. When the recoverable amount of an asset cannot be individually estimated, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in value regardless of the existence, or otherwise of indicators for the reduction of their value.
The recoverable amount is the greater of the "*fair value*" net of the cost of sale and the value in use. In calculating the value in use, the future estimated cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount; this shall not, however, exceed the net book value of that asset had it not been written down as impairment loss. Recovery of value is charged to the Income statement

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.

Non-current assets (and available asset groups) are classified as held for sale when their book value is expected to be recovered through a disposal, instead of using them in the operational activities of the company. This condition is only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, the management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories areentered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and, for finished products or work-in-progress, the production cost includes raw materials, direct labour and other costs directly attributable to production in addition to converging the indirect production costs that are reasonably attributable to production work in conditions of normal use of the production capacity.

The purchase cost was calculated using the FIFO method.
The market value as regards raw materials and works in progress is represented by the presumed net realisable value of the corresponding finished products less costs for completion; as for finished products, it is represented by the presumed net realisable value (list prices less cost of sale and distribution).
Any lower valuation established on the basis of market trends is deleted in subsequent years if the reasons that led to it no longer exists.
Inventories that are obsolete, slow-moving and/or surplus to normal requirements are devalued in relation to their possible future use or realisation by means of an inventory depreciation provision.

Financial assets

Analysis and classification of all financial assets, including those with incorporated derivatives is done considering the model used to manage the financial asset, as well as the contractual characteristics of the cash flows obtainable through the asset. Based on the characteristics of the instrument and the business model adopted to manage it, there are three categories:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereafter, also FTVOCI); (iii) financial assets measured at fair value recognizing the effects in the Income Statement.

A financial asset is measured using the amortised cost method if both of the following conditions are met:

- the business model for the financial asset consists in holding the same with the sole aim of collecting the relative cash flows; and
- the financial asset generates, at contractually established dates, cash flows consisting solely of returns from the financial asset itself.

Under the amortised cost method, the initial recognition value is subsequently adjusted to take repayments of capital into account, as well as any writedowns and amortisation of the difference between the repayment value and initial recognition value.
Amortisation is recognised on the basis of the effective internal interest rate which represents the rate that makes current expected cash flows and the initial recognition value equal, when initially recognised.
Receivables and other financial assets measured at amortised cost areshown in the balance sheet net of the relative provision for writedowns.
Financial assets represent debt instruments for which the business model offers the possibility both to collect contractual cash flows and to obtain capital gains from sale (hold to collect and sell) are measured at fair value through other comprehensive income (FVTOCI).
In this case changes in the fair value of the instrument are recognised under shareholders' equity, among other components of comprehensive income. The total amount of fair value changes recognised to the shareholders' equity reserve which holds other components of comprehensive income is subject to reversal in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange differences and writedowns is recognised in the income statement.
A financial asset which represents a debt instrument and is not measured at amortised cost or at FVTOCI is measured at fair value through profit and loss (FVTPL).

Trade receivables and other receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured in accordance with the amortized cost method, net of the provision for doubtful accounts.

Based on this model, the Company measures receivables using an Expected Loss logic, replacing the IAS 39 framework which typically made use of an Incurred Loss logic. For trade receivables the Group uses a simplified approach, which does not require the recognition of periodic changes in credit risk, but instead the recognition of Expected Credit Loss (ECL) calculated over the lifetime of the receivable (lifetime ECL). In particular, the policy implemented by the Group classifies trade receivables into categories on the basis of days overdue, determining provisions on the basis of historic credit loss experience, adjusted to take into account specific forecasting aspects relative to the creditors and economic situation.
Trade receivables are entirely written down if there is no reasonable expectation of collection, or in the case of no longer active trading partners.
The book value of an asset is reduced through the use of a provision for writedowns and the amount of the loss is recognised in the income statement.
When the collection of receivables is deferred beyond standard conditions offered to customers, the receivable is discounted.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; their value may change significantly. The item does not include bank overdrafts that are repayable on sight.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on the granting of loans, as well as other financial liabilities, including derivatives and liabilities relative to assets recognised as part of financial leasing contracts.

Pursuant to IFRS 9, these also include trade payables and other payables.
Financial liabilities are recognised at fair value net of accessory charges. After initial recognition, loans are reported with the amortised cost criteria, calculated using the effective interest method. With the introduction of IFRS 9, if a financial liability is renegotiated but cannot be classified as "repayment of the original debt", the difference between i) the book value of the liability prior to the change and ii) the current value of the adjusted payable cash flows, discounted at the original rate (IRR), is recognised in the income statement.
Loans are classified as current liabilities unless the Company has the absolute right to defer the extinction of such a liability for at least 12 months after the balance sheet date.

Provisions for risks and charges

The Company enters risks and expenses when it has a legal or implied obligation toward third parties and it is likely that it will have to use resources to fulfil said obligation, when a reliable estimate can be made of the amount of the obligation itself.

Changes in estimates are accounted for in the income statement in the year of their competence.
When their impact is significant, the provisions are calculated discounted of any estimate future cash flows at a discount rate gross of tax, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Provisions for personnel and similar

The liabilities relating to benefits due to employees and paid on or after the cessation of the employment contract for plans with defined benefits is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of future benefits accrued by employees at the reference date (known as the"Projected unit credit method"). The liability entered in the financial statements net of any assets servicing the plan, is recognised on an accruals basis over the maturation period of the entitlement. The liability assessment is carried out by independent actuaries.

The cost components of the defined benefits are recognised as follows:

- costs relating to the performance of the service are recognised in the income statement under personnel costs;
- net financial charges on liabilities or assets in defined benefits are recognised in the income statement as Financial income/(charges), and are determined by multiplying the value of the net liabilities/(assets) by the rate used to discount the bonds, taking into account contributions payments and benefits accrued during the period;
- components of the net liability re-measurement, consisting of actuarial gains and losses, the return on assets (excluding interest income recognised in the income statement) and any variation within the limit of the asset, are recognised immediately in Other profits (losses). These components must not be reclassified in the income statement in a subsequent period.

The evaluation of the Severance pay for Directors was performed by seeing that the annual provision corresponds to the amount accrued and simultaneously paid into the insurance policy.

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is revised annually and reduced to the extent that it is no longer probable that the company will generate taxable income to allow all or part of the recovery of the assets.

Deferred taxes are determined based on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to the currently applicable rate or pending approval. Deferred taxes are attributed directly to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same agency and the Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euro at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the income statement.

Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realisation.

Revenue entry

The Company recognises revenues after identifying the contracts with its customers and the relative performances to be satisfied (transfer of goods and/or services), determining the payment it has the right to in exchange for satisfying the performances, as well as identifying the method by which the performances are achieved (at a given time vs. over a period of time).

In particular, the Company recognises revenues only when the following requirements are met (requirements of identifying the contract with a customer):

a. the parties to the contract have approved the contract (in writing, orally or with respect to other habitual commercial practices) and have committed to fulfilling their respective obligations; hence there is an agreement between the parties which creates rights and obligations which can be acted upon, regardless of the form in which the agreement is manifested;
b. the Company can identify the rights of each party with regards to the goods or services to be transferred;
c. the Company can identify the conditions of payment for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Company will receive the payment it has a right to in exchange for the goods or services to be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Company has already transferred control over the assets and/or provided services to the customer and all, or almost all of the payment promised by the customer has been received and cannot be refunded; or (ii) the contract has been dissolved and the payment which the Company has received from the customer is not refundable.
If the above requirements are met, the Company applies the recognition rules described below.
Revenues for the sale of products (acoustic transducers) are recognised when control of the good involved in the transaction is transferred to the buyer, or when the buyer acquires full capacity to determine the use of the good, as well as to obtain substantially all the benefits.
Revenues are recognised net of discounts including, but not limited to, sales incentive programs and customer bonuses, as well as taxes directly associated with the sale of the goods.
Revenues from the provision of services are recognised when they are delivered with reference to a progress report.

Costs

The costs arecharged to the income statement when their existenceis ascertained and when the amount can be objectively determined and when it is substantially possible to verify that the company has incurred such costs on an accrual basis.

Financial income

Financial income is recognised on an accrual basis. They include interest income from funds invested, exchange gains and income deriving from financial instruments, when not offset as part of hedging transactions. Interest income is entered into the income statement when it accrues, considering its effective yield.

Financial charges

Financial charges are recognized on an accrual basis and include interest expense on financial debts calculated using the effective interest method and losses on exchange rate differences.
The share of interest expense from instalments on financial leasing operations is charged to the income statement using the effective interest method.
Financial charges, incurred against investments in assets for which there is normally a determined period of time before making the asset ready for use, are capitalised and amortised over the useful life of the class of assets to which they relate.

Dividends

Dividends recognized in the income statement are recognized on an accrual basis, that is to say when the shareholders' right to receive payment arises following the resolution to distribute the investee.

Contributions

Contributions are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
“Contributions for plant investments” are recorded on the income statement according to the useful life of the asset against which they are disbursed.
“Contributions for operating expenses” are credited to the income statement in relation to costs against which they are disbursed.

Income tax

Taxes for the year represent the sum of current and deferred tax.
Taxes were divided between current taxes, calculated on the taxable income, and deferred tax assets (tax assets and/or liabilities) with respect to the taxable income of the subsequent years.
They are included in the separate financial statements, based on the estimate taxable income determined in accordance with the national laws applicable on the closing date of the statement, taking account of applicable exemptions and tax credits. Income tax is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.
They are entered under “tax payables” net of any advances and withholdings applied. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Treasury shares

Treasury shares are deducted from shareholders' equity. The original cost of treasury shares and the revenues arising from subsequent sales are recorded as changes in shareholders' equity.

Use of estimates

The preparation of financial statements and related Notes in application of the IFRS requires the Management to make estimates and assumptions that have effect on the values of assets and liabilities, as well as on the information relating to potential assets and liabilities as at the reporting date. Final results may differ from these estimates. The estimates are used to evaluate assets subjected to impairment testing, as well as to calculate provisions for risks on loans, for obsolete inventories, depreciation, asset amortisation, employee benefits, taxes, restructuring funds and other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility in the coming year that actual results will differ from the estimates which may therefore, require major adjustments that we are currently unable to predict.

Below there is a summary of the critical processes of assessment and the key assumptions used by the Company in the process of implementing IFRS and which are likely to have significant effects on the values recorded in the Financial Statements or for which there is a risk that significant value differences may arise compared to the carrying amount of assets and liabilities in the future.

Recoverable value of non-current assets
Non-current assets include tangible fixed assets, other "intangible assets", equity investments and other non-current assets. The Company periodically reviews the carrying amount of non-current assets held and used and of assets that need to be disposed of, whenever events and circumstances require such a review. This analysis is carried out for equity investments at least once a year and whenever events and circumstances warrant. The recoverability of the carrying amount of equity investments is generally analysed using cash flow estimates that are expected from the use or sale of assets and the appropriate discount rates for calculating their current value. When the carrying amount of a non-current asset has undergone an impairment loss, the Company enters a write-down equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale thereof, calculated by reference to the cash flows inherent in the most recent business plans.

Recoverability of deferred tax assets
The Company has deferred tax assets for temporary deductible differences and theoretical tax benefits from losses that could be carried forward. In determining the estimated recoverable amount, the Company took the results of the business plan into account.

Pension plans and other post-employment benefits
The provisions for employee benefits and net financial charges are assessed using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and payroll growth rates and considers the probable occurrence of potential future events through the use of demographic parameters such as mortality rates and the resignations or retirement of employees. The assumptions used for evaluation are detailed in Note 14 "Provisions for personnel and similar".

Provision for doubtful accounts
The provision for doubtful accounts reflects the management's estimate on expected losses related to the portfolio of receivables. The Group applies the simplified approach established under IFRS 9 and records

expected losses on all trade receivables based on the residual duration, determining provisions based on historic experience with credit losses, adjusted to take into account specific aspects relative to the creditors and the economic situation (expected credit loss - ECL).

Provision for inventory writedowns
The provision for inventory writedowns reflects the management's estimate of the Company's expected losses, calculated on the basis of past experience. Abnormal trends in market prices could lead to future inventory write-downs.

Funds for Product Warranty
At the time of selling a product, the Company sets aside funds relating to the estimated costs for product warranty. The estimate for this fund is calculated on the basis of historical information regarding the nature, frequency and average cost of works on guarantee.

Contingent liabilities
The Company ascertains a liability regarding pending disputes and lawsuits, when it considers it is likely there will be a financial outlay and when the amount of losses arising from it can be reasonably estimated. In the event that a financial outlay becomes possible but the amount cannot be determined, that fact is reported in the notes to the financial statements. The Company monitors the status of any pending lawsuits and seeks advice from its legal advisers and experts in legal and tax matters.

Depreciation and amortisation
The cost of fixed assets is depreciated on a straight line basis over their estimated useful lives. The economic useful life of the Group's fixed assets is determined by the Directors at the time of purchase; it is based on past experience gained over years in the business and knowledge about any technological innovations which could lead to the asset becoming obsolete and no longer economically viable.
The Company assesses technological advances in the sector on a regular basis in order to update the remaining useful life. This periodic update could involve a change in the depreciation period and therefore also in the amount of depreciation in future business years.

Income tax
In order to determine the Company's tax liabilities, the Management has to use certain forms of assessment regarding transactions whose tax implications are not certain on the date the balance sheet is closed. The company acknowledges the liabilities which might arise from future inspections by the tax authorities according to the estimate of tax that will be due. If the outcome of any of the aforesaid inspections were to differ from that estimated by management, it could have some significant effects on current and deferred taxes.

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 expenses given by IFRS 8, the Company pursues business in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

New accounting standards, amendments and interpretations applied since January 1, 2020

Alla data della presente Relazione gli organi competenti dell'Unione Europea hanno approvato l'adozione dei seguenti principi contabili ed emendamenti applicati dal Gruppo al 1° gennaio 2020.

- In October 2019, the IASB published some amendments to IFRS 3 that modify the definition of "business" in the context of acquisitions of companies or groups of activities. The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020
- In October 2019, the IASB published some amendments to IAS 1 and IAS 8, providing clarifications regarding the definition of "material information". The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 providing clarifications in light of the reform on interbank interest rates. The application of the amendments is effective from January 1, 2020 and did not have any significant effects on the financial statements at December 31, 2020.
- In May 2020, IASB published an amendment to IFRS 16 which provides a practical expedient for the valuation of leasing contracts, in the event that rents have been renegotiated following Covid-19. The lessee may choose to account for the concession as a variable rent over the period in which a lower payment is recognized. The Company and the Group have adopted this practical expedient, for the related details see the paragraph "Financial liabilities for use rights of these explanatory notes".

Accounting standards, amendments and interpretations not yet applied

At the date of this Report, the competent bodies of the European Union have approved the adoption of the following accounting standards and amendments not yet applicable by the Company.

- In May 2017, IASB issued the new IFRS 17 standard "Insurance contracts". The new standard will replace IFRS 4 and will be applicable with effect from and not sooner than January 1, 2023.
- In January 2020, the IASB published an amendment to IAS 1 “Presentation of financial statements” which provides clarification on the classification between current and non-current liabilities. The amendment is applicable with effect from January 1, 2022.
- In May 2020, the IASB published some amendments with reference to IFRS 3, IAS 16 and IAS 37. In addition, some amendments to IFRS 1, IFRS 9, IAS 41 and the illustrative examples were published annexes to IFRS 16. These amendments will be applicable with effect from January 1, 2022.
- In August 2020, the IASB published some amendments to IFRS 7, IFRS 4 and IFRS 16. The amendments will be applicable with effect from January 1, 2021.

The Company will adopt these new principles, amendments and interpretations, based on the expected application date, and assess their potential impacts, when these are approved by the European Union.

12.2 Analysis of the breakdown of the main items of the consolidated statement of financial-asset position as at December 31, 2020

1. Property, plant and equipment

The structure of the item December 31, 2020 and changes during the year are highlighted in the following charts:

Historic cost	31 December 2019	Additions	Reclassification	(Decreases)	31 December 2020
Land and buildings	-	-	-	-	-
Leasehold improvements	981,674	-	-	-	981,674
Lightweight construction	30,879	-	-	-	30,879
Plants and machinery	4,825,693	62,500	45,700	-	4,933,893
Industrial equipment	5,076,834	64,597	-	-	5,141,431
Various equipment	920,437	38,316	8,160	-	966,913
Fixed assets in progress	55,338	11,818	(53,860)	-	13,296
Total	**11,890,855**	**177,231**	**-**	**-**	**12,068,086**

Accumulated depreciation	31 December 2019	Depreciation	Reclassification	(Decreases)	31 December 2020
Land and buildings	-	-	-	-	-
Leasehold improvements	539,996	44,654	-	-	584,650
Lightweight construction	19,830	2,450	-	-	22,280
Plants and machinery	3,958,571	211,342	-	-	4,169,913
Industrial equipment	4,776,201	155,778	-	-	4,931,979
Various equipment	802,908	43,906	-	-	846,814
Fixed assets in progress	-	-	-	-	-
Total	**10,097,507**	**458,130**	**-**	**-**	**10,555,637**

Net value	31 December 2019	Net increases	Reclassification	Depreciation	Accumulated depreciation decrease	31 December 2020
Land and buildings	-	-	-	-	-	-
Leasehold improvements	441,677	-	-	(44,654)	-	397,023
Lightweight construction	11,049	-	-	(2,450)	-	8,599
Plants and machinery	867,122	62,500	45,700	(211,342)	-	763,980
Industrial equipment	300,633	64,597	-	(155,778)	-	209,452
Various equipment	117,528	38,316	8,160	(43,906)	-	120,098
Fixed assets in progress	55,338	11,818	(53,860)	-	-	13,296
Total	**1,793,347**	**177,231**	**-**	**(458,130)**	**-**	**1,512,448**

"Various equipment" includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant purchases made during 2020 relate to additions to machinery and production equipment in the production plants in Vallina

2. Rights of use

The Company has recognized assets for the right of use and liabilities for leasing of the same amount, discounting the value of the leasing installments to expire. The Company at December 31, 2020 has a value of the Rights of Use equal to Euro 2,272 thousand (Euro 3,212 thousand at December 31, 2019), composed as follows:

- Rights of use on properties for Euro 2,207 thousand, relating to medium/long-term contracts for the rental of buildings;
- Rights of use on equipment for Euro 49 thousand, relating to medium/long-term rental contracts for industrial, electronic and IT equipment
- Use rights on vehicles for Euro 14 thousand, relating to medium/long-term rental contracts for company cars.

The movement that took place during the year is linked to the depreciation for the period.

The duration of the lease is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain that it will not be exercised. The Group assesses whether it is reasonably certain whether or not to exercise the extension or resolution options, taking into account all the relevant factors that create an economic incentive for these decisions.

3. Other intangible assets

The structure of this item at December 31, 2019 and changes during the year are highlighted in the following chart:

Intangible assets	**31-dic-19**	**Reclassification**	**Increases**	**Other**	**Amortization**	**31-dic-20**
Patent rights	204,230	-	14,867	-	67,356	151,741
Intangible assets in progress	-	-	74,800	-	-	74,800.00
Total	**204,230**	**-**	**89,667**	**-**	**67,356**	**226,541**

"Patent rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration. The increase during the year regards the purchase of software for CED management and for company IT systems with more efficient structures in terms of the exchange of information and use of server space.

4. Equity investments in subsidiaries

Equity investments in subsidiaries as at December 31, 2020 came to Euro 8,286 thousand (Euro 8,461 thousand at December 31, 2019). A breakdown of this item at December 31, 2020 is highlighted in the following chart:

Investment in subsidiaries	**% holding 31-Dec-20**	**Balance 31-Dec-20**	**% holding 31-Dec-19**	**Balance 31-Dec-19**	**Change**	**% Change**
Investment in Eighteen Sound S.r.l.	100%	6,582,989	100%	6,582,989.40	-	0%
Investment in B&C Speakers Usa NA LLC	100%	1,449,786	100%	1,449,786	-	0%
Investment in B&C Brasil	100%	253,052	100%	428,151	(175,099)	-41%
Total investment in subsidiaries		**8,285,827**		**8,460,926**	**(175,099)**	**-2%**

The Directors have identified the foreign subsidiaries as *cash-generating units* (CGU), insofar as the assets are fully allocated to the single business sector that can be identified as the production and sale of "top quality professional loudspeakers".

Per Eighteen Sound S.r.l. la *cash-generating units* è stata identificata nella società Eighteen Sound S.r.l., i cui asset sono dedicati all'unico settore di attività identificabile nella produzione e vendita di "altoparlanti professionali di fascia qualitativa elevata".

For Eighteen Sound S.r.l. the *cash-generating unit* has been identified as the company Eighteen Sound S.r.l., whose assets are allocated to the single business sector of activity identifiable as the production and sale of “top quality professional loudspeakers".

The values of the cost of investments in these subsidiaries were subjected to an *impairment* test as described below.

The change in the year is due to the write-down of the investment in B&C Speakers Brasil Ltda carried out on the basis of the results of the related impairment test.

In application of the accounting method provided by IAS 36, the Company has verified the recoverability of the values entered by comparing the book value with the recoverable value (value in use). This recoverable amount is the present value of future cash flows that are expected to be generated from the continuous use of the goods and the terminal value attributable to the Company.

Eighteen Sound Srl

The estimate of the expected cash flows relating to the CGU in question has been defined on the basis of the related multi-year plan, for whom provision was considered the trend of the reference market in which the CGU operates recorded during the months of January and February 2021, the order book already acquired by the Group, as well as the additional initiatives launched by management for business development, considering a significant reduction in demand for the years 2021 and 2022 compared to pre-Covid levels.
The main assumptions used up to determine the future cash flows, and the consequent recoverable value (value in use) of the Eighteen Sound CGU refer to:

a) the assumption of previsional cash flows deduced from Eighteen Sound's five-year plan for the period 2021-2025, approved by the Board of Directors of the Parent Company, together with the related *impairment test*, on March 18, 2021;
b) the discount rate (WACC);
c) besides the explicit period, a growth rate was estimated (g-rate).

In particular, for the discounting of cash flows, the Group has adopted a discount rate (WACC) which reflects the current market valuations and the cost of money, taking also into account the specific risks of the business and of the geographical area in which the CGU operates. In the future cash flow discounting model, at the end of the cash flow projection period, a terminal value has been added in order to reflect the residual value that the cash generating unit should generate. The terminal value represents the current value, during the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, using a perpetual growth rate (g-rate).

Main financial parameters on impairment tests		CAGR revenues	WACC	g
Eighteen Sound	2020	15%	8.01%	1.3%
	2019	4%	8.29%	1.3%

The CAGR of revenues for the years envisaged in the new Plan is higher than in the previous year, as the estimates and assumptions used expect that, as a result of the significant reduction in demand and revenues recorded in 2020, there will be a decisive recovery of turnover starting from financial years 2021 and 2022 to return to the pre-Covid business volumes between 2023 and 2024, as also supported by external information deducible from sector studies.
The WACC was determined in continuity with the previous year and increased by an additional factor, in order to reflect the current market uncertainty on the rate.
The growth rate of the Terminal Value (g-rate) is specific to the CGU and reflects the growth potential of the reference area. Also in this case, the rate construction logic hasn’t been changed compared to the past.
The analyses carried out did not reveal any losses in value.
Therefore, no write-downs were reflected in the data as at December 31, 2020.

In addition, also based on the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 February 6, 2009, the Company proceeded to elaborate the sensitivity analysis on the results of the test with respect to the variation of the basic assumptions (use of the growth rate in the processing of the terminal value and discount rate) that affect the value of use by the CGU. Even in the case of a positive or negative variation of 1% of the WACC and of the g-rate used, the analyses wouldn't show losses in value. Furthermore, it should be noted that the value of the WACC, which makes the current value of the expected cash flows generated by the CGU be lower than the net book value subjected to *impairment testing*, is equal to 22%.

Finally, on the basis of what is requested in Consob's attention n. 1/21 of February 16, 2021 too and of the recommendations provided by ESMA in the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, in addition to the base scenario just commented on and also supported by external studies, another scenario has been developed, which is further penalized by the continuation of the pandemic. The hypothesized scenario foresees a further postponement of the expected timing for the recovery of trade traffic to the "pre-Covid-19" levels, especially set by applying for 2021 too the EBITDA finalized by the CGU in 2020 and assuming that it'll be possible to achieve levels of "pre Covid-19" marginality only in 2025. Despite this further element of strong penalization, the value in use of the CGU in question is higher than the net book value.

In all the precessed cases, the current value of the expected cash flows generated by the CGU is higher than the net book value subjected to impairment tests.
Considering that the recoverable value was determined based on estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. Given the current market context, the various factors used in setting the estimates could be revised; the Company will constantly monitor these factors and the occurrence of any impairment losses.

B&C Speakers NA LLC
The estimate of the expected cash flows relating to the CGU in question has been defined on the basis of the related multi-year plan, for whom provision was considered the trend of the reference market in which the CGU operates recorded during the months of January and February 2021, the order book already acquired by the Company, as well as the additional initiatives launched by management for business development, whereas the final figures for 2020 of the CGU show a trend in contrast with the Group, having only marginally affected the impact of the pandemic. In fact, the revenues recorded by the CGU in 2020 showed an increase of 10.1% compared to 2019.
The main assumptions used by the Group to determine the future cash flows, and the resulting recoverable value (value in use) of the B&C USA CGU, refer to:

a) he assumption of previsional cash flows deduced from B&C USA's five-year plan for the period 2021-2025, approved by the Board of Directors of the Parent Company, together with the related *impairment test*, on March 18, 2021;
b) the discount rate (WACC), defined in continuity with the previous year;
c) besides the explicit period, a growth rate was estimated (g-rate), specific for the CGU, reflecting the growth potential of the reference area. Also in this case, the rate construction logic has not been changed compared to the past.

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) which reflects the current market valuations and the cost of money, taking also into account the specific risks of the business and of the geographical area in which the CGU operates. In the future cash flow discounting model, at the end of the cash flow projection period, a terminal value has been added in order to reflect the residual value that the *cash generating unit* should generate. The terminal value represents the current value, during the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, using a perpetual growth rate (g-rate).

Main financial parameters on impairment tests		CAGR revenues	WACC	g
B&C USA	2020	1%	6.78%	2.2%
	2019	1%	8.52%	2.3%

The CAGR is in line with 2019 since, as previously commented, the final data for 2020 of the CGU were only marginally affected by the impact of the pandemic.

WACC was determined in continuity with the previous year.
The growth rate of the Terminal Value (g-rate) is specific to the CGU and reflects the growth potential of the reference area. Also in this case, the rate construction logic has not been changed compared to the past.
The analyses carried out did not show any losses in value. Therefore, no write-downs were reflected in the data as at December 31, 2020.

Furthermore, also on the basis of the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 of February 6, 2009, the Company proceeded to elaborate the sensitivity analysis on the results of the test considering the variation of the basic assumptions (use of the growth rate in processing both the terminal value and discount rate) that affect the value of use by the CGU. Even in the case of a positive or negative variation of 1% of the WACC and of the g-rate used, the analyses wouldn't reveal any losses in value. Furthermore, it should be noted that the value of the WACC, which makes the current value of the expected cash flows generated by the CGU be lower than the net book value subjected to *impairment testing*, is equal to 30%.

Finally, on the basis of what is requested in Consob's attention n. 1/21 of February 16, 2021 too and of the recommendations provided by ESMA in the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, in addition to the base scenario just commented on and also supported by external studies, another scenario has been developed, which is further penalized by the continuation of the pandemic. The hypothesized scenario foresees a reduction in revenues of 10% for all the years of the plan compared to the actual 2020 figure. Despite this further element of strong penalization, for the considerations set out above, the value in use of the CGU in question is higher than the net book value.

In all the precessed cases, the current value of the expected cash flows generated by the CGU is higher than the net book value subjected to impairment tests.
Considering that the recoverable value was determined based on estimates, the Company cannot guarantee that there will be no impairment of goodwill in future periods. Given the current market context, the various factors used in setting the estimates could be revised; the Company will constantly monitor these factors and the occurrence of any impairment losses.

B&C Speakers Brasil Ltda
Le principali ipotesi utilizzate per la determinazione dei flussi finanziari futuri, e del conseguente valore recuperabile (valore in uso) della CGU fanno riferimento a:
While arranging the plan, the reference market trend in which the Company operates was considered, as noted in January and February 2021, the order portfolio already acquired, as well as the further initiatives launched by Management to develop the business, while considering a reduction in demand for the years 2021 and 2022 compared to pre-Covid levels.
The main assumptions used to determine the future cash flows, and the resulting recoverable value (value in use) of the CGU refer to:

d) the assumption of previsional cash flows deduced from B&C Brasil's five-year plan for the period 2021-2025, approved by the Board of Directors of the Parent Company, together with the related *impairment test*, on March 18, 2021
a) the discount rate (WACC);
b) besides the explicit period, a growth rate was estimated (g-rate).

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) which reflects the current market valuations and the cost of money, taking also into account the specific risks of the business and of the geographical area in which the CGU operates. In the future cash flow discounting model, at the end of the cash flow projection period, a terminal value has been added in order to reflect the residual value that the cash generating unit should generate. The terminal value represents the current value, during the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, using a perpetual growth rate (g-rate).

Main financial parameters on impairment tests		**CAGR revenues**	**WACC**	**g**
B&C Brasil	2020	12%	14.07%	3.3%
	2019	3%	14.27%	3.6%

The CAGR of revenues for the years envisaged in the new Plan is higher than in the previous year, as the estimates and assumptions used expect that, as a result of the significant reduction in demand and revenues recorded in 2020, there will be a decisive recovery of turnover starting from financial years 2021 and 2022 to return to the pre-Covid business volumes between 2023 and 2024.
The WACC was determined in continuity with the previous year and increased by an additional factor, in order to reflect the current market uncertainty on the rate.
Given the subsidiary's business model on the estimate of expected future flows, the assumptions relating to the trend of the local currency have a particular influence. The growth rate of the Terminal Value (g-rate) is specific to the CGU and reflects the growth potential of the reference area. Also in this case, the rate construction logic hasn’t been changed compared to the past.

The carried out analyzes led to highlighting a loss in value of Euro 175 thousand which was reflected in the decrease in the book value of the investment and in the income statement in the specific item "Write-down of equity investments".

Finally, on the basis of what is requested in Consob's attention n. 1/21 of February 16, 2021 too and of the recommendations provided by ESMA in the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, in addition to the base scenario just commented on and also supported by external studies, another scenario has been developed, which is further penalized by the continuation of the pandemic. The hypothesized scenario foresees a reduction in revenues of 10% for all the years of the plan compared to the actual 2020 figure. Despite this further element of strong penalization, for the considerations set out above, the value in use of the CGU in question is higher than the net book value.

Considering that the recoverable value was determined based on estimates, the Company cannot guarantee that there will be no impairment of goodwill in future periods. Given the current market context, the various factors used in setting the estimates could be revised; the Company will constantly monitor these factors and the occurrence of any impairment losses.

5. Equity investments in associated companies

This item amounts to Euro 50 thousand at December 31, 2020 and reflects the value of the 33% investment in Silent Tech S.r.l., set up together with two other companies and aimed at exploiting the “Silence” technology developed together with the other two partners.

6. Deferred tax assets

This item reflects net receivables for deferred tax assets of Euro 67 thousand at December 31, 2020 (Euro 118 thousand at December 31, 2019), relating to deductible temporary differences attributable to the Company and arose following the recognition of costs not entirely deductible during the year;

The table below illustrates the composition and changes that occurred during the financial year:

Deferred tax assets	31-Dec-19	Increase	Use	31-Dec-20
Ammortization difference IFRS/TUIR	44,882	8,956	(2,706)	51,132
Management remuneration	50,647	4,200	(56,688)	(1,842)
Other	25,437	12,449	(16,188)	21,698
Total deferred tax assets	***120,965***	***25,605***	***(75,582)***	***70,988***
Deferred tax liabilities	**31-Dec-19**	**Increase**	**Use**	**31-Dec-20**
Other	(2,097)	2,097	(3,491)	(3,491)
Total deferred tax liabilities	***(2,097)***	***2,097***	***(3,491)***	***(3,491)***
Net total	**118,869**	**27,702**	**(79,073)**	**67,497**

Deferred tax assets have been accounted for it is believed that adequate future taxable income are likely to be generated against whom this credit balance can be used.

7. Other non-current assets

At December 31, 2020 this item is as follows:

Other non current assets	31-Dec-20	31-Dec-19	Change	% Change
Insurance policies	582,836	533,688	49,148	9%
Guarantee deposits	56,826	56,826	-	0%
Ires refund receivables	6,700	68,392	(61,692)	-90%
Total non current assets	**646,362**	**658,906**	**(12,544)**	**-2%**

The item “Insurance policies” refers to receivables accrued in respect of the insurance companies “Milan Insurance” and “Unipol Sai Assicurazioni” in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors’ severance pay.

The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	31-Dec-19	Increases	(Decreases)	31-Dec-20
Insurance policies	533,688	49,148	-	582,836
Total	**533,688**	**49,148**	**-**	**582,836**

The increase during the year is due to new payments made by the Company during the year.

The item “Guarantee deposits” reflects the amount receivable for guarantee deposits issued based on contracts for the leasing of the Company's manufacturing and administrative offices located in Bagno a Ripoli Loc. Vallina, Via Poggio Moro n.1.

“IRES refund receivable” includes the credit generated in 2012 following the submission by the Parent Company, of the request for an IRES rebate in accordance with Art. 4 of Italian Legislative Decree No. 16 of

March 2, 2012, converted with amendments into Italian Law No. 44 of April 26, 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 6 December 2011, converted with amendments into Italian Law no. 214 of December 22, 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of March 2, 2012, converted with amendments into Italian Law no. 44 of April 22, 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for a rebate of the greater IRES amount paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Parent Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

8. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on December 31, 2020:

Inventories	31-Dec-20	31-Dec-19	Change	% Change
Row materials and consumables	697,262	714,153	(16,892)	-2%
Work in progress and semi-finished	6,394,784	7,299,826	(905,042)	-12%
Finished goods	848,827	969,957	(121,131)	-12%
Gross Total	**7,940,872**	**8,983,937**	**(1,043,065)**	**-12%**
Provision for inventory writedowns	(424,580)	(374,909)	(49,671)	13%
Net Total	**7,516,292**	**8,609,028**	**(1,092,736)**	**-13%**

The value of inventories is entered at its cost, calculated according to FIFO method net of provision for inventory writedowns; as at December 31, 2020, it totals € 631 thousand.

The gross value of inventories appears to have decreased overall by € 1,043 thousand compared to the final figure at December 31, 2019. The decrease is to be related to the lower production volumes of the year resulting from the contraction in turnover.

Provision for inventory writedowns, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The table below shows changes in the provision for inventory writedowns:

Change in provision for inventory writedowns	31-Dec-19	Increase	Use	31-Dec-20
Provision for inventory writedowns	374,909	49,671	-	424,580
Total	**374,909**	**49,671**	**-**	**424,580**

For further details about the changes in inventories, one should refer to the note commenting on the income statement item “Cost of sales”.

9. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on December 31, 2020:

Trade receivables	31-Dec-20	31-Dec-19	Change	% Change
Trade receivables	5,804,493	10,242,441	(4,437,948)	-43%
(Provision for doubtful accounts)	(260,552)	(260,552)	-	0%
Total	**5,543,940**	**9,981,888**	**(4,437,948)**	**-44%**

The gross value of trade receivables is down compared to December 31, 2020 by Euro 4,437 thousand mainly due to the contraction in the Company's turnover. It should be noted that, despite the deleterious effects of the pandemic on the liquidity of the Company's customers, there were no situations of significant doubtful loans.

Within the category of trade receivables, are also included Receivables from Related Parties as described in note 37.

The table below shows changes in the provision for impairment losses on receivables:

Change in provision for doubtful accounts	31-Dec-19	Increase	Use	31-Dec-20
Provision for doubtful accounts	260,552	-	-	260,552
Total	**260,552**	**-**	**-**	**260,552**

The value of trade receivables from customers, net of bank receipts, amounts to Euro 4,893 thousand. The table below shows the *aging* of credits as at December 31, 2020:

	Total amount	Not overdue	Overdue 0-60 days	Overdue 61-90 days	Overdue over 90 days
Balance at 31 December 2020	4,892,524	3,517,448	1,043,537	4,711.00	326,828
Incidence	100%	72%	21%	0%	7%

10. Tax assets

Tax credits at December 31, 2020, equal to Euro 1,335 thousand (Euro 192 thousand at December 31, 2019), mainly consist of VAT credits for Euro 1,162 thousand, current tax receivables deriving from advance payments in excess of the tax load for the year of Euro 127 thousand, from tax credits for sanitation and capital goods for Euro 42 thousand.

11. Other current assets

As at December 31, 2020, "Other current assets" are as follows:

Other current assets	31-Dec-20	31-Dec-19	Change	% Change
Receivables towards suppliers	39,369	125,989	(86,620)	-69%
Securities	8,044,346	7,916,385	127,961	2%
Financial receivable	1,417,429	1,405,099	12,331	1%
Other Receivables	13,976	5,739	8,238	144%
Total other receivables	**9,515,121**	**9,453,212**	**61,909**	1%
Commercial fairs	45,301	58,621	(13,320)	-23%
Assistance and assurance fees	209,229	97,522	111,707	115%
Specialist contracts	-	2,250	(2,250)	-100%
Other	43,774	72,021.00	(28,247)	-39%
Total prepaid expenses and accrued income	**298,304**	**230,414**	**67,890**	29%
Total current assets	**9,813,425**	**9,683,626**	**129,799**	**1%**

"Securities" held in the portfolio refer to asset management items denominated in euro and held for short-term liquidity. These securities were measured at *fair value* and the presumed profit (equal to Euro 128 thousand) recognised in financial income on the income statement. It should be noted that the trend in the market value of the Company's securities portfolio is significantly improved compared to the first quarter of the year, when the fair value valuation showed a loss of Euro 969 thousand

The item "Financial receivables” refers to an interest-bearing loan granted to the subsidiary Eighteen Sound S.r.l. in order to give it the necessary cash elasticity.

12. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-Dec-20	31-Dec-19	Change	% Change
Bank and postal deposit	11,561,679	3,713,392	7,848,287	211%
Cash	274	2,075	(1,802)	-87%
Total cash and cash eqivalents	**11,561,953**	**3,715,467**	**7,846,486**	**211%**

The significant increase in liquidity is to be related to loans taken out during the year for Euro 7,500 thousand together, generating cash from operating activities that still remained at excellent levels, despite the contraction of the Company's turnover. It shoud be recalled that no dividends were distributed during the year.

For further details concerning the increase in cash and cash equivalents, one should refer to the consolidated statement of cash flow.

13. Equity and its components

Share Capital

The Company’s share capital as at December 31, 2020 amouted to Euro 1,088 thousand (Euro 1,097 thousand at December 31, 2020) net of treasury shares held. The original share capital of the Parent Company is equal to Euro 1,100 thousand, consisting of 11,000,000 ordinary shares with a unit value of Euro 0,10 each. All capital is fully paid up.

As a result of the continuation of the *Buy-Back* plan, on December 31, 2020 B&C Speakers S.p.A. held a total 114,948 treasury shares equal to 1.04% of the share capital, bought at an average value of Euro 10,92 per per share.

The following table shows the changes that occurred, in 2020, in the number of shares outstanding:

Reconciliation of the number of outstanding shares	Outstanding shares (n.)
December 31, 2019	**10,978,685**
Treasury shares purchased	(113,633)
Treasury Shares sold	20,000
December 31, 2020	**10,885,052**

The chart below shows the equity items dilded by possible use:

Equity items by possible use and distributable portion *(Euro thousand)*	**Amount**	**Possible use**	**Distributable portion**
Share capital	**1,089**		
Legal reserve	*379*	*B*	
Extraordinary reserve	*44*	*A, B, C*	*44*
Share premium reserve	*3,588*	*A, B, C*	*3,588*
Exchange rate reserve	*54*	*A, B*	*54*
Total other reserves	**4,065**		
FTA Reserve	12	*A, B*	12
Retained earnings	18,495	*A, B, C*	18,495
DBO Reserve	(157)	*A, B*	-
Result of the period	2,016	*A, B, C*	2,016
Total retained earnings	**20,366**		
Total	**25,520**		
Distributable portion	**1,364**		
Non-distributable portion	**24,156**		

La quota disponibile è stata determinata tenuto conto dei vincoli minimi di formazione della riserva legale.

A: for capital increase; **B**: to cover losses; **C**: to be distributed to shareholders.

The available portion was determined taking into account the minimum restrictions related the creation of the legal reserve.

Other reserves

This item, equal to Euro 4.066 thousand at December 31, 2020, comprises the legal reserve for Euro 379 thousand, the extraordinary reserve for Euro 44 thousand, the reserve for unrealised capital gains on currency exchange for Euro 54 thousand and the share premium reserve for Euro 3.588 thousand.

In particular, the "Share premium reserve" decreased by Euro 1,040 thousand compared to December 31, 2019 following the recognition of the result of trading in treasury shares for the year.

First Time Adoption reserve

Tale voce, pari a Euro 12 migliaia al 31 dicembre 2020, è relativa all'effetto derivante dall'adozione dei principi contabili internazionali a partire dal bilancio chiuso al 31 dicembre 2006; in particolare tale importo rappresenta il valore netto delle rettifiche determinate dall'applicazione degli IFRS al Patrimonio Netto al 1 gennaio 2006, data di passaggio ai Principi Contabili Internazionali.

This item, equal to Euro 12 thousand at December 31, 2020, relates to the effect deriving from adopting the international accounting standards, starting from the financial statements closed at December 31, 2006; in particular, this amount represents the net value of the adjustments determined by the application of IFRS to the shareholders' equity as of January 1, 2006, the date of transition to the International Accounting Standards.

Retained earnings reserves

This item includes the following reserves:

Retained earnings

This includes the results of previous years net of distribution of dividends.

TFR discounting reserve

This item includes the effects on net equity of the discounting component of severance indemnity.

Result of the period

Tale voce accoglie il risultato netto del periodo per Euro 2.016 migliaia e gli altri utili/(perdite) del periodo per un valore negativo pari ad Euro 2 migliaia relativo alla componente di actuarial losses derivante dalla valutazione attuariale del trattamento di fine rapporto. Tale componente finanziaria è esposta, al netto del relativo effetto fiscale, nelle altre componenti di conto economico complessivo.

This item comprises the net period result for Euro 2,016 thousand and other period profits/(losses) for a positive value of Euro 2 thousand relative to the actuarial losses 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 charts show the effects recognised in the other components of the Statement of Comprehensive Income:

		Retained earnings	**Total other comprehensive income/(losses)**
Euro Thousand			
December 31, 2020			
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)
Total	**-**	**(2)**	**(2)**
Total other comprehensive income/(losses) for the year:	**-**	**(2)**	**(2)**
December 31, 2019			
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		(4)	(4)
Total	**-**	**(4)**	**(4)**
Total other comprehensive income/(losses) for the year:	**-**	**(4)**	**(4)**

	December 31, 2020			**December 31, 2019**		
	Gross value	**Fiscal effect**	**Net value**	**Gross value**	**Fiscal effect**	**Net value**
Euro thousand						
Actuarial gain/(losses) on DBO	(3)	1	(2)	(5)	1	(4)
Total other comprehensive income/(losses)	**(3)**	**1**	**(2)**	**(5)**	**1**	**(4)**

14. Long-term borrowings

As at December 31, 2020, medium/long-term financial debt is as follows:

Long-term borrowings	31-Dec-20	31-Dec-19	Change	% Change
Long-term CRF 2 loan	1,500,025	2,000,032	(500,007)	-25%
Long-term Unicredit loan	-	418,980	(418,980)	-100%
Long-term BNL 1	503,068	1,005,254	(502,186)	-50%
Long-term BNL 4	1,500,000	2,000,000	(500,000)	-25%
Long-term Mediocredito	1,000,000	1,500,000	(500,000)	-33%
Long-term Unicredit 2	1,251,875	-	1,251,875	
Long-term Banca Intesa (guaranteed)	2,500,000	-	2,500,000	
Long-term BNL (guaranteed)	2,500,000	-	2,500,000	
Total long-term borrowing	**10,754,968**	**6,924,266**	**3,830,702**	**55%**

The item “CRF 2 loan” of Euro Euro 1,500 thousand, includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on October 26, 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 “BNL 1” loan of Euro 503 thousand includes the portion due beyond the following year of the long-term loan agreed with Cassa di Risparmio di Firenze S.p.A. on November 23, 2017, aimed at obtaining part of the financial resources necessary for the acquisition of shares in Eighteen Sound S.r.l..

The item "BNL 4" loan, equal to Euro 1,500 thousand, includes the portion falling due beyond the following year of the long-term loan contracted with Banca Nazionale del Lavoro S.p.A. on April 18, 2019. Parallel to the signing of the loan agreement, the Company has signed, again with Banca Nazionale del Lavoro SpA, an interest rate swap hedging contract of the Interest Rate Swap (IRS) type aimed at making the interest rate of the financing.

The item "Mediocredito Loan", equal to Euro 1,000 thousand, includes the portion falling due beyond the following year of the long-term loan contracted with Mediocredito Italiano S.p.A. on April 17, 2019. Parallel to the signing of the loan agreement, the Company has signed, again with Banca Nazionale del Lavoro SpA, an interest rate swap hedging contract of the Interest Rate Swap (IRS) type aimed at making the interest rate of the financing.

The item "Unicredit 2 loan" equal to Euro 1,251 thousand includes the portion due beyond the following year of the long-term loan contracted with Unicredit S.p.A. on May 31, 2020.

The item "Banca Intesa (Guaranteed)” Loan, equal to Euro 2,500 thousand includes the portion due beyond the following year of the long-term loan contracted with Intesa San Paolo S.p.A. on April 17, 2020. This loan falls within the category of loans guaranteed by Medio Credito Centrale S.p.A. pursuant to Legislative Decree n. 23/2020, art. 13, paragraph 1. Parallel to the stipulation of the loan agreement, the Group entered into, again with the same bank, an Interest Rate Swap (IRS) type hedging agreement, aimed at making the interest rate of the loan fixed.

The item " BNL (Guaranteed)” loan is equal to Euro 2,500 thousand and includes the portion due beyond the following year of the long-term loan contracted with Banca Nazionale del Lavoro S.p.A. on June 20, 2020. This loan also falls within the category of loans guaranteed by Medio Credito Centrale S.p.A. pursuant to Legislative Decree n. 23/2020, art. 13, paragraph 1. Parallel to the stipulation of the loan agreement, the Company entered into, again with the same bank, an Interest Rate Swap (IRS) type hedging agreement aimed at making the interest rate of the loan fixed.

The chart below outlines the changes in borrowings in 2020 for both the current and non-current portions:

Change in borrowings	31-Dec-19	Refunds	New borrowings	Reclassification current portion	31-dic-20
Non current portion					
Bank borrowings	6,924,266	0	7,500,000	(3,669,298)	10,754,968
Total non current borrowings	**6,924,266**	**0**	**7,500,000**	**(3,669,298)**	**10,754,968**
Curent portion					
Bank borrowings	5,685,780	(3,684,107)	-	3,669,298	5,670,971
Total current borrowings	**5,685,780**	**(3,684,107)**	**-**	**3,669,298**	**5,670,971**
Totale current and non current	**12,610,047**	**(3,684,107)**	**7,500,000**	**-**	**16,425,940**

The following tables show the salient information about the conditions of the existing loans and the hedging Interest Rate Swap Contract:

Loans details	CRF 2	Unicredit 1	BNL 1	BNL 4
Lender	Banca CR Firenze S.p.A.	Unicredit S.p.A.	Banca Nazionale del Lavoro S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	5,000,000	5,000,000	4,000,000	3,000,000
Contract date	26 October 2017	18 April 2017	23 November 2017	18 April 2019
Due date	26 April 2023	30 April 2021	23 May 2022	13 March 2023
N. installments	20	48	16	6
Advance instalments	-	-	-	1
Periodicity	Quarterly	Monthly	Quarterly	Half-yearly
Interest rate	Euribor 3M (base 360) with floor zero + spread 0,33%	0.35%	0.35%	6 months Eurobor + spread 0,65%
Current portion	1,000,005	419,345	1,003,495	1,000,000
Non current portion	1,500,025	-	503,068	1,500,000

Loans details	Mediocredito Italiano	Unicredit 2	Banca Intesa (guaranteed)	BNL (guaranteed)
Lender	Mediocredito Italiano S.p.A.	Unicredit S.p.A.	Intesa S. Paolo S.p.A.	Banca Nazionale del Lavoro S.p.A.
Original amount	3,000,000	2,500,000	2,500,000	2,500,000
Contract date	17 April 2019	07 April 2020	17 June 2020	22 June 2020
Due date	15 December 2022	30 April 2022	17 June 2025	16 June 2025
N. installments	6	16	10	7
Advance instalments	1	12	3	3
Periodicity	Half-yearly	Quarterly	Half-yearly	Half-yearly
Interest rate	6 months Eurobor + spread 0,65%	0.60%	6 months Eurobor + spread 0,7%	6 months Eurobor + spread 0,7%
Current portion	1,000,000	1,248,127	-	-
Non current portion	1,000,000	1,251,875	2,500,000	2,500,000

These loans are not subject to covenants nor do they involve any *negative pledges* at the expense of the Company.

It should be noted that the Company has adhered to the voluntary moratorium, promoted by the reference financial institutions of the Company, of the maturities of the loans until September 2020 equal to approximately Euro 1,140 thousand contractually due by June and Euro 500 thousand in August.

The Company has no outstanding loans with a maturity exceeding 5 years.

Derivative instruments details	**CRF 2**	**BNL 4**	**Mediocredito Italiano**
Counterpart	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)
Purpose	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 CR Firenze S.p.A. loan (BNL 4)	Hedging of interest variability risk associated with the Mediocredito Italiano loan
Original amount	4,750,000	3,000,000	3,000,000
Periodicity	Quarterly	Half-yearly	Half-yearly
Bank Interest Rate	Euribor 3 months	Euribor 6 months	Euribor 6 months
Company Interest Rate	0.09%	0.07%	0.07%
Contract date	12 December 2017	09 May 2019	09 May 2019
Due date	26 October 2022	13 September 2022	15 June 2022
Mark to market amount at Dec 31, 2020	(14,358)	(15,480)	(10,893)

Derivative instruments details	**Banca Intesa (guaranteed)**	**BNL (guaranteed)**
Counterpart	Intesa S.Paolo S.p.A.	BNL Group
Type of contract	Interest Rate Swap (IRS)	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca Intesa loan	Hedging of interest variability risk associated with the BNl Group loan
Original amount	2,500,000	2,500,000
Periodicity	Half-yearly	Half-yearly
Bank Interest Rate	Euribor 6 months	Euribor 6 months
Company Interest Rate	0.09%	0.05%
Contract date	17 June 2020	22 June 2020
Due date	17 December 2024	16 December 2024
Mark to market amount at Dec 31, 2020	(30,962)	(31,385)

Please note that the company does not apply *hedge accounting* and changes in *fair value* of the aforementioned derivative are charged to the income statement.

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

At December 31, 2020 financial liabilities for rights of use, calculated by discounting the value of the expiring leasing payment, amount to Euro 2,355 million, of whom Euro 1,717 million have been classified among non-current liabilities and Euro 638 million among current liabilities.
The reduction compared to December 31, 2019 is related to the payment of the expenses due during the year. It should be noted that the Company has adopted a practical expedient introduced by the amendment to IFRS 16 "Leasing" for the evaluation of leasing contracts, which can be appliable in case fees have been renegotiated following Covid-19. The Company, as lessee, has chosen to account for the concession as a variable fee in the period in whiom a lower payment is recognized: the amount of these lower payments charged to the income statement was Euro 157 thousand.
Non-current liabilities include financial liabilities due beyond five years for Euro 437 thousand.
The marginal interest rates defined by the Company are reviewed on a recurring basis and applied to all contracts with similar characteristics, which have been considered as a single portfolio of contracts. The rates are determined starting from the Parent Company's average effective debt rate, properly adjusted on the basis of whate the new accounting rules require, in order to simulate a theoretical marginal interest rate consistent with the contracts being valued. The most significant elements considered in the rate adjustment are the credit risk spread of each country remarkable on the market and the different duration of the leases. The leasing contracts do not include coventants.

16. Funds related to personnel and similar

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

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.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 243 thousand.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year it changed as follows:

Provision for severance indemnities	**31-Dec-19**	**Provision (interest & service cost)**	**(Use)**	**Actuarial gain/(loss)**	**31-Dec-20**
Provision for severance indemnities	255,954	500	(14,982)	2,211	243,683
Total provision for severance indemnities	**255,954**	**500**	**(14,982)**	**2,211**	**243,683**

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

Technical parameters	
	31-Dec-20
Technical annual discounting rate	0.02%
Annual inflation rate	0.80%
Tasso annuo incremento TFR	2.100%

With regard to the evaluation of the discount rate, in line with the previous year, the reference used was the IBoxx Eurozone Corporate AA index of December 2020 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

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 31-dec-2020
Turnover rate +1%	241,805
Turnover rate -1%	246,499
Inflation rate + 0,25%	247,120
Inflation rate - 0,25%	240,993
Discount rate + 25%	239,162
Discount rate - 25%	249,072

Estimated future payments	
Year	**Amount**
1	43,272
2	15,545
3	14,464
4	13,699
5	12,490

Service Cost and Duration	
Service Cost	0.00
Duration	8.70

For the purpose of reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision is equal to the value of the corresponding policies entered as assets and described in Note 7.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-19	Provision	(Use)	31-Dec-20
Executive retirement provision (TFM)	533,687	49,149	-	582,836
Total TFM	**533,687**	**49,149**	**-**	**582,836**

17. Provisions for risks and charges

This item, equal to Euro 22 thousand at December 31, 2020 (unchanged from December 31, 2019), contains the fund to cope with the risk of warranty support for products marketed by the Company.
The estimate of the value of this provision, based on the historical trend of the costs for guarantees incurred, did not lead to making any provision.

18. Short-term borrowings and net financial position

As at December 31, 2020, short-term financial debt is as follows:

Short term borrowings	31-Dec-20	31-Dec-19	Change	% Change
Short-term CRF 2 loan	1,000,005	999,998	7	0%
Short-term Unicredit 1 loan	419,345	1,255,469	(836,124)	-67%
Short-term BNL 1 loan	1,003,495	1,001,743	1,752	0%
Short-term BNL 2 loan	-	428,571	(428,571)	-100%
Short-term BNL 4 loan	1,000,000	1,000,000	-	0%
Short-term Mediocredito loan	1,000,000	1,000,000	-	0%
Short-term Unicredit 2 loan	1,248,127	-	1,248,127	0%
Short-term borrowings	**5,670,972**	**5,685,781**	**(14,809)**	**0%**
Bank overdrafts	**2**	**10,125**	**(10,123)**	-100%
Total	**5,670,974**	**5,695,906**	**(24,932)**	**0%**

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

As required by CONSOB Communication of July 28, 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 net financial position of the Group as at December 31, 2020 is detailed below:

(values in Euro thousands)	31 december 2020 (a)	31 december 2019 (a)	Variazione
A. Cash	11,562	3,715	211%
C. Securities held for trading	8,044	7,916	2%
D. Cash and cash equivalent (A+C)	**19,606**	**11,632**	**69%**
F. Bank overdrafts	(0)	(10)	-100%
G. Current portion of non current borrowings	(5,671)	(5,686)	0%
H. Current lease liabilities	(638)	(909)	
I. Current borrowingse (F+G)	**(6,309)**	**(5,696)**	**11%**
J. Current net financial position (D+I)	**13,297**	**5,936**	**124%**
K. Non current borrowings	(10,755)	(6,924)	55%
M. Non current lease liabilities	(1,717)	(2,355)	
N. Non current borrowings	**(12,472)**	**(6,924)**	**80%**
O. Total net financial position (J+N)	**825**	**(988)**	**-183%**

(a) Informations extracted and / or calculated from the financial statements prepared in accordance with IFRS as 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.

	31-Dec-20	31-Dec-19
Cash and cash equivalents at end of the period	**11,562**	**3,705**
Current portion of non current borrowings	(5,671)	(5,686)
Non current borrowings	(10,755)	(6,924)
Current lease liabilities	(638)	(909)
Non current borrowings	(1,717)	(2,355)
Securities held for trading	8,044	7,916
Total net financial position	**825**	**(4,253)**

Per una migliore comprensione delle dinamiche alla base della variazione della Posizione Finanziaria Netta si rimanda al prospetto dei flussi di cassa.

19. Trade payables

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

Trade payables	31-Dec-20	31-Dec-19	Change	% Change
Trade payables	2,233,629	3,605,007	(1,371,378)	-38%
Total trade payables	**2,233,629**	**3,605,007**	**(1,371,378)**	**-38%**

The significant decrease in trade payables is due to the lower volumes of purchases made in the period, due to the decreased production volumes resulting from the crisis triggered by the spread of the ongoing pandemic.

20. Tax liabilities

This item at December 31, 2020 is equal to Euro 149 thousand (Euro 720 thousand December 31, 2019) ed è composta esclusivamente dal debito per ritenute operate nel 2020. and is composed exclusively of the the withholdings payable carried out in 2020.

21. Other current liabilities

This item is made up as follows:

Other current liabilities	**31-Dec-20**	**31-Dec-19**	**Change**	**% Change**
Due to social security funds	248,132	335,594	(87,463)	-26%
Unused vacation time and holidays	412,936	429,845	(16,909)	-4%
Due to personnel	289,380	348,945	(59,565)	-17%
Other liabilities	346,226	340,390	5,836	2%
Total current liabilities	**1,296,673**	**1,454,774**	**(158,101)**	-11%

Amounts "due to social security funds" includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 212 thousand net of the CIGO - Ordinary Wages Guarantee Fund - contribution equal to Euro 43 thousand.

"Unused vacation time and holidays" includes the deferred costs for holidays remaining on December 31, 2020.

Amounts "due to personnel" refers to payables for salaries and wages still to be paid on the reporting date

The item "Other liabilities" includes payables to directors for Euro 55 thousand, the fair value of IRS derivative contracts for Euro 103 thousand and, for the remaining amount, balances due to customers.

22. Commitments and guarantees

As at December 31, 2020, as also at December 31, 2019, there are no records of any guarantees given to third parties.

12.3 Analysis of the breakdown of the main items of the consolidated income statement for 2020 of the Parent Company

Summary of the impacts of the Covid-19 epidemic on the consolidated income statement

As a premise, it should be noted that the differences between the year 2020 and the same period of the previous year, both in absolute value and as a percentage set out below, are mainly due to the contraction in demand, revenues and consequent cost containment measures due to the national and global health emergency resulting from the Covid-19 pandemic, as also reported in the management report.

In particular, the following occurrences are noted:

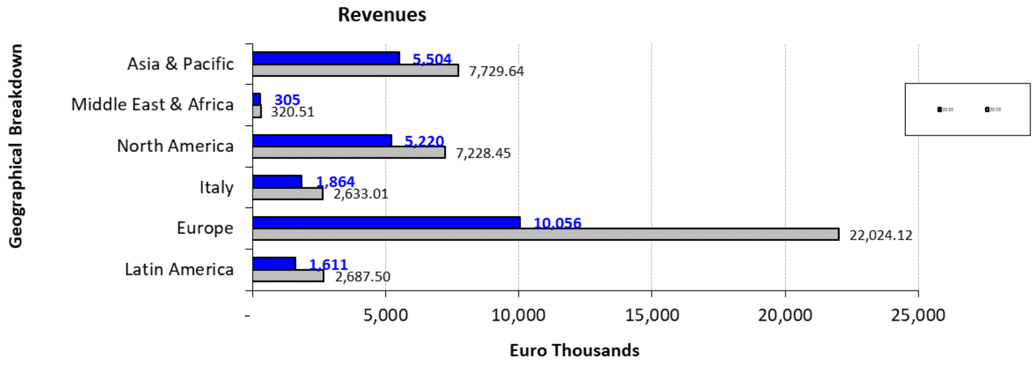
1. The reduction in revenues of Euro 24.3 million consequent not only to the production stop from March 20 2020 until May 4, 2020 but also to the contraction of the sector due to the effects of the pandemic;
2. The important cost containment actions that the Company has adopted more consistently since April, for whom, please refer to the contents of the management report. In particular, it should be noted here that the use of social safety nets has resulted in a reduction in the cost of direct and indirect labor for approximately Euro 1,337 thousand.
3. The increase in overheads due to the costs incurred for the purchase of medical equipment for the protection of workers. The total additional costs incurred for materials is approximately Euro 95thousand.
4. The absence of the conditions for the accrual of the variable part of the MBO linked to medium-term results, with the consequent recognition of lower charges for Euro 233 thousand.
5. The waiver, by the executive Directors, of 25% of their remuneration in 2020 with a saving of approximately Euro 149 thousand.
6. The decrease in commercial expenses mainly linked to the Company’s withdowal from all trade shows and to lower costs for travel and business trips by Euro 43 thousand.

23. Revenues

The reference market is still strongly and negatively affected by the consequences of Covid-19 (gatherings of people, including live events, are still prohibited in most of the reference markets) which have led to a significant decrease in the Company's turnover, which amounted to Euro 24.6 million at the end of 2020, down by 42.4% compared to the same period of 2019.

Geographical Area	2020	%	2019	%	Change	% Change
Latin America	1,610,867	7%	2,687,500	6%	(1,076,632)	-40%
Europe	10,055,850	41%	22,024,122	52%	(11,968,272)	-54%
Italy	1,863,533	8%	2,633,015	6%	(769,482)	-29%
North America	5,219,583	21%	7,228,447	17%	(2,008,864)	-28%
Middle East & Africa	305,031	1%	320,511	1%	(15,481)	-5%
Asia & Pacific	5,503,905	22%	7,729,639	18%	(2,225,735)	-29%
Total revenues	**24,558,769**	**100%**	**42,623,234**	**100%**	**(18,064,465)**	**-42%**

The decrease in turnover compared to 2019, to be attributed to the geographical spread of the Covid-19 pandemic, was particularly concentrated on the European market (-54% with a decrease in absolute value of Euro 11.9 million) and on the South American market (-40% with a decrease in absolute value of Euro 1 million). The market that suffered the least was the North American one, which decreased by 28%. There is also a recovery trend, during the second half of the year, of the Asian market, whose decrease is 29% (lower revenues of Euro 2.2 million).



The breakdown of the item in question can only be made with reference to the geographical area of reference for sales, as the operating sector of the Companycan only be identified in the production and sale of "high quality professional loudspeakers".

Nevertheless, this single category of product sales can be further broken down in terms of turnover based on the type of loudspeakers sold.

Below is a table summarising 2020 sales according to product category compared with their respective value in the previous year:

Product category	2020	%	2019	%	Change	% Change
LF FE Drivers	6,251,964	25.5%	9,180,376	21.5%	(2,928,412)	-32%
LF ND Drivers	7,753,310	31.6%	16,785,809	39.4%	(9,032,500)	-54%
HF Drivers	6,306,112	25.7%	10,385,000	24.4%	(4,078,887)	-39%
Coaxials	3,013,599	12.3%	4,632,814	10.9%	(1,619,215)	-35%
Others	1,233,784	5.0%	1,639,235	3.8%	(405,451)	-25%
Total revenues	**24,558,769**	**100.0%**	**42,623,234**	**100.0%**	**(18,064,465)**	**-42%**

In 2020 three customers generated turnover exceeding 10% of the total:

1st customer – 13%

2nd customer– 10%

3rd customer – 8%

All revenues are associated with obligations of action carried out a given time.

For a more detailed analysis of period revenue trends, one should refer to the relevant section within the Report on Operations.

24. Cost of sales

The item is composed as follows according to the nature of the charges:

Cost of sales	2020	2019	Change	% Change
Purchases of raw materials and finished products	(987,598)	(1,427,261)	439,663	-31%
Purchases of WIP	(7,424,867)	(14,056,784)	6,631,917	-47%
External manufacturing costs	(1,155,163)	(2,269,387)	1,114,224	-49%
Accessories and consumables costs	(763,646)	(1,235,154)	471,508	-38%
Packaging costs	(295,800)	(452,756)	156,956	-35%
Other purchasing costs	(38,195)	(94,605)	56,411	-60%
Change in WIP inventories	(867,170)	(229,211)	(637,959)	278%
Change in finished products inventories	(208,674)	(296,618)	87,943	-30%
Change in raw materials and consumables inventories	(16,892)	(95,400)	78,508	-82%
Totale purchases and external manufactring costs	**(11,758,004)**	**(20,157,174)**	**8,399,170**	**-42%**
Salaries	(2,422,379)	(3,121,578)	699,199	-22%
Social security charges	(784,461)	(997,574)	213,113	-21%
Severance for indemnities	(225,535)	(231,948)	6,413	-3%
Other personnel costs	(481,757)	(802,911)	321,154	-40%
Total direct labour	**(3,914,132)**	**(5,154,011)**	**1,239,879**	**-24%**
Freight and forwarding	(478,417)	(654,639)	176,223	-27%
Royalties	(37,844)	(114,342)	76,499	-67%
Other costs	(63,251)	(135,938)	72,686	-53%
Total direct costs	**(579,512)**	**(904,920)**	**325,408**	**-36%**
Total COGS	**(16,251,648)**	**(26,216,104)**	**9,964,457**	**-38%**

The cost of sales, despite a decrease in absolute value of Euro 9.9 million (due to the lower production volumes of the year) showed a worsening of 4.6 percentage points in 2020 in terms of incidence on revenues compared to 2019, going from 61.51% to 66.17%.
This worsening is due to the greater incidence of direct personnel costs on revenues, resulting from the sharp decline in production and sales volumes.

As shown in the table above, the decrease in purchase levels affected all the different categories of production factors.

The “External manufacturing costs” refer to the work of the Company's external suppliers in relation to some stages of the production process, such as for example spin forming and painting, which are not carried out internally.

It should be noted that the purchases of raw materials mainly concern materials of ferrous origin used in the production process and whose cost can be influenced by the trend in the cost of the raw material, while the purchases of semi-finished products relate to processing components that are directly installed on the product being processed. Other purchasing costs refer to purchases of office materials, the purchase of small equipment for production and warehouse and to the purchase of samples and goods for the Architettura Sonora division

Direct business costs decreased by Euro 1.2 million thanks to the activation of social safety nets and other forms of public support that made it possible to limit the impact that the cost of personnel would have had in the absence of intervention by the Company Management.

25. Other revenues

The item other revenues amounted to Euro 605 thousand in 2020 (Euro 342 thousand in 2019).

The item also includes contributions paid by GSE S.p.A. (Energy services manager) for Euro 58 thousand (Euro 31 thousand in 2019), contributions received for personnel training and hiring for Euro 40 thousand (Euro 21 thousand in 2019), the contributions received from Sviluppo Toscana for the “Share” project of Euro 35 thousand, for the “Smart B&C” project of Euro 11 thousand and for the “Heat CS” project for Euro 54 thousand.

It also includes the cancellation of the debts of previous years of Euro 233 thousand, following the absence of the conditions for the accrual of the variable part of the MBO linked to the medium-term results, of Euro 31 thousand referring to a refund obtained by the US tax authorities for higher taxes unduly paid.
The remainder relates to revenues relating to the re-invoicing of services to the subsidiary Eighteen Sound S.r.l. for Euro 90 thousand (Euro 142 thousand in 2019) in addition to the recovery of expenses and bonuses received from suppliers.

26. Indirect Personnel

This item is made up of:

Cost of indirect labour	2020	2019	Change	% Change
Retribution	(1,257,471)	(1,742,650)	485,179	-28%
Social charges	(377,023)	(515,821)	138,797	-27%
Severance indemnity	(97,741)	(114,944)	17,203	-15%
Total cost of indirect labour	**(1,732,236)**	**(2,373,415)**	**641,179**	**-27%**

The decrease in the cost for indirect personnel compared to 2019 is the direct consequence of the activation by the Management of social safety nets and other forms of public support to cope with the current crisis..

27. Commercial Expenses

This item is made up of:

Commercial expenses	2020	2019	Change	% Change
Commercial consulting services	(248,413)	(624,148)	375,735	-60%
Advertising	(108,843)	(176,585)	67,742	-38%
Travelling expenses	(57,004)	(254,127)	197,124	-78%
Total commercial expenses	**(414,259)**	**(1,054,859)**	**640,600**	**-61%**

Commercial expenses decreased mainly due to the cost containment policies implemented by the Group's management and the cancellation, due to the ongoing pandemic, of some important trade shows in the sector.

28. Administrative and General expenses

This item is made up of:

General and administrative expenses	2020	2019	Change	Change %
Manteinance & utilities	(809,212)	(692,874)	(116,338)	17%
Professional services	(487,048)	(449,992)	(37,056)	8%
Corporate bodies fees	(620,810)	(938,176)	317,366	-34%
Other suplies	(90,467)	(126,938)	36,471	-29%
Insurance	(103,347)	(135,712)	32,365	-24%
Taxes	(73,879)	(80,809)	6,930	-9%
Stock Exchange expenses	(75,681)	(124,925)	49,244	-39%
Executive retirement indemnities	(49,148)	(61,103)	11,955	-20%
Rental fees	(32,894)	(131,392)	98,498	-75%
Other	(186,045)	(123,228)	(62,818)	51%
Total general and administrative expenses	**(2,528,532)**	**(2,865,149)**	**336,618**	**-12%**

The decrease in general and administrative costs is mainly due to the effect of the cost containment policies implemented by the Company's Management, to the voluntary reduction of remuneration by executive Directors and to the fact that, in 2019, there were additional costs incurred for the closure of the "*Tunneled*" division equal to Euro 235 thousand.

Costs for maintenance and utilities mainly relate to software assistance of approximately Euro 354 thousand (Euro 250 thousand in 2019), to costs for utilities of Euro 214 thousand (Euro 276 thousand in 2019), to maintenance of capital and property assets of Euro 143 thousand (Euro 162 thousand in 2019) and to cleaning services (which in 2019 were mainly carried out by internal staff) of Euro 142 thousand. The significant cost for cleaning activities is mainly due to the additional sanitation services required to comply with the anti Covid-19 safety protocols.

The "Professional services" item includes technical, administrative and legal consulting services received by the Company in 2020.

La voce Spese e oneri di borsa comprende i costi di gestione riferibili a Borsa Italiana S.p.A. ed a Consob.

"Stock exchange expenses" include management costs related to Borsa Italiana S.p.A. and CONSOB.

29. Amortisation, depreciation, writedowns and writebacks on trade and other receivables

Amortization, depreciation, provisions and writedowns	2020	2019	Change	% Change
Amortization of intangibles assets	(67,356)	(62,512)	(4,845)	8%
Depreciation of tangible assets	(458,131)	(507,346)	49,214	-10%
Depreciation of right of use	(940,747)	(942,033)	1,286	0%
Total amortizations and depreciations	**(1,466,235)**	**(1,511,890)**	**45,655**	**-3%**
Total provisions and writedowns	-	-	-	-

Depreciation of tangible and intangible fixed assets and rights of use remain substantially in line with the corresponding semester of the previous year.

30. Financial income and expenses

Financial income amounted to Euro 634 thousand (Euro 366 thouasnd in 2019) consisting of Euro 348 thousand resulting from actual exchange losses (Euro 90 thousand in 2019), of Euro 52 thousand from presumed exchange losses (Euro 56 thousand in 2019), of Euro 84 thousand from interest on loans and current account overdrafts (Euro 54 thousand in 2019), of Euro 73 thousand from the interest calculated on the financial liability connected with the accounting of leases according to IFRS16, of Euro 58 thousand due to the effect of the change in the fair value of IRS contracts and for the remainder of smaller amounts.

Financial income amounted to Euro 612 thousand (Euro 1,097 thousand in 2019) and consisted of Euro 128 thousand of the presumed profit deriving from the *fair value* measurement of securities held for use of liquidity (Euro 546 thousand in 2019), of Euro 301 thousand of dividends paid by the US subsidiary (Euro 313 thousand in 2019), of Euro 144 thousand from exchange gains realized (Euro 151 thousand in 2019) and of Euro 15 thousand from presumed exchange gains at the end of the year (Euro 1 thousand in 2019). It should be noted that the trend in the market value of the Company's securities portfolio is significantly improved compared to the first quarter of the year when the fair value valuation showed a loss of Euro 969 thousand.

31. Taxes

This item is made up of:

Current and deferred taxes	**2020**	**2019**	**Change**	**% Change**
IRES	(465,390)	(1,552,649)	1,087,259	-70%
IRAP	(81,599)	(298,071)	216,472	-73%
Totale current taxes	**(546,989)**	**(1,850,720)**	**1,303,731**	**-70%**
Sanification fiscal benefit	**41,666**	**-**	**41,666**	**0%**
Deferred tax expenses/(income)	(51,980)	4,879	(56,859)	-1165%
Total income taxes	**(557,303)**	**(1,845,842)**	**1,288,539**	**-70%**

Current taxes include the tax expense that originated during the year in application.

The Item “deferred/prepaid tax” mainly includes the effect the consolidated entries relating to the cancellation of the internal inventory margin.

The reconciliation between the tax expense entered in the financial statements and the theoretical tax expense determined on the basis of the theoretical tax rates applicable is shown in the following table:

Euro thousands	2020				2019			
	IRES Base of calculation	Tax 24.0%	IRAP Base of calculation	Tax 3.9%	IRES Base of calculation	Tax 24.0%	IRAP Base of calculation	Tax 3.9%
EBT	**2,600**	**624**	**8,709**	**340**	**9,701**	**2,328**	**17,121**	**668**
Cash dividends	(287)	(69)	-	-	(327)	(78)	-	-
Extra ammortization	(108)	(26)	-	-	(76)	(18)	-	-
IRAP deductions	(150)	(36)	-	-	(86)	(21)	-	-
Patent box	0	0	0	0	(2,771)	(665)	(2,771)	(108)
Deductible cost of labour	-	-	(5,221)	(204)	-	-	(6,719)	(262)
Other variations (+)	429	103	-	-	535	128	11.26	0.44
Other variations (-)	(545)	(131)	-	-	(489)	(117)	0	0
Taxable income	**1,940**		**3,487**		**6,488**		**7,643**	
Taxes		**466**		**82**		**1,557**		**298**
R&S fiscal benefit		**41**		-		-		-
Deferred taxes		**52**		-		**(5)**		-
Taxes in profit and loss		**558**		**82**		**1,552**		**298**

Prepaid tax assets were calculated by critically measuring the existence of conditions for future recoverability of these assets based on the updated strategic plans.

32. Transactions deriving from non-recurring operations

Pursuant to CONSOB Communication of July 28, 2006, one should note that in 2019 the Group did not incur costs in connection with non-recurrent operations.

33. Transactions deriving from atypical and/or unusual operations

Pursuant to CONSOB Communication of July 28, 2006, note that in 2020 the Group did not sustain costs in any atypical and/or unusual transactions, as defined in the Communication.

34. nformation on financial risks

The Company's business is exposed to financial risks: market risk (including foreign exchange risk and price risk), credit risk, interest rate risk and liquidity risk. The strategy adopted by the Company 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 Company itself.

Currency exchange risks

The Company operates internationally and hence is exposed to exchange risks originating in the trends of exchange rates for foreign currencies, mainly the US and Canadian dollars. Due to this exchange risk, that arises in future transactions, the Company does not carry out any specific hedging activity other than attempting to, over the long term, balance sales and purchasing flows, above all relative to those made in dollars.

In 2020 the Company continued to make significant purchases abroad, particularly in Asia. The value of purchases made in foreign currencies is summarised below:

- Purchases in US Dollars equal to 6.1 million whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 5.3 million;
- Purchases in CAD Dollars equal to 0.2 million, whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 0.1 million;

During 2020, the Company also invoiced clients in foreign currency. More specifically, within the item Revenue, the elements paid in foreign currencies are indicated below:

- Sales in USD equal to 6.6 million whose corresponding value in euro (calculated according to the average exchange rate for the year) is equal to Euro 5.8 million;
- Sales in GBP and in HKD in 2020 were negligible.

These figures show that purchases in foreign currency account for approximately 42% of total purchases (30% in 2019), while sales in foreign currency account for 24% of the Company's turnover (33% in 2019).
The coverage level (expressed as the ratio between purchases in foreign currency and sales in foreign currency) was equal to around 110% (132% in 2019). Hence, it can be stated that the Company has achieved a substantial *hedging* level with respect to its transactions in foreign currency.
On the basis of the above, a hypothetical 3% increase/decrease in the Euro would generate, respectively, potential gains of Euro 11 thousand and losses of Euro 35 thousand.

On the Balance sheet, the equivalent in Euro of trade receivables entered in US dollars on December 31, 2020 amounted to Euro 1.4 million (the total value at December 31, 2019 was Euro 4.5 million), while the equivalent value of trade payables in US dollars at December 31, 2020 amounted to Euro 0.1 million (the total value on December 31, 2019 amounted to Euro 0.6 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, respectively, potential gains of Euro 40 thousand and losses of Euro 38 thousand.

We must stress that the Company provided its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which was the limited currency exposure at the end of the period.
Based on the above data, the impact of tax receivables in currency reaches approximately 26% of the overall trade value, while the impact of trade payables in currency accounts for 6% 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 December 31, 2020, 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.
Despite the effects of the ongoing pandemic, at the date of preparation of these financial statements, there are no situations of significant doubtful loans. Nevertheless, it cannot be excluded that this may happen in the future.

Interest rate risk

The Company has no outstanding financial assets or liabilities capable of significantly affecting its profitability. Therefore, despite the Group hasn't been significantly affected by changes in interest rates, the management adopted adequate hedging instruments for interest rate fluctuation risks, in particular with regard to some medium-long term loans, and by signing two IRS (Interest Rate Swaps) agreements. For further details in this respect, reference should be made to the detailed description in Note 14.

Rischio di liquidità

As of December 31, 2020, the Company has a negative Net Financial Position of Euro 0.82 million (negative of Euro 4.3 million at December 31, 2019). It is the result of a positive current NFP of approximately Euro 13.29 million (Euro 5.02 million at December 31, 2019) and a non-current financial debt of Euro 12.47 million (Euro 9.28 million at December 31, 2019). For the characteristics of these loans, please refer to the contents of Note 14.

As reported in the management report, in response to the increased level of liquidity risk caused by the contraction in the volume of business resulting from the ongoing Covid-19 epidemic, the Company has implemented specific initiatives:

- specific initiatives have been taken aimed at adapting the cost structure to the reduced production and sales volumes;
- the Shareholders' Meeting of April 29, 2020 resolved, based on the updated proposal of the Board of Directors of April 14, 2020, not to cautiously proceed with the distribution of the dividend initially proposed in order to keep the balance sheet unchanged;
- in addition to this, the Company, as described above, increased its financial resources through the subscription of three new loans for a total amount of Euro 7.5 million. Two of these three loans (for a total amount of Euro 5 million) are guaranteed by Medio Credito Centrale S.p.A. pursuant to Legislative Decree n. 23/2020 art. 13, paragraph 1 and offer very advantageous economic conditions with repayment starting from 2022.
- lastly, the Company adhered to the voluntary moratorium promoted by its reference financial institutions, for the maturities of the loans until September 2020

Furthermore, please note the presence of available revocable credit lines held by the Company as at December 31, 2020 for a total of Euro 4 million.

The Company believes that the short and medium / long-term credit lines and the outstanding liquid assets, in addition to those that will be generated by operating activities, will allow its own needs, despite the reduction in turnover due to the aforementioned health emergency, and will fulfill its obligations connected with the investment activity, the management of working capital and the repayment of debts at their contractual maturity.

35. 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 beclassified 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 December 31, 2020, 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	8,044,346	-	-
Total	**8,044,346**	-	-
Financial liabilities	-	-	-
Interest Rate Swap		(103,078)	
Total	-	**(103,078)**	-

It is noted that, with respect to December 31, 2019, there were no movements between the various fair value levels.

The Company assesses its financial assets and financial liabilities at amortised cost except for asset management shown among other current assets and IRS hedging agreements that are measured at *fair value through profit and loss*.

36. Management and control

The issuer and its subsidiaries are, pursuant to Art. 2497 *et seq*. of the Italian Civil Code, under the management and control of the parent company ***Research & Development International S.r.l.***, with registered offices in Florence (Italy), at Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000.

The parent company Research & Development International S.r.l. owns 54.00% of the shares of B&C Speakers S.p.A., equal to 5,940,529 shares.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (December 31, 2019):

Highlights R&D International S.r.l. (€ Thousand)	31 december 2019	31 december 2018
Total assets	20,904	19,036
Equity	16,598	14,670
Net income	3,364	3,041

The aforementioned essential data were extracted from the related financial statements for the year ended December 31, 2019. For an adequate and complete understanding of the equity and financial situation of

Research & Development International S.r.l. as at December 31, 2019, as well as the economic result achieved by the Company in the year ended on that date, please refer to the reading of the financial statements which, along with the report of the Independent Auditors, is available in the forms and methods provided for by law.

More information about relations with the parent company is given in the following paragraph.

37. Transazioni con imprese correlate, controllanti e con imprese sottoposte al controllo di queste ultime

The following table summarises related party transactions in 2018, as well as providing information on related party transactions and including that required by CONSOB Communication of July 28, 2006.

In particular, note the transactions implemented with the company ***Research & Development International S.r.l.***, a company based in Florence, at Viale dei Mille 60, tax code 02342270481, Share Capital € 90,000 (owner of the parent company B&C Speakers S.p.A.).

In accordance with Art. 2.6.2, paragraph 13 of the Regulation governing the Markets Organised and Managed by Borsa Italiana S.p.A., it is hereby certified that the conditions pursuant to Art. 37 of CONSOB Regulation no. 16191/2007 have been met.

The tables below also take account of relations with the three companies controlled by B&C Speakers S.p.A. (B&C Speakers NA LLC, B&C Speakers Brasile LTDA and Eighteen Sound S.r.l.). Note that there are no relations with the company Sound & Vision S.r.l. (indirectly controlled).

Equity transactions

Revenues	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2020	24,558,769	-	26,996	501,445	2,500,222	91,083	3,119,746	13%
2019	42,623,234	-	47,751	-	2,717,260	293,386	3,058,397	7%

Other revenues	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2020	605,291	-	90,963	-	-	-	90,963	15%
2019	342,060	-	142,800	-	-	-	142,800	42%

Cost of goods sold	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2020	(16,251,648)	-	(10,413)	-	-	-	(10,413)	0%
2019	(26,216,104)	-	(35,090)	-	-	-	(35,090)	0%

Financial expenses	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2020	(634,274)	(71,839)	-	-	-	-	(71,839)	11%
2019	(365,843)	(88,766)	-	-	-	-	(88,766)	24%

Financial income	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2020	611,756	-	14,038	-	-	-	14,038	2%
2019	1,097,217	-	13,112	-	-	-	13,112	1%

Financial charges (accounted for following the application of IFRS 16) towards "*Research & Development International S.r.l.*" refer to the implicit interests of the current financial liability for the rental contracts for the properties of the Company's headquarters and production plant.

Commercial relations with Eighteen Sound S.r.l., Sound & Vision S.r.l. and the two foreign subsidiaries B&C Speakers NA LLC and B&C Speakers Brazil LTDA are related to commercial supplies and intercompany services which were carried out at market values. Financial income from Eighteen Sound S.r.l. relate to interest income accrued on the existing intercompany loan agreement.

Assets reports

Trade receivables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	5,543,940	-	238,389	345,205	866,308	242,733	1,692,636	31%
31 December 2019	9,981,888	-	142,800	-	1,218,680	293,386	1,654,866	17%

Other current assets	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	9,683,626	-	1,417,429	-	-	-	1,417,429	15%
31 December 2019	9,683,626	-	1,405,098	-	-	-	612,404	6%

Other non current assets	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	618,361	6,700	-	-	-	-	6,700	1%
31 December 2019	618,361	68,392	-	-	-	-	68,392	11%

Trade payables	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	(2,233,629)	(47,976)	(710)	-	-	-	(48,686)	2%
31 December 2019	(3,605,007)	(4,377)	(2,028)	-	-	-	(6,405)	0%

Long-term lease liabilities	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	(2,355,345)	(1,694,474)	-	-	-	-	(1,694,474)	72%
31 December 2019	(2,355,345)	(2,290,500)	-	-	-	-	-	0%

Short-term lease liabilities	Total balance	Research & Development Intl. Srl	Eighteen Sound S.r.l.	Eighteen Sound S.r.l.	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2020	(638,006)	(596,026)	-	-	-	-	(596,026)	93%
31 December 2019	(909,168)	(867,957)	-	-	-	-	-	0%

The outstanding creditor positions relative to Research & Development International S.r.l. as of December 31, 2020, is related to the credit for an IRAP rebate which arose in 2012 following the application for refund made by the Company for the financial years in which the Companies availed themselves of tax consolidation. The outstanding debtor positions towards Research & Development International S.r.l. as of December 31, 2020 relate to financial liabilities associated with the accounting of rental contracts according to IFRS 16.

Creditor positions relating to Eighteen Sound S.r.l. as of December 31, 2020 refer to the interest-bearing shareholders' loan given to the subsidiary in order to provide it with necessary cash flow flexibility for Euro 1,417 thousand and the receivable for re-invoicing of intercompany administration services for Euro 232 thousand. Outstanding debt towards Eighteen Sound S.r.l. and Sound & Vision S.r.l. as of December 31, 2020 refers to the provision of processing services on Company products.

The other positions with the two foreign subsidiaries B&C Speakers NA LLC and B&C Speakers Brasile LTDA refer to commercial services purchased at market value.

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

38. Significant events after the end of the 2020 financial year

We inform you that after December 31, 2020 and until the date of approval of this financial statement document, no event has occurred that could have significant consequences on the equity and economic results represented.

The first months following the closure of 2020 showed some positive signals originated from the areas that are best fighting the Covid-19 pandemic. This confirms that a gradual and progressive return to normality will depend on the effective distribution of vaccines in various areas of the world.

Supported bythese positive signals, management is working to make sure that the Company can be ready in terms of positioning and commercial strength when signs of economic recovery are increasing.

39. Disclosure regarding public subsidies, contributions and other economic advantages received (pursuant to Italian Law 124/2017, Article 1, paragraph 125).

The item also includes contributions paid by GSE S.p.A. (Energy services manager) for Euro 58 thousand (Euro 31 thousand in 2019), contributions received for personnel training and hiring for Euro 40 thousand (Euro 21 thousand in 2019), the contributions received from Sviluppo Toscana for the “Share” project of Euro 35 thousand, for the “Smart B&C” project of Euro 11 thousand and for the “Heat CS” project for Euro 54 thousand.
Pursuant to the above law, during 2019 the Company received:

- Contributions from GSE S.p.A. (Energy services manager) for Euro 58 thousand in relation to the use of photovoltaic panels.
- Tax benefits in relation to capital goods and the tax credit for sanitation for Euro 42 thousand.
- School/work contributions received from the Chamber of Commerce of Florence for Euro 25 thousand.
- Contributions received for personnel training for Euro 15 thousand.
- Contributions for the Innovation project received by Sviluppo Toscana for Euro 35 thousand
- Tax benefits related to reseach projects for Euro 65 thousand.

40 . Publication authorisation

This document has been approved by the Board of Directors of B&C Speakers S.p.A. on March 22, 2021 and published on March 31, 2021 with the authorization of the Director with financial proxy.

41. Proposal for approval of the financial statements and allocation of the profit for the year

The Board of Directors of the Company, held on March 22, 2021, proposed to allocate the profit for the year resulting from the financial statements at December 31, 2020 as follows

- distribution of a dividend of Euro 0.18 per ordinary share outstanding at the ex dividend date, therefore excluding the treasury shares held at that date;
- distribution of a further dividend equal to Euro 0.08 for each ordinary share in circulation at the ex dividend date, therefore excluding treasury shares in portfolio at that date, resulting from the available profit reserves.

13 Certification of the consolidated financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

3. The undersigned Simone Pratesi, as financially delegated Director 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 February 24, 1998:

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of consolidated financial statements for year 2020 have been effectively applied.

4. The undersigned also certify that:

   2.1. the consolidated financial statements:

   d. are drawn up in accordance with the applicable international accounting standards approved by the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 of July 19, 2002, as well as the measures enacted to implement Art. 9 of Italian Legislative Decree no. 38/2005;

   e. correspond to the information in the accounting ledgers;

   f. provide a true and accurate representation of the issuer's economic, financial and equity position and that of the group of businesses included in the consolidation.

   2.2. The Report on Operations includes a reliable analysis of performance and management results as well as the position of the Issuer and consolidated companies together with descriptions of the main risks and uncertainties to which they are exposed.

Bagno a Ripoli (FI), March 22, 2021

Simone Pratesi Francesco Spapperi

14 Report of the Independent Auditors to the Consolidated Financial Statements of the B&C Speakers Company at December 31, 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

B&C Speakers SpA

Financial statements as of 31 December 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of B&C Speakers SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of B&C Speakers SpA (the Company), which comprise the statement of financial position as of 31 December 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the carrying amounts of equity investments in subsidiaries *Paragraph 12.2, note 4 "Equity investments in subsidiaries" to the financial statements as of 31 December 2020* Equity investments in subsidiaries were recognised in the financial statements as of 31 December 2020 in the amount of Euro 8,286 thousand equal to 17% of the Company's assets. Such item includes equity investments in Eighteen Sound Srl for Euro 6,583 thousand, in B&C Speakers NA LLC for Euro 1,450 thousand and in B&C Speakers Brasil Ltda for Euro 253 thousand. Evaluating the recoverability of the amounts recognised in the financial statements required management to make estimates with particular reference to the method to determine expected future cash flows, the calculation of the discount rate and of the steady growth rate of financial flows beyond the time period of the plans of the subsidiaries under analysis. Within our audit process, we paid special attention to the evaluation process of this item performed by management, considering its significance and the estimates implied in the evaluation performed by the directors, also considering the uncertain context deriving from the health emergency due to Covid-19 (Coronavirus). In this regard, the directors deemed it proper to perform also sensitivity analyses which consider lower profitability levels compared to those identified in the Plans approved by the directors of the subsidiaries and of the parent company.	We analysed the changes affecting this item during 2020 and we understood and assessed the procedures adopted by management in order to verify whether these procedures complied with *"IAS 36 - Impairment of Assets"* adopted by the European Union. We verified the reasonableness of the assumptions used by the directors in order to estimate the cash flows expected for the relevant time period and resulting from the Plans of Eighteen Sound Srl, B&C Speakers NA LLC and of B&C Speakers Brasil Ltda. We also controlled the mathematical accuracy of the calculations made by management. Furthermore, we re-performed the calculation methods of the discount rate and of the steady growth rate of financial flows beyond the time period of the Business Plans approved on 18 March 2021 by the directors of the subsidiaries and of the parent company, together with the impairment test. Moreover, we analysed the alternative scenarios prepared by the directors (sensitivity analysis) whitin the uncertain context deriving from the health emergency due to Coronavirus. Finally, we conducted our own sensitivity analyses as regards the key assumptions adopted by the directors in verifying the existence of an impairment loss of equity investments. We carried out such activities with the support of PwC network experts.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.
The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 24 April 2015, the shareholders of B&C Speakers SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of B&C Speakers SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of B&C Speakers SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of B&C Speakers SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of B&C Speakers SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 30 March 2021

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.

15 Report by the Board of Statutory Auditors

Report by the Board of Auditors to the shareholders' meeting of "B. & C. Speakers S.p.A." (Art. 153 of Italian Legislative Decree no. 59/98 and Art. 2429(2) of the Italian Civil Code

Dear Shareholders,
The Board of Statutory Auditors of B & C Speakers S.p.A. (hereafter also "B&C" or the "Company"), pursuant to Article 153 of Italian Legislative Decree 58/1998 and to Article 2429(2) of the Italian Civil Code, is called upon to inform the Shareholders' Meeting called to approve the financial statements regarding the supervisory activities performed during the year in execution of its responsibilities, on omissions and reprehensible actions that may have identified, and on the results for the fiscal year, as well as proposals relative to the Financial Statements, the approval of the same and the issues under its jurisdiction.
During the year ending at December 31, 2019 and up to the present date, the Board of Statutory Auditors has performed its supervisory activities in line with the provisions of the law, taking into account the behavioural standards recommended by the Italian National Association of Certified Accountants and Accounting Experts, the CONSOB provisions regarding corporate auditing and the provisions found in Article 19, Italian Legislative Decree 39/2010.
The Company's annual and consolidated financial statements were prepared on the basis of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in compliance with the provisions issued by CONSOB, implementing Article 9(3) of Italian Legislative Decree 38/2005.
In the explanatory notes to the financial statements, there is a detailed description of the general standards adopted in the preparation of the statements themselves.
The Company did not present the declarations pursuant Articles 3 and 4 of Italian Legislative Decree 254/2016 (individual and consolidated non-financial disclosure) given that it did not exceed the size limits pursuant to Article 2 of the Decree in question.
The Board of Statutory Auditors acquired information instrumental to performing its supervisory tasks as assigned through participating in meetings of the Board of Directors and of the sub-committees of the Board of Directors, by meeting with the Company's management, and through reports received from the relative corporate departments, as well as through additional audit activities.

Appointment and independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office as of the date of this report, was appointed by the Shareholders' Meeting of April 26, 2018. It consists of Riccardo Foglia Taverna (Chairman), Sara Nuzzaci and Giovanni Mongelli (Regular Auditors), and Antonella Rapi and Elisa Baucherio (Alternate Auditors). Their terms will expire as of the date of the Shareholders' Meeting which approves the Company's financial statements for 2020.
During the meetings, the Board of Statutory Auditors carried out an annual self-assessment activity of the same supervisory body in terms of the suitability of the members and the adequate composition of the body, with reference to the requisites of professionalism, competence, integrity, and independence required by law, and based of the declarations made and the analysis carried out in the collegial office, no cause of ineligibility and forfeiture provided for by current legislation and by the Articles of Association apply to any of them; the results were recorded and communicated to the Board of Directors.

The structure of the Board of Statutory Auditors complies with the criteria of gender parity pursuant to Article 148 of Italian Legislative Decree 58/98 (T.U.F.).

Board of Statutory Auditors supervisory and auditing activities

The Board of Statutory Auditors carried out its supervisory activities in compliance with the rules established under Article 2403 of the Italian Civil Code and Article 149 of Italian Legislative Decree 58/1998, as well as Article 19 of Italian Legislative Decree 39/2010, as illustrated below.

Supervisory and disclosure activities required by CONSOB

In executing its assigned tasks, the Board of Statutory Auditors performed the supervisory activities prescribed under Article 2403 of the Italian Civil Code and Article 149, Italian Legislative Decree 58/1998, CONSOB recommendations regarding corporate auditing and the activities of the Board of Statutory Auditors, complying with the indications found in the Code of Corporate Governance and the Code of Conduct for the Boards of Statutory Auditors for listed companies issued by the Italian National Association of Certified Accountants and Accounting Experts. In drafting this Report, the following CONSOB communications were taken into account: no. 1025564 of April 6, 2001, no. 3021582 of April 4, 2003 and no. 6031329 of 7April 7, 2006, all of which concerning the content of Board of Statutory Auditors reports for lthe isted companies submitted to Shareholders' Meetings.
As a part of its tasks, the Board of Auditors:

- met 8 times during the year, participated in 7 meetings of the Board of Directors, in 3 meetings of the Audit and Risk Committee and received information about the issues discussed and results of the meetings of the Compensation Committee and Appointments Committee.
- participated in 1 (one) Shareholders' Meeting and 7 (seven) Board of Directors meetings, monitoring compliance with the Articles of Associations, general laws and regulations governing the operations of the Company's bodies, as well as compliance with the principles of proper administration;
- obtained from the Directors, at least quarterly, proper information on the general management trend and its foreseeable evolution, in particular on the impact produced by the COVID-19 health emergency in 2020 and on the risk factors and significant uncertainties relating to the business continuity, as well as to the business plans prepared to deal with aforementioned risks and uncertainties;
- monitored, to the extent applicable, on the adequacy of the Company's organizational structure, its concrete functioning and its compliance with the principles of proper administration, also with regard to the measures adopted by the Directors to deal with the epidemiological situation linked to Covid-19, through direct observations, collection of information from the managers of certain company functions and meetings with the Independent Auditors as part of a mutual exchange of relevant data and information
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, also with reference to the impact of the COVID-19 emergency on IT and telematic systems, as well as on the reliability of the latter in correctly representing the operational transactions, by obtaining information from the relative department managers, reviewing business documents and analyzing results of work completed by the audit firm;
- monitored the adequacy of reciprocal flows of information between the Company and its subsidiaries, pursuant to Article 114, paragraph 2 of Italian Legislative Decree 58/1998, assured by the instructions issued to the Group by the Company and by the examination of the annual report for the financial statements issued by the control bodies of the subsidiaries that there were no critical issues;

- during its meetings, met with the Control Board and the Supervisory Board of the subsidiary Eighteen Sound S.r.l. pursuant to Italian Legislative Decree 231/2001

Furthermore, the Board of Statutory Auditors:

- obtained adequate information from the Directors regarding activities carried out and the most signification economic, financial and equity transactions performed by the Company and its subsidiaries pursuant to Article 150(1) of Italian Legislative Decree 58/1998. In this respect, both individually and as a Group, the Board of Statutory Auditors paid particular attention to the fact that transactions approved and carried out were in compliance with the law and the Articles of Associations and were not imprudent or injudicious, in conflict with resolutions made by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of company equity;

- held meetings with representatives of the audit firm pursuant to Article 150(3) of Italian Legislative Decree 58/1998, and not significant data and/or information arose which requires highlighting in this Report;

- supervised the methods of concrete implementation of the corporate governance rules provided for by the Corporate Governance Code to which the Company adheres as properly represented in the Report on Corporate Governance and Ownership Structures, in compliance with art. 124-ter, Legislative Decree 58/1998, and art. 89-bis of the Issuers' Regulations; in this regard, it should be noted that the Company has adhered to the principles of the Code, as well as its amendments and additions made by the Corporate Governance Committee of Borsa Italiana, and will apply the New Corporate and Governance Code starting from the 2021 financial year

- supervised, through the exchange of information with the pertinent bodies, on the fulfillment of the obligations pertaining the legislation related to to Market Abuse (EU Regulation no. 596/2014 - "MAR"), on corporate disclosure and Internal Dealing matters, with particular reference to the treatment of confidential information and the procedures adopted in this regard by the Company.

Supervisory and disclosure activities required under the Comprehensive Statutory Auditing Law

Pursuant to Article 19 of Italian Legislative Decree 39/2010 (Comprehensive Statutory Auditing Law), the Board of Statutory Auditors, as the internal audit and statutory accounting committee, pursuant to Italian Legislative Decree 39/2010, is called on to supervise:

- the financial reporting process;
- the efficacy of the internal audit and risk management systems;
- the statutory auditing of the annual and consolidated financial statements;
- the independence of the audit firm, in particular with regard to the adequacy of services provided to the Company other than auditing.

<u>Financial reporting process</u>

The Board of Statutory Auditors monitored the existence of norms and procedures regarding the process of creating and disseminating financial information.

To that end, it is pointed out that the Report on Corporate Governance and Ownership Structures illustrates the methods with which the Group has defined its own Internal Audit and Risk Management System, in relation to the consolidated process of financial reporting.
The Financial Reporting Manager is Francesco Spapperi, who also serves as a Director. The Board of Directors has assigned him the responsibility for:

- preparing, formalizing and issuing adequate administrative/accounting procedures for the preparation of financial reporting documents and to identify the main risks associated with the financial reports;
- monitoring application of the procedures;
- issuing certifications for the market related to the adequacy and effective application of administrative and accounting procedures for the purposes of the Group's financial reporting.

The Board of Statutory Auditors notes that it has received adequate information about monitoring of the company processes with administrative/accounting impacts within the internal Audit System, done both throughout the year in relation to periodic management reports and at the time the accounts were closed in order to arrange the annual and consolidated financial statements.
The adequacy of the administrative/accounting system was also assessed through the acquisition of information from respective department managers, reviewing business documents and analyzing the results of work completed by the Independent Auditors.

There were no particular critical issues and impediments while releasing the certification by the Financial Reporting Manager in charge of drafting the corporate accounting documents and the Chief Executive Officer (CEO) regarding the adequacy of the administrative and accounting procedures for the preparation of the financial statements and the consolidated financial statements of the Company for the 2020 financial year.
The Board of Auditors:

- supervised compliance with the regulations concerning the preparation and publication of the Half-Year Financial Report, as well as the entailed settings and the correct application of accounting principles, also using the information got from the Independent Auditors.
- verified that the Directors' Report on Operations for the 2020 financial year was compliant with current legislation, as well as consistent with the resolutions adopted by the Board of Directors and with the facts represented in the Separate and Consolidated Financial Statements;
- took note of the contents of the Quarterly Interim Reports, without needing to make any comment, and ensured to make them public in the manner prescribed by current legislation.

Efficacy of the internal audit and risk management systems
The Board of Statutory Auditors assessed and monitored the adequacy of the internal auditing and the efficacy of the internal audit and risk management systems.
The Board of Statutory Auditors notes that it has verified the most significant activities related to the overall internal audit and risk management system through specific exchanges of information with all the pertinent departments.
In particular, within its own auditing activities, the Board of Statutory Auditors received and examined:

- periodic reports on activities performed by the Control and Risk Committee and by the Internal Audit Manager;

- periodic updates on developments in the risk management process, mitigation of risks, the results of monitoring and assessment activities performed by Internal Audit and goals achieved;

The Board of Statutory Auditors periodically met with the Supervisory Board and examined the period reports on activities it had issued, verifying its schedule and budget. Likewise, the Board of Statutory Auditors took note of Compliance activities pursuant to Italian Legislative Decree 231/01 and the schedule of planned activities, also noting the updating of the Organization and Management Model pursuant to Italian Legislative Decree 231/01.
The main identified, monitored and managed risks are listed in the Report on Operations.
Following the outlined above activities performed during the period, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee related to the adequacy of the internal control and risk management system.
Independent auditing of the annual and consolidated financial statements and independence of the audit firm:
The Board of Statutory Auditors acknowledges that:

- the Indipendent Auditors, appointed to perform independent auditing of the accounts for the years 2016 - 2024, performed the examinations established by the applicable regulations and did not identify events and/or findings such as to be stated in this Report in their periodic meetings with the Board of Statutory Auditors;

- The Board of Statutory Auditors supervised the auditing of the annual and consolidated accounts, inquiring and discussing with the Independent Auditors

In particular, the Board of Statutory Auditors was informed about all the main stages of auditing activities, including the identification of areas of risk and description of the relative procedures adopted.
The Board of Statutory Auditors examined the transparency report and the additional report drawn up by the Independent Auditors in compliance with the provisions of EU Reg. 2014/537, noting that, based on the information acquired, no critical aspects emerged in relation to independence of the Independent Auditors and also in relation to the nature and extent of services other than accounting control referred to the Company and its subsidiaries.
In this regard, the Board of Statutory Auditors reports that during the year the following assignment was conferred on the Indipendent Auditors, in addition to those relating to the statutory audit of the Company and its subsidiary Eighteen Sound Srl:

- Audit assignment of the statement of costs incurred by Eighteen Sound S.r.l. for research and development in the 2018 financial year and in the three-year period 2012 - 2014 for the purposes set out in art. 1, paragraph 70, of Law 145 of December 30, 2018 which amended art. 3 of the D.L. 145 of December 23, 2013, converted with amendments by Law 9 of February 21, 2014.

The Board of Statutory Auditors provided, where necessary, the opinions and comments required by law.

The Board of Statutory Auditors has received written confirmation that the Independent Auditors, in the period from January 1, 2020 while releasing the declaration of independence, has not encountered any situations that could compromise its independence from the Company, pursuant to the combined provisions of articles 6, par. 2, lett. a) of European Regulation 2014/537, articles 10 and 17 of Legislative Decree 39/2010 as well as articles 4 and 5 of European Regulation 2014/537.

In light of the foregoing, the Board of Statutory Auditors believes that the requirement of independence of the Independent Auditors exists.

Finally, it notes that on this date, the audit firm:

- issued its reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of European Regulation 537/2014, which indicate that the Company's annual financial statements and the Group's consolidated financial statements as at December 31, 2020 are compliant with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as the provisions issued implementing Article 9 of Italian Legislative Decree 38/2005, and are prepared clearly and accurately and truly represent the equity and financial situation, economic results and cash flows for the year ending on said date;
- expressed its opinion on the consistency between the Report on Operations and certain specific information contained in the report on corporate governance and ownership structures as well as the annual Financial Statements and Consolidated Financial Statements of the Company and Group, confirming that these reports were prepared in compliance with the law;
- delivered to the Board of Statutory Auditors the additional report pursuant to Article 11 of European Regulation 537/2014, in relation to which this auditing board has no observations which require representation in this Report;

Significant transactions and events

Due to the persistence of the Covid-19 emergency and the tightening of the related restrictive measures, all the Group's production plants remained compulsorily closed from the start of the *lockdown* until May 4, 2020, the date from which it was possible to restart activities; these ones are necessarily distributed at a reduced rate to comply with the ongoing health provisions, as well as due to the natural reduction in the Group's order book.

Considering the highly negative effect on market demand, especially that of live events which are currently substantially suspended, an effect produced by the restrictive measures adopted by government authorities in the various countries for the Covid-19 emergency, the Group reacted by implementing a series of actions aimed at mitigating the economic impact. In particular, the following cost containment measures have been identified and adopted:

Labour Cost: activation of social safety nets and other forms of public support, envisaged or issued on an extraordinary basis, aimed at protecting workers, in the countries where the Group operates, plus the voluntary reduction of salary by management

- Marketing costs: significant reduction of non-strategic initiatives in this field;
- Other costs: suspension of all non-strategic costs and renegotiation, where possible, of existing contracts (including rental contracts).

As regards decisions of a financial nature, in order to manage company financial resources with the utmost prudence, the Group has implemented the following actions:

- the Shareholders' Meeting held on April 29, 2020 resolved, based on the updated proposal of the Board
of the Board of Directors of April 14, 2020, not to cautiously proceed with the distribution of the dividend
initially proposed in order to keep the patrimonial situation unchanged;
- in addition to this, the Group, as described above, increased its financial resources through the subscription of three new loans for a total amount of Euro 7.5 million;
- lastly, the Group adhered to the voluntary moratorium, promoted by the reference financial institutions, of the maturities of the mortgages up to September 2020 equal to approximately Euro 1,140 thousand contractually due by June and Euro 500 thousand in August.

The set of interventions listed above was judged to be able to guarantee liquidity and financial solidity so to meet all the needs that may arise during the current crisis.

With regard to the health measures taken, the two production companies of the Group approved a specific protocol, with consequent updating of the Risk Assessment Document, providing for the application of all the protection and containment measures envisaged by the various (national and regional) legislative and regulatory interventions, which occurred during the *lockdown* and constituting the necessary prerequisite to allow not only the reopening of production activities, but also their continuation in a context of safety and respect for the health of workers.
In this regard, the Board of Directors of the Company, taking into account the activities described above, also implemented to face the Covid-19 emergency, the financial structure, the bank credit lines available and the outstanding order book as of February 2021 of the Group, claims that there is no doubt about the existence of the going concern assumption. In this regard, the Independent Auditors in the Report pursuant to Article 14 of Legislative Decree 39/2010 considered appropriate the use of the assumption of business continuity by the Directors.

Irregularities, reprehensible actions, complaints pursuant to Article 2408 of the Italian Civil Code, atypical and/or unusual transactions

Based on the supervisory and auditing activities performed during the year, the Board of Statutory Auditors can state that:

- during the activities performed, no omissions, irregularities nor reprehensible or in any case significant events have arisen requiring any reporting to the auditing bodies or mentioning in this Report;
- it did not receive any complaints pursuant to Article 2408 of the Italian Civil Code, nor petitions from third parties;
- no transaction were identified with third parties, intragroup or with related parties that are atypical or unusual in terms of content, nature, size or timing.

Intragroup and related party transactions

With regard to transactions carried out within the Group and with related parties, the Directors provided specific and accurate information in the Report on Operations and in the notes to the annual and consolidated financial statements, noting in particular that the Company had relations with other Group companies and with top management, under normal market conditions.

With regard to intragroup transactions, in the Report on Operations and in the notes to the annual and consolidated financial statements, the Directors indicated the characteristics of the commercial and financial relationships with subsidiaries and associated companies.
In the context of its own activities and audits performed, the Board of Statutory Auditors holds that the amounts are congruent and the transactions carried out were in the interest of the Company.

Impairment test procedure

On March 18, 2021, the Company's Board of Directors approved the structure of the impairment test procedure, in line with the instructions found in international accounting standard IAS 36.
The results of the *impairment* test are properly showed in the notes to the financial statements. The Board of Statutory Auditors verified the adequacy of the process, according to the procedure.

Additional supervisory activities relative to the annual and consolidated financial statements

With regard to the annual financial statements as at December 31, 2020, the consolidated financial statements and the Report on Operations, we note the following:

- Through direct verifications and information obtained through the audit firm, the Board of Statutory Auditors has ensured compliance with the rules related to the drafting of the separate and consolidated financial statements and the related reports on operations;
- the effects of relationships with related parties are expressly indicated in the balance sheet schedules;
- the annual financial statements and consolidated financial statements are consistent with the events and information that the Board of Statutory Auditors became aware of in exercising its regulatory responsibilities besides its auditing and inspection powers;
- relating to the Board of Statutory Auditors' scope of powers, the Directors did not derogate from any legal norms pursuant to Article 2423, paragraph 5 of the Italian Civil Code in drafting the annual and consolidated financial statements;
- as regards corporate governance and the methods used to concretely implement corporate governance rules, the Company has prepared a specific report pursuant to Article 123-*bis*, Italian Legislative Decree 58/1998, whose contents are approved the Board of Statutory Auditors. In this regard, please note that both Company and Group adhere to the Code of Corporate Governance for Italian listed companies;
- the monitoring and auditing activities carried out by the Board of Auditors, as described above, did not reveal any significant events worth mentioning in this report, nor worthy of reporting to the supervisory and auditing boards;
- pursuant to that established in Article 123-ter of Italian Legislative Decree 58/1998 (T.U.F.), the Compensation Report is presented to the Shareholders' Meeting, which the Board of Statutory Auditors has examined. It also approved the structure used in its preparation, in a joint meeting with the Remuneration Committee.
- the net result ascertained by the Directors for the year ended December 31, 2020, as is also evident from the reading of the financial statements, reports a profit for the year equal to Euro 2,014,627.

Proposal for the Shareholders' Meeting

On the basis of the above, outlining the supervisory activities performed during the year, also taking into account that indicated in the audit firm's report, the Board of Statutory Auditors has no comment to make neither concerning that falling under its responsibilities related to the Company's annual financial statements and the Group's consolidated financial statements, nor on the related Notes and Reports on Operations, nor with regard to the Board of Directors' proposal to the Shareholders' Meeting on the destination of the profits for the year and distribution of dividends.

Milan, Florence, ITALY, March 30, 2021

THE BOARD OF STATUTORY AUDITORS

Chariman Dott. Riccardo Foglia Taverna

Regular Auditor	Dott. Sara Nuzzaci
Regular Auditor	Dott. Giovanni Mongelli

Attachment to the Annual Report of the Board of Auditors:

List of positions held within the Companies as per Volume V, chapters V, VI and VII of the Italian Civil Code as at the reporting date

Sara Nuzzaci

	Denominazione sociale	Incarico	Scadenza
1	Accademia del Maggio Musicale Fiorentino	Membro Collegio dei Sindaci Revisori	Financial statement 07/01/2023
2	B&C Speakers Spa	Statutory Auditor	Financial statement 31/12/2020
3	Colonna Spa	Statutory Auditor	Financial statement 31/12/2021
4	Conceria 800 Spa	Statutory Auditor	Financial statement 31/12/2021
5	Eighteen Sound Srl	Statutory Auditor	Financial statement 31/12/2021
6	Falco Pellami Spa	Statutory Auditor	Financial statement 31/12/2021
7	Fondazione Angeli del Bello Onlus	Member of the Board	Financial statement 31/12/2022
8	Fondazione Guess	Statutory Auditor	Financial statement 31/12/2020
9	Gap (ITALY) Srl	Chairman of the Board of Auditors	Financial statement 28/01/2023
10	Guess Italia Srl	Statutory Auditor	Financial statement 28/01/2023
11	Imm Hydraulics Spa	Statutory Auditor	Financial statement 31/12/2020
12	Interpump Hydraulics Spa	Statutory Auditor	Financial statement 31/12/2021
13	Marbella Pellami Spa	Statutory Auditor	Financial statement 31/12/2021
14	Obi Italia Srl	Statutory Auditor	Financial statement 31/12/2020
15	Tenuta Biondi Santi Spa	Chairman of the Board of Auditors	Financial statement 31/12/2022
16	Vianse Spa	Chairman of the Board of Auditors	Financial statement 30/09/2020
17	Walvoil Spa	Statutory Auditor	Financial statement 31/12/2020

Number of appointment in public companies	1
Total number of appointment	17

Giovanni Mongelli

	Denominazione sociale	Incarico	Scadenza
1	ANDREOTTI IMPIANTI S.P.A.	Statutory Auditor	Financial statement 31/12/2022
2	AUTOFAN SRL	Statutory Auditor	Financial statement 31/12/2022
3	B&C SPEAKERS SPA	Statutory Auditor	Financial statement 31/12/2020
4	HOTEL RIVOLI S.P.A.	Statutory Auditor	Financial statement 31/12/2021
5	JM INVESTMENTS SPA	Statutory Auditor	Financial statement 31/12/2022
6	RESEARCH & DEVELOPMENT INTERNATIONAL S.R.L.	Presidente collegio sindacale	Financial statement 31/12/2021
7	TREND S.R.L.	Statutory Auditor	Financial statement 31/12/2022
8	ALBERGHIERA ADRIATICA AL.A SRL	Presidente collegio sindacale	Financial statement 31/12/2021
9	AUTO LA TORRE SRL	Revisore Unico	Financial statement 31/12/2021
10	NOXERIOR S.R.L.	Revisore Unico	Financial statement 31/12/2022
11	RIVERAUTO SRL	Statutory Auditor	Financial statement 31/12/2021

Number of appointment in public companies	1
Total number of appointment	11

Riccardo Foglia Taverna

	Denominazione sociale	Incarico	Scadenza
1	ACHILLE PINTO S.p.A.	Statutory Auditor	Financial statement 31/12/2021
2	AVM S.p.A.	Statutory Auditor	Financial statement 31/12/2020
3	BANCA SELLA HOLDING S.p.A.	Statutory Auditor	Financial statement 31/12/2020
4	B&C SPEAKERS S.p.A.	Chairman of the Board of Auditors	Financial statement 31/12/2020
5	BIOMET S.p.A.	Chairman of the Board of Auditors	Financial statement 31/12/2022
6	BOUTIQUE ITALIA S.p.A.	Chairman of the Board	Financial statement 31/12/2021
7	CABECO S.r.l.	Statutory Auditor	Financial statement 31/12/2021
8	CEDIS S.r.l.	Member of the Board	Untill revocation
9	CONSORZIO DI VIGILANZA SELLA S.c.p.A.	Statutory Auditor	Financial statement 31/12/2021
10	DAFE 4000 S.p.A.	Statutory Auditor	Financial statement 31/12/2022
11	EDISON FACILITY MANAGEMENT S.p.A.	Statutory Auditor	Financial statement 31/12/2020
12	FINANZIARIA 2010 S.p.A.	Statutory Auditor	Financial statement 31/12/2022
13	FRANCO FERRARI S.r.l.	Statutory Auditor	Financial statement 31/12/2020
14	GAMMA TOPCO S.P.A.	Chairman of the Board of Auditors	Financial statement 31/12/2022
15	GAMMA BIDCO S.p.A.	Chairman of the Board of Auditors	Financial statement 31/12/2022
16	GESTIMM S.p.A.	Chairman of the Board of Auditors	Financial statement 31/12/2022
17	JAKIL S.p.A.	Statutory Auditor	Financial statement 31/12/2020
18	ILLIMITY BANK S.p.A.	Statutory Auditor	Financial statement 31/12/2021
19	IN-PAO S.r.l.	Statutory Auditor	Financial statement 31/12/2021
20	INDUSTRIES S.p.A.	Statutory Auditor	Financial statement 31/12/2022
21	LAMPUGNANI FARMACEUTICI S.p.A.	Statutory Auditor	Financial statement 31/12/2021
22	NEPRIX S.r.l.	Statutory Auditor	Financial statement 31/12/2021
23	ORSO BLU onlus	OdV	Financial statement 31/12/2022
24	PRIMOMIGLIO SGR S.p.A.	Statutory Auditor	Financial statement 30/06/2021
25	RUFFINI PARTECIPAZIONI HOLDING S.r.l.	Statutory Auditor	Financial statement 31/12/2021
26	RUFFINI PARTECIPAZIONI S.r.l.	Statutory Auditor	Financial statement 30/06/2022
27	SELLA FIDICIARIA (già SELFID S.p.A.)	Statutory Auditor	Financial statement 31/12/2022
28	SIGLA S.r.l.	Chairman of the Board of Auditors	Financial statement 31/12/2022
29	SOFT NW S.p.A.	Statutory Auditor	Financial statement 31/12/2020

Number of appointment in public companies	1
Total number of appointment	29