B&C SPEAKERS GROUP

INTERIM REPORT at 31 MARCH 2015

The Board of Directors 14 May 2015

CONTENTS

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

Board of Directors

Chairman:	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

Board of Auditors

Chairman:	Sara Nuzzacci
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Leonardo Tommasini

Independent auditing firm

Deloitte & Touche S.p.A.

2 INTRODUCTION

The *Interim Report* at 31 March 2015 has been prepared pursuant to Legislative Decree 195/2007 and article 154 *ter* of the T.U.F.; the economic and financial aggregates shown below, even if determined on the basis of IFRS and in particular the same measurement criteria used for the preparation of the consolidated financial statements as at 31 December 2014, do not represent an interim financial statement prepared in accordance with *I.F.R.S.* and in particular with *IAS 34*.

This interim report has not been subjected to audit.

3 The main aspects of the period from January to March 2015

- During the period January-March 2015 the turnover of the Group reached a value of Euro 8.62 million, resulting in growth of 9.4% over the same period of 2014 when turnover stood at Euro 7.87 million.
- Orders received by the parent company B&C Speakers S.p.A. during the first three months of 2015 amounted to Euro 9.92 million (Euro 8.07 million in the first quarter of 2014). The Group's management believes that the increase in orders is not only indicative of growing customer loyalty, but also clearly signals a growing trend that will continue in the following quarters;
- During 2015, the Parent Company continued the execution of the Buy-Back plan for own shares. As at 31 March 2015 it held 161,190 treasury shares. The new plan, valid until the date of approval of the financial statements at 31 December 2015, was approved by the Shareholders' Meeting on 24 April 2015;

4 Information on ownership structure

As at 31 March 2015 official data reported the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 61.52% stake *(parent company)*;
- Intelligent Investor International Fund, which owns 2.73% of shares;
- *Aldinio Colabchini* with 2.17%;
- Government of Norway, with 2.16%.

Subsequent to 31 March 2015 there were no significant changes in the ownership structure.

5 Operating, economic and financial results

This Interim Report at 31 March 2015 contains the information required by *art. 154 ter of the TUF.*

The IFRS accounting standards used by the Group are the same as those applied in the preparation of the financial statements for the year ended 31 December 2014, to which reference should be made.

In particular, as required by IFRS, provision was made for the carrying out of estimates and the formulation of assumptions, which are reflected in the determination of the carrying amounts of assets and liabilities, including potential assets and liabilities at the end of the period. These estimates and assumptions are used specifically for determining amortisation and depreciation, impairment testing of assets (including the measurement of receivables), provisions, employee benefits, deferred tax assets and liabilities. The final results could therefore differ from these estimates and assumptions; moreover, the estimates and assumptions are reviewed and updated periodically and the effects of each change are immediately reflected in the financial statements.

Below are the financial statements and the explanatory notes to the statements. All values are expressed in euros, unless otherwise indicated. The financial and economic data presented are compared with the corresponding figures of 2014. These financial statements, prepared in accordance with the requirements of art. 154 ter of the TUF, report the positive and negative components of income, the net financial position, divided between short, medium and long term items, as well as the Group's financial position. In view of this, the financial statements presented and the explanatory notes thereto, prepared for the sole purpose of compliance with the provisions of the aforementioned Issuer Regulations, are devoid of certain data and information that would be required for a complete representation of the financial position and the results of the Group for the quarter ended at 31 March 2015 in accordance with IFRS.

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

Products are manufactured and assembled at the production plant of the Italian parent company, which also deals directly with its marketing and sales in the various geographical areas covered.

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

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

Below is the table showing the Group's economic performance during the first three months of 2015 compared with the figures for the same period of 2014.

Economic trends - Group B&C Speakers				
(€ thousands)	I Q 2015 YTD	*Incidence*	I Q 2014 YTD	*Incidence*
Revenues	8,619	*100.00%*	7,876	*100.00%*
Other revenues	60	*0.70%*	31	*0.39%*
Total revenues	**8,679**	***100.70%***	**7,907**	***100.39%***
Change in inventory	910	*10.56%*	(339)	*-4.30%*
Purchases of raw materials and other	(4,314)	*-50.05%*	(2,560)	*-32.50%*
Labor cost	(1,480)	*-17.17%*	(1,289)	*-16.37%*
Services costs	(1,787)	*-20.73%*	(1,625)	*-20.63%*
Other costs	(100)	*-1.16%*	(94)	*-1.19%*
Ebitda	**1,908**	***22.14%***	**2,000**	***25.39%***
Depreciations of tangible assets	(177)	*-2.05%*	(184)	*-2.34%*
Amortizations of intangible assets	(19)	*-0.22%*	(28)	*-0.36%*
Writedowns	(5)	*-0.06%*	(5)	*-0.06%*
Ebit	**1,707**	***19.81%***	**1,783**	***22.64%***
Interest income	278	*3.23%*	30	*0.38%*
Finance costs	(265)	*-3.07%*	(36)	*-0.46%*
Ebt	**1,720**	***19.96%***	**1,777**	***22.56%***
Income taxes	(606)	*-7.03%*	(601)	*-7.63%*
Net Result	**1,114**	***12.92%***	**1,176**	***14.93%***
Minority interest	0	*0.00%*	0	*0.00%*
Group Net Result	**1,114**	***12.92%***	**1,176**	***14.93%***
Other comprehensive result	(43)	*-0.50%*	(129)	*-1.64%*
Total Comprehensive result	**1,071**	***12.42%***	**1,047**	***13.29%***

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on the above consolidated income statement EBITDA is a measure used by the Issuer to monitor and assess the operating performance of the Group and is not defined as an accounting measure either by Italian Accounting Standards or by IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing trends in the Group's operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Group may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

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

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

Revenues

Consolidated revenues in the first three months of 2015 amounted to Euro 8.62 million, resulting in growth of 9.4% over the same period of 2014 when turnover stood at Euro 7.87 million.

As at 31 March 2015, the order book of the parent company amounted to Euro 9.5 million, while at the end of the first quarter of 2014 the figure was Euro 7.8 million. The significant growth of the order book (+21%), confirmed the growth trend for the first quarter and laid the basis for its continuance throughout the year.

Consumption of raw and ancillary materials and goods for resale and Change in inventories

Costs for supplies during the first three months of 2015 increased their impact on revenues compared to the first quarter of 2014, rising from 36.81% to 39.49%. This was mainly attributable to the strong appreciation of the dollar against the euro, which resulted in an increase in the cost of components purchased in markets outside Europe (China in particular). By applying an exchange rate consistent with the first quarter of 2014, costs for supplies emerge as essentially unchanged.

Payroll cost

Payroll cost has shown, over the first three months of 2014, an increase more than proportionally to the increase in turnover as a result of new hires to strengthen the administrative structure and the R&D department, slightly increasing its impact on revenues (16.4% in the first quarter of 2014 against 17.2% in 2015).

The total workforce is unchanged compared to 31 December 2014. The following table shows the composition of the workforce:

Personnel headcount	**31-Mar-15**	**31-Dec-14**
Workers	80	80
Employees	20	20
Lower management	5	5
Upper management	1	1
Total	**106**	**106**

EBITDA and EBITDA Margin

Mainly as a result of the trends described above, EBITDA in the first three months of 2015 amounted to Euro 1.91 million, an increase of 4.6% over the same period of 2014 (which amounted to Euro 2 million).

The EBITDA margin for the first three months of 2015 was therefore equal to 22.1% of revenues, a decrease of 3.3 percentage points compared to the first quarter of 2014 (when it was 25.4% of revenues for the period). The margin decrease compared to the same period of the previous year is mainly a result of the above described appreciation of the dollar against the euro.

Depreciation and amortisation

The depreciation of tangible and intangible assets has decreased compared to the corresponding period of the previous year as a result of a momentary slowdown in investments flows after the intense activity of the previous year.

Below is the financial data as at 31 March 2015 compared with assets at the end of 2014.

Reclassified Balance sheet *(€ thousands)*	**31 March 2015**	**31 Dec 2014**	**Change**
Property, plant & Equipment	**3,398**	**3,538**	**(141)**
Inventories	8,211	8,019	192
Receivables	6,627	6,828	(202)
Other receivables	1,884	1,693	191
Payables	(3,968)	(4,392)	424
Other payables	(2,118)	(1,401)	(717)
Working capital	**10,635**	**10,747**	**(111)**
Provisions	**(740)**	**(724)**	**(16)**
Invested net working capital	**13,293**	**13,561**	**(268)**
Cash and cash equvalents	3,998	4,082	(84)
Investments in associates	0	0	-
Goodwill	1,394	1,394	-
Short term securities	4,656	4,967	(311)
Other financial receivables	474	473	1
Financial assets	**10,522**	**10,917**	**(394)**
Invested net non operating capital	**10,522**	**10,917**	**(394)**
NET INVESTED CAPITAL	**23,816**	**24,478**	**(662)**
Equity	18,321	17,433	888
Short-term financial borrowings	5,186	6,687	(1,500)
Long-term financial borrowing	308	358	(50)
RAISED CAPITAL	**23,816**	**24,478**	**(662)**

Note:

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

Fixed Assets

Fixed assets underwent a slight decrease compared to 31 December 2014 due to the depreciation of the period.

Current Assets

The variations in recorded working assets compared to 31 December 2014 are mainly due to the decrease in trade receivables, a slight increase in trade payables and a decrease in short-term securities in the portfolio due to the disinvestment of a portion of them, resulting in a capital gain of Euro 43 thousand.

Equity

Changes in net equity reserves of the Group during the first three months of 2015 are attributable primarily to the balance of Treasury shares (negative as a result of purchases made in the period). It should be noted, however, that the decrease in share capital is due to IFRS-compliant handling of trading of Treasury shares.

Non-current liabilities and medium/long term debt

Non-current liabilities (funds and medium/long term financial debt) remain essentially unchanged compared to 31 December 2014 and consist mainly of Euro 652 thousand from Payroll and similar provisions, Euro 88 thousand from the product warranty reserve, Euro 250 thousand from the long-term share of residual equity of a development loan in foreign markets (of the original amount of Euro 500 thousand) agreed with SIMEST originally over a seven-year term, and Euro 58 thousand from the long-term share of residual equity of implicit debt on an existing financial lease.

Current liabilities - short-term debt

This category is represented entirely by the short-term portion of loans taken out by the Group. In particular, the short-term debt refers to a Euro 5 million loan from Cassa di Risparmio di Firenze, used for the purchase of portfolio securities held for liquidity use and due in August of the current year; the remainder comprises a short-term loan agreement with SIMEST as described above, relating to an existing financial lease.

The decrease in short-term debt compared with 31 December 2014 is due to the February 2015 repayment of loans amounting to Euro 1.5 million to Credito Emiliano S.p.A.

6 Statement of changes in equity

Below is the statement of changes in equity from 1 January 2015 to 31 March 2015 (figures in Euro thousands):

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO Result	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2014	**1,086**	379	3,777	44	2	**4,202**	**(137)**	**7,927**	**4,533**	**(155)**	**(23)**	**17,433**	**-**	**17,433**
Allocation of 2014 net result	-	-	-	-	-	-	(23)	4,378	(4,533)	155	23	()	-	()
Treasury shares allocation	(5)	-	(314)	-	-	(314)	-	-	-	-	-	(319)	-	(319)
Consolidation and foreign exchange effect	-	-	-	-	-	-	-	136	-	-	-	136	-	136
I Q 2015 net result	-	-	-	-	-	-	-	-	1,114	(41)	(2)	1,070	-	1,070
Balance at 31 March 2015	**1,081**	379	3,463	44	2	**3,888**	**(160)**	**12,441**	**1,114**	**(41)**	**(2)**	**18,320**	-	**18,320**

7 Net Financial Position

Below is the Net Financial Position table prepared in line with that reported in the consolidated financial statements as at 31 December 2014 (figures in Euro thousands).

Net financial position *(€ thousands)*	**31 march 2015 (a)**	**31 december 2014 (a)**	**Change**
A. Cash	3,998	4,082	-2%
C. Securities held for trading	4,656	4,967	-6%
D. Cash and cash equivalent (A+C)	**8,654**	**9,049**	**-4%**
F. Bank overdrafts	(5,000)	(6,501)	-23%
G. Current portion of non current borrowings	(186)	(186)	0%
I. Current borrowingse (F+G)	**(5,186)**	**(6,687)**	**-22%**
J. Current net financial position (D+I)	**3,468**	**2,362**	**47%**
K. Non current borrowings	(308)	(358)	-14%
N. Non current borrowings	**(308)**	**(358)**	**-14%**
O. Total net financial position (J+N)	**3,160**	**2,004**	**58%**

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

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

The cash flows generated by operations in the first three months of the current financial year have resulted in a positive Net financial Position, up by Euro 1.1 million compared to 31 December 2014, despite the repayment of the loan contract with Credito Emiliano for Euro 1.5 million.

8 Significant events occurring after 31 March 2015

Following the closing date of this quarter of 2015 and until the draft date of this report, the following events have been worthy of note:

- the collection of new orders has maintained its growth. The order backlog at the date of the preparation of this report release amounts to 10.9 million euro;
- the Shareholders' Meeting held on 24 April 2015 appointed the new Board of Directors and Board of Auditors following the expiry of the respective terms. The number of Directors was raised from six to eight in view of the growth trend and the long-term outlook towards greater specialisation of Board members;
- additionally, in view of the expiry of the current audit appointment held by Deloitte&Touche S.p.A., pursuant to Article 12, paragraph 1 of Legislative Decree No. 39 of 27 January 2010, the Shareholders' Meeting decided to assign the mandate for the period 2016-2024 to PricewaterhouseCoopers S.p.A.;
- finally, the above Shareholders' Meeting resolved the distribution of a dividend equal to Euro 0.32 for each of the shares in circulation (net of Treasury shares owned), for a total outlay of Euro 3.51million.

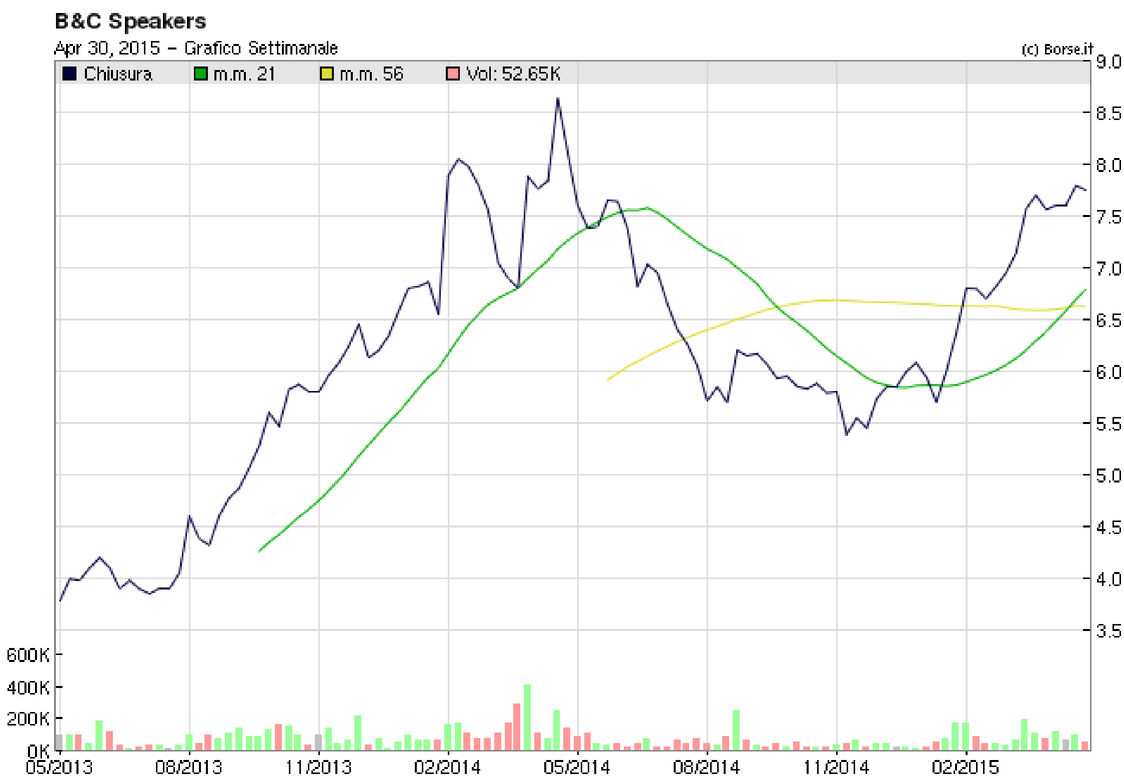
9 Outlook for the entire year 2015

With regard to the full-year forecast for 2015, the parent company management believes that, given trends in demand and production capacity, it can expect the year to end with increased revenue volumes compared to the previous one.

Following the gradual appreciation of the dollar against the euro and in order to mitigate the negative impact on company accounts, a mean list increase is planned with effect from the month of June with the aim of countering the slight loss of profitability that began in the first quarter of 2015.

10 Share performance in 2015

Below is a summary table of the evolution of share performance from 2013 to March 2015.



- Consolidated balance sheet and income statement relating to 31 March 2015

(Values in Euro)		31 March 2015	31 December 2014
ASSETS			
Fixed assets			
Tangible assets		3,279,372	3,402,208
Goodwill		1,393,789	1,393,789
Other intangible assets		118,294	136,249
Deferred tax assets		288,795	325,052
Other non current assets		220,108	219,334
	related parties	*88,950*	*88,950*
Other assets (TFM insurance)		254,012	254,012
Total non current assets		**5,554,370**	**5,730,644**
Currents assets			
Inventory		8,210,851	8,018,696
Trade receivables		6,626,570	6,828,276
Tax assets		1,197,092	1,069,532
Other current assets		5,054,252	5,265,368
Cash and cash equivalents		3,998,447	4,082,370
Total current assets		**25,087,212**	**25,264,242**
Total assets		**30,641,582**	**30,994,886**

		31 March 2015	31 December 2014
LIABILITIES			
Equity			
Share capital		1,081,117	1,086,030
Other reserves		3,887,871	4,201,715
Retained Earnings		12,441,240	7,926,561
Fair value reserve		(159,596)	(136,836)
Profit/(loss) for the year		1,070,256	4,355,103
Total equity attributable to shareholders of the parent		**18,320,887**	**17,432,573**
Minority interest		-	0
Total equity		**18,320,887**	**17,432,573**
Non current equity			
Long-term borrowings		308,331	358,331
Severance Indemnities		652,227	641,535
Provisions for risk and charges		87,596	82,596
Deferred tax liabilities		43,533	43,533
Total non current liabilities		**1,091,687**	**1,125,995**
Current liabilities			
Short-term borrowings		5,186,366	6,686,669
Trade liabilities		3,968,358	4,391,910
	related parties	*12,767*	*13,896*
Tax liabilities		1,096,953	548,453
Other current liabilities		977,331	809,286
Total current liabilities		**11,229,008**	**12,436,318**
Total Liabilities		**30,641,582**	**30,994,886**

(Values in Euro)		I Q 2015 YTD	I Q 2014 YTD
Revenues		8,619,009	7,875,764
Other revenues		59,898	31,490
Change in inventory of finished goods and work in progress		910,409	(338,877)
Cost of raw material and others		4,314,234	2,560,441
Cost of labour		1,480,207	1,289,484
Cost of services		1,787,230	1,625,461
	related parties	*230,718*	*230,507*
Depreciation of tangible assets		176,860	184,360
Amortization of intangible assets		18,550	27,959
Writedowns		5,000	5,000
Other costs		100,577	94,933
Earning before taxes and interests		**1,706,658**	**1,780,739**
Financial income		277,605	29,697
Financial costs		264,699	36,464
Earning before taxes		**1,719,564**	**1,773,972**
Income taxes		605,897	600,559
Profit for the year (A)		**1,113,667**	**1,173,412**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Exchange differences on translating foreign operations		(40,976)	(120,383)
Actuarial gain/(losses) on DBO (net of tax)		(2,435)	(7,542)
Total other comprehensive income/(losses) for the year (B)		**(43,411)**	**(127,925)**
Total comprehensive income (A) + (B)		**1,070,256**	**1,045,487**
Profit attributable to:			
Owners of the parent		1,113,667	1,173,412
Minority interest		-	-
Total comprehensive income atributable to:			
Owners of the parent		1,070,256	1,045,487
Minority interest		0	0

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

The Financial Reporting Manager, Mr. Francesco Spapperi declares, pursuant to paragraph 2 article 154-bis of the Consolidated Financial Law, that the accounting information contained in this document, "Interim report at 31 March 2015", corresponds to the company's accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi