B&C Speakers Group

Separate and consolidated financial statements

as of 31 December 2015

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

B&C Speakers S.p.A.

Via Poggiomoro, 1
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Financial statements

as of 31 December 2015

NOTICE CONVENING THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called, with single call, to meet at 11:00 a.m. on 26 April 2016, at the company's registered office at 1 Via Poggiomoro, Loc.tà Vallina, Bagno a Ripoli, to discuss and resolve on the following agenda:

1) Statutory and consolidated financial statements as at 31 December 2015. Related and consequent resolutions.

2) Report on Remuneration in accordance with Art. 123-ter of Italian Legislative Decree no. 58/98. Related and consequent resolutions.

3) Authorization for the purchase and disposal of treasury shares. Related and consequent resolutions.

All shareholders with the right to vote are entitled to attend the Shareholders' Meeting. The right to attend and vote at the meeting is confirmed by notification made to the Company by the authorised intermediary, in compliance with the accounts, in the favour of the party concerned; said declaration shall be made on the basis of the evidence available at the end of the seventh business day prior to the date for which the shareholders' meeting is scheduled (namely 14 April 2016). Anyone only registered as shareholder after that date shall not be entitled to attend and vote at the meeting. Voting by post or electronic means is not accepted.

Each person entitled to participate in the meeting may be represented by written power of attorney, in compliance with legislation, by signing the power of attorney included at the bottom of the copy of the above notice issued by the intermediary; alternatively, the power of attorney form available on the company website www.bcspeakers.com may be used. If the representative should provide the Company with a copy of the power of attorney, he shall certify, assuming liability, that the copy is a true copy of the original, declaring the name of the delegating party. The power of attorney may be sent to the Company by recorded delivery to its registered office or by e-mail to the address: spratesi@bcspeakers.com.

The company does not designate representatives to whom entitled persons can assign a power of attorney with voting instructions.

All those entitled to attend the shareholders' meeting may ask questions about the agenda during or prior to the meeting; they shall do so by sending a specific letter to this end, by registered letter to the Company's registered office, or by e-mailing spratesi@bcspeakers.com. Questions received prior to the shareholders' meeting are answered at latest during said meeting. The Company has the right to provide a single answer to multiple questions on the same subject. Questions must be accompanied by a certificate issued by the intermediaries to ascertain shareholder status, or be included in the same communication required to attend the shareholders' meeting.

Pursuant to art. 126-bis TUF, shareholders who, also jointly, represent at least one-fortieth of the share capital may request, within ten days of publication of this notice, the expansion of the list of subjects to be dealt with, indicating the additional topics in their application; the application must be submitted in writing to the registered office or sent by registered post, on the condition that it reaches the company within the period referred to above.

Pursuant to law, matters proposed by Directors, or on the basis of documents prepared by the same are not admitted to the agenda for the subjects on which the Shareholder's meeting resolves. The amended agenda will be published with the same method used for this notice.

The subscribed and paid-up capital totals Euro 1,100,000, divided into 11,000,000 ordinary shares, with each share giving the right to one vote. On the date of this notice, the Company holds 256,450 ordinary shares for which applicable legislation suspends the right to vote. Any changes in treasury shares will be communicated at the start of the shareholders' meeting.
Further information is available on these rights and the foregoing from the Company's website www.bcspeakers.com.

All documentation relating to the items on the agenda will be filed with the registered office and Borsa Italiana S.p.A., and shall be made available on the website www.bcspeakers.com within the terms permitted by current legislation. Shareholders have the right to a copy.

Contents

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

Board of Auditors

Chairperson:	Sara Nuzzaci
Statutory Auditor:	Leonardo Tommasini
Statutory Auditor:	Giovanni Mongelli
Alternate Statutory Auditor:	Antonella Rapi
Alternate Statutory Auditor:	Placida Di Ciommo

Independent auditing firm

Deloitte & Touche S.p.A.

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

The Company's Board of Directors met on 14 March 2016 and proposed allocating the profit for the year presented in the financial statements as at 31 December 2015 as follows:
- distribution of a dividend of Euro 0.35 per ordinary share outstanding at the coupon detachment date, therefore excluding the treasury shares held at that date;
the remainder to "retained earnings".

3 Introduction to the separate and consolidated financial statements at 31 December 2015

The separate and consolidated financial statements for B&C Speakers S.p.A. as at 31 December 2015 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").

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 10 May 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 31 December 2015, in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

On this point, it should be noted that, starting with the interim report as at 30 September 2015, the Group's management decided to adopt an arrangement for the Statement of Comprehensive Income with classification by destination rather than by nature. Therefore the statement of comprehensive income shows a different classification of costs together with the identification of intermediate results in terms of EBITDA, EBIT, EBT and net profit. This approach was adopted with the double aim of (i) aligning the periodic financial disclosure with management reporting used internally by management for decision-making and control purposes and (ii) improving the readability and effectiveness of information in annual and interim reporting towards third parties.

The main changes relate to the following items:

- the entry "*Cost of sales*" covers: purchases of raw and ancillary materials and goods and the change in inventories of raw and ancillary materials and goods (formerly classified under "Consumption of raw and ancillary materials and goods"); change in inventories of finished and semi-finished products (formerly classified under the item of the same name); the processing of third party goods (formerly classified under "Costs for services, leases and rentals"); the cost of staff directly involved in the production process (previously classified within the "Labour costs"); transportation costs, costs for commissions payable and customs duties (previously classified under "Costs for services, leases and rentals") and finally revenues to recover costs of transport (previously classified under "Other revenues");
- the item "*Indirect personnel*" covers only the cost of staff not directly used in the production process (employees, executives and managers) previously classified under "Labour costs";

- the item *"Commercial expenses"* covers commercial consultancy costs, advertising costs, travel expenses and other charges relating to the commercial sector previously classified under "Costs for services, leases and rentals";
- the item *"Administrative and General"* covers: costs for maintenance, utilities and the provision of services not directly linked to the production process (previously classified under "Costs for services, leases and rentals"); purchases of goods that are also not directly associated with the production process (previously classified under "Consumption of raw and ancillary materials and goods"); remuneration for directors, professionals, consultants and supervisory bodies, as well as property rent and hire costs (previously classified under "Costs for services, leases and rentals"); stock exchange fees; taxes other than on income; losses and contingent liabilities (previously classified under "Other costs").

The statement of comprehensive income for 2014 was reclassified to allow a uniform comparison of magnitudes and economic results. It should be noted that, following the reclassification of costs by destination, the restated EBITDA and EBIT (of the Parent Company and the Group) for 2014 increased by Euro 20 thousand, related to bank charge costs classified in financial charges rather than in administrative and general costs.

In FY 2015, the Parent Company continued its treasury share buy-back programme in accordance with that established by resolution of the shareholders' meeting on 24 April 2015. At 31 December 2015, it held 244,550 treasury shares, equal to 2.22% of the share capital. The shares have been valued in accordance with the relevant accounting principles.

At the date of this report (March 2016), the number of Treasury shares owned is 261.850 equal to 2.38% of the share capital; the weighted average purchase price of shares in the portfolio is Euro 5.16.

Please note that the Parent Company, B&C Speakers S.p.A. is a subsidiary of Research & Development International S.r.l., which coordinates and controls it. The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2014).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2014**	**31 december 2013**
Total assets	11.477	11.264
Equity	8.312	8.025
Net income	2.487	3.570

The investment held by the parent company as at 31 December 2015 is equivalent to 61.52% of the share capital; more information about the relationship with the parent company can be found in the Report on Operations, to which we refer you.

4 Separate financial statements of the parent company B&C Speakers S.p.A. Speakers at 31 December 2015

4.1 STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

(Values in Euro)		Notes	31 December 2015	31 December 2014
ASSETS				
Non current assets				
Tangible assets		*1*	3,105,541	3,349,709
Other intangible assets		*2*	89,447	131,094
Investments in controlled associates		*3*	1,877,937	2,047,935
Investments in non controlled associates		*4*	50,000	-
Deferred tax assets		*5*	93,858	84,773
Other non current assets		*6*	146,046	213,308
	related parties	*31*	*88,950*	*88,950*
Other assets		*6*	303,405	254,012
Total non current assets			**5,666,233**	**6,080,831**
Currents assets				
Inventory		*7*	8,038,575	7,254,928
Trade receivables		*8*	7,913,785	7,446,639
	related parties	*31*	*1,436,252*	*1,500,187*
Tax assets		*9*	262,898	639,505
Other current assets		*10*	4,332,430	5,254,043
Cash and cash equivalents		*11*	1,020,405	3,751,845
Total current assets			**21,568,093**	**24,346,960**
Total assets			**27,234,327**	**30,427,791**

(Valori in Euro)			31 December 2015	31 December 2014
Liabilities				
Equity				
Share capital		*12*	1,072,541	1,086,030
Other reserves		*12*	3,283,847	4,201,715
Retained Earnings		*12*	8,685,846	7,700,565
Fair value reserve		*12*	(159,596)	(136,836)
IAS FTA reserve		*12*	11,764	11,764
Profit/(loss) for the year		*12*	5,184,189	4,452,084
Total equity			**18,078,591**	**17,315,321**
Non current equity				
Long-term borrowings		*13*	2,821,554	358,331
Severance Indemnities		*14*	660,765	641,535
Provisions for risk and charges		*15*	82,596	82,596
Deferred tax liabilities		*16*	33,127	43,533
Total non current liabilities			**3,598,042**	**1,125,995**
Current liabilities				
Short-term borrowings		*17*	1,123,729	6,686,669
Trade liabilities		*18*	3,204,289	4,396,285
	related parties	*31*	*17,256*	*13,896*
Tax liabilities		*19*	291,186	118,905
Other current liabilities		*20*	938,489	784,616
Total current liabilities			**5,557,694**	**11,986,475**
Total Liabilities			**27,234,327**	**30,427,791**

4.2 COMPREHENSIVE INCOME STATEMENT FOR FY 2015

(Values in Euro)

			2015 YTD	2014 YTD
Revenues		*21*	35,425,525	31,645,328
	related parties	*31*	*2,426,508*	2,484,551
Cost of sales		*22*	(21,377,007)	(18,679,131)
Gross Margin			**14,048,518**	**12,966,197**
Other revenues		*23*	140,813	90,031
Cost of indirect labour		*24*	(1,621,029)	(1,491,118)
Commercial expenses		*25*	(754,745)	(744,227)
General and administrative expenses		*26*	(3,740,008)	(3,436,535)
	related parties	*31*	*927,249*	*961,337*
Ebitda			**8,073,550**	**7,384,347**
Depreciation of tangible assets		*27*	(717,841)	(724,119)
Amortization of intangible assets		*27*	(71,347)	(109,373)
Provisions and writedowns		*27*	(169,998)	(68,325)
Earning before interest and taxes (Ebit)			**7,114,364**	**6,482,532**
Financial costs		*28*	(413,214)	(311,405)
Financial income		*28*	698,568	402,089
Earning before taxes (Ebt)			**7,399,718**	**6,573,216**
Income taxes		*29*	(2,225,577)	(2,098,372)
Profit for the year (A)			**5,174,140**	**4,474,844**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)			10,049	(22,760)
Total other comprehensive income/(losses) for the year (B)			**10,049**	**(22,760)**
Total profit for the year (A) + (B)			**5,184,189**	**4,452,084**

4.3 STATEMENT OF CASH FLOW FOR FY 2015

Cash flow statement (Euro thousands)	**Year**		
	2015	**2014**	
A- Net current bank balances at the beginning of the period	**3,752**	**1,854**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	5,184	4,452	
Income tax expense	2,226	2,098	
Amortization of intangibles assets	71	109	
Depreciation of tangible assets	718	724	
Sale of property, plant and equipment	0	37	
Finance cost	413	251	
Interest income	(699)	(362)	
Net change in provisions for risk and charges and other provision relating to personell	49	(334)	
Change in provigion for leaving indemnities	0	0	
Allocations and revaluations	4	7	
Actuarial gain/(losses)	(15)	33	
(Use)	(20)	(21)	
Investment in associates writedown	169	0	
(increase) decrease in current trade and other current receivables	(142)	(1,216)	**Note 1**
(increase) decrease in deferred tax assets	(9)	(21)	
(increase) decrease in inventory	(784)	(1,645)	
Increase (decrease) in current trade and other payables	(734)	2,314	**Note 2**
increase (decrease) in deferred tax liabilities	(10)	17	
Net cash from/(used in) operating activities	**6,422**	**6,443**	
Paid interest costs	(413)	(251)	
Collected interest income	699	362	
Taxes paid	(2,357)	(2,594)	
Total (B)	**4,351**	**3,960**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(474)	(539)	
Selling price of decreases of non current tangible assets	0	25	
Net (investments) in non current intangible assets	(30)	(57)	
(increase) decrease in investments in associates	(50)	-	
Net (investments) in non current securities	18	364	
Net (investments) in current securities	973	(4,217)	
Total (C)	**437**	**(4,424)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(3,099)	6,396	
Purchase of treasury shares	(955)	(521)	
Dividend paid to shareholders	(3,465)	(3,513)	
Total (D)	**(7,519)**	**2,362**	
E- Cash flow for the period (B+C+D)	**(2,732)**	**1,897**	
G- Cash and cash equivalents at end of the period	**1,020**	**3,752**	

Note 1: the liquidity used by the change in trade receivables and other current receivables includes an increase in liquid funds due to the transactions with the subsidiary B&C Usa NA LLC in the amount of approximately Euro 74 thousand, and with the subsidiary

B&C Brasil LTDA for approximately Euro 11 thousand.

Note 2: the use of liquidity determined by the change in amounts owed to suppliers and others includes liquidity used by transactions with the parent company R&D International S.r.l. for about Euro 6 thousand and an increase in liquidity due to transactions with the subsidiary B&C Usa NA LLC for approximately Euro 10 thousand

The following table shows the composition of the balance of net final cash and cash equivalents at 31 December 2015 and at 31 December 2014.

(In Euro thousands)

	31-Dec-15	31-Dec-14
Cash	1,020	3,752
Bank overdrafts	-	-
Total	**1,020**	**3,752**

4.4 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 2014 and FY 2015.

(In thousands of euros)

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	First Time Adoption reserve	Net result	DBO Reslut	Net equity
Balance at 31 December 2013	**1,098**	379	4,286	44	2	**4,711**	**(145)**	**6,464**	**12**	**4,750**	**8**	**16,898**
Allocation of 2013 result	-	-	-	-	-	-	8	4,750	-	(4,750)	(8)	-
Dividend distribution	-	-	-	-	-	-	-	(3,513)	-	-	-	(3,513)
Trading on B&C share	(12)	-	(510)	-	-	**(510)**	-	-	-	-	-	(522)
Others	-	-	-	-	-	-	-	-	-	-	-	-
2014 net result	-	-	-	-	-	-	-	-	-	4,475	(23)	4,452
Balance at 31 December 2014	**1,086**	379	3,776	44	2	**4,201**	**(137)**	**7,701**	**12**	**4,475**	**(23)**	**17,315**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	First Time Adoption reserve	Net result	DBO Reslut	Net equity
Balance at 31 December 2014	**1,086**	379	3,776	44	2	**4,201**	**(137)**	**7,701**	**12**	**4,475**	**(23)**	**17,315**
Allocation of 2014 result	-	-	-	-	25	25	(23)	4,450	-	(4,475)	23	-
Dividend distribution	-	-	-	-	-	-	-	(3,465)	-	-	-	(3,465)
Trading on B&C share	(13)	-	(942)	-	-	**(942)**	-	-	-	-	-	(955)
Others	-	-	-	-	-	-	-	-	-	-	-	-
2015 net result	-	-	-	-	-	-	-	-	-	5,174	10	5,184
Balance at 31 December 2015	**1,073**	379	2,834	44	27	**3,284**	**(160)**	**8,686**	**12**	**5,174**	**10**	**18,079**

5 Report on operations for the financial year ended on 31 December 2015

The B&C Speakers Group is a key international entity in the production and marketing of "top quality professional loudspeakers"; the business of the Group, which operates both nationally and internationally, is dedicated exclusively to this sector. Products are manufactured and assembled at the Italian production plant of the Parent Company, which also deals directly with marketing and sales in the various geographical areas covered.

Products are distributed on the American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA, which in 2015 acted as a distribution centre.

Profit recorded for FY 2015 came to Euro 5,184 thousand, net of tax for Euro 2,226 thousand and amortisation/depreciation for Euro 789 thousand.

Profit recorded for FY 2014 came to Euro 4,452 thousand, net of tax for Euro 2,098 thousand and amortisation/depreciation for Euro 833 thousand.

Highlights

The tables below provide the economic, equity and financial highlights for FY 2015, compared with the same data for the previous year:

Income statement highlights

(€ thousands)

	2015	2014
Revenues	35,426	31,645
Ebitda	8,074	7,384
Ebit	7,114	6,483
Net profit	5,184	4,452

Balance sheet highlights

(€ thousands)	31 December 2015	31 December 2014
Non current Assets	5,666	6,081
Non current liabilities	3,598	1,126
Current assets	21,568	24,347
Current liabilities	5,558	11,986
Net working Capital	16,010	12,360
Net Equity	18,079	17,315

Cash flow statement highlights

(€ thousands)

	2015	2014
Operating cash flow	4,351	3,960
Cash flow from investing activities	437	(4,424)
Cash flow from financial activities	(7,519)	2,362
Cash and cash equivalent at end of the year	(2,732)	1,897

Net financial position
(€ thousands)

	2015	2014
Current net financial position	3,890	2,032
Total net financial position	1,069	1,673

Economic trend

The economic trend in the year 2015 was characterised by appreciable corporate growth in general that allowed us to achieve a new company record in terms of sales with a value amounting to Euro 35.4 million.

To provide a clearer representation of the economic management trend recorded in FY 2015 compared with the same period last year, the table below lists the major aggregates of B&C Speakers S.p.A.:

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

(€ thousands)	2015	*Incidence*	2014	*Incidence*
Revenues	35,426	*100.00%*	31,645	*100.0%*
Cost of sales	(21,377)	*-60.34%*	(18,679)	*-59.0%*
Gross margin	**14,049**	***39.66%***	**12,966**	***41.0%***
Other revenues	141	*0.40%*	90	*0.3%*
Cost of indirect labour	(1,621)	*-4.58%*	(1,491)	*-4.7%*
Commercial expenses	(755)	*-2.13%*	(744)	*-2.4%*
General and administrative expenses	(3,740)	*-10.56%*	(3,437)	*-10.9%*
Ebitda	**8,074**	***22.79%***	**7,384**	***23.3%***
Depreciation of tangible assets	(718)	*-2.03%*	(724)	*-2.3%*
Amortization of intangible assets	(71)	*-0.20%*	(109)	*-0.3%*
Provisions and writedowns	(170)	*-0.48%*	(68)	*-0.2%*
Earning before interest and taxes (Ebit)	**7,114**	***20.08%***	**6,483**	***20.5%***
Financial costs	(413)	*-1.17%*	(311)	*-1.0%*
Financial income	699	*1.97%*	402	*1.3%*
Earning before taxes (Ebt)	**7,400**	***20.89%***	**6,573**	***20.8%***
Income taxes	(2,226)	*-6.28%*	(2,098)	*-6.6%*
Profit for the year	**5,174**	***14.61%***	**4,475**	***14.1%***
Other comprehensive result	10	*0.03%*	(23)	*-0.1%*
Total profit for the year	**5,184**	***14.63%***	**4,452**	***14.1%***

Note:

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 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 said income statement. EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure, neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of 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) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

EBT (Earnings Before Tax) represents the consolidated result before tax, as specified on the income statement prepared by the Directors as part of IAS/IFRS-compliant financial statements.

Revenues

Revenues in 2015 came to Euro 35.4 million, up by approximately 11.9% on 2014 (Euro 31.6 million).

2015 exports remained at 2014 levels, continuing to account for 90% of the turnover.

The result achieved in 2015 was driven primarily by the extremely important growth achieved in the Asian market, with an increase of 38% with annual sales of 9.25 million and an incidence of 26% over the total sales figure.

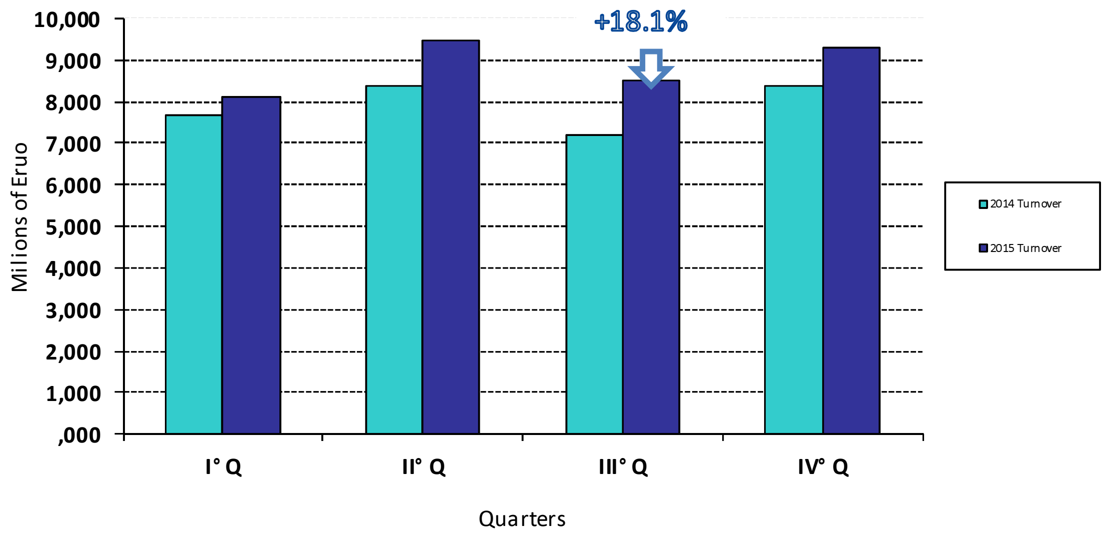
Performance in the European market, including Italy, was also positive and showed an increase of about 5%. This market, which achieved an overall value in 2015 of 18.16 million, provides 51% of the Company's total sales. The results from the North American market were also positive and showed a growth of 6% reaching a value of 5.1 million for the year with an incidence of 14% on total turnover.
The Latin American market produced revenues that were almost stable in absolute terms, which should be considered positive in view of the economic difficulties seen at a country level in Brazil.

The very positive trend in orders from customers of the Company continued in 2015, with a calendar year total of Euro 35.63 million, up by 9% compared to the total figure in 2014. The order book value at the end of 2015 amounted to Euro 6.5 million, showing a slight decrease compared to the figure of 7.2 at the end of 2014.

Revenues in the various quarters of FYs 2014 and 2015 are summarised in the table below:

Trend of B&C Spa revenues (€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2015	8.12	9.49	8.50	9.30	**35.43**
Net sales revenues 2014	7.70	8.38	7.20	8.36	**31.65**
Change 2015 - 2014	5.5%	13.3%	18.1%	11.2%	11.9%

As can be seen from the table below, revenue performance showed a steady tendency towards growth in every quarter of the year compared to 2014. In particular, the third quarter marked an increase of 18.1%.



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 showed a slight increase in its incidence over revenues moving from 59.03% in 2014 to 60.34% in 2015. This change was due essentially to (i) a slight increase in the costs of purchases of components made in the dollar area and (ii) direct labour costs which increased slightly more than the growth in revenues. The other components of cost of sales (commissions, transportation and other costs) have substantially maintained the same proportion of revenues.

Indirect personnel

This category refers to costs of R&D staff, office personnel, top executives and workers not directly involved in the production process.

The cost of indirect personnel in 2015 showed a lower growth compared to sales and its incidence actually dropped to 4.58% of sales compared to 4.71% at the end of 2015.

Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

Commercial expenses showed no significant changes compared to 2014.

Administrative and General

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

Thanks to the close monitoring of trends by top management, administrative and general costs showed no significant changes compared to the previous year. Therefore their impact over revenues made a positive fall from 10.86% in 2014 to 10.56% in 2015.

The table below summarises the EBITDA trend for the periods described.

(€ thousands)	**2015**	*Incidence*	**2014**	*Incidence*
Ebitda	**8,074**	*22.8%*	**7,384**	*23.3%*

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 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 said income statement. EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure, neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Company may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

EBITDA and EBITDA margin

Due to the trends described above, the EBITDA in 2015 amounted to Euro 8.07 million, an increase of 9.3% compared to 2014.

The EBITDA margin relating to 2015 was therefore 22.8% of revenues, compared with 23.3% for the same period in 2014.

It should be noted that, following the reclassification of costs by destination, the restated EBITDA and EBIT (of the Parent Company and the Group) for 2014 increased by Euro 20 thousand, related to bank charge costs currently classified under financial charges rather than in administrative and general costs.

EBIT and EBIT margin

The EBIT at the end of 2015 totalled Euro 7.1 million up by 9.7% compared to 2014.

The EBIT margin relating to 2015 was therefore 20.1% of revenues, compared with 20.5% for the same period in 2014.

Net profits

Net profits at the end of 2015 amounted to Euro 5.18 million and represent 14.6% of revenues; this result is 16.4% higher than those achieved during the year 2014 (Euro 4.45 million).

Equity and financial trend

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

Reclassified Balance sheet *(€ thousands)*	**31 December 2015**	**31 December 2014**	**Change**
Fixed Assets	**3,195**	**3,481**	**(286)**
Inventories	8,039	7,255	784
Trade receivables	7,914	7,447	467
Other receivables	695	1,011	(316)
Trade payables	(3,204)	(4,396)	1,192
Other payables	(1,262)	(948)	(314)
Working Capital	**12,182**	**10,369**	1,813
Provisions	**(743)**	**(724)**	(19)
Invested net working capital	**14,634**	**13,126**	**1,508**
Cash and cash equvalents	1,020	3,752	(2,732)
Investments	1,928	2,048	(120)
Short term securities	3,994	4,967	(973)
Other financial receivables	449	467	(18)
Financial assets	**7,391**	**11,234**	(3,843)
Invested net non operating capital	**7,391**	**11,234**	(3,843)
NET INVESTED CAPITAL	**22,025**	**24,360**	**(2,335)**
Equity	18,079	17,315	764
Short-term financial borrowings	1,124	6,687	(5,563)
Long-term financial borrowing	2,822	358	2,463
RAISED CAPITAL	**22,025**	**24,360**	**(2,336)**

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

Invested net working capital shows an increase of around Euro 1.5 million as at 31 December 2014. This trend is due to the combined effect of the following factors:

- a reduction in warehouse inventories of Euro 0.8 thousand, mainly in semi-finished products;
- an increase in trade receivables totalling Euro 0.5 million and an increase of Euro 0.3 million in other receivables;
- a reduction in trade payables totalling Euro 1.2 million and an increase of Euro 0.3 million in other payables;
- a decrease in fixed assets amounting to approximately Euro 0.3 million due to the net effect of investment and depreciation for the year.

The *Invested net Non-Operating capital* showed a decrease of about Euro 3.8 million compared to 31 December 2014, largely due to the decrease in liquidity of approximately Euro 2.7 million (following the repayment of loans outstanding at 31 December 2014) and the decrease in portfolio securities held for liquidity use.

The other asset categories showed no significant changes on 31 December 2014.

The importance of the Invested Net Working Capital when compared to total invested capital warrants more flexibility from the Company in order to better respond to industrial and business needs. The same can be said for its current structure, but in spite of conspicuous investments, fixed investments are not excessively burdened.

As far as *Raised Capital* is concerned, please note that equity accounts for almost all this category. The decrease in financial debt is due essentially to the repayment of a loan amounting to Euro 5 million (used for the purchase of portfolio securities held for liquidity use) and of a further loan of Euro 1.5 million.

Key performance indicators

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

Key performance indicators (B&C Speakers S.p.A.)	**2015**	**2014**
R.O.E.	28.7%	25.8%
Return on Equity; Net result/Equity		
R.O.I.	26.1%	21.2%
Return on Investments; Ebit/Total assets		
R.O.S.	20.1%	20.4%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	1.97	1.32
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	16.09	2.59
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	2
Current Assets/Current Liabilities		
Net working capital	12,182	10,369
Primary liquidity ratio	18.4%	31.3%
Cash and cash equivalents/Current Liabilities		
Days of Inventory Turnover	78.79	74.19
Days of Receivables Turnover	79.13	80.52

Indicators relating to the rotation of the items of equity show substantial stability in collection terms compared to the previous year.

More specifically, the index of total debt shows that the company's equity exceeds the value of Current and non-Current liabilities.

Alternative performance indicators

In accordance with the CESR/05-178b guidelines on alternative performance indicators, in its Report on Operations, in addition to providing the financial data envisaged by the IFRS, the Company has also presented some quantities derived from the latter, despite not being required by the IFRS (non–GAAP measures). These figures are presented to allow for a better evaluation of the Company's operating performance and should not be considered as alternatives to those of the IFRS.

The company uses the following alternative performance indicators to assess economic performance:

Alternative key economic performance indicators (Euro Thousands)

	2015	**2014**
Ebitda	8,074	7,384
Ebit	7,114	6,483
Net Result	5,174	4,475

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 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 said income statement.

EBIT (Earnings Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

The Company uses alternative performance indicators to measure its capacity to meet its financial commitments:

Alternative key financial performance indicators
(Euro Thousands)

	2015	**2014**
Invested net working capital	14,634	13,126
Net working capital	12,182	10,369

Invested Net Working Capital is defined by the Issuer's Directors as the difference between the (current and non-current) assets and (current and non-current) liabilities, except for assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Issuer's Directors as the difference between current assets and current liabilities, excluding the assets and liabilities relating to financial management and goodwill.

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.

The *Net Financial Position*(including portfolio securities held for liquidity use) is positive by Euro 1.1 million (positive by Euro 1.7 million at 31 December 2014). The Company's financial stability remains good, particularly in view of the fact that in May 2015, dividends were paid for a total Euro 3,465 thousand (equal to Euro 0.32 per ordinary share in issue at coupon detachment), that during 2015 two loans expired with an overall payment of 6.5 million and that the company has made important investments in order to maintain a constant flow of raw material supplies and a production capacity that is in line with the volume of orders received.

Corporate structure

As at 31 December 2015 the Company workforce numbered 114 resources.

The following shows the Company's workforce structure in the last three years:

Personnel headcount	**31-Dec-15**	**31-Dec-14**	**31-dic-13**
Workers	87	79	72
Employees	21	16	15
Lower management	5	5	4
Upper management	1	1	1
Total	**114**	**101**	**92**

Investments

During 2015 there were investments made of around Euro 0.5 million, mainly targeted towards industrial plant and equipment with the intention of increasing production efficiency.

There are two loudspeaker production lines operating in the plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines meet the latest productivity and efficiency criteria.

As regards the production of diffusers for high frequencies (Drivers), there are two production lines that have benefited from investments made to improve efficiency.

All investments made in structures and fixed installations have been agreed with the parent company ***Research & Development International S.r.l.*** with the goal of achieving significant improvement in production capacity.

Research and Development

The company continues to maintain its commitment to managing cultural and organisational growth that will enable it to maintain the level of excellence achieved thus far, at a time when international competition is becoming fiercer with every day that passes.

Investments made in Research and Development remain consistently high and current projects have been concluded; new projects have also been launched.

More specifically, with regard to the following projects:

- three new drivers in the medium-high range are under development with the aim of improving the quality of products, with the introduction of a new size format in the higher range;

- three new midrange loudspeakers (5", 6" and 10") with dedicated chassis are under construction; they will be launched on the market in the second quarter of 2015.

- research is being carried out for a 21" speaker with a new coil diameter (4") for mid-range applications.

After producing some new drivers in the high range, some mid-range drivers are currently being researched using the same techniques used for those in the high end range. A new driver in the high range is also being looked at, based on a different sound emission system and a new 18" speaker with a 4" high-excursion coil, which we plan to introduce on the market in the fourth quarter 2016

In FY 2015, our company carried out research and development into technological innovation, mainly focusing its efforts on projects considered to be particularly innovative and regarding the Vallina plant in Florence.

Below is an analytic list of the projects developed in FY 2015:

1) Continuation of R&D for the design and development of a prototype air motion transformer driver;

2) Continuation of R&D for the design and development of a prototype system of active acoustic absorbers (“Silence” project);

3) R&D activities for the identification, definition and implementation of specific technical solutions for substantial improvement to the electro-acoustic components for active absorbers;

4) Continuation of technical development of spatio-temporal processing for acoustic beam shaping applications (collaboration with Politecnico di Milano);

5) Continuation of R&D for the identification, definition and development of new technical solutions for substantial improvement of a maritime signal system;

6) Continuation of R&D aimed at substantial improvement of calculation methodologies for design analysis of compression drivers;

7) Continuation of R&D for the design and development of a prototype for new types of voice annunciators for tunnels;

8) Continuation of R&D for the design, definition and development of a new type of driver featuring compactness and the use of new materials;

9) R&D for the analysis and pre-competitive development of new technical solutions to obtain suitable acoustic configurations through active absorbers;

10) R&D aimed at identifying and developing new technical solutions relating to sensors for monitoring loudspeakers.

During the past financial year the company has incurred R&D costs amounting to Euro 330 thousand for the development of these projects; we believe the success of these innovations could generate good results in terms of turnover with favourable effects on the economy of the company.

Booking of R&D costs:

The costs for the above research and development, in view of Art. 2426 point 5 of The Civil Code and international IFRS accounting standards, and in accordance with Art. 108 of Presidential Decree 917/86 (Consolidated Tax Act) as amended, were considered as running costs and attributed entirely to the income statement.

Although discretion is permitted in choosing whether or not to spend these amounts during the year or by means of an amortisation plan (in any case spanning no more than five years), we have not chosen to capitalise these costs amongst the company's assets. We made this choice because, although they relate to applied research and pre-competitive development aimed at developing a new and better product or production process, we believe that the statutory rules of prudence must prevail, also in view of the fact that the potential recovery of these expenses through future income (the essential requirement for the capitalisation of R&D costs) is an extremely subjective factor of great intrinsic uncertainty.

Transactions with related parties and subsidiaries under their management

The following table summarises 2014 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

In particular, please note transactions implemented with the company***Research & Development International S.r.l.***, a company based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000 (owner of the parent company B&C Speakers S.p.A.

The parent company ***Research & Development International S.r.l.*** owns 61.52% of the shares of B&C Speakers S.p.A., equal to 6,767,254 shares.

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 due account of relations with the two companies controlled by B&C Speakers S.p.A. (B&C Speakers NA LLC and B&C Speakers Brasil LTDA).

Economic transactions

Revenues and other revenues	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2015	35,425,525	-	2,167,548	258,960	2,426,508	7%
2014	31,645,328	-	2,069,727	414,824	2,484,551	8%

General and administrative expenses	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2015	(3,740,008)	(927,249)	-	-	(927,249)	25%
2014	(3,436,535)	(923,057)	(38,280)	-	(961,337)	28%

The costs incurred with reference to Research & Development International S.r.l. relate to the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

Trade relations refer to the two subsidiaries B&C Speakers NA LLC and B&C Speakers Brazil LTDA for the supply of commercial services purchased at fair value.

Equity transactions

Trade receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2015	7,913,785	-	944,056	492,196	1,436,252	18%
31 December 2014	7,446,639	-	1,019,486	480,701	1,500,187	20%

Other non current receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2015	146,046	88,950	-	-	88,950	61%
31 December 2014	213,308	88,950	-	-	88,950	42%

Trade payables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2013	(3,204,289)	-	(17,256)	-	(17,256)	1%
31 December 2012	(4,396,285)	(6,327)	(7,569)	-	(13,896)	0%

The credit position of Research & Development International S.r.l. as at 31 December 2014, refers to credits for an IRAP rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

The other positions vis-à-vis the two subsidiaries B&C Speakers NA LLC and B&C Speakers Brazil LTDA refer to commercial services purchased at fair value.

Significant events of 2015

The following significant events occurred during FY 2015, affecting the company's performance:

- On 3 February 2015 the Florence Tax Police Unit visited the legal and administrative of the Company to carry out a tax inspection for the purposes of direct taxes, of VAT and of other levies concerning tax year 2010. The inspection continued up to 31 March 2015 when a Notice of Findings was served on the Parent Company. Through its tax consultant, the Company presented a defensive plea in which a series of challenges were raised against the Tax Authority's allegations. On 18 June 2015 the Revenues Agency served on the Company the Notice of Assessment which accepted, in part, the challenges presented in the defensive plea. The Company opted for the solution of settling the assessment renouncing the presentation of an appeal. This solution made it possible to shorten considerably the settlement times with a reduction in the sanctions to one sixth and was preferred with respect to the option of tax litigation, owing mainly to the small residual amounts contested (Euro 29 thousand) which lead us to believe the solution chosen to be cheaper.

- The Shareholders' Meeting held on 24 April 2015 appointed the new Board of Directors and the new Board of Statutory Auditors following the expiry of the respective mandates. The number of directors was raised from six to eight in consideration of the growth in size and of a long-term perspective directed towards greater specialisation of the Board members.

- In addition, in view of the expiry of the current auditing appointment held by Deloitte&Touche S.p.A., under the terms of Art. 12, Section 1 of Italian Legislative Decree 39 of 27 January 2010, the Shareholders' Meeting proceeded to assign the mandate, for the period 2016-2024, to the auditing firm PricewaterhouseCoopers S.p.A.

- Finally, again on the occasion of the same Shareholders' Meeting, it was resolved to distribute a dividend of Euro 0.32 for each of the outstanding shares (net of treasury shares held), for a total expense of Euro 3.5 million.

Events subsequent to the closure of FY 2015

Since the closure of FY 2015, significant events have occurred affecting company performance, specifically:

- Orders received from customers showed a very positive trend during the first two months of 2016, because the Company received orders for Euro 8.5 million compared to 7.2 million in the first two months of 2015.

Business outlook

The FY 2016 will still be affected by the economic uncertainty that pervades the current climate. In particular, if the current trend in the Euro/dollar exchange rate continues throughout 2016, it could lead to an increase in purchase costs of materials from countries in the dollar area. The Management is confident that the company can continue on its path of consolidation in the professional loudspeakers market and can make inroads into new products/markets with attractive potential in terms of size and margins.

Essential elements of the adjustment plan under Articles 36 and 39 Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62

paragraph 3-bis of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group and shows, for each of the conditions required by Art. 36, the level of implementation currently existing and, where necessary, adjustment operations provided with their deadlines.

The essential elements of this plan can be summarised as follows:

- The scope of application concerns two subsidiaries, located in two different non-European Union Member States, which are of significant importance pursuant to paragraph 2 of said Art. 36;
- The administrative, accounting and reporting systems currently used by the B&C Speakers Group are already substantially aligned with legal requirements, regarding the companies within the above-mentioned scope of application, both in terms of i) making the accounting documents compiled in order to prepare the consolidated financial statements publicly available, and ii) providing the necessary information for preparation of the consolidated financial statements to management and to the Auditor of the Parent Company.
- With regards to the request to receive a copy of the articles of association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent company enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices;
- With regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent’s annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense.

Major shareholders and main data concerning the Issuer’s shares

As at the date of these financial statements (March 2016), official data reveals the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 61.52% stake *(parent company)*;
- Intelligent Investor International Fund, which owns 2.05% of shares;
- *Aldinio Colabchini* with 2.17%;
- Government of Norway, with 2.16%.
- Lazars Freres Gestion SAS, with 3,0%

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 31 December 2015, the Director Lorenzo Coppini holds 56,523 shares in B&C Speakers S.p.A.
- as at 31 December 2015, the Director Simone Pratesi holds 2,570 shares in B&C Speakers S.p.A.
- as at 31 December 2015, the Director Alessandro Pancani holds 7,000 shares in B&C Speakers S.p.A.

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbered 8 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 24 April 2015; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2017.

Board of Auditors

Pursuant to art. 24 of the Issuer's articles of association, the Board of Auditors, in office since 24 April 2015, numbers three Regular Auditors and two Alternate Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2017.

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For information on **Corporate governance** and the **Main risks and uncertainties** to which the Company is exposed, please refer to the Report on Operations accompanying the consolidated financial statements.

6 Explanatory notes to the financial statements at 31 December 2015

6.1 Basis of preparation

The financial statements for B&C Speakers S.p.A. for the year ending on 31 December 2015 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 10 May 2007.

These financial statements are prepared on historical cost basis 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 are audited by Deloitte & Touche S.p.A.

Content and form of the financial statements

The financial statements comprise the Balance sheet, Income Statement, Statement of Changes in Equity,

Statement of Cash Flow and these Explanatory Notes.
With the reference to the form of the consolidated financial statements, the Company has chosen to submit the following statements:

Statement of Financial Situation

The Statement of financial position is presented with opposing sections and separate indication of assets, liabilities and shareholders' 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.

Comprehensive income statement

The income Statement is classified according to type. It highlights the aggregated result before tax and financial income and expenses, including all elements of income and cost, regardless of whether they are one-off or recurring and part of core business or otherwise; this is with the exception of financial items entered between the result before tax and financial income and expenses and the result before tax.

Statement of cash flow

The statement of cash flow is broken down according to areas of cash flow formation. 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.

Statement of changes in equity

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

Measurement criteria

The most significant measurement criteria adopted for the preparation of financial statements at 31 December 2015 are set out below.

Impairment

As at the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there is any indication 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.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, 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.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	Ammortization period
Patent rights	3 - 5 years
Research & Development	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
Buildings	2.60%
Leasehold improvements	12.50%
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.

Leased assets

Leases are classified as financial leases whenever the terms of the contract are such as to transfer substantially all the risks and benefits of the property to the lessee. All other leases are considered operating assets.
The asset under lease is recognised as an asset of the Company at its "fair value" on the date of the contract, or, if lower, the present value of minimum lease payments due under the lease contract. The corresponding liability to the lessor is included in the balance sheet as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial expenses are charged directly to the income statement for the year, except if they are not attributable to specific tasks, in which case they are capitalised in accordance with the general policies of the Company as financial expense.
The costs of operating lease instalments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Investments

Equity investments in subsidiaries are recorded at cost, adjusted for impairment.
The positive difference emerging at the time of purchase between the acquisition cost and the share of equity to current values of the investee pertaining the company are therefore included in the book value of the investment.
Investments in subsidiaries are audited each year, or if necessary more frequently, to evaluate their loss in value. If there is evidence that such investments have suffered a loss of value, this is recognised in the income statement as devaluation. If any minority interest of the losses of the investee should exceed the carrying value of the investment and the company is obliged or intends to be held accountable, it proceeds to zero the value of participation and the share of further losses is entered as a fund under liabilities. If, on a later date, the loss of value should be lesser or reduced, it is recognised in the Income statement as a write-back, within the limits of the cost.

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 the finished products or work-in-progress the production cost includes raw materials, direct labour, depreciation and other costs directly attributable to the production in addition to converging the indirect costs of production reasonably attributable to productive work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
Obsolete and slow-moving inventories are devalued in relation to their expandability or realisable future value by means of an inventory depreciation provision.

Receivables

Receivables are entered at their expected price of sale, corresponding to the nominal value adjusted according to a provision for doubtful debt. This provision is calculated on the basis of quantified collection from an analysis of the individual positions and the overall risk of a credit cap.
Since the collection of receivables is always regulated by standard conditions reserved to customers, it was not deemed necessary to account for credit discounts.

Financial assets

Financial assets are entered on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, assets that the Company intends to and can hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When are financial assets held for trading, profits (or losses) arising from changes in "fair value" are charged to the income statement of the period; in the case of available-for-sale financial assets, gains and losses arising from changes in fair value are entered directly under equity until they are disposed of or have sustained a loss of value; on that date, cumulative gains or losses previously entered under equity are also listed in the income statement of the period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank 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.

Financial liabilities and instruments representative of shareholders' equity

Financial liabilities and equity instruments issued by the Company are classified according to the contractual agreements that have generated them and according to the respective definitions of liabilities and equity instruments. These are contracts that give the right to benefit from residue interest in the Company's assets after deducting its liabilities.
The equity instruments issued by the issuer are entered based on the amount collected, net of the direct costs of issuance.

Bank loans

Interest-bearing bank loans and overdrafts are initially entered for the amount received, net of transaction costs. This value is later adjusted to take account of any difference between the initial cost and the redemption value over the loan-term, using the effective interest rate method (amortised cost) .

Long-term provisions

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

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statements. Consequently, Severance Indemnity is recalculated by applying the "projected unit credit method" .
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the financial statements represents the current value of the liabilities for defined benefit plans, adjusted to take into account the actuarial gains and losses and costs relating to the performance of past employment services and reduced to the fair value of the plan assets. Any net assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid employment services, including the current value of any refunds and reductions in future contributions to the plan.
Please note that during the first-time application, the Company had decided not to use the "Corridor Method" and, therefore, to record said actuarial components on the income statement.
The amendment to IAS 19 – Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

Severance pay for Directors has been calculated using the Civil Code law method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

Payables are entered at nominal value, considered to accurately quantify their final amount.

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 euros 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

IFRS requires sales of assets to be entered when these have been delivered and ownership is transferred to the buyer, along with the pertinent risk (normally the date of delivery or shipment).
Revenues are declared net returns, discounts, rebates and rewards as well as taxes directly related to the sale of the goods and the provision of services.
Financial revenues are entered on an accruals basis.

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.

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.

Income tax

Taxes for the year represent the sum of current and deferred tax.
They are included in the separate 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.

Use of estimates

The preparation of financial statements and related Notes in application of the IFRS requires that the Board of Directors make estimates and assumptions that have effect on the values of assets and liabilities, as well

as providing information relating to potential assets and liabilities on the reporting date.
Final results may differ from these estimates. The estimates are used to evaluate the tangible and intangible assets subject to impairment testing as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortisation, employee benefits, taxes, fund restructuring, 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 that actual results will differ substantially from the estimates which may therefore, call for major revisions we are currently unable to predict.
The measurement of equity investments held in subsidiaries is perhaps the item most affected by this uncertainty, as the estimates and assumptions made by the directors for this measurement depend significantly on the euro/dollar exchange rate forecast for future periods.

Transactions with joint ventures and associates

Transactions with joint ventures and associates are described in the relevant paragraph of these Explanatory Notes and were completed at arm's length.

New accounting standards, amendments and interpretations applied since 1 January 2015

The following accounting standards, amendments and interpretations were applied by the Company from the first time as from 1 January 2015:

- On 20 May 2013 the **IFRIC 21 – *Levies*** interpretation was published, providing clarification on the timing of recognition of a liability related to taxes (other than income tax) imposed by a government agency. The standard deals both with liabilities for levies that come within the scope of application of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets,* and with those for levies whose timing and amount are certain. The interpretation applies retrospectively for financial years starting from 17 June 2014 at the latest or a later date. The adoption of this new interpretation did not entail effects on the Company's financial statements.

- On 12 December 2013 the IASB published the document ***"Annual Improvements to IFRSs: 2011-2013 Cycle"***. This incorporates the changes to a number of standards in the context of the annual process to improve the same (including: IFRS 3 *Business Combinations – Scope exception for joint ventures*, IFRS 13 *Fair Value Measurement – Scope of portfolio exception,* IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40).* The amendments apply from financial years starting from 1 January 2015 or a later date. The adoption of these new changes did not entail effects on the Company's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, but not yet mandatory and not adopted in advance.

The Group did not apply the following new and amended standards that have been issued but are not yet in effect.

- Amendment to IAS 19 ***"Defined Benefit Plans: Employee Contributions"*** (published on 21 November 2013): concerning the recording in the accounts of contributions made by employees or third parties for defined benefit plans. The amendment applies at the latest from the financial years starting from 1 February 2015 or a later date.

- Amendment to **IFRS 11 *Joint Arrangements* – "*Accounting for acquisitions of interests in joint operations*"** (published on 6 May 2014): concerning the accounting of an acquisition of interests in a joint operation whose activity constitutes a business. The changes apply from 1 January 2016 but early application is allowed.
- Amendments to **IAS 16 *Property, plant and equipment*** and **IAS 41 *Agriculture* – "*Bearer Plants*"** (published on 30 June 2014): *bearer plants,* i.e. fruit trees that will bear fruit on a yearly basis (e.g. vines, hazelnut trees) must be recorded in accounts according to IAS 16 (rather than IAS 41). The changes apply from 1 January 2016 but early application is allowed.
- Amendments to **IAS 16 *Property, plant and Equipment*** and to **IAS 38 *Intangible Assets* – "*Clarification of acceptable methods of depreciation and amortisation*"** (published on 12 May 2014): according to which a method of depreciation and amortisation based on revenues is normally considered inappropriate, because revenues generated by an asset that includes the use of the asset subject to depreciation generally reflect factors other than just the consumption of the economic benefits of the asset itself, a requirement which conversely is essential for depreciation and amortisation. The changes apply from 1 January 2016 but early application is allowed.
- Amendment to **IAS 1 – "*Disclosure Initiative*"** (published on 18 December 2014): the aim of the changes is to clarify certain disclosure elements that may be perceived as impediments to a clear and intelligible preparation of financial reports. The changes apply from 1 January 2016 but early application is allowed.
- Amendment to ***IAS 27- Equity Method in Separate Financial Statements*** (published on 12 August 2014): introduces the option to use the equity method, in the separate financial statements of an entity, for the valuation of investments in subsidiaries, joint ventures and associated companies. The changes apply from 1 January 2016 but early application is allowed.

The directors do not anticipate a significant effect on the Company's financial statements following the adoption of these amendments.

Lastly, as part of the yearly process of improvements to the standards, on 12 December 2013 the IASB published the documents "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and on 25 September 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) which partially supplement the previous standards. The amendments apply at the latest from financial years starting on or after 1 February 2015 and from financial years starting on or after 1 January 2016.
The directors do not anticipate a significant effect on the Company's financial statements following the adoption of these amendments.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union.

As of the date of these explanatory notes the competent bodies of the European Union have not yet completed the approval process required for the adoption of amendments and of the principles described below.

- Standard **IFRS – 15 *Revenue from Contracts with Customers*** (published on 28 May 2014) to replace IAS 18**–** *Revenue*and IAS 11 –*Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 –*Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*and SIC-31*Revenues-Barter Transactions Involving Advertising*

Services. The standard establishes a new model for revenue recognition, which will apply to all contracts with consumers except those that fall within the scope of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The essential stages for accounting revenues under the new model are:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the price;
- allocate the price to the performance obligations in the contract;
- recognise revenue when the entity satisfies each performance obligation.

The standard shall apply as from 1 January 2018 but early application is allowed. The directors do not expect that the application of IFRS 15 may have a significant impact on the amounts entered under revenue and on the related disclosure in the financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of contracts with customers.

- Final version of IFRS 9 **–** Financial instruments (published on 24 July 2014). The document includes the results of the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - With reference to the impairment model, the new standard requires that the credit losses estimate be carried out based on the expected losses model (and not the incurred losses model, used by IAS 39), thus using information that is verifiable, available without unreasonable expense or effort and that includes historical, current and forecast data.
  - it introduces a new model of *hedge accounting* (increase of the types of eligible transactions for *hedge accounting*, accounting method change of forward contracts and options when included in a report of *hedge accounting*, changes to the effectiveness test)

The new standard, which replaces previous versions of IFRS 9, must be applied by financial statements beginning 1 January 2018 or later.

The directors do not expect that the application of IFRS 9 may have a significant impact on the amounts and on the disclosure in the financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

- On 13 January 2016, IASB published standard **IFRS 16 – *Leases*** which will replace IAS 17 **–** *Leases*, as well as interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases* **—** *Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
The new standard provides a new definition of *lease* and introduces a criterion based on the control (*right of use*) of an asset in order to differentiate leasing contracts from service contracts, identifying the following as determining factors: the identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract.
The standard establishes a single model of recognition and evaluation of leasing contracts for the user (*lessee*) which provides for the inclusion of the *lease* asset (including operating lease assets) among assets with a financial debit item as a counter entry, while also providing for the opportunity of not recognizing as leasing contracts those contracts that relate to **"***low-value assets***"** or have a contract term of 12 months or less. Conversely, the standard does not include significant changes for lessors.
The standard shall apply from 1 January 2019 but earlier application is permitted, but only for companies which have applied early IFRS 15-*Revenue from Contracts with Customers*. The directors do not expect that the application of IFRS 16 may have a significant impact on the accounting of leasing contracts and on the related disclosure in the financial statements.

However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the related contracts.

- Document ***"Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)"*** (published on 18 December 2014), introducing amendments relating to issues that emerged following application of the consolidation exception granted to investment entities. The amendments introduced by the document must be applied from financial years that begin on 1 January 2016 or a later date; early adoption is nevertheless permitted. The directors do not expect a significant effect on the financial statements following the adoption of these changes, as the company does not meet the definition of an investment company.

Lastly, on 11 September 2014 the IASB published an amendment to***IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 regarding the evaluation of the profit or loss resulting from the sale or transfer of a *non-monetary asset* to a *joint venture*or associated company in exchange for a share in the capital of the latter. For the time being, the IASB has suspended the application of this amendment.

6.2 Analysis of the breakdown of the main items of the Parent Company's balance sheet at 31 December 2015

1. Property, plant and equipment

The structure of tangible assets on 31 December 2015 and their change during the year are highlighted in the following tables:

Historic cost	31 December 2014	Additions	Reclassification	(Decreases)	31 December 2015
Land and buildings	-	-	-	-	-
Leasehold improvements	804,209	2,710	-	-	806,919
Lightweight construction	23,739	7,140	-	-	30,879
Plants and machinery	4,362,613	112,768	-	-	4,475,381
Industrial equipment	4,066,322	241,142	-	-	4,307,464
Various equipment	779,504	26,365	-	-	805,869
Fixed assets in progress	5,733	83,547	-	-	89,280
Total	**10,042,120**	**473,672**	**-**	**-**	**10,515,792**

Accumulated depreciation	31 December 2014	Depreciation	Reclassification	(Decreases)	31 December 2015
Land and buildings	-	-	-	-	-
Leasehold improvements	187,081	72,121	-	-	259,201
Lightweight construction	5,325	2,736	-	-	8,061
Plants and machinery	2,050,096	416,836	-	-	2,466,932
Industrial equipment	3,799,800	169,006	-	-	3,968,806
Various equipment	650,110	57,142	-	-	707,251
Fixed assets in progress	-	-	-	-	-
Total	**6,692,411**	**717,840**	**-**	**-**	**7,410,251**

Net value	31 December 2014	Net increases	Reclassification	Depreciation	Accumulated depreciation decrease	31 December 2015
Land and buildings	-	-	-	-	-	-
Leasehold improvements	617,128	2,710	-	(72,121)	-	547,717
Lightweight construction	18,414	7,140	-	(2,736)	-	22,818
Plants and machinery	2,312,518	112,768	-	(416,836)	-	2,008,450
Industrial equipment	266,522	241,142	-	(169,006)	-	338,658
Various equipment	129,394	26,365	-	(57,142)	-	98,618
Fixed assets in progress	5,733	83,547	-	-	-	89,280
Total	**3,349,709**	**473,672**	**-**	**(717,840)**	**-**	**3,105,541**

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

The most significant changes that took place in 2015 concern the integration of production machinery and equipment of the new plant.

The "plant and machinery" category included the palletising machines (Euro 94 thousand); in "other assets" two forklift trucks were completely depreciated. These assets are held under two leasing contracts with Credem Leasing S.p.A.

Fixed assets in progress at 31 December 2015 relate to the construction of the photovoltaic system on the roof of part of the property adjacent to the production plant.

2. Intangible fixed assets

The structure of the intangible assets on 31 December 2015, and the related changes are highlighted in the following table:

Intangible assets	31-dic-14	Reclassification	Increases	Other	Amortization	31-dic-15
Patent rights	81,623	-	58,621	-	71,347	68,897
Intangible assets in progress	49,471	(49,471)	20,550	-	-	20,550
Total	**131,094**	**(49,471)**	**79,171**	**-**	**71,347**	**89,447**

"Industrial and intellectual property rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

The item "Intangible fixed assets in progress" refers to the capitalisation of costs incurred for the implementation of a new electronic module (PDM) aimed at managing design processes in the technical department.

3. Equity investments in subsidiaries measured at cost

Equity investments in subsidiaries as at 31 December 2015 came to Euro 1,878 thousand (Euro 2,048 at 31 December 2014); they can be broken down as follows:

Investment in subsidiaries	% holding 31-Dec-15	Balance 31-Dec-15	% holding 31-Dec-14	Balance 31-Dec-14	Change	% Change
Investment in B&C Speakers Usa NA LLC	100%	1,449,786	100%	1,449,786	-	0%
Investment in B&C Brasil	100%	428,151	100%	598,149	(169,998)	-28%
Total investment in subsidiaries		**1,877,937**		**2,047,935**	**(169,998)**	**-8%**

The directors have identified the subsidiaries as cash-generating units (or "CGUs"), insofar as the assets are devoted entirely to the single business sector that can be identified as the sale of "top quality professional loudspeakers".

The value of investments in the American and the Brazilian subsidiaries were tested for impairment by calculating the present value of the cash flows that may originate from the five-year Industrial Plan, approved by the Boards of Director of the subsidiaries as well as by the Board of Directors of the Parent Company B&C Speakers S.p.A. on 07 March 2016.

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.

The recoverability of the investment value is verified at least once a year, even in the absence of impairment indicators.

The basic assumptions used by the Company for the determination of future cash flows, and the resulting recoverable amount (value in use) refer to:

a) the use of values resulting from the five-year plans of B&C Speakers Usa NA LLC and B&C Speakers Brasil LTDA (approved by the Management of the subsidiaries and the Board of Directors of the parent company);

b) the use of the growth rate (g rate) differentiated by CGU, for the determination of the closing value (represented by the current value, at the final year of the projection, of all subsequent cash flows calculated as a perpetual return);

c) the discount rate (WACC).

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) differentiated by CGU, which reflects the current market valuations of the cost of money and which takes into account the specific risks of the activity and the geographical area in which the CGU operates. The model for discounting future cash flows requires that, at the end of the projected cash flow period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The closing value represents the current value, at the final year of the projection, of all subsequent cash flows calculated as perpetual return, and has been determined using a growth rate (g rate) that differs by CGU, to reflect the different potential growth of each CGU.

Main financial parameters on impairment tests (B&C Brasil)	WACC	g
B&C USA	7.44%	2.00%
B&C Brasil	21.65%	3.00%

On the basis of the conducted impairment tests, the current value of the expected cash flows generated by the CGU relating to the Brazilian subsidiary is less than the carrying amount of the investment by Euro 170 thousand. Consequently a write-down for the same amount was reflected in the income statement under "Provisions and Writedowns".

On the contrary, the current value of expected cash flows generated by the CGU relating to the US subsidiary is higher than the carrying amount of the investment written in the accounts at 31 December 2015. Therefore, no impairment loss has been reflected in the financial statements as at 31 December 2015. In addition, based on the information contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Company has conducted a sensitivity analysis on the test results compared to the change in the basic assumptions that affect the current value of the forecast cash flows generated by the two US CGUs. In all cases analysed, the current value of forecast cash flows generated by the CGU exceeds the book value of the equity investment.

4. Equity investments in related companies

This item amounts to Euro 50 thousand at 31 December 2015 and reflects the value of the investment at 33% in the new company Silence Tech S.r.l. founded together with two other companies for the purpose of exploiting "Silence" technology developed along with the two other partners.

5. Deferred tax assets

As at 31 December 2015, this item includes prepaid tax receivables for Euro 101 thousand (Euro 84 thousand as at 31 December 2014), relating to temporary deductible differences that pertain to the Company and that were generated following entry of costs not entirely deductible in the year.

These amounts comprise prepaid taxes that originated following the fiscal treatment of not entirely deductible costs in the year.

Prepaid tax receivables have been included in the Balance sheet, because the management expects the Company to generate future taxable income against which it can use this positive balance.

6. Other non-current assets - Other fixed receivables

At 31 December 2015 this item is as follows:

Other non current assets	**31-Dec-15**	**31-Dec-14**	**Change**	**% Change**
Insurance policies	303,405	254,012	49,393	19%
Guarantee deposits	57,096	57,096	-	0%
Ires refund receivables	88,950	156,212	(67,262)	-43%
Total non current assets	**449,451**	**467,320**	**49,393**	**11%**

As at 31 December 2015, insurance 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-14**	Increases	(Decreases)	**31-Dec-15**
Insurance policies	254,012	49,393	-	303,405
Total	**254,012**	**49,393**	**-**	**303,405**

The period increase is due to the new payments made by the Company during the year and which amount to Euro 49 thousand.

"Deposits" reflects the amount receivable for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina Via Poggio Moro no. 1, for Euro 48 thousand, and other minor deposits for Euro 9 thousand.

"IRES rebate receivable" includes the credit generated in FY 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 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 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.
During the second half of 2015 the Company received a rebate from the Tax Authority for the share not relating to the parent company Research & Development S.r.l, under the consolidated taxation scheme in force at the time the credit was constituted.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2015:

Inventories	**31-Dec-15**	**31-Dec-14**	**Change**	**% Change**
Row materials and consumables	788,817	796,355	(7,539)	-1%
Work in progress and semi-finished	6,745,127	6,192,234	552,893	9%
Finished goods	703,065	471,940	231,125	49%
Gross Total	**8,237,008**	**7,460,529**	**776,479**	**10%**
Provision for inventory writedowns	(198,433)	(205,601)	7,168	-3%
Net Total	**8,038,575**	**7,254,928**	**783,647**	**11%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence; as at 31 December 2015, it totals Euro 198 thousand.

The gross value of inventories as at 31 December 2015 would appear to have decreased by 10% overall with respect to the 31 December 2014 total. The increase in the value of inventories (mainly concentrated in the category of semi-finished) is a physiological increase required to support the Company's increased volume of business.

Obsolescence, 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.

Change in provision for inventory writedowns	**31-Dec-14**	**Increase**	**Use**	**31-Dec-15**
Provision for inventory writedowns	205,601	70,000	(77,168)	198,433
Total	**205,601**	**70,000**	**(77,168)**	**198,433**

The use of obsolescence is due to the scrapping of obsolete components that are no longer usable for production purposes.

For more details on changes in inventories, please refer to the note below that comments the income statement.

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2015:

Trade receivables	31-Dec-15	31-Dec-14	Change	% Change
Trade receivables	8,140,975	7,673,828	467,147	6%
(Provision for doubtful accounts)	(227,190)	(227,190)	-	0%
Total	**7,913,785**	**7,446,639**	**467,147**	**6%**

The adjustment of the nominal value of the credits to the realisable value was obtained by means of a suitable provision for doubtful debt, which on 31 December 2015 stood at Euro 227 thousand.

The gross amount of trade receivables increased compared with 31 December 2014 following the Company's higher volumes of turnover.

Trade receivables include loans to related parties as described in Note 31.

The table below shows changes in the provision.

Change in provision for doubtful accounts	31-Dec-14	Increase	Use	31-Dec-15
Provision for doubtful accounts	227,190	-	-	227,190
Total	**227,190**	**-**	**-**	**227,190**

During the 2015 no provision for doubtful accounts was made because, despite the increase in trade receivables compared to 31 December 2015, the level of risk of the same has decreased primarily as a result of the recovery of positions previously considered at risk.

The value of trade receivables towards customers, not represented by Bank Receipts, amounted to Euro 6,370 thousand. In the table below we report*the ageing*of receivables as of 31 December 2015 as required by IFRS 7:

	Total amount	Not overdue	Overdue 0-60 days	Overdue 61-90 days	Overdue over 90 days
Balance at 31 December 2015	6,370,223	4,885,023	1,014,639	65,306	405,255
Incidence	100%	77%	16%	1%	6%

9. Tax receivables due within twelve months

As at 31 December 2015, tax receivables are as follows:

Tax receivables	31-Dec-15	31-Dec-14	Change	% Change
Advances on provision for serevance indemnities	2,387	2,387	-	0%
VAT Receivables	196,557	412,949	(216,392)	-52%
Tax receivables	63,954	224,170	(160,215)	-71%
Total tax receivables	**262,898**	**639,505**	**(376,607)**	**-59%**

Tax receivables for current taxes at 31 December 2015 are a consequence of the payment, during the year, of advances exceeding the tax expense of the year.

10. Other current assets

As at 31 December 2015, “Other current assets” are as follows:

Other current assets	31-Dec-15	31-Dec-14	Change	% Change
Receivables towards suppliers	116,192	79,620	36,572	46%
Securities	3,993,718	4,966,597	(972,879)	n/a
Other Receivables	4,137	10,426	(6,289)	-60%
Total other receivables	**4,114,047**	**5,056,642**	**(942,596)**	-19%
Commercial fairs	61,738	53,421	8,316	16%
Phone expenses	505	245	260	106%
Assistance and assurance fees	33,042	41,059	(8,017)	-20%
Specialist contracts	16,825	32,250	(15,425)	-48%
Other	106,274	70,425.00	35,849	n/a
Total prepaid expenses and accrued income	**218,384**	**197,400**	**20,984**	11%
Total current assets	**4,332,431**	**5,254,043**	**(921,612)**	**-18%**

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 as at 31 December 2015 and the presumed loss (Euro 31 thousand) allocated to financial expenses on the income statement. As of 29 February 2016 asset management operations have reached a fair value of Euro 3,932 thousand.

The item Specialist contract fees refers to accrued income for service fees relating to the portion due in 2015 to *Intermonte Sim S.p.A.* for its Specialist service.

The item *Other* relates to deferred income of Euro 55 thousand for various licenses and the counter entry of Euro 51 thousand in the balance sheet for presumed profits on forward contracts in foreign currency.

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-Dec-15	31-Dec-14	Change	% Change
Bank and postal deposit	1,019,676	3,750,213	(2,730,537)	-73%
Cash	729	1,632	(903)	-55%
Total cash and cash eqivalents	**1,020,405**	**3,751,845**	**(2,731,440)**	**-73%**

The decrease in cash and cash equivalents is mainly due to the absorption of liquidity resulting from the repayment of loans during the year. For a more thorough analysis of the phenomenon, one should refer to the attached statement of cash flows.

12. Shareholders' equity and its components

Share capital

The capital of the company at 31 December 2015 is equal to Euro 1,073 thousand (Euro 1,086 thousand at 31 December 2014). The share capital of B&C Speakers consists of 11,000,000 ordinary shares valued at EUR 0.10 per unit; all the capital is fully paid.

As a result of the continuation of the Buy-Back plan, on 31 December 2015 B&C Speakers S.p.A. held a total 244,550 treasury shares equal to 2.22% of the share capital, bought at an average value of Euro 5.1 per share.

Other reserves

This item, equal to Euro 3,284 thousand at 31 December 2015, 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 27 thousand and the share premium reserve for Euro 2,834 thousand.

More specifically, the share premium reserve increased by Euro 942 thousand, following entry of the result of treasury shares traded in the year.

Profit/(loss) carried forward

This item includes the economic results of previous years.

First Time Adoption Reserve

This item, equal to Euro 12 thousand at 31 December 2015, concerns the impact resulting from the adoption of international accounting standards starting from the financial statements of 31 December 2006; in particular, this amount represents the net value of adjustments determined by the application of IFRS to equity on 1 January 2006, the date of transition to international accounting standards.

Fair value reserve

This item includes the effects on shareholders' equity of the actuarial component of severance indemnity

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Comprehensive period result

This item comprises the net period result for Euro 5,175 thousand and other period profits/(losses) for a positive value of Euro 10 thousand relative to the actuarial losses component deriving from the actuarial measurement of severance indemnity. This financial component is stated net of the related tax effect equal to Euro 4 thousand, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013.

13. Medium-/long-term financial debt

As at 31 December 2015, medium/long-term financial debt is as follows:

Long-term borrowings	31-dic-15	31-dic-14	Change	% Change
Credemleasing loan	29,338	58,331	(28,993)	-50%
Long-term Simest loan	200,000	300,000	(100,000)	-33%
Long-term CRF loan	2,592,215	-	2,592,215	
Total long-term borrowing	**2,821,553**	**358,331**	**2,463,222**	**687%**

The “Credem Leasing loan”, (Euro 29 thousand on 31 December 2015), includes the portion due beyond the next twelve months of the embedded debt connected with two leasing contracts stipulated in 2010 and related to two forklift trucks and a palletising plant.

The item “Long-term Simest loan” (Euro 200 thousand on 31 December 2015), includes the portion due beyond the next twelve months of the unsecured long-term loan stipulated with Simest S.p.A. of 19 April 2011 for an original amount equal to Euro 500 thousand. This loan was granted by the Italian Company for businesses abroad to protect capital stability and thus increase competitiveness on export markets.

The item “Long-term CRF loan” of Euro 2,592 thousand at 31 December 2015 includes the portion due beyond the following year of the long-term financing agreement with Cassa di Risparmio di Firenze S.p.A. In this respect it should be noted that in August 2015 the Company repaid the short-term loan with CR Firenze S.p.A. equal to Euro 5 million and at the same time raised a long-term loan for an original amount of Euro 4 million for a duration of 48 months with the same financial institution. 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 following tables show the salient information about the conditions of the loans and the hedging Interest Rate Swap Contract.

Loans details	Simest	CRF
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	4,000,000
Contract date	19-Apr-11	29-Jul-15
Due date	31-Dec-18	29-Jul-19
N. installments	10	48
Advance instalments	5	-
Periodicity	Half-yearly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%
Current portion	100,000	994,735
Non current portion	200,000	2,592,215

Derivative instruments details	CRF
Counterpart	Banca CR Firenze S.p.A.
Type of contract	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan
Original amount	4,000,000
Periodicity	Monthly
Bank Interest Rate	Euribor 1 month
Company Interest Rate	0.15%
Contract date	29-lug-15
Due date	29-lug-19
Mark to market amount at Decembre 31, 2015	(23,712)

14. Provisions for 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, in accordance with the guidelines of IAS 19.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 357 thousand.

Severance indemnity is a defined-benefit obligation booked in accordance with IAS 19 - Employee Benefits. The amount of severance indemnity is calculated by applying the Projected Unit Credit Method, performing actuarial evaluations at the end of the reporting period.

Please note that during first-time application, the Group had decided not to use the “Corridor Method” and, therefore, to recognise the said actuarial components in the income statement.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the “Corridor Method”, instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

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-14	Provision (interest & service cost)	(Use)	Actuarial effects	31-Dec-15
Provision for severance indemnities	387,523	4,219	(19,819)	(14,564)	357,359
Total provision for severance indemnities	**387,523**	**4,219**	**(19,819)**	**(14,564)**	**357,359**

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

Technical parameters

		31-Dec-15
Technical annual discounting rate		1.39%
Annual inflation rate	2016	1.50%
	2017	1.80%
	2018	1.70%
	2019	1.60%
	2020 and over	2.00%
Annual TFR increase rate	2016	2.63%
	2017	2.85%
	2018	2.78%
	2019	2.70%
	2020 and over	3.00%

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 2015 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

In compliance with the provisions of the new IAS 19, the following tables provide:

- sensitivity analysis 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-2015
Turnover rate +1%	355,429
Turnover rate -1%	359,553
Inflation rate + 0,25%	361,447
Inflation rate - 0,25%	353,353
Discount rate + 25%	350,999
Discount rate - 25%	363,965

Estimated future payments

Year	Amount
1	70,227
2	24,332
3	22,760
4	21,272
5	43,103

Service Cost and Duration	
Service Cost	0.00
Duration	7.90

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 6.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-14	Provision	(Use)	31-Dec-15
Executive retirement provision (TFM)	254,012	49,394	0	303,406
Total TFM	**254,012**	**49,394**	**0**	**303,406**

15. Provisions for risks

The item, equal to Euro 83 thousand at 31 December 2015 (unchanged compared to 31 December 2014), contains the fund to cope with the risk of warranty support for products marketed by the company. The value of this fund was estimated on the basis of the historical trend of costs for warranty support.

16. Deferred tax liabilities

As at 31 December 2015 the item contains the deferred tax debt of Euro 33 thousand originating as a result of the application of IFRS accounting standards; it relates primarily to deferred tax arising from the adjustment of the severance indemnity provision.

17. Short-term financial debt

This item amounted to Euro 1,124 thousand at 31 December 2015 (Euro 6,637 thousand at 31 December 2014) and is made up as follows:

Short term borrowings	31-Dec-15	31-Dec-14	Change	% Change
Fidi Toscana loan	-	6,289	(6,289)	-100%
Credemleasing loan	28,994	30,077	(1,083)	-4%
Short-term Simest loan	100,000	150,000	(50,000)	-33%
Short-term CRF loan	994,735	5,000,000	(4,005,265)	-80%
Short-term Credem loan	-	1,500,000	(1,500,000)	-100%
Bank overdrafts	-	303	(303)	-100%
Total	**1,123,729**	**6,686,669**	**(5,562,940)**	**-83%**

The reduction in current financial debt is essentially due to the repayment of two short-term loans with Credito Emiliano S.p.A. and Banca CR Firenze S.p.A.

For details on the conditions of outstanding loans, one should refer to Note 13.

For more details on the cash flows that have determined the change of short-term financial debt, please refer to the attached statement of cash flows.

18. Trade payables

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

Trade payables	31-Dec-15	31-Dec-14	Change	% Change
Trade payables	3,204,289	4,396,285	(1,191,996)	-27%
Total trade payables	**3,204,289**	**4,396,285**	**(1,191,996)**	**-27%**

The decrease in trade payables compared to 31 December 2014 is due to the spike in purchases that occurred at the end of the previous year and due to the need to cope with the growing demand in early 2015. In 2015 the level of purchases stabilized and was more or less constant throughout the year.

19. Tax payables

At 31 December 2015, this item is made up as follows:

Tax liabilities	31-Dec-15	31-Dec-14	Change	% Change
Employee witholding taxes	147,114	118,905	28,209	24%
Income tax liabilities	144,073	-	144,073	
Total tax liabilities	**291,186**	**118,905**	**172,281**	145%

Withholding taxes represent the value of withholdings paid in the first months of 2016. The tax liabilities for current taxes includes the IRPEG income tax liability at 31 December 2015.

20. Other current liabilities

At 31 December 2015, this item is made up as follows:

(In Euro)

Other current liabilities	31-Dec-15	31-Dec-14	Change	% Change
Due to social security funds	253,771	223,453	30,318	14%
Unused vacation time and holidays	252,963	277,456	(24,493)	-9%
Due to personnel	270,806	178,861	91,945	51%
Other liabilities	160,950	104,847	56,103	54%
Total current liabilities	**938,489**	**784,616**	**153,873**	20%

“Amounts due to social security entities” includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 223 thousand).

“Accrued payroll costs” includes the accrual for holidays remaining on 31 December 2015.

“Amounts due to employees for salaries” refers to payables for salaries and wages still to be paid on the reporting date.

The item "Other payables" includes payables to administrators for Euro 153 thousand, while the remainder comprises balances due to customers.

Guarantees given to third parties

As at 31 December 2015, as also at 31 December 2014, there are no records of any guarantees given to third parties.

6.3 Structural analysis of main items of the parent company's income statement for FY 2015

21. Income from sales and services

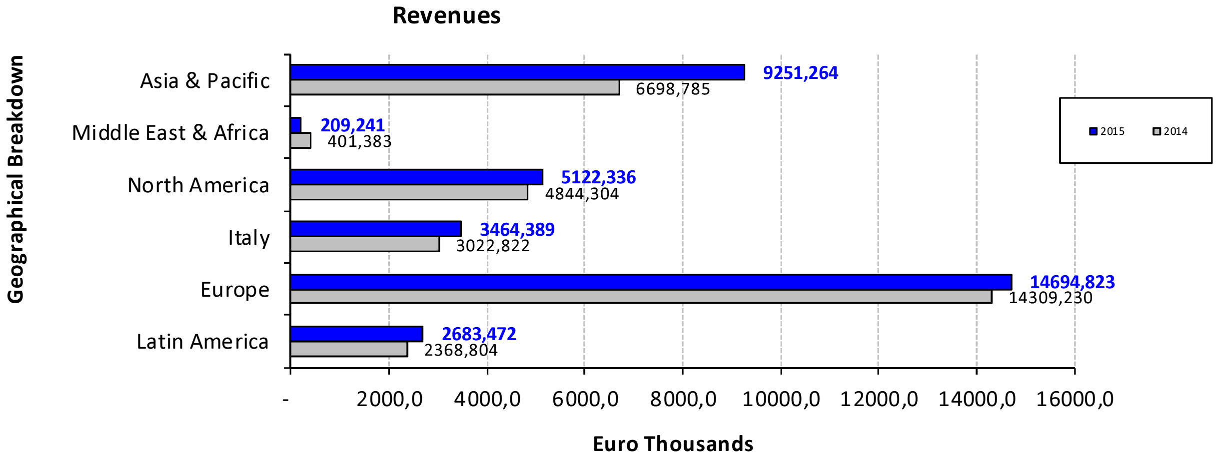
Revenues from sales and services are appreciably up compared to the 2014 figure (+12%). The table below highlights revenue from sales and services broken down by geographical area:

Geographical Area	2015	%	2014	%	Change	% Change
Latin America	2,683,472	8%	2,368,804	7%	314,668	13%
Europe	14,694,823	41%	14,309,230	45%	385,592	3%
Italy	3,464,389	10%	3,022,822	10%	441,568	15%
North America	5,122,336	14%	4,844,304	15%	278,031	6%
Middle East & Africa	209,241	1%	401,383	1%	(192,141)	-48%
Asia & Pacific	9,251,264	26%	6,698,785	21%	2,552,479	38%
Total revenues	**35,425,525**	**100%**	**31,645,328**	**100%**	**3,780,196**	**12%**

2015 exports remained at the levels achieved in 2014, continuing to account for 90% of the Company's turnover

The result achieved in 2015 was driven primarily by the extremely important growth achieved in the Asian market, with an increase of 38% with annual sales of 9.25 million and an incidence of 26% over the total sales figure.

Performance in the European market, including Italy, was also positive and showed an increase of about 5%. This market, which achieved an overall value in 2015 of 18.16 million, provides 51% of the Company's total sales. The results from the North American market were also positive and showed a growth of 6% reaching a value of 5.1 million for the year with an incidence of 14% on total turnover. The Latin American market produced revenues that were almost stable in absolute terms, which should be considered as rather positive in view of the economic difficulties seen at a country level in Brazil.



The item can only be broken down in reference to the geographical area for the sales, as the market segment of the Company is identified exclusively in the manufacture and sale of "top quality professional loudspeakers".

However, this single category of products can be further broken down in terms of turnover based on the type of loudspeakers sold. Below is a table summarising 2015 sales according to product category compared with their respective value in the previous year:

Product category	2015	%	2014	%	Change	% Change
LF FE Drivers	11,281,919	31.8%	9,369,267	29.6%	1,912,652	20%
LF ND Drivers	9,673,652	27.3%	8,797,956	27.8%	875,696	10%
HF Drivers	10,891,122	30.7%	9,979,132	31.5%	911,990	9%
Coaxials	2,798,932	7.9%	2,236,505	7.1%	562,427	25%
Others	779,899	2.2%	1,262,468	4.0%	(482,569)	-38%
Total revenues	**35,425,525**	**100.0%**	**31,645,328**	**100.0%**	**3,780,197**	**12%**

As can be seen in the Report on Operations, revenue performance showed a steady tendency towards growth in every quarter of the year compared to 2014.

The Company's most important client is ***D Hao Shin***, which accounts for approximately 14% of total turnover.

For a more detailed analysis of revenues during the year, please refer to the relevant section of the Report on Operations at the start of this document.

22. 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 item is made up of:

Cost of sales	2015	2014	Change	% Change
Acquisti materie prime e prodotti finiti	(1,792,347)	(1,815,747)	23,400	-1%
Semilavorati di acquisto	(10,979,589)	(10,499,762)	(479,827)	5%
Lavorazioni esterne	(2,368,705)	(1,929,064)	(439,641)	23%
Materiali accessori e di consumo	(1,102,268)	(943,986)	(158,282)	17%
Imballi	(405,688)	(361,025)	(44,663)	12%
Acquisti beni diversi	(118,076)	(109,409)	(8,667)	8%
Variazione rimanenze semilavorati	560,060	1,395,427	(835,366)	-60%
Variazione rimanenze prodotti finiti	231,125	(11,030)	242,156	-2195%
Variazione rimanenze mp, sussi, di consumo e merci	(7,539)	260,779	(268,318)	-103%
Totale consumi e lavorazioni di terzi	**(15,983,027)**	**(14,013,819)**	**(1,969,208)**	**14%**
Salari	(2,605,413)	(2,302,703)	(302,711)	13%
Oneri sociali su salari	(790,827)	(743,392)	(47,434)	6%
Trattamento fine rapporto	(165,016)	(147,840)	(17,176)	12%
Altri costi del personale	(891,060)	(606,961)	(284,099)	47%
Totale costo del lavoro diretto	**(4,452,316)**	**(3,800,896)**	**(651,420)**	**17%**
Costi di trasporto e logistica	(601,105)	(600,162)	(943)	0%
Provvigioni passive	(132,462)	(127,907)	(4,555)	4%
Altri oneri	(208,096)	(136,347)	(71,750)	53%
Totale altri costi diretti	**(941,664)**	**(864,416)**	**(77,248)**	**9%**
Totale costo del venduto	**(21,377,007)**	**(18,679,131)**	**(2,697,875)**	**14%**

Cost of sales as a whole showed an increase of Euro 2.7 million during 2015 while maintaining its incidence over revenues at a substantially unchanged level. The largest increases were registered in the categories of materials, external manufacturing costs and direct labour costs.

As highlighted in the table above costs for *materials and processing by third parties* increased by Euro 1.9 million. Consumption of semi-finished products and external manufacturing work showed a marked increase compared to the previous period as a result of increased production volumes in 2015 compared to the previous year.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house.

Please note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed. Purchases of other goods relate to purchases of office machinery, small equipment for production and the warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

Direct labour costs increased by Euro 651 thousand following the combined effect of the increase in personnel and the increased use of temporary workers during 2015.

Costs of transport and logistics increased slightly compared to the previous year as a result of higher purchase volumes.

23. Other revenues

This category includes recoveries of commercial expenses, extraordinary income and grants received.

The item is made up of:

Other revenues	**2015**	**2014**	**Change**	**% Change**
Other revenues	106,101	48,048	58,053	121%
Grants and contributions	10,465	24,290	(13,825)	-57%
Extraordinary income	24,247	17,693	6,555	37%
Total other revenues	**140,813**	**90,031**	**50,782**	**56%**

The entry “Grants and contributions” refers to the grant received from Fondimpresa for staff training.

The item “Other revenues” refers to recoveries of expenses and bonuses received from suppliers for achieving contractually agreed expenditure.

24. Indirect personnel

This category refers to costs of R&D staff, office personnel, top executives and workers not directly involved in the production process.

The item is made up of:

Cost of indirect labour	**2015**	**2014**	**Change**	**% Change**
Retribution	(1,209,092)	(1,098,712)	(110,380)	10%
Social charges	(338,761)	(326,842)	(11,920)	4%
Severance indemnity	(73,175)	(65,564)	(7,611)	12%
Total cost of indirect labour	**(1,621,029)**	**(1,491,118)**	**(129,911)**	**9%**

The increase seen in "Retribution" and "social charges" was mainly due to the increase in the work force and contractual adjustments during the year. As specified in the Report on Operations, the increase in indirect personnel costs was lower in comparison to the increase in turnover. Its incidence on revenues actually dropped to 4.58% compared to 4.71% in 2014.

25. Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

The item is made up of:

Commercial expenses	2015	2014	Change	% Change
Commercial consulting services	(338,491)	(368,363)	29,872	-8%
Advertising	(200,148)	(155,232)	(44,916)	29%
Travelling expenses	(216,106)	(220,631)	4,525	-2%
Total commercial expenses	**(754,745)**	**(744,227)**	**(10,519)**	**1%**

Commercial expenses remain broadly in line with the previous year.

26. Administrative and General expenses

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

The item is made up of:

General and administrative expenses	2015	2014	Change	Change %
Manteinance & utilities	(715,048)	(681,083)	(33,965)	5%
Professional services	(577,263)	(432,425)	(144,838)	33%
Emolumenti organi sociali	(846,822)	(747,638)	(99,185)	13%
Other suplies	(189,929)	(172,760)	(17,169)	10%
Insurance	(78,176)	(80,839)	2,663	-3%
Taxes	(75,463)	(65,722)	(9,741)	15%
Stock Exchange expenses	(124,446)	(121,826)	(2,620)	2%
Extraordinary expenses	(17,920)	(12,425)	(5,494)	44%
Loss on disposal of tangible assets	0	(36,672)	36,672	-100%
Executive retirement indemnities	(49,394)	(50,200)	806	-2%
Rent expenses	(934,099)	(929,608)	(4,491)	0%
Rental fees	(76,595)	(49,005)	(27,589)	56%
Other	(54,854)	(56,333)	1,479	-3%
Total general and administrative expenses	**(3,740,008)**	**(3,436,535)**	**(303,472)**	**9%**

Service costs are mainly related to maintenance and software for about Euro 185 thousand (Euro 140 thousand in 2014), and costs for utilities for Euro 299 thousand (Euro 333 thousand in 2014) and maintenance of instrumental assets and real estate for Euro 229 thousand (Euro 208 thousand in 2014).

Professional services include technical, administrative and legal consulting services received by the

Company in 2015. The increase compared to the previous year is due to the recourse during 2015 to spot consultations related mainly to improving efficiency of the cost structure of the Company.

The entry “Rental fees” refers to costs for renting premises where the production, administrative and commercial activities of the Company are carried out.

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

The increase in Fees and corporate bodies is mainly due to the additional costs associated with the expansion of the Board of directors, which was appointed in May 2015.

27. Amortization, depreciation, provisions and write-downs

Amortization, depreciation, provisions and writedowns	2015	2014	Change	% Change
Amortization of intangibles assets	(71,347)	(109,373)	38,025	-35%
Depreciation of tangible assets	(717,841)	(724,119)	6,278	-1%
Total amortizations and depreciations	**(789,188)**	**(833,491)**	**44,303**	**-5%**
Bad debt provision	-	(38,325)	38,325	-100%
Warranty provision	-	(30,000)	30,000	-100%
Writedown investment in B&C Brasil	(169,998)	-	(169,998)	
Total provisions and writedowns	**(169,998)**	**(68,325)**	**(101,673)**	**149%**

The decrease in amortization is due essentially to the completion, during the previous year, of the amortization process for Research and Development costs.

During the 2015 no provision for doubtful accounts was made because, despite the increase in trade receivables compared to 31 December 2015, the level of risk of the same has decreased primarily as a result of the recovery of positions previously considered at risk.

It was not necessary to set aside any provisions for warranties given that the provisions in being at 31 December 2014 were sufficient to cover the risk of warranty support that the Company's management can reasonably expect on the basis of the historical trend of this parameter.

The item “Write-down investment in B&C Brazil” refers to the write-down made on the carrying amount of the investment in the Brazilian subsidiary following the outcome of the *Impairment test,* as described in greater detail in Note 3.

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2015	2014	Change	Change %
Interest expenses	(55,195)	(12,618)	(42,577)	337%
Bank charges	(26,096)	(19,804)	(6,292)	32%
Exchange rate difference expenses	(277,436)	(144,746)	(132,690)	92%
Exchange rate differences accruals	(18,352)	(36,210)	17,858	-49%
Loss on securities	-	(17,538)	17,538	-100%
Accrual loss on securities	(31,916)	(33,216)	1,300	-4%
Financial expenses for Defined Benefit Obligation	(4,220)	(7,025)	2,805	-40%
Other	-	(40,248)	40,248	-100%
Totale oneri finanziari	**(413,214)**	**(311,405)**	**(101,810)**	**33%**
Bank interest income	6,382	16,687	(10,305)	-62%
Exchange rate differences income	274,910	135,539	139,371	103%
Exchange rate differences accruals	26,811	60,649	(33,838)	-56%
Financial income accrual on futures	51,398	-	51,398	N/A
Dividends	290,747	78,191	212,556	272%
Interest on securities	48,319	111,022	(62,703)	-56%
Totale proventi finanziari	**698,568**	**402,089**	**296,479**	**74%**

The increase in the item “financial expenses” is essentially due to the effect of greater losses on exchange rates realized during 2015.

Presumed losses on securities, entered under current assets, refer to the economic effect of the fair value measurement of asset management in place as at 31 December 2014, held for short-term liquidity and classified under other current assets

The increase recorded under “Financial income” relates essentially to the increased exchange rate gains realised during 2015 compared with the previous year and income from larger dividends collected from the US subsidiary.

The entry “Financial income accrual on futures” refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2015.

29. Taxes

The item is made up of:

Current and deferred taxes	2015	2014	Change	% Change
IRES	(1,913,902)	(1,703,433)	(210,469)	12%
IRAP	(335,680)	(390,754)	55,074	-14%
Total current taxes	**(2,249,583)**	**(2,094,187)**	**(155,396)**	**7%**
Deferred tax expenses/(income)	24,005	(4,185)	28,190	-674%
Total income taxes	**(2,225,577)**	**(2,098,372)**	**(127,205)**	6%

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

The reconciliation of the tax expense entered in the financial statements and the theoretical tax expense determined on the basis of the theoretical tax rates applicable in Italy is explained below:

Theoretical tax was determined by applying the IRES tax rate (27.5% in 2015 and in 2014) to the pre-tax result. To ensure a better understanding of the reconciliation between the tax expense entered in the financial statements and the theoretical tax expense, it does not take account of IRAP because, since it is a tax calculated on taxable income other than the pre-tax profit, it would generate distortion between one financial year and the next.

The permanent differences can be divided between “permanent increases” and “permanent decreases; the former includes the expenses partially deductible by law for Euro 219 thousand (Euro 132 thousand in 2014) and financial expenses recognised in the financial statements in application of IFRS for Euro 4 thousand (Euro 40 thousand in 2014).

"Permanent decreases" include dividends received by foreign subsidiaries for Euro 276 thousand (Euro 74 thousand in 2014), the tax incentive referred to as A.C.E. and the portion of IRAP relating to expenses for employees paid in 2014 in the amount of Euro 457 thousand (Euro 411 thousand in 2014) in addition to the financial income recognised in the financial statements in application of IFRS for 15 thousand Euro (nothing in 2014).

With regard to the recovery of temporary differences entered in previous years, please note the Directors fees paid in 2015, but which actually related to the previous financial year (Euro 66 thousand), in addition to the fees relating to this year, but which have not yet been paid (Euro 134 thousand) and the part of depreciation in excess of the admissible deductible share (Euro 3 thousand).

As a result of the differences between permanent and temporary expenses described above, the effective tax rate (IRES) for the financial year 2015 amounted to 25.53% on pre-tax profit (this was 25.91% in FY 2014).

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

30. Net financial position

As required by Consob Communication of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 “Recommendations for the standardised implementation of the regulation of the European Commission on financial statements”, the net financial position of the company as at 31 December 2015 is detailed below:

	31 december 2015 (a)	31 december 2014 (a)	Variazione
A. Cash	1,020	3,751	-73%
C. Securities held for trading	3,994	4,967	-20%
D. Cash and cash equivalent (A+C)	**5,014**	**8,718**	**-42%**
F. Bank overdrafts	0	(6,501)	-100%
G. Current portion of non current borrowings	(1,124)	(186)	504%
I. Current borrowingse (F+G)	**(1,124)**	**(6,687)**	**-83%**
J. Current net financial position (D+I)	**3,890**	**2,031**	**92%**
K. Non current borrowings	(2,822)	(358)	689%
N. Non current borrowings	**(2,822)**	**(358)**	**689%**
O. Total net financial position (J+N)	**1,069**	**1,673**	**-36%**

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

Note: The net financial position, calculated by the Company's management as detailed above, is not identified as an accounting measurement in either 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.

Below is a statement of reconciliation between the net final cash and cash equivalents highlighted in the statement of cash flow and the net financial position shown above.

	31-Dec-15	31-Dec-14
Cash and cash equivalents at end of the period	**1,020**	**3,752**
Current portion of non current borrowings	(1,124)	(6,686)
Non current borrowings	(2,822)	(359)
Securities held for trading	3,994	4,967
Total net financial position	**1,069**	**1,673**

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

31. Related party transactions

The subjects identified as "related parties" as defined by IAS 24 are as follows:

- ***Research & Development International S.r.l.***, based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000, which owns 61.52% of the share capital of the parent company B&C Speakers S.p.A.;
- ***B&C Speakers NA LLC***, a 100% subsidiary of the parent company*;*
- ***B&C Speakers Brasil LTDA***, a 100% subsidiary of the parent company;

Details of transactions and the effects on the income statement and balance sheet arising from transactions with the above-mentioned related parties are provided in the relevant paragraph of the Report on Operations, to which we refer you.

32. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2014 the Company did not incur costs in connection with non-recurrent operations.

33. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2014 the Company did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

34. Information on financial risks

The company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and interest rate 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 is exposed to exchange risk arising from changes in exchange rates for foreign currencies, primarily the USD and GBP; the exchange risk will be manifest in future transactions. The company does not make provision for coverage of this risk, except to seek a long term balance between its sales and purchases, especially in the U.S. dollar zone.

In 2015 the company continued to make significant purchases abroad, particularly in Asia; the value of purchases made in foreign currencies is summarised as follows:

- Purchases in US Dollars equal to 9.1 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 8.2 million.

In 2015, the Company instead generated turnover from customers in a foreign currency; in particular, *Revenues,* in a foreign currency are summarised below:

- Sales in US Dollars equal to 4.1 million whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 3.7 million.

These figures show that purchases in foreign currency account for approximately 27% of total purchases (25% in 2014), while sales in foreign currency account for 10% of the Company's turnover (11% in 2014).
The value of purchases made in foreign currency in 2015, is significantly greater than the value in the currency of the turnover; Consequently, we can argue that the Company was disadvantaged for all of 2015 when the dollar depreciated strongly.
Overall, the Company is economically exposed to the trend of the euro/dollar exchange rate.

On the Balance sheet, the equivalent in euros of trade receivables entered in US dollars on 31 December 2015 amounted to Euro 1.1 million (the total value on 31 December 2014 was Euro 1.2 million), while the equivalent value of trade payables in US dollars on 31 December 2015 amounted to Euro 0.9 million (the total value on 31 December 2014 amounted to Euro 1.3 million).
We must stress that the Company has guaranteed its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which is the limited currency exposure at the end of the period.
The incidence of tax receivables in currency reaches, based on the above data, approximately 14% of the overall trade value, while the incidence of trade payables in currency accounts for 28% 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 31 December 2015, with the associated costs and profits entered in the income statement.

Considering that the data in the Consolidated financial statements as at 31 December 2015 is not significantly different from those of the Parent Company, this paragraph will not be included in the Consolidated Explanatory Notes.

Credit risk

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

Interest rate risk

The Company does not have significant financial assets or liabilities and its profitability is not significantly affected by interest rate trends. Therefore, despite the Company does not result significantly influenced by interest rates, management has implemented adequate risk hedging instruments in particular on the medium-long term loan agreement with CR Firenze SpA, through the signing of an IRS (interest rate swap) contract.

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 be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels are established:

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

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 2015, 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	3,993,718	-	-
Total	**3,993,718**	-	-
Financial liabilities	-	-	-
Total	-	-	-

Consolidated financial statements

as of 31 December 2015

7 Consolidated financial statements of the B&C Speakers Group as at 31 December 2015

7.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)		Notes	31 December 2015	31 December 2014
ASSETS				
Fixed assets				
Tangible assets		1	3,145,378	3,402,208
Goodwill		2	1,393,789	1,393,789
Other intangible assets		3	92,329	136,249
Investments in non controlled associates		4	50,000	-
Deferred tax assets		5	307,014	325,052
Other non current assets		6	152,766	219,334
	related parties	*31*	*88,950*	*88,950*
Other assets		6	303,405	254,012
Total non current assets			**5,444,681**	**5,730,644**
Currents assets				
Inventory		7	8,812,521	8,018,696
Trade receivables		8	7,084,609	6,828,276
Tax assets		9	737,790	1,069,532
Other current assets		10	4,339,376	5,265,368
Cash and cash equivalents		11	1,495,913	4,082,370
Total current assets			**22,470,209**	**25,264,242**
Total assets			**27,914,890**	**30,994,886**

			31 December 2015	31 December 2014
LIABILITIES				
Equity				
Share capital		12	1,072,541	1,086,030
Other reserves		12	3,283,847	4,201,715
Retained Earnings		12	8,879,546	7,926,561
Fair value reserve		12	(159,596)	(136,836)
Profit/(loss) for the year		12	5,022,801	4,355,103
Total equity attributable to shareholders of the parent			**18,099,139**	**17,432,573**
Minority interest			-	0
Total equity			**18,099,139**	**17,432,573**
Non current equity				
Long-term borrowings		13	2,821,554	358,331
Severance Indemnities		14	660,765	641,535
Provisions for risk and charges		15	82,596	82,596
Deferred tax liabilities		16	33,127	43,533
Total non current liabilities			**3,598,042**	**1,125,995**
Current liabilities				
Short-term borrowings		17	1,133,516	6,686,669
Trade liabilities		18	3,180,375	4,391,910
	related parties	*31*	*0*	*13,896*
Tax liabilities		19	936,917	548,453
Other current liabilities		20	966,901	809,286
Total current liabilities			**6,217,709**	**12,436,318**
Total Liabilities			**27,914,890**	**30,994,886**

7.2 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR FY 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		*Notes*	**2015 YTD**	**2014 YTD**
Revenues		*21*	36,588,399	32,771,310
Cost of sales		*22*	(21,577,174)	(19,121,125)
Gross Margin		*0*	**15,011,226**	**13,650,185**
Other revenues		*23*	148,023	90,031
Cost of indirect labour		*24*	(1,897,617)	(1,744,391)
Commercial expenses		*25*	(827,163)	(809,015)
General and administrative expenses		*26*	(3,977,351)	(3,673,760)
	related parties	*31*	*927,249*	*961,337*
Ebitda			**8,457,118**	**7,513,050**
Depreciation of tangible assets		*27*	(732,007)	(734,303)
Amortization of intangible assets		*27*	(72,475)	(109,373)
Provisions and writedowns		*27*	(77,940)	(68,325)
Earning before interest and taxes			**7,574,696**	**6,601,050**
Financial costs		*28*	(680,225)	(404,593)
Financial income		*28*	521,962	437,899
Earning before taxes			**7,416,433**	**6,634,355**
Income taxes		*29*	(2,439,881)	(2,101,733)
Profit for the year (A)			**4,976,552**	**4,532,623**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Exchange differences on translating foreign operations			36,199	(154,759)
Actuarial gain/(losses) on DBO (net of tax)			10,049	(22,760)
Total other comprehensive income/(losses) for the year (B)			**46,249**	**(177,520)**
Total comprehensive income (A) + (B)			**5,022,801**	**4,355,103**
Profit attributable to:				
Owners of the parent			4,976,552	4,532,623
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			5,022,801	4,355,103
Minority interest			-	-

7.3 CONSOLIDATED STATEMENT OF CASH FLOW FOR FY 2015

Consolidated cash flow statement (Euro thousands)	Year		
	2015	2014	
A- Net current bank balances at the beginning of the period	**4,082**	**1,987**	
B- Cash flow from operating activities			
Profit/loss for the period (Including third parties Profit/loss)	5,023	4,355	
Income tax expense	2,440	2,102	
Amortization of intangibles assets	72	111	
Depreciation of tangible assets	732	733	
Finance cost	680	345	
Interest income	(522)	(398)	
Net change in provisions for risk and charges and other provision relating to personell	49	(334)	
Change in provigion for leaving indemnities			
Allocations and revaluations	4	7	
Actuarial gain/(losses)	(15)	33	
(Use)	(20)	(21)	
(increase) decrease in current trade and other current receivables	28	(1,182)	
(increase) decrease in deferred tax assets	18	(54)	
(increase) decrease in inventory	(794)	(1,662)	
Increase (decrease) in current trade and other payables	(748)	2,441	**Note 1**
increase (decrease) in deferred tax liabilities	(10)	17	
Net cash from/(used in) operating activities	**6,938**	**6,530**	
Paid interest costs	(680)	(345)	
Collected interest income	522	398	
Taxes paid	(2,357)	(2,633)	
Total (B)	**4,423**	**3,950**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(475)	(577)	
Selling price of decreases of non current tangible assets	-	25	
Net (investments) in non current intangible assets	(29)	(57)	
Net (investments) in investment in associates	(50)	-	
Net (investments) in non current securities	17	363	
Net (investments) in current securities	973	(4,217)	
Total (C)	**436**	**(4,463)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(3,099)	6,396	
Purchase of treasury shares	(955)	(521)	
Dividend paid to shareholders	(3,465)	(3,514)	
Total (D)	**(7,520)**	**2,361**	
E- Cash flow for the period (B+C+D)	**(2,661)**	**1,848**	
F- Effect of changes in exchange rates of foreign currencies	65	247	
G- Cash and cash equivalents at end of the period	**1,486**	**4,082**	

Note 1: the liquidity absorbed by the change in the amounts owed to suppliers and others comprises the absorption liquid funds due to transactions with the parent R&D International S.r.l. for approximately Euro 6 thousand.

The following table shows the composition of the balance of net final cash and cash equivalents at 31

December 2015 and at 31 December 2014.

	31-Dec-15	31-Dec-14
Cash	1,496	4,082
Bank overdrafts	(10)	0
Total	**1,486**	**4,082**

7.4 STATEMENT OF CHANGES IN EQUITY OF THE B&C SPEAKERS GROUP AS AT 31 December 2015

Below is the statement of changes in equity that took place in FY 2014 and FY 2015.

(In thousands of euros)

	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 2013	**1,098**	379	4,286	44	2	**4,711**	**(145)**	**6,482**	**4,513**	**199**	**8**	**16,866**	**-**	**16,866**
Allocation of 2013 net result	-	-	-	-	-	-	8	4,712	(4,513)	(199)	(8)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(3,514)	-	-	-	(3,514)	-	**(3,514)**
Treasury shares allocation	(12)	-	(509)	-	-	**(509)**	-	-	-	-	-	(521)	-	**(521)**
Consolidation and foreign exchange effect	-	-	-	-	-	-	**-**	247	-	-	-	247	-	**247**
Net result of the period	-	-	-	-	-	-	-	-	4,533	(155)	(23)	4,355	-	**4,355**
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**

	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	-	-	-	-	25	25	(23)	4,353	(4,533)	155	23	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(3,465)	-	-	-	(3,465)	-	**(3,465)**
Treasury shares allocation	(13)	-	(942)	-	-	**(942)**	-	-	-	-	-	(955)	-	**(955)**
Consolidation and foreign exchange effect	-	-	-	-	-	**-**	**-**	65	-	-	-	65	-	**65**
Net result of the period	-	-	-	-	-	**-**	-	-	4,977	36	10	5,022	-	**5,022**
Balance at 31 December 2015	**1,073**	379	2,835	44	27	**3,284**	**(160)**	**8,880**	**4,977**	**36**	**10**	**18,099**	**-**	**18,099**

8 Consolidated report on operations for the financial year ended on 31 December 2015

The B&C Speakers Group is a key international entity in the production and marketing of "top quality professional loudspeakers"; the business of the Group, which operates both nationally and internationally, is dedicated exclusively to this sector. Products are manufactured and assembled at the Italian production plant of the Parent Company, which also deals directly with marketing and sales in the various geographical areas covered.

Products are distributed on the American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA, which in 2015 acted as a distribution centre.

Profit recorded for FY 2015 came to Euro 5,023 thousand, net of tax for Euro 2,440 thousand and amortisation/depreciation for Euro 804 thousand.

Profit recorded for FY 2014 came to Euro 4,355 thousand, net of tax for Euro 2,101 thousand and amortisation/depreciation for Euro 844 thousand.

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2015 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2015	2014
Revenues	36,588	32,771
Ebitda	8,457	7,513
Ebit	7,575	6,601
Net profit	5,023	4,355

Balance sheet highlights

(€ thousands)	31 December 2015	31 December 2014
Non current Assets	5,445	5,731
Non current liabilities	3,598	1,126
Current assets	22,470	25,264
Current liabilities	6,218	12,436
Net working Capital	16,253	12,828
Net Equity	18,099	17,433

Cash flow statemen highlights

(€ thousands)

	2015	2014
Operating cash flow	4,423	3,950
Cash flow from investing activities	436	(4,463)
Cash flow from financial activities	(7,520)	2,361
Cash and cash equivalent at end of the year	(2,661)	1,848

Net financial position

(€ thousands)	31 December 2015	31 December 2014
Current net financial position	4,356	2,362
Total net financial position	1,535	2,004

Economic trend

The economic trend in the year 2015 was characterised by appreciable corporate growth of the Group in general that allowed us to achieve a new company record in terms of sales with a consolidated value amounting to Euro 36.59 million.

To provide a clearer representation of how economic management evolved in FY 2015 compared with the same period in the previous year, the table below lists the major aggregates of the B&C Speakers Group:

Economic trends - Group B&C Speakers

(€ thousands)	2015 YTD	*Incidence*	2014 YTD	*Incidence*
Revenues	36,588	*100.00%*	32,771	*100.0%*
Cost of sales	(21,577)	*-58.97%*	(19,121)	*-58.3%*
Gross margin	**15,011**	***41.03%***	**13,650**	***41.7%***
Other revenues	148	*0.40%*	90	*0.3%*
Cost of indirect labour	(1,898)	*-5.19%*	(1,744)	*-5.3%*
Commercial expenses	(827)	*-2.26%*	(809)	*-2.5%*
General and administrative expenses	(3,977)	*-10.87%*	(3,674)	*-11.2%*
Ebitda	**8,457**	***23.11%***	**7,513**	***22.9%***
Depreciation of tangible assets	(732)	*-2.00%*	(734)	*-2.2%*
Amortization of intangible assets	(72)	*-0.20%*	(109)	*-0.3%*
Provisions and writedowns	(78)	*-0.21%*	(68)	*-0.2%*
Earning before interest and taxes (Ebit)	**7,575**	***20.70%***	**6,601**	***20.1%***
Financial costs	(680)	*-1.86%*	(405)	*-1.2%*
Financial income	522	*1.43%*	438	*1.3%*
Earning before taxes (Ebt)	**7,416**	***20.27%***	**6,634**	***20.2%***
Income taxes	(2,440)	*-6.67%*	(2,102)	*-6.4%*
Profit for the year	**4,977**	***13.60%***	**4,533**	***13.8%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**4,977**	***13.60%***	**4,533**	***13.8%***
Other comprehensive result	46	*0.13%*	(178)	*-0.5%*
Total Comprehensive result	**5,023**	***13.73%***	**4,355**	***13.3%***

Note:

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 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 said income statement. EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure, neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of 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) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the directors in preparing IAS/IFRS-compliant financial statements.

EBT (earnings before taxes) represents the consolidated result before tax, as recorded in the income statement prepared by the

Directors in preparing IAS/IFRS-compliant financial statements.

Consolidated revenues

Consolidated revenues made during 2015 reached Euro 36.59 million, showing an increase of about 11.65% compared to 2014.

2015 exports remained at 2014 levels, continuing to account for 91% of the Group's turnover.

The result achieved in 2015 was driven primarily by the extremely important growth achieved in the Asian market, with an increase of 38% at Group level with annual sales of 9.25 million and an incidence of 25% over the total figure.
Performance in the European market, including Italy, was also positive and showed an increase of about 5%. This market, which achieved an overall value in 2015 of 18.16 million, provides 50% of the Group's total sales.
The results from the North American market were also very positive and showed a growth of 11% reaching a value of 6 million for the year.

The Latin American market produced revenues that were almost stable in absolute terms, which should be considered positive in view of the economic difficulties seen at a country level in Brazil.

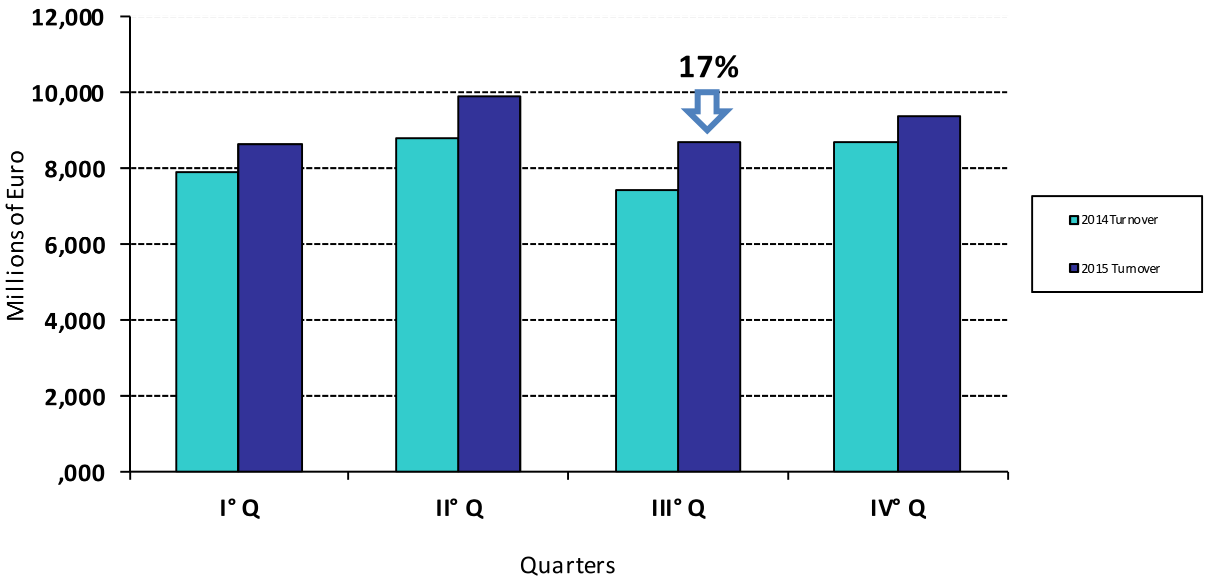
The very positive trend in orders from customers of the Parent company continued in 2015, with a calendar year total of Euro 35.63 million, up by 11% compared to the total figure in 2014. The order book value (of the Parent company) at the end of 2015 amounted to Euro 6.5 million, showing a slight decrease compared to the figure of 7.2 at the end of 2014.

Consolidated revenues in the four quarters (2015 and 2014) are summarised in the table below:

Trend of consolidated revenues

(€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2015	8.62	9.90	8.68	9.39	**36.59**
Net sales revenues 2014	7.88	8.78	7.42	8.70	**32.78**
Change 2015 - 2014	9.4%	12.7%	17.0%	7.9%	11.6%

As can be seen from the table below, revenue performance showed a steady tendency towards growth in every quarter of the year compared to 2014. In particular, the third quarter marked an increase of 17%.



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 showed a fractional increase in its incidence over revenues moving from 58.35% in 2014 to 58.97% in 2015. This change was due essentially to (i) a slight increase in the costs of purchases of components made in the dollar area and (ii) direct labour costs which increased slightly more than the growth in revenues. The other components in cost of sales (transport costs, commissions payable and other costs) have substantially maintained the same proportion over revenues.

Indirect personnel

This category refers to costs of R&D staff, office personnel, top executives and workers not directly involved in the production process.

The cost of indirect personnel in 2015 showed a lower growth compared to sales and its incidence actually dropped to 5.20% of sales compared to 5.32% at the end of 2014.

Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

Commercial expenses showed no significant changes compared to 2014.

Administrative and General

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

Given the close monitoring by top management, administrative and general costs showed no significant changes compared to the previous year. Therefore their impact over revenues made a positive fall from 11.2% in 2014 to 10.9% in 2015.

The table below summarises the**EBITDA** trend for the periods described.

(€ thousands)	**2015 YTD**	***Incidence***	**2014 YTD**	***Incidence***
Ebitda	**8,457**	***23.11%***	**7,513**	***22.9%***

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 said income statement. EBITDA is a measure used by the Issuer to monitor and assess the Group's operating performance and is not defined as an accounting measure either by Italian Accounting Standards or by the IASs/IFRSs; it should therefore not be considered as an alternative measure for assessing trends in the Group's operating result. Since the structure of 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.

As a result of the dynamics described above, the***EBITDA*** for 2014 amounted to Euro 8.4 million, representing an increase (12.6%) from that of 2014 (Euro 7.5 million); hence the ***EBITDA margin*** increased to 23.1% of revenues in the period, compared to 22.9% in 2014. This increase is mainly due to higher volumes in manufacturing, associated with the variations mentioned above.
It should be noted that, following the reclassification of costs by destination, the restated EBITDA and EBIT (of the Parent Company and the Group) for 2014 increased by Euro 20 thousand, related to bank charge costs currently classified under financial charges rather than in administrative and general costs.

The ***EBIT*** for 2015 totalled Euro 7.57 million up by 14.8% compared to 2014.

Net profits for the Group at the end of 2015 amounted to Euro 5 million and represented 13.7% of consolidated revenues; this result is 15.3% higher than that achieved during 2014 (Euro 4.3 million).

Equity and financial trend

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

Reclassified Balance sheet *(€ thousands)*	**31 December 2015**	**31 December 2014**	**Change**
Property, plant & Equipment	**3,238**	**3,538**	**(301)**
Inventories	8,813	8,019	794
Receivables	7,085	6,828	256
Other receivables	1,390	1,693	(303)
Payables	(3,180)	(4,392)	1,212
Other payables	(1,937)	(1,401)	(536)
Working capital	**12,170**	**10,747**	**1,423**
Provisions	**(743)**	**(724)**	**(19)**
Invested net working capital	**14,664**	**13,561**	**1,103**
Cash and cash equvalents	1,496	4,082	(2,586)
Investments in associates	50	-	50
Goodwill	1,394	1,394	-
Short term securities	3,994	4,967	(973)
Other financial receivables	456	473	(17)
Financial assets	**7,390**	**10,917**	**(3,527)**
Invested net non operating capital	**7,390**	**10,917**	**(3,527)**
NET INVESTED CAPITAL	**22,054**	**24,478**	**(2,423)**
Equity	18,099	17,433	667
Short-term financial borrowings	1,134	6,687	(5,553)
Long-term financial borrowing	2,822	358	2,463
RAISED CAPITAL	**22,054**	**24,478**	**(2,423)**

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

Invested net working capital shows an increase of around Euro 1.1 million compared to 31 December 2014. This trend is due to the combined effect of the following factors:

- a reduction in warehouse inventories of Euro 0.8 thousand, mainly in semi-finished products;
- an increase in trade receivables totalling Euro 0.3 million and an increase of Euro 0.3 million in other receivables;
- a reduction in trade payables totalling Euro 1.2 million and an increase of Euro 0.5 million in other payables;
- a decrease in fixed assets amounting to approximately Euro 0.3 million due to the net effect of investment and depreciation for the year.

The other asset categories showed no significant changes on 31 December 2014.

The importance of the Invested Net Working Capital when compared to total invested capital warrants more flexibility from the Company in order to better respond to industrial and business needs. The same can be said for its current structure, but in spite of conspicuous investments, fixed investments are not excessively burdened.

As far as ***Raised Capital*** is concerned, please note that equity accounts for almost all this category. The decrease in financial debt is due essentially to the repayment of a loan amounting to Euro 5 million (used for the purchase of portfolio securities held for liquidity use) and of a further loan of Euro 1.5 million.

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	2015	2014
R.O.E.	27.5%	26.0%
Return on Equity; Net result/Equity		
R.O.I.	1.9%	21.2%
Return on Investments; Ebit/Total assets		
R.O.S.	1.4%	20.1%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	1.84	1.29
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	4.58	2.47
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	2
Current Assets/Current Liabilities		
Net working capital	12,170	10,747
Primary liquidity ratio	24.1%	32.8%
Cash and cash equivalents/Current Liabilities		
Days of Inventory Turnover	83.95	80.05
Days of Receivables Turnover	69.40	71.15

Indicators relating to the rotation of the items of equity show substantial stability in collection terms compared to the previous year.

More specifically, the index of total debt shows that the company's equity exceeds the value of Current and non-Current liabilities.

Alternative performance indicators

In accordance with the CESR/05-178b guidelines on alternative performance indicators, in its Report on Operations, in addition to providing the financial data envisaged by the IFRS, the Group has also presented some quantities derived from the latter, despite not being required by the IFRS (non–GAAP measures).

These figures are presented to allow for a better evaluation of the Group's operating performance and should not be considered as alternatives to those of the IFRS.

The Group uses the following alternative performance indicators to assess economic performance:

Alternative key economic performance indicators
(Euro Thousands)

	2015	2014
Ebitda	8,457	7,513
Ebit	7,575	6,601
Net Result	5,023	4,355

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 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 said income statement.

EBIT (Earnings Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

The Group uses alternative performance indicators to measure its ability to cover its financial obligations:

Alternative key financial performance indicators
(Euro Thousands)

	2015	2014
Invested net working capital	14,664	13,561
Net working capital	12,170	10,747

Invested Net Working Capital is defined by the Issuer's Directors as the difference between the (current and non-current) assets and (current and non-current) liabilities, except for assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Issuer's Directors as the difference between current assets and current liabilities, excluding the assets and liabilities relating to financial management and goodwill.

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.

The *Net Financial Position*(including portfolio securities held for liquidity use) is positive by Euro 1.5 million (positive by Euro 2 million at 31 December 2014). The Group's financial stability remains good, particularly in view of the fact that in May 2015, dividends were paid for a total Euro 3,465 thousand (equal to Euro 0.32 per ordinary share in issue at coupon detachment), that during 2015 two loans expired with an overall payment of 6.5 million and that the Group has made important investments in order to maintain a constant flow of raw material supplies and a production capacity that is in line with the volume of orders received.

Corporate structure

As at 31 December 2015 the Group workforce numbered 119 units.

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

Personnel headcount	31-Dec-15	31-Dec-14	31-dic-13
Workers	88	80	73
Employees	25	20	19
Lower management	5	5	4
Upper management	1	1	1
Total	**119**	**106**	**97**

Investments

During 2014 there were investments made of around Euro 0.5 million, mainly targeted towards industrial plant and equipment for production.

There are two loudspeaker production lines operating in the new plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines meet the latest productivity and efficiency criteria.

As regards the production of diffusers for high frequencies (Drivers), there are two production lines that have benefited from investments made to improve efficiency.

All investments made in structures and fixed installations have been agreed with the parent company***Research & Development International S.r.l.*** with the goal of achieving significant improvement in production capacity.

Research and development

As regards this topic, since all R&D is performed exclusively by the Parent Company, one should refer to the information in the relevant section of the Report on Operations in the separate financial statements.

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 31 December 2015

The table below compares the profit and shareholders' equity of the Parent Company under IFRS and the profit and shareholders' equity of the Group on 31 December 2015.

(values in Euro)	Equity	Net Result
Holding Equity and Net Result IFRS	**18,078,591**	**5,184,189**
Consolidation of controlled entities - Netting of investments	(2,182,634)	-
Consolidation of controlled entities - Reserves and Net Equity allocation	2,498,868	11,869
Investment in associates Writedown	169,998	169,998
Dividends	-	(290,747)
Intercompany transactions	-	(147,965)
Intercompany inventory margins	(465,683)	59,257
Exchange rate effects	-	36,199
	-	-
Group Equity and Net Result IFRS	**18,099,139**	**5,022,801**

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

Transactions with related parties and subsidiaries under their management

The following table summarises 2014 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

The parent company ***Research & Development International S.r.l.*** owns 61.52% of the shares of B&C Speakers S.p.A. equal to 6,767,254 shares.

In particular, please note transactions implemented with the company***Research & Development International S.r.l.***, a company based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000 (owner of the parent company B&C Speakers S.p.A.).

Economic transactions

General and Administrative Expenses	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
2015	(3,977,351)	(927,249)	(927,249)	23%
2014	(3,673,760)	(923,057)	(923,057)	25%

The costs incurred with reference to Research & Development International S.r.l. relate to the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

Equity transactions

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2015	152,766	88,950	88,950	58%
31 December 2014	219,334	88,950	88,950	41%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2015	(3,180,375)	-	-	0%
31 December 2014	(4,391,910)	(6,327)	(6,327)	0%

The credit position of Research & Development International S.r.l. as at 31 December 2015, refers to credits for an IRES rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Companies were subject to consolidated taxation.

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.

Significant events of 2015

The following significant events occurred during FY 2015, affecting the Group's performance:

- On 3 February 2015 the Florence Tax Police Unit visited the legal and administrative of the Parent Company to carry out a tax inspection for the purposes of direct taxes, of VAT and of other levies concerning tax year 2010. The inspection continued up to 31 March 2015 when a Notice of Findings was served on the Parent Company. Through its tax consultant, the Parent Company presented a defensive plea in which a series of challenges were raised against the Tax Authority's allegations. On 18 June 2015 the Revenues Agency served on the Parent Company the Notice of Assessment which accepted, in part, the challenges presented in the defensive plea. The Parent Company opted for the solution of settling the assessment renouncing the presentation of an appeal. This solution made it possible to shorten considerably the settlement times with a reduction in the sanctions to one sixth and was preferred with respect to the option of tax litigation, owing mainly to the small residual amounts contested (Euro 29 thousand) which lead us to believe the solution chosen to be cheaper.

- The Shareholders' Meeting held on 24 April 2015 appointed the new Board of Directors and the new Board of Statutory Auditors for the Parent Company following the expiry of the respective mandates. The number of directors was raised from six to eight in consideration of the growth in size and of a long-term perspective directed towards greater specialisation of the Board members.

- In addition, in view of the expiry of the current auditing appointment held by Deloitte&Touche S.p.A., under the terms of Art. 12, Section 1 of Italian Legislative Decree 39 of 27 January 2010, the Shareholders' Meeting of the Parent Company proceeded to assign the mandate, for the period 2016-2024, to the auditing firm PricewaterhouseCoopers S.p.A.

- Finally, again on the occasion of the same Shareholders' Meeting, it was resolved to distribute a dividend of Euro 0.32 for each of the outstanding shares (net of treasury shares held), for a total expense of Euro 3.5 million.

Events subsequent to the closure of FY 2015

Since the closure of FY 2015, significant events have occurred affecting the company's performance, specifically:

- Orders received from customers showed a very positive trend during the first two months of 2016, because the Company received orders for Euro 8.5 million compared to 7.2 million in the first two months of 2015.

Business outlook

The FY 2016 will be affected by the economic uncertainty that pervades the current climate. In particular, if the current trend in the Euro/dollar exchange rate continues throughout 2015, it could lead to an increase in purchase costs of materials from countries in the dollar area. The Management is confident that the company can continue on its path of consolidation in the professional loudspeakers market and can make inroads into new products/markets with attractive potential in terms of size and margins.

Essential elements of the adjustment plan under Articles 36 and 39 Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62 paragraph 3-bis of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group and shows, for each of the conditions required by Art. 36, the level of implementation currently existing and, where necessary, adjustment operations provided with their deadlines.

The essential elements of this plan can be summarised as follows:

- the scope of application concerns two subsidiaries, located in two different non-European Union Member States, which are of significant importance pursuant to paragraph 2 of said Art. 36;
- the administrative, accounting and reporting systems currently used by the B&C Speakers Group are already substantially aligned with legal requirements, regarding the companies within the above-mentioned scope of application, both in terms of i) making the accounting documents compiled in order to prepare the consolidated financial statements publicly available, and ii) providing the necessary information for preparation of the consolidated financial statements to management and to the Auditor of the Parent Company.
- with regards to the request to receive a copy of the articles of association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent company enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices;
- with regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent's annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense. Methods are, however, currently being examined by which to obtain centralised formal evidence of communication from its subsidiaries to the independent auditor.

Major shareholders and main data concerning the Issuer's shares

As at the date of these financial statements (March 2016), official data reveals the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 61.52% stake *(parent company)*;
- Intelligent Investor International Fund, which owns 2.05% of shares;
- *Aldinio Colabchini* with 2.17%;
- Government of Norway, with 2.16%.

- Lazars Freres Gestion SAS, with 3,0%

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 31 December 2015, the Director Lorenzo Coppini holds 56,523 shares in B&C Speakers S.p.A.
- as at 31 December 2015, the Director Simone Pratesi holds 2,570 shares in B&C Speakers S.p.A.
- as at 31 December 2015, the Director Alessandro Pancani holds 7,000 shares in B&C Speakers S.p.A.

Corporate Governance

The Group abides by the Code of Corporate Governance of Italian Listed Companies issued in March 2006.

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, please 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.

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.

The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements (31 December 2014).

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2014**	**31 december 2013**
Total assets	11,477	11,264
Equity	8,312	8,025
Net income	2,487	3,570

The investment held by the Parent on 31 December 2015 is 61.52% of the Share Capital of the Parent.

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbered 8 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 24 April 2015; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2017.

Board of Statutory Auditors

Pursuant to art. 24 of the Issuer's articles of association, the Board of Statutory Auditors, in office since 24 April 2015, numbers three Statutory Auditors and two Alternate Statutory Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2017.

Main risks and uncertainties to which B&C Speakers S.p.A. and the Group are exposed

Risks connected with the general condition of the economy

The Group's economic, equity and financial position is influenced by various factors that together make up the macroeconomic context; these include the increase or decrease of the gross domestic product, the level of consumer faith and that of business, interest rate trends for consumer credit, the cost of raw materials and the unemployment rate.

In 2015, the world macroeconomic context began to confirm the signs of recovery shown in 2014 with demand showing growth as compared to the same period of last year. The market in which the Group operates is extremely cyclical and tends to reflect the general trend of the economy, in some cases even extending its scope. Due to the difficulties in forecasting the dimension and duration of the economic cycles, it is impossible to provide any assurance with regards to future demand or supply trends of the products sold by the Company on the markets on which it operates.

Moreover, some important economies are still very much suffering the recession, or have experienced recent low growth rates or periods of a stagnant economy. These latter or new recession conditions in markets that have just left them behind, can ultimately influence the industrial development of a great many businesses, including those of the Group. There can be no certainty that the steps taken by the governments and monetary authorities will be successful in re-establishing the conditions required to ensure the sustainable recovery of economic growth. This is why so much uncertainty still remains with regards to the trend of the global economy, just as it is also possible that the economies of some countries may yet experience slow growth periods or recession.

Dependence on suppliers

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, should today's suppliers for some reason become unavailable, this could well have an adverse effect on the Group's business. In fact, although the Group could turn to other suppliers of 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.

Please 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.

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 can successfully replace them promptly 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-Eurozone 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 OEM 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.

Difficulty protecting intellectual property

With the exception of the product lines DCX and ME102, for which the company has submitted (respectively, in 2005 and 2006) international patent applications, the products marketed by the Group are not protected by patents. Therefore, we cannot rule out the risk that the competitors of the Issuer may develop equivalent products and processes, to compete with those marketed by the Group; Such circumstances may have an adverse effect on the Group's business.

Partial adoption of the code of corporate governance of listed companies

The Company strives towards the continuous gradual encompassing of the Governance regulations laid down by the code of conduct for listed companies, as far as the parts considered applicable to the dimension and complexity of the Company are concerned. More specifically, a Remunerations Committee has been established consisting of an independent director and a non-executive director, 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. In 2012, moreover, the Parent Company also appointed 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. 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 product quality and its 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. An increase in prices of raw materials and components used in the production could have negative effects on the Group's economic, equity and financial position.

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B&C Speakers S.p.A., as Parent Company, is basically exposed to the same risks and uncertainties as described above for the Group.

Hierarchical levels of the fair value measurement

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

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

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

level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 2014, 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	3,993,718	-	-
Total	**3,993,718**	-	-
Financial liabilities	-	-	-
Total	-	-	-

9 Explanatory notes to the consolidated financial statements as at 31 December 2015

9.1 Basis of preparation

The consolidated financial statements as at 31 December 2015 of B&C Speakers S.p.A . (hereinafter the "B&C Speakers 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 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 10 May 2007.

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

On this point, it should be noted that, starting with the interim report as at 30 September 2015, the Group's management decided to adopt an arrangement for the Statement of Comprehensive Income with classification by destination rather than by nature. Therefore the statement of comprehensive income shows a different classification of costs together with the identification of intermediate results in terms of EBITDA, EBIT, EBT and net profit. This approach was adopted with the double aim of (i) aligning the periodic financial disclosure with management reporting used internally by management for decision-making and control purposes and (ii) improving the readability and effectiveness of information in annual and interim reporting towards third parties.

The main changes relate to the following items:

- the entry "*Cost of sales*" covers: purchases of raw and ancillary materials and goods and the change in inventories of raw and ancillary materials and goods (formerly classified under "Consumption of raw and ancillary materials and goods"); change in inventories of finished and semi-finished products (formerly classified under the item of the same name); the processing of third party goods (formerly classified under "Costs for services, leases and rentals"); the cost of staff directly involved in the production process (previously classified within the "Labour costs"); transportation costs, costs for commissions payable and customs duties (previously classified under "Costs for services, leases and rentals") and finally revenues to recover costs of transport (previously classified under "Other revenues");

- the item "*indirect personnel*" covers only the cost of staff not directly used in the production process (employees, executives and managers) previously classified under "Labour costs";
- the item *"Commercial expenses"* covers commercial consultancy costs, advertising costs, travel expenses and other charges relating to the commercial sector previously classified under "Costs for services, leases and rentals";
- the item *"Administrative and General"* covers: costs for maintenance, utilities and the provision of services not directly linked to the production process (previously classified under "Costs for services, leases and rentals"); purchases of goods that are also not directly associated with the production process (previously classified under "Consumption of raw and ancillary materials and goods"); remuneration for directors, professionals, consultants and supervisory bodies, as well as property rent and hire costs (previously classified under "Costs for services, leases and rentals"); stock exchange fees; taxes other than on income; losses and contingent liabilities (previously classified under "Other costs").

The statement of comprehensive income for 2014 was reclassified to allow a uniform comparison of magnitudes and economic results. It should be noted that, following the reclassification of costs by destination, the restated EBITDA and EBIT for 2014 increased by Euro 20 thousand, related to bank charge costs classified in financial charges rather than in administrative and General costs.

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.

These financial statements are prepared on historical cost basis and considering the business as a going concern. The Group has in fact determined that, despite the difficult economic and financial environment, there are no significant uncertainties (as defined by 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 consolidated financial statements are audited by Deloitte & Touche S.p.A.

Content and form of the financial statements

The consolidated financial statements comprise the Balance sheet, Income Statement, 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 consolidated balance sheet is presented with opposing sections and separate indication of assets, liabilities and shareholders' equity.

In turn, the Assets and Liabilities are recorded in the consolidated financial statements on the basis of whether they are classified as current or non-current.

Consolidated Statement of Comprehensive Income

The consolidated income statement is classified according to destination. The following aggregates are highlighted: (i) gross profit that includes all components of income and cost, directly involved in the industrial production process; (ii) EBITDA includes all components of income and cost, with the exception of depreciation, amortization and write-downs, the financial component and income taxes; (ii) EBIT which includes EBITDA less depreciation, amortization and write-downs; (iv) EBT which include EBIT net of tax on income and finally (v) Net Period result.

It should be pointed out that the Group's management has decided to adopt the statement of comprehensive income classified by destination rather than by nature from the quarterly report at 30 September 2015. Therefore the statement of comprehensive income shows a different classification of costs together with the identification of intermediate results in terms of EBITDA, EBIT, EBT and net profit. This approach was adopted with the double aim of (i) aligning the periodic financial disclosure with management reporting used internally by management for decision-making and control purposes and (ii) improving the readability and effectiveness of information in annual and interim reporting towards third parties.

The main changes relate to the following items:

- the entry "*Cost of sales*" covers: purchases of raw and ancillary materials and goods and the change in inventories of raw and ancillary materials and goods (formerly classified under "Consumption of raw and ancillary materials and goods"); change in inventories of finished and semi-finished products (formerly classified under the item of the same name); the processing of third party goods (formerly classified under "Costs for services, leases and rentals"); the cost of staff directly involved in the production process (previously classified within the "Labour costs"); transportation costs, costs for commissions payable and customs duties (previously classified under "Costs for services, leases and rentals") and finally revenues to recover costs of transport (previously classified under "Other revenues");
- the item "*indirect personnel*" covers only the cost of staff not directly used in the production process (employees, executives and managers) previously classified under "Labour costs";
- the item *"Commercial expenses"* covers commercial consultancy costs, advertising costs, travel expenses and other charges relating to the commercial sector previously classified under "Costs for services, leases and rentals";
- the item *"Administrative and General"* covers: costs for maintenance, utilities and the provision of services not directly linked to the production process (previously classified under "Costs for services, leases and rentals"); purchases of goods that are also not directly associated with the production process (previously classified under "Consumption of raw and ancillary materials and goods"); remuneration for directors, professionals, consultants and supervisory bodies, as well as property rent and hire costs (previously classified under "Costs for services, leases and rentals"); stock exchange fees; taxes other than on income; losses and contingent liabilities (previously classified under "Other costs").

The statement of comprehensive income for 2014 was reclassified to allow a uniform comparison of magnitudes and economic results. It should be noted that, following the reclassification of costs by destination, the restated EBITDA and EBIT for 2014 increased by Euro 20 thousand, related to bank charge costs classified in financial charges rather than in administrative and general costs.

Consolidated statement of cash flows

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 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 consolidated financial statements as at 31 December 2015 prepared according to the IFRS fully consolidates the statements of the Parent Company and of all companies in which it holds majority voting rights, as well as those in which it exercises a predominant influence in virtue of a contract or a statutory provision, where permitted by the law, and of the companies in which it has an autonomous control of the majority of the voting rights based on shareholder agreements.

The following companies therefore fall under the full consolidation scope at 31 December 2015:

Companies	Country	Group structure at 31 december 2015			Group structure at 31 December 2014		
		Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Parent Company			Parent Company		
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

Below is the key data of the subsidiaries controlled by the Parent Company as at 31 December 2015:

Company		B & C SPEAKERS, NA LLC
Share Capital	Dollars	30,000
Net Equity	Dollars	751,858
Profit / Loss	Dollars	216,155
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	1,449,786

Company		B&C SPEAKERS BRASIL
Share Capital	Real	1,720,729
Net Equity	Real	1,422,134
Profit / Loss	Real	(469,756)
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	428,151

Consolidation standards

The main criteria for consolidation, applied in preparing the consolidated financial statements as at 31 December 2015 in accordance with IFRS, in continuity with the previous year, are as follows:

a) the book value of the equity investments is eliminated against the relative equity, against the assumption of the assets and liabilities of the investees in accordance with the full integration method;

b) any greater book value of the equity investments with respect to the pertaining shareholders' equity at the time of the acquisition is, where possible, allocated to items of assets of the businesses included in the consolidation, up to their current value; any remaining portion is allocated to consolidation differences. In accordance with the transitional provisions of IFRS 3, the Group has fully applied this principle as from the preparation of the very first consolidated financial statements; as a result the Group has stopped amortising the consolidation difference, subjecting it instead to impairment testing;

c) if a negative difference should emerge, 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) 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;

e) equity investments in related companies are measured in accordance with the equity method;

f) significant operations between consolidated companies are derecognised, as are receivables and payables, costs and income and profits not yet realised deriving from transactions implemented between Group companies, net of any tax effect;

g) 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. Thereafter, losses attributable to minority shareholders exceeding their share in the shareholders' equity, are assigned to the Group's shareholders' equity, with the exception of cases where minorities have a binding obligation and are able to make additional investments to cover the losses. 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. Therefore, the shareholders' equity of minorities was originally determined according to the share of shareholders' equity booked and pertaining to the minority shareholder as at the acquisition date.

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 euros, 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, are converted at exchange rates in force as at the reporting date. Income and expenses are converted at average rates for the period. The exchange differences resulting from this are noted under shareholders' equity in the "Conversion reserve" included on the statements amongst "Other reserves". This reserve is recognised on the income statement as income or expense in the period in which its subsidiary is sold.

The rates applied on the conversion of financial statements into a currency other than the euro as at 31 December 2014 and 31 December 2015 are shown in the following table:

Currency	31-dic-15		31-dic-14	
	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.110	1.089	1.328	1.214
EURO/REAL	3.700	4.312	3.220	3.121

Accounting standards adopted

The measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2015 are as follows.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, 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.
Below is a summary of the amortisation periods of the various items of the intangible assets:

Category	Ammortization period
Patent rights	3 - 5 years
Research & Development	5 years

Consolidation difference-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 consolidation difference 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.
Consolidation difference is not depreciated, but once a year, or more frequently should specific events or changed circumstances indicate possible impairment, it is tested to identify that loss, in accordance with the provisions of IAS 36 - Impairment of assets. After it initial reporting, consolidation difference is measured at its cost net of any accumulated impairment.

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
Buildings	2.60%
Leasehold improvements	12.50%
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.

Impairment

On the closing date, the Parent 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 Parent 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.

Leased assets

Leases are classified as financial leases whenever the terms of the contract are such as to transfer substantially all the risks and benefits of the property to the lessee. All other leases are considered operating assets.

Leased assets are recognised as assets pertaining to the Parent Company at "fair value" on the date of the contract, or, if lower, the current value of minimum lease payments due under the lease contract. The corresponding liability to the lessor is included in the balance sheet as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial expenses are directly charged to the income statement for the year, except if not attributable to specific assets, in which case they are capitalised in accordance with the general policies of the Parent Company concerning financial expenses.
The costs of operating lease instalments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

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 groups of assets held for disposal) are classified as available for sale when their book value is expected to be recovered through a disposal, instead of using them in business operations. 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 the finished products or work-in-progress the production cost includes raw materials, direct labour, depreciation and other costs directly attributable to the production in addition to converging the indirect costs of production reasonably attributable to productive work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
Obsolete and slow-moving inventories are devalued in relation to their expandability or realisable future value by means of an inventory depreciation provision.

Receivables

Receivables are entered at their expected price of sale, corresponding to the nominal value adjusted according to a provision for doubtful debt. This provision is calculated on the basis of quantified collection from an analysis of the individual positions and the overall risk of a credit cap.
Appropriate impairment to estimate the amounts that cannot be recovered is recorded on the income statement when there is objective evidence that the receivables have reduced in value. Impairment is determined in the amount equal to the difference between the book value of the receivables and the current value of future forecast cash flow less the effective interest rate calculated at initial booking. Since the collection of receivables is always regulated by standard conditions reserved to customers, it was not deemed necessary to account for credit discounts.

Financial assets

Financial assets are entered on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, the financial assets that the Parent Company intends to and has the capacity to
hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When are financial assets held for trading, profits (or losses) arising from changes in "fair value" are charged to the income statement of the period; in the case of available-for-sale financial assets, gains and losses arising from changes in fair value are entered directly under equity until they are disposed of or have sustained a loss of value; on that date, cumulative gains or losses previously entered under equity are also listed in the income statement of the period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; there is no significant risk that their value may change.

Financial liabilities and instruments representative of shareholders' equity

Financial liabilities and equity instruments issued by the Company are classified according to the contractual agreements that have generated them and according to the respective definitions of liabilities and equity instruments. These are contracts that give the right to benefit from residue interest in the Company's assets after deducting its liabilities.
The equity instruments issued by the issuer are entered based on the amount collected, net of the direct costs of issuance.

Bank loans

Interest-bearing bank loans and overdrafts are initially entered for the amount received, net of transaction costs. This value is later adjusted to take account of any difference between the initial cost and the redemption value over the loan-term, using the effective interest rate method (amortised cost) .

Long-term provisions

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

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statements. Consequently, Severance Indemnity is recalculated by applying the "projected unit credit method" .
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the financial statements represents the current value of the liabilities for defined benefit plans, adjusted to take into account the actuarial gains and losses and costs relating to the performance of past employment services and reduced to the fair value of the plan assets. Any net assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid employment services, including the current value of any refunds and reductions in future contributions to the plan.
Please note that during first-time application, the Group had decided not to use the “Corridor Method” and, therefore, to recognise the said actuarial components in the income statement.

The amendment to IAS 19 – Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, eliminated the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

Severance pay for Directors has been calculated using the Civil Code law method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

Payables are entered at nominal value, considered to accurately quantify their final amount.

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 euros 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

IFRS requires sales of assets to be entered when these have been delivered and ownership is transferred to the buyer, along with the pertinent risk (normally the date of delivery or shipment).
Revenues are declared net returns, discounts, rebates and rewards as well as taxes directly related to the sale of the goods and the provision of services.
Financial revenues are entered on an accruals basis.

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.

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.

Income tax

Taxes for the year represent the sum of current and deferred tax.
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.

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 in issue 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 in issue, 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 that the Board of Directors make estimates and assumptions that have effect on the values of assets and liabilities, as well as providing information relating to potential assets and liabilities on the reporting date.
Final results may differ from these estimates. The estimates are used to evaluate the tangible and intangible assets subject to impairment testing as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortisation, employee benefits, taxes, fund restructuring, 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 that actual results will differ

substantially from the estimates which may therefore, call for major revisions we are currently unable to predict.
Goodwill is the item of the financial statements mainly affected by such situations of uncertainty, insofar as the estimates and assumptions made by the directors for its measurement depend significantly on the trend of some key factors that lie outside the Group's control, including the euro/dollar exchange rate forecast for future periods.

Transactions with joint ventures and associates

Transactions with joint ventures and associates are described in the relevant paragraph of these Explanatory Notes and were completed at arm's length.

New accounting standards, amendments and interpretations applied since 1 January 2015

Regarding this paragraph, we refer you to the comments given in the Explanatory Notes to the Financial statements of the Parent company.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, but not yet mandatory and not adopted in advance.

Regarding this paragraph, we refer you to the comments given in the Explanatory Notes to the Financial statements of the Parent company.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

Regarding this paragraph, we refer you to the comments given in the Explanatory Notes to the Financial statements of the Parent company.

9.2 Analysis of the breakdown of the main items of the consolidated balance sheet as at 31 December 2015

1. Property, plant and equipment

The structure of tangible assets on 31 December 2015 and their change during the year are highlighted in the following tables:

Historic cost	31-Dec-14	Additions	Reclassification	Foreign exch.	(Decreases)	31-Dec-15
Land and buildings	4,860	-	-	560	-	5,420
Leasehold improvements	804,209	2,710	-	-	-	806,919
Lightweight construction	23,739	7,140	-	-	-	30,879
Plants and machinery	4,445,941	112,768	-	9,598	-	4,568,307
Industrial equipment	4,069,162	241,180	-	(718)	-	4,309,623
Various equipment	831,259	28,149	-	(5,971)	-	853,437
Fixed assets in progress	5,733	83,547	-	-	-	89,280
Total	**10,184,902**	**475,494**	**-**	**3,469**	**-**	**10,663,865**

.

Accumulated depreciation	31-Dec-14	Depreciation	Reclassificatio	Foreign exch.	(Decreases)	31-Dec-15
Land and buildings	950	1,556	-	139	-	2,645
Leasehold improvements	187,081	72,121	-	-	-	259,201
Lightweight construction	5,325	2,736	-	-	-	8,061
Plants and machinery	2,111,303	422,735	-	7,162	-	2,541,200
Industrial equipment	3,800,915	169,217	-	(281)	-	3,969,851
Various equipment	677,122	63,643	-	(3,237)	-	737,528
Fixed assets in progress	-	-	-	-	-	-
	-	-	-	-	-	
Total	**6,782,696**	**732,008**	**-**	**3,783**	**-**	**7,518,486**

Net value	31-Dec-14	Net increases	Reclassificatio	Foreign exch.	Depreciation	Accumulated depreciation	31-Dec-15
Land and buildings	3,909	-	-	421	(1,556)	-	2,774
Leasehold improvements	617,128	2,710	-	-	(72,121)	-	547,717
Lightweight construction	18,414	7,140	-	-	(2,736)	-	22,818
Plants and machinery	2,334,638	112,768	-	2,436	(422,735)	-	2,027,107
Industrial equipment	268,247	241,180	-	(437)	(169,217)	-	339,773
Various equipment	154,137	28,149	-	(2,734)	(63,643)	-	115,909
Fixed assets in progress	5,733	83,547	-	-	-	-	89,280
Total	**3,402,207**	**475,494**	**-**	**(314)**	**(732,008)**	**-**	**3,145,378**

“Other assets” includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant changes that took place in 2015 concern the integration of production machinery and equipment of the new plant.

The "plant and machinery" category included the palletising machines (Euro 94 thousand); in “other assets” two forklift trucks were completely depreciated. These assets are held under two leasing contracts with Credem Leasing S.p.A.

Fixed assets in progress at 31 December 2015 relate to the construction of the photovoltaic system on the roof of part of the property adjacent to the production plant.

2. Consolidation difference

A breakdown of this item at 31 December 2015 is highlighted in the following table:

Goodwill	31-Dec-15	31-Dec-14
Goodwill on B&C Speakers Usa NA LLC	1,393,789	1,393,789
Writedowns	-	-
Total goodwill	**1,393,789**	**1,393,789**

The Consolidation difference, which is traceable to goodwill from the consolidation of the stake in *B&C Speakers NA LLC,* amounted to Euro 1,394 thousand as at 31 December 2015 (no change from 31 December 2014). This figure represents the surplus between the value of the investment entered at the purchase cost compared to the Group’s portion of current values of assets, liabilities and identifiable contingent liabilities recognised in the financial statements of the subsidiary at the time of the first consolidation on 31 December 2004 and at the time of the purchase of the remaining 20% stake on 31 December 2007.

Impairment testing was carried out on the consolidation difference and other assets of the US subsidiary (identified as the only cash-generating unit (CGU) by Directors because the assets of the subsidiary are fully dedicated to a single market segment, identified as the sale of "top quality professional loudspeakers").

The test was carried out by calculating the present value of the cash flows that may originate from the five-year Industrial Plan, approved by the Board of Directors of the subsidiary and by the Board of parent B&C Speakers S.p.A. in its meeting on 07 March 2016.

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 American subsidiary.

The basic assumptions used by the Company for the determination of future cash flows, and the resulting recoverable amount (value in use) refer to:

a) the use of values resulting from the five-year plans of B&C Speakers Usa NA LLC (approved by the Management of the subsidiary and the Board of Directors of the parent company);

b) the use of the growth rate (g rate) differentiated by CGU, for the determination of the closing value (represented by the current value, at the final year of the projection, of all subsequent cash flows calculated as a perpetual return);

c) the discount rate (WACC).

In particular, for the discounting of cash flows, the Company has adopted a discount rate (WACC) differentiated by CGU, which reflects the current market valuations of the cost of money and which takes into account the specific risks of the activity and the geographical area in which the CGU operates. The model for discounting future cash flows requires that, at the end of the projected cash flow period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The closing value represents the current value, at the final year of the projection, of all subsequent cash flows calculated as perpetual return, and has been determined using a growth rate (g rate) that differs by CGU, to reflect the different potential growth of each CGU.

Main financial parameters on impairment tests	WACC	g
B&C USA	7.44%	2.00%

On the basis of the impairment testing carried out, the current value of forecast cash flow generated by the CGU exceeds the book value of the consolidation difference booked as at 31 December 2015. Therefore, no impairment loss has been reflected in the consolidated data as at 31 December 2015. In addition, based on the information contained in the joint document of the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Company has conducted a sensitivity analysis on the test results compared to the change in the basic assumptions that affect the current value of the forecast cash flows generated by the CGUs. In all cases analysed the current value of forecast cash flow generated by the CGU exceeds the book value of the booked consolidation difference.

3. Intangible fixed assets

The structure of the intangible assets on 31 December 2015, and the related changes are highlighted in the following table:

Intangible assets	31-dic-14	Reclassification	Increases	Foreign Exch.	Amortization	31-dic-15
Patent rights	86,778	-	58,621	(1,145)	72,475	71,779
Intangible assets in progress	49,471	(49,471)	20,550	-	-	20,550
Total	**136,249**	**(49,471)**	**79,171**	**(1,145)**	**72,475**	**92,329**

“Industrial and intellectual property rights” comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

The item "Intangible fixed assets in progress" refers to the capitalisation of costs incurred for the implementation of a new electronic module (PDM) aimed at managing design processes in the technical department.

4. Equity investments in related companies

This item amounts to Euro 50 thousand at 31 December 2015 and reflects the value of the investment at 33% in the new company Silent Tech S.r.l. founded together with two other companies for the purpose of exploiting “Silence” technology developed along with the two other partners.

5. Deferred tax assets

As at 31 December 2015, this item includes prepaid tax receivables for Euro 307 thousand (Euro 325 thousand as at 31 December 2014), relating to temporary deductible differences that pertain to the Parent Company and that were generated following entry of costs not entirely deductible in the year.

These amounts consist of prepaid tax arising following the taxation of non-deductible costs entirely during the year in relation to the Parent company and prepaid tax arising following derecognition of infra-Group margins.

Prepaid tax receivables have been included in the Balance sheet, because the management expects the Company to generate future taxable income against which it can use this positive balance.

6. Other non-current assets - Other fixed receivables

At 31 December 2015 this item is as follows:

Other non current assets	31-Dec-15	31-Dec-14	Change	% Change
Insurance poilcies	303,405	254,012	49,393	19%
Guarantee deposits	57,096	57,096	-	0%
Ires refund receivables	88,950	156,212	(67,262)	-43%
Others	6,720	6,026	694	12%
Total non current assets	**456,171**	**473,346**	**(17,175)**	**-4%**

As at 31 December 2015, insurance 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-14	Increases	(Decreases)	31-Dec-15
Insurance policies	254,012	49,393	-	303,405
Total	**254,012**	**49,393**	**-**	**303,405**

The period increase is due to the new payments made by the Company during the year and which amount to Euro 49 thousand. The payments made during the period reflect the value of the provision made to the relevant "Directors' Severance Pay" fund, as explained under note 13.

"Deposits" reflects the amount receivable for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina Via Poggio Moro no. 1, for Euro 48 thousand, and other minor deposits for Euro 9 thousand.

"IRES rebate receivable" includes the credit generated in FY 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 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 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES 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.
During the second half of 2015 the Parent Company received a rebate from the Tax Authority for the share not relating to the parent company Research & Development S.r.l, under the consolidated taxation scheme in force at the time the credit was constituted.

7. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2015:

Inventories	31-Dec-15	31-Dec-14	Change	% Change
Row materials and consumables	788,817	796,355	(7,539)	-1%
Work in progress and semi-finished	6,745,127	6,192,234	552,893	9%
Finished goods	1,477,010	1,235,708	241,302	20%
Gross Total	**9,010,954**	**8,224,297**	**786,656**	**10%**
Provision for inventory writedowns	(198,433)	(205,601)	7,168	-3%
Net Total	**8,812,521**	**8,018,696**	**793,824**	**10%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence; as at 31 December 2015, it totals Euro 198 thousand.

The gross value of inventories as at 31 December 2015 would appear to have decreased by 10% overall with respect to the 31 December 2014 total. The increase in the value of inventories (mainly concentrated in the category of semi-finished) constitutes a physiological increase required to support the Company's increased volume of business.

Obsolescence, 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.

Change in provision for inventory writedowns	31-Dec-14	Increase	Use	31-Dec-15
Provision for inventory writedowns	205,601	70,000	(77,168)	198,433
Total	**205,601**	**70,000**	**(77,168)**	**198,433**

The use of obsolescence is due to the scrapping of obsolete components that are no longer usable for production purposes.

For more details on changes in inventories, please refer to the note below that comments the income statement.

8. Trade receivables

Trade receivables relate to normal sales made to domestic and foreign customers and can be broken down as follows on 31 December 2015:

Trade receivables	31-Dec-15	31-Dec-14	Change	% Change
Trade receivables	7,445,501	7,115,393	330,108	5%
(Provision for doubtful accounts)	(360,892)	(287,117)	(73,774)	26%
Total	**7,084,609**	**6,828,276**	**256,333**	**4%**

The gross amount of trade receivables increased compared with 31 December 2014 following the Group's higher volumes of turnover.

The adjustment of the nominal value of the credits to the realisable value was obtained by means of a suitable provision for doubtful debt, which on 31 December 2014 stood at Euro 361 thousand.

The table below shows changes in the provision.

Change in provision for doubtful accounts	31-Dec-14	Increase	Use	Foreign Exch.	31-Dec-15
Provision for doubtful accounts	287,117	66,890	-	6,884	360,892
Total	**287,117**	**66,890**	**-**	**6,884**	**360,892**

The increase for the year is due to the provision operated by the Brazilian subsidiary to cover the risk of bad debts in the Brazil area given the sharp deterioration in the country economic conditions.

9. Tax receivables

As at 31 December 2015, tax receivables are as follows:

Tax receivables	31-Dec-15	31-Dec-14	Change	% Change
Advances on provision for serevance indemnities	2,387	2,387	-	0%
VAT receivables	196,557	412,949	(216,392)	-52%
Tax receivables B&C Italia	63,954	224,170	(160,215)	-71%
Tax receivables B&C Brasil	95,015	89,385	5,630	6%
Tax receivables B&C USA	379,877	340,641	39,236	12%
Total tax receivables	**737,790**	**1,069,532**	**(331,742)**	**-31%**

Tax receivables for current taxes at 31 December 2015 are a consequence of the payment, during the year, of advances exceeding the tax expense of the year.

10. Other current assets

As at 31 December 2015, "Other current assets" are as follows:

Other current assets	31-Dec-15	31-Dec-14	Change	% Change
Receivables towards supplier	116,192	79,620	36,572	46%
Securities	3,993,718	4,966,597	(972,879)	-20%
Other minor receivables	11,083	21,752	(10,669)	-49%
Total other receivables	**4,120,992**	**5,067,968**	**(946,976)**	-19%
Commercial fairs	61,738	53,421	8,316	16%
Phone expenses	505	245	260	106%
Assistance and assurance fees	33,042	41,059	(8,017)	-20%
Specialist contract	16,825	32,250	(15,425)	-48%
Other	106,274	70,425	35,849	-
Total prepaid expenses and accrued income	**218,384**	**197,400**	**20,984**	**11%**
Total current assets	**4,339,376**	**5,265,368**	**(925,992)**	**-18%**

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 as at 31 December 2015 and the presumed loss (Euro 31 thousand) allocated to financial expenses on the income statement. As of 29 February 2016 asset management operations have reached a fair value of Euro 3,932 thousand.

The item Specialist contract fees refers to accrued income for service fees relating to the portion due in 2015 to *Intermonte Sim S.p.A.* for its Specialist service.

The item *Other* relates to deferred income of Euro 55 thousand for various licenses and the counter entry of Euro 51 thousand in the balance sheet for presumed profits on forward contracts in foreign currency.

11. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

(In Euro)

Cash and cash equivalents	31-Dec-15	31-Dec-14	Change	% Change
Bank and postal deposit	1,493,511	4,079,419	(2,585,908)	-63%
Cash	2,402	2,951	(548)	-19%
Total cash and cash eqivalents	**1,495,913**	**4,082,370**	**(2,586,457)**	**-63%**

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

12. Shareholders' equity and its components

Share capital

The capital of the company at 31 December 2015 is equal to Euro 1,073 thousand (Euro 1,086 thousand at 31 December 2014). The share capital of B&C Speakers consists of 11,000,000 ordinary shares valued at EUR 0.10 per unit; all the capital is fully paid.

As a result of the continuation of the Buy-Back plan, on 31 December 2015 B&C Speakers S.p.A. held a total 244,550 treasury shares equal to 2.22% of the share capital, bought at an average value of Euro 5.1 per share.

Other reserves

This item, equal to Euro 4,201 thousand at 31 December 2015, 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 27 thousand and the share premium reserve for Euro 3,777 thousand.

More specifically, the share premium reserve decreased by Euro 942 thousand, following entry of the result of treasury shares traded during the year.

Profit/(loss) carried forward

This item includes the economic results of previous years.

Fair value reserve

This item includes the effects on shareholders' equity of the actuarial component of severance indemnity.

Comprehensive period result

This item comprises the net period result for Euro 5,023 thousand and other period profits/(losses) for a positive value of Euro 46 relative to the losses generated by the conversion of the financial statements of foreign companies booked in compliance with IAS 1, revised for Euro 36 thousand, and the actuarial losses component deriving from the actuarial measurement of severance indemnity for Euro 10 thousand. This financial component is stated net of the related tax effect equal to Euro 6 thousand, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013.

Earnings per share

Basic earnings per share have been calculated as indicated in IAS 33; the value of this indicator is equal to Euro 0.46 per share. In FY 2014, basic earnings per share were Euro 0.40. This indicator has been calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period.

13. Medium-/long-term financial debt

As at 31 December 2015, medium/long-term financial debt is as follows:

Long-term borrowings	31-dic-15	31-dic-14	Change	% Change
Credemleasing loan	29,338	58,331	(28,993)	-50%
Long-term Simest loan	200,000	300,000	(100,000)	-33%
Long-term CRF loan	2,592,215	-	2,592,215	
Total long-term borrowing	**2,821,553**	**358,331**	**2,463,222**	**687%**

The "Credem Leasing loan", (Euro 29 thousand on 31 December 2015), includes the portion due beyond the next twelve months of the embedded debt connected with two leasing contracts stipulated in 2010 and related to two forklift trucks and a palletising plant.

The item "Long-term Simest loan" (Euro 200 thousand on 31 December 2015), includes the portion due beyond the next twelve months of the unsecured long-term loan stipulated with Simest S.p.A. of 19 April 2011 for an original amount equal to Euro 500 thousand. This loan was granted by the Italian Company for businesses abroad to protect capital stability and thus increase competitiveness on export markets.

The item "Long-term CRF loan" of Euro 2,592 thousand at 31 December 2015 includes the portion due beyond the following year of the long-term financing agreement with Cassa di Risparmio di Firenze S.p.A. In this respect it should be noted that in August 2015 the Parent Company repaid the short-term loan with CR Firenze S.p.A. equal to Euro 5 million and at the same time raised a long-term loan for an original amount of Euro 4 million for a duration of 48 months with the same financial institution. In parallel with the signing of this loan agreement, the Parent 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 following tables show the salient information about the conditions of the loans and the hedging Interest Rate Swap Contract.

Loans details	Simest	CRF
Lender	Simest S.p.A.	Banca CR Firenze S.p.A.
Original amount	500,000	4,000,000
Contract date	19-Apr-11	29-Jul-15
Due date	31-Dec-18	29-Jul-19
N. installments	10	48
Advance instalments	5	-
Periodicity	Half-yearly	Monthly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%	Euribor a 1 mese + 0,55%
Current portion	100,000	994,735
Non current portion	200,000	2,592,215

Derivative instruments details	**CRF**
Counterpart	Banca CR Firenze S.p.A.
Type of contract	Interest Rate Swap (IRS)
Purpose	Hedging of interest variability risk associated with the Banca CR Firenze S.p.A. loan
Original amount	4,000,000
Periodicity	Monthly
Bank Interest Rate	Euribor 1 month
Company Interest Rate	0.15%
Contract date	29-lug-15
Due date	29-lug-19
Mark to market amount at Decembre 31, 2015	(23,712)

14. Provisions for 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, in accordance with the guidelines of IAS 19.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 357 thousand.

Severance indemnity is a defined-benefit obligation booked in accordance with IAS 19 - Employee Benefits. The amount of severance indemnity is calculated by applying the Projected Unit Credit Method, performing actuarial evaluations at the end of the reporting period.

Please note that during first-time application, the Group had decided not to use the "Corridor Method" and, therefore, to recognise the said actuarial components in the income statement.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

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:

TFR	**31-dic-14**	**Accantonamenti (interest e service cost)**	**(Utilizzi)**	**Effetti attualizzazione**	**31-dic-15**
Trattamento di fine rapporto	387,523	4,219	(19,819)	(14,564)	357,359
Totale TFR	**387,523**	**4,219**	**(19,819)**	**(14,564)**	**357,359**

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

Technical parameters

		31-Dec-15
Technical annual discounting rate		1.39%
Annual inflation rate	2016	1.50%
	2017	1.80%
	2018	1.70%
	2019	1.60%
	2020 and over	2.00%
Annual TFR increase rate	2016	2.63%
	2017	2.85%
	2018	2.78%
	2019	2.70%
	2020 and over	3.00%

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 2015 with a duration from 7 to 10 years (in line with the average duration of the evaluated group).

In compliance with the provisions of the new IAS 19, the following tables provide:

- sensitivity analysis 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-2015
Turnover rate +1%	355,429
Turnover rate -1%	359,553
Inflation rate + 0,25%	361,447
Inflation rate - 0,25%	353,353
Discount rate + 25%	350,999
Discount rate - 25%	363,965

Estimated future payments

Year	Amount
1	70,227
2	24,332
3	22,760
4	21,272
5	43,103

Service Cost and Duration	
Service Cost	0.00
Duration	7.90

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 6.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	31-Dec-14	Provision	(Use)	31-Dec-15
Executive retirement provision (TFM)	254,012	49,394	0	303,406
Total TFM	**254,012**	**49,394**	**0**	**303,406**

15. Provisions for risks

The item, equal to Euro 83 thousand at 31 December 2015 (unchanged compared to 31 December 2014), contains the fund to cope with the risk of warranty support for products marketed by the company. The value of this fund was estimated on the basis of the historical trend of costs for warranty support.

16. Deferred tax liabilities

At 31 December 2015 this item includes deferred tax payables for Euro 33 thousand (Euro 44 thousand at 31 December 2014), originating as a result of the application of IFRS; they primarily refer to deferred taxes arising from the adjustment of the severance indemnity provision and the accounting of financial leasing contracts.

17. Short-term financial debt

This item amounted to Euro 1,134 thousand at 31 December 2015 (Euro 6,687 thousand at 31 December 2014) and is made up as follows:

Short term borrowings	31-Dec-15	31-Dec-14	Change	% Change
Fidi Toscana loan	-	6,289	(6,289)	-100%
Credemleasing loan	28,994	30,077	(1,083)	-4%
Short-term Simest loan	100,000	150,000	(50,000)	-33%
	994,735	5,000,000	(4,005,265)	-80%
	-	1,500,000	(1,500,000)	-100%
Bank overdrafts	9,787	303	9,484	3130%
Total	**1,133,516**	**6,686,669**	**(5,553,153)**	**-83%**

The reduction in current financial debt is essentially due to the repayment of two short-term loans with Credito Emiliano S.p.A. and Banca CR Firenze S.p.A.

For details on the conditions of outstanding loans, one should refer to Note 13.

For more details on the cash flows that have determined the change in short-term financial debt, please refer to the attached consolidated statement of cash flows.

18. Trade payables

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

Trade payables	31-Dec-15	31-Dec-14	Change	% Change
Trade payables	3,180,375	4,391,910	(1,211,535)	-28%
Total trade payables	**3,180,375**	**4,391,910**	**(1,211,535)**	**-28%**

The decrease in trade payables compared to 31 December 2014 is due to the spike in purchases that occurred at the end of the previous year and due to the need to cope with the growing demand in early 2015. In 2015 the level of purchases stabilized and was more or less constant throughout the year.

19. Tax payables

At 31 December 2015, this item is made up as follows:

Tax liabilities	31-Dec-15	31-Dec-14	Change	% Change
Employee witholding taxes	147,114	118,905	28,209	24%
Income tax liabilities	144,073	-	144,073	
Tax liabilities B&C USA	633,350	396,879	236,471	60%
Tax liabilities B&C Brasil	12,380	32,669	(20,289)	-62%
	936,917	**548,453**	**388,464**	71%

Withholding taxes represent the value of withholdings paid in the first months of 2016.

Tax payables of foreign subsidiaries reflect the amount due to local authorities for period income tax.

20. Other current liabilities

At 31 December 2015, this item is made up as follows:

Other current liabilities	31-Dec-15	31-Dec-14	Change	% Change
Due to social security funds	253,771	223,453	30,318	14%
Unused vacation time and holidays	252,963	277,456	(24,493)	-9%
Due to personnel	270,806	178,861	91,945	51%
Other liabilities	189,362	129,517	59,845	46%
Total current liabilities	**966,901**	**809,286**	**157,615**	19%

“Amounts due to social security entities” includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 223 thousand).

“Accrued payroll costs” includes the accrual for holidays remaining on 31 December 2015.

“Amounts due to employees for salaries” refers to payables for salaries and wages still to be paid on the reporting date.

The item "Other payables" includes payables to administrators for Euro 153 thousand, while the remainder comprises balances due to customers.

Guarantees given to third parties

As at 31 December 2015, as also at 31 December 2014, there are no records of any guarantees given to third parties by Group companies.

9.3 Analysis of the breakdown of the main items of the consolidated income statement for 2015

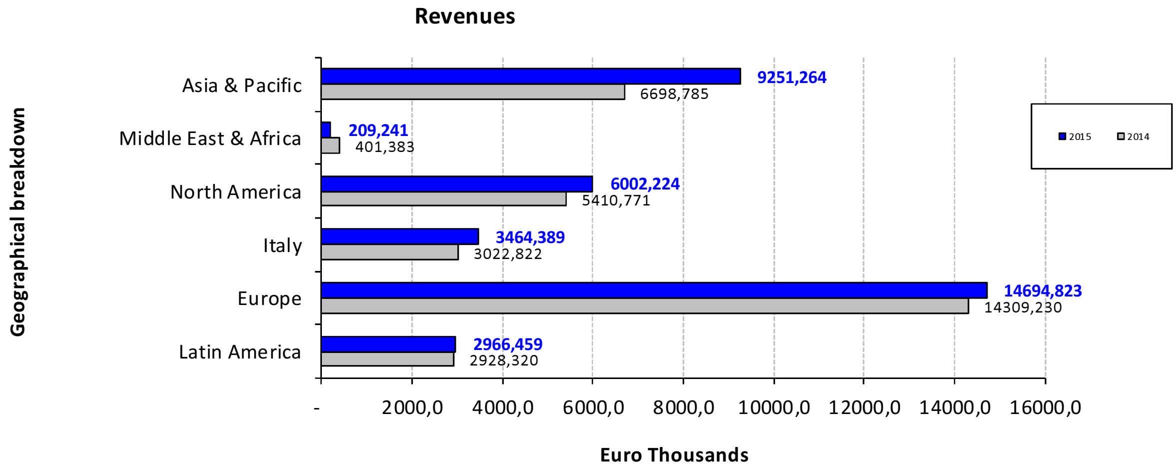
21. Income from sales and services

Revenues from sales and services showed a significant increase (+11.6%) due to an increase in the flow of revenues that was more or less constant throughout the year. The table below highlights revenue from sales and services broken down by geographical area:

Geographical Area	2015	%	2014	%	Change	% Change
Latin America	2,966,459	8%	2,928,320	9%	38,138	1%
Europe	14,694,823	40%	14,309,230	44%	385,592	3%
Italy	3,464,389	9%	3,022,822	9%	441,568	15%
North America	6,002,224	16%	5,410,771	17%	591,453	11%
Middle East & Africa	209,241	1%	401,383	1%	(192,141)	-48%
Asia & Pacific	9,251,264	25%	6,698,785	20%	2,552,479	38%
Total revenues	**36,588,399**	**100%**	**32,771,310**	**100%**	**3,817,089**	**12%**

Sales on the Italian market in the course of the two periods here compared were made entirely by the Parent Company.

2015 exports remained at 2014 levels, continuing to account for 91% of the Group's turnover.
The result achieved in 2015 was driven primarily by the extremely important growth achieved in the Asian market, with an increase of 38% at Group level with annual sales of 9.25 million and an incidence of 25% over the total figure.
Performance in the European market, including Italy, was also positive and showed an increase of about 5%. This market, which achieved an overall value in 2015 of 18.16 million, provides 50% of the Group's total sales.
The results from the North American market were also very positive and showed a growth of 11% reaching a value of 6 million for the year.
The Latin American market produced revenues that were almost stable in absolute terms, which should be considered positive in view of the economic difficulties seen at a country level in Brazil.



The item can only be broken down in reference to the geographical area for the sales, as the market segment of the Group is identified exclusively in the manufacture and sale of "top quality professional loudspeakers".

However, 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 2015 sales according to product category compared with their respective value in the previous year:

Product category	2015	%	2014	%	Change	% Change
LF FE Drivers	11,652,258	31.8%	9,702,638	29.6%	1,949,620	20%
LF ND Drivers	9,991,199	27.3%	9,110,999	27.8%	880,200	10%
HF Drivers	11,248,633	30.7%	10,334,203	31.5%	914,431	9%
Coaxials	2,890,810	7.9%	2,316,083	7.1%	574,727	25%
Others	805,500	2.2%	1,307,388	4.0%	(501,889)	-38%
Total revenues	**36,588,399**	**100.0%**	**32,771,310**	**100.0%**	**3,817,089**	**12%**

As can be seen in the Report on Operations, revenue performance showed a steady tendency towards growth in every quarter of the year compared to 2014.

Furthermore, as can be inferred from the above table, in 2015 the Group's sales have privileged products with higher added value and profit margins (drivers).

Sales reported here are net of infra-Group realised transactions.

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

22. 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 item is made up of:

Cost of sales	**2015**	**2014**	**Change**	**% Change**
Acquisti materie prime e prodotti finiti	(2,029,867)	(2,358,230)	328,363	-14%
Semilavorati di acquisto	(10,979,589)	(10,499,762)	(479,827)	5%
Lavorazioni esterne	(2,368,705)	(1,929,064)	(439,641)	23%
Materiali accessori e di consumo	(1,102,268)	(943,986)	(158,282)	17%
Imballi	(405,688)	(361,025)	(44,663)	12%
Acquisti beni diversi	(118,076)	(109,409)	(8,667)	8%
Variazione rimanenze semilavorati	560,060	1,395,427	(835,366)	-60%
Variazione rimanenze prodotti finiti	295,887	(24,960)	320,847	-1285%
Variazione rimanenze mp, sussi, di consumo e merci	(7,539)	260,779	(268,318)	-103%
Totale consumi e lavorazioni di terzi	**(16,155,785)**	**(14,570,231)**	**(1,585,554)**	**11%**
Salari	(2,605,413)	(2,302,703)	(302,711)	13%
Oneri sociali su salari	(790,827)	(743,392)	(47,434)	6%
Trattamento fine rapporto	(165,016)	(147,840)	(17,176)	12%
Altri costi del personale	(891,060)	(606,961)	(284,099)	47%
Totale costo del lavoro diretto	**(4,452,316)**	**(3,800,896)**	**(651,420)**	**17%**
Costi di trasporto e logistica	(691,788)	(666,935)	(24,854)	4%
Provvigioni passive	(132,462)	(127,907)	(4,555)	4%
Altri oneri	(144,823)	44,843	(189,666)	-423%
Totale altri costi diretti	**(969,073)**	**(749,999)**	**(219,075)**	**29%**
Totale costo del venduto	**(21,577,174)**	**(19,121,126)**	**(2,456,048)**	**13%**

Cost of sales as a whole showed an increase of Euro 2.5 million during 2015 while maintaining its incidence over revenues at a substantially unchanged level. The largest increases were registered in the categories of materials, external manufacturing costs and direct labour costs.

As highlighted in the table above costs for *materials and processing by third parties* increased by Euro 1.6 million. Consumption of semi-finished products and external manufacturing work showed a marked increase compared to the previous period as a result of increased production volumes in 2015 compared to the previous year.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house.

Please note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed. Purchases of other goods relate to purchases of office machinery, small equipment for production and the warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

Direct labour costs increased by Euro 651 thousand following the combined effect of the increase in personnel and the increased use of temporary workers by the Parent Company during 2015.

Costs of transport and logistics increased compared to the previous year as a result of higher purchase volumes.

23. Other revenues

This category includes recoveries of commercial expenses, extraordinary income and grants received.

The item is made up of:

Other revenues	2015	2014	Change	% Change
Other revenues	113,311	48,048	65,263	136%
Grants and contributions	10,465	24,290	(13,825)	-57%
Extraordinary income	24,247	17,693	6,555	37%
Total other revenues	**148,023**	**90,031**	**57,993**	**64%**

The entry "Grants and contributions" refers to the grant received from Fondimpresa for staff training.

The item "Other revenues" refers to recoveries of expenses and bonuses received from suppliers for achieving contractually agreed expenditure.

24. Indirect personnel

This category refers to costs of R&D staff, office personnel, top executives and workers not directly involved in the production process.

The item is made up of:

Cost of indirect labour	2015	2014	Change	% Change
Retribution	(1,485,680)	(1,351,985)	(133,695)	10%
Social charges	(338,761)	(326,842)	(11,920)	4%
Severance indemnity	(73,175)	(65,564)	(7,611)	12%
Total cost of indirect labour	**(1,897,617)**	**(1,744,391)**	**(153,226)**	**9%**

The increase seen in "Retribution" and "social charges" was mainly due to the increase in the work force and contractual adjustments during the year. As specified in the Report on Operations, the increase in indirect personnel costs was lower in comparison to the increase in turnover. Its incidence on revenues actually dropped to 5.19% compared to 5.32% in 2014.

25. Commercial expenses

This category refers to costs for commercial consultancy, advertising and marketing, travel and subsistence and other minor charges relating to the commercial sector.

The item is made up of:

Commercial expenses	2015	2014	Change	% Change
Commercial consulting services	(338,491)	(368,363)	29,872	-8%
Advertising	(222,690)	(172,516)	(50,174)	29%
Travelling expenses	(261,881)	(258,799)	(3,082)	1%
Other	(4,101)	(9,337)	5,236	-56%
Totale spese commerciali	**(827,163)**	**(809,015)**	**(18,148)**	**2%**

Commercial expenses remain broadly in line with the previous year.

26. Administrative and General expenses

This category refers to the costs for maintenance and utilities, provision of services not directly linked to the production process, purchases of goods not directly associated with the production process, remuneration for directors, professionals, consultants and supervisory bodies, property rent, hire costs and other indirect costs of lesser importance.

The item is made up of:

General and administrative expenses	2015	2014	Change	Change %
Manteinance & utilities	(745,695)	(717,027)	(28,668)	4%
Professional services	(608,613)	(467,364)	(141,249)	30%
Emolumenti organi sociali	(846,822)	(747,638)	(99,185)	13%
Other suplies	(189,929)	(172,760)	(17,169)	10%
Insurance	(126,997)	(122,053)	(4,944)	4%
Taxes	(91,507)	(87,834)	(3,673)	4%
Stock Exchange expenses	(124,446)	(121,826)	(2,620)	2%
Extraordinary expenses	(17,920)	(12,425)	(5,494)	44%
Loss on disposal of tangible assets	0	(36,672)	36,672	-100%
Executive retirement indemnities	(49,394)	(50,200)	806	-2%
Rent expenses	(982,953)	(974,092)	(8,862)	1%
Rental fees	(76,595)	(49,005)	(27,589)	56%
Other	(116,480)	(114,864)	(1,616)	1%
Total general and administrative expenses	**(3,977,351)**	**(3,673,759)**	**(303,592)**	**8%**

Service costs are mainly related to maintenance and software for about Euro 185 thousand (Euro 140 thousand in 2014), and costs for utilities for Euro 321 thousand (Euro 347 thousand in 2014) and maintenance of instrumental assets and real estate for Euro 229 thousand (Euro 208 thousand in 2014).

Professional services include technical, administrative and legal consulting services received by the Group in 2015. The increase compared to the previous year is due to the recourse during 2015 to spot consultations related mainly to improving efficiency of the cost structure of the Company.

The entry “Rental fees” refers to costs for renting premises where the production, administrative and commercial activities of the Parent Company are carried out.

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

The increase in Fees and corporate bodies is mainly due to the additional costs associated with the expansion of the Board of directors, which was appointed in May 2015.

27. Amortization, depreciation provisions and write-downs

Amortization, depreciation, provisions and writedowns	2015	2014	Change	% Change
Amortization of intangibles assets	(72,475)	(110,715)	38,240	-35%
Depreciation of tangible assets	(732,007)	(732,960)	953	0%
Total amortizations and depreciations	**(804,483)**	**(843,675)**	**39,192**	**-5%**
Bad debt provision	(77,940)	(38,325)	(39,615)	103%
Warranty provision	-	(30,000)	30,000	-100%
Total provisions and writedowns	**(77,940)**	**(68,325)**	**(9,615)**	**14%**

The decrease in amortization is due essentially to the completion, during the previous year, of the amortization process for Research and Development costs.

The provision for doubtful accounts was made by the Brazilian subsidiary to cover the risk of bad debts following the recession that Brazil is currently facing.

It was not necessary to set aside any provisions for warranties given that the provisions in being at 31 December 2014 were sufficient to cover the risk of warranty support that the Company's management can reasonably expect on the basis of the historical trend of this parameter.

28. Financial income and expenses

The item is made up of:

Financial income and expenses	2015	2014	Change	Change %
Interest expenses	(64,761)	(16,650)	(48,111)	289%
Bank charges	(26,096)	(19,804)	(6,292)	32%
Exchange rate difference expenses	(315,943)	(174,192)	(141,751)	81%
Exchange rate differences accruals	(232,680)	(95,920)	(136,760)	143%
Loss on securities	-	(17,538)	17,538	-100%
Accrual loss on securities	(31,916)	(33,216)	1,300	-4%
Financial expenses for Defined Benefit Obligation	(4,220)	(7,025)	2,805	-40%
Other	(4,609)	(40,248)	35,639	-89%
Totale oneri finanziari	**(680,225)**	**(404,593)**	**(275,632)**	**68%**
Bank interest income	9,123	18,072	(8,949)	-50%
Exchange rate differences income	275,030	183,238	91,793	50%
Exchange rate differences accruals	138,091	125,566	12,525	10%
Financial income accrual on futures	51,398	0	51,398	N/A
Interest on securities	48,319	111,022	(62,703)	-56%
Totale proventi finanziari	**521,962**	**437,898**	**84,064**	**19%**

The increase in the item “financial expenses” is essentially due to the effect of greater losses on exchange rates realized and presumed during 2015 compared to the previous year.

Presumed losses on securities, entered under current assets, refer to the economic effect of the fair value measurement of asset management in place as at 31 December 2014, held for short-term liquidity and classified under other current assets

The increase in the item “financial income” is essentially due to the effect of greater gains on exchange rates realized during 2015 compared to the previous year.

The entry “Financial income accrual on futures” refers to the effect of exchange rate valuation at year-end on existing future currency purchase agreements (USD) at 31 December 2015.

29. Taxes

The item is made up of:

Current and deferred taxes	2015	2014	Change	% Change
IRES	(1,913,902)	(1,703,433)	(210,469)	12%
IRAP	(335,680)	(390,754)	55,074	-14%
B&C USA current taxes	(187,180)	(54,183)	(132,997)	245%
B&C Brasil current taxes	-	(25,290)	25,290	-
Total current taxes	**(2,436,763)**	**(2,173,660)**	**(155,396)**	**7%**
Deferred tax expenses/(income)	(3,118)	71,928	(75,046)	-104%
Total income taxes	**(2,439,881)**	**(2,101,732)**	**(75,046)**	**4%**

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.

For a reconciliation of the actual tax expense in 2015 and the theoretical tax expense of the Parent Company B&C Speakers S.p.A., we refer you to the Explanatory Notes to the separate financial statements.

30. Net financial position

As required by Consob Communication of 28 July 2006 and in accordance with the CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the net financial position of the company as at 31 December 2015 is detailed below:

(Euro Thousands)

	31 december 2015 (a)	31 december 2014 (a)	Variazione
A. Cash	1,496	4,082	-63%
C. Securities held for trading	3,994	4,967	-20%
D. Cash and cash equivalent (A+C)	**5,490**	**9,049**	**-39%**
F. Bank overdrafts	(10)	(6,501)	-100%
G. Current portion of non current borrowings	(1,124)	(186)	504%
I. Current borrowingse (F+G)	**(1,134)**	**(6,687)**	**-83%**
J. Current net financial position (D+I)	**4,356**	**2,362**	**84%**
K. Non current borrowings	(2,822)	(358)	688%
Debito per acquisto partecipazioni, quota non corrente			
N. Non current borrowings	**(2,822)**	**(358)**	**688%**
O. Total net financial position (J+N)	**1,535**	**2,004**	**-23%**

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

Note: The net financial position, calculated by the Company's management as detailed above, is not identified as an accounting measurement in either 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.

Below is a statement of reconciliation between the net final cash and cash equivalents highlighted in the statement of cash flow and the net financial position shown above.

	31-Dec-15	31-Dec-14
Cash and cash equivalents at end of the period	**1,486**	**4,082**
Current portion of non current borrowings	(1,124)	(6,686)
Non current borrowings	(2,822)	(359)
Securities held for trading	3,994	4,967
Total net financial position	**1,535**	**2,004**

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

31. Related party transactions

The subjects identified as "related parties" as defined by IAS 24 are as follows:

- ***Research & Development International S.r.l.***, based in Florence, Viale dei Mille no. 60, tax code 02342270481, share capital € 90,000, which owns 61.52% of the share capital of the parent company B&C Speakers S.p.A.;

The detail of the transactions and the effects in the income statement and balance sheet arising from transactions with the above-mentioned related parties is provided in the relevant paragraph of the Report on Operations, to which we refer you for details.

32. Transactions deriving from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2015 the Group did not incur costs in connection with non-recurrent operations.

32. Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2015 the Group did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

10 Further information

10.1 Report of equity investments as required by Consob (Communication no. DEM/6064293 of 28 July 2006)

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
B&C Speakers NA L.L.C. (Pompton Plains) *						
At 31 December 2014	Us Dollars/thousands	30	75	861	100%	1,450
At 31 December 2015	US Dollars/thousands	30	216	752	100%	1,450
B&C Speakers Brasile LTDA*						
At 31 December 2014	Real/thousands	1,721	281	1,810	100%	598
At 31 December 2015	Real/thousands	1,721	(470)	1,422	100%	428

* Subsidiaries

10.2 Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (thousands of euros) (art 78 reg. Consob no. 11971/99).

Name	2014 nomination	Period in charge	Expiry date*	Remuneration**	Non monetary benefits	Bonus and other	Other remuneration	Total
Gianni Luzi	Chairman	01/01/2015-31/12/2017	2017	15	-	-	-	15
Lorenzo Coppini	Director	01/01/2015-31/12/2017	2017	190	-	47	-	237
Simone Pratesi	Director	01/01/2015-31/12/2017	2017	175	-	44	-	219
Alessandro Pancani	Director	01/01/2015-31/12/2017	2017	197	-	49	-	246
Patrizia Mantoan***	Independent director	01/01/2015-31/12/2017	2017	7	-	-	-	7
Francesco Spapperi***	Director	01/01/2015-31/12/2017	2017	7	-	-	-	7
Gabriella Egidi***	Independent director	01/01/2015-31/12/2017	2017	7	-	-	-	7
Roberta Pecci	Independent director	01/01/2015-31/12/2017	2017	10	-	-	-	10
Sara Nuzzaci	Chairman of Board of Auditors	01/01/2015-31/12/2017	2017	12	-	-	-	12
Giovanni Mongelli	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10
Leonardo Tommasini	Regular Auditor	01/01/2015-31/12/2017	2017	10	-	-	-	10

* Year in which the shareholders’ meeting is held to approve the financial statements at which time the office expires.

** € thousands

*** For newly appointed directors the accrued remuneration relates to the period after their appointment at the Shareholders' Meeting held in April.

10.3 Information in accordance with Art. 149-duodecies of the Consob Issuer Regulations.

The statement below, prepared in accordance with Art. 149-duodecies of the Consob Issuers’ Regulation, highlights the fees of FY 2015 for auditing services and for services other than auditing provided by the same independent auditing firm. No services were provided by entities belonging to its network.

Service	Company	Client	Notes	Fees 2015
Statutory audit	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.	A	59,682
		Consociate	B	16,751
Servizi di attestazione	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Fiscal services	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Other Services	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-
		Consociate		-
Total				**76,433**

A: including Euro 32,305 for auditing the financial statements of the Parent Company, Euro 4,523 for quarterly audits on the proper keeping of accounts by the Parent Company, Euro 10,796 for auditing the consolidated financial statements of the Group and Euros 12,058 for the limited auditing of half-year Report of the Group.

B: including Euro 8,615 related to auditing for the US subsidiary B&C Speakers NA LLC and Euro 8,136 for the revision of the Brazilian subsidiary B&C Speakers Brazil LTDA.

11 Certification of the 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 24 February 1998:

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of financial statements for year 2015 have been effectively applied.

2. The undersigned also certify that:

   2.1. the 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 19 July 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.

   2.2. The Report on Operations includes a reliable analysis of the progress and results of the management as well as the position of the issuer, together with descriptions of the main risks and uncertainties to which it is exposed.

Simone Pratesi Francesco Spapperi

12 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 24 February 1998:

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of financial statements for year 2015 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 19 July 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 set of businesses included in the consolidation.

   2.2. The Report on Operations includes a reliable analysis of the progress and results of the management 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.

Simone Pratesi　　　　　Francesco Spapperi

13 Attachment I – Independent auditors' report

Report to the separate financial statements of B&C Speakers S.p.A. at 31 December 2015

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
B&C SPEAKERS S.p.A.**

Report on the Financial Statements

We have audited the accompanying financial statements of B&C Speakers S.p.A., which comprise the statement of financial position as at December 31, 2015, the statement of comprehensive income, the statement of changes in Shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of B&C Speakers S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of B&C Speakers S.p.A., with the financial statements of B&C Speakers S.p.A as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of B&C Speakers S.p.A as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence, Italy
April 4, 2016

This report has been translated into the English language solely for the convenience of international readers.

Report to the consolidated financial statements of the B&C Speakers Group at 31 December 2015

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
B&C SPEAKERS S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of B&C Speakers S.p.A. and its subsidiaries (the "B&C Speakers Group"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statement of comprehensive income, the statement of changes in Shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the B&C Speakers Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of B&C Speakers S.p.A., with the consolidated financial statements of the B&C Speakers Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the B&C Speakers Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence, Italy
April 4, 2016

This report has been translated into the English language solely for the convenience of international readers.

14 Attachment II - Report by the Board of Auditors

Report by the Board of Auditors to the shareholders' meeting of B. & C. Speakers S.p.A. (Art. 153 of Legislative Decree no. 59/98 and Art. 2429, second paragraph, Italian Civil Code)

Dear Shareholders,

Granted that the undersigned Board of Auditors of B&C SPEAKERS SpA (The "Company") was appointed by the Shareholders' Meeting on 24 April 2015, it carried out the monitoring activities during the year ended 31 December 2015, as required by Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of the Legislative Decree 58/1998, also taking into account the rules of conduct for the Board of Auditors of listed companies issued by the Italian National Association of Certified Accountants and Accounting Experts, the Consob recommendations on corporate controls and the work of the Board of Auditors (in particular, Communication No. DAC/RM 97001574 of 20 February 1997 and Communication No. DEM 1025564 of 6 April 2001, subsequently supplemented by Communication No. DEM/3021582 of 4 April 2003 and Communication No. DEM/6031329 of 7 April 2006) and the instructions contained in the Corporate Governance Code.

During the year 2015 we observed the duties referred to in Art. 149 of Legislative Decree 58/1998, which allow us to provide you with our report on the following topics.

In accordance with Legislative Decree 58/1998, the legal audit duties were assigned to the independent auditing firm Deloitte & Touche S.p.A and reference should be made to their reports.

The separate and consolidated financial statements of B&C SPEAKERS S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Union.

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 following is a summary list of the most significant economic, financial and equity operations performed, also through its subsidiaries, which were examined and approved by the Board of Directors and of which information was provided in the Interim Report and in the quarterly reports of the executive directors and in the Report on Operations:

a) The result achieved in 2015 (revenues of Euro 35.4 million, up by 11.9% compared to 2014) was driven primarily by the extremely important growth achieved in the Asian market, with an increase of 38% with annual sales of 9.25 million and an incidence of 26% over the total sales figure. Performance in the European market, including Italy, was also positive and showed an increase of about 5%. This market, which achieved an overall value in 2015 of 18.16 million, provides 51% of the Company's total sales. The results from the North American market were also positive and showed a growth of 6% reaching a value of 5.1 million for the year with an incidence of 14% on total turnover. The Latin American market produced revenues that were almost stable in absolute terms, which should be considered positive in view of the economic difficulties seen at a country level in Brazil.

b) The very positive trend in the annual flow of orders received by the company, that grew by 7% compared to last year, confirmed the growth trend already present in 2014 compared to 2013, thus continuing to be an important signal in growth and stability for the future. Delivery times to customers were also reduced thanks to greater production efforts in the summer/spring period.

c) The production mix for 2015 showed a gradual shift (particularly as a result of purchases from Chinese customers) towards smaller products with lower invoice prices; this resulted in a slightly increased incidence of labour costs.
d) During the first half-year, a resolution was passed by the Shareholders' Meeting on 24 April 2015, to distribute a dividend of Euro 0.32 for each outstanding share (net of treasury shares held), for a total expense of Euro 3.5 million.
e) During the third quarter, the Company paid off the outstanding loan of Euro 5 million with CRF, replacing it with a medium-term loan (5 years) of Euro 4 million with an interest rate of 0.486% over Euribor; in this way the Company moved its debt to the medium-term, making it more congruous with the times for the realization of its industrial projects.
f) With the aim of reducing the Company's exposure to exchange rate risks and to cope with the bullish trend of the dollar against the euro, the Company made a number of forward purchases of dollars during the year. The contracts that were closed and expired before the end of the year produced positive differences for the Company. With reference to the contracts that are still open, the end of the year effects of such hedges were also positive.

As explained by the directors in the Report on Operations, the year 2015 saw the following significant events in terms of company performance:

g) On 3 February 2015 the Florence Tax Police Unit carried out a tax inspection for the purposes of direct taxes, VAT and other levies concerning tax year 2010. The inspection was completed on 31 March 2015, when the Notice of Findings was served. Through its tax consultant, the Company presented a defensive plea in which a series of challenges were raised against the Tax Authority's allegations. On 18 June 2015 the Revenues Agency served on the Company the Notice of Assessment which accepted, in part, the challenges presented in the defensive plea. The Company opted for the solution of settling the assessment renouncing the presentation of an appeal. This solution made it possible to shorten considerably the settlement times with a reduction in the sanctions to one sixth and was preferred with respect to the option of tax litigation, owing mainly to the small residual amounts contested (Euro 29 thousand) which lead us to believe the solution chosen to be cheaper.
h) The Shareholders' Meeting held on 24 April 2015 appointed the new Board of Directors and the new Board of Statutory Auditors following the expiry of the respective mandates. The number of directors was raised from six to eight in consideration of the growth in size and of a long-term perspective directed towards greater specialisation of the Board members.

i) In addition, in view of the expiry of the current auditing appointment held by Deloitte&Touche S.p.A., under the terms of Art. 12, Section 1 of Italian Legislative Decree 39 of 27 January 2010, the Shareholders' Meeting proceeded to assign the mandate, for the period 2016–2024, to the auditing firm PricewaterhouseCoopers S.p.A.

Since the closure of FY 2015, some important events have occurred affecting company performance, specifically:

j) Orders received from customers showed a very positive trend during the first two months of 2016, because the Company received orders for Euro 8.5 million compared to 7.2 million in the first two months of 2015.

The Board of Auditors obtained all necessary updates on operations and the supervisory activities carried out by the previous Board and it acknowledged the non-existence of any pending audits on the date of its installation.

In the exercise of its duties the Board of Auditors:

1. met regularly and prepared five sets of minutes on the work carried out;
2. attended all meetings of the Board of Directors (6), obtaining ongoing information from the Directors regarding activities carried out and major economic, financial and equity operations conducted by the Company and its subsidiaries;
3. received regular reports from the Supervisory Board;
4. attended the Company Shareholders' Meeting held on 24 April 2015;
5. examined its competent business through meetings, direct observation, collection of information from company department managers and executives, in addition to meeting regularly with the Control and Risks Committee;
6. ensured that intra-Group and related-party transactions were carried out in the interests of the Company. Details of these transactions, the key players involved and the economic effects are fully described in the section "Transactions with related parties and subsidiaries under their management" in the Report on Operations, to which reference should be made;
7. did not find in its audits evidence of atypical and/or unusual transactions;
8. met with the company executives responsible for the audit and review of the separate and consolidated financial statements, with the aim of ensuring the mutual exchange of data and information;
9. did not find evidence or requests for information in the reports of the independent auditing firm, Deloitte & Touche S.p.A. issued on April 4^{th} 2016,pursuant to Art. 156 of Legislative Decree no. 58/98. The reports certify that the separate and consolidated financial statements as at 31 December 2015 are clearly written and give a true and fair view of the financial position, economic results and the other items of the income statement and cash flows of the Company and the Group. Said report also certifies that the Report on Operations and the information referred to in Art. 123-bis, paragraph 1 (c), (d), (f), (l), (m) and paragraph 2 (b) of Legislative Decree no. 58/1998 contained in the report on corporate governance and on the ownership structure is consistent with the financial statements of the Company and with the consolidated financial statements of the Group;
10. No other professional assignments other than the auditing and certification of the financial statements have been conferred to the auditing firm Deloitte & Touche SpA or to any parties related to that Firm.
11. no claims were received by the Company in 2015, pursuant to Art. 2408 of the Civil Code, nor were complaints filed by its Shareholders.

In the exercise of its duties the Board of Auditors monitored:

- Compliance with the law and articles of association and with principles of good management, ensuring that operations approved and executed by the directors were in compliance with the law and the articles of association, were based on rational economic principles and were not manifestly imprudent or careless, in conflict with the Company's interests or the resolutions passed by the Shareholders' Meeting, or such as to jeopardise the integrity of Company assets.

  Ordinary intra-Group and related-party transactions are governed by normal market conditions and are described in the Report on Operations according to type, scope, economic transactions and payables/receivables as at 31 December 2015. Transactions with related parties and in particular those concerning members of corporate bodies are subject to specific Board resolutions, which are adopted, where appropriate, in the light of expert opinions. In any case, related party transactions exceeding the established limit are disclosed in quarterly reports to the Board of Directors and Board of Auditors, in accordance with Art. 150 of Legislative Decree 58/98.

  The Board of Directors applies a group procedure for the execution of transactions between its members and relevant and related parties, which directors are also required to follow, in compliance with principles of objectivity, transparency and honesty and based on a general rule that all transactions with related parties, even if concluded through subsidiaries, must comply with criteria of substantial and procedural correctness. Under this procedure, the Board of Directors must be duly informed on the nature of the transaction, the method of its execution, the temporal and economic conditions for its conclusion, the evaluation procedure applied, on the interests and underlying reasons and on any risks for the Company and its subsidiaries with reference to the above-mentioned contracts with relevant parties, as well as with regard to transactions executed under non-standard conditions or atypical and unusual ones concluded directly or indirectly with other related parties.

  The Board considers that the instruments and institutions of governance adopted by the company represent a valid means of overseeing compliance with the principles of sound administration in operational practice:

- On the adequacy of the Company's organisational structure, through knowledge thereof by means of meetings with the various department managers, with the Internal Auditing Manager and with the independent auditing firm, in order to ensure a mutual exchange of data and information. The Auditors also monitored the composition, size and operation of the Board of Directors and its committees, with particular regard to the requirements of independent directors, the determination of remuneration, as well as on the skills and responsibilities associated with each business function.

  The company's organisational structure is defined by structured proxies and powers of attorney that appear appropriate to the size and management issues faced by the Group. In compliance with the new Code of Corporate Governance, the Company has specified the roles, functions and powers of the various corporate bodies. All changes introduced are described in the annual Directors' Corporate Governance Report

- In relation to the adequacy of the internal control system, particularly through regular meetings with the Chief Executive Officer with a supervisory function of Company management; with the Control and Risk Committee, through the exchange of information with the auditing firm; and with the Supervisory Board. Internal auditing also aims to maintain the organisational model in accordance with Italian Legislative Decree no. 231/01 and has sought to analyse and test the key issues arising from the various business procedures.

  The company has adopted a procedure for internal management and the disclosure of issuer documents and information, particularly with regard to privileged information.

  With regard to internal dealing, the Board of Directors has designated specific periods of the year during which no transactions can be carried out in financial instruments issued by the company.

- On the adequacy and reliability of the accounting system in terms of correct presentation of management events, by obtaining information from respective department managers, reviewing business documents and analysing results of work completed by the auditing firm. In accordance with the law and with a prior mandatory opinion of the Board of Auditors, the Board of Directors has appointed a Financial Reporting Manager; he has been duly vested with powers and duties prescribed by law and conferred with adequate powers and means for the performance of the related duties.
- On the adequacy of instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree no. 58/98, in order that they can provide the necessary information for fulfilment of reporting requirements as established by law.
- on compliance with the provisions of law governing the preparation of the draft financial statements and consolidated financial statements of the Group as at 31 December 2015, the respective explanatory notes and the accompanying Report on Operations, directly and with the assistance of department managers through information obtained by the auditing firm. Specifically, we hereby confirm that the separate and consolidated financial statements of B&C Speakers S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Union.

The monitoring and auditing activities carried out by the Board of Auditors, as described above, did not reveal any significant events to be mentioned to the Shareholders' Meeting or to the Supervisory Boards.

On the basis of the above summary of the supervisory activities carried out during the year, the Board of Auditors, pursuant to Art. 153, paragraph 1 of Italian Legislative Decree no. 58/1998, has no comments to make on its own competence with regard to the separate and consolidated financial statements, the related explanatory notes and the Report on Operations, and it agrees with the Board of Directors' proposal to the Shareholders' Meeting on the allocation of profits.

Florence, April 4th, 2016

The Board of Auditors

Ms. Sara Nuzzaci Chairwoman

Mr. Giovanni Mongelli Regular Auditor

Mr. Leonardo Tommasini Regular Auditor

Attachment to the Annual Report of the Board of Auditors:

List of positions held within the company as per Volume V, chapters V, VI and VII of the Civil Code as at the reporting date

Sara Nuzzaci

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Chairman of the Board of Auditors	Financial statement 31/12/2017
2	ALFRED TOEPFER INTL SRL	Statutory Auditor	Financial statement 31/12/2017
3	FONDAZIONE ANGELI DEL BELLO	Statutory Auditor	Financial statement 31/12/2016
4	FONDAZIONE GUESS	Statutory Auditor	Financial statement 31/12/2017
5	GAP ITALY SRL	Chairman of the Board of Auditors	Financial statement 31/12/2017
6	GRIFOLS ITALIA SPA	Statutory Auditor	Financial statement 30/09/2016
7	GUESS ITALIA	Single Auditor	Financial statement 31/12/2017
8	GUESS SERVICE SRL	Single Auditor	Financial statement 30/09/2016
9	IMM HYDRAULICS SPA	Statutory Auditor	Financial statement 31/12/2017
10	NUFARM ITALIA SRL	Statutory Auditor	Financial statement 31/12/2018
11	OBI ITALIA SRL	Statutory Auditor	Financial statement 31/12/2017
12	QUADRIFOGLIO SERVIZI AMBIENTALI SREA FIOR.	Chairman of the Board of Auditors	Financial statement 31/12/2017
13	SCUDERIA TORO ROSSO SPA	Statutory Auditor	Financial statement 30/09/2016
14	VIANSE SPA	Chairman of the Board of Auditors	Financial statement 31/12/2017

Number of Appointment in public Companies:	1
Total Number of Appointment:	14

Leonardo Tommasini

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Statutory Auditor	Financial statement 31/12/2017
2	ABF S.r.l.	Chairman of the Board of Auditors	Financial statement 31/12/2017
3	CO.FI.GI. S.p.A.	Statutory Auditor	Financial statement 31/12/2015
4	RIFLE HOLDING S.p.A.	Statutory Auditor	Financial statement 31/12/2017
5	BASALTO LA SPICCA SPA	Statutory Auditor	Financial statement 31/12/2016
6	RESEARCH & DEVELOPMENT S.r.l.	Statutory Auditor	Financial statement 31/12/2015
7	GIORGIO GIORGI SRL	Statutory Auditor	Financial statement 31/12/2017
8	MISERICORDIA DI PONTASSIEVE	Statutory Auditor	Financial statement 31/12/2015
9	FIGC LND CR TOSCANA	Statutory Auditor	Financial statement 30/6/2016

Number of Appointment in public Companies:	1
Total Number of Appointment:	9

Giovanni Mongelli

	Company	Nomination	Expiry date
1	RESEARCH & DEVELOPMENT INTERNATIONAL S.R.L.	Chairman of the Board of Auditors	Financial statement 31/12/2015
2	SAMOA S.P.A.	Statutory Auditor	Financial statement 31/12/2015
3	HOTEL RIVOLI S.P.A.	Statutory Auditor	Financial statement 31/12/2015
4	B. & C. SPEAKERS S.P.A.	Statutory Auditor	Financial statement 31/12/2017
5	ANGIOLO FRASCONI S.R.L.	Statutory Auditor	Financial statement 31/12/2016
6	ANDREOTTI IMPIANTI S.P.A.	Statutory Auditor	Financial statement 31/12/2016
7	SIRMA SOCIETA' IMMOBILIARE ROMA - S.P.A.	Statutory Auditor	Financial statement 31/12/2016
8	JM INVESTMENTS SPA	Substitute Auditor	Financial statement 31/12/2017

Number of Appointment in public Companies:	1
Total Number of Appointment:	8