B&C SPEAKERS GROUP

INTERIM REPORT at 31 March 2016

The Board of Directors 12 May 2016

CONTENTS

1 THE COMPANY B&C SPEAKERS S.p.A. – 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 Nuzzacci
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Leonardo Tommasini

Independent auditing firm

PricewaterhouseCoopers S.p.A.

2 INTRODUCTION

The *Interim Report* at 31 March 2016 has been prepared pursuant to Legislative Decree 195/2007 and article 154 *ter* of the T.U.F.; the economic and financial aggregates shown below, even if determined on the basis of IFRS and in particular the same measurement criteria used for the preparation of the consolidated financial statements as at 31 December 2015, do not represent an interim financial statement prepared in accordance with *I.F.R.S.* and in particular with *IAS 34*.

This interim report has not been subjected to audit.

3 The main aspects of the period from January to March 2016

- During the period January-March 2016 the turnover of the Group reached a value of € 8.80 million, resulting in growth of 2.18% over the same period of the previous year when turnover stood at € 8.62 million.
- During 2016, the Parent Company continued the execution of the Buy-Back plan for own shares. As at 31 March 2016 it held 264,150 treasury shares. The new plan, valid until the date of approval of the financial statements at 31 December 2016, was approved by the Shareholders' Meeting on 26 April 2016;

4 Information on ownership structure

As at 31 March 2016 official data reported the following major shareholders:

- ***Research & Development International*** **S.r.l**, which holds a 61.52% stake *(parent company)*;
- Intelligent Investor International Fund, which owns 2.05% of shares;
- *Aldinio Colabchini* which owns 2.17% of shares;
- Government of Norway, which owns 2.16%;
- Lazars Freres Gestion SAS wich owns 3.0%.

Subsequent to 31 March 2016 there were no significant changes in the ownership structure.

5 Operating, economic and financial results

This Interim Report at 31 March 2016 contains the information required by *art. 154 ter of the TUF.*

The IFRS accounting standards used by the Group are the same as those applied in the preparation of the financial statements for the year ended 31 December 2015, to which reference should be made.

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

Below are the financial statements and the explanatory notes to the statements. All values are expressed in euros, unless otherwise indicated. The financial and economic data presented are compared with the corresponding figures of 2015.

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, starting from 30 September 2015, 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 the first three months of 2015 was reclassified to allow a homogeneous comparison of magnitudes and economic results. It should be noted that, following the reclassification of costs by destination, EBITDA and EBIT restated in the first three months of 2015 increased by € 4 thousand, related to bank charge costs classified in financial charges rather than Administrative and General costs.

These financial statements, prepared in accordance with the requirements of art. 154 ter of the TUF, report the positive and negative components of income, the net financial position, divided between short, medium and long term items, as well as the Group's financial position. In view of this, the financial statements presented and the explanatory notes thereto, prepared for the sole purpose of compliance with the provisions of the aforementioned Issuer Regulations, are devoid of certain data and information that would be required for a complete representation of the financial position and the results of the Group for the quarter ended at 31 March 2016 in accordance with IFRS.

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

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

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

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

Below is the table showing the Group's economic performance during the first three months of 2016 compared with the figures for the same period of 2015.

Economic trends - Group B&C Speakers				
(€ thousands)	I Q 2016 YTD	Incidence	I Q 2015 YTD	Incidence
Revenues	8,807	100.00%	8,619	100.0%
Cost of sales	(5,149)	-58.47%	(5,163)	-59.9%
Gross margin	**3,658**	**41.53%**	**3,456**	**40.1%**
Other revenues	17	0.20%	32	0.4%
Cost of indirect labour	(514)	-5.84%	(450)	-5.2%
Commercial expenses	(187)	-2.12%	(186)	-2.2%
General and administrative expenses	(884)	-10.04%	(939)	-10.9%
Ebitda	**2,090**	**23.73%**	**1,912**	**22.2%**
Depreciation of tangible assets	(184)	-2.09%	(178)	-2.1%
Amortization of intangible assets	(7)	-0.08%	(17)	-0.2%
Writedowns	(5)	-0.06%	(5)	-0.1%
Earning before interest and taxes (Ebit)	**1,894**	**21.50%**	**1,712**	**19.9%**
Financial costs	(228)	-2.59%	(270)	-3.1%
Financial income	346	3.93%	278	3.2%
Earning before taxes (Ebt)	**2,012**	**22.85%**	**1,720**	**20.0%**
Income taxes	(663)	-7.52%	(606)	-7.0%
Profit for the year	**1,350**	**15.33%**	**1,114**	**12.9%**
Minority interest	0	0.00%	0	0.0%
Group Net Result	**1,350**	**15.33%**	**1,114**	**12.9%**
Other comprehensive result	(186)	-2.11%	(43)	-0.5%
Total Comprehensive result	**1,164**	**13.21%**	**1,070**	**12.4%**

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on the above consolidated income statement. EBITDA is a measure used by the Issuer to monitor and assess the 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.

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

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

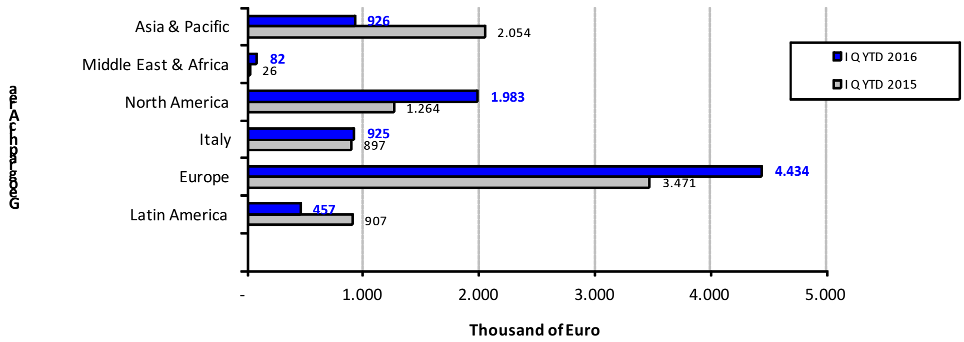
Revenues

Consolidated revenues in the first three months of 2016 amounted to € 8.81 million, resulting in growth of 2.18% over the same period of 2015 when turnover stood at € 8.62 million.

In the table below we show the breakdown by geographical area of the turnover achieved by the Group during the period under review compared with the same period of the previous year:

Revenues per geographic area (values in Euro/thousand)	**I Q 2016 YTD**	**%**	**I Q 2015 YTD**	**%**	**Difference**	**Difference %**
Latin America	457	5%	907	11%	(450)	-49.6%
Europe	4,434	50%	3,471	40%	962	27.7%
Italy	925	10%	897	10%	27	3.1%
North America	1,983	23%	1,264	15%	719	56.9%
Middle East & Africa	82	1%	26	0%	57	220.2%
Asia & Pacific	926	11%	2,054	24%	(1,128)	-54.9%
Total	**8,807**	**100%**	**8,619**	**100%**	**188**	**2.2%**

During the period the Group increased its presence on the European market (+27.7% with sales of € 4.4 million) and the North American market (+56.9% with sales of € 2 million). Also on the Italian market the results achieved were up compared with the first three months of 2015 (+3.1% with sales of € 0.9 million). Revenue achieved on the South American market was down largely due to the unstable economic situation in the Brazil area. In the first three months of the year, the Asian market saw a significant drop in revenue due to a slowing in Chinese customer orders which was partly recovered in April.



As at 31 March 2016, the order book of the parent company amounted to € 8.9 million, while at the end of the first quarter of 2015 the figure was € 9.5 million.

Cost of sales

This category includes raw materials (purchasing, processing by third parties and changes in inventories), the cost of personnel directly involved in the production process, transport costs and the costs for commissions payable, customs duties and other direct costs of lesser importance.

Cost of sales during the first three months of 2016 had a decreased impact on revenues compared to the first three months of 2015, rising from 59.90% to 58.47%. This variation is mainly due to (i) a slight decrease in the incidence of the costs for raw materials due to a marketing mix of the period that favoured products with more added value and (ii) strong performance on the US market by the American subsidiary. The other components of costs of sales (transport costs, commissions, transportation and other costs) have substantially maintained the same proportion of revenues.

Indirect personnel

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

Over the first three months of 2016 indirect personnel costs increased broadly in line with the increase in turnover, slightly increasing their proportion of revenues (5.84% in the first three months of 2016 against 5.22% in the same period last year).

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 the first three months of the previous year. Their impact on revenues remained largely unchanged, representing 2.16% in the first three months of 2015 and 2.12% in the first three months of 2016.

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.

Administrative and general costs decreased by around € 55 thousand compared to the first three months of the previous year, largely due to lower costs for consulting for the previous year. Therefore, their impact on revenue was down by one percent compared to the first three months of the previous year.

EBITDA and EBITDA Margin

Mainly as a result of the trends described above, EBITDA in the first three months of 2016 amounted to € 2.09 million, an increase of 9.3% over the same period of 2015 (which amounted to € 1.91 million).

The EBITDA margin for the first three months of 2016 was therefore equal to 23.7% of revenues, an increase of 1.5 percentage points compared to the first quarter of 2015 (when it was 22.2% of revenues for the period).

Depreciation and amortisation

The depreciation and amortisation of tangible and intangible assets has increased compared to the corresponding period of the previous year as a result of investment flows during the previous year.

Below is the financial data as at 31 March 2016 compared with assets at the end of 2015.

Reclassified Balance sheet *(€ thousands)*	**31 March 2016**	**31 December 2015**	**Change**
Property, plant & Equipment	**3,141**	**3,238**	**(96)**
Inventories	9,018	8,813	206
Trade receivables	7,608	7,085	523
Other receivables	1,438	1,390	48
Trade payables	(3,069)	(3,180)	112
Other payables	(2,242)	(1,937)	(305)
Working capital	**12,753**	**12,170**	**583**
Provisions	**(778)**	**(743)**	**(34)**
Invested net working capital	**15,117**	**14,664**	**453**
Cash and cash equvalents	1,976	1,496	480
Investments in associates	50	50	-
Goodwill	1,394	1,394	-
Short term securities	3,981	3,994	(13)
Other financial receivables	456	456	(0)
Financial assets	**7,857**	**7,390**	**467**
Invested net non operating capital	**7,857**	**7,390**	**467**
NET INVESTED CAPITAL	**22,974**	**22,054**	**920**
Equity	19,277	18,099	1,178
Short-term financial borrowings	1,132	1,134	(2)
Long-term financial borrowing	2,565	2,822	(257)
RAISED CAPITAL	**22,974**	**22,054**	**920**

Note:

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

A number of comments on the classification of assets and liabilities according to their operational destination are presented below.

Net Operating Invested Capital shows an increase of € 0.4 million compared with 31 December 2015. This increase was mainly due to the combined effect of the following factors:

- an increase in trade receivables and in inventories respectively of approximately € 0.5 million and approximately € 0.2 million due essentially to the increased turnover;
- a decrease in fixed assets of € 96 thousand due to the effect of depreciation and amortisation in the period;
- an increase in trade and sundry payables of approximately € 0.2 million due to increased purchasing volumes.

Net Non-Operating capitalshowed an increase of around € 0.4 million compared to 31 December 2015, primarily due to the effect of the increase in Group liquidity.

The other Capital categories showed no significant changes compared with 31 December 2015.

Equity

Changes in net equity reserves of the Group during the first three months of 2016 are attributable primarily to the balance of Treasury shares (negative as a result of purchases made in the period). It should be noted, however, that the decrease in share capital is due to IFRS-compliant handling of trading of Treasury shares.

Financial debt

Financial debt **in the short term** equal to € 1,132 thousand is made up of € 1,125 thousand from short-term loan contracts by the Group (of which € 996 thousand relating to long-term loans granted by Cassa di Risparmio di Firenze maturing in July 2019, € 29 thousand relative to implicit financial debt linked to a financial leasing contract and € 100 thousand relating to development loans in foreign markets agreed with SIMEST) and for the remainder from the use of current account overdrafts granted by lenders.

Financial debt in the **medium/long term** equal to € 2,565 thousand is made up of the long-term portion of the loans contracted by the parent company (€ 2,343 thousand relating to long-term financing granted by Cassa di Risparmio di Firenze, € 200 thousand regarding the SIMEST loan and € 22 thousand regarding implicit financial debt linked to the existing financial leasing contract.

6 Statement of changes in equity

Below is the statement of changes in equity from 1 January 2016 to 31 March 2016 (figures in thousands of Euro):

	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 actuarial gain/(losses) (net of tax effect)	Net group Equity
Balance at 1 January 2016	**1,073**	**379**	**2,835**	**44**	**27**	**3,284**	**(160)**	**8,880**	**4,977**	**36**	**10**	**18,099**
Allocation of 2015 result						-	10	5,012	(4,977)	(36)	(10)	0
Dividend distribution						-		0				0
Treasury shares	(2)		(133)			**(133)**						(135)
Consolidation and foreign exchange effect						-		149				149
Result of the period						-			1,350	(186)	0	1,164
Balance at 31 March 2016	**1,071**	379	2,702	44	27	**3,151**	**(150)**	**14,041**	**1,350**	**(186)**	**0**	**19,277**

7 Net Financial Position

Below is the Net Financial Position table prepared in line with that reported in the consolidated financial statements as at 31 December 2015 (figures in thousands of Euro).

	31 March 2016 (a)	31 December 2015 (a)	Change %
A. Cash	1,976	1495.913	32%
C. Securities held for trading	3,981	3,994	0%
D. Cash and cash equivalent (A+C)	**5,957**	**5,490**	**9%**
F. Bank overdrafts	(7)	(10)	-31%
G. Current portion of non current borrowings	(1,125)	(1,124)	0%
I. Current borrowingse (F+G)	**(1,132)**	**(1,134)**	**0%**
J. Current net financial position (D+I)	**4,825**	**4,356**	**11%**
K. Non current borrowings	(2,565)	(2,822)	-9%
N. Non current borrowings	**(2,565)**	**(2,822)**	**-9%**
O. Total net financial position (J+N)	**2,261**	**1,535**	**47%**

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

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

The cash flows generated by operations in the first three months of the current financial year have resulted in a positive Net financial Position, up by € 0.7 million compared to 31 December 2015.

8 Significant events occurring after 31 March 2016

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

- the collection of new orders is confirmed as satisfactory; the order portfolio, at the time of preparing these financial statements, totalled € 10.4 million;
- the Shareholders' Meeting held on 26 April 2016 resolved to distribute a dividend of € 0.35 for each of the outstanding shares (net of treasury shares held), for a total expense of € 3.75 million.

9 Outlook for the entire year 2016

With regard to the full-year forecast for 2016, the Company management believes that this will represent a consolidation year, in particular after the great growth realized in 2015.

10 Share performance in 2016

Below is a summary table of the evolution of recent share performance.

- Balance sheet and Consolidated income statement relating to 31 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		31 March 2016	31 December 2015
ASSETS			
Fixed assets			
Tangible assets		3,031,544	3,145,378
Goodwill		1,393,789	1,393,789
Other intangible assets		109,872	92,329
Investments in non controlled associates		50,000	50,000
Deferred tax assets		268,845	307,014
Other non current assets		152,279	152,766
	related parties	*88,950*	*88,950*
Other assets (TFM insurance)		303,405	303,405
Total non current assets		**5,309,734**	**5,444,681**
Currents assets			
Inventory		9,018,082	8,812,521
Trade receivables		7,607,768	7,084,609
Tax assets		773,819	737,790
Other current assets		4,376,435	4,339,376
Cash and cash equivalents		1,976,074	1,495,913
Total current assets		**23,752,178**	**22,470,209**
Total assets		**29,061,912**	**27,914,890**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*	31 March 2016	31 December 2015
LIABILITIES		
Equity		
Share capital	1,070,671	1,072,541
Other reserves	3,151,634	3,283,847
Retained Earnings	14,040,912	8,879,546
Fair value reserve	(149,547)	(159,596)
Profit/(loss) for the year	1,163,693	5,022,801
Total equity attributable to shareholders of the parent	**19,277,363**	**18,099,139**
Minority interest	-	0
Total equity	**19,277,363**	**18,099,139**
Non current equity		
Long-term borrowings	2,564,719	2,821,554
Severance Indemnities	689,948	660,765
Provisions for risk and charges	87,596	82,596
Deferred tax liabilities	33,127	33,127
Total non current liabilities	**3,375,390**	**3,598,042**
Current liabilities		
Short-term borrowings	1,131,754	1,133,516
Trade liabilities	3,068,713	3,180,375
Tax liabilities	1,170,252	936,917
Other current liabilities	1,038,440	966,901
Total current liabilities	**6,409,159**	**6,217,709**
Total Liabilities	**29,061,912**	**27,914,890**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		1 Q 2016 YTD	1 Q 2015 YTD
Revenues		8,807,068	8,619,008
Cost of sales		(5,149,205)	(5,163,156)
Gross Margin		**3,657,862**	**3,455,853**
Other revenues		17,328	31,509
Cost of indirect labour		(514,203)	(449,969)
Commercial expenses		(187,104)	(185,819)
General and administrative expenses		(884,061)	(939,225)
	related parties	*(230,820)*	*(230,718)*
Ebitda		**2,089,822**	**1,912,350**
Depreciation of tangible assets		(183,984)	(178,160)
Amortization of intangible assets		(6,960)	(17,250)
Writedowns		(5,000)	(5,000)
Earning before interest and taxes		**1,893,879**	**1,711,940**
Financial costs		(227,686)	(269,980)
Financial income		346,293	277,605
Earning before taxes		**2,012,486**	**1,719,564**
Income taxes		(662,661)	(605,897)
Profit for the year (A)		**1,349,824**	**1,113,667**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Exchange differences on translating foreign operations		(175,465)	(40,976)
Actuarial gain/(losses) on DBO (net of tax)		(10,667)	(2,435)
Total other comprehensive income/(losses) for the year (B)		**(186,132)**	**(43,411)**
Total comprehensive income (A) + (B)		**1,163,693**	**1,070,255**
Profit attributable to:			
Owners of the parent		1,349,824	1,113,667
Minority interest		-	-
Total comprehensive income atributable to:			
Owners of the parent		1,163,693	1,070,255
Minority interest		-	-

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

The Financial Reporting Manager, Mr. Francesco Spapperi declares, pursuant to paragraph 2 article 154-bis of the Consolidated Financial Law, that the accounting information contained in this document, "Interim report at 31 March 2016", corresponds to the company’s accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi