B&C SPEAKERS GROUP

INTERIM REPORT at September, 30 2016

The Board of Directors November, 11 2016

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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 Nuzzaci
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Leonardo Tommasini

Independent auditing firm

Deloitte & Touche S.p.A.

2 INTRODUCTION

The *Interim Report* at 30 September 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 Key business features from January to September 2016

- During the period January-September 2016 the Group's turnover reached the value of 28.53 million Euros, resulting in growth of 4.9% over the same period of 2015, when turnover stood at 27.19 million Euro.
- Orders received by the parent company B&C Speakers S.p.A. during the first nine months of 2016 amounted to 28.8 million Euros (26.7 million Euro in the first nine months of 2015, up 8% over the period). The Group management believes that continued growth of the orders flow represents an important signal of growth and stability in the future prospective;
- During 2016, the Parent Company continued the execution of the Buy-Back plan for Treasury shares. As of September, 30 2016 it held 288.703 treasury shares, representing 2.62% of share capital. This new Plan was approved by the shareholders' meeting held on April, 26 2016;

Information on ownership structure

As at 30 September 2016 official data reported the following major shareholders:

- Research & Development International S.r.l, which holds a 55.37% stake (parent company);
- Alboran S.r.l. which holds 6.15%;
- Lazars Freres Gestion SAS with 2.97%;
- Allianz Global Investors with 2.27%;
- Fideuram Investimenti sgr with 2.26%;
- Aldinio Colabchini with 2.17%;
- Government of Norway, with 2.16%;
- Forager Funds Management PTYLTD with 2.05%.

4 Operating, economic and financial results

This Interim Report at 30 September 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 December, 31 2015, to which reference should be made.

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

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

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 September, 30 2015 in accordance with IFRS.

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

Products are manufactured and assembled at the 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 nine months of 2016 compared with the figures for the same period of 2015.

Economic trends - Group B&C Speakers				
(€ thousands)	**3Q 2016 YTD**	***Incidence***	**3Q 2015 YTD**	***Incidence***
Revenues	28,534	*100.00%*	27,200	*100.0%*
Cost of sales	(16,542)	*-57.97%*	(15,890)	*-58.4%*
Gross margin	**11,992**	***42.03%***	**11,310**	***41.6%***
Other revenues	98	*0.34%*	85	*0.3%*
Cost of indirect labour	(1,546)	*-5.42%*	(1,361)	*-5.0%*
Commercial expenses	(598)	*-2.09%*	(733)	*-2.7%*
General and administrative expenses	(2,786)	*-9.77%*	(2,838)	*-10.4%*
Ebitda	**7,160**	***25.09%***	**6,463**	***23.8%***
Depreciation of tangible assets	(568)	*-1.99%*	(543)	*-2.0%*
Amortization of intangible assets	(19)	*-0.07%*	(53)	*-0.2%*
Writedowns	(57)	*-0.20%*	0	*0.0%*
Earning before interest and taxes (Ebit)	**6,516**	***22.84%***	**5,867**	***21.6%***
Financial costs	(204)	*-0.71%*	(599)	*-2.2%*
Financial income	333	*1.17%*	340	*1.3%*
Earning before taxes (Ebt)	**6,645**	***23.29%***	**5,608**	***20.6%***
Income taxes	(2,289)	*-8.02%*	(2,083)	*-7.7%*
Profit for the year	**4,356**	***15.27%***	**3,524**	***13.0%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**4,356**	***15.27%***	**3,524**	***13.0%***
Other comprehensive result	(147)	*-0.52%*	(17)	*-0.1%*
Total Comprehensive result	**4,209**	***14.75%***	**3,508**	***12.9%***

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, before the amortization of intangible asset before amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as well as the aforementioned 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 under Italian GAAP or IAS / IFRS, therefore should not be considered an alternative measure for the evaluation of the Group's operating result. Since the structure of EBITDA is not regulated by the applicable accounting principles, the measuring criteria applied by the Group may not be the consistent with 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 editing IAS/IFRS-compliant consolidated financial statements.

Revenues

Consolidated revenues realized in the first nine months of 2016 amounted to 28.53 million Euros, growing by 4.9%, over the same period of 2015 when the turnover stood on 27.20 million euro.

The above mentioned increased turnover is due to the good performance realized during the summer period; besides, the September revenues of 3.8 million Euros represent the highest monthly level in the Company history.

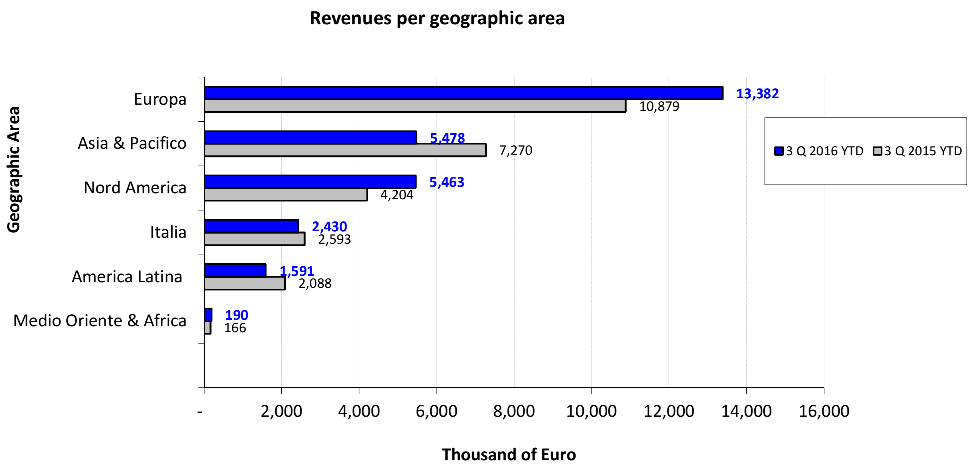
In the table here below you'll find the breakdown of the turnover achieved by the Group during the reporting period, divided by geographic area:

Revenues per geographic area *(values in Euro/thousand)*	3 Q 2016 YTD	%	3 Q 2015 YTD	%	Difference	Difference %
Latin America	1,591,061	5.6%	2,087,707	7.7%	(496,646)	*-23.8%*
Europe	13,381,690	46.9%	10,878,794	40.0%	2,502,896	*23.0%*
Italy	2,430,126	8.5%	2,593,148	9.5%	(163,022)	*-6.3%*
North America	5,463,109	19.1%	4,203,844	15.5%	1,259,265	*30.0%*
Middle East & Africa	189,680	0.7%	166,247	0.6%	23,433	*14.1%*
Asia & Pacific	5,478,134	19.2%	7,269,841	26.7%	(1,791,707)	*-24.6%*
Total	**28,533,800**	**100.0%**	**27,199,582**	**100.0%**	**1,334,218**	***4.9%***

During the period the Group has strongly increased its presence on the European market (+23% with sales of 13.4 million Euro), performing very well in the North American market too (+30% with sales of 5.5 million Euro).

After a strong growth over the past years, Asian market turnover has decreased compared with the figures related to the first six months of 2015 (-25% with sales of 5.5 million euro), as a result of normal market fluctuations and a partial customer shift of demands towards cheaper offers.

The South American market has declined too (-24% compared to the same period of 2015, with revenues at 1.6 million Euro), mainly due to the Brazilian market slowdown.



Cost of Sales

Cost of sales during the first nine months of 2016 showed a slight decrease in the percentage of revenues compared to the first nine months of 2015, rising from 58.42% to 57.97%. This slight recovery in profitability is mainly due to improved efficiency of the direct workforce, while the cost of supply showed a slight increase over the previous period.

Indirect personnel

Over the first nine months of 2016 indirect personnel cost increased broadly in line with the increase in turnover, slightly higher than the revenue growth (5.4% in the first nine months of 2016 against 5.0% in the same period last year). The Group has continued to invest in human resources by increasing both Technical and Commercial departments.

Commercial expenses

Commercial expenses showed no significant changes compared to the first nine months of the previous year. Therefore, their percentage of revenues decreased from 2.7% in the first nine months of 2015 to 2.1% in the first nine months of 2016.

Administrative and General

General and administrative costs showed no significant change compared to the first nine months of the previous year. As a result, their proportion of revenues positively decreased from 10.4% in the first nine months of 2015 to 9.8% in the first nine months of 2016.

EBITDA and EBITDA margin

Due to the trends described above, EBITDA of the first nine months of 2016 amounted to 7.16 million euro, an increase of 10.8% over the same period of 2015 (when EBITDA amounted to 6.46 million Euro).

The EBITDA margin for the first nine months of 2016 was thus equal to 25.09% of revenues, and represented 23,76% thereof during the same period in 2015; this significant improvement in profitability was primarily attributable to higher volumes in production / sales, without needing any enlargement of the production facilities.

EBIT and EBIT margin

EBIT at 30 September 2016 amounted to 6.52 million Euro, an increase of 11.07% compared with the same period of 2015 (when the figure was 5.87 million euro). The EBIT margin was 22.84% of revenues (21.57% in the same period of 2015).

Group Net Result and Net Financial Position

The Group's net profit at the end of the first three quarters of 2016 amounted to Euro 4.21 million and represents 14% of consolidated revenues (also up, by 20%, compared with the Euro 3.51 million of the corresponding period of 2015).

The Group’s financial stability remains very strong, at (a positive) 3.3 million Euros (at the end of 2015 it was positive by Euro 1.5 millions); the increase is mainly due to the significant cash flow from the operating activity (Euro 5.9 million generated during the nine months of 2016).

Depreciation and amortization

Depreciation of tangible fixed assets are substantially in line with the corresponding period last year due to the combined effect of the natural conclusion of the amortization of existing assets and from investment process performed in the first nine months of 2016, essentially aimed at improving facilities productive.

Write-downs as of September, 30 2016, equal to 57 thousands Euros, are mostly related to slow moving items in Brazilian inventory.

Financial charges

Financial expenses showed a marked decrease compared to the first nine months of the previous year result was Euro 204 thousand Euro (599 thousand Euro in 2015). The increase is mainly due to the recovery in value of the Brazilian currency against the Euro.

Below is the financial data as at September, 30 2016 compared with assets at the end of 2015.

Reclassified Balance sheet *(€ thousands)*	30 September 2016	31 December 2015	Change
Property, plant & Equipment	**2,930**	**3,238**	**(308)**
Inventories	7,469	8,813	(1,343)
Trade receivables	7,884	7,085	800
Other receivables	974	977	(3)
Trade payables	(2,563)	(3,180)	618
Other payables	(2,671)	(1,524)	(1,148)
Working capital	**11,093**	**12,170**	**(1,077)**
Provisions	**(819)**	**(743)**	**(76)**
Invested net working capital	**13,204**	**14,664**	**(1,461)**
Cash and cash equvalents	2,506	1,496	1,010
Investments in associates	50	50	0
Goodwill	1,394	1,394	-
Short term securities	4,148	3,994	154
Other financial receivables	456	456	(0)
Financial assets	**8,553**	**7,390**	**1,163**
Invested net non operating capital	**8,553**	**7,390**	**1,163**
NET INVESTED CAPITAL	**21,757**	**22,054**	**(297)**
Equity	18,382	18,099	283
Short-term financial borrowings	1,375	1,134	242
Long-term financial borrowing	2,000	2,822	(822)
RAISED CAPITAL	**21,757**	**22,054**	**(297)**

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 a decrease of 1.5 million Euros with respect to December, 31st 2015. This was mainly due to the combined effect of the following factors:

- A significant decrease in inventories of approximately 1.3 million Euros basically due to the increased turnover;
- a decrease in fixed assets of approximately 300 thousand Euro due to the combined effect of amortization and depreciation of the period and of capital expenditure made in the period on production lines;
- an increase in other liabilities (especially taxes payables) much greater than the increase on trade receivables.

Net Non-Operating Invested Capital increased by approximately 1.1 million Euros compared with December, 31 2015 mainly because of the increase of short-term securities portfolio for about 1.1 million Euro.

The other Capital categories showed no significant changes with respect to December, 31st 2015.

Equity

Changes in net equity reserves of the Group during the first nine months of 2016 are attributable primarily to the distribution of dividends and the balance of Treasury shares management (a negative effect of purchases made in the period). However, it should be noted that the decrease in share capital is due to IFRS-compliant handling of trading of Treasury shares.

Financial debt

The Net Financial Position as of September, 30 2016 is largely positive and amounted to 3.8 million Euros, a strong increase compared to the figure for the same period of the previous year.

This result was mainly due by the important cash flow generated by the Current Activity that was able to produce Net Cash for 5.9 million Euros during nine months of 2016; in addition, during the same period the Company wasn't requested to pay back a 3 million Euros loan as it happened last year.

The **short-term** Financial debt amounted to 1,375 thousand Euros is made up of 1,128 thousand Euros from short-term loans taken out by the Group and 247 thousand Euros from the use of current account overdrafts granted by lenders.

Financial debt in the **medium/long term** equal to 2,000 thousand Euros is represented by the short-term portion of the loans incurred by the Parent Company (1,750 thousand Euros related to long-term loans granted by Cassa di Risparmio di Firenze and 250 thousand Euros related to the contract with SIMEST.

5 Statement of changes in equity

Below is the statement of changes in equity from January, 1 2016 to September, 30 2016 (figures in Euro thousands):

	Share Capital	Legal reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO actuarial gain/(losses) (net of tax effect)	Net group Equity	Minority interest	Total net Equity
Balance at 1 January 2016	**1,073**	**379**	**2,835**	**44**	**27**	**3,284**	**(160)**	**8,880**	**4,977**	**36**	**10**	**18,099**	**-**	**18,099**
Allocation of 2015 result						-	10	5,012	(4,977)	(36)	(10)	0		0
Dividend distribution						-		(3,755)				(3,755)		**(3,755)**
Treasury shares	(5)		(311)			**(311)**						(316)		**(316)**
Consolidation and foreign exchange effect						-		143				143		**143**
Result of the period						-			4,357	(129)	(18)	4,210		**4,210**
Balance at 31 Septembre 2016	**1,068**	379	2,524	44	27	**2,973**	**(150)**	**10,280**	**4,357**	**(129)**	**(18)**	**18,381**	**-**	**18,381**

6 Net Financial Position

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

	30 September 2016 (a)	31 December 2015 (a)	Change %
A. Cash	2,506	1495.913	68%
C. Securities held for trading	4,148	3,994	4%
D. Cash and cash equivalent (A+C)	**6,654**	**5,490**	**21%**
F. Bank overdrafts	(247)	(10)	2499%
G. Current portion of non current borrowings	(1,128)	(1,124)	0%
I. Current borrowingse (F+G)	**(1,375)**	**(1,134)**	**21%**
J. Current net financial position (D+I)	**5,279**	**4,356**	**21%**
K. Non current borrowings	(2,000)	(2,822)	-29%
N. Non current borrowings	**(2,000)**	**(2,822)**	**-29%**
O. Total net financial position (J+N)	**3,279**	**1,535**	**114%**

(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 net financial position shows, as noted above, a significant increase compared to December, 31 2015; this result was due mainly by the important cash flow generated by the Current Activity capable to produce Net Cash for Euro 5.9 million during nine months of 2016.

In addition, during the same period the Company wasn't requested to pay back a 3 million Euros loan as it happened in the previous year, thanks to the shift made last year towards a long-term loan.

7 Significant events occurring after September, 30 2016

After the end of the third quarter of 2016 and up to the date of preparation of the Consolidated Interim Report, a significant flow of orders was received by the parent company. The cash flow was considerable in the period and this made it possible to have, already at the end of October, a positive net financial position.

The Company is developing a new business division dedicated to acoustic and luminous signs for traffic safety, the commercialization of the related products will likely start by the new year.

During October 2016, the Company has received significant request of shares from new investors, as a consequence of this the treasury Shares as of now have significantly decreased to 58,000 equals to 0,53% of the Equity.

8 Outlook for the entire year 2016

With regard to the full-year forecast for 2016, the parent company management believes that, given trends in demand and production capacity, it can expect the year to end with significantly increased of Net Result.

9 Share performance in 2016

Below is a summary table of the evolution of share performance during the first nine months of 2016 (source Borsa.it).

Consolidated statement of financial position and statement of comprehensive income at September, 30 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		30 Septembre 2016	31 December 2015
ASSETS			
Fixed assets			
Tangible assets		2,825,643	3,145,378
Goodwill		1,393,789	1,393,789
Other intangible assets		104,532	92,329
Investments in non controlled associates		50,000	50,000
Deferred tax assets		227,371	273,887
Other non current assets		152,331	152,766
	related parties	*88,950*	*88,950*
Other assets (TFM insurance)		303,405	303,405
Total non current assets		**5,057,071**	**5,411,554**
Currents assets			
Inventory		7,469,253	8,812,521
Trade receivables		7,884,183	7,084,609
Tax assets		276,342	357,913
Other current assets		4,617,983	4,339,376
Cash and cash equivalents		2,505,835	1,495,913
Total current assets		**22,753,596**	**22,090,332**
Total assets		**27,810,667**	**27,501,886**

		30 Septembre 2016	31 December 2015
LIABILITIES			
Equity			
Share capital		1,068,156	1,072,541
Other reserves		2,973,258	3,283,847
Retained Earnings		10,280,563	8,879,546
Fair value reserve		(149,547)	(159,596)
Profit/(loss) for the year		4,209,337	5,022,801
Total equity attributable to shareholders of the parent		**18,381,767**	**18,099,139**
Minority interest		-	0
Total equity		**18,381,767**	**18,099,139**
Non current equity			
Long-term borrowings		1,999,970	2,821,554
Severance Indemnities		711,706	660,765
Provisions for risk and charges		107,596	82,596
Deferred tax liabilities		0	0
Total non current liabilities		**2,819,272**	**3,564,915**
Current liabilities			
Short-term borrowings		1,375,330	1,133,516
Trade liabilities		2,562,823	3,180,375
	related parties	*961*	*89,655*
Tax liabilities		1,482,002	557,040
Other current liabilities		1,189,474	966,901
Total current liabilities		**6,609,629**	**5,837,832**
Total Liabilities		**27,810,668**	**27,501,886**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)	3 Q 2016 YTD	3 Q 2015 YTD
Revenues	28,533,800	27,199,582
Cost of sales	(16,541,538)	(15,889,915)
Gross Margin	**11,992,262**	**11,309,667**
Other revenues	97,825	84,970
Cost of indirect labour	(1,545,730)	(1,361,332)
Commercial expenses	(597,697)	(733,210)
General and administrative expenses	(2,786,450)	(2,837,585)
related parties	*(693,061)*	*(694,938)*
Ebitda	**7,160,210**	**6,462,511**
Depreciation of tangible assets	(567,814)	(542,971)
Amortization of intangible assets	(19,403)	(52,987)
Writedowns	(57,102)	0
Earning before interest and taxes	**6,515,890**	**5,866,553**
Financial costs	(203,727)	(599,045)
Financial income	332,984	340,231
Earning before taxes	**6,645,146**	**5,607,740**
Income taxes	(2,288,801)	(2,083,449)
Profit for the year (A)	**4,356,345**	**3,524,291**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:		
Actuarial gain/(losses) on DBO (net of tax)	(18,146)	9,550
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:		
Exchange differences on translating foreign operations	(128,862)	(26,262)
Total other comprehensive income/(losses) for the year (B)	**(147,008)**	**(16,712)**
Total comprehensive income (A) + (B)	**4,209,337**	**3,507,579**
Profit attributable to:		
Owners of the parent	4,356,345	3,524,291
Minority interest	-	-
Total comprehensive income atributable to:		
Owners of the parent	4,209,337	3,507,579
Minority interest	-	-
Basic earning per share	0.39	0.32
Diluted earning per share	0.39	0.32

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 30 September 2016", corresponds to the company's accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi