B&C SPEAKERS GROUP

INTERIM REPORT as of 30 September 2017

The Board of Directors 14 November 2017

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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

PricewaterhouseCoopers S.p.A.

2 INTRODUCTION

The *Interim Report* as of 30 September 2017 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 of 31 December 2016, do not represent an interim financial statement prepared in accordance with *IFRS* and in particular with *IAS 34*.

This interim report has not been subjected to audit.

3 The main aspects of business from January to September 2017

- During the period January–September 2017, the turnover of the Group reached a value of € 29.6 million, resulting in growth of 3.9% compared to the same period in 2016 when turnover stood at € 28.5 million.
- Orders received by the Parent Company B&C Speakers S.p.A. during the first nine months of 2017 amounted to € 30.1 million (€ 28.8 million in the first nine months of 2016, +5.3% for the period in question). The Group management believes that the increasing recovery in order flows is an important indicator of future growth and stability;
- The shareholders' meeting held on 26 April 2017 defined the issue of an ordinary dividend of €0.40 per ordinary share in circulation at the ex-coupon date. In addition to the ordinary dividend, and in order to reward shareholders of the Company during the tenth year since listing, the shareholders' meeting defined the distribution of an extraordinary dividend of €0.60 for each ordinary share in circulation at the coupon detachment date. The total value of the dividend issued was therefore €10.9 million.
- During 2017, the Parent Company continued the execution of the Buy-Back plan for treasury shares. As of 30 September 2017, it held 3,272 such shares, representing 0.03% of share capital. This new plan was approved by the shareholders' meeting held on 26 April 2017.

Information on ownership structure

At the date this report was prepared, the official data indicate the following significant shareholders:

- Research & Development International S.r.l, which holds a 54.01% stake (Parent Company);
- Alboran S.r.l. which holds 5.72%;
- Allianz Global Investors which holds 3.7%;
- Lazard Freres Gestion SAS which holds 2.97%;
- Aldinio Colbacchini who holds 2.17%;
- Norges Bank which holds 2.16%;

4 Operating, economic and financial results

This Interim Report as of 30 September 2017 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 2016, 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, 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 valuesare expressed in euros, unless otherwise indicated. The financial and economic data presented are compared with the corresponding figures of 2016.

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 30 September 2017 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 out, 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 2017 compared with the figures for the same period of 2016.

Economic trends - Group B&C Speakers				
(€ thousands)	**9 months 2017**	***Incidence***	**9 months 2016**	***Incidence***
Revenues	29,654	*100.00%*	28,534	*100.0%*
Cost of sales	(17,260)	*-58.20%*	(16,542)	*-58.0%*
Gross margin	**12,394**	***41.80%***	**11,992**	***42.0%***
Other revenues	143	*0.48%*	98	*0.3%*
Cost of indirect labour	(1,644)	*-5.54%*	(1,546)	*-5.4%*
Commercial expenses	(664)	*-2.24%*	(598)	*-2.1%*
General and administrative expenses	(3,032)	*-10.22%*	(2,786)	*-9.8%*
Ebitda	**7,198**	***24.27%***	**7,160**	***25.1%***
Depreciation of tangible assets	(576)	*-1.94%*	(568)	*-2.0%*
Amortization of intangible assets	(21)	*-0.07%*	(19)	*-0.1%*
Writedowns	0	*0.00%*	(57)	*-0.2%*
Earning before interest and taxes (Ebit)	**6,601**	***22.26%***	**6,516**	***22.8%***
Financial costs	(351)	*-1.18%*	(204)	*-0.7%*
Financial income	464	*1.56%*	333	*1.2%*
Earning before taxes (Ebt)	**6,714**	***22.64%***	**6,645**	***23.3%***
Income taxes	(1,991)	*-6.71%*	(2,289)	*-8.0%*
Profit for the year	**4,723**	***15.93%***	**4,356**	***15.3%***
Minority interest	0	*0.00%*	0	*0.0%*
Group Net Result	**4,723**	***15.93%***	**4,356**	***15.3%***
Other comprehensive result	(100)	*-0.34%*	(147)	*-0.5%*
Total Comprehensive result	**4,623**	***15.59%***	**4,209**	***14.8%***

Note: This interim report presents and comments on certain financial figures and certain reclassified statements not defined within the IFRS.

These amounts are defined below in compliance with the provisions in Consob Communication (DEM 6064293) of 28 July 2006, as subsequently amended (Consob Communication 0092543 of 03 December 2015, implementing the ESMA/2015/1415 guidelines).

The alternative performance indexes listed below should be used as additional information with respect to that foreseen in the IFRS, to assist the users of the financial report to better comprehend the Group's economic, capital and financial performance. We emphasise that the adjustment methods used by the Group to calculate these figures have remained constant over the years. We also note that they could differ from methods used by other companies.

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

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

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

Revenues

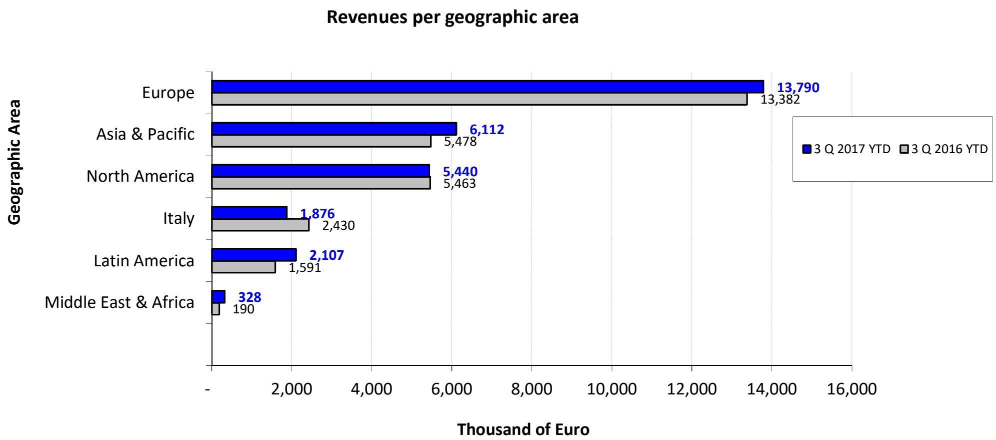
Consolidated revenues in the first nine months of 2017 amounted to € 29.65 million, resulting in growth of 3.9% compared to the same period of 2016 when turnover stood at € 28.53 million.

The above growth was achieved thanks to good performance in the period just before summer when manufacturing and turnover levels were excellent.

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)	3 Q 2017 YTD	%	3 Q 2016 YTD	%	Difference	Difference %
Latin America	2.107.025	7,1%	1.591.061	5,6%	515.964	32,4%
Europe	13.790.217	46,5%	13.381.690	46,9%	408.527	3,1%
Italy	1.875.616	6,3%	2.430.126	8,5%	(554.510)	-22,8%
North America	5.440.394	18,3%	5.463.109	19,1%	(22.715)	-0,4%
Middle East & Africa	327.978	1,1%	189.680	0,7%	138.298	72,9%
Asia & Pacific	6.112.397	20,6%	5.478.134	19,2%	634.263	11,6%
Total	**29.653.628**	**100,0%**	**28.533.800**	**100,0%**	**1.119.828**	**3,9%**

During this period, the Group has significantly increased its presence in the Asian market (+11.6% with sales of € 6.1 million) and has achieved excellent performance in the South American market (+32.4% with sales of € 2.1 million), and in the European market (+3.1% with sales of € 13.7 million) which remains the most important market for the Group. Results were down in the Italian market compared to the first nine months of 2016 (-22.8% with sales of € 1.3 million). The North American market was substantially stable.



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 nine months of 2017 remained almost stable in terms of the proportion of revenues compared to the first nine months of 2016, rising from 57.97% to 58.20%.

Cost of indirect labour

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

Over the first nine months of 2017 cost of indirect labour increased slightly more than turnover, increasing their proportion of revenues (5.54% in the first nine months of 2017 against 5.42% 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 a slight increase compared to the first nine months of the previous year. Therefore, as a proportion of revenues they slightly increased from 2.09% in the first nine months of 2016 to 2.24% in the first nine months of 2017.

General and administrative expenses

General and administrative expenses increased by around € 230,000 compared to the first six months of the previous period, with a slightly increased impact on revenues which went from 9.77% in the first nine months of 2016 to 10.22% in the first nine months of 2017. The increase is principally due to the use of technical consulting aimed at improving manufacturing and operational procedures as well as investment associated with the new company division.

EBITDA and EBITDA margin

As a result of the trends illustrated above, EBITDA of the first nine months of 2017 amounted to 7.19 million euro, with an increase of 0.53% compared with the same period of 2016 (in which EBITDA amounted to 7.16 million euro).

The EBITDA margin for the first nine months of 2017 was therefore equal to 24.27% of revenues, whilst it was 25.09% during the same period in 2016.

EBIT and EBIT margin

EBIT as of 30 September 2017 amounted to 6.6 million euro, an increase of 1.31% compared with the same period of 2016 (when the figure was 6.51 million euro). The EBIT margin was 22.26% of revenues (22.84% in the same period of 2016).

Depreciation and amortisation

Depreciation of tangible fixed assets are broadly in line with the corresponding period of the previous year due to the combined effects of the natural conclusion of depreciation of existing assets and investments made in the first nine months of 2017, aimed essentially at improving production facilities.

Below is the financial data as of 30 September 2017 compared with assets at the end of 2016.

Reclassified Balance sheet *(€ thousands)*	30 September 2017	31 December 2016	Change
Property, plant & Equipment	**2,612**	**2,807**	**(195)**
Inventories	9,466	8,182	1,284
Trade receivables	8,437	7,774	664
Other receivables	770	780	(10)
Trade payables	(2,808)	(3,949)	1,141
Other payables	(2,389)	(1,950)	(439)
Working capital	**13,477**	**10,836**	**2,641**
Provisions	**(727)**	**(793)**	**66**
Invested net working capital	**15,362**	**12,851**	**2,511**
Cash and cash equvalents	2,158	3,731	(1,574)
Investments in associates	50	50	-
Goodwill	1,394	1,394	-
Short term securities	3,388	6,164	(2,776)
Other financial receivables	509	510	(1)
Financial assets	**7,499**	**11,849**	**(4,350)**
Invested net non operating capital	**7,499**	**11,849**	**(4,350)**
NET INVESTED CAPITAL	**22,861**	**24,700**	**(1,839)**
Equity	16,401	21,878	(5,477)
Short-term financial borrowings	2,378	1,129	1,249
Long-term financial borrowing	4,081	1,693	2,388
RAISED CAPITAL	**22,861**	**24,700**	**(1,839)**

Note:

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

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

Invested net working capital shows an increase of € 2.5 million compared with 31 December 2016. This increase was mainly due to the combined effect of the following factors:

- a significant increase in inventories of € 1.3 million largely due to the increase in the Group’s turnover;
- an increase in trade receivables of € 1.6 million due to the Group’s increased turnover;
- an increase in trade payables of around € 1.1 million due to higher purchase volumes during the period;
- a decrease in property, plant & Equipment of approximately € 195,000 due to the combined effect of amortisation in the period and of investments made in the period on the production lines;

Invested net non-operating capital has dropped by around € 4.3 million compared to 31 December 2016, principally due to the effect of the decrease in short-term securities and the decrease in cash and cash equivalents. The decrease in the two above categories is due to the absorption of cash and cash equivalents following payment of dividends and taxes.

The other Capital categories showed no significant changes compared with 31 December 2016.

Equity

Changes in the Group's net equity reserves during the first nine months of 2017 are primarily attributable to the distribution of dividends and the balance of treasury shares (positive as a result of sales made in the period). It should be noted, however, that the variation in share capital is due to IFRS-compliant handling of treasury shares allocation.

Financial debt

The total net financial position was a negative € 0.9 million (positive at € 7.07 million on 31 December 2016), mainly due to the payment of the extraordinary dividend in May 2017 and payment of taxes.

Short-term borrowings at € 2,378 thousand is entirely constituted of the short-term portion of funding taken out by the Parent Company.

Medium to long-term borrowings at € 4,081 thousand is entirely constituted of the medium-term portion of funding taken out by the Parent Company.

5 Statement of changes in equity

Below is the statement of changes in net equity from 01 January 2017 to 30 September 2017 (figures in thousands of euros):

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Retained earnings	Net Group Equity	Minority interest	Total net Equity
Euro thousand										
Balance at January 1, 2017	**1.087**	**379**	**4.047**	**44**	**25**	**559**	**15.737**	**21.878**	**-**	**21.878**
							0	0		0
Result of the period							**4.723**	**4.723**		**4.723**
Other comprehensive income/expenses						(101)	**2**	**(99)**		**(99)**
Totale other comprehensive income/expenses	**-**	**-**	**-**	**-**	**-**	**(101)**	**4.725**	**4.624**	**-**	**4.624**
Shareholders										
Allocation of previous year result					27		**(27)**	**-**	**-**	**-**
Dividend distribution							**(10.921)**	**(10.921)**	**-**	**(10.921)**
Treasury shares allocation	10		811				**-**	**821**		**821**
Other							**-**	**-**		**-**
Balance at September 30, 2017	**1.097**	**379**	**4.858**	**44**	**52**	**458**	**9.514**	**16.402**	**-**	**16.402**

6 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 2017 (figures in thousands of Euro).

	30 September 2017 (a)	31 December 2016 (a)	Change %
A. Cash	2,158	3731.4	-42%
C. Securities held for trading	3,388	6,164	-45%
D. Cash and cash equivalent (A+C)	**5,546**	**9,896**	**-44%**
F. Bank overdrafts	0	0	#DIV/0!
G. Current portion of non current borrowings	(2,378)	(1,129)	111%
I. Current borrowingse (F+G)	**(2,378)**	**(1,129)**	**111%**
J. Current net financial position (D+I)	**3,167**	**8,767**	**-64%**
K. Non current borrowings	(4,081)	(1,693)	141%
N. Non current borrowings	**(4,081)**	**(1,693)**	**141%**
O. Total net financial position (J+N)	**(914)**	**7,074**	**-113%**

(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 change in the total net financial position is principally due, as commented on above, to the payment of the extraordinary dividend in May 2017 and payment of taxes.

7 Significant events occurring after 30 September 2017

After the end of the third quarter of 2017 and up to the date of preparation of the Consolidated Interim Report, our attention was drawn to the following significant events:

- on 02 October 2017, the Parent Company signed a binding agreement to buy 100% of the share capital of Eighteen Sound S.r.l, a company operating in the professional loudspeaker manufacturing sector, from Landi Renzo through its subsidiary A.E.B S.p.A., a company listed on the STAR segment of the Italian stock exchange.

  As more fully explained in the press release on 02 October 2017, this agreement envisages a payment no higher than €7.4 million, funded by bank-issued credit in the medium-term. The completion of this operation is subject to certain conditions that are typical for this type of operation, including the completion of due diligence process, that at the time of writing, is ongoing.

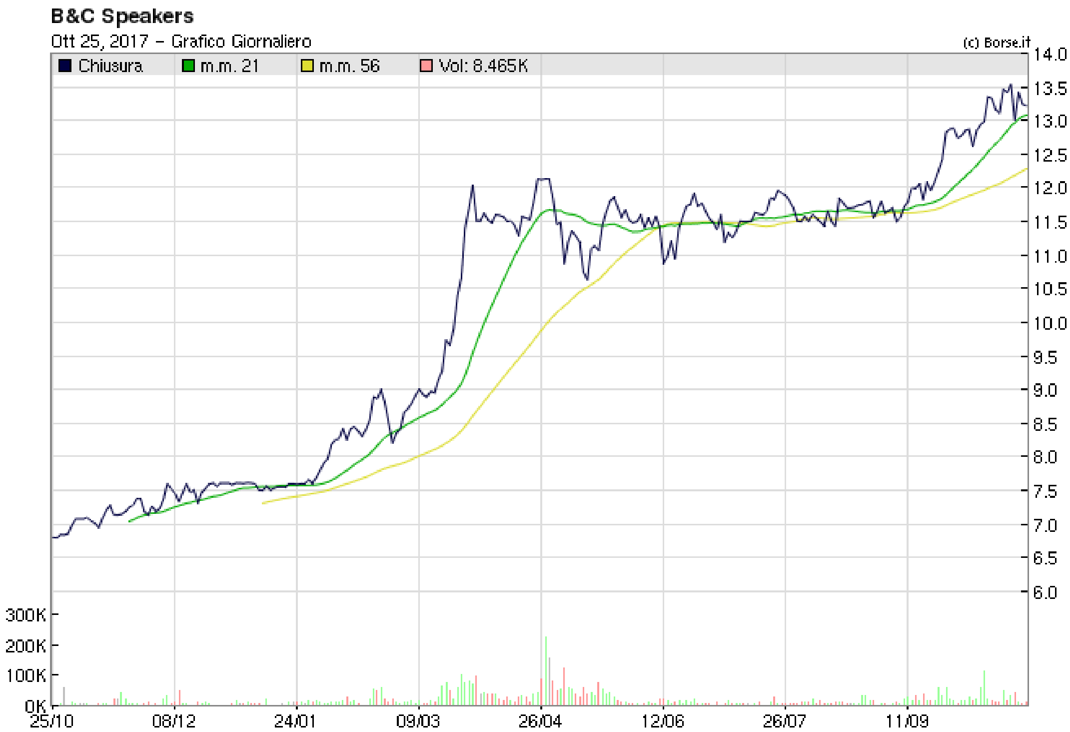
This operation will allow the B&C Speakers Group to consolidate their leading position on the market in question and to better segment their market presence through the acquired brands.

8 Outlook for the entire year 2017

As for developments over the whole of 2017, the management of the Parent Company believes that, given the dynamic demand and the production capacity, it is possible to foresee a year-end with increased revenue volumes, mid-single digit, compared to the previous one.

9 Share performance

Below is a table showing the evolution of share performance during the last 12 months of the financial year (source Borse.it).



Consolidated statement of financial position and statement of comprehensive income as of 30 September 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Values in Euro)*		30 September 2017	31 December 2016
ASSETS			
Fixed assets			
Tangible assets		2,508,764	2,709,902
Goodwill		1,393,789	1,393,789
Other intangible assets		103,307	97,355
Investments in non controlled associates		50,000	50,000
Deferred tax assets		251,356	296,702
Other non current assets		509,005	509,749
	related parties	*88,950*	*88,950*
Total non current assets		**4,816,222**	**5,057,497**
Currents assets			
Inventory		9,465,717	8,181,834
Trade receivables		8,437,332	7,773,575
Tax assets		215,504	225,624
Other current assets		3,691,581	6,421,637
Cash and cash equivalents		2,157,709	3,731,312
Total current assets		**23,967,843**	**26,333,982**
Total assets		**28,784,065**	**31,391,479**
		30 September 2017	**31 December 2016**
LIABILITIES			
Equity			
Share capital		1,097,563	1,087,340
Other reserves		5,332,671	4,494,290
Foreign exchange reserve		457,846	559,170
Retained earnings		9,513,058	15,737,242
Total equity attributable to shareholders of the parent		**16,401,138**	**21,878,042**
Minority interest		-	0
Total equity		**16,401,138**	**21,878,042**
Non current equity			
Long-term borrowings		4,081,092	1,692,635
Severance Indemnities		688,211	710,137
Provisions for risk and charges		38,540	82,596
Deferred tax liabilities		0	0
Total non current liabilities		**4,807,843**	**2,485,368**
Current liabilities			
Short-term borrowings		2,378,388	1,128,918
Trade liabilities		2,807,832	3,948,795
	related parties	*0*	*961*
Tax liabilities		1,006,989	712,098
Other current liabilities		1,381,875	1,238,258
Total current liabilities		**7,575,084**	**7,028,069**
Total Liabilities		**28,784,065**	**31,391,479**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Values in Euro)		9 months 2017	9 months 2016
Revenues		29,653,628	28,533,800
Cost of sales		(17,259,655)	(16,541,538)
Other revenues		143,477	97,825
Cost of indirect labour		(1,644,005)	(1,545,730)
Commercial expenses		(663,572)	(597,697)
General and administrative expenses		(3,032,036)	(2,786,450)
	related parties	*(694,684)*	*(693,061)*
Depreciation of tangible assets		(575,504)	(567,814)
Amortization of intangible assets		(21,019)	(19,403)
Writedowns		0	(57,102)
Earning before interest and taxes		**6,601,314**	**6,515,890**
Financial costs		(350,580)	(203,727)
Financial income		463,690	332,984
Earning before taxes		**6,714,424**	**6,645,146**
Income taxes		(1,991,157)	(2,288,801)
Profit for the year (A)		**4,723,267**	**4,356,345**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:			
Actuarial gain/(losses) on DBO (net of tax)		1,099	(18,146)
Other comprehensive income/(losses) for the year that will be reclassified in icome statement:			
Exchange differences on translating foreign operations		(101,324)	(128,862)
Total other comprehensive income/(losses) for the year (B)		**(100,225)**	**(147,008)**
Total comprehensive income (A) + (B)		**4,623,043**	**4,209,337**
Profit attributable to:			
Owners of the parent		4,723,267	4,356,345
Minority interest		-	-
Total comprehensive income atributable to:			
Owners of the parent		4,623,043	4,209,337
Minority interest		-	-
Basic earning per share		0.43	0.39
Diluted earning per share		0.43	0.39

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 as of 30 September 2017", corresponds to the company's accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi