

GRUPPO B&C SPEAKERS



INTERIM REPORT as at 31 March 2021

The Board of Directors of May, 14th 2021

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1 THE B&C SPEAKERS GROUP – Corporate bodies

Board of Directors

Chairperson:	Roberta Pecci
Chief Executive Officer:	Lorenzo Coppini
Director:	Alessandro Pancani
Director:	Francesco Spapperi
Independent Director:	Raffaele Cappiello
Independent Director:	Veronica Tonini
Independent Director:	Gabriella Egidi

Board of Auditors

Chairperson:	Riccardo Foglia Taverna
Regular Auditor:	Giovanni Mongelli
Regular Auditor:	Sara Nuzzaci
Alternate Auditor:	Diana Rizzo
Alternate Auditor:	Adriano Moracci

Financial Reporting Manager

Francesco Spapperi

Independent auditing firm

PricewaterhouseCoopers S.p.A.

Introduction

The valuation and measurement criteria adopted in the preparation of the condensed consolidated financial statements at March 31, 2021, included in this interim management report, are those established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission according to the procedure set out in Article 16 of the European Regulation n. 1606/2002 of the European Parliament and of the Council of 19 July 2002, with particular reference to IAS 34 concerning interim financial statements. These accounting standards are the same as those used for the preparation of the consolidated financial statements at December 31, 2020.

This interim report has not been audited.

Main aspects of the period from January to March 2021

During the first three months of 2021, the Parent Company continued the execution of the Buy-Back plan for its own shares. With reference to March 31, 2021, the treasury shares held amounted to n. 64,134 shares, representing 0.58% of the share capital.

Measures aimed at mitigating the economic and financial impact of the Covid-19 emergency

In continuity with what has already been described in the Separate and consolidated financial statements as at 31 December 2020, the Company maintained the cost containment and efficient financial management actions listed at the time.

The set of measures put in place is considered capable of guaranteeing liquidity and financial solidity to meet all the needs that may arise during the current crisis.

Regarding the **health measures taken**, the two Group production companies proceed with a continuous monitoring of the specific health protocol, which provides for the application of all the protection and containment measures established by the various rules and regulatory interventions (national and regional) which occurred during the period in question, representing the necessary precondition to allow the reopening of production activities, and also their continuation in a context of safety and respect for the workers' health.

Information on ownership structure

At the date of preparation of this report, official data indicate the following significant shareholders:

- **Research & Development International S.r.l.** which holds a 54.00% stake (*Parent Company*);
- *Lazard Investissement Microcap* which holds 3.59%;
- *Berenger European Micro Cap* holding 3.52%;
- *First Capital S.p.A.* which holds 3.20%.

Economic, Asset and Financial management results

This Interim Report at 31 March 2021 contains the information required by *art. 154 ter of the T.U.F.*

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 on December 31, 2020, to whom they refer.

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. Therefore the final results could 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, economic and asset data presented, are compared with the corresponding figures of 2020.

These financial statements, prepared in accordance with the requirements of art. 154 ter of the T.U.F., 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 relative explanatory notes, were 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, 2020 in accordance with IFRS principles.

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 and the subsidiary Eighteen Sound S.r.l., 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 2021 compared with the figures for the same period of 2020.

Economic trends - Group B&C Speakers

(€ thousands)	1Q 2021	Incidence	1Q 2020	Incidence
Revenues	8,202	100.00%	11,792	100.0%
Cost of sales	(5,519)	-67.29%	(7,475)	-63.4%
Gross margin	2,682	32.71%	4,318	36.6%
Other revenues	41	0.50%	52	0.4%
Cost of indirect labour	(771)	-9.40%	(902)	-7.6%
Commercial expenses	(112)	-1.37%	(203)	-1.7%
General and administrative expenses	(844)	-10.30%	(900)	-7.6%
Ebitda	996	12.14%	2,365	20.1%
Depreciation of tangible assets	(473)	-5.77%	(509)	-4.3%
Amortization of intangible assets	(29)	-0.35%	(44)	-0.4%
Writedowns	0	0.00%	(111)	-0.9%
Earning before interest and taxes (Ebit)	494	6.02%	1,701	14.4%
Writedown of investments in non controlled associates	(19)	-0.23%	-	0.0%
Financial costs	(151)	-1.84%	(1,117)	-9.5%
Financial income	394	4.80%	44	0.4%
Earning before taxes (Ebt)	718	8.75%	628	5.3%
Income taxes	(194)	-2.37%	(170)	-1.4%
Profit for the year	524	6.39%	458	3.9%
Minority interest	0	0.00%	0	0.0%
Group Net Result	524	6.39%	458	3.9%
Other comprehensive result	31	0.38%	(74)	-0.6%
Total Comprehensive result	555	6.77%	384	3.3%

Note:

This interim report shows and analyses certain financial figures and certain reclassified schedules not defined by the IFRS.

These figures are defined below in compliance with the provisions in the Consob Communication (DEM 6064293) of July 28, 2006, and subsequent amendments and additions (Consob Communication 0092543 of December 3, 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, in order to assist the users of this financial report to better understand the Group's economic, capital and financial performance. It is noted that the adjustment methods used by the Group to calculate these figures have remained consistent over the years. It should be also noted that they could differ from methods used by other companies.

L'**EBITDA** (*earning before interest taxes depreciation and amortizations*) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement, before amortization of intangible fixed assets, depreciation of tangible fixed assets, provisions and write-downs, 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.

L'**EBIT** (*earning before interest and taxes*) represents the consolidated profit/loss before taxes, financial expenses and income, as shown in the income statement charts prepared by the Directors in drawing up the IASs/IFRSs-compliant financial statements.

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

Revenues

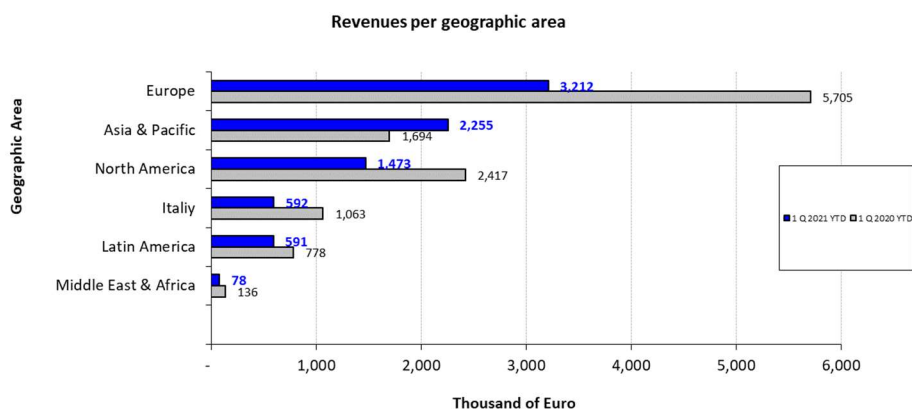
During the first quarter of 2021, the Group's reference market confirmed, also increasing them, signs of recovery, which had already arisen at the end of the 2020 financial year. The Group's turnover was equal to Euro 8.2 million at the end of the first three months of 2021 and down by 30.45% compared to the same period of 2020, thus reducing the contraction in sales, which in all of 2020 were 43.19% lower than in 2019.

The decrease in the Group's turnover, compared to the first three months of 2020, occurred in all markets, as shown in the table below; the Asian market goes against this trend, and

China in particular, which in the first quarter recorded an increase of 33.1% compared to the first quarter of 2020, confirming the decisive signs of recovery in demand, made possible by the control of spread of the epidemic and the consequent elimination of all restrictions on social life.

Provided here below a full breakdown for the first three months of 2021 divided by geographic areas, compared with the same period of 2020 (amounts in Euro thousands):

Revenues per geographic area <i>(values in Euro/thousand)</i>	I Q 2021 YTD	%	I Q 2020 YTD	%	Difference	Difference %
Latin America	591	7%	778	7%	(187)	-24%
Europe	3,212	39%	5,705	48%	(2,493)	-44%
Italy	592	7%	1,063	9%	(471)	-44%
North America	1,473	18%	2,417	20%	(944)	-39%
Middle East & Africa	78	1%	136	1%	(58)	-42%
Asia & Pacific	2,255	27%	1,694	14%	561	33%
Total	8,202	100%	11,793	100%	(3,591)	-30%



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.

During the first three months of 2021, the cost of sales showed a worsening of its incidence on revenues compared to the same period of 2020, going from 63.39% to 67.29%; this worsening is mainly attributable to both the cost of direct personnel which, since it is not a variable cost, has not decreased in proportion to the decline in turnover, despite the activation of social safety nets, and also to the negative effects of the increase in raw material costs.

Indirect Personnel

The "Indirect personnel" category refers to costs for clerical staff, managers and workers who are not associated with the production process.

The cost for indirect personnel, although decreasing by 14.5% compared to the first three months of 2020, has increased its incidence on turnover from 7.65% to 9.4%. The increase in the incidence on revenues is due to the decline in production and sales volumes that have not been completely offset by the decrease in costs for indirect personnel, despite the effect of social safety nets and other forms of public support.

Commercial Expenses

This category refers to costs for business consultancies, advertising and marketing expenses, travel and business trips and other minor charges relating to the commercial sector.

Commercial expenses show a strong decrease in absolute value compared to the first three months of the previous year and a reduction in its incidence on turnover, going from 1.72% to 1.37%; this decrease was affected by the cost containment policies implemented by the Group's Management, in addition to the still existing travel restrictions.

Administrative and General

General and administrative costs decreased by 6.1% compared to the first three months of 2020; nevertheless, their incidence on turnover went from 7.63% to 10.3%.

EBITDA and EBITDA Margin

Mainly due to the dynamics illustrated above, EBITDA for the first three months of 2021 was equal to Euro 0.99 million, down by 57.9% compared to the same period of 2020.

The **EBITDA margin** for the first three months of 2021 is equal to 12.14% of revenues, while in the same period of the previous year it was equal to 20.06%.

Depreciation and Amortization

Depreciation of tangible and intangible fixed assets and rights of use amounted to Euro 0.5 million (basically unchanged compared to the first three months of 2020).

The provisions made in this period are nil, as currently there are no situations of bad debt on from the Group's customers.

EBIT and EBIT margin

EBIT for the first three months of 2021 amounts to Euro 0.5 million, also in sharp decrease compared to the same period of 2020.

The **EBIT margin** is equal to 6.02% of revenues (14.42% in the corresponding period of 2020).

Group Net Profit

The net profit of the Group at the end of the three months of 2021 amounts to Euro 0.52 million (6.4% of revenues for the quarter), up by 14.4% compared to the corresponding period of 2020. This increase is due to the improvement in the contribution of financial management, which wasn't affected by the effect recorded in the first quarter of 2020, when presumed losses from the valuation of the securities held in the portfolio amounted to Euro 0.9 million.

Below are the Balance Sheet figures as at 31 March 2021 compared with the balance sheet values at the end of the 2020 financial year.

Reclassified Balance sheet (€ thousands)	31 March 2021	31 December 2020	Change
Property, plant & Equipment	5,772	6,183	(411)
Inventories	11,809	12,254	(445)
Trade receivables	8,024	7,085	939
Other receivables	3,180	2,959	220
Trade payables	(3,672)	(2,957)	(716)
Other payables	(1,704)	(1,951)	247
Working capital	17,635	17,390	245
Provisions	(891)	(975)	83
Invested net working capital	22,516	22,598	(82)
Cash and cash equivalents	13,033	13,415	(382)
Investments in associates	0	50	- 50
Goodwill	2,318	2,318	-
Short term securities	7,958	8,044	(86)
Other financial receivables	655	655	(1)
Financial assets	23,964	24,483	(519)
Invested net non operating capital	23,964	24,483	(519)
NET INVESTED CAPITAL	46,480	47,081	(601)
Equity	27,310	26,211	1,099
Short-term financial borrowings	7,869	7,848	21
Long-term financial borrowing	11,301	13,022	(1,721)
RAISED CAPITAL	46,480	47,081	(601)

Note:

Fixed assets: these are defined by the Issuer's Directors as the value of 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. **Provisions:** the value of bonds linked to employees' and Directors' severance indemnity, as well as the value for provisions for risks. **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.

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

Net operating capital invested remains basically unchanged compared to December 31, 2020. This trend is mainly due to the combined effect of the following factors:

- a decrease in fixed assets of approximately Euro 0.4 million due to the effect of depreciation for the period, partially offset by investments made in the period;
- a decrease in inventories of approximately Euro 0.4 million;
- an increase in trade and other receivables of approximately Euro 1.1 million. It should be noted that, despite the negative effects of the pandemic on customers' liquidity, at the date of preparation of this interim report on operations, there were no situations of significant doubtful credit;
- an increase in trade and other payables of approximately Euro 0.5 million.

Net non-operating invested capital shows a decrease of Euro 0.6 million compared to December 31, 2020. This decrease is essentially due to the change in the Group's liquidity. The slight decrease in short-term securities is due to the presumed losses resulting from the *fair value* measurement of the securities in question.

The other asset categories did not show any changes compared to December 31, 2020.

Financial Debt

Short-term financial debt remains substantially unchanged compared to December 31, 2020.

Medium / long-term financial debt decreases by Euro 1.7 million.

No new loans were taken during the quarter compared to December 31, 2020.

The overall *Net Financial Position* is positive and equal to Euro 1.82 million, an increase compared to the value, always positive, of Euro 0.6 million at the end of 2020. The improvement of the Net Financial Position was affected by an always positive cash generation equal to Euro 0.8 million in this period, deriving from the operating activity which, despite the decrease in turnover, remained at satisfactory levels.

Statement of changes in equity

Below is the statement of changes in equity from January 1, 2020 to March 31, 2020 (amounts in Euro thousands):

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Exchange rate reserve	Foreign exchange reserve	Riserve di risultato	Net Group Equity	Minority interest	Total net Equity
<i>Euro thousand</i>										
Balance January 1, 2021	1,089	379	3,589	44	54	296	20,760	26,211	-	26,211
Result of the period							522	522		522
Other comprehensive income/expenses						33	(1)	31		31
Totale other comprehensive income/expenses	-	-	-	-	-	33	521	554	-	554
Shareholders										
Allocation of previous year result					-		-	-		-
Dividend distribution							-	-		-
Treasury shares allocation	6		539				-	545		545
Balance March 31, 2021	1,095	379	4,128	44	54	328	21,281	27,310	-	27,310

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 2020 (amounts in Euro thousands):

<i>Values in Euro Thousands</i>	31 march 2021	31 December 2020	Change %
A. Cash	13,033	13,415	-3%
C. Securities held for trading	7,958	8,044	-1%
D. Cash and cash equivalent (A+C)	20,991	21,460	-2%
F. Bank overdrafts	0	0	
G. Current portion of non current borrowings	(7,116)	(6,904)	3%
H. Other current financial debts	(753)	(944)	-20%
I. Current borrowings (F+G)	(7,869)	(7,848)	0%
J. Current net financial position (D+I)	13,122	13,612	-4%
K. Non current borrowings	(9,128)	(10,755)	-15%
M. Other non current financial debts	(2,173)	(2,267)	-4%
N. Non current borrowings	(11,301)	(13,022)	-13%
O. Total net financial position (J+N)	1,821	590	209%

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. Furthermore, the definition may differ from that established by the Issuer's loan contracts.

Significant events occurring after March 31, 2021

The gradual recovery of order intake is confirmed even after the end of the first quarter; proof of this is the fact that the order book, after a long time, has again exceeded Euro 10 million.

Starting from the end of the first quarter of 2021, the tension on the costs of all production raw materials has progressively increased; in particular, there were increases in costs of steel components, ferrous ones and above all in neodymium magnets, which showed an even more significant increase compared to the previous period.

The Company is updating its price lists to keep track of the increase in raw material costs. nevertheless, the impact of these adjustments will be temporally shifted, with a valuable effect starting from the second half of the year.

The Shareholders' Meeting, held on April 29, 2021, has then approved the financial statements and the distribution of an ordinary dividend equal to Euro 0.26 for each ordinary share outstanding at the ex-dividend date (taking place on April 30, record date at May 2 and payment on May 3). It should also be noted that this Shareholders' Meeting renewed the Corporate Bodies as well and that the Board of Directors, held on May 3, 2021, provided for the attribution of proxies and for the appointment of the internal Committees of the Board, as already communicated to the market through a specific press release, dated May 4, 2021.

Business outlook for the entire 2021 fiscal year

In light of the increasingly consistent signs of recovery coming from the several markets in which the Company operates, it stands to reason that 2021 could show a significant recovery in the Company's business compared to 2020, especially in the second half of the year, when

in Europe as well it will be possible to resume some social gathering activities, already resumed in China and partially in the USA.

As far as the increased costs of procurement is concerned, we can assume that in the course of 2021 their impact will be progressively softened both by a revision of the price lists and by a regularization of the prices of the main raw materials.

In this scenario, the Group will keep on working to comply with commitments and goals, carrying on taking all necessary measures to manage the direct and indirect effects related to the crisis resulting from the pandemic.

Share performance

The B&C Speakers S.p.A. title is listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

On March 31, 2021 the reference price of the B&C Speakers S.p.A. (BEC) was 11.70 Euros, and consequently the capitalization amounted to approximately Euro 128.7 million.

Below is a table showing the performance of the B & C Speakers S.p.A. in the period January - March 2021.



Consolidated Balance Sheet and Consolidated Income Statement relating to March 31, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)	31 March 2021	31 December 2020
ASSETS		
Fixed assets		
Tangible assets	2,672,440	2,768,007
Right of use	2,820,957	3,111,501
Goodwill	2,318,181	2,318,181
Other intangible assets	278,847	303,453
Investments in non controlled associates	-	50,000
Deferred tax assets	786,976	760,716
Other non current assets	654,716	655,222
	<i>related parties</i>	6,700
Total non current assets	9,532,117	9,967,080
Currents assets		
Inventory	11,808,615	12,253,639
Trade receivables	8,023,717	7,084,606
Tax assets	1,569,970	1,739,974
Other current assets	8,780,589	8,502,546
Cash and cash equivalents	13,032,901	13,415,179
Total current assets	43,215,792	42,995,944
Total assets	52,747,909	52,963,024
LIABILITIES		
Equity		
Share capital	1,093,587	1,088,495
Other reserves	5,284,725	4,745,482
Foreign exchange reserve	329,032	296,495
Retained earnings	20,602,741	20,080,251
Total equity attributable to shareholders of the parent	27,310,085	26,210,723
Minority interest	-	-
Total equity	27,310,085	26,210,723
Non current liabilities		
Long-term borrowings	9,128,074	10,754,968
Long-term lease liabilities	2,172,918	2,267,054
	<i>related parties</i>	1,596,214
Severance Indemnities	852,092	935,531
Provisions for risk and charges	39,271	39,271
Total non current liabilities	12,192,355	13,996,824
Current liabilities		
Short-term borrowings	7,116,261	6,904,309
Short-term lease liabilities	752,586	943,509
	<i>related parties</i>	472,297
Trade liabilities	3,672,481	2,956,786
	<i>related parties</i>	78,691
Tax liabilities	213,988	366,811
Other current liabilities	1,490,154	1,584,062
Total current liabilities	13,245,470	12,755,477
Total Liabilities	52,747,909	52,963,024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Values in Euro)

1Q 2021
1Q 2020

Revenues	8,201,549	11,792,481
Cost of sales	(5,519,091)	(7,474,858)
Other revenues	40,985	52,061
Cost of indirect labour	(770,755)	(901,781)
Commercial expenses	(112,493)	(203,080)
General and administrative expenses	(844,487)	(899,556)
Depreciation and amortization	(501,862)	(553,405)
Writedowns	0	(111,326)
Earning before interest and taxes	493,845	1,700,536
Writedown of investments in non controlled associates	(19,182)	-
Financial costs	(150,663)	(1,117,135)
	<i>related parties</i>	
	(15,259)	(19,566)
Financial income	393,835	44,166
Earning before taxes	717,835	627,567
Income taxes	(194,139)	(169,680)
Profit for the year (A)	523,696	457,887
Other comprehensive income/(losses) for the year that will not be reclassified in income statement:		
Actuarial gain/(losses) on DBO (net of tax)	(1,206)	(1,430)
Other comprehensive income/(losses) for the year that will be reclassified in income statement:		
Exchange differences on translating foreign operations	32,537	(72,513)
Total other comprehensive income/(losses) for the year (B)	31,331	(73,943)
Total comprehensive income (A) + (B)	555,027	383,944
Profit attributable to:		
Owners of the parent	523,696	457,887
Minority interest	-	-
Total comprehensive income attributable to:		
Owners of the parent	555,027	383,944
Minority interest	-	-
Basic earning per share	0.05	0.04
Diluted earning per share	0.05	0.04

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

The Financial Reporting Manager, Francesco Spapperi, hereby certifies - pursuant to Art. 154-bis, paragraph 2 of the Italian Legislative Decree No. 58/1998 - that the accounting disclosures as shown in this "Interim Report as at March 31, 2021", are consistent with the accounting documents, books and records.

The Financial Reporting Manager

Francesco Spapperi