B&C Speakers Group

Consolidated Balance Sheet

on 31 December 2012

Drafted in compliance with International Financial Reporting Standards

approved by the European Union

B&C Speakers S.p.A.

Via Poggiomoro, 1
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NOTICE OF CONVOCATION OF ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called to meet on April 29, 2013, at the Corporate Headquarters in Bagno a Ripoli, Via Poggiomoro no. 1 Loc.ta Vallina at 10.30 a.m. in a single convocation to discuss and resolve the following order of the day:

1) Consolidated financial statements at 31 December 2012. Dividends to shareholders. Related and ensuing deliberations.
2) Report on fees to Directors pursuant to Art. l23-ter of Leg. Decree no. 58/98. Related and consequent resolutions
3) Authorization for the purchase and sale of treasury shares. Related and ensuing deliberations.

Shareholders who have the right to vote are also entitled to speak at the Assembly. Legitimmacy to speak and to exercise the right to vote shall be confirmed by an official certificate issued by an authorized intermediary in favor of the subject given right to vote on the basis of the evidence related available on the end of the seventh business day, prior to the date fixed for the meeting (i.e. on 18 April 2013). Shareholders who have acquired their shares after that date are not entitled to speak and vote in the Assembly. Voting by mail or by electronic means is not accepted.
Every person entitled to attend the meeting may be represented by written proxy, in compliance with the legislation, by subscribing to the delegation inserted at the bottom of the copy of the above-mentioned certificate issued by the intermediary. Shareholders can otherwise download the form from the Company's website: www.bcspeakers.com. If the representative delivers or sends the Company a copy of the delegation, he shall be solely responsible for certifying conformity of the delegation to the original and the identity of the delegator. The delegation may be sent to the Company by registered mail at its registered office or by e-mail to the address: spratesi@bcspeakers.com.

The shareholders entitled to speak at the Assembly can ask questions on issues in the order of the day, even before the meeting, by sending a special registered mail to the headquarters of the Company or by email to: spratesi@bcspeakers.com . Applications received prior to the Meeting are answered at the latest on the date of Assembly, with the company having the option to provide a unified response to inquiries with the same content. Applications must be accompanied by a certificate issued by the intermediaries to ascertain shareholder status or can otherwise be included in the same application to take part in the Assembly.

Pursuant to art. 126-Bis of the TUF (Consolidated Act), members that (even combined) represent at least one-fortieth of the share capital may request, within ten days of the date of publication of this notice, the integration of the list of participant shareholders, specifying in the request additional items on agenda which they proposed; the application must be submitted in writing to the registered office or sent by registered mail, provided that it arrives to the Company within the above period.
Items requested for inclusion in the order of the day are subject to legal requirements and are screened by the Directors on the basis of a plan or report they have prepared. Any added items will be published with the same method used for this notice.

The subscribed and paid-up capital is Euro 1,100,000 , divided into 11,000,000 ordinary shares, each share giving right to one vote. On the date of this notice, the Company holds 18,704 ordinary shares for which the applicable legislation suspends the right to vote. Any changes in own shares will be communicated at the opening of the Assembly's deliberations. More information as to shareholders' rights can be found on the Company's website: www.bcspeakers.com.

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The documentation on the topics on the agenda of the day will be deposited at the registered office and with Borsa Italiana s.p.a., and will also be made available on the website: www.bcspeakers.com within the statutory deadlines. Shareholders have the right to obtain a copy.

Contents

1 THE B&C SPEAKERS GROUP – Corporate Boards

Board of Directors

Chairman:	Roberto Coppini
Director:	Lorenzo Coppini
Director:	Simone Pratesi
Director:	Alessandro Pancani
Independent Director:	Marco Biagioni
Independent Director:	Roberta Pecci

Board of Auditors

Chairman:	Manfredi Bufalini
Statutory Auditor:	Leonardo Tommasini
Statutory Auditor:	Giovanni Mongelli
Substitute Auditor:	Marco Lombardi
Substitute Auditor:	Massimo Donati

Legal Auditor

Deloitte & Touche S.p.A.

2 Proposal for the approval of the financial statement and allocation of the net profit of the year

The Board of Directors meeting held on March 20, 2013, has proposed to distribute the net profit for the year resulting from the balance sheet at 31 December 2012 as follows:
- payment of a dividend of EUR 0.25 for each purchased ordinary share (with the exception of the treasury shares held on the date of purchase)
- the remainder to "profit carried forward".

3 Introduction to the consolidated financial statements as of 31 December 2012

The consolidated financial statements at 31 December 2012 the B&C Speakers s.p.a. were drafted in compliance with the International Accounting Standards (IAS/IFRS") applicable on the date they were issued by the International Accounting Standards Board ("IASB") and approved by the European Union. IFRS also refers to the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named Standing Interpretations Committee ("SIC").

In addition, in accordance with the measures taken to implement art. 9 of Leg. Decree no. 38/2005, the Board also considered the guidelines set by Consob no. 15519 of July 27, 2006 which establishes the "Drafting principles for financial statements", Consob no. 15520 of July 27, 2006 establishing the "Modifications and integration to the Issuers' Regulation adopted under resolution no. 11971/99 MAY BE INCLUDED", Consob Bulletin no. 6064293, 28 July 2006 on "Required corporate information pursuant to Art. 114, Paragraph 5, Leg. Decree no. 58/98" And Bulletin DEM/7042270 of May 10, 2007.

The objective of this financial statement is to accurately represent the economic and financial position of B&C Speakers s.p.a. and of the B&C Speakers Group on 31 December 2012, in accordance with International Accounting Standards ("IAS/IFRS") adopted by the European Union.

Over the course of 2012, the Parent Company continued its program of I Buy-Back I own shares, as established by the Shareholders' meeting held on April 27, 2012. On 31 December 2012, the treasury shares held amounted to 20,704, 0.19 % of the share capital and were evaluated in accordance with standard principles.

On the date of this report (March 2013), the number of treasury shares held is equal to 16,704, 0.15 % of the share capital. The weighted average price of shares purchased from portfolio amounted to Euro 4.11 (the weighted average price of purchase was equal to Euro 3.5 at the end of the previous year when the treasury shares held were 505,349, 4.59 %).

For informational purposes, it should be noted that the parent B&C Speakers s.p.a. is controlled by Research and Development International S. r.l. which carries out its management and coordination. The table below shows the key figures for the last year's financial statement approved by Research and Development International S. r.l. (31 December 2011):

Highlights R&D International S.r.l. *(€ Thousand)*	**2011**	**2010**
Total assets	11.226	12.174
Equity	11.094	10.057
Net income	1.037	998

The stake held by the parent company on 31 December 2012, is equivalent to 66.34 % of the share capital; more information about relations with the Parent is provided in the Report of the Board of Directors.

4 Separate financial statements of Parent B&C Speakers S.p.A. at 31 December 2012

4.1 ASSETS AND LIABILITIES STATEMENT AT 31 DECEMBER 2012

(€ thousands)		*Notes*	**31 December 2012**	**31 December 2011**
ASSETS				
Non current assets				
Tangible assets		*1*	3.354.333	3.188.889
Other intangible assets		*2*	281.268	443.366
Investments in associates		*3*	1.695.894	1.695.894
Deferred tax assets		*4*	47.319	47.834
Other non current assets		*5*	213.058	56.846
	related parties	*30*	*88.950*	-
Other assets (TFM insurance)		*5*	754.924	710.524
Total non current assets			**6.346.796**	**6.143.354**
Currents assets				
Inventory		*6*	6.006.153	5.303.423
Trade receivables		*7*	7.693.336	6.285.631
	related parties	*30*	*1.516.467*	*1.002.085*
Tax assets		*8*	278.896	218.366
Other current assets		*9*	162.311	96.204
Cash and cash equivalents		*10*	2.025.469	1.896.002
Total current assets			**16.166.165**	**13.799.624**
Total assets			**22.512.961**	**19.942.978**

(€ thousands)			**31 December 2012**	**31 December 2011**
Liabilities				
Equity				
Share capital		*11*	1.097.930	1.049.216
Other reserves		*11*	4.763.977	3.327.882
Retained Earnings		*11*	5.128.640	4.187.273
IAS FTA reserve		*11*	11.764	11.764
Profit/(loss) for the year		*11*	4.242.740	3.618.034
Total equity			**15.245.051**	**12.194.168**
Non current equity				
Long-term borrowings		*12*	648.991	1.126.944
Provisions for risk and charges		*13*	1.187.283	1.105.848
Deferred tax liabilities		*14*	17.363	17.284
Total non current liabilities			**1.853.636**	**2.250.077**
Current liabilities				
Short-term borrowings		*15*	761.486	1.404.119
Trade liabilities		*16*	3.165.480	2.376.440
	related parties		*2.114*	*102.807*
Tax liabilities		*17*	345.588	456.245
Other current liabilities		*18*	1.141.719	1.261.929
Total current liabilities			**5.414.274**	**5.498.734**
Total Liabilities			**22.512.961**	**19.942.978**

4.2 INCOME STATEMENT FOR YEAR 2012

(€ thousands)			**2012**	**2011**
Revenues		*19*	29.611.214	26.915.076
	related parties	*30*	*2.192.554*	*2.155.384*
Other revenues		*20*	300.264	265.756
Change in inventory of finished goods and work in progress		*21*	1.102.997	522.191
Cost of raw material and others		*22*	13.047.419	11.586.013
Cost of labour		*23*	4.377.784	4.252.311
Cost of services		*24*	6.451.003	5.554.198
	related parties	*30*	*890.868*	*853.120*
Depreciation of tangible assets		*25*	595.627	562.143
Amortization of intangible assets		*25*	117.325	115.266
Writedowns		*25*	37.380	32.908
Other costs		*26*	309.112	222.902
Earning before taxes and interests			**6.078.826**	**5.377.282**
Financial income		*27*	265.425	245.992
Financial costs		*27*	271.029	233.896
Earning before taxes			**6.073.222**	**5.389.378**
Income taxes		*28*	1.830.482	1.771.344
Profit for the year (A)			**4.242.740**	**3.618.034**
Other comprehensive income for the year			-	-
Total comprehensive income for the year (B)			**-**	**-**
Total profit for the year (A) + (B)			**4.242.740**	**3.618.034**

4.3 CASH-FLOW FOR YEAR 2012

Cash flow statement (Euro thousands)	2012	2011	
A- Net current bank balances (indebtness) at the beginning of year	**1.794**	**(737)**	
B- Cash flow from operating activities			
Profit/loss for the period	4.243	3.618	
Income tax expense	1.830	1.771	
Amortization of intangibles assets	117	115	
Depreciation of tangible assets	596	562	
Sale of property, plant and equipment	0	0	
Finance cost	271	234	
Interest income	(265)	(246)	
Net change in provisions for risk and charges	44	45	
Change in provigion for leaving indemnities			
Allocations and revaluations	16	3	
Actuarial gain/(losses)	61	16	
(Use)	(39)	(18)	
(increase) decrease in current trade and other receivables	(1.534)	615	**Note 1**
(increase) decrease in deferred tax assets	1	105	
(increase) decrease in inventory	(703)	(888)	
Increase (decrease) in current trade and other payables	856	(580)	**Note 2**
increase (decrease) in deferred tax liabilities	0	0	
Net cash from/(used in) operating activities	**5.493**	**5.353**	
Paid interest costs	(271)	(234)	
Collected interest income	265	246	
Taxes paid	(2.128)	(1.858)	
Total (B)	**3.359**	**3.507**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(761)	(615)	
Net (investments) in non current intangible assets	45	(207)	
Increase (decrease) in investments in associates	0	(188)	
(Investments) in securities and other financial acitivities	(45)	(45)	
(increase) decrease in non current receivables	(156)	0	**Note 3**
Total (C)	**(917)**	**(1.055)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(1.301)	2.149	
Share Capital increase	0	0	
Purchase of treasury shares	1.486	(438)	
Dividend paid to shareholders	(2.678)	(1.632)	
Total (D)	**(2.493)**	**79**	
E- Cash flow for the period (B+C+D)	**(51)**	**2.531**	
F- Cash and cash equivalents at end of the year	**1.743**	**1.794**	

Note 1: the liquidity absorption determined by the change of commercial credits and other current credits is attributable to transactions with the subsidiary B&C Usa NA LLC for about Euro 323 thousand and a decrease of liquidity due to transactions with the subsidiary B&C Brasil Ltda for about Euro 191 thousand.

Note 2: the increase in liquidity determined from the change of the amounts owed to suppliers and other parties comprises an absorption of liquidity due to transactions with the parent R&D International S. r.l. for about Euro 86 thousand and an absorption of liquidity due to transactions with the subsidiary B&C Usa NA LLC for about Euro 14 thousand.

Note 3: the liquidity absorbed by change of non-current credits comprises a liquidity absorption due to credit for reimbursed IRES held with parent R&D International S. r.l. for about Euros 88 thousand.

For the financial year 2012, the cash flow statement was reclassified, in order to indicate the item F – Net Cash available after the final difference between cash and current accounts payable (bank overdrafts) excluding therefore the current portion of long-term financing. The purpose of the reclassification is to highlight more clearly the absorption of cash caused by reimbursed financings. For a more linear comparison with the previous year, figures in 2011 were also reclassified.

4.4 BALANCE SHEET OF CHANGES IN NET EQUITY OF PARENT B&C SPEAKERS S.p.A.

What follows is the balance sheet of changes in the net equity in year 2011 and year 2012.

(In thousand Euros)

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Retained earnings	First time Adoption reserve	Net result	Total Equity
Balance at 31 December 2010	**1.026**	379	2.157	44	20	**2.600**	**4.361**	**12**	**2.649**	**10.648**
Allocation of 2010 net result						-	2.649		(2.649)	-
Dividend distribution						-	(1.632)			(1.632)
Treasury shares allocation	34		1.156			1.156	(1.190)			0
Treasury shares	(11)		(356)			(356)				(367)
Tax effects			(73)			(73)				(73)
2011 net result						-			3.618	3.618
Balance at 31 December 2011	**1.049**	379	2.884	44	20	**3.327**	**4.188**	**12**	**3.618**	**12.194**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Retained earnings	First time Adoption reserve	Net result	Total Equity
Balance at 31 December 2011	**1.049**	379	2.884	44	20	**3.327**	**4.188**	**12**	**3.618**	**12.194**
Allocation of 2011 net result						-	3.618		(3.618)	-
Dividend distribution						-	(2.678)			(2.678)
Treasury shares	49		1.437			1.437				1.486
2012 result						-			4.243	4.243
Balance at 31 December 2012	**1.098**	379	4.321	44	20	**4.764**	**5.128**	**12**	**4.243**	**15.245**

5 Report of the Board on financial year closed on 31 December 2012

The B&C Speakers Group is an international leader in the production and marketing of "top-quality loudspeakers". The business of the Group, which operates both in Italy and internationally, is entirely centered in the above industry (production and marketing of top-quality speakers). Products are entirely manufactured and assembled at the production plant of the Italian parent, which also directly manages their marketing and sale in the various geographical areas it covers.

Distribution in the American market is aided by the US subsidiary, which acts as commercial assistant to the Parent within North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA in 2012 which acts as distribution center.

The net profit for the financial year 2012 amounted to Euro 4,243 thousand, net of taxes for Euro 1,830 thousand and after depreciation for Euro 713 thousand.

The net profit for the financial year 2011 amounted to Euro 3,618 thousand, net of taxes for Euro 1,771 thousand and after depreciation for Euro 677 thousand.

Highlights

The tables below list the economic, capital and financial higlights for year 2012 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2012	2011
Revenues	29.611	26.915
Ebitda	6.829	6.088
Ebit	6.079	5.378
Net profit	4.243	3.618

Balance sheet highlights

(€ thousands)

	31 December 2012	31 December 2011
Non current Assets	6.347	6.143
Non current liabilities	1.854	2.250
Current assets	16.166	13.800
Current liabilities	5.414	5.499
Net working Capital	10.752	8.301
Net Equity	15.245	12.194

Cash flow statement highlights

(€ thousands)

	2012	2011
Operating cash flow	3.359	3.506
Cash flow from investing activities	(917)	(1.055)
Cash flow from financial activities	(2.493)	79
Cash and cash equivalent at end of the year	(51)	2.530

Net financial position

(€ thousands)	31 December 2012	31 December 2011
Current net financial position	1.264	492
Total net financial position	615	(635)

Economic trend

The general economic trend in 2012 is characterized by a significant increase in turnover (10.0 %). This increase was virtually steady throughout the year, registering a peak of 7.96 million euros in the fourth quarter (16.2 % compared to the 4th quarter of 2011).

To provide a clearer representation of how economic management evolved in 2012 compared with the same period in the previous year, the table below lists the major aggregates of B&C Speakers s.p.a.:

Reclassified Income Statement of B&C Speakers S.p.A.

(€ thousands)	**2012**	*Incidence*	**2011**	*Incidence*
Revenues	29.611	*100,0%*	26.915	*100,0%*
Other revenues	300	*1,0%*	266	*1,0%*
Total revenues	**29.911**	***101,0%***	**27.181**	***101,0%***
Change in inventory	1.103	*3,7%*	522	*1,9%*
Purchases of raw materials and other	(13.047)	*-44,1%*	(11.586)	*-43,0%*
Labor cost	(4.378)	*-14,8%*	(4.252)	*-15,8%*
Services costs	(6.451)	*-21,8%*	(5.554)	*-20,6%*
Other costs	(309)	*-1,0%*	(223)	*-0,8%*
Ebitda	**6.829**	***23,1%***	**6.088**	***22,6%***
Depreciations of tangible assets	(596)	*-2,0%*	(562)	*-2,1%*
Amortizations of intangible assets	(117)	*-0,4%*	(115)	*-0,4%*
Writedowns	(37)	*-0,1%*	(33)	*-0,1%*
Ebit	**6.079**	***20,5%***	**5.378**	***20,0%***
Interest income	265	*0,9%*	246	*0,9%*
Finance costs	(271)	*-0,9%*	(234)	*-0,9%*
Ebt	**6.073**	***20,5%***	**5.390**	***20,0%***
Income taxes	(1.830)	*-6,2%*	(1.771)	*-6,6%*
Net Result	**4.243**	***14,3%***	**3.619**	***13,4%***

Note:

EBITDA (*earnings before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as resulting from consolidated income before depreciation of the intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from the above consolidated profit and loss account. The EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure nor in the context of Italian GAAP nor in IAS/IFRS and therefore should not be considered as an alternative measure for assessing trends in the operating result of the Group. Since the structure of the EBITDA is not regulated by GAAP, the measuring criteria applied by the Group could not be homogeneous with that used by other operators and/or groups and therefore may not be comparable.

EBIT (*earnings before interest and taxes*) is representative of the consolidated result before taxes, of the cost expense and financial income as well as being listed in the income statement prepared by Directors to draft the financial statements in compliance with the IAS/IFRS.

EBT (*earnings before taxes*) is representative of the consolidated result before taxes as well as being listed in the income statements provided by Directors to draft the consolidated financial statements in compliance with the IAS/IFRS.

Revenues realized in 2012 amounted to 29.6 million euros, an increase of about 10% compared to 2011 when their value was EUR 26.9 million.

For the third consecutive year, the annual turnover is the highest ever reached by the Company.

Sales in 2012 have allowed us to improve on results achieved in 2011 by virtue of a growth in terms of quantity (sold volumes up by 4% over the previous year) and quality, as a result of the greater impact of top-range products and therefore a higher unit price on total sales.

In the course of 2012, exports continued to grow, reaching an impact of 88% on corporate turnover (85% in 2011).
The result achieved over 2012 is primarily due to growth of the Asian market (China in particular), whose sales were up by 73% compared to the previous year, securing a turnover of 6.1 million Euro, which now represents about 20% of the total.
Important are also the *performance* achieved in the North American market, up by 14% and worth about 17% of total sales, for a value of approximately 5 million Euro. Sales in Europe (excluding Italy) displayed a significantly lower growth rate (4%) but are the most important to the Group (in the course of 2012, these accounted for 42% of the total with a turnover of 12.4 million euros, while in 2011 they accounted for 44% of the total turnover, worth 11.9 million euros).

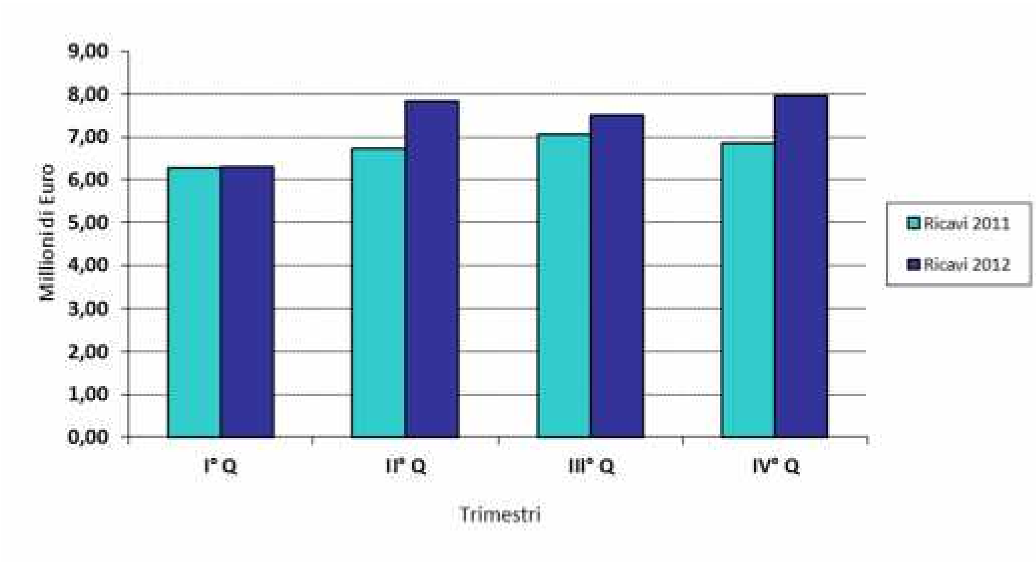
The very positive trend in orders from customers continued also in 2012, totaling 31.57 million Euros in the calendar year (12% compared to the flow of orders received in 2011).
The value of the order backlog at the end of 2012 amounted to Euro 8.04 million, an increase of 14% compared to the previous year, when they amounted to Euro 7.04 million.

Revenues in the four quarters (2011 and 2012) are summarized in the table below:

Trend of consolidated revenues

(€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Totale**
Net sales revenues 2012	6,29	7,84	7,52	7,96	**29,61**
Net sales revenues 2011	6,28	6,73	7,06	6,85	**26,92**
Change 2012 - 2011	0,2%	16,6%	6,5%	16,2%	10,0%

As the graph below shows, the trend of revenues throughout the quarters steadily increased above values reported in 2011, confirming the positive trend that began in the last financial year.



The costs for *raw materials, consumables and other products* along with the *Change in inventory* have proportionately increased at a slower rate than revenues during the same period, with their impact on the same dropping to 40.3 % compared to 41.1 % in 2011. This trend is the combined result of a product mix that has veered to products with higher added value and the drop in the cost of some strategic raw materials such as neodymium.

Labour cost compared to year 2011 displayed a substantial reduction in terms of impact on revenues, 14.8 % ath the end of 2012 (15.8 % in 2011) due to an effective management of industrial relations that has allowed an appreciable increase in productivity.

Costs for services, leases and rental have registered a growth of Euro 897 thousand compared to 2011 (16.2 %), increasing their impact on revenues of about 1.2 percentage points.

Other costs did not change significantly when compared to 2011.

With regard to *Amortization of tangible and intangible assets*, their value in 2012 was substantially in line with figures in 2011.

Below is the summarized table of the EBITDA trend for the commented year terms.

(€ thousands)	**2012**	*Incidence*	**2011**	*Incidence*
Ebitda	**6.829**	*23,1%*	**6.088**	*22,6%*

EBITDA (*earnings before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as resulting from consolidated income before depreciation of the intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from the above consolidated profit and loss account. The EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure nor in the context of Italian GAAP nor in IAS/IFRS and therefore should not be considered as an alternative measure for assessing trends in the operating result of the Group. Since the structure of the EBITDA is not regulated by GAAP, the measuring criteria applied by the Group could not be homogeneous with that used by other operators and/or groups and therefore may not be comparable.

Owing to above-described trends, the *EBITDA* for 2012 amounted to 6.83 million, resulting in a growth (12.2 %) compared to that of 2011 (6.08 million Euro); consequently, the *EBITDA margin* increased to 23.1% of total revenues for the period, against 22.6 % in 2011.
The marginal recovery compared to the same period in 2011 proves to be a direct consequence of the considerable increase in turnover and lower impact of fixed operating costs.

EBIT as of 31 December 2012 amounted to 6.07 million Euro, it too increasing (13.0 %) compared to 5.37 million in 2011.

The net profit at the end of 2012 amounted to 4.24 million euros, 14.3% of consolidated revenues, a better result than the 17.2 % compared with that achieved in the course of 2011 (3.6 million).

Asset performance

Below is the reclassified balance sheet according to principle of source and use allocation:

Reclassified Balance sheet *(€ thousands)*	**31 December 2012**	**31 December 2011**	**Change**
Fixed Assets	**3.636**	**3.632**	**4**
Inventories	6.006	5.303	703
Receivables	7.693	6.286	1.407
Other receivables	489	362	127
Trade payables	(3.165)	(2.376)	(789)
Other payables	(1.505)	(1.733)	228
Working Capital	**9.518**	**7.842**	1.676
Provisions	**(1.187)**	**(1.106)**	(81)
Invested net working capital	**11.967**	**10.368**	**1.599**
Cash and cash equvalents	2.025	1.896	129
Investments	1.696	1.696	0
Other financial receivables	967	765	202
Financial assets	**4.688**	**4.357**	331
Invested net non operating capital	**4.688**	**4.357**	331
NET INVESTED CAPITAL	**16.655**	**14.725**	**1.930**
Equity	15.245	12.194	3.051
Short-term financial borrowings	761	1.404	(643)
Long-term financial borrowing	649	1.127	(478)
RAISED CAPITAL	**16.655**	**14.725**	**1.930**

What follows are comments on the change in assets and liabilities classified according to their destination management.

The *Invested Net Working Capital* shows an increase of approximately 1,599 thousand compared to December 31, 2011. This increase is due to the combined effect of the following factors:

- an increase in the stock equal to 703 thousands of Euro concentrated in the category of semi-finished products is due to a policy of supply that "follows" the positive trend in demand;

- an increase in trade receivables equal to 1,407 thousands of Euros and of other receivables for 127 thousand Euro;
- an increase of trade payables for about 789 thousands of Euro and an increase of the payables for 228 thousand Euro

The other asset categories showed no significant changes on 31 December 2011.

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

With reference to *collected payments*, we emphasize that equity represents almost all of the categories in question. The decrease of financial borrowings in the short and medium to long-term is due essentially to the refund of funding for long-term obligations made in the course of 2011 and aimed at stabilizing the financial flows of the Group.

Key performance indicators

To provide a more comprehensive representation of the situation of the company, the performance and the result of the business as a whole are exposed using key performance indicators, financial and non-financial.

Key performance indicators (B&C Speakers S.p.A.)	2012	2011
R.O.E.	27,83%	29,68%
Return on Equity; Net result/Equity		
R.O.I.	27,00%	26,96%
Return on Investments; Ebit/Total assets		
R.O.S.	20,53%	19,98%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2,10	1,57
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	20,02	8,68
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	3	3
Current Assets/Current Liabilities		
Net working capital	9.518	7.840
Primary liquidity ratio	37%	34%
Cash and cash equivalents/Current Liabilities		

	2012	**2011**
Inventory Turnover	69,70	65,90
Receivables turnover	86,16	87,88
Payables turnover	77,52	95,70

An analysis of the performance indicators shows an increase in economic performance for the reasons also analyzed previously.

The indicators relating to the rotation of the items of the balance sheet show a generalized improvement of the terms of payment and collection compared to the previous year.

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

Alternative performance indicators

In accordance with the CESR/ 05-178b guidelines on alternative performance indicators, the Company has in the context of the Report of the Board of Directors, in addition to financial magnitudes of IFRSS, some quantities derived from the latter, although not required by IFRS (non-GAAP measures). These quantities are presented in order to allow a better evaluation of the performance of the company and should not be considered as alternatives to those of IFRSS.

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

Alternative key economic performance indicators

(Euro Thousands)

	2012	**2011**
Ebitda	6.829	6.088
Ebit	6.079	5.378
Net Result	4.243	3.618

EBITDA (*earning before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as well as resulting from economic account approved by the Board of Directors before depreciation of intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from that income. EBITDA is a measure used by the issuer to monitor and assess the performance of the operating company and is not defined as a measure accounting nor in the context of Italian GAAP nor in IAS/IFRS and therefore should not be considered as an alternative measure for the assessment of trends in operating result of the Company. Since the composition of the EBITDA is not regulated by GAAP, the criterion for determining applied from the Group could not be homogeneous with that used by other operators and/or groups and therefore may not be comparable.

EBIT (*earning before interest and taxes*) is representative of the result before taxes, expenses and financial income as well as exposed in the financial statements of income provided by Directors for preparation of financial statements in compliance with IAS/IFRS.

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

Alternative key financial performance indicators

(Euro Thousands)

	2012	**2011**
Invested net working capital	11.967	10.368
Net working capital	9.518	7.842

Invested Net Working Capital is defined by Directors of the issuer as the difference between the assets (current and non-current) and liabilities (current and non-current) to the exclusion of the assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Directors of the issuer as the difference between current assets and current liabilities to the exclusion of the assets and liabilities relating to financial management and goodwill.

The alternative performance indicators are measures used by the issuer to monitor and assess the performance of the Group and are not defined as accounting measures, neither in the context of Italian GAAP nor in IAS/IFRS. Therefore, the criterion the measuring principle applied by the Group may not be consistent with that adopted by other operators and/or groups and therefore may not be comparable.

The *Net Financial Position* was positive at 0.6 million Euro (negative for 0.6 million euros on 31 December 2011). The financial stability of the company remains good, especially in view of the fact that in May of 2012 dividends were paid for a total EUR 2,677 thousand (equal to Euro 0.25 for each ordinary share in circulation physically issued to a holder) and that the company has supported important investments in order to maintain a constant flow of raw material supplies.

Corporate structure

On 31 December 2012 the Company staffed 92 human resources.

The following is the structure of the Company’s workforce in the past 3 years:

Personnel headcount	31-dic-12	31-dic-11	31-dic-10
Workers	72	68	77
Employees	15	17	17
Lower management	4	1	1
Upper management	1	1	1
Total	**92**	**87**	**96**

Investments

In the course of the year 2012 Company investments were worth 0.8 million euros, mainly focusing on plants and industrial equipment intended for production.

There are two lines for the production of loudspeakers operating in the plant, one highly automated and suitable for mass production and another, more flexible and adapted to low scae production and diversified. Both production lines meet the most modern criteria of efficiency and productivity.

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

All the investments related to the structures and fixed installations have been agreed with parent ***Research and Development International S.r.l.***, the goal being to achieve a significant improvement of the company’s manufacturing capacity.

Research & Development

The company continues to be commited to promoting a technology culture and boardization, which allow it to maintain the level of excellence achieved thus far and at a time when international competition becomes every day more aggressive.

Investment linked to Research and Development activities remained high and projects were completed (see the Report of the Board of Directors on 31 December 2011 for details), in addition to the launch of new ones.

More specifically, the following projects were completed/are in progress:

- 3 projects completed for new high-end drivers, to improve the existing DE800, DE900 and DE1000; these parts went into production.

- Research commenced on drivers of intermediate band to improve performance, in consideration of what accomplished for high-end components.

Transactions with related parties and with subsidiaries under their management

The following table summarizes the transactions which took place during 2012 with all the related parts and information on relations with related parties, including those required by Consob Bulletin of 28 July 2006.

In particular, we point out transactions with ***Research and Development International S.r.l.***, a company with headquarters in Florence, Viale dei Mille no. 60, Tax Code 02342270481, Share Capital: € 90,000 (the parent company of B&C Speakers s.p.a.

Parent ***Research and Development International S.r.l.*** owns 66.34 % of the shares of B&C Speakers s.p.a. equal to 7,062,262 shares).

This is to certify, pursuant to art. 2.6.2 Paragraph 13 of the Market Regulations boardized and managed by Borsa Italiana s.p.a., the existence of the conditions set forth in art. 37 of the Consob regulation no. 16191/2007.

The financial statements below also take account of relations with the two companies controlled by B&C Speakers s.p.a. (B&C Speakers NA LLC and B&C Speakers Brasil LTDA).

Economic relations

Revenues and other revenues	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2012	29.911.478	-	1.924.185	268.369	2.192.554	7%
2011	27.180.832	-	1.812.632	342.752	2.155.384	8%

Service costs	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2012	(6.451.003)	(827.051)	(63.817)	-	(890.868)	14%
2011	(5.554.198)	(800.700)	(52.420)	-	(853.120)	15%

The costs incurred with reference to Research and Development International S. r.l., refer to the lease of 3 business branches and the lease of the facilities where the Parent Company conducts business, as a result of the transfer of production to the new plant, used as administrative offices for the new division AS.

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

Trading relations

Trade receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2012	7.693.336	-	895.134	621.333	1.516.467	20%
31 December 2011	6.285.631	-	571.759	430.326	1.002.085	16%

Other non current receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2012	213.058	88.950	-	-	88.950	42%
31 December 2011	56.846	-	-	-	-	0%

Trade payables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2012	3.165.480	(2.114)	-	-	(2.114)	0%
31 December 2011	(2.376.440)	(88.257)	(14.550)	-	(102.807)	4%

Payables to Research and Development International S. r.l. as of 31 December 2012, refer to the debt originated as a result of the leased property that hosts the manufacturing plant of the Parent and where all production was transferred.

Receivables from Research and Development International S. r.l. as of 31 December 2012, refer to credits for IRAP refund that originated in 2012, following request for its refund filed by the Parent Company for years in which it was subject to consolidated taxation.

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

Significant facts in year 2012

The following events significant to corporate performance occurred in 2012:

- Start-up of the marketing business of division Sound Architecture, which in the year completed some important installations and has received orders from the Middle Eastern market;
- the Brazilian subsidiary has seen a significant development in its turnover, achieving significant growth in sales (54% compared to 2011)
- 2012 was a year that saw considerable efforts to achieve the best productive efficiency, whose effect was a consistent increase in turnover. The production plant, within which will be brought forward by investment projects, is today highly efficient and productive.

Significant facts after end of 2012

Since the closing of 2012, significant events for the performance of the company have occurred, namely:

- the order backlog maintained steady values even in the early months of 2013; on the date of this report, orders amount to Euro 10.51 million (on the same date last year they amounted to Euro 7.78 million). This growth in the order portfolio, equal to about 35%, was realized despite the reduction in the price list of about 5% from January 2013.

The Company's management expects that the reduction will be offset by the simultaneous downward trend in the cost of raw materials and especially neodymium.

Forecast business trend

The year 2013 will continue to face economic uncertainty that permeates the global situation, but Management is still confident that the company can continue to consolidate its presence on the market of professional loudspeakers.

The uncertainty also reflects on the evolution of the cost of certain important raw materials and persists despite the precautionary measures taken.

Essential elements of adjustment plan ex artt. 36 and 39 Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies companies incorporated and governed by the law of States not belonging to the European Union" referred to in Art. 36 of Regulation (implemented by art. 62 paragraph 3 bis of Leg. Decree no. 58/98, as amended on June 18, 2008 with resolution no. 16515), the Group B&C Speakers has prepared its adjustment plan.

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

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

- the legislative framework concerns 2 Subsidiaries, located in two countries not belonging to the European Union, which are of significant importance pursuant to paragraph 2 of art. 36;
- accounting and administrative systems and reporting currently in use by the B&C Speakers Group are already in line with legal requirements, both in terms of making available to the public the accounting books kept to prepare consolidated financial statements and of the suitability of the data to be audited by the Parent Company;
- with regard to the request to receive from the same companies the statute and organization chart and the powers of the corporate Boards, the Parent has continued access to the member listing of the corporate board of all its subsidiaries, with a description of their offices;
- with regard to a monitoring by the Parent of the flow of information to the central Auditor, which is useful to an efficient annual and interim auditing of corporate accounts, it is believed that the current communication process with the auditing company, which unfolds on several levels of the corporate control system over the year, is efficiently geared in this direction. The Company is nonetheless reviewing methods to centrally dispose of formal evidence of the communication flows from its subsidiaries to the external auditor.

Major shareholders and main data concerning Issuer's shares

On the date of this financial statement (March 2013) official data points to the following major shareholders:

- ***Research & Develepment International*** **S.r.l**. which owns 66.34% *(parent company)*;
- B&C Speakers s.p.a., which owns 0.19 % of its own shares; the amount of own shares was regained in the stock market as a result of the continuation of the Plan of I Buy-Back I acted by the shareholders of the parent. The accounting treatment of treasury shares held and in agreement with what is required by the IFRS rules;
- *Allianz Global Investors Italia SGR* S.p.A. which owns 2.4%;
- First Capital S.p.A. whch owns 2.017%.

Report pursuant to art. 79 of the Issuers' Regulation no. 11971/99

With reference to the reporting required by art. 79 of the Issuers' Regulations no. 11971/99 concerning stakes held in other companies, in the issuer's organization itself and in its subsidiaries, by members of corporate boards, by general managers and by executives with strategic responsibilities, as well as by spouses not legally separated and by minors, directly or through subsidiaries of trustee companies or through intermediaries, as resulting from the shareholders' register, from received correspodence and from other information acquired by the same corporate board members, by general managers and executives with strategic responsibilites, we provide the following information:

- Director Lorenzo Coppini on 31 December 2012 owns 54,700 Shares of B&C Speakers s.p.a.
- Director Simon Pratesi on 31 December 2012 owns 2,570 shares of B&C Speakers s.p.a.
- Director Alessandro Pancani on 31 December 2012 owns 7,000 Shares of B&C Speakers S. p. a
- the Chairman of the Board of Auditors, Manfredi Bufalini, on 31 December 2012, owns 5,166 Shares of B&C Speakers s.p.a.

Board of Directors

The Board of the issuer in office on the date of approval of this financial statement consist of 6 members and has been appointed by the ordinary Shareholders Meeting held on April 27, 2012 by majority vote (according to statutory voting protocol), in accordance with the Bylaws, and shall remain in office until the Meeting convened to approve the financial statement for the year closing on 31 December 2014.

Board of Auditors

Pursuant to art. 24 Of the Statute of the issuer, the Board of Auditors, in office since April 27, 2012, consists of three statutory and two substitute auditors, which shall remain in office until the Meeting convened to approve the financial statement for the year closing on 31 December 2014.

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For information on ***Corporate Governance*** and the **Risks and main uncertainties** to which the Company is exposed, please refer to the Report of the Board.

6 Explanatory Notes to Financial Statement on 31 December 2012

6.1 Drafting principles

The financial statements for the year ending on 31 December 2012 the B&C Speakers s.p.a. represents the separate financial statements of the Parent Company and have been prepared in accordance with International Accounting Standards (IAS/IFRS") in force on the date issued by the International Accounting Standards Board ("IASB") and approved by the European Union. IFRS also include the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named Standing Interpretations Committee ("SIC"). In addition, the Company followed the guidelines implemented by art. 9 of Leg. Decree no. 38/2005; more specifically: Consob. 15519 of July 27, 2006 establishing "Provisions on financial statements", Consob. 15520 of July 27, 2006 establishing the "Modifications and integration to the Issuers Regulation adopted under resolution no. 11971/99 MAY BE INCLUDED", Consob Bulletin no. 6064293, 28 July 2006 "corporate information request pursuant to Art. 114, Paragraph 5, Leg. Decree 58/98" and Bulletin DEM/7042270 of May 10, 2007.

The financial statement is drawn up based on the historical cost principle and on the assumption of that corporate business will continue. The Company has in fact estimated that, in spite of the presence of a difficult economic and financial environment, there are no significant uncertainties (as defined in par. 25 of IAS 1) as to continuation of business, because the volume of sales, in addition to the portfolio of orders, of the Company and Group did not show any signs that lead to assume the existence of potential risks.

This financial statement is audited by Deloitte and Touche s.p.a.

Content and form of the financial statements

The financial statement comprises the Balance sheet, the Income Statement, the Statement of Changes in Net Equity, the Cash Flow and these Explanatory Notes.
With the reference to the form of the consolidated financial statements, the Company has chosen to submit the following statements:

Balance sheet

The Assets and Liabilities is divided into categories with separate indication of Assets, Liabilities and Equity.
In turn, the assets and liabilities are exposed in the financial statement for financial year on the basis of their classifications, as current and non-current.

Income statement

The Income statement is classified and highlights the aggregate result before taxes and financial income and expenses, which include all elements of income and cost, regardless of their repetitiveness or extraneousness to management, with the exception of the elements of the financial management entered between the result before taxes and financial income and expenses and the result before taxes.

Cash flow

The statement of cash flows is broken down into sections. The statement of cash flows adopted by the Company was drawn up using the indirect method. Cash and cash equivalents included in the prospectus of the cash flows include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. Income and expenses relating to interest rates, dividends received and tax on income are included in the cash flows generated by operational management.

Statement of changes in Net Equity

The statement of changes in net equity is included, as required by the international accounting principles, with the separate highlighting of the result for the year and of every income, revenues, expenses and expenditure that is not passed to the income statement, but directly charged to equity based on specific IAS/IFRS.

Auditing principles

The most significant accounting policies adopted for the preparation of financial statements at 31 December 2012 are set out below.

Loss in value (“Impairment”)

On the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these activities have undergone value reductions (impairment test). If there are indications thereof, an estimate is drawn of the total amount recoverable amount for these assets, to determine the possible amount of devaluation. When the recoverable amount of an asset cannot be individually estimated, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
The intangible assets with indefinite useful life (new) are taxed annually based on a test to determine if there are losses of value regardless of the existence, or otherwise of indicators for the reduction of their value.
The recoverable amount is the greater of the *"fair value"* net of cost of sale and the value in use. In calculating the value in use, the future estimated cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the minor recoverable value. A loss is recognized immediately in the Income statement.
When impairment has no longer reason to be maintained, the book value of the asset or cash-generating unit, with the exception of goodwill, is incremented to the new value deriving from the estimate of its recoverable amount, but not more than the net book value of that asset if it had not been written down as impairment loss. Recovery of value is attributed to the Income statement.

Intangible assets

An intangible asset purchased or produced internally is entered among assets as per IAS 38, only if it is identifiable, controllable and predictable that future economic benefits and its cost can be determined reliably.
These assets are valued at cost of acquisition or production and amortized on a linear basis over the estimated useful life, if they have a finite useful life.
Intangible assets for life defined are valued at cost of acquisition or production net of depreciation, amortization and impairment losses accumulated. Amortisation is entered for the period of their expected useful life and begins when the asset is available for use.

Below is a summary of the depreciation periods of the various items of the intangible assets:

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

Tangible assets

These assets are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.
The amortization rates applied for each category of assets are:

Category	% depreciation
Buildings	2,60%
Leasehold improvements	12,50%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the predicted rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to income.

Leased assets

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

The costs of operating lease installments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Investments

Investments in subsidiaries are recorded at cost adjusted in the presence of losses in value.
The positive difference emerging at the time of purchase between the acquisition cost and the share of equity to current values of the investee of competence of the company are therefore, included in the book value of the investment.
Investments in subsidiaries are audited each year, or if necessary more frequently, to evaluate their loss in value. If there is evidence that such investments have suffered a loss of value, the same is recognized in the income statement as devaluation. In the case that any minority interest of the losses of the investee exceed the carrying value of the investment and the company has an obligation or the intention of holding accountable, it proceeds to zero the value of participation and the share of further losses is entered as a fund under liabilities. If subsequently, the loss of value is less or reduces, it is recognized in the Income statement as recovery of value within the limits of the cost.

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.
Non-current assets (and available asset groups) are classified as held for sale when their book value is expected to be recovered through a disposal, instead of using them in the operational activities of the company. This condition is fulfilled only when the sale is considered to be highly probable and the asset (or group of assets) is available for immediate sale in its current conditions. To this end, management must be committed to the sale, which should be completed within twelve months from the date of classification in this entry.

Inventory

Inventory is entered at the lower of the purchase cost of manufacturing and the realisable value, as deductible from market trends on the balance sheet date. The cost includes all ancillary expenses, net of trade discounts and for the finished products or work-in-progress the manufacturing cost includes the raw materials, the direct labour, depreciation and other costs directly attributable to the production in addition to converging the indirect costs of production reasonably attributable to productive work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The obsolete stocks and the slow reversal are devalued in relation to their expandability or realizable future value by means of an inventory depreciation fund.

Receivables

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

Financial assets

Financial assets are entered and written off from the financial statements based on their trading date and are initially valued at their cost, inclusive of expenses directly tied with their acquisition.
In future financial statements, these assets that the Company intends to and can hold until accrual are entered at their amortized cost, according to actual interest rate, net of depreciation made to reflect the loss in value.
Financial assets different other than those held until accrual are classified as held for trading or available for sale, and are evaluated at the end of each period at their "fair value". When the financial assets are held for trading profits (or losses) arising from changes in the "fair value", they are entered in the income statement. Profits (losses) arising from changes in the "fair value" for financial assets available for sale are entered in equity until the assets are transferred or have suffered a loss of value. On that date, the cumulative gain or loss entered under equity is also listed in the income statement of the term.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments with high liquidity that are readily convertible to cash and whose value may change significantly.

Financial liabilities and instruments representative of Net Equity

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

Bank loans

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

Long-term reserves

The Company enters risks and expenses when it has an obligation, legal or implied, toward third parties and it is likely it will have to use resources to fulfill the obligation, when a reliable estimate can be made of the amount of the obligation itself.
Changes in estimation are accounted for in the income statement in the year of their competence.
When their impact is significant, the reserves are calculated discounted of any estimate future cash flows at a discount rate gross of taxes, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Severance Indemnity (TFR) and similar funds

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statement. Consequently, T. F. R. is recalculated by applying the "projected unit credit method" (*Projected Unit Credit Method*).
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the balance sheet represents the present value of the liabilities for defined benefit plans adjusted to take into account the actuarial gains and losses and costs relating to the performance of past labor services and reduced to the fair value of the plan assets. Any net

assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid labor services, including the current value of any refunds and reductions in future contributions to the plan.
Retirement provision to Directors have been calculated with Unicredit Factoring method that provides for the annual provision of accrued retirement, simultaneously paid in the corresponding insurance policy.

Payables

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

Tax receivables and deferred tax payables

Deferred taxes are determined based on the temporary taxable differences existing between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is annually revised and reduced to the extent that it is no longer probable that the company will generate taxable income to allow all or part of the recovery of the assets.
Deferred taxes are determined base on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to currently applicable rates and pending approval. Deferred taxes are directly attributed to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same Agency and the Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency items - exchange rate

Receivables and payables originally entered in foreign currencies are converted into Euro at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the Income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realization.

Entry of revenues

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

Dividends

Dividends entered in the income statement are recorded on an accrual basis, i.e. when due to distribution of the investee, the shareholder's right to receive the payment accrues.

Contributions

“Contributions for operating expenses” are included in the financial statement when entitlement to their collection is certain and are expensed as a function of the useful life of the asset against which they are contributed.
These contributions are included in the financial statement when entitlement to their collection accrues and are credited to the income statement in relation to costs against which they are paid.

Operating segments

IFRS 8 requires precise identification of the areas of business in the internal reports used by the management in order to allocate resources to the various segments and monitor their performance. Based on the definition of the operating expenses given by IFRS 8, the Company pursues business in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

Tax on income

Taxes for the year represent the sum of current and deferred taxes.
They are included in the consolidated financial statement as separate taxes allocated in the financial statements of individual consolidated companies, based on the estimate taxable income determined in accordance with the national laws applicable on the closing date of the statement, accounting for the applicable exemptions and tax credits. Tax on income is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.
The same are entered under "tax payables" net of of any advance and deductions. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Estimates

The preparation of financial statements and related Notes in application of the IFRS requires that the Board of Directors make estimates and assumptions that have effect on the values of assets and liabilities, as well as providing information relating to potential assets and liabilities on the date of the balance sheet.
Budgeted results may differ from these estimates. The estimates are used to evaluate the tangible and intangible assets subject to impairment test as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortization, employee benefits, taxes, fund restructuring, other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are eflected immediately in the income statement.
It should be noted that in light of the perduring global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, it is not excludable that actual results will differ substantially from the estimates which may therefore, call for revisions, even significant, that are presently not foreseeable.
An evaluation of investments in subsidiaries is the item most affected by this uncertainty, since the estimates and assumptions made by the Directors involve predictions of the Euro/Dollar exchange rate in following years.

Relations with joint ventures and related parties

Relations with joint venutres and related parties are described in the relevant paragraph of these Explanatory Notes and were finalized at standard market conditions.

New accounting principles, amendments and interpretations applied since 1 January 2012

On October 7, 2010, IASB published some of the amendments to IFRS 7 Financial Instruments: Additional Information applicable to corporate business starting with 1 January 2012. The amendments are issued with the intention of improving the understanding of transfers (derecognition) of financial assets, including an understanding of the possible effects of any risk for the transferring Company. The amendments also require more information when transfers are for the most part concluded toward the end of an accounting period.
The adoption of this amendment has not produced significant effects on the information given in these annual consolidated financial statements and in quantifying their related items.

Accounting principles, amendments and interpretations valid as of 1 January 2012 that are not significant for the Company

The following amendment effective from 1 January 2012, regulates the case in question and others that do not fall under the scope of the Group on the date of this consolidated financial statement, but that may affect the accounting of future transactions or agreements:
_ on December 20, 2010, IASB issued an amendment to IAS 12 - Tax on income that requires deferred taxes on real estate investments to be entered at their fair value. The change introduces the assumption that deferred taxes relating to real estate investments entered at fair value under IAS 40 should be determined taking into account that the amount carried forward will be recovered through sales. As a result of this amendment, SIC-21 – Tax on income: recoverability of a non-depreciable revalued asset will no longer apply. The amendment is applied retrospectively from 1 January 2012.

Accounting principles, amendments and interpretations presently inapplicable and and not introduced by the Company in advance

On May 12, 2011, IASB issued IFRS 10 - Consolidated Financial Statements, which replaces SIC-12 – Consolidation: special purpose entity (corporate vehicle) and parts of IAS 27, consolidated and separate financial statements, which will be renamed separate financial statements and govern the accounting treatment for investments in separate financial statements. The new standard differs from existing ones, identifying in the concept of administrative control the determining factor in consolidating the Parent's business in the financial statement. It also provides guidelines for determining administrative control when it is difficult to ascertain. The principle is applied retrospectively, at the latest for years starting from 1 January 2014. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.

On May 12, 2011, IASB issued IFRS 11 – Joint ventures, which is to replace IAS 31 - Investments in Joint Ventures and SIC-13 - joint ventures: contributions by partners. The new principle provides the criteria for identifying partnership agreements based on the rights and obligations resulting from the agreements rather than on their legal form and establishes the equity method as the only one applicable to the accounting of investments in joint ventures in consolidated financial statements. The principle must be applied retrospectively, at the latest for years starting on 1 January 2014. As a result of the enactment of this principle, IAS 28 - Investments in related parties has been amended to include within its scope of application, from the date the principle becomes appicable, even shareholdings in joint ventures. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.

On May 12, 2011, IASB issued IFRS 12 - Information on investments in other entities, a new and comprehensive principle on additional information required for every type of investment, including those in s1ubsidiaries, joint ventures, related parties, special purpose companies and other vehicle companies not consolidated. The principle must be applied retrospectively, at the latest for years starting on 1 January 2014.
On May 12, 2011, IASB issued IFRS 13 - Measuring fair value, which specifies that the fair value must be determined for financial reporting purposes and applies to all IFRS principles that require or permit the measurement of fair value or the presentation of information based on fair value. The principle must be applied prospectively from 1° January 2013. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.
On June 16, 2011, IASB issued an amendment to IAS 1 - Presentation of the financial statement, which requires companies to group all items listed among other profits/ (losses) with their total value, depending on which they may or may not be reclassified subsequently in the income statement. The amendment must be applied to years starting after or by 1 July 2012. Introduction of this amendment will have no effect on values entered in the balance sheet.

On June 16, 2011, IASB issued an amendment to IAS 19 Employee Benefits applicable retrospectively from years starting on 1 January 2013. The amendment changes the rules for the recognition of defined benefit plans and end of employment benefits. The principal changes with regard to defined benefit plans cover the full recognition, in the balance sheet and financial statements, of the deficit or surplus of the plan, the introduction of the net financial expense and classification of the net financial expense on defined benefit plans. More specifically:

- recognition of the deficit or surplus of plan: the amendment removes the option to defer entry in the financial statement of actuarial gains and losses with the "corridor method" requires their direct attribution among the total Other Profits (losses). recognition directly between the other Gains (losses) in total. Furthermore, the amendment requires the immediate recognition in the income statement of the costs relating to the performance of past labor services.
- net financial expense: the separate determination of the financial expense on gross liabilities and the expected performance on the assets in service of the plans is replaced by the concept of the financial expense weighing on net defined benefit plans, or the financial expenses calculated on the current value of the liabilities for defined benefit plans or financial gains from the assessment of the assets in service of the plans, and or expenses or financial gains from any limits to the recognition of the surplus of the plans. The net financial expense is determined by applying the discount rate adopted at the beginning of the period in quantifying the obligation for defined benefit plans to all the above-mentioned cost elements.
- classification of net financial costs: in accordance with the definition of the net financial expense given by the accounting standard, all of the net financial expenses on defined benefit plans are entered among financial profit/ (loss). Under the current version of IAS 19, the Group acknowledges all of the costs and income from the evaluation of liabilities and assets of the pension plans financed in operating costs according to their allocation, while the financial expenses related to defined benefit plans (other post-employment benefits) not funded are included as financial profit/(loss).

In accordance with the rules of transition set out in IAS 19 paragraph 173, the Group will apply this principle retrospectively from 1 January 2013, by adjusting the starting values in the balance sheet and financial position on 1 January 2012 and the economic data for 2012, as if the amendments to IAS 19 had always been applied.

6.2 Structural analysis of main items in the Balance Sheet of the Parent on 31 December 2012

1. Tangible assets

The structure of tangible assets on 31 December 2012 and their fluctuatiion in the year are highlighted in the following tables:

Historic cost	31-dic-11	Increases	Reclassification	(Decreases)	31-dic-12
Land and buildings	-	-	-	-	-
Leasehold improvements	231.994	400.250	3.000		635.244
Lightweight construction	6.371	6.407			12.778
Plants and machinery	3.444.298	148.269			3.592.567
Industrial equipment	3.587.960	144.765			3.732.725
Various equipment	680.428	61.379		(1.000)	740.807
Fixed assets in progress	3.000	0	(3.000)		0
total historic cost	**7.954.051**	**761.070**	**-**	**(1.000)**	**8.714.121**

Accumulated depreciation	31-dic-11	Depreciation	Reclassification	(Decreases)	31-dic-12
Land and buildings	-	-	-	-	-
Leasehold improvements	31.459	38.863			70.322
Lightweight construction	1.857	909			2.766
Plants and machinery	1.053.216	316.850			1.370.066
Industrial equipment	3.191.990	187.057			3.379.047
Various equipment	486.640	51.948		(1.000)	537.588
Fixed assets in progress	-				-
Total accumulated depreciation	**4.765.162**	**595.628**	**-**	**(1.000)**	**5.359.790**

Net value	31-dic-11	Net increases	Reclassification	(depreciacion)	Accumulated depreciation decrease	31-dic-12
Land and buildings	-	-	-	-	-	-
Leasehold improvements	200.535	400.250	3.000	(38.863)	-	564.922
Lightweight construction	4.514	6.407	-	(909)	-	10.012
Plants and machinery	2.391.082	148.269	-	(316.850)	-	2.222.502
Industrial equipment	395.970	144.765	-	(187.057)	-	353.678
Various equipment	193.788	60.379	-	(51.948)	1.000	203.219
Fixed assets in progress	3.000	0	(3.000)	-	-	0
Total net value	**3.188.889**	**760.070**	**-**	**(595.628)**	**1.000**	**3.354.331**

The Item "Other assets" includes furniture and office machines, car fleets, equipment and transportation vehicles.

The most significant changes that occurred in the course of 2012 chiefly refer to the installation of the photovoltaic system on the roof of the administrative office building of the Company, as well as the integration of production machinery and equipment of the new manufacturing plant.
Plants and machinery include (Euro 195 thousand) the new palletizing machines and "other assets" refer to (Euro 34 thousands) two forklifts. This machinery is part of two leasing contracts entered with Credem Leasing s.p.a.

2. Intangible assets

The structure of intangible assets on 31 December 2012 and their fluctuatiion in the year are highlighted in the following table:

Intangible assets	31-dic-11	Reclassification	Increases	Other	Amortization	31-dic-12
Research & Development	109.157	-	-	-	36.386	72.772
Patent rights	334.209	-	-	(44.773)	80.939	208.497
Intangible assets in progress	-	-	-	-	-	-
Total	**443.366**	**-**	**-**	**(44.773)**	**117.325**	**281.268**

The item "Research and Development" refers to costs incurred for the project to develop a new product called Sound Architecture. This project entailed the incurrence of costs for staff dedicated to its execution and costs for materials and services (mainly consisting of technical expertise) required to develop the product.
In accordance with the applicable legislation and based on forecast revenues and cash flows that the division is expected to generate, we have entered costs for this division only for pre-industrial development completed in December of 2009 with the definition of all the prototypes required to commence production. Their amortization has been spread in five years starting with 1 January 2010. In 2012, marketing of the "Sound Architecture" division finally began and on the date of these Notes, orders are incoming for considerable amounts.
Pursuant to art. 2426 DC, point no. 5, we here specify that equity is unavailable for R&D in amortization, for an amount of Euro 72,772.

The item "industrial and intellectual property rights" comprises software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.
Flucations in the accounted period refer to the funding contribution finally received in 2012 for the construction of the new IT system.

3. Investments in subsidiaries at their historic cost

The value of the item investments in subsidiaries on 31 December 2012 amounts to Euro 1,695 thousand (the same as on 31 December 2011) and is structured as follows:

Investment in subsidiaries	% holding 31-dic-12	Balance 31-dic-12	% holding 31-dic-11	Balance 31-dic-11	Change	% Change
Investment in B&C Speakers Usa NA LLC	100%	1.449.786	100%	1.449.786	-	0%
Investment in B&C Brasil	100%	246.108	100%	246.108	-	0%
Total investment in subsidiaries		**1.695.894**		**1.695.894**	**-**	**0%**

U.S. subsidiary B&C USA NA LLC, whose value on 31 December 2012 amounts to Euro 1,450 thousand, was identified as the only cash-generating unit (CGU) by Directors because the assets of the subsidiary are fully dedicated to a single market segment, identified as the sale of "top quality professional loudspeakers".

On the date these Explanatory Notes are drafted, there are no indicators of impairment pointing to a loss in the value of investments. More specifically, the value of the investment in the U.S. subsidiary was subjected to an impairment test by calculating the present value of the cash flows that may originate from the Industrial Plan for a period of five years, plan approved by the "Board of Directors" of subsidiary and by the Board of parent B&C Speakers s.p.a. as a result of its meeting on March 20, 2013.

In application of the accounting method provided by IAS 36, the Company has verified the recoverability of the values entered by comparing the book value with the recoverable value (value in use). This recoverable amount is the present value of future cash flows that are expected to be generated from the continuous use of the goods and the terminal value attributable to the Company.

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

The main underlying assumptions made when drafting the four-year business plan of the U.S. subsidiary (plan approbed by Corporate Management) take into account past experience and the trend of variables significant to the plan , coherently with the external source of information they reflect. These assumptions are:

- selling prices and product mix in line with the consolidated business in 2012;

- increase in revenues in line with the forecasts made by the Company's management for 2013 (substantiated by the results, in terms of turnover, in the first two months of the current financial year). The forecast is an increase of 3% per year for 2014-2015-2016.

- cost of sold products, calculated in proportion to the cost of purchase and adjusted according to the most recent Euro/Dollar exchange rate (reference to exchange rates applied to contracts obtained from external sources).

- Discount Rate applied:

Main financial parameters on impairment tests	**31-dic-12**	**31-dic-11**
Actuarial rate (WACC)	10,45%	11,43%
Perpetual growht rate	0,50%	0,50%

The Company has adopted a discount rate (WACC- Weighted Average Capital Cost) net of tax that reflects the current market valuations of the cost of money and the specific risk associated to CGU.

Based on a principle of discounting future cash flow, at the end of the projected cash flow for the years in the plan, the terminal value is entered to reflect the residual value that the CGU is expected to generate. The terminal value represents the current value in the last year of the projection of all subsequently perpetuated cash flows. The perpetual growth rate adopted is based on the estimated growth in turnover of the US subsidiary in years after the Business Plan term. Considering the uncertainty typically involved in such estimates, the Group's management has decided to apply a cautious perpetual growth rate very near to zero (a growth rate of 0.5 %), though it expects this rate to be reasonably lower than the rate it will in fact achieve. Changes in revenues, in the amount of expected sales and direct costs are determined based on past experience and accurate budgets for the future market.

Despite the fact that, as mentioned previously, on the date these Explanatory Notes are drafted, there are no impairment indicators pointing to a loss in the value of the investment, the Board nonetheless decided, given the uncertain current economic conditions of the market, to complete a sensitivity analysis of the recoverable amount of the investment in the U.S. subsidary. This analysis highlighted as decisive factor in determing the fair value of the investment, the Euro/Dollar exchange rate used. More specifically, the Company's management believes that the reasonably predicable fluctuation in the exchange rate (Euro/Dollar) cannot exceed 10% (in absolute value) compared to the rates applied in the four years of the industrial plan. Considering this maximum fluctuation range and other assumptions of the plan, the sensitivity analysis seems to indicate that the investment will not suffer impairment of sorts.

4. Deferred tax receivables

This item on 31 December 2012 includes receivables on prepaid taxes for Euro 48 thousand (no variation compared to 31 December 2011), relating to temporary deductible differences that pertain to the Company and that were generated following entry of costs not entirely deductible in the year.

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

Receivables for prepaid taxes have been included in the Balance sheet, because the management expects the Company to generate future taxable income against which it can use this positive balance.

5. Other non-current assets- Other itemized receivables

The entry on 31 December 2012 appears as follows:

Other non current assets	**31-dic-12**	**31-dic-11**	**Change**	**% Change**
Insurance poilcies	754.924	710.524	44.400	6%
Guarantee deposits	56.846	56.846	-	0%
Ires refund receivables	156.212	-	156.212	n/a
Total non current assets	**967.982**	**767.370**	**44.400**	**6%**

The item insurance on 31 December 2012 refers to the credit with insurance companies "Milano Assicurazioni" and "La Fondiaria Assicurazioni" with regard to insurance policies with guaranteed capital, subscribed in order to ensure adequate coverage of retirement provision to Directors.
The value of the assets relating to insurance policies entered in the financial statement has been evaluated according to the value of the premiums paid to the equivalent provisions made.

The table below summarizes credits for insurance policies generated in 2012:

Changes in insurance policies	**31-dic-11**	Increases	(Decreases)	**31-dic-12**
Insurance policies	710.524	44.400	-	754.924
Total	**710.524**	**44.400**	**-**	**754.924**

The increase in 2012 is due to the new payments made by the company during the financial year and that amounted to Euro 44 thousand; payments made in the course of the year represent the value of the provision made to Severance Indemnity, as expounded in note 13.

The item deposits reflects the credit for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli loc. Vallina Via Poggio Del Moro no.1, for Euro 48 thousands and other minor deposits for Euro 8 thousands.

The Item "IRES refund" includes the credit generated in 2012 following the presentation of an application for IRES refund pursuant to Art. 4 of Leg. Decree of March 2, 2012, no. 16, converted with changes into Law of April 26, 2012, no. 44. In particular, art. 2 of the Law of December 6, 2011, no. 201, converted with changes into Law of December 22, 2011, no. 214, which establishes that effective from 2012, IRES taxable income will be fully deductible of IRAP relating to costs incurred for employees and outsourcers. In addition, Art. 4 of Law of March 2, 2012, no. 16, converted with changes into Law of April 26, 2012, no. 44, has extended this deductibility even to years prior to 2012, providing the possibility to apply for refund of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. The Company under this legislation has therefore applied for refund of the greater IRES paid during the period 2007-2011.

6. Inventory

Inventory in stock is calculated according to the FIFO method and is structured as follows on 31 December 2012:

Inventories	**31-dic-12**	**31-dic-11**	**Change**	**% Change**
Row materials and consumables	604.593	1.004.860	(400.267)	-40%
Work in progress and semi-finished	5.245.185	4.100.936	1.144.249	28%
Finished goods	349.692	390.943	(41.251)	-11%
Gross Total	**6.199.470**	**5.496.739**	**702.731**	**13%**
Provision for inventory writedowns	(193.317)	(193.317)	-	0%
Net Total	**6.006.153**	**5.303.423**	**702.731**	**13%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence of Euro 193 thousand to 31 December 2012.

Obsolescence, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The gross value of stock on 31 December 2012 appears to have on a whole increased by 13% compared to the consolidated value on December 31, 2011. The increase in the value of inventory is mainly linked to the rise of the quantity of semi-finished products in stock and is mainly due to the strong increase in the portfolio of orders and the consequent need for larger inventories than in the past.

For further details on the changes in inventories, please refer to the Note below that comments the Income statement.

7. Trade receivables

Trade receivables concern standard sales to national and foreign customers and are structured as follows on 31 December 2012:

Trade receivables	31-dic-12	31-dic-11	Change	% Change
Trade receivables	7.848.365	6.405.225	1.443.140	23%
(Provision for doubtful accounts)	(155.029)	(119.594)	- 35.435	30%
Total	**7.693.336**	**6.285.631**	**1.407.705**	**22%**

The adjustment of the nominal value of the credits to the realizable value was obtained by means of a suitable provision for doubtful accounts equal on 31 December 2012 to Euro 155 thousand. The gross value of trade receivables displays an increase compared to 31 December 2011, following significant increase in turnover recorded in the course of 2012.

The table below shows changes in the credit impairment fund.

Change in provision for doubtful accounts	31-dic-11	Increases	Use	31-dic-12
Provision for doubtful accounts	119.594	37.380	(1.945)	155.029
Total	**119.594**	**37.380**	**(1.945)**	**155.029**

Trade receivables include loans to related parties as described in Note 30.

The Fund was used over the course of 2012 for the closure of commercial entries not salvageable for objective reasons, as required by the applicable standards to a correct exposure in the financial statement of trade receivables.

The value of trade receivables toward customers not represented by Bank receipts amounted to Euro 4,733 thousand. The table below shows the evolution of receivables up to December 31, 2011, as required by IFRS 7:

	Total amount	Not overdue	Overdue 0-60 days	Overdue 61-90 days	Overdue over 90 days
Balance at 31 December 2012	6.741.995	5.404.166	714.230	111.974	511.625
Incidence	100%	80%	11%	2%	8%

8. Tax receivables by end of next year

Tax receivables are structured as follows on 31 December 2012:

Tax receivables	31-dic-12	31-dic-11	Change	% Change
Advances on provision for serevance indemnitie	2.252	2.252	-	0%
VAT receivables	276.644	212.003	64.640	30%
Other minor receivables	-	4.110	(4.110)	-100%
Total tax receivables	**278.896**	**218.366**	**64.640**	**30%**

There are no tax receivables for current taxes on 31 December 2012, as the Company has a net debt with the Treasury.

9. Other current assets

Other current assets are structured as follows on 31 December 2012:

Other current assets	31-dic-12	31-dic-11	Change	% Change
Due from suppliers for advances	67.658	42.772	24.886	58%
Other minor receivables	5.017	0	5.017	n/a
Total other receivables	**72.675**	**42.772**	**29.903**	70%
Trade fairs costs	21.303	10.609	10.694	101%
Phone expenses	1.259	0	1.259	n/a
Maintenance and insurance fees	40.074	17.823	22.251	125%
Specialist contract fees	27.000	25.000	2.000	8%
Total prepaid expenses and accrued income	**89.636**	**53.432**	**36.204**	68%
Total current assets	**162.311**	**96.204**	**66.107**	69%

The item *Specialist contract fees* refers to accrued income for service fees on their share due in 2012 to *Intermonte Sim S.p.A.* for its *Specialist* service.

10. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

Cash and cash equivalents	31-dic-12	31-dic-11	Change	% Change
Bank and postal deposit	2.022.603	1.894.870	127.733	7%
Cash	2.866	1.132	1.734	153%
Total cash and cash eqivalents	**2.025.469**	**1.896.002**	**129.467**	**7%**

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

11. Net Equity and its elements

Share Capital

The share capital of the company on 31 December 2012 amounted to Euro 1,098 thousand (Euro 1,049 thousand on 31 December 2011); the share capital of B&C Speakers consists of 11,000,000 Ordinary shares each worth 0.10 Euro, fully paid-up.

As a result of the continuation of the Plan of I Buy-Back I own shares, on 31 December 2012 B&C Speakers s.p.a. holds a total 20.704 equal to 0.19 % of the share capital, bought at an average value of EUR 4.09 per share.

Other reserves

This item, equal to Euro 4,764 thousand on 31 December 2012, comprises the legal reserve for Euro 379 thousands, the extraordinary reserve for Euro 44 thousands, the reserve for capital gains on curreny exchange not realized for Euro 20 thousands and the share premium reserve for Euro 4,321 thousand.

More specifically, the share premium reserve increased by Euro 1,437 thousand, following entry of the result of treasury shares traded in the year.

Profit/(loss) carried forward

This item includes the economic results of previous years.

First Time Adoption Reserve

This item, worth €12 thousand on 31 December 2012 is given by the adoption of international accounting standards to financial statements for the year ended on 31 December 2006; in particular, this amount represents the net value of adjustments determined from the application of IFRS to equity on January 1, 2006, the date of transition to International Accounting Standards.

Operating profit

This item includes the profit for the year term.

12. Medium-long term borrowings

Medium-long term borrowings on 31 December 2012 are structured as follows:

Long-term borrowings	31-dic-12	31-dic-11	Change	% Change
Fidi Toscana loan	24.999	44.371	(19.372)	-44%
Credemleasing loan	123.991	158.879	(34.887)	-22%
Long-term Credem loan	-	423.694	(423.694)	-100%
Long-term Simest loan	500.000	500.000	0	0%
Total long-term borrowing	**648.991**	**1.126.944**	**(477.954)**	**-42%**

The item "Fidi Toscana loan", equal to Euro 25 thousand on 31 December 2012, includes the poor share over the following year of the debt on the financing contract with Fidi Toscana. The loan is equal to 50% of the total contribution received from the Region of Tuscany through Fidi Toscana, meant to fund technological innovation plans pursued by the Parent.

The item "Credem Leasing loan", equal to Euro 124 thousand on 31 December 2012, includes the poor share over the following year of the implicit debt linked to two leasing contracts concluded in the course of 2010 and related to two trucks and a palletizing plant.

The item "Long-term Credem loan", equal to Euro 424 thousand to 31 December 2011, is equal to zero on 31 December 2012, since the residual debt for the loan is fully refundable in 2013. This unsecured loan is granted through a contract with Credem s.p.a. signed on April 29, 2011 for an original amount equal to 2.5 million Euro.

The item "Long-term Simest loan", equal to Euro 500 thousand on 31 December 2012, includes the poor share over the following year of the unsecured long-term loan contract with Simest spa of April 19, 2011 for an original amount equal to Euro 500 thousand. This loan was granted by the Italian Company for businesses abroad to protect capital stability, in order to increase competitiveness on foreign markets.

The table below lists the relevant information on the conditions of the several loans:

Loans details	Credem loan	Simest loan
Bank	Credem S.p.A.	Simest S.p.A.
Originary amount granted	2.500.000	500.000
Starting date	29-apr-11	19-apr-11
Expiring date	29-apr-13	31-dic-18
N. instalments	24	10
Advance instalments	-	5
Periodicity	Monthly	Half-yearly
Interest rate	Euribor 1 month + 2,227%	Advance instalment int. rate: 2,49% Effective instalment rate: 0,5%
Current portion	424.974	-
Non current portion	0	500.000

13. Severance pay, Executive retirement provision and similar funds

The item includes liability accrued in relation to Executive Retirement provision and liability accrued against the retirement provisions due to Directors at end of office.

For the purpose of reporting the Executive Retirement provision in the statements, the financial value-actuarial liabilities were recalculated to give a value of the Company's liability similar to that which arises in defined benefit plans, in accordance with the guidelines of IAS 19.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 432 thousand.

It should be noted that, with regards to the application of international accounting standard IAS 19, in 2012, the effects of discounts on the debt to employees is equal to Euro 61 thousands. Their effect on the increased current value of the fund exclusively responds to criteria of actuarial representatoin, and bear no relation with the figures for the share of provision in the course of 2012 or with the termination of employment relationships. The value of such actuarial change is entered as part of the financial expense of for 2012.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review and have fluctuated as follows over 2012:

Provision for severance indemnities	31-dic-11	Provision (interest cost)	(Use)	Actuarial effects	31-dic-12
Provision for severance indemnities	395.324	15.593	(39.290)	60.732	432.359
Total provision for severance indemnities	**395.324**	**15.593**	**(39.290)**	**60.732**	**432.359**

Please note that the actualization rate of the defined benefit plan in the Balance Sheet on 31 December 2012 has been changed in application of IAS 19, shifting from a rate of basket Corporate bonds with AA rating (IBoxx Eurozone Corporate AA Index in December 2011) to bonds with rating A (IBoxx Eurozone Corporate A Index in December 2012).

This change is due to a narrowing securities market with high credit rating and is attributable to the gradual worsening of the rating average of issuers of debt securities, both on a level of public issuers (national debt, public institutions, etc.) and with regard to obligations reported in previous years.

With regard thereto, a shift from observance of the provisions of IAS 19 concerning the identification of the discount rate to apply for the development of actuarial valuations, it is believed that in certain cases the discount rate used is more representative of the actual current trends in the financial market of securitis listed as debt and issued by private companies. The latter constitutes the main reference ruled by IAS19 for the determination of the discount rate. It is thought, therefore, that the discount rate used meets the definition of "high quality" required by IAS19 and also allows adequate amplitude of the given basket of Corporate bonds.

For comparative purposes, it should be noted that the value of Severance Indemnity on 12.31.2012 calculated based on the annual discount rate inferred by the IBOXX indices Corporate AA on the date of the calculation would have been equal to Euro 444,779.

In reporting Executive Retirement, provision was made for each Director of the share accrued over the year, based on pre-existent agreements; the value of the provision is equivalent to the value of the corresponding policies that are entered among assets and described in Note 5.

This fund has changed as follows over 2012:

Executive retirement provision (TFM)	31-dic-11	Provision	(Use)	Actuarial effects	31-dic-12
Executive retirement provision (TFM)	710.523	44.400	-	-	754.923
Total TFM	**710.523**	**44.400**	**-**	**-**	**754.923**

14. Deferred tax payables

On 31 December 2012, the item includes deferred tax payables for Euro 17 thousands originated as a result of the application of IFRS. These primarily refer to deferred taxes originated by the adjustment of the executive retirement provision.

15. Short term borrowings

This item amounts to Euro 761 thousand on 31 December 2012 (Euro 1,404 thousand on 31 December 2011) and is structured as follows:

Short term borrowings	31-dic-12	31-dic-11	Change	% Change
Fidi Toscana loan	18.617	12.329	6.288	0%
Credemleasing loan	34.809	33.574	1.234	4%
Short-term Credem loan	424.974	1.255.849	(830.875)	-66%
Short-term Simest loan	-	-	-	N/A
Bank overdrafts	283.086	102.367	180.719	177%
Total	**761.486**	**1.404.119**	**(642.633)**	**-46%**

The decrease in the current financial debt is essentially due to the reduction in the refundable fee part of the short-term Credem loan, whose repayment plan will be completed in 2013.

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

16. Trade payables

This item includes debts with suppliers and provisions for invoice receivables.

Trade payables	31-dic-12	31-dic-11	Change	% Change
Payables	3.165.480	2.376.440	789.040	33%
Total trade payables	**3.165.480**	**2.376.440**	**789.040**	**33%**

The increase in debts with suppliers compared to 31 December 2011 is tied to the increase in purchase volumes over the year.

17. Tax liabilities

This item is structured as follows on 31 December 2012:

Tax liabilities	31-dic-12	31-dic-11	Change	% Change
Employee witholding taxes	124.439	102.996	21.443	21%
Income tax liabilities	221.149	353.249	(132.101)	-37%
Total tax liabilities	**345.588**	**456.245**	**(110.657)**	-24%

Current tax liabilities, entered net of advances paid over the year, refer to IRES (Euro 191 thousand) and IRAP (Euro 30 thousand).

The withholding taxes represent the value of withholdings paid in the first months of 2012.

18. Other current liabilities

This item is structured as follows on 31 December 2012:

(In Euro)

Other current liabilities	31-dic-12	31-dic-11	Change	% Change
Social security funds Liabilities	217.232	202.488	14.745	7%
Vacations time	164.033	109.097	54.936	50%
Employee Liabilities	158.699	173.923	(15.224)	-9%
Other liabilities	601.756	776.422	(174.666)	-22%
Total current liabilities	**1.141.720**	**1.261.930**	**(120.210)**	-10%

The item "Social security funds liabilities" includes the amounts owed to social security institutions, mainly consisting of amounts owed to INPS (Euro 190 thousand).

The item "Vacations time" includes the share for holidays remaining on 31 December 2012.

The item "Employyee liabilities" refers to debts for salaries and wages still to be paid on the date of the financial statement.

Other liabilities are related to advances received from customers and refer for the most part to deposits received by the customer that are crucial to the Company in order to secure a strategic stock of neodymium magnets.

Guarantees lent to third parties

On 31 December 2012, as also on 31 December 2011, there are no records of guarantees to third parties.

6.3 Structural analysis of main items in Income statement of Parent for year 2012

19. Revenues from sales and services

Revenues from sales and services in 2012 displayed a significant increase, up by 10.0 % compared to the previous year. The table below highlights the revenue from sales and services broken down by geographical area:

Geographical Area	2012	%	2011	%	Change	% Change
Latin America	1.972.701	7%	2.340.943	9%	(368.242)	-16%
Europe	12.410.621	42%	11.929.724	44%	480.897	4%
Italy	3.697.272	12%	4.123.686	15%	(426.415)	-10%
North America	5.023.437	17%	4.412.049	16%	611.387	14%
Middle East & Africa	377.643	1%	568.851	2%	(191.208)	-34%
Asia & Pacific	6.129.541	21%	3.539.823	13%	2.589.718	73%
Total revenues	**29.611.214**	**100%**	**26.915.076**	**100%**	**2.696.138**	**10%**

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

However, this single category of product sales can be further broken down in terms of turnover based on the type of speakers sold. Below is a summarized table of sales in 2012 by product category compared with their respective value in the previous year:

Product category	2012	%	2011	%	Change	% Change
LF FE Drivers	8.559.241	28,9%	8.131.961	30,2%	427.280	5%
LF ND Drivers	7.691.174	26,0%	7.331.838	27,2%	359.336	5%
HF Drivers	10.191.172	34,4%	8.757.335	32,5%	1.433.837	16%
Coaxials	1.973.464	6,7%	1.868.795	6,9%	104.669	6%
Others	1.196.162	4,0%	825.147	3,1%	371.015	45%
Total revenues	**29.611.213**	**100,0%**	**26.915.076**	**100,0%**	**2.696.137**	**10%**

As more fully described in the Report of the Board of Directors, revenues during the quarters were constantly growing and consistently above higher than the consolidated value in 2011.

Furthermore, as can be inferred from the above table, in 2012 the company's sales have privileged products with higher added value and profit margin (drivers) compared to the previous year.

The largest customer of the company is ***D&B Audiotechnik*** whose impact on the total turnover is equal to about 14 %.

For a more analytical analysis of revenues during the year, please refer to the relevant section within the Report of the Board of Directors at the beginning of this document.

20. Other revenues and income

This item is structured as follows:

Other revenues	2012	2011	Change	% Change
Other revenues	172.613	245.510	(72.898)	-30%
Grants for R&D activities	115.528	-	115.528	-100%
Extraordinary income	12.124	20.246	(8.122)	-40%
Total other revenues	**300.264**	**265.756**	**34.508**	**13%**

The category "Other Revenues and Income" entirely refers to the recovery of expenses of the business, transportation and miscellaneous.

The category "Grants for R&D activities" refers to a contribution granted to product innovation in 2012 for the division Sound Architecture.

21. Increase/(Decrease) of finished and semi-finished product inventories

The item is structured as follows:

Inventory change	2012	2011	Change	% Change
Semi-finished products inventory change	1.144.249	428.929	715.320	167%
Finished products inventory change	(41.251)	93.262	(134.513)	-144%
Total inventory change	**1.102.997**	**522.191**	**580.807**	**111%**

The increase in semi-finished inventory is due to the increase in turnover in 2012 and the ensuing increase in received orders, compared to the previous year.

22. Costs of raw material, consumable and other products

The item is structured as follows:

Consumption of raw material, consumable and other products	2012	2011	Change	% Change
Purchases:				
Raw materials and finished products	1.110.546	912.711	197.835	22%
Consumable supplies	971.507	866.073	105.434	12%
Semi-finished products	9.446.305	9.331.092	115.213	1%
Packings	354.955	348.773	6.182	2%
Stationery	11.924	12.189	(265)	-2%
Purchase of other products	751.915	480.286	271.629	57%
Total purchases	**12.647.152**	**11.951.123**	**696.029**	**6%**
Change of raw material, consumable and other products	**400.267**	**(365.109)**	**765.376**	**-210%**
Consumption of raw material, consumable and other products	**13.047.419**	**11.586.014**	**1.461.405**	**12,6%**

As shown in the table above, the consumption of raw materials and semi-finished and finished products have registered an increase over the previous period, as a result of increased production volumes for the year.

It should be noted that the purchases of raw materials are mainly materials of ferrous origin that are used in the production process and the cost of which can be influenced by trends in the cost of the raw material, while purchases of semi-finished products are related to processing components that are directly installed in the product being processed.

Purchases of the different goods relate to purchases of office machinery, to the purchase of small equipment for production and warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

23. Labour cost

The item is structured as follows:

Labour cost	2012	2011	Change	% Change
Salaries	2.960.644	2.925.248	35.396	1%
Social charges	901.403	898.047	3.356	0%
Severance indemnities	189.444	199.911	(10.467)	-5%
Executive retirement indemnities	44.400	45.200	(800)	-2%
Other employees costs	281.893	183.905	97.988	53%
Total labour cost	**4.377.784**	**4.252.311**	**125.473**	**3%**

The increase in the entries "salaries" and "social charges" was mainly due to the greater impact of extraordinary costs incurred in 2012 to satisfy increased production volumes.

The increase in "Other employees costs", equal to Euro 98 thousands, should be read in relation with the greater use of temporary staff in 2012 compared to the previous year, in order to support increasing production levels.

24. Costs for services, lease and rentals

The item is structured as follows:

Service costs	2012	2011	Change	% Change
Services:				
Manteinance	583.003	519.284	63.719	12%
Advertising	158.984	219.123	(60.139)	-27%
Emolumenti e rimborsi organi sociali	652.986	654.844	(1.858)	0%
Bank charges	26.802	24.199	2.603	11%
External manufacturing costs	2.023.261	1.449.737	573.524	40%
Shipping and logistics costs	807.800	650.751	157.048	24%
Brokerage	134.906	117.116	17.790	15%
Travelling expenses	167.933	149.337	18.596	12%
Professional services	780.956	739.278	41.678	6%
Other services	237.756	186.212	51.544	28%
Total service costs	**5.574.385**	**4.709.880**	**864.505**	**18%**
Rent and leasing expenses	876.618	844.318	32.300	4%
Total service, rent and leasing costs	**6.451.003**	**5.554.198**	**896.805**	**16%**

Service costs are mainly related to maintenance and software for about Euro 191 thousands (Euro 219 thousand in 2011), and costs for utilities for Euro 222 thousand (Euro 287 thousand in 2011) and maintenance capital assets and real estate for Euro 168 thousand.

The maintenance costs refer to costs incurred for repairs on Company equipment and regular fees for software maintenance.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house. Their increase is due to the increase of production volumes recorded in 2012.

Professional services include business consultancy received during 2012 and legal-administrative consulting services received by the company itself.

Rental and leasing expenses refer to lease and rentals for about Euro 45 thousands and the costs for payable real estate rentals worth Euro 832 thousand.

25. Ammortization of Tangible and Intangible Assets and depreciation

The item is structured as follows:

Amortization, depreciation and writedowns	2012	2011	Change	% Change
Amortization of intangibles assets	595.627	562.143	33.484	6%
Depreciation of tangible assets	117.325	115.266	2.059	2%
Total amortizations and depreciations	**712.952**	**677.409**	**35.543**	**5%**
Writedowns	37.380	32.908	4.472	14%
Total writedowns	**37.380**	**32.908**	**4.472**	**14%**

The increase in depreciation is due mainly to the commissioning of new investments made in the course of the year.

The provision for write-downs takes account for the risk of writing off current outstanding loans on 31 December 2012.

26. Other costs

The item is structured as follows:

Other costs	2012	2011	Change	% Change
Taxes	49.247	10.678	38.569	361%
Other minor charges	183.573	112.281	71.292	63%
Stock Exchange expenses	76.292	99.943	(23.652)	-24%
Total other costs	**309.112**	**222.902**	**86.210**	**39%**

The item "Other minor charges" includes miscellaneous expenses for about Euro 25 thousands, grants for Euro 31 thousands, contingencies for Euro 19 thousands and other minor expenses whose unitary value is not significant.

The item Stock Exchange expenses includes management costs traceable to Borsa Italiana S.p.A. and Consob.

27. Financial income and expenses

The item is structured as follows:

Financial income and expenses	2012	2011	Change	% Change
Bank interest income	17.742	2.878	14.864	516%
Dividends	77.761	105.160	(27.399)	-26%
Exchange rate differences income	165.845	130.658	35.187	27%
Exchange rate differences accruals	4.077	7.296	(3.218)	-44%
Total financial income	**265.425**	**245.992**	**19.433**	**8%**
Interest expenses	38.373	60.692	(22.319)	0%
Actuarial losses	60.731	-	60.731	n/a
Financial expenses for Defined Benefit Obligation	15.594	-	15.594	n/a
Exchange rate difference expenses	154.018	164.432	(10.414)	-6%
Exchange rate differences accruals	2.313	8.773	(6.459)	-74%
Total financial expenses	**271.029**	**233.896**	**37.133**	**16%**
Total financial income (expenses)	**(5.604)**	**12.096**	**(17.700)**	**-146%**

The increase in the item "Financial income" is attributable primarily to higher profits on currency exchange secured in the course of 2012. The detailed listing of the individual item entries show an increase in interest income on current accounts, consequent to the increase of the average amount of bank overdrafts during the period and the higher profits on exchange rates achieved primarily vis-à-vis foreign suppliers for entries in U.S. dollars.

The increase of the item "financial expenses" was mainly due to the effect of the increase in financial expenses relating to the defined benefit plan for employees.

28. Taxes

The item is structured as follows:

Current and deferred taxes	2012	2011	Change	% Change
IRES	1.611.929	1.400.180	211.749	15%
IRAP	374.251	339.631	34.619	10%
Total current taxes	**1.986.179**	**1.739.811**	**246.368**	**14%**
Ires refund	(156.212)	-	(156.212)	n/a
Deferred tax expenses/(income)	515	31.532	(31.017)	-98%
Total income taxes	**1.830.482**	**1.771.344**	**(31.017)**	**-2%**

Current taxes include the tax expense that originated in 2012.

The Item "IRES refund" includes revenues for Euro 156,212 in 2012 following the presentation of an application to receive an IRES refund tied to actual IRAP referring to personnel costs for the years 2007-2011, as already described in paragraph no. 5.

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

Theoretical tax were determined by applying the IRES tax rate (27.5 % in 2012 and in 2011) to the result before taxes. To provide a better understanding of the reconciliation between the tax expense entered in the financial statement and the theoretical tax expense, it does not take account of IRAP because, since it is a tax calculated on taxable income other than the pre-tax profit, it would generate distorting effects between one financial year and the next.

The permanent differences can be divided between "permanent increase" and "permanent decrease"; the first includes the expenses partially deductible for predictable tax rates worth Euro 14 thousands (Euro 21 thousands in 2011) and the financial expenses recognized in the financial statements in application of IFRS worth Euro 11 thousands (Euro 26 thousands in 2011).

"Permanent decrease" includes the dividends paid to foreign subsidiaries for Euro 74 thousands (Euro 100 thousand in the year 2011), the so-called A. C. E. tax incentive, and the share of IRAP on the expenditure for employees paid in the course of 2012 amounting to Euro 149 thousand.

With regard to the recovery of temporary differences entered in previous years, please note that Directors were paid fees in 2013 (10 thousand Euro) and fees owed to them for 2012 but paid to them in the current year, (EUR 20 thousand) and the part of depreciation in excess of the admissible deductible share (Euro 11 thousands).

As a result of the differences between permanent and temporary expenses described above, the effective tax rate (IRES) for the financial year 2012 amounted to 27.53 % on Profit before taxes (25.98 % in 2011).

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

29. Net financial position

As required by Consob Bulletin of 28 July 2006 and in accordance with the recommendation of the CESR of 10 February 2005 "Recommendations for the uniform implementation of the regulation of the European Commission on financial statements", the net financial position of the company on 31 December 2012 is detailed below:

B&C Speakers Group **Consolidated Balance Sheet on 31 December 2012**

	2012 (a)	2011 (a)	Change
Cash and cash equivalents	2.025	1.896	7%
A. Cash and cash equivalents	**2.025**	**1.896**	**7%**
Current borrowings	(761)	(1.404)	-46%
B. Current borrowings	**(761)**	**(1.404)**	**-46%**
C. Current net financial position (A+B)	**1.264**	**492**	**157%**
Non current borrowings	(649)	(1.127)	-42%
D. Non current borrowings	**(649)**	**(1.127)**	**-42%**
E. Net financial position (C+D)	**615**	**(635)**	**-197%**

(a) Informazioni estratte e/o calcolate dal bilancio predisposto in conformità agli IFRS adottati dalla Unione Europea.

Nota: La posizione finanziaria netta, calcolata dal Management della società come sopra dettagliata, non è identificata come misura contabile nell'ambito sia dei Principi Contabili Italiani che degli IFRS omologati dalla Commissione Europea. Pertanto, il criterio di determinazione potrebbe non essere omogeneo con quello adottato da altri operatori e\o gruppi e, conseguentemente, non è comparabile. Inoltre la definizione potrebbe essere diversa dalla definizione prevista dai contratti di finanziamento dell'Emittente.

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

30. Relations with related parties

Companies identified as "related parties", in accordance with accounting standard IAS 24, are the following:

- ***Research & Development International S.r.l.***, with registered office in Florence, Viale dei Mille no. 60, Tax Code: 02342270481, Share Capital: € 90,000, which owns 66.34% of the share capital of Parent "B&C Speakers S.p.A.";
- ***B&C Speakers NA LLC,*** fully owned subsidiary of the parent;
- ***B&C Speakers Brasil LTDA,*** owned by 99.9% by the Parent.

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

31. Transactions from non-recurrent operations

Pursuant to Consob Bulletin of 28 July 2006, it should be noted that in the course of 2012 the Company has not incurred costs relating to non-recurrent operations.

32. Transactions from atypical and/or unusual operations

Pursuant to Consob Bulletin of 28 July 2006, it is stated that in the course of 2012 the Company has not engaged in atypical and/or unusual transactions, as per their definition in the Bulletin.

33. Information on financial risks

Corporate assets are exposed to a variety of financial risks: market risk (inclusive of the exchange risk and price risk), credit risk and interest rate risk. The strategy adopted by the Company with regard to the management of financial risks is based on the impossibility of being able to influence the external markets and consequently the strategy focuses on an attempt to reduce the adverse effects on the financial performance of the company itself.

Currency exchange risks

The Company pursues business on an international level and is therefore exposed to the risk generated by fluctuations in the exchange rates for foreign currencies, primarily the USD and GBP. The exchange rate risk will be manifest in future transactions; the company does not make provision for coverage of this risk, except to continually search for a balance between its sales and purchases, especially in the U.S. dollar zone.

In the course of 2012, the company continued to make purchases of significant amount abroad, in particular in Asia; the value of purchases of raw materials, semi-finished products and components in a foreign currency are summarized below:

- purchases in US Dollar equal to 8,946 thousands whose corresponding value in Euro (calculated according to the average exchange rate for the year) is equal to Euro 6,963 thousand.

In the course of 2012, the Company has on the other hand generated turnover from customers in a foreign currency; more specifically, Revenues in a foreign currency are summarized below:

- Turnover in US Dollar equal to 2,658 thousands whose value corresponding to the Euro (calculated according to the average exchange rate for the year) is equal to Euro 2,069 thousand.

The above figures show that purchases in a foreign currency represent approximately 55% of total purchases (with reference to 2011, this percentage was equal to about 57%), while sales in currency represent a percentage equal to 6.9 % of the turnover achieved by the Company (with reference to the year 2011 this percentage was equal to the 7%).
The value of purchases in foreign currency in 2012 was significantly higher than the value in currency of the turnover. Consequently, it is impossible to say that the Company benefited of the months during which the dollar depreciated against the euro and vice versa during the periods in which the euro depreciated against the dollar. In consideration of the above, it is apparent that the Company is economically exposed to the trend of the euro/dollar exchange rate.

In the Balance sheet, the equivalent in euros of trade receivabes entered in US dollars on 31 December 2012 amounts to Euro 567 thousand (the total value on 31 December 2011 amounted to Euro 290 thousand), while the value of trade payables in US dollars on 31 December 2012 amounts to Euro 571 thousand (the total value on 31 December 2011 amounted to Euro 337 thousand). The equivalent in euro of trade payables in US dollars is slightly higher than the equivalent in Euro in trade receivables in the same currency.
It is essential to emphasize that the Company has guaranteed its suppliers with a constant and significant cash flow to pay for supplies, the consequence of which is the limited currency exposure at the end of the 2012.

The incidence of tax receivables in currency reaches, based on the above data, approximately 7.2 % of the overall trade vaue, while the incidence of trade payables in currency reaches 18% of the total value of corporate debt.

The balance sheet assets in a currency other than the Euro were adequate to the exact exchange rate on 31 December 2012, with the associated costs and profits entered in the income statement.

Considering that the data in the Consolidated Balance Sheet on 31 December 2012 are not significantly different from those of the Parent, the paragraph will not be included in the Consolidated Explanatory Notes.

Credit risk

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

Interest rate risk

The Company does not have singificant financial assets or liabilities and its profitability is not significantly affected by interest rate trends.

7 Consolidated Balance Sheet of Parent B&C Speakers on 31 December 2012

7.1 CONSOLIDATED ASSETS AND LIABILITIES ON 31 DECEMBER 2012

CONSOLIDATED BALANCE SHEET		Notes	31 December 2012	31 December 2011
ASSETS				
Fixed assets				
Tangible assets		*1*	3.390.492	3.202.634
Goodwill		*2*	1.393.789	1.393.789
Other intangible assets		*3*	281.331	443.471
Deferred tax assets		*4*	209.104	184.996
Other non current assets		*5*	218.603	62.501
	related parties	*30*	*88.950*	-
Other assets (TFM insurance)		*5*	754.924	710.524
Total non current assets			**6.248.243**	**5.997.915**
Currents assets				
Inventory		*6*	6.574.889	5.944.672
Trade receivables		*7*	7.092.314	5.726.644
Tax assets		*8*	614.467	450.468
Other current assets		*9*	202.153	101.769
Cash and cash equivalents		*10*	2.222.476	2.048.100
Total current assets			**16.706.299**	**14.271.653**
Total assets			**22.954.542**	**20.269.568**

			31 December 2012	31 December 2011
Liabilities				
Equity				
Share capital		*11*	1.097.930	1.049.217
Other reserves		*11*	4.763.977	3.327.882
Retained Earnings		*11*	5.342.982	4.201.545
Profit/(loss) for the year		*11*	4.135.857	3.722.896
Total equity attributable to shareholders of the parent			**15.340.746**	**12.301.540**
Minority interest			-	-
Total equity			**15.340.746**	**12.301.540**
Non current equity				
Long-term borrowings		*12*	648.991	1.126.944
Provisions for risk and charges		*13*	1.187.283	1.105.848
Deferred tax liabilities		*14*	17.363	17.284
Total non current liabilities			**1.853.637**	**2.250.076**
Current liabilities				
Short-term borrowings		*15*	761.486	1.404.119
Trade liabilities		*16*	3.149.423	2.375.590
	related parties	*30*	*2.114*	*88.257*
Tax liabilities		*17*	681.322	647.336
Other current liabilities		*18*	1.167.928	1.290.907
Total current liabilities			**5.760.159**	**5.717.952**
Total Liabilities			**22.954.542**	**20.269.568**

7.2 CONSOLIDATED INCOME STATEMENT FOR YEAR 2012

CONSOLIDATED INCOME STATEMENT (€ thousands)			2012	2011
Revenues		19	30.708.276	27.693.404
Other revenues		20	229.303	265.756
Change in inventory of finished goods and work in progress		21	1.085.446	707.439
Cost of raw material and others		22	13.146.926	11.689.133
Cost of labour		23	4.614.204	4.460.841
Cost of services		24	6.619.026	5.830.953
	related parties	*30*	*827.051*	*800.700*
Depreciation of tangible assets		25	603.089	565.647
Amortization of intangible assets		25	117.325	115.266
Writedowns		25	60.452	33.788
Other costs		26	424.372	313.008
Earning before taxes and interests			**6.437.631**	**5.657.963**
Financial income		27	247.267	252.028
Financial costs		27	386.074	336.803
Earning before taxes			**6.298.824**	**5.573.188**
Income taxes		28	1.953.882	1.947.161
Profit for the year (A)			**4.344.942**	**3.626.027**
Other comprehensive income for the year				
Exchange differences on translating foreign operations			(209.084)	96.869
Total other comprehensive income for the year (B)			**(209.084)**	**96.869**
Total comprehensive income (A) + (B)			**4.135.858**	**3.722.896**
Profit attributable to:				
Owners of the parent			4.344.942	3.626.027
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			4.135.858	3.722.896
Minority interest			-	-

7.3 CONSOLIDATED CASH FLOW STATEMENT FOR YEAR 2012 DRAFTED IN COMPLIANCE WITH THE IFRS INTRODUCED BY THE EUROPEAN UNION

Consolidated cash flow statement *(Euro thousands)*	2012	2011	
A- Net current bank balances (indebtness) at the beginning of year	**1.945**	**(453)**	
B- Cash flow from operating activities			
Profit/loss for the period	4.345	3.626	
Income tax expense	1.954	1.947	
Amortization of intangibles assets	117	115	
Depreciation of tangible assets	603	566	
Goodwill writedown	0	0	
Sale of property, plant and equipment	0	0	
Finance cost	386	337	
Interest income	(247)	(252)	
Net change in provisions for risk and charges	44	45	
Change in provigion for leaving indemnities			
Allocations and revaluations	16	3	
Actuarial gain/(losses)	61	16	
(Use)	(39)	(18)	
(increase) decrease in current trade and other receivables	(1.630)	351	
(increase) decrease in deferred tax assets	(24)	95	
(increase) decrease in inventory	(629)	(1.099)	
Increase (decrease) in current trade and other payables	1.010	(413)	**Note 1**
increase (decrease) in deferred tax liabilities	0	0	
Net cash from/(used in) operating activities	**5.967**	**5.319**	
Paid interest costs	(386)	(337)	
Collected interest income	247	252	
Taxes paid	(2.279)	(2.153)	
Total (B)	**3.549**	**3.081**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(791)	(619)	
Net (investments) in non current intangible assets	45	(207)	
(increase) decrease in non current receivables	(156)	0	**Note 2**
(Investments) in associates and other financial acitivities	(45)	(45)	
Total (C)	**(947)**	**(871)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(1.301)	2.150	
Purchase of treasury shares	1.485	(440)	
Dividend paid to shareholders	(2.678)	(1.632)	
Total (D)	**(2.494)**	**78**	
E- Cash flow for the period (B+C+D)	**107**	**2.288**	
F- Increase/decrease in cash and cash equivalents	**(113)**	**111**	
G- Cash and cash equivalents at end of the year	**1.939**	**1.945**	

Note 1: The liquidity generated by the change in the amounts owed to suppliers and other comprises a liquidity absorption due to

transactions with the parent R&D International S. r.l. for about Euro 41 thousand.

Note 2: Liquidity absorbed from the change of the debts that are not current comprises a liquidity absorption due to credit for refund Ires boasted against the parent R&D International S. r.l. for about Euros 88 thousand.

For the financial year 2012, the statement of cash flows was reclassified in order to indicate the item F - Availability net monetary the final difference between cash and current accounts payable (bank overdrafts) excluding therefore the current portion of long-term financing. This reclassification was carried out with the purpose to highlight with greater clarity the absorption of cash caused by refund of the funding. To promote a consistent comparison with the previous exercise, even the latter was consistently reclassified.

7.4 STATEMENT OF CHANGES IN NET EQUITY OF B&C SPEAKERS GROUP ON 31 DECEMBER 2012, DRAFTED IN COMPLIANCE WITH THE IFRS INTRODUCED BY THE EUROPEAN UNION

Below is the statement of changes in Net Equity that took place in year 2011 and year 2012.

(In thousand Euros)

	Share Capital	Legal reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2010	**1.026**	379	2.158	44	20	**2.601**	**4.396**	**2.615**	**(2)**	**10.636**	**-**	**10.636**
Allocation of 2010 result						-	2.613	(2.615)	2	-		-
Dividend distribution						-	(1.632)			(1.632)		(1.632)
Treasury shares allocation	34		1.156			1.156	(1.190)			0		0
Treasury shares allocation	(11)		(356)			(356)				(367)		(367)
Tax effects			(73)			(73)				(73)		(73)
Consolidation and foreign exchange effect						0	15			15		15
2011 net result						-		3.626	97	3.723		3.723
Balance at 31 December 2011	**1.049**	379	2.885	44	20	**3.328**	**4.202**	**3.626**	**97**	**12.302**	**-**	**12.302**

	Share Capital	Legal reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2011	**1.049**	379	2.885	44	20	**3.328**	**4.202**	**3.626**	**97**	**12.302**	**-**	**12.302**
Allocation of 2011 result						-	3.723	(3.626)	(97)	-		-
Dividend distribution						-	(2.678)			(2.678)		(2.678)
Treasury shares	49		1.436			1.436				1.485		1.485
Consolidation and foreign exchange effect						0	96			96		96
2012 net result						-		4.345	(209)	4.136		4.136
Balance at 31 December 2012	**1.098**	379	4.321	44	20	**4.764**	**5.343**	**4.345**	**(209)**	**15.341**	**-**	**15.341**

8 Consolidated Report of the Board of Directors for the year closed on 31 December 2012

The B&C Speakers Group is an international leader in the production and marketing of "top-quality loudspeakers". The business of the Group, which operates both in Italy and internationally, is entirely centered in the above industry (production and marketing of top-quality speakers). Products are entirely manufactured and assembled at the production plant of the Italian parent, which also directly manages their marketing and sale in the various geographical areas it covers.

Distribution in the American market is aided by the US subsidiary, which acts as commercial assistant to the Parent within North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA in 2012 which acts as distribution center.

The net profit for the financial year 2012 amounted to Euro 4,136 thousand, net of taxes for Euro 1,954 thousand and after depreciation for Euro 720 thousand.

The net profit for the financial year 2011 amounted to Euro 3,723 thousand, net of taxes for Euro 1,947 thousand and after depreciation for Euro 681 thousand.

Highlights

The tables below list the consolidated economic, capital and financial highlights for year 2012 compared with the same items in the previous year:

Income statement highlights

(€ thousands)

	2012	**2011**
Revenues	30.708	27.693
Ebitda	7.218	6.372
Ebit	6.438	5.658
Net profit	4.136	3.723

Balance sheet highlights

(€ thousands)	**31 December 2012**	**31 December 2011**
Non current Assets	6.248	5.998
Non current liabilities	1.854	2.250
Current assets	16.706	14.272
Current liabilities	5.760	5.718
Net working Capital	10.946	8.554
Net Equity	15.341	12.302

Cash flow statemen highlights
(€ thousands)

	2012	2011
Operating cash flow	3.549	3.081
Cash flow from investing activities	(947)	(871)
Cash flow from financial activities	(2.494)	78
Cash and cash equivalent at end of the year	107	2.288

Net financial position

(€ thousands)	31 December 2012	31 December 2011
Current net financial position	1.461	644
Total net financial position	812	(483)

Economic trend

The general economic trend in 2012 is characterized by a significant increase in turnover (10.9 %). This increase was virtually steady throughout the year, registering a peak of 8.29 million euros in the fourth quarter (15.5 % compared to the 3rd quarter of 2011).

To provide a clearer representation of how economic management evolved in 2012 compared with the same period in the previous year, the table below lists the major aggregates of the B&C Speakers Group:

Reclassified Income Statement of the Group

(€ thousands)	2012	Incidence	2011	Incidence
Revenues	30.708	*100,00%*	27.693	*100,00%*
Other revenues	229	*0,75%*	266	*0,96%*
Total revenues	**30.937**	***100,75%***	**27.959**	***100,96%***
Change in inventory	1.085	*3,53%*	707	*2,55%*
Purchases of raw materials and other	(13.147)	*-42,81%*	(11.689)	*-42,21%*
Labor cost	(4.614)	*-15,03%*	(4.461)	*-16,11%*
Services costs	(6.619)	*-21,55%*	(5.831)	*-21,06%*
Other costs	(424)	*-1,38%*	(312)	*-1,13%*
Ebitda	**7.218**	***23,51%***	**6.373**	***23,01%***
Depreciations of tangible assets	(603)	*-1,96%*	(566)	*-2,04%*
Amortizations of intangible assets	(117)	*-0,38%*	(115)	*-0,42%*
Writedowns	(60)	*-0,20%*	(34)	*-0,12%*
Ebit	**6.438**	***20,97%***	**5.658**	***20,43%***
Interest income	247	*0,80%*	252	*0,91%*
Finance costs	(386)	*-1,26%*	(337)	*-1,22%*
Ebt	**6.299**	***20,51%***	**5.573**	***20,12%***
Income taxes	(1.954)	*-6,36%*	(1.947)	*-7,03%*
Net Result	**4.345**	***14,15%***	**3.626**	***13,09%***
Minority interesr	0	*0,00%*	0	*0,00%*
Group Net Result	**4.345**	***14,15%***	**3.626**	***13,09%***
Other comprehensive result	(209)	*-0,68%*	97	*0,35%*
Total Comprehensive result	**4.136**	***13,47%***	**3.723**	***13,44%***

Note:

EBITDA (*earnings before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as resulting from consolidated income before depreciation of the intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from the above consolidated profit and loss account. The EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure nor in the context of Italian GAAP nor in IAS/IFRS and therefore should not be considered as an alternative measure for assessing trends in the operating result of the Group. Since the structure of the EBITDA is not regulated by GAAP, the measuring criteria applied by the Group could not be homogeneous with that used by other operators and/or groups and therefore may not be comparable.

EBIT (*earnings before interest and taxes*) is representative of the consolidated result before taxes, of the cost expense and financial income as well as being listed in the income statement prepared by Directors to draft the financial statements in compliance with the IAS/IFRS.

EBT (*earnings before taxes*) is representative of the consolidated result before taxes as well as being listed in the income statements provided by Directors to draft the consolidated financial statements in compliance with the IAS/IFRS.

Consolidated revenues realized in 2012 amounted to 30.7 million euros, an increase of about 10.9% compared to 2011 when their value was EUR 27.7 million.

For the third consecutive year, the annual turnover is the highest ever reached by the Company.

The turnover from the group in the course of 2012 has allowed us to improve the result achieved in 2011 by virtue of a growth in terms of quantity (quantity sold in growth of 4% from the previous year) both in terms of quality as a result of the greater effect on turnover of the products of high range and therefore higher unit price.

In the course of 2012 exports continued their growth reaching an incidence of 88% of the Group sales (incidence was equal to 85% in the course of 2011). The result achieved during the course of 2012 was driven in the first place by the growth of the Asian market (China in particular), whose sales have grown 73% over the previous year by ensuring a turnover of 6.1 million Euro, which now represents about 20% of the total turnover.

Important are also the *performance* achieved in the North American market, up by 13% and worth about 20% of total sales, for a value of approximately 5.7 million Euro. Sales in Europe (excluding Italy) displayed a significantly lower growth rate (4%) but are the most important to the Group (in the course of 2012, these accounted for 40% of the total with a turnover of 12.4 million euros, while in 2011 they accounted for 43% of the total turnover, worth 11.9 million euros).

In addition, it is important to note that the Brazilian subsidiary has achieved significant growth in sales (54% compared to 2011) despite the area showning a slight contraction on a Group level in 2012.

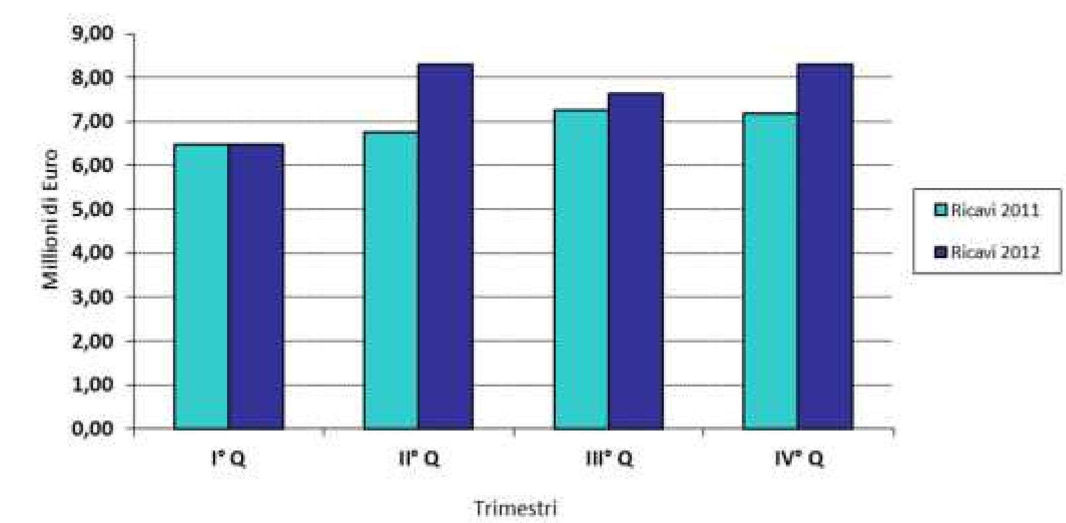
The very positive trend in orders from customers continued also in 2012, totaling 31.57 million Euros in the calendar year (12% compared to the flow of orders received in 2011).

The value of the order backlog at the end of 2012 amounted to Euro 8.04 million, an increase of 14% compared to the previous year, when they amounted to Euro 7.04 million.

Consolidated Revenues in the four quarters (2011 and 2012) are summarized in the table below:

Trend in consolidated revenues (€ million)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Totale**
Net sales 2012	6,48	8,29	7,64	8,29	**30,71**
Net sales 2011	6,48	6,76	7,27	7,18	**27,69**
Change 2012 - 2011	0,0%	22,7%	5,1%	15,5%	10,9%

As the graph below shows, the trend of revenues throughout the quarters steadily increased above values reported in 2011, confirming the positive trend that began in the last financial



year.

The costs for ***raw materials, consumables and other products*** along with the ***Change in inventory*** have proportionately increased at a slower rate than revenues during the same period, with their impact on the same dropping to 39.28 % compared to 39.66 % in 2011. This trend is the combined result of a product mix that has veered to products with higher added value and the drop in the cost of some strategic raw materials such as neodymium.

Labour cost compared to year 2011 displayed a substantial reduction in terms of impact on revenues, 15.0% ath the end of 2012 (16.1 % in 2011) due to an effective management of industrial relations that has allowed an appreciable increase in productivity.

Costs for services, leases and rental have registered a growth of Euro 788 thousand compared to 2011 (13.5%), increasing their impact on revenues of about 0.49 percentage points.

Other costs do not show any significant changes compared to 2011.

With reference to ***Ammortization of tangible and intangible assets***, in 2012 they were substiantially in line with the figures for 2011.

Below is a summarized table of the **EBITDA** trend for the commented year terms.

(€ thousands)	**2012**	***Incidence***	**2011**	***Incidence***
Ebitda	7.218	*23,5%*	6.373	*23,0%*

EBITDA (*earnings before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as resulting from consolidated income before depreciation of the intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from the above consolidated profit and loss account. The EBITDA is a measure used by the issuer to monitor and assess the performance of the operating group and is not defined as an accounting measure nor in the context of Italian GAAP nor in IAS/IFRS and therefore should not be considered as an alternative measure for assessing trends in the operating result of the Group. Since the structure of the EBITDA is not regulated by GAAP, the measuring criteria applied by the Group could not be homogeneous with that used by other operators and/or groups and therefore may not be comparable.

Owing to above-described trends, the ***EBITDA*** for 2012 amounted to 7.22 million, resulting in a growth (13.3%) compared to that of 2011 (6.37 million Euro); consequently, the ***EBITDA margin*** increased to 23.5% of total revenues for the period, against 23.0 % in 2011.
The marginal recovery compared to the same period in 2011 proves to be a direct consequence of the considerable increase in turnover and lower impact of fixed operating costs.

EBIT as of 31 December 2012 amounted to 6.43 million Euro, it too increasing (13.3 %) compared to 5.65 million in 2011.

The ***Consolidated Net Profit*** of the Group at the end of 2012 amounted to 4.14 million (net of differences of conversion of financial statements of subsidiaries of currency to Euro 209 thousand) and represents a percentage of 13.47% of consolidated revenues, this result is greater than the 11.09 % compared to that achieved in the course of the year 2011 (3.72 million Euros).

Balance sheet

Below is the reclassified balance sheet according to principle of source and use allocation:

B&C Speakers Group Consolidated Balance Sheet on 31 December 2012

Reclassified Balance sheet (€ thousands)	31 December 2012	31 December 2011	Change
Property, plant & Equipment	**3.672**	**3.646**	**26**
Inventories	6.575	5.945	630
Receivables	7.092	5.727	1.366
Other receivables	1.026	737	288
Payables	(3.149)	(2.376)	(774)
Other payables	(1.867)	(1.956)	89
Working capital	**9.677**	**8.077**	**1.599**
Provisions	**(1.187)**	**(1.106)**	**(81)**
Invested net working capital	**12.161**	**10.618**	**1.544**
Cash and cash equvalents	2.222	2.048	174
Investments in associates	-	0 -	0
Goodwill	1.394	1.394	-
Other financial receivables	974	773	201
Financial assets	**4.590**	**4.215**	**375**
Invested net non operating capital	**4.590**	**4.215**	**375**
NET INVESTED CAPITAL	**16.751**	**14.833**	**1.919**
Equity	15.341	12.302	3.039
Short-term financial borrowings	761	1.404	(643)
Long-term financial borrowing	649	1.127	(478)
RAISED CAPITAL	**16.751**	**14.833**	**1.919**

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

The *Invested Net Working Capital* shows an increase of approximately 1,544 thousand compared to December 31, 2011. This increase is due to the combined effect of the following factors:

- an increase in the stock equal to 603 thousands of Euro concentrated in the category of semi-finished products is due to a policy of supply that "follows" the positive trend in demand;
- an increase in trade receivables equal to 1,366 thousands of Euros and of other receivables for 288 thousand Euro;
- an increase of trade payables for about 774 thousands of Euro and an increase of the payables for 89 thousand Euro

The other asset categories showed no significant changes on 31 December 2011.

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

With reference to *collected payments*, we emphasize that equity represents almost all of the categories in question. The decrease of financial borrowings in the short and medium to long-term is due essentially to the refund of funding for long-term obligations made in the course of 2011 and aimed at stabilizing the financial flows of the Group.

Key performance indicators

To provide a more comprehensive representation of the situation of the company, the performance and the result of the business as a whole are exposed using key performance indicators, financial and non-financial.

Group Key performance indicators	**2012**	**2011**
R.O.E.	28,32%	29,47%
Return on Equity; Net result/Equity		
R.O.I.	28,05%	27,91%
Return on Investments; Ebit/Total assets		
R.O.S.	20,96%	20,43%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2,01	1,54
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	10,88	4,86
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	3	2
Current Assets/Current Liabilities		
Net working capital	9.677	8.077
Primary liquidity ratio	39%	36%
Cash and cash equivalents/Current Liabilities		
Inventory Turnover	74,40	71,11
Receivables turnover	76,18	78,66
Payables turnover	76,70	95,03

An analysis of the performance indicators shows an increase in economic performance for the reasons also analyzed previously.

The indicators relating to the rotation of the items of the balance sheet show a generalized improvement of the terms of payment and collection compared to the previous year.

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

Alternative performance indicators

In accordance with the CESR/ 05-178b guidelines on alternative performance indicators, the Company has in the context of the Report of the Board of Directors, in addition to financial magnitudes of IFRSS, some quantities derived from the latter, although not required by IFRS (non-GAAP measures). These quantities are presented in order to allow a better evaluation of the performance of the company and should not be considered as alternatives to those of IFRSS.

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

Alternative key economic performance indicators

(Euro Thousands)

	2012	**2011**
Ebitda	7.218	6.372
Ebit	6.438	5.658
Net Result	4.136	3.723

EBITDA (*earning before interest taxes depreciation and amortizations*) is defined by Directors of the issuer as the "profit before tax and financial income and expenses", as well as resulting from economic account approved by the Board of Directors before depreciation of intangible assets, amortization and depreciation of tangible assets, liabilities and write-downs as well as resulting from the above-mentioned income statement .

EBIT (*earning before interest and taxes*) is representative of the result before taxes, expenses and financial income as well as exposed in the financial statements of income provided by Directors for preparation of financial statements in compliance with IAS/IFRS.

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

Alternative key financial performance indicators

(Euro Thousands)

	2012	**2011**
Invested net working capital	12.161	10.618
Net working capital	9.677	8.077

Invested Net Working Capital is defined by Directors of the issuer as the difference between the assets (current and non-current) and liabilities (current and non-current) to the exclusion of the assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Directors of the issuer as the difference between current assets and current liabilities to the exclusion of the assets and liabilities relating to financial management and goodwill.

The alternative performance indicators are measures used by the issuer to monitor and assess the performance of the Group and are not defined as accounting measures, neither in the context of Italian GAAP nor in IAS/IFRS. Therefore, the criterion the measuring principle applied by the Group may not be consistent with that adopted by other operators and/or groups and therefore may not be comparable.

The *Net Financial Position* was positive at 0.8 million Euro (negative for 0.5 million euros on 31 December 2011). The financial stability of the company remains good, especially in view of the fact that in May of 2012 dividends were paid for a total EUR 2,677 thousand (equal to Euro 0.25 for each ordinary share in circulation, physically issued to a holder) and that the company has supported important investments in order to maintain a constant flow of raw material supplies.

Corporate structure

On 31 December 2012 the Company staffed 97 human resources.

The following is the structure of the Company's workforce in the past 3 years:

Personnel headcount	31-dic-12	31-dic-11	31-dic-10
Workers	73	69	78
Employees	19	21	20
Lower management	4	1	1
Upper management	1	1	1
Total	**97**	**92**	**100**

Investments

In the course of the year 2012 Company investments were worth 0.8 million euros, mainly focusing on plants and industrial equipment intended for production.

There are two lines for the production of loudspeakers operating in the plant, one highly automated and suitable for mass production and another, more flexible and adapted to low scae production and diversified. Both production lines meet the most modern criteria of efficiency and productivity.

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

All the investments related to the structures and fixed installations have been agreed with parent ***Research and Development International S.r.l.***, the goal being to achieve a significant improvement of the company's manufacturing capacity.

Research & Development

For information on this topic, please refer to the relevant section in the Report of the Board of Directors to the separate Balance Sheet of the Parent.

Consolidation of profit and net equity of Parent according to IFRS Accounting Standards and profit and net equity of the Group according to IFRS on 31 December 2012

The table below shows the consolidation of the profit and net equity of the Parent according to IFRS and profit and net equity of the Group on 31 December 2012.

B&C Speakers Group Consolidated Balance Sheet on 31 December 2012

(values in Euro)	Equity	Result
Parent company equity and result for the year under IFRS	**15.245.051**	**4.242.740**
Consolidation of subsidiaries under control-Equity investment elimination	(1.830.592)	-
Consolidation of subsidiaries under control-Allocation of equity and reserves	2.279.742	163.313
Duividends		(77.761)
Intercompany transactions	0	70.444
Intercompany profit elimination	(353.454)	(53.794)
Group equity and result for the year under IFRS	**15.340.747**	**4.344.942**

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

Transactions with related parties and subsidiaries under their management

The following table summarizes the transactions which took place during 2012 with all the related parts and information on relations with related parties, including those required by Consob Bulletin of 28 July 2006.

The Parent ***Research and Development International S.r.l.*** owns 66.34 % of the shares of B&C Speakers s.p.a. equal to 7,062,262 shares).

In particular, we point out transactions with ***Research and Development International S.r.l.***, a company with headquarters in Florence, Viale dei Mille no. 60, Tax Code 02342270481, Share Capital: € 90,000 (the parent company of B&C Speakers s.p.a.).

Economic relations

Service costs	**Total balance**	**Research & Development Intl. Srl**	**Total related parties**	**Incidence**
2012	(6.619.026)	(827.051)	(827.051)	12%
2011	(5.830.953)	(800.700)	(800.700)	14%

The costs incurred with reference to Research and Development International S. r.l., refer to the lease fee for the manufacturing plant of the Parent Company and to the lease fee for the building used as administrative offices by the Parent, which following relocation of production to the new manufacturing plant is used as administrative offices of the new AS Division and for Sales & Marketing.

Financial relations

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
December 31 2012	213.058	88.950	88.950	42%
December 31 2011	56.846	-	-	0%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
December 31 2012	(3.149.423)	(2.114)	(2.114)	0%
December 31 2011	(2.375.590)	(88.257)	(88.257)	4%

Payables to Research and Development International S. r.l. as of 31 December 2012, refer to the debt originated as a result of the leased property that hosts the manufacturing plant of the Parent and where all production was transferred.

Receivables from Research and Development International S. r.l. as of 31 December 2012, refer to credits for IRAP refund that originated in 2012, following request for its refund filed by the Parent Company for years in which it was subject to consolidated taxation.

This is to certify, pursuant to art. 2.6.2 Paragraph 13 of the Market Regulations boardized and managed by Borsa Italiana s.p.a., the existence of the conditions set forth in art. 37 of the Consob regulation no. 16191/2007.

Significant facts in 2012

With regard to significant events occurred in 2012, please refer to the relevant paragraph in the Report of the Board of Directors on the Parent's Balance Sheet. With regard instead to those involving the Group on a whole, it is important to note that year 2012 witnessed a strengthening of the economic performance of the Brazilian subsidiary. This result is the fruit of the progressive affirmation of the B&C Speakers brand in the South-American continent.

Significant facts after end of 2012

The order backlog maintained steady values even in the early months of 2013; on the date of this report, orders amount to Euro 10.51 million (on the same date last year they amounted to Euro 7.78 million).

This growth in the order portfolio, equal to about 35%, was realized despite the reduction in the price list of about 5% from January 2013.

The Group's management expects that the reduction will be offset by the simultaneous downward trend in the cost of raw materials and especially neodymium.

Forecast business trend

The year 2013 will continue to face economic uncertainty that permeates the global situation, but Management is still confident that the company can continue to consolidate its presence on the market of professional loudspeakers.

The uncertainty also reflects on the evolution of the cost of certain important raw materials and persists despite the precautionary measures taken.

Essential elements of adjustment plan as per art. 36 And 39 of Issuers' Regulation

In application of the provisions of Art. 39 of the Markets Regulation released by Consob with reference to "the conditions for the listing of shares of parent companies companies incorporated and governed by the law of States not belonging to the European Union" referred to in Art. 36 of Regulation (implemented by art. 62 paragraph 3 bis of Leg. Decree no. 58/98, as amended on June 18, 2008 with resolution no. 16515), the Group B&C Speakers has prepared its adjustment plan.

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

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

The legislative framework concerns 2 Subsidiaries, located in two countries not belonging to the European Union, which are of significant importance pursuant to paragraph 2 of art. 36;

Accounting and administrative systems and reporting currently in use by the B&C Speakers Group are already in line with legal requirements, both in terms of making available to the public the accounting books kept to prepare consolidated financial statements and of the suitability of the data to be audited by the Parent Company;about the request to acquire by the same company The statute and the composition and powers of the boardi social, the Parent company already has continued in the composition of the boardi social of all the subsidiaries with evidence of the corporate offices held;

With regard to the investigation by the parent on the flow of information toward the central reviewer, functional to the task of auditing the annual accounts and infra-annual of the parent, it is believed that the current process of Bulletin with the firm of auditors, articulated on the various levels of the chain of corporate control and active along the entire arc of the year, operates effectively in this directiono. They are however to the examination mode to obtain centrally greater evidence of formal Bulletin flows from subsidiaries to the external auditor.

Major shareholders and main data concerning Issuer's shares

On the date of this financial statement (March 2013) official data points to the following major shareholders:

- ***Research & Develepment International*** **S.r.l**. which owns 66.34% *(parent company)*;
- B&C Speakers s.p.a., which owns 0.19 % of its own shares; the amount of own shares was regained in the stock market as a result of the continuation of the Plan of I Buy-Back I acted by the shareholders of the parent. The accounting treatment of treasury shares held and in agreement with what is required by the IFRS rules;

- *Allianz Global Investors Italia SGR* S.p.A. which owns 2.4%;
- First Capital S.p.A. whch owns 2.017%.

Report pursuant to art. 79 of Issuer's Regulation no. 11971/99

In relation to the obligations of the disclosures provided by art.. 79 of the Regulations Broadcasters no. 11971/99, with regard to holdings, in broadcasters themselves and the company by these subsidiaries, from members of the board of control, general managers and other managers with strategic responsibilities, as well as by the spouses are not legally separated, by their children, either directly or through subsidiaries, trustee companies or through a third person, resulting from the book of the members, from Bulletins received and from other information acquired from the same components of boards of administration and control, general managers and executives with strategic responsibilities, provide the following information:

- Director Lorenzo Coppini on 31 December 2012 owns 54,700 Shares of B&C Speakers s.p.a.
- Director Simon Pratesi on 31 December 2012 owns 2,570 shares of B&C Speakers s.p.a.
- Director Alessandro Pancani on 31 December 2012 owns 7,000 Shares of B&C Speakers S. p. a
- the Chairman of the Board of Auditors, Manfredi Bufalini, on 31 December 2012, owns 5,166 Shares of B&C Speakers s.p.a.

Corporate Governance

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

In compliance with regulatory obligations, a "*Report on Corporate Governance*" is annually drafted which, in addition to providing a general description of the corporate governance system adopted by the Group, contains information on the ownership structure and on compliance to the individual requirements of the Code of Corporate Governance. It also includes information as to compliance with the consequent commitments. Below is a summarized listing of the main elements of *Corporate Governance*; for a more analytical description of the basic elements of *Corporate Governance,* please read the complete document concerning the annual report, drawn up with reference to 2008, available online at www.bcspeakers.com , under the corporate documents section.

More specifically, please refer to the above-mentioned document for the information relating to the internal control system employed by management to monitor risks relating to financial reporting, as per former art. 123-Bis TUF.

Management and control

The issuer and the Company controlled by it are, pursuant to art. 2497 and following of the C.C., are under the management and control of Research & Development International S.r.l.

The table below shows the essential figures of the last approved balance sheet of Research & Development International S.r.l. (31 December 2011):

Highlights R&D International S.r.l. *(€ Thousand)*	**31 december 2011**	**31 december 2010**
Total assets	11.226	12.174
Equity	11.094	10.057
Net income	1.037	998

The share of investment held by the Parent on 31 December 2012 is 66.2% of the Share Capital of the Parent.

Board of Directors

The Board of the issuer in office on the date of approval of this financial statement consist of 6 members and has been appointed by the ordinary Shareholders Meeting held on April 27, 2012 by majority vote (according to statutory voting protocol), in accordance with the Bylaws, and shall remain in office until the Meeting convened to approve the financial statement for the year closing on 31 December 2014.

Board of Auditors

Pursuant to art. 24 Of the Statute of the issuer, the Board of Auditors, in office since April 27, 2012, consists of three statutory and two substitute auditors, which shall remain in office until the Meeting convened to approve the financial statement for the year closing on 31 December 2014.

Major risks and uncertainties to which B&C Speakers s.p.a. and the Group are exposed

Risks related to the general terms and conditions of the economy

The economic and financial situation of the Group is influenced by various factors that make up the picture macro-economic included the increase or decrease of the gross national product, the level of consumer confidence and of the enterprises, the trend of interest rates for consumer credit, the cost of raw materials, the unemployment rate.

In 2012 the macro-economic world has begun to give the first signs of recovery in particular from the second half of the year with a demand in constant growth compared with the same period the previous year, the company operates in contexts of market subject to high cyclicality, which tend to reflect the general trend of the economy, and in some cases also broadening the scope and cause of the difficulties in predicting the size and duration of the economic cycles, we cannot give any assurance about the future evolution of the demand, or of the offer of products sold by the Company in the markets in which it operates.

In addition, some important economies are still affected by the recession or have experienced during the recent period growth rates low or economic stagnation, which latter or new conditions of recession in markets that are as soon as you come out, they can at the end affect the industrial development of many business, including those of the Company. There can be no certainty that the measures adopted by governments and by the monetary authorities will succeed in restoring, on a sustainable basis, the necessary conditions for the resumption of economic growth for these reasons, there is uncertainty of the estimates on the trend of the global economy, as it is also possible that the economies of some countries may incur in periods of slow growth or recessiono.

In a context of economic recovery is not yet consolidated press, however, to emphasize how the constant increase in demand has led the Group to achieve in the course of the 2011 economic performance for a significant improvement compared to the previous year, and this trend, also, seems to be confirmed by the continuity with which the Group has produced positive results even in the early months of the year 2012, leaving the prospect of achieving good performance even in the current year.

Dependence on suppliers

The Group believes that the ratio of supply of two components of the transducers, the cone and the coil, it is difficult to replace in the short term, taking into account the special technical and quality specifications of the same that affect yield timbre of the transducers, which is why, any unavailability of the current suppliers of these components could adversely affect the activities of the Group. In fact, although the Group can have recourse to other suppliers of these components, this could be done to conditions and technical standards different from the current and possibly lead to delays in the production cycle, with negative consequences on activity of the Company.

It should also be noted that the relationship between the Parent Company and its suppliers are not governed by any long-term contract, but are adjusted by individual purchase orders in which the price is negotiated by taking into account the volume of required goods and of technical characteristics-quality offered by different suppliers in case one or more suppliers decides to discontinue our relationship with the company, or that sboardo disputes as to the nature or the terms of the activity from these paid, the Company may not have recourse to remedies typically judicial remedies available under contracts of administration, framework agreements or other kind of long-term commitments and may suffer adverse effects on its activities.

The company considers to mitigate this risk by using, in the conduct of its business, multiple vendors for the purchase of the components and for each phase of external processing in this way by limiting, as far as possible, risk of interrupting the production if the ratio, with one or more suppliers, should stop.

Could not be ruled out, in case of significant difficulties on the part of strategic suppliers for the Parent Company, interventions, and/or significant investment in terms of stocks, and purchases of components for the production in order to benefit from significant cost savings while maintaining the productiono.

Dependence on key figures

The Group is currently managed by some key figures, which are represented by members of the board of directors of the Parent Company with operative proxies who, with a consolidated experience in the field, have contributed and are a decisive factor in the success of the company, to the extent that if the Company were to dismiss these Board members, there are no guarantees that the Group could promptly replace them with equally qualified ones who could in the short term provide the same contribution, with the result that the Company'S activities may be affected in a negative way.

Exchange rate fluctuation

The Group carries out its activities also in countries not belonging to the Euro area and this exposes the Group to risk arising from fluctuations in exchange rates between the different uniforms, and therefore cannot be excluded that sudden fluctuations in exchange rates can have negative consequences on the economic and financial situation of the Group.

Exposure to economic risk is constituted by debts and loans in foreign currency, related to sales and to future purchases.

Concentration of the customers

Most of Group revenues are derived from orders placed by OEM customers; in case of a reduction in the demand generated by these OEM customers, with which there are no particular contractual constraints, or the payments on the part of these customers were delayed, they would negatively impact the economic and financial situation of the Group.

The Group, in a manner consistent with its policy of risk management places particular emphasis on the process of product development aiming to the elongation of the life cycle of a product through the maintenance of a high quality. In particular, the difficulty replacing components supplied by the Group in a line of enclosures, involves a high level of customer loyalty and a consequent lowering of the risk of concentration on the main customers.

Difficulty protecting intellectual property

With the exception of the product lines DCX and ME102, for which the company has submitted (respectively, during the course of 2005 and 2006) international patent application, the products marketed by the Group are not protected by patents. Therefore, it cannot be ruled out the risk that the competitors of the Issuer develop products and processes equivalent, intended to compete with those marketed by the Group, these circumstances may have an adverse effect on the activity of the Group.

Partial adoption of the code of corporate governance of listed companies

The Company is committed to the continuous process of gradual acceptance of the discipline of Governance provided by the code of conduct for companies listed in the parts deemed appropriate to the size and the complexity of society, in particular and a Committee has been established for the remuneration consists of an independent director and a non-executive director, was appointed the Investor Relator in order to maintain the good relations with the generality of the shareholders, was approved the model boardizzazione and conformity with the D. Lgs 231/01 and appointed the boardo supervisors responsible for monitoring the application of the model itself. In the course of the year, moreover, was nominao the Chief Internal Auditor of the Parent Company.

Reference market and the threat posed by competition

Market entry of new competitors Italian or foreign might adversely affect the financial results of the Group in the medium-long period, there is certainty that the attitudes of the competitive market of reference can be such as to allow the Group the pursuit of its own strategies and IT'S not possible to exclude that in the future, the producers of speaker systems decide to produce internally the electroacoustic transducers, with consequent negative effects on economic and financial position of the Group.

The Group believes that adequate financial support to the field of product development aimed at maintaining and improving the quality of the product and the ability to customize the same (true point of strength of the group) can help to mitigate the risk of competitive threats.

Fluctuation in the price of production factors

The prices of the components purchased from the group are subject to fluctuations which affect, for example, fluctuations in the price of raw materials used in the production of the components themselves, such as steel, iron, aluminum and plastic. An increase in prices of raw materials and components used in the production could have negative effects on the assets and economic and financial situation of the Group.

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B&C Speakers s.p.a. in its position of leader, and exposed as it is in practice to the same risks and uncertainties described above with reference to the group itself.

9 Explanatory Notes to the consolidated financial statements at 31 December 2012

9.1 Drafting principles

The financial statements for the year ending on 31 December 2012 the B&C Speakers s.p.a. represents the separate financial statements of the Parent Company and have been prepared in accordance with International Accounting Standards (IAS/IFRS") in force on the date issued by the International Accounting Standards Board ("IASB") and approved by the European Union. IFRS also include the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named Standing Interpretations Committee ("SIC"). In addition, the Company followed the guidelines implemented by art. 9 of Leg. Decree no. 38/2005; more specifically: Consob. 15519 of July 27, 2006 establishing "Provisions on financial statements", Consob. 15520 of July 27, 2006 establishing the "Modifications and integration to the Issuers Regulation adopted under resolution no. 11971/99 MAY BE INCLUDED", Consob Bulletin no. 6064293, 28 July 2006 "corporate information request pursuant to Art. 114, Paragraph 5, Leg. Decree 58/98" and Bulletin DEM/7042270 of May 10, 2007.

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

The financial statement is drawn up based on the historical cost principle and on the assumption of that corporate business will continue. The Company has in fact estimated that, in spite of the presence of a difficult economic and financial environment, there are no significant uncertainties (as defined in par. 25 of IAS 1) as to continuation of business, because the volume of sales, in addition to the portfolio of orders, of the Company and Group did not show any signs that lead to assume the existence of potential risks.

This financial statement is audited by Deloitte and Touche s.p.a.

Content and form of the financial statements

The financial statement comprises the Balance Sheet, the Income Statement, the Statement of Changes in Net Equity, the Cash Flow and these Explanatory Notes.
With the reference to the form of the consolidated financial statements, the Company has chosen to submit the following statements:

Consolidated Balance sheet

The Assets and Liabilities is divided into categories with separate indication of Assets, Liabilities and Equity.

In turn, the assets and liabilities are exposed in the financial statement for financial year on the basis of their classifications, as current and non-current.

Consolidated Income statement

The Income statement is classified and highlights the aggregate result before taxes and financial income and expenses, which include all elements of income and cost, regardless of their repetitiveness or extraneousness to management, with the exception of the elements of the financial management entered between the result before taxes and financial income and expenses and the result before taxes.

Consolidated Cash flow

The statement of cash flows is broken down into sections. The statement of cash flows adopted by the Company was drawn up using the indirect method. Cash and cash equivalents included in the prospectus of the cash flows include the balance sheet figures of this item on the reference date. Foreign currencies were converted at the average exchange rate for the year. Income and expenses relating to interest rates, dividends received and tax on income are included in the cash flows generated by operational management.

Consolidated Statement of changes in Net Equity

The statement of changes in net equity is included, as required by the international accounting principles, with the separate highlighting of the result for the year and of every income, revenues, expenses and expenditure that is not passed to the income statement, but directly charged to equity based on specific IAS/IFRS.

Consolidation

The consolidated Financial statement on 31 December 2012 prepared according to the IFRS includes with the integral method the statements of the Parent and of companies in which it holds majority voting rights, well as those in which it exercises a predominant influence in virtue of a contract or a statutory provision or where allowed by the law, and of the companies in which it has an autonomous control of the majority of the voting rights based on agreements with Group members.

The companies that belong to the area of consolidation on 31 December 2011 are therefore:

Companies	Country	Group structure at 31 december 2012			Group structure at 31 December 2011		
		Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Parent Company			Parent Company		
B&C Speaker NA LLC	United States	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

Below are some excerpts of the important figures of the Parent's subsidiaries at 31 December 2012:

Company		B & C SPEAKERS, NA LLC
Share Capital	Dollars	30.000
Net Equity	Dollars	767.915
Profit / Loss	Dollars	180.211
Stake held directly		100,00%
Stake held indirectly		0,00%
% capital shareholding		100,00%
Book value	Euro	1.449.786

Company		B&C SPEAKERS BRASIL
Share Capital	Real	603.000
Net Equity	Real	457.546
Profit / Loss	Real	57.813
Stake held directly		100,00%
Stake held indirectly		0,00%
% capital shareholding		100,00%
Book value	Euro	246.108

Consolidation Principles

The main criteria of consolidation, followed in the preparation of Financial statement consolidated on 31 December 2012 prepared in accordance with IFRS, in continuity with the previous year, are the following:

a) the book value of the holdings is deleted against the relative equity, in the face of the taking of assets and liabilities of join according to the method of global integration;

b) any greater load value of holdings with respect to equity at the time of the acquisition is allocated, where possible, the items on the assets of businesses included in the consolidation, up to the current value of the same and, for the remaining part, unlike Consolidation, In agreement with the transitional provisions of IFRS 3, the Group has fully implemented this principle from the arrangement of the first consolidated financial statements; consequently, the Group has ceased to cushion the difference of consolidation by subjecting it to tests of *impairment;*

c) in the hypothesis that emergence of a negative difference, IFRS 3 does not include the detection of a difference in negative consolidation, therefore the surplus of the acquirer's interest in the *"fair value"* of the identifiable assets, liabilities and contingent liabilities of the acquired company compared to the cost of the acquisition is recognized in the profit and loss after you have restated the *"fair value"* of identifiable assets, liabilities and contingent liabilities of the acquired company;

d) the economic results of the subsidiaries acquired or disposed during the financial year are included in the consolidated income statement from the actual acquisition date until the actual date of sale;

e) the shareholdings in related companies are evaluated on the basis of the equity method;

f) are eliminated significant operations that took place between consolidated subsidiaries, as well as consignments of credit and debt, costs and revenues and profits not yet made arising from transactions made between companies of the group, net of any tax effect;

g) the share of minority interest of minority shareholders in the net assets of the consolidated subsidiaries is separately identified with respect to equity Group, this interest is determined on the basis of the percentage of their share in the *"fair value"* of the assets and liabilities entered the date of the original acquisition and changes in equity after that date, and then the losses attributable to minority shareholders in excess of the net assets of their eligibility are attributed to the net assets of the Group with the exception of cases where minorities have a binding obligation and are able to make additional investments to cover losses to the acquisitions made before the date of first application of IFRS, as permitted by IFRS 1, the consolidation occurs on the basis of the principles former. Therefore, the net worth of thirds was originally determined on the basis of their share of net equity attributable to the minority shareholder at the date of acquisitiono.

The separate financial statements for each of the companies belonging to the Group are prepared in the currency of the primary economic environment in which it operates (functional currency), For the purposes of the consolidated financial statements, the balance sheet of each foreign entity is expressed in Euros, which is the functional currency of the Group and the currency of presentation of the consolidated financial statements.

For the purposes of the presentation of the consolidated financial statements, the assets and liabilities of the enterprises foreign subsidiaries, whose functional currencies are the Euro, they are converted at the current exchange rates on the date of the financial statement, the income and expenses are translated at average exchange rate of the period, and the differences emerging shift are detected in the voice of the equity "Reserve of conversion" included in the prospectus of the financial statement between the "Other reserves". This reserve is recognized in profit or loss as income or expense in the period in which its subsidiary is sold.

The rates applied on the conversion of financial statements in a currency other than the Euro to 31 December 2012, and on 31 December 2011 are shown in the following table:

Currency	**31-dic-12**		**31-dic-11**	
	Avg exch.	**Final exch.**	**Avg exch.**	**Final exch.**
EURO/USD	1,285	1,319	1,392	1,294
EURO/REAL	2,508	2,704	2,327	2,416

Accounting principles

The most significant accounting policies adopted for the preparation of financial statements at 31 December 2012 are set out below.

Intangible assets

An intangible asset pruchasesd or manufactured in-house is entered entirely among assets, as required by IAS 38, only if it is identifiable, controllable and predictable that i twill generate future economic benefits and its cost can be reliably determined.
These assets are entered at their cost of purchase or production and depreciated in constant shares along

the estimated life, if they have a finite useful life.
Intangible assets with a finite life are entered at their cost of purchase or production, net of amortization and cumulated loss in value. Amortization is measured to the period of their expected life and begins when the asset is available for use.
Below are the amoritzation periods of the several items listed among intangible assets:

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

Consolidation difference-Goodwill

In the case of company acquisitions, assets, liabilities and potential liabilities acquired and identifiable are entered at their current (fair) value on the date of acquisition. The positive difference between cost of acquisition and the share of Group interest in the current value of those assets and liabilities is classified as goodwill and is entered in the balance sheet as intangible asset. Any negative difference ("negative goodwill") is instead entered in the Income statement on the date of acquisition.
Goodwill is not depreciated but is annually, or even more frequently, should specific events or changed circumstances indicate the possibility of a loss in value, to audits meant to identigy that loss, in accordance with what established by IAS 36. Loss in value of assets. After it initial reporting, goodwill is entered at its cost net of any cumulated losses in value.

Tangible assets

These assets are entered at their cost of purchase or internal production, inclusive of accessory, direct and indirect costs for the share reasonably attributable to the asset.
The amortization rates applied for each category of assets are:

Category	% depreciation
Buildings	2,60%
Leasehold improvements	12,50%
Lightweight construction	10%
Plants and machinery	10%
Melting equipment	40%
Various equipment	25%
Cars	25%
Vehicles	20%
Internal transport	20%
Office furniture	12%
PC and office machines	20%

For assets of new acquisition the predicted rates were applied substantially on the basis of the date on which the goods are ready for use.
The rates applied are the actual period during which these goods will be usable to the company.
Ordinary maintenance costs are directly charged in full to the income statement. The costs for maintenance that allow an improvement in the performance are entered at the greater value of the assets to which they relate and depreciated along the residual life of the asset.
Gains and losses arising from transfers or disposals of assets are determined as the difference between the revenues from sales and the net book value of the asset and are charged to income.

Loss in value ("Impairment")

On the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these activities have undergone value reductions (impairment test). If there are indications thereof, an estimate is drawn of the total amount recoverable amount for these assets, to determine the possible amount of devaluation. When the recoverable amount of an asset cannot be individually estimated, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

The intangible assets with indefinite useful life (new) are taxed annually based on a test to determine if there are losses of value regardless of the existence, or otherwise of indicators for the reduction of their value.

The recoverable amount is the greater of the *"fair value"* net of cost of sale and the value in use. In calculating the value in use, the future estimated cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the asset. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its book value, it is reduced to the minor recoverable value. A loss is recognized immediately in the Income statement.

When impairment has no longer reason to be maintained, the book value of the asset or cash-generating unit, with the exception of goodwill, is incremented to the new value deriving from the estimate of its recoverable amount, but not more than the net book value of that asset if it had not been written down as impairment loss. Recovery of value is attributed to the Income statement.

Leased assets

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

The asset under lease is recognized as an asset of the Company at its "fair value" on the date of the contract, or, if lower, the present value of minimum lease payments due under the lease contract. The corresponding liability to the lessor is included in the balance sheet as a liability for leases. Lease payments are divided between principal and interest payment so as to reach a constant rate of interest on the remaining balance of the liability. The financial expenses are directly charged to the income statement for the year, except if they are not attributable to specific tasks, in which case they are capitalized in accordance with the general policies of the Company as financial expense.

The costs of operating lease installments are included at constant rates based on the life of the contract. The benefits received or to receive by way of incentive to enter into lease agreements are also included at constant rates over the duration of the contract.

Non-current assets held for sale

Non-current assets (and available asset groups) classified as held for sale are valued at the lower of their previous value of entry and the market value less the cost of sale.

Non-current assets (and available asset groups) are classified as held for sale when their book value is expected to be recovered through a disposal, instead of using them in the operational activities of the company. This condition is fulfilled only when the sale is considered to be highly probable and the asset (or group of assets) is available for immediate sale in its current conditions. To this end, management must be committed to the sale, which should be completed within twelve months from the date of classification in this entry.

Inventory

Inventory is entered at the lower of the purchase cost of manufacturing and the realisable value, as deductible from market trends on the balance sheet date. The cost includes all ancillary expenses, net of trade discounts and for the finished products or work-in-progress the manufacturing cost includes the raw materials, the direct labour, depreciation and other costs directly attributable to the production in addition to converging the indirect costs of production reasonably attributable to productive work in conditions of normal use of the production capacity.
The purchase cost was calculated using the FIFO method.
The obsolete stocks and the slow reversal are devalued in relation to their expandability or realizable future value by means of an inventory depreciation fund.

Receivables

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

Financial assets

Financial assets are entered and written off from the financial statements based on their trading date and are initially valued at their cost, inclusive of expenses directly tied with their acquisition.
In future financial statements, these assets that the Company intends to and can hold until accrual are entered at their amortized cost, according to actual interest rate, net of depreciation made to reflect the loss in value.
Financial assets different other than those held until accrual are classified as held for trading or available for sale, and are evaluated at the end of each period at their "fair value". When the financial assets are held for trading profits (or losses) arising from changes in the "fair value", they are entered in the income statement. Profits (losses) arising from changes in the "fair value" for financial assets available for sale are entered in equity until the assets are transferred or have suffered a loss of value. On that date, the cumulative gain or loss entered under equity is also listed in the income statement of the term.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments with high liquidity that are readily convertible to cash and whose value may change significantly.

Financial liabilities and instruments representative of Net Equity

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

Bank loans

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

Long-term reserves

The Company enters risks and expenses when it has an obligation, legal or implied, toward third parties and it is likely it will have to use resources to fulfill the obligation, when a reliable estimate can be made of the amount of the obligation itself.
Changes in estimation are accounted for in the income statement in the year of their competence.
When their impact is significant, the reserves are calculated discounted of any estimate future cash flows at a discount rate gross of taxes, so as to reflect current market assessments of the present value of money and the risks specific to the liability.

Severance Indemnity (TFR) and similar funds

With the adoption of IFRS, Severance Indemnity (T. F. R.) is a classified as a type of defined benefit plan, as per IAS 19, subject to actuarial assessments that express the current value of the benefit payable at the end of the employment relationship that employees have accrued on the date of the financial statement. Consequently, T. F. R. is recalculated by applying the "projected unit credit method" (Projected Unit Credit Method).
Payments for defined benefit plans are entered in the income statement for the period in which they are due. The liability for post-employment benefits listed in the balance sheet represents the present value of the liabilities for defined benefit plans adjusted to take into account the actuarial gains and losses and costs relating to the performance of past labor services and reduced to the fair value of the plan assets. Any net assets resulting from this calculation are limited to the value of actuarial losses and costs relating to the performance of unpaid labor services, including the current value of any refunds and reductions in future contributions to the plan.
Retirement provision to Directors have been calculated with Unicredit Factoring method that provides for the annual provision of accrued retirement, simultaneously paid in the corresponding insurance policy.

Payables

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

Tax receivables and deferred tax payables

Deferred taxes are determined based on the temporary taxable differences existing between the value of assets and liabilities and their value for tax purposes. Deferred tax assets are accounted for only to the extent that it is probable that there will be taxable income against which use this surplus. The book value of deferred tax assets is annually revised and reduced to the extent that it is no longer probable that the company will generate taxable income to allow all or part of the recovery of the assets.
Deferred taxes are determined base on tax rates that are expected to be applied during the period in which such deferrals will be entered, as opposed to the currently applicable rate or pending approval. Deferred taxes are directly attributed to the income statement, with the exception of those relating to items entered as equity, in which case the related deferred taxes are also attributed to equity.
Deferred tax assets and liabilities are offset when there is a legal right to compensate for current assets and liabilities and when referring to tax due to the same Agency and the Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency items - exchange rate

Receivables and payables originally entered in foreign currencies are converted into Euro at the exchange rate applicable on the date of their transaction. Differences in exchange rates between collection and payment of debts in a foreign currency are entered in the Income statement.
Revenues and income, costs and expenses relating to transactions in foreign currencies are entered at the exchange rate applicable on the transaction date.
At the end of the year, the value of the assets and liabilities in a foreign currency, with the exception of fixed assets, are entered at the exchange rate on the closing date of the year and any related gains and losses are entered in the income statement. If the conversion produces a net profit, this value constitutes a reserve not distributable to its realization.

Revenue entry

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

Dividends

Dividends entered in the income statement are recorded on an accrual basis, i.e. when due to distribution of the investee, the shareholder's right to receive the payment accrues.

Contributions

“Contributions for operating expenses” are included in the financial statement when entitlement to their collection is certain and are expensed as a function of the useful life of the asset against which they are contributed.
These contributions are included in the financial statement when entitlement to their collection accrues and are credited to the income statement in relation to costs against which they are paid.

Operating segments

IFRS 8 requires precise identification of the areas of business in the internal reports used by the management in order to allocate resources to the various segments and monitor their performance. Based on the definition of the operating segments given by IFRS 8, the Company pursues business in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

Tax on income

Taxes for the year represent the sum of current and deferred taxes.
They are included in the consolidated financial statement as separate taxes allocated in the financial statements of individual consolidated companies, based on the estimate taxable income determined in accordance with the national laws applicable on the closing date of the statement, accounting for the applicable exemptions and tax credits. Tax on income is entered in the income statement, with the exception of those regarding items directly debited or credited to equity, in which cases the tax effect is entered directly under equity.

The same are entered under "tax payables" net of of any advance and deductions. Taxes due in the event of a distribution of the reserves in suspension of the tax are not set aside because of their non-distribution.

Profit from shares

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of the Parent Company for the weighted average number of ordinary shares in circulation during the period, the diluted earnings per share is calculated by dividing the net profit or loss attributable to the shareholders of the Company by the weighted average of outstanding shares, taking into account the effects of all the potential ordinary shares with diluted effect.

Estimates

The preparation of financial statements and related Notes in application of the IFRS requires that the Board of Directors make estimates and assumptions that have effect on the values of assets and liabilities, as well as providing information relating to potential assets and liabilities on the date of the balance sheet.
Budgeted results may differ from these estimates. The estimates are used to evaluate the tangible and intangible assets subject to impairment test as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortization, employee benefits, taxes, fund restructuring, other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are eflected immediately in the income statement.
It should be noted that in light of the perduring global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, it is not excludable that actual results will differ substantially from the estimates which may therefore, call for revisions, even significant, that are presently not foreseeable.
An evaluation of investments in subsidiaries is the item most affected by this uncertainty, since the estimates and assumptions made by the Directors involve predictions of the Euro/Dollar exchange rate in following years.

Relations with joint ventures and related parties

Relations with joint venutres and related parties are described in the relevant paragraph of these Explanatory Notes and were finalized at standard market conditions.

New accounting principles, amendments and interpretations applied since 1 January 2012

On October 7, 2010, IASB published some of the amendments to IFRS 7 Financial Instruments: Informational requirements applicable to corporate business starting with 1 January 2012. The amendments are issued with the intention of improving the understanding of transfers (derecognition) of financial assets, including an understanding of the possible effects of any risk for the transferring Company. The amendments also require more information when transfers are for the most part concluded toward the end of an accounting period.
The adoption of this amendment has not produced significant effects on the information given in these annual consolidated financial statements and in quantifying their related items.

Accounting principles, amendments and interpretations valid as of 1 January 2012 that are not significant for the Company

The following amendment effective from 1 January 2012 regulates the case in question and those that are not within the scope of the Group on the date of this consolidated financial statement, but which may have affect the accounting of future transactions or agreements:
_ on December 20, 2010, IASB issued an amendment to IAS 12 - Tax on income that requires deferred taxes on real estate investments to be entered at their fair value. The change introduces the assumption that deferred taxes relating to real estate investments entered at fair value under IAS 40 should be determined taking into account that the amount carried forward will be recovered through sales. As a result of this amendment, SIC-21 – Tax on income: recoverability of a non-depreciable revalued asset will no longer apply. The amendment is applied retrospectively from 1 January 2012.

Accounting principles, amendments and interpretations presently inapplicable and and not introduced by the Company in advance

On May 12, 2011, IASB issued IFRS 10 - Consolidated Financial Statements, which replaces SIC-12 – Consolidation: special purpose entity (corporate vehicle) and parts of IAS 27, consolidated and separate financial statements, which will be renamed separate financial statements and govern the accounting treatment for investments in separate financial statements. The new standard differs from existing ones, identifying in the concept of administrative control the determining factor for consolidating a Company's business in the financial statements. It also provides guidelines for determining administrative control when it is difficult to ascertain. The principle is applied retrospectively, at the latest for years starting from 1 January 2014. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.

On May 12, 2011, IASB issued IFRS 11 – Joint ventures, which is to replace IAS 31 - Investments in Joint Ventures and SIC-13 - joint ventures: contributions by partners. The new principle provides the criteria for identifying partnership agreements based on the rights and obligations resulting from the agreements rather than on their legal form and establishes the equity method as the only one applicable to the accounting of investments in joint ventures in consolidated financial statements. The principle must be applied retrospectively, at the latest for years starting on 1 January 2014. As a result of the enactment of this principle, IAS 28 - Investments in related parties has been amended to include within its scope of application, from the date the principle becomes appicable, even shareholdings in joint ventures. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.

On May 12, 2011, IASB issued IFRS 12 - Information on investments in other entities, a new and comprehensive principle on additional information required for every type of investment, including those in s1ubsidiaries, joint ventures, related parties, special purpose companies and other vehicle companies not consolidated. The principle must be applied retrospectively, at the latest for years starting on 1 January 2014.
On May 12, 2011, IASB issued IFRS 13 - Measuring fair value, which specifies that the fair value must be determined for financial reporting purposes and applies to all IFRS principles that require or permit the measurement of fair value or the presentation of information based on fair value. The principle must be applied prospectively from 1° January 2013. We are of the opinion that the application of this standard does not entail significant effects on the Group's financial statements.
On June 16, 2011, IASB issued an amendment to IAS 1 - Presentation of the financial statement, which requires companies to group all items listed among other profits/ (losses) with their total value, depending on which they may or may not be reclassified subsequently in the income statement. The amendment must be applied to years starting after or by 1 July 2012. Introduction of this amendment will have no effect on values entered in the balance sheet.

On June 16, 2011, IASB issued an amendment to IAS 19 Employee Benefits applicable retrospectively from years starting on 1 January 2013. The amendment changes the rules for the recognition of defined benefit plans and end of employment benefits. The principal changes with regard to defined benefit plans cover the full recognition, in the balance sheet and financial statements, of the deficit or surplus of the plan, the introduction of the net financial expense and classification of the net financial expense on defined benefit plans. More specifically:

- recognition of the deficit or surplus of plan: the amendment removes the option to defer their entry of actuarial profits or losses in the financial statement with the corridor method and demands their direct attribution among the total Other Profits (Losses). Furthermore, the amendment requires the immediate recognition in the income statement of the costs relating to the performance of past labor services.
- net financial expense: the separate determination of the financial expense on gross liabilities and the expected performance on the assets in service of the plans is replaced by the concept of the financial expense weighing on net defined benefit plans, or the financial expenses calculated on the current value of the liabilities for defined benefit plans or financial gains from the assessment of the assets in service of the plans, and or expenses or financial gains from any limits to the recognition of the surplus of the plans. The net financial expense is determined by applying the discount rate adopted at the beginning of the period in quantifying the obligation for defined benefit plans to all the above-mentioned cost elements.
- classification of net financial costs: in accordance with the definition of the net financial expense given by the accounting standard, all of the net financial expenses on defined benefit plans are entered among financial profit/ (loss). Under the current version of IAS 19, the Group acknowledges all of the costs and income from the evaluation of liabilities and assets of the pension plans financed in operating costs according to their allocation, while the financial expenses related to defined benefit plans (other post-employment benefits) not funded are included as financial profit/(loss).

In accordance with the rules of transition set out in IAS 19 paragraph 173, the Group will apply this principle retrospectively from 1 January 2013, by adjusting the starting values in the balance sheet and financial position on 1 January 2012 and the economic data for 2012, as if the amendments to IAS 19 had always been applied.

9.2 Structural analysis of main items in the consolidated balance sheet at 31 December 2012

1. Tangible assets

The composition of tangible assets at 31 December 2012 and the relative movement of the exercise is highlighted in the following tables:

Historic cost	31-dic-11	Increases	Reclassification	Foreign exch.	(Decreases)	31-dic-12
Land and buildings	558	-	-	(11)	-	547
Leasehold improvements	231.994	400.250	3.000	-	-	635.244
Lightweight construction	6.371	6.407	-	-	-	12.778
Plants and machinery	3.497.896	156.125	-	(1.241)	-	3.652.780
Industrial equipment	3.591.745	144.729	-	(403)	-	3.736.071
Various equipment	699.794	86.085	-	(2.935)	(1.000)	781.944
Fixed assets in progress	3.000	-	(3.000)	-	-	-
Total	**8.031.359**	**793.597**	**-**	**(4.590)**	**(1.000)**	**8.819.365**

Accumulated depreciation	31-dic-11	Depreciation	Reclassification	Foreign exch.	(Decreases)	31-dic-12
Land and buildings	558	-	-	(11)	-	547
Leasehold improvements	31.459	38.863	-	-	-	70.322
Lightweight construction	1.857	909	-	-	-	2.766
Plants and machinery	1.103.097	318.858	-	(1.017)	-	1.420.938
Industrial equipment	3.192.341	187.126	-	(40)	-	3.379.427
Various equipment	499.414	57.332	-	(872)	(1.000)	554.873
Fixed assets in progress	-	-	-	-	-	-
Total	**4.828.725**	**603.089**	**-**	**(1.940)**	**(1.000)**	**5.428.874**

Net value	31-dic-11	Net increases	Reclassification	Foreign exch.	Depreciation	Accumulated depreciation decrease	31-dic-12
Land and buildings	-	-	-	-	-	-	-
Leasehold improvements	200.535	400.250	3.000	-	(38.863)	-	564.922
Lightweight construction	4.514	6.407	-	-	(909)	-	10.012
Plants and machinery	2.394.799	156.125	-	(224)	(318.858)	-	2.231.842
Industrial equipment	399.405	144.729	-	(363)	(187.126)	-	356.644
Various equipment	200.380	85.085	-	(2.063)	(57.332)	1.000	227.071
Fixed assets in progress	3.000	-	(3.000)	-	-	-	-
Total	**3.202.634**	**792.597**	**-**	**(2.650)**	**(603.089)**	**1.000**	**3.390.491**

The Item "Other assets" includes furniture and office machines, car fleets, equipment and transportation vehicles.

The most significant changes that occurred in the course of 2012 chiefly refer to the installation of the photovoltaic system on the roof of the administrative office building of the Company, as well as the integration of production machinery and equipment of the new manufacturing plant.
Plants and machinery include (Euro 195 thousand) the new palletizing machines and "other assets" refer to (Euro 34 thousands) two forklifts. This machinery is part of two leasing contracts entered with Credem Leasing s.p.a.

2. Consolidation Difference

The structure of this item on 31 December 2012 is highlighted in the following table:

Goodwill	31-dic-12	31-dic-11
Goodwill on B&C Speakers Usa NA LLC	1.393.789	1.393.789
Writedowns	-	-
Total goodwill	**1.393.789**	**1.393.789**

The Consolidation difference, which is retraceable to goodwill from the consolidation of the stake in *B&C Speakers NA LLC* amounts to Euro 1.394 thousand on 31 December 2012 (no change compared to 31 December 2011). This value represents the surplus between the value of the investment entered at the cost of purchase compared to the Group's share in the current assets, liabilities and potential liabilities identifiable in the banalce sheet of the subsidiary at the time of the first consolidation on 31 December 2004 and at the time of the purchase of the remaining share of 20% on 31 December 2007.

U.S. subsidiary B&C USA NA LLC, whose value on 31 December 2012 amounts to Euro 1,450 thousand, was identified as the only cash-generating unit (CGU) by Directors because the assets of the subsidiary are fully dedicated to a single market segment, identified as the sale of "top quality professional loudspeakers".

On the date these Explanatory Notes are drafted, there are no indicators of impairment pointing to a loss in the value of investments. More specifically, the value of the investment in the U.S. subsidiary was subjected to an impairment test by calculating the present value of the cash flows that may originate from the Industrial Plan for a period of five years, plan approved by the "Board of Directors" of subsidiary and by the Board of parent B&C Speakers s.p.a. as a result of its meeting on March 20, 2013.

In application of the accounting method provided by IAS 36, the Company has verified the recoverability of the values entered by comparing the book value with the recoverable value (value in use). This recoverable amount is the present value of future cash flows that are expected to be generated from the continuous use of the goods and the terminal value attributable to the Company.

The basic assumptions underlying the drafting of the four-year business plan of the U.S. subsidiary (approved by Corporate Management) have been made taking into account past experience and coherently with the external information sources that reflect, on the date of these Explanatory Notes, the trend of significant variables to the plan.

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

These assumptions are:

- selling prices and product mix in line with the consolidated business in 2012;

- increase in revenues in line with the forecasts made by the Company's management for 2013 (substantiated by the results, in terms of turnover, in the first two months of the current financial year). The forecast is an increase of 3% per year for 2014-2015-2016.

- cost of sold products, calculated in proportion to the cost of purchase and adjusted according to the most recent Euro/Dollar exchange rate (reference to exchange rates applied to contracts obtained from external sources).

- Discount Rate applied:

Main financial parameters on impairment tests	31-dic-12	31-dic-11
Actuarial rate (WACC)	10,45%	11,43%
Perpetual growht rate	0,50%	0,50%

The Company has adopted a discount rate (WACC- Weighted Average Capital Cost) net of tax that reflects the current market valuations of the cost of money and the specific risk associated to CGU.

Based on a principle of discounting future cash flow, at the end of the projected cash flow for the years in the plan, the terminal value is entered to reflect the residual value that the CGU is expected to generate. The terminal value represents the current value in the last year of the projection of all subsequently perpetuated cash flows. The perpetual growth rate adopted is based on the estimated growth in turnover of the US subsidiary in years after the Business Plan term. Considering the uncertainty typically involved in such estimates, the Group's management has decided to apply a cautious perpetual growth rate very near to zero (a growth rate of 0.5 %), though it expects this rate to be reasonably lower than the rate it will in fact achieve. Changes in revenues, in the amount of expected sales and direct costs are determined based on past experience and accurate budgets for the future market.

Despite the fact that, as mentioned previously, on the date these Explanatory Notes are drafted, there are no impairment indicators pointing to a loss in the value of the investment, the Board nonetheless decided, given the uncertain current economic conditions of the market, to complete a sensitivity analysis of the recoverable amount of the investment in the U.S. subsidary. This analysis highlighted as decisive factor in determing the fair value of the investment, the Euro/Dollar exchange rate used. More specifically, the Company's management believes that the reasonably predicable fluctuation in the exchange rate (Euro/Dollar) cannot exceed 6% (in absolute terms) compared to the rates applied in the four years of the industrial plan. Considering this maximum fluctuation range and other assumptions of the plan, the sensitivity analysis seems to indicate that the investment will not suffer impairment of sorts.

3. Intangible Assets

The structure of the intangible assets on 31 December 2011, and the relative fluctuation in 2012 are highlighted in the following table:

Intangible assets	**31-dic-11**	**Reclassification**	**Increases**	**Other**	**Amortization**	**31-dic-12**
Research & Develoment	109.157	-	-	-	36.386	72.772
Patent rights	334.209	-	63	(44.773)	80.939	208.560
Intangible assets in progress	-	-	-	-	-	0
Total	**443.366**	**-**	**63**	**(44.773)**	**117.325**	**281.331**

The item "Research and Development" refers to costs incurred for the project to develop a new product called Sound Architecture. This project entailed the incurrence of costs for staff dedicated to its execution and costs for materials and services (mainly consisting of technical expertise) required to develop the product.

In accordance with the applicable legislation and based on forecast revenues and cash flows that the division is expected to generate, we have entered costs for this division only for pre-industrial development completed in December of 2009 with the definition of all the prototypes required to commence production. Their amortization has been spread in five years starting with 1 January 2010. In 2012, marketing of the "Sound Architecture" division finally began and on the date of these Notes, orders are incoming for considerable amounts.

The item "industrial and intellectual property rights" comprises software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

Fluctuations in the accounted period refer to the funding contribution finally received in 2012 for the construction of the new IT system.

4. Deferred tax receivables

This item on 31 December 2012 includes receivables on prepaid taxes for Euro 209 thousand (Euro 184 compared to 31 December 2011), relating to temporary deductible differences that pertain to the Company and that were generated following entry of costs not entirely deductible in the year.

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

Receivables for prepaid taxes have been included in the Balance sheet, because the management expects the Company to generate future taxable income against which it can use this positive balance.

5 Other non-current assets- Other itemized assets

The voice is thus structured on 31 December 2012:

Other non current assets	31-dic-12	31-dic-11	Change	% Change
Insurance poilcies	754.924	710.524	44.400	6%
Guarantee deposits	56.846	56.846	-	0%
Ires refund receivables	156.212	-	156.212	n/a
Others	5.545	5.655	(110)	-2%
Total non current assets	**973.527**	**773.025**	**200.502**	**26%**

The Item insurance refers to the 31 December 2012 to credit matured in respect of insurance companies "Milan Insurance" and "The Fondiaria insurance" relatively to the bills of capitalisation, capital-guaranteed, subscribed in order to ensure adequate coverage of financial treatment of end of term for Directors.
The value of the assets relating to insurance policies inscribed in the financial statement has been evaluated according to the value of the premiums paid to the equivalent provisions made.

We summarised in the table below the movement of the credits for insurance policies took place during the year:

Changes in insurance policies	31-dic-11	Increases	(Decreases)	31-dic-12
Insurance policies	710.524	44.400	-	754.924
Total	**710.524**	**44.400**	**-**	**754.924**

The increase in 2012 is due to the new payments made by the company during the financial year and that amounted to Euro 44 thousands; payments made in the course of the year represent the value of the provision made to *Severance Indemnity*, as expounded in note 13.

The item deposits reflects the credit for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli loc. Vallina Via Poggio Del Moro no.1, for Euro 48 thousands.

The item "IRES refund" includes the credit generated in 2012 following the presentation of an application for IRES refund pursuant to Art. 4 of Leg. Decree of March 2, 2012, no. 16, converted with changes into Law of April 26, 2012, no. 44. In particular, art. 2 of the Law of December 6, 2011, no. 201, converted with changes into Law of December 22, 2011, no. 214, which establishes that effective from 2012, IRES taxable income will be fully deductible of IRAP relating to costs incurred for employees and outsourcers. In addition, Art. 4 of Law of March 2, 2012, no. 16, converted with changes into Law of April 26, 2012, no. 44, has extended this deductibility even to years prior to 2012, providing the possibility to apply for refund of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. The Company under this legislation has therefore applied for refund of the greater IRES paid during the period 2007-2011.

6. Inventories

Inventory in stock is calculated according to the FIFO method and is structured as follows on 31 December 2012:

Inventories	31-dic-12	31-dic-11	Change	% Change
Row materials and consumables	604.593	1.004.860	(400.267)	-40%
Work in progress and semi-finished	5.245.185	4.100.936	1.144.249	28%
Finished goods	918.428	1.032.193	(113.765)	-11%
Gross Total	**6.768.206**	**6.137.989**	**630.217**	**10%**
Provision for inventory writedowns	(193.317)	(193.317)	-	0%
Net Total	**6.574.889**	**5.944.672**	**630.217**	**11%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence of Euro 193 thousand to 31 December 2012.

Obsolescence, attributable almost exclusively to the category of semi-finished products, has been estimated as a result of an analysis on the recoverability of the values of products in stock.

The gross value of stock on 31 December 2012 appears to have on a whole increased by 10% compared to the consolidated value on December 31, 2011. The increase in the value of inventory is mainly linked to the rise of the quantity of semi-finished products in stock and is mainly due to the strong increase in the portfolio of orders and the consequent need for larger inventories than in the past.

For further details on the changes in inventories, please refer to the Note below that comments the Income statement.

7. Trade receivables

Trade receivables concern standard sales to national and foreign customers and are structured as follows on 31 December 2012:

Trade receivables	31-dic-12	31-dic-11	Change	% Change
Trade receivables	7.317.981	5.918.268	1.399.713	24%
(Provision for doubtful accounts)	(225.667)	(191.624)	(34.043)	18%
Total	**7.092.314**	**5.726.644**	**1.365.670**	**24%**

The adjustment of the nominal value of the credits to the realizable value was obtained by means of a suitable provision for doubtful accounts equal on 31 December 2012 to Euro 226 thousand. The gross value of trade receivables displays an increase compared to 31 December 2011, following significant increase in turnover recorded in the course of 2012.

The table below shows changes in the provision.

Change in provision for doubtful accounts	31-dic-11	Increases	Use	31-dic-12
Provision for doubtful accounts	191.624	60.452	(26.409)	225.667
Total	**191.624**	**60.452**	**(26.409)**	**225.667**

The Fund was used over the course of 2012 for the closure of commercial entries not salvageable for objective reasons, as required by the applicable standards to a correct exposure in the financial statement of trade receivables.

8. Tax receivables

The tax receivables are structured as follows on 31 December 2012:

Tax receivables	31-dic-12	31-dic-11	Change	% Change
Advances on provision for serevance indemnities	2.252	2.252	-	0%
VAT receivables	276.644	212.003	64.641	30%
Tax receivables B&C Brasil	22.116	66.101	(43.985)	-67%
Tax receivables B&C USA	313.455	166.001	147.454	89%
Other minor receivables	-	4.110	(4.110)	-100%
Total tax receivables	**614.467**	**450.467**	**164.000**	**36%**

There are no tax receivables for current taxes on 31 December 2012 the Company having a net debt with the Treasury.

9. Other current assets

The Other current assets are structured on 31 December 2012:

Other current assets	31-dic-12	31-dic-11	Change	% Change
Due from suppliers for advances	67.658	42.772	24.886	58%
Other minor receivables	44.859	5.565	39.294	706%
Total other receivables	**112.517**	**48.337**	**64.180**	133%
Trade fairs costs	21.303	10.609	10.694	101%
Phone expenses	1.259	0	1.259	n/a
Maintenance and insurance fees	40.074	17.823	22.251	125%
Specialist contract fees	27.000	25.000	2.000	8%
Total prepaid expenses and accrued income	89.636	**53.432**	**36.204**	**68%**
Total current assets	**202.153**	**101.769**	**100.384**	99%

The item *Specialist contract fees* refers to accrued income for service fees on their share due in 2012 to *Intermonte Sim S.p.A.* for its *Specialist* service.

10. Cash and cash equivalents

Cash and cash equivalents are listed in the table below:

(In Euro)

Cash and cash equivalents	31-dic-12	31-dic-11	Change	% Change
Bank and postal deposit	2.219.610	2.046.968	172.642	8%
Cash	2.866	1.132	1.734	153%
Total cash and cash eqivalents	**2.222.476**	**2.048.100**	**174.376**	**9%**

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

11. Net Equity and its elements

Share Capital

The share capital of the company on 31 December 2012 amounted to Euro 1,098 thousand (Euro 1,049 thousand on 31 December 2011); the share capital of B&C Speakers consists of 11,000,000 Ordinary shares each worth 0.10 Euro, fully paid-up.

Following continuation of the *Buy-Back* Plan to repurchase own shares, on 31 December 2012 B&C (Parent) owns 20,704 shares worth 0.19% of the share capital, purchased at an average vaue of uro 4.09 per share.

Other reserves

This item, equal to Euro 4,764 thousand on 31 December 2012, comprises the legal reserve for Euro 379 thousands, the extraordinary reserve for Euro 44 thousands, the reserve for capital gains on curreny exchange not realized for Euro 20 thousands and the share premium reserve for Euro 4,321 thousand.

More specifically, the share premium reserve increased by Euro 1,436 thousand, following entry of the result of treasury shares traded in the year.

Profit/(loss) carried forward

This item includes the economic results of previous years.

Operating profit

This item includes the operating profit in the year.

Profit from shares

Basic earnings per share have been calculated as indicated by IAS 33. The value of the said indicator is equal to Euro 0.38 per share, basic earnings per share in 2011 amounted to Euro 0.37. This indicator was calculated by dividing the net profit attributable to shareholders of the Parent Company for the weighted average number of ordinary shares in circulation during the period.

12. Medium-long term borrowings

Medium-long term borrowings on 31 December 2012 are structured as follows:

Long-term borrowings	31-dic-12	31-dic-11	Change	% Change
Fidi Toscana loan	24.999	44.371	(19.372)	-44%
Credemleasing loan	123.991	158.879	(34.887)	-22%
Long-term Credem loan	-	423.694	(423.694)	-100%
Long-term Simest loan	500.000	500.000	0	0%
Total long-term borrowing	**648.991**	**1.126.944**	**(477.954)**	**-42%**

The item "Fidi Toscana loan", equal to Euro 25 thousand on 31 December 2012, includes the poor share over the following year of the debt on the financing contract with Fidi Toscana. The loan is equal to 50% of the total contribution received from the Region of Tuscany through Fidi Toscana, meant to fund technological innovation plans pursued by the Parent.

The item "Credem Leasing loan", equal to Euro 124 thousand on 31 December 2012, includes the poor share over the following year of the implicit debt linked to two leasing contracts concluded in the course of 2010 and related to two trucks and a palletizing plant.

The item "Long-term Credem loan", equal to Euro 424 thousand to 31 December 2011, is equal to zero on 31 December 2012, since the residual debt for the loan is fully refundable in 2013. This unsecured loan is granted through a contract with Credem s.p.a. signed on April 29, 2011 for an original amount equal to 2.5 million Euro.

The item "Long-term Simest loan", equal to Euro 500 thousand on 31 December 2012, includes the poor share over the following year of the unsecured long-term loan contract with Simest spa of April 19, 2011 for an original amount equal to Euro 500 thousand. This loan was granted by the Italian Company for businesses abroad to protect capital stability, in order to increase competitiveness on foreign markets.

The table below lists the relevant information on the conditions of the several loans:

Loans details	Credem loan	Simest loan
Bank	Credem S.p.A.	Simest S.p.A.
Originary amount granted	2.500.000	500.000
Starting date	29-apr-11	19-apr-11
Expiring date	29-apr-13	31-dic-18
N. instalments	24	10
Advance instalments	-	5
Periodicity	Monthly	Half-yearly
Interest rate	Euribor 1 month + 2,227%	Advance instalment int. rate: 2,49% Effective instalment rate: 0,5%
Current portion	424.974	-
Non current portion	0	500.000

13. Severance pay, Executive retirement provision and similar funds

The item includes liability accrued in relation to Executive Retirement provision and liability accrued against the retirement provisions due to Directors at end of office.

For the purpose of reporting the Executive Retirement provision in the statements, the financial value-actuarial liabilities were recalculated to give a value of the Company’s liability similar to that which arises in defined benefit plans, in accordance with the guidelines of IAS 19.

The current value of liabilities for Severance Indemnity, in accordance with IAS 19, is equal to Euro 432 thousand.

It should be noted that, with regards to the application of international accounting standard IAS 19, in 2012, the effects of discounts on the debt to employees is equal to Euro 61 thousands. Their effect on the increased current value of the fund exclusively responds to criteria of actuarial representation, and bear no relation with the figures for the share of provision in the course of 2012 or with the termination of employment relationships. The value of such actuarial change is entered as part of the financial expense of for 2012.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review and have fluctuated as follows over 2012:

Provision for severance indemnities	31-dic-11	Provision (interest cost)	(Use)	Actuarial effects	31-dic-12
Provision for severance indemnities	395.324	15.593	(39.290)	60.732	432.359
Total provision for severance indemnities	**395.324**	**15.593**	**(39.290)**	**60.732**	**432.359**

Please note that in the balance sheet on 31 December 2012 the discount rate of the defined benefit plan was changed in application of IAS 19, shifting from an AA rating of basket Corporate bonds (IBOXX indices Eurozone Corporate AA in December 2011) at a rate of securitis with rating index (IBOXX indices Eurozone Corporate A in December 2012).

This change is due to a narrowing securities market with high credit rating and is attributable to the gradual worsening of the rating average of issuers of debt securities, both on a level of public issuers (national debt, public institutions, etc.) and with regard to obligations reported in previous years.

With regard thereto, a shift from observance of the provisions of IAS 19 concerning the identification of the discount rate to apply for the development of actuarial valuations, it is believed that in certain cases the discount rate used is more representative of the actual current trends in the financial market of securitis listed as debt and issued by private companies. The latter constitutes the main reference ruled by IAS19 for the determination of the discount rate. It is thought, therefore, that the discount rate used meets the definition of "high quality" required by IAS19 and also allows adequate amplitude of the given bond basket.

For comparative purposes, it should be noted that the value of Severance Indemnity on 12.31.2012 calculated based on the annual discount rate inferred by the IBOXX indices Corporate AA on the date of the calculation would have been equal to Euro 444,779.

In reporting Executive Retirement, provision was made for each Director for fees due in 2012 based on pre-existent agreements; the value of the provision is equivalent to the value of the corresponding policies that are entered among assets and described in Note 5.

This fund has changed as follows over 2012:

Executive retirement provision (TFM)	31-dic-11	Provision	(Use)	Actuarial effects	31-dic-12
Executive retirement provision (TFM)	710.523	44.400	-	-	754.923
Total TFM	**710.523**	**44.400**	**-**	**-**	**754.923**

14. Deferred tax payables

On 31 December 2012, the item includes deferred tax payables for Euro 17 thousands originated as a result of the application of IFRS. These primarily refer to deferred taxes originated by the adjustment of the executive retirement provision.

15. Short term borrowings

This item amounts to Euro 761 thousand on 31 December 2012 (Euro 1,404 thousand on 31 December 2011) and is structured as follows:

Short term borrowings	31-dic-12	31-dic-11	Change	% Change
Fidi Toscana loan	18.617	12.329	6.288	0%
Credemleasing loan	34.809	33.574	1.234	4%
Short-term Credem loan	424.974	1.255.849	(830.875)	-66%
Short-term Simest loan	-	-	-	N/A
Bank overdrafts	283.086	102.367	180.719	177%
Total	**761.486**	**1.404.119**	**-642.633**	**-46%**

The decrease in the current financial debt is essentially due to the reduction in the refundable fee part of the short-term Credem loan, whose repayment plan will be completed in 2013.

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

16. Trade payables

This item includes debts with suppliers and provisions for invoice receivables.

Trade payables	31-dic-12	31-dic-11	Change	% Change
Trade payables	3.149.423	2.375.590	773.833	33%
Total trade payables	**3.149.423**	**2.375.590**	**773.833**	**33%**

The increase in debts with suppliers compared to 31 December 2011 is tied to the increase in purchase volumes over the year.

17. Tax payables

This item is structured as follows on 31 December 2012:

Tax liabilities	31-dic-11	31-dic-10	Change	% Change
Employee witholding taxes	124.439	102.996	21.443	21%
Income tax liabilities	221.149	353.249	(132.101)	-37%
Tax liabilities B&C USA	315.203	187.599	127.604	68%
Tax liabilities B&C Brasil	20.531	3.492	17.039	488%
Total tax liabilities	**681.322**	**647.336**	**33.986**	5%

Current tax liabilities, entered net of advances paid over the year, refer to IRES (Euro 191 thousand) and IRAP (Euro 30 thousand).

The withholding taxes represent the value of withholdings paid in the first months of 2012.

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

18 Other current liabilities

This item is structured as follows on 31 December 2012:

Other current liabilities	31-dic-11	31-dic-10	Change	% Change
Social security funds Liabilities	217.232	202.488	14.745	7%
Vacations time	164.033	109.097	54.936	50%
Employee Liabilities	158.699	173.923	(15.224)	-9%
Other liabilities	627.965	805.400	(177.435)	-22%
Total current liabilities	**1.167.928**	**1.290.908**	**(122.979)**	-10%

The item "Social security funds liabilities" includes the amounts owed to social security institutions, mainly consisting of amounts owed to INPS (Euro 190 thousand).

The item "Vacations time" includes the share for holidays remaining on 31 December 2012.

The item "Employyee liabilities" refers to debts for salaries and wages still to be paid on the date of the financial statement.

Other liabilities are related to advances received from customers and refer for the most part to deposits received by the customer that are crucial to the Company in order to secure a strategic stock of neodymium magnets.

Guarantees lent to third parties

On 31 December 2012, as also on 31 December 2011, there are no records of guarantees to third parties.

9.3 Structural analysis of main items of the consolidated income statement 2012

19. Revenues from sales and services

Revenues from sales and services in 2012 displayed a significant increase, up by 11 % compared to the previous year. The table below highlights the revenue from sales and services broken down by geographical area:

Geographical Area	2012	%	2011	%	Change	% Change
Latin America	2.375.470	8%	2.466.962	9%	(91.492)	-4%
Europe	12.410.621	40%	11.929.724	43%	480.897	4%
Italy	3.697.272	12%	4.123.686	15%	(426.414)	-10%
North America	5.717.730	19%	5.064.358	18%	653.372	13%
Middle East & Africa	377.643	1%	568.851	2%	(191.208)	-34%
Asia & Pacific	6.129.541	20%	3.539.823	13%	2.589.718	73%
Total revenues	**30.708.276**	**100%**	**27.693.404**	**100%**	**3.014.872**	**11%**

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

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

However, this single category of product sales can be further broken down in terms of turnover based on the type of speakers sold. Below is a summarized table of sales in 2012 by product category compared with their respective value in the previous year:

Product category	2012	%	2011	%	Change	% Change
LF FE Drivers	8.876.351	28,9%	8.367.120	30,2%	509.231	6%
LF ND Drivers	7.976.123	26,0%	7.543.860	27,2%	432.264	6%
HF Drivers	10.568.744	34,4%	9.010.579	32,5%	1.558.165	17%
Coaxials	2.046.579	6,7%	1.922.837	6,9%	123.742	6%
Others	1.240.479	4,0%	849.009	3,1%	391.470	46%
Total revenues	**30.708.276**	**100,0%**	**27.693.404**	**100,0%**	**3.014.872**	**11%**

As more fully described in the Report of the Board of Directors, revenues during the quarters were constantly growing and consistently above higher than the consolidated value in 2011.

Furthermore, as can be inferred from the above table, in 2012 the company's sales have privileged products with higher added value and profit margin (drivers) compared to the previous year.

Sales reported here are net of intercompany transactions made by the company themselves.

For a more detailed analysis of revenues during the year, please refer to the relevant section within the Report of the Board of Directors at the beginning of this document.

20. Other revenues

The item is broken down as follows:

Other revenues	2012	2011	Change	% Change
Other revenues	101.652	245.510	(143.858)	-59%
Grants for R&D activities	115.528	-	115.528	-100%
Extraordinary income	12.124	20.246	(8.122)	-40%
Total other revenues	**229.303**	**265.756**	**(36.453)**	**-14%**

The category "Other Revenues and Income" entirely refers to the recovery of expenses of the business, transportation and miscellaneous.

The category "Grants for R&D activities" refers to a contribution granted to product innovation in 2012 for the division Sound Architecture.

21. Increase/ (decrease) in the inventories of finished and semi-finished products

The Item is structured as follows:

Inventory change	2012	2011	Change	% Change
Semi-finished products inventory change	1.144.249	428.929	715.320	167%
Finished products inventory change	(58.803)	278.510	(337.313)	-121%
Total inventory change	**1.085.446**	**707.439**	**378.007**	**53%**

The increase in semi-finished inventory is due to the increase in turnover in 2012 and the ensuing increase in received orders, compared to the previous year.

22. Cost for purchasing of raw materials and consumables

The Item is structured as follows:

Consumption of raw material, consumable and other products	2012	2011	Change	% Change
Purchases:				
Raw materials and finished products	1.210.053	1.015.830	194.223	19%
Consumable supplies	971.507	866.073	105.434	12%
Semi-finished products	9.446.305	9.331.092	115.213	1%
Packings	354.955	348.773	6.182	2%
Stationery	11.924	12.189	(265)	-2%
Purchase of other products	751.915	480.286	271.629	57%
Total purchases	**12.746.659**	**12.054.242**	**692.417**	**6%**
Change of raw material, consumable and other products	**400.267**	**(365.109)**	**765.376**	**-210%**
Consumption of raw material, consumable and other products	**13.146.926**	**11.689.133**	**1.457.793**	**12,5%**

As shown in the table above, the consumption of raw materials and semi-finished and finished products have registered an increase over the previous period, as a result of increased production volumes for the year.

It should be noted that the purchases of raw materials are mainly materials of ferrous origin that are used in the production process and the cost of which can be influenced by trends in the cost of the raw material, while purchases of semi-finished products are related to processing components that are directly installed in the product being processed.

Purchases of the different goods relate to purchases of office machinery, to the purchase of small equipment for production and warehouse and to the purchase of samples and equipment intended for the Sound Architecture division.

23 Labour cost

The Item is structured as follows:

Labour cost	2012	2011	Change	% Change
Salaries	3.197.064	3.133.778	63.286	2%
Social charges	901.403	898.047	3.356	0%
Severance indemnities	189.444	199.911	(10.467)	-5%
Executive retirement indemnities	44.400	45.200	(800)	-2%
Other employees costs	281.893	183.905	97.988	53%
Total labour cost	**4.614.204**	**4.460.841**	**153.363**	**3%**

The increase in the entries "salaries" and "social charges" was mainly due to the greater impact of extraordinary costs incurred in 2012 to satisfy increased production volumes.

The increase in "Other employees costs", equal to Euro 98 thousands, should be read in relation with the greater use of temporary staff in 2012 compared to the previous year, in order to support increasing production levels.

24. Costs for services, leases and rentals

The Item is structured as follows:

Service costs	2012	2011	Change	% Change
Services:				
Manteinance	591.859	523.508	68.351	13%
Advertising	175.806	221.495	(45.689)	-21%
Emolumenti e rimborsi organi sociali	652.986	654.844	(1.858)	0%
Bank charges	26.802	24.199	2.603	11%
External manufacturing costs	2.023.261	1.449.737	573.524	40%
Shipping and logistics costs	822.240	751.629	70.611	9%
Brokerage	70.772	64.696	6.076	9%
Travelling expenses	167.933	168.147	(214)	0%
Professional services	792.613	747.953	44.660	6%
Other services	409.674	344.552	65.122	19%
Total service costs	**5.733.944**	**4.950.760**	**783.185**	**16%**
Rent and leasing expenses	885.081	880.193	4.888	1%
Total service, rent and leasing costs	**6.619.026**	**5.830.953**	**788.073**	**14%**

Service costs are mainly related to maintenance and software for about Euro 191 thousands (Euro 219 thousand in 2011), and costs for utilities for Euro 222 thousand (Euro 287 thousand in 2011) and maintenance capital assets and real estate for Euro 168 thousand.

The maintenance costs refer to costs incurred for repairs on Company equipment and regular fees for software maintenance.

External manufacturing costs refers to manufacturing services provided by Corporate suppliers on certain process steps, i.e. turning and coating, which are not carried out in-house. Their increase is due to the increase of production volumes recorded in 2012.

Professional services include business consultancy received during 2012 and legal-administrative consulting services received by the company itself.

Rental and leasing expenses refer to lease and rentals for about Euro 45 thousands and the costs for payable real estate rentals worth Euro 832 thousand.

25. Depreciation of tangible assets and intangible assets and depreciation

The Item is structured as follows:

Amortization, depreciation and writedowns	**2012**	**2011**	**Change**	**% Change**
Amortization of intangibles assets	603.089	565.647	37.442	7%
Depreciation of tangible assets	117.325	115.266	2.059	2%
Total amortizations and depreciations	**720.414**	**680.913**	**39.501**	**6%**
Writedowns	60.452	33.788	26.664	79%
Total writedowns	**60.452**	**33.788**	**26.664**	**79%**

The increase in depreciation is due mainly to the commissioning of new investments made in the course of the year by the Parent

The provision for write-downs made by the subsidiaries and Parent takes account for the risk of writing off current outstanding loans on 31 December 2012.

26 Other Costs

The Item is structured as follows:

Other costs	**2012**	**2011**	**Change**	**% Change**
Taxes	49.663	16.911	32.752	194%
Other minor charges	298.418	196.153	102.265	52%
Stock Exchange expenses	76.292	99.943	(23.651)	-24%
Total other costs	**424.372**	**313.007**	**111.365**	**36%**

The item Stock Exchange expenses includes management costs traceable to Borsa Italiana S.p.A. and Consob.

The item "Other minor charges" includes miscellaneous expenses for about Euro 25 thousands, grants for Euro 31 thousands, contingencies for Euro 19 thousands and other minor expenses whose unitary value is not significant.

27. Financial income and expenses

The item is structured as follows:

Financial expenses and income	2012	2011	Change	% Change
Bank interest income	17.742	2.878	14.864	516%
Exchange rate differences income	168.485	130.658	37.827	29%
Exchange rate differences accruals	51.819	108.837	(57.018)	-52%
Other financial income	9.221	9.655	(434)	-4%
Total financial income	**247.267**	**252.028**	**(4.761)**	**-2%**
Interest expenses	38.489	60.692	(22.203)	-37%
Actuarial losses	60.731	-	60.731	n/a
Financial expenses for Defined Benefit Obligation	15.594	-	15.594	n/a
Exchange rate difference expenses	170.763	264.327	(93.564)	-35%
Exchange rate differences accruals	91.412	8.773	82.639	942%
Other financial charges	9.085	3.011,00	6.074	-
Total financial expenses	**386.074**	**336.803**	**49.271**	**15%**
Total financial income (expenses)	**(138.807)**	**(84.775)**	**(54.032)**	**64%**

The detailed listing of the individual item entries show an increase in interest income on current accounts, consequent to the increase of the average amount of bank overdrafts during the period and the higher profits on exchange rates.

The increase of the item "financial expenses" was mainly due to the effect of the increase in financial expenses relating to the defined benefit plan for employees.

28 Taxes

The Item is structured as follows:

Current and deferred taxes	2012	2011	Change	% Change
IRES	1.611.929	1.400.180	211.749	15%
IRAP	374.251	339.631	34.620	10%
B&C USA current taxes	134.764	174.384	(39.620)	-23%
B&C Brasil current taxes	13.259	10.692,00	2.566,96	-
Total current taxes	**2.134.202**	**1.924.887**	**246.368**	**13%**
Ires refund	(156.212)	-	(156.212)	n/a
Deferred tax expenses/(income)	(24.108)	31.532	(55.640)	-176%
Total income taxes	**1.953.882**	**1.956.419**	**(55.640)**	**-3%**

Current taxes contain the tax expense that originated in the course of the year in application of the laws in force; they are also highlighted the tax loads relative to the profits made by foreign subsidiaries.

The item "IRES refund" includes revenues for Euro 156,212 in 2012 following the presentation of an application to receive an IRES refund tied to actual IRAP referring to personnel costs for the years 2007-2011, as already described in paragraph no. 5, to which we ask that you refer for details.

The Item "deferred tax expenses/(income)" mainly includes the effect the consolidated entries relating to the cancellation of the internal inventory margin.

The reconciliation between the actual tax expense in 2012 and the theoretical tax expense of the Parent B&C Speakers s.p.a. refers to the Explanatory Notes to the separate financial statements.

29. Net Financial Position

As required by Consob Bulletin of 28 July 2006 and in accordance with the recommendation of the CESR of 10 February 2005 "Recommendations for the uniform implementation of the regulation of the European Commission on financial statements", the net financial position of the company on 31 December 2012 is detailed below:

(In Euro)

	31 december 2012 (a)	31 december 2011 (a)	Change
Cash and cash equivalents	2.222	2.048	9%
A. Cash and cash equivalents	**2.222**	**2.048**	**9%**
Current borrowings	(761)	(1.404)	-46%
B. Current borrowings	**(761)**	**(1.404)**	**-46%**
C. Current net financial position (A+B)	**1.461**	**644**	**127%**
Non current borrowings	(649)	(1.127)	-42%
D. Non current borrowings	**(649)**	**(1.127)**	**-42%**
E. Net financial position (C+D)	**812**	**(483)**	**-268%**

(a) Informazioni estratte e/o calcolate dal bilancio predisposto in conformità agli IFRS adottati dalla Unione Europea.

Nota: La posizione finanziaria netta, calcolata dal Management del Gruppo come sopra dettagliata, non è identificata come misura contabile nell'ambito sia dei Principi Contabili Italiani che degli IFRS omologati dalla Commissione Europea. Pertanto, il criterio di determinazione potrebbe non essere omogeneo con quello adottato da altri operatori e\o gruppi e, conseguentemente, non è comparabile. Inoltre la definizione potrebbe essere diversa dalla definizione prevista dai contratti di finanziamento dell'Emittente.

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

30. Relations with related parties

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

- ***Research & Development International S. r.l.*** , with headquarters in Florence, the Viale dei Mille n 60, C. F. 02342270481, Social Capital € 90,000 , which owns the 66.34 % of the share capital of the parent company "B&C Speakers s.p.a. ";

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

31. Transactions from non-recurrent operations

Pursuant to Consob Bulletin of 28 July 2006, it should be noted that in the course of 2012 the Company has not incurred costs relating to non-recurrent operations.

32. Transactions from atypical and/or unusual operations

Pursuant to Consob Bulletin of 28 July 2006, it is stated that in the course of 2012 the Company has not engaged in atypical and/or unusual transactions, as per their definition in the Bulletin.

10 Other information

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

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
B&C Speakers NA L.L.C. (Pompton Plains) *						
December 31st 2012	Us Dollars/thousands	30	253	688	100%	1.450
December 31st 2012	US Dollars/thousands	30	180	768	100%	1.450
B&C Speakers Brasil LTDA*						
December 31st 2012	Real/thousands	150	38	429	100%	246
December 31st 2012	Real/thousands	603	58	458	100%	246

* Controlled companies

10.2 Fees paid to Board of Directors, General Managers and Executives with strategic responsibilities (thousands of euros) (art 78 reg. (Consob. No. 11971/99 MAY BE INCLUDED).

Compensi corrisposti agli Amministratori, ai Sindaci, ai Direttori Generali ed ai Dirigenti con responsabilità strategiche (migliaia di Euro) (art. 78 reg. Consob n. 11971/9

Name	2012 nomination	Period in charge	Expiry date*	Remuneration**	Non monetary benefits	Bonus and other	Other remuneration	Total
Roberto Coppini	Chairman	1/1 - 31/12/2012	2015	60	-	-	-	60
Lorenzo Coppini	Director	1/1 - 31/12/2012	2015	175	-	-	-	175
Simone Pratesi	Director	1/1 - 31/12/2012	2015	160	-	-	-	160
Alessandro Pancani	Director	1/1 - 31/12/2012	2015	160	-	-	-	160
Marco Biagioni	Independent director	1/1 - 31/12/2012	2015	10	-	-	-	10
Roberta Pecci	Independent director	1/1 - 31/12/2012	2015	10	-	-	-	10
Manfredi Bufalini	Chairman of Collegio Sindacale	1/1 - 31/12/2012	2015	9	-	-	-	9
Giovanni Mongelli	Member	1/1 - 31/12/2012	2015	6	-	-	-	6
Leonardo Tommasini	Member	1/1 - 31/12/2012	2015	6	-	-	-	6

* Anno in cui si tiene l'assemblea di approvazione del bilancio in occasione della quale scade il mandato.
** € thousand

10.3 Report as per art. 149-duodecies of the Consob Issuers Regulations.

The following statement, drawn up pursuant to of the art. 149-duodecies of the Consob Issuers Regulations, highlights the fees of competence in 2011 for auditing services and for those differing from the revision made by the same auditing company, they include services provided by entities belonging to the network.

Service	Company	Client	Notes	Fees 2012
Statutory audit	Deloitte & Touche S.p.A.	B&C Speakers S.p.A.	A	55.238
		Controlled entities	B	14.947
Fiscal services	Deloitte & Touche S.p.A.	B&C Speakers S.p.A.		-
Other services	Deloitte & Touche S.p.A.	B&C Speakers S.p.A.		-
Total				**70.185**

A: of which Euro 32 for the audit of financial statements of the Parent Company, Euro 5 for the quarterly audits of the regular bookkeeping of the Parent Company, Euro 6 for the audit of the consolidated group accounts and Euro 12 for limited auditing of the interim financial statement of the Group.

B: of which euro 8 thousand relating to the audit of US subsidiary B&C Speakers NA LLC and Euro 7 thousand (18 thousand Real) relating to the review of the Brazilian subsidiary B&C Speakers Brazil LTDA.

11. Certificate of financial statements as per art. 154-bis of Leg. Decree 58/98.

1. The undersigned Simone Pratesi, as financially delegated Director and Francesco Spapperi, as Manager in charge of drafting the corporate financial statements of B&C Speakers s.p.a., herby certify, taking also into account the contents of art. 154-bis, paragraphs 3 and 4, of Leg. Decree no. 58 of 24 February 1998:

    - that the financial statements reflect the Corporate business and structure
    - that the administrative and accounting procedures for the formation of financial statements for year 2012 have been effectively applied.

2. The undersigned also certify that:

    2.1 The financial statements:

    (a) are drawn up in accordance with the applicabe international accounting standards recognized by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as the measures enacted to implement art. 9 of Leg. Decree no. 38/2005;

    (b) correspond to the information in the accounting books;

    (c) and provide a true and accurate representation of the economic, financial and capital position of the issuer.

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

Simone Pratesi   Francesco Spapperi

12 Certificate of Consolidated Financial Statements as per art. 154-bis of Leg. Decree 58/98.

1. The undersigned Simone Pratesi, as financially delegated Director and Francesco Spapperi, as Manager in charge of drafting the corporate financial statements of B&C Speakers s.p.a., herby certify, taking also into account the contents of art. 154-bis, paragraphs 3 and 4, of Leg. Decree no. 58 of 24 February 1998:

   - that the financial statements reflect the Corporate business and structure
   - that the administrative and accounting procedures for the formation of financial statements for year 2012 have been effectively applied.

2. The undersigned also certify that:

   2.1 The financial statements:

   (a) are drawn up in accordance with the applicabe international accounting standards recognized by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as the measures enacted to implement art. 9 of Leg. Decree no. 38/2005;

   (b) correspond to the information in the accounting books;

   (c) and provide a true and accurate representation of the economic, financial and capital position of the issuer.

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

Simone Pratesi   Francesco Spapperi

13 Attachment I – Report of the Legal Auditor

Report to the Balance Sheet of B&C Speakers S.p.A. at 31 December 2012

Report to the Consolidated Balance Sheet of Group B&C Speakers on 31 December 2012.

14 Attachment II – Report of the Board of Directors

Report of the Board of Auditors

Report of the Board of Auditors to the Shareholders' Assembly of Company "B. & C. Speakers S.p.A." (Art. 153 LEG. D. 59/98 e art. 2429, second paragraph, c.c.)

Dear Shareholders,

in the course of the financial year ended on 31 December 2012, the Board of Auditors of B&C SPEAKERS s.p.a. (the "Company") has conducted an auditing activity, in accordance with the provisions of the Law, by adapting its audit to the principles of conduct of the Board of Auditors in joint-stock companies with shares traded on regulated markets recommended by the National Council of Chartered Accountants and Tax Advisors and Consob Bulletins on corporate control and on the activities of the Board of Auditors.
This report on the auditing activities is drafted in accordance with the law and also in compliance with the guidelines provided by Consob, in particular withBulletin of 04.06.2001 no. DEM/1025564.
The legal audit of Corporate accounts, in accordance with Leg. Decree no. 58/1998, was assigned to the auditing firm Deloitte and Touche S. p. a. and reference is made herein to its Report.
Based on the information received and of the Board's auditing activity, the most significant economic, financial and capital transactions carried out by the Group, including through its subsidiaries, which the Board of Directors has reviewed and approved and which are described in the Report of the Board of Directors, we can at a glance make mention of the following that had an impact on developing the corporate business:

- it should be noted that the Sales & Marketing of the division Sound Architecture was launched, with some important installations in 2012 and conspicuous orders from the Middle Eastern market;
- the Brazilian subsidiary has seen significant development in its turnover, achieving major growth in sales (up by 54% compared to 2011)
- year 2012 saw the Company pursue ideal manufacturing efficiency, with the effect of a consistent increase in turnover. The manufacturing plant in which the Company plans to invest heavily is today a highly efficient and productive reality;

In carrying out its auditing activity, the Board of Auditors:

- regularly met for discussion and has drawn up five audit reports;
- has attended all the meetings of the Board of Directors (7), with briefings on the activity and the operations of economic and financial important to the management of the Company and its subsidiaries;
- has received periodic reports by the Supervisory Board;
- participated in the Shareholders' Assembly held on May 7, 2012;
- conducted its reviews through inquiries, direct observation, collection of information from Division Managers and Executives and regularly met with the Auditing Committee;
- has ensured that intercompany transactions and transactions with related parties have been carried out in the higher corporate interest. The key players involved and the economic effects are adequately indicated In the section "Transactions with related companies and with companies subject to their control" in the Report of the Board of Directors, to which reference is made herein;
- has not found evidence in its audits of atypical and/or unusual transactions;
- has met the Executives of the company responsible for the audit and review of the financial statements and consolidated financial statements, with the aim of ensuring mutual exchange of data and information;
- has not found found evidence of requests for information from Deloitte and Touche Spa in the report issued on April 5, 2013 pursuant to art. 156 of Leg. Decree no. 58/98. The Report certifies that the financial statements and consolidated financial statements as of 31 December 2012 are clearly written and are a truthful and and accurate representation of the assets and financial situation, economic results and the other items of the income statement and cash flows of the Company and the Group. Said report also certifies that the Report of the Board of Directors and the information referred to in art. 123-Bis, paragraph 1 (c), (d), (f), (l), (m) and in paragraph 2 (b) of Leg. Decree no. 58/1998 contained in the report on corporate governance and on the organizational structure are consistent with the financial statements of the company and with the consolidated financial statements of the Group;
- has monitored that the auditing firm carry out its work independently, ascertaining compliance with the laws and regulations, and reporting the absence of assignments unrelated to auditing, even to subjects belonging to the same network of the auditing firm;
- no claims were received by the Company in 2012, pursuant to art. 2408 of the Civil Code, nor were complaints filed by its Shareholders.

In exercising its mandate, the Board of Auditors monitored:

- compliance with the law and articles of association and with principles of sound business practice, making sure that operations approved and executed by Board members were compliant to law and to the statute, that they were inspired to economically rational principles and that they were not manifestly imprudent or rash, in conflict with Corporate interests and with resolutions passed by the Shareholders' Assembly, or such to jeopardize the integrity of Company assets.

  Standard intergroup transactions and with related parties were regulated by standard marketing conditions and are included in the Report of the Board of Directors according to their type, entity, the economic relations and debt/credit items existent on 31 December 2012. Transactions with related parties and especially those concerning members of Corporate boards require approval by resolution of the Board and are only undertaken in light of an expert opinion. Transactions with related parties that exceed a preset limit are in any case included in quarterly reports to the Board of Directors and the Board of Auditors, as required by art. 150 of Leg. Decree no. 58/98.

  The Board of Directors applies a procedure on all Group levels for the execution of transactions between its members and relevant and related parties, which Managing Directors are also required to follow, in compliance with principles of objectivity, transparency and truthfulness and based on a general rule that all transactions with related parties, even if concluded through subsidiaries, must comply with criteria of substantial and proedural fairness. Based on this procedure, the Board of Directors must be duly informed on the nature of the transaction, on the conditions of its execution, on the temporal and economic conditions for its conclusion, on the evaluational procedure applied, on the interests and underlying reasons and on any risks entailed for the Company and its subsidiaries with reference to the above-mentioned contracts with relevant parties, as well as with regard to transactions executed out of the market standard and atypical or unusual ones with other related parties, directly or indirectly.

The Board of Auditors is of the opinion that the instruments and institutes of corporate governance employed are apt to ensure compliance with principles of sound business practice

- and the appropriateness of the Corporate organizational structure, by promoting its knowledge with employees in meetings with the various division managers, with internal Controllers and with the Auditing firm, the aim being a mutual exchange of information and data.

  The Corporate organizational structure is defined by articulate proxies and scope of powers that appear to be appropritate for the size and executive problems faced by the Group. In compliance with the Issuer's Regulations, the Company has specified roles, tasks and powers of the several Corporate boards. All changes introduced are described in the annual Report of the Board of Directors on Corporate Governance.

- on the adequacy of the internal auditing system, especially through regular meetings with the Managing Director with the role of supervising over the Company's management, with the Control and Risks Committee, through the exchange of information with the auditing firm and the Supervisory Board. The *internal auditing* activity also aims at enforcing the organizational model pursuant to Leg. Decree 231/01 and has aimed at analyzing testing of the main problems tied to the several corporate procedures.

The company has adopted a procedure for the internal management and for the disclosure of documents and information relating to the issuer, and in particular referring to the information of privileged nature.

With regard to internal management, the Board of Directors has introduced in specific periods of the year the obligation to refrain from carrying out transactions with securities issued by the company.

-on the adequacy and reliability of the accounting administrative system to correctly represent management events, by obtaining information from the respective division managers, reviewing business documents and analyzing results of work completed by the auditing firm. The Board of Directors has appointed, in accordance with the law and after compulsory opinion of the Board of Auditors, the manager responsible for preparing the accounting documents, entrusted to the subject with the powers and roles prescribed by law and providing adequate powers and means for the exercise of the related tasks.

- adequacy of the instructions issued by the Company to its subsidiaries pursuant to art. 114 paragraph 2 of Leg. Decree no. 58/98, so that the same provide the information necessary to fulfill the obligations of the Bulletin.

- on compliance with the provisions of law relating to the drafting of the separate and consolidated financial statements of the Group as of 31 December 2012, the respective Explanatory Notes and the Report of the Board of Directors in support of the same, directly and with the assistance of Division Managers through information obtained by the Auditing firm. More specifically, we hereby confirm that the financial statements and the consolidated financial statements of B&C Speakers s.p.a. were drawn up in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, based on the text published in the Official Journal of the European Union.

The monitoring and control activities carried out by the Board of Auditors, as described above, did not reveal significant facts that are worthy of note to the Shareholders, or to the Supervisory Board.

Based on the above, a compendium of the supervision activities carried out in the year, the Board of Auditors, pursuant to of art. 153 C. 1 of Leg. Decree no. 58/1998, has no comment to make on the financial statements and the consolidated financial statements and related Notes and on the Report of the Board of Directors, and agrees with the allocation of the Net Profit proposed by the Board of Directors to the Shareholders' Assembly.

Florence, April 8, 2013

The Board of Auditors

Mr. Manfredi Bufalini	Chairman
Mr. Giovanni Mongelli	Statutory Auditor
Mr. Leonardo Tommasini	Statutory Auditor

Attachment to the Annual Report of the Board of Auditors:

LIST OF OFFICES HELD WITHIN THE COMPANY AS PER VOL V, PARAGRAPHS V, VI AND VII, CIVIL CODE ON THE DATE THE REPORT IS ISSUED

Manfredi Bufalini

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Chairman	Financial statement 31/12/2014
2	ADVALSO S.p.A.	Member	Financial statement 31/12/2014
3	QUANTA SYSTEM S.p.A	Member	Financial statement 31/12/2013
4	TORMARESCA S.rl.	Chairman	Financial statement 31/12/2013
5	TRICOBIOTOS S.p.A.	Member	Financial statement 31/12/2013
6	TENUTA CASTELFALFI S.p.A.	Member	Financial statement 31/12/2014
7	RIMIGLIANO S.r.l.,	Chairman	Financial statement 31/12/2013
8	TOSCO-FIN S.r.l.	Member	Financial statement 30/04/2012
9	BRAGANTI ANTONIO S.r.l.	Member	Financial statement 31/12/2013
11	C. CHIRURGIA AMB. M. BUFALINI S.r.l.	Sole Director	until revocation
15	CELINE PRODUCTION S.r.l.	Member	Financial statement 31/12/2012
16	RESEARCH & DEVELOPMENT S.r.l.	Member	Financial statement 31/12/2011

Number of Appointment in public Companies	1
Total Number of Appointment	13

Leonardo Tommasini

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Member	Financial stratement 31/12/2014
2	ABF S.r.l.	Chairman	Financial stratement 31/12/2014
3	CO.FI.GI. S.p.A.	Member	Financial stratement 31/12/2002
4	MISERICORDIA DI PONTASSIEVE	Member	Financial stratement 31/12/2013
5	RIFLE HOLDING S.p.A.	Member	Financial stratement 31/12/2014
6	FIGC LND CR TOSCANA	Member	Financial stratement 31/12/2016
7	SUPER RIFLE S.p.A.	Member	Financial stratement 31/12/2014
8	RESEARCH & DEVELOPMENT S.r.l.	Member	Financial stratement 31/12/2012

Number of Appointment in public Companies	1
Total Number of Appointment	8

Giovanni Mongelli

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Member	Financial stratement 31/12/2014
2	Altair S.p.A.	Member	Financial stratement 31/12/2012
3	Andreotti Impianti S.p.A	Member	Financial stratement 31/12/2013
4	A.Frasconi S.rl.	Member	Financial stratement 31/12/2012
5	CHL S.p.A.	Member	Financial stratement 31/12/2012
6	Consorzio Agrario Fi	Chairman	Financial stratement 31/12/2013
7	Fingest S.r.l.,	Member	Financial stratement 31/12/2013
8	Hotel Rivoli S.p.A.	Member	Financial stratement 31/12/2012
9	Samoa S.p.A.	Member	Financial stratement 31/12/2012
10	SIRMA S.p.A.		
11	Tenuta Vicchiomaggio S.r.l.	Member	Financial stratement 31/12/2014
12	RESEARCH & DEVELOPMENT S.r.l.	Chairman	Financial stratement 31/12/2012

Number of Appointment in public Companies	1
Total Number of Appointment	12

B&C Speakers Group **Consolidated Balance Sheet on 31 December 2012**