B&C Speakers Group

Separate and consolidated financial statements

as at 31 December 2013

Prepared 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 CONVENING THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are called, with single convening, to meet at 10:30 on 18 April 2014, at the company's registered office at 1 Via Poggiomoro, Loc.tà Vallina, Bagno a Ripoli, to discuss and resolve on the following agenda:

1) Statutory and consolidated financial statements as at 31 December 2013. Assignment of dividend to shareholders. Related and consequent resolutions.

2) Report on Remuneration in accordance with Art. 123-ter of Italian Legislative Decree no. 58/98. Related and consequent resolutions.

3) Authorisation for the purchase and sale of treasury shares. Related and consequent resolutions.

All shareholders with the right to vote are entitled to attend the Shareholders' Meeting. The right to attend and vote at the meeting is confirmed by notification made to the Company by the authorised intermediary, in compliance with the accounts, in the favour of the party concerned; said declaration shall be made on the basis of the evidence available at the end of the seventh business day prior to the date for which the shareholders' meeting is scheduled (namely 18 April 2014). Anyone only registered as shareholder after that date shall not be entitled to attend and vote at the meeting. Voting by post or electronic means is not accepted.
Everyone entitled to attend the meeting can organise their representation by means of written power of attorney to be issued in compliance with the law; they shall do so by signing the power of attorney given at the foot of the above-specified intermediary communication. Alternatively, the delegation form can be used as is available from the Company's website www.bcspeakers.com. If the representative should provide the Company with a copy of the power of attorney, he shall certify, at his own liability, that the copy is a true copy of the original, declaring the name of the delegating party. The power of attorney may be sent to the Company by recorded delivery to its registered office or by e-mail to the address: spratesi@bcspeakers.com.
The company does not designate representatives to whom entitled persons can assign a power of attorney with voting instructions.

All those entitled to attend the shareholders' meeting may ask questions about the agenda during or prior to the meeting; they shall do so by sending a specific letter to this end, recorded delivery to the Company's registered office, or by e-mailing spratesi@bcspeakers.com. Questions received prior to the shareholders' meeting are answered at latest during said meeting. The Company has the right to provide a single answer to multiple questions on the same subject. Questions must be accompanied by a certificate issued by the intermediaries to ascertain shareholder status, or be included in the same communication required to attend the shareholders' meeting.

Pursuant to art. 126-*bis* of the Consolidated Law on Finance ("TUF"), any shareholders who individually or jointly represent at least one-fortieth of the share capital may, within ten days of the date of publication of this notice, request that the agenda be supplemented, clarifying the additional items they wish to discuss; any such request must be submitted in writing to the registered office or sent by recorded delivery, and must reach the Company within the specified terms.
Items requested for inclusion on the agenda are subject to legal requirements and screened by the Directors on the basis of a plan or report they have prepared. The amended agenda will be published with the same method used for this notice.

The subscribed and paid-up capital totals Euro 1,100,000, divided into 11,000,000 ordinary shares, with each share giving the right to one vote. On the date of this notice, the Company holds 2,778 ordinary shares for which applicable legislation suspends the right to vote. Any changes in treasury shares will be communicated at the start of the shareholders' meeting.
Further information is available on these rights and the foregoing from the Company's website: www.bcspeakers.com.

All documentation relating to the items on the agenda will be filled with the registered office and Borsa Italiana S.p.A., as well as be made available on the website www.bcspeakers.com, within the terms permitted by current legislation. Shareholders have the right to obtain a copy.

Contents

1 THE B&C SPEAKERS GROUP – Corporate bodies

Board of Directors

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

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

2 Proposed approval of the financial statements and allocation of period profit

The Company's Board of Directors met on 13 March 2014 and proposed allocating the profit for the year presented in the financial statements as at 31 December 2013 as follows:

- distribution of a dividend of Euro 0.32 per ordinary share outstanding at the coupon detachment date, therefore excluding the treasury shares held at that date;
- the residual profit of the year to "retained earnings".

3 Introduction to the separate and consolidated financial statements as at 31 December 2013

The separate and consolidated financial statements for B&C Speakers S.p.A. as at 31 December 2013 were prepared in compliance with applicable International Accounting and Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Bulletin no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

The purpose of these financial statements is to present the financial position and results of operations of B&C Speakers S.p.A. and the B&C Speakers Group as at and for the year ended 31 December 2013, in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

In FY 2013, the Parent continued its treasury share buy-back program in accordance with that established by resolution of the shareholders' meeting on 29 April 2013. At 31 December 2013, it held 23,846 treasury shares, equal to 0.22% of the share capital. The shares have been valued in accordance with the relevant accounting principles.

On the date of this report (March 2014), the number of treasury shares held is 12,728, accounting for 0.12% of the share capital. The weighted average price of shares purchased in the portfolio is Euro 3.90 (the weighted average purchase price Euro 4.11 at the end of the previous year when a total of 16,704 treasury shares were held, namely 0.15%).

Please note that the Parent Company, B&C Speakers S.p.A. is a subsidiary of Research & Development International S.r.l., which coordinates and controls it. The table below provides highlights from Research & Development International S.r.l.'s most recent set of approved financial statements: (31 December 2012):

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2012**	**31 december 2011**
Total assets	11,178	11,226
Equity	9,455	11,094
Net income	1,360	1,037

The stake held by the parent company as at 31 December 2013, is equivalent to 62.10% of the share capital; more information on relations with the Parent is provided in the Report on Operations.

4 Separate financial statements of the Parent B&C Speakers S.p.A. at 31 December 2013

4.1 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Values in Euro)		*Note*	**31 december 2013**	**31 december 2012 restated (Note 1)**
ASSETS				
Non current assets				
Tangible assets		*1*	3,596,449	3,354,333
Other intangible assets		*2*	183,495	281,268
Investments in associates		*3*	2,047,935	1,695,894
Deferred tax assets		*4*	63,305	47,319
Other non current assets		*5*	213,308	213,058
	related parties	*30*	*88,950*	*88,950*
Other assets (TFM insurance)		*5*	617,890	754,924
Total non current assets			**6,722,383**	**6,346,796**
Currents assets				
Inventory		*6*	5,609,752	6,006,153
Trade receivables		*7*	6,516,107	7,693,336
	related parties	*30*	*1,279,109*	*1,516,467*
Tax assets		*8*	473,516	278,896
Other current assets		*9*	917,841	162,311
Cash and cash equivalents		*10*	2,507,345	2,025,469
Total current assets			**16,024,561**	**16,166,165**
Total assets			**22,746,944**	**22,512,961**

(Valori in Euro)			**31 december 2013**	**31 december 2012 restated (Note 1)**
Liabilities				
Equity				
Share capital		*11*	1,097,615	1,097,930
Other reserves		*11*	4,710,964	4,763,977
Retained Earnings		*11*	6,464,423	5,231,659
Fair value reserve		*11*	(144,680)	(103,019)
IAS FTA reserve		*11*	11,764	11,764
Profit/(loss) for the year		*11*	4,757,673	4,242,740
Total equity			**16,897,760**	**15,245,051**
Non current equity				
Long-term borrowings		*12*	486,435	648,991
Severance Indemnities		*13*	986,659	1,187,283
Provisions for risk and charges			52,596	
Deferred tax liabilities		*14*	26,935	17,363
Total non current liabilities			**1,552,625**	**1,853,636**
Current liabilities				
Short-term borrowings		*15*	816,237	761,486
Trade liabilities		*16*	2,337,199	3,165,480
	related parties		*35,402*	*2,114*
Tax liabilities		*17*	411,771	345,588
Other current liabilities		*18*	731,352	1,141,719
Total current liabilities			**4,296,559**	**5,414,274**
Total Liabilities			**22,746,944**	**22,512,961**

4.2 COMPREHENSIVE INCOME STATEMENT FOR FY 2013

(Values in Euro)			2013	2012 restated (Note 1)
Revenues		*19*	31,787,131	29,611,214
	related parties	*30*	*2,680,745*	*2,192,554*
Other revenues		*20*	350,744	300,264
Change in inventory of finished goods and work in progress		*21*	(327,384)	1,102,997
Cost of raw material and others		*22*	12,147,366	13,047,419
Cost of labour		*23*	5,170,690	4,377,784
Cost of services		*24*	6,414,322	6,451,003
	related parties	*30*	*980,089*	*890,868*
Depreciation of tangible assets		*25*	668,830	595,627
Amortization of intangible assets		*25*	111,726	117,325
Writedowns		*25*	86,432	37,380
Other costs		*26*	183,355	309,112
Earning before taxes and interests			**7,027,771**	**6,078,826**
Financial income		*27*	171,227	265,425
Financial costs		*27*	145,201	210,298
Earning before taxes			**7,053,797**	**6,133,953**
Income taxes		*28*	2,303,968	1,849,552
Profit for the year (A)			**4,749,828**	**4,284,401**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Actuarial gain/(losses) on DBO (net of tax)			7,844	(41,661)
Total other comprehensive income/(losses) for the year (B)			**7,844**	**(41,661)**
Total profit for the year (A) + (B)			**4,757,673**	**4,242,740**

Note 1: in compliance with the provisions of IAS 1, the Directors have re-stated some of the comparative data with respect to that published previously, in order to consider the accounting impacts deriving from the retrospective application of the new IAS 19, published in Regulation (EU) No. 475/2012. Consequently, following said retrospective application, the comparative income statement as at 31 December 2012 and balance sheet as at 31 December 2012 differ in some respects with those published originally; these differences are detailed in Attachment I to the notes accompanying the separate financial statements.

4.3 STATEMENT OF CASH FLOW FOR FY 2013

Cash flow statement (Euro thousands)	Period 2013	2012	
A- Net current bank balances (indebtness) at the beginning of year	**1,743**	**1,794**	
B- Cash flow from operating activities			
Profit/loss for the period	4,758	4,243	
Income tax expense	2,304	1,830	
Amortization of intangibles assets	112	117	
Depreciation of tangible assets	669	596	
Sale of property, plant and equipment	0	0	
Finance cost	145	271	
Interest income	(171)	(265)	
Net change in provisions for risk and charges	(84)	44	
Change in provigion for leaving indemnities			
Allocations and revaluations	11	16	
Actuarial gain/(losses)	(8)	61	
(Use)	(67)	(39)	
(increase) decrease in current trade and other receivables	227	(1,534)	**Note 1**
(increase) decrease in deferred tax assets	(16)	1	
(increase) decrease in inventory	396	(703)	
Increase (decrease) in current trade and other payables	(1,259)	856	**Note 2**
increase (decrease) in deferred tax liabilities	10	0	
Net cash from/(used in) operating activities	**7,027**	**5,493**	
Paid interest costs	(145)	(271)	
Collected interest income	171	265	
Taxes paid	(2,218)	(2,128)	
Total (B)	**4,835**	**3,359**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(911)	(761)	
Net (investments) in non current intangible assets	(14)	45	
Increase (decrease) in investments in associates	(352)	0	
(Investments) in securities and other financial acitivities	137	(45)	
(increase) decrease in non current receivables		(156)	
Total (C)	**(1,140)**	**(917)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(478)	(1,301)	
Purchase of treasury shares	(35)	1,486	
Dividend paid to shareholders	(3,070)	(2,678)	
Total (D)	**(3,583)**	**(2,493)**	
E- Cash flow for the period (B+C+D)	**112**	**(52)**	
F- Cash and cash equivalents at end of the year	**1,854**	**1,742**	

Note 1: the liquidity used by the change in trade receivables and other current receivables includes an increase in liquid funds due to the transactions with the subsidiary B&C Usa NA LLC in the amount of approximately Euro 103 thousand, and with the subsidiary B&C Brasil LTDA for approximately Euro 134 thousand.

Note 2: the increased liquidity determined by the change in the amounts owed to suppliers and other comprises increased liquid funds due to transactions with the parent R&D International S.r.l. for approximately Euro 33 thousand.

4.4 STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY B&C SPEAKERS S.p.A.

Below is the statement of changes in equity that took place in FY 2012 and FY 2013.

(In thousands of euros)

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	First Time Adoption reserve	Net result	DBO Reslut	Net equity
Balance at 31 December 2011 (Note 1)	**1,049**	379	2,884	44	20	**3,327**	**(42)**	**4,230**	**12**	**3,679**	**(61)**	**12,194**
Allocation of 2011 result						-	(61)	3,679		(3,679)	61	-
Dividend distribution						-		(2,678)				(2,678)
Trading on B&C share	49		1,437			**1,437**						1,486
2012 Net result						-				4,285	(42)	4,243
Balance at 31 Decembre 2012 (Note 1)	**1,098**	379	4,321	44	20	**4,764**	**(103)**	**5,231**	**12**	**4,285**	**(42)**	**15,245**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	First Time Adoption reserve	Net result	DBO Reslut	Net equity
Balance at 31 December 2012 (Note 1)	**1,098**	379	4,321	44	20	**4,764**	**(103)**	**5,231**	**12**	**4,285**	**(42)**	**15,245**
Allocation of 2012 result						-	(42)	4,285		(4,285)	42	-
Dividend distribution						-		(3,070)				(3,070)
Trading on B&C share			(35)			**(35)**						(35)
Others					(18)	**(18)**		18				
2013 net result						-				4,750	8	4,758
Balance at 31 December 2013	**1,098**	379	4,286	44	2	**4,711**	**(145)**	**6,464**	**12**	**4,750**	**8**	**16,898**

Note 1: items re-stated following the adoption of the new IAS 19 - Employee benefits.

5 Report on Operations for the financial year ended on 31 December 2013

The B&C Speakers Group operates both in Italy and internationally, leading the international market and conducting its entire business in the production and marketing of "top-quality loudspeakers". Products are manufactured and assembled at the production plant of the Italian parent, which also deals directly with their marketing and sale in the various geographical areas covered.

Products are distributed on the American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA, which in 2013 acted as a distribution centre.

Profit recorded for FY 2013 came to Euro 4,759 thousand, net of tax for Euro 2,304 thousand and amortisation/depreciation for Euro 781 thousand.

FY 2012 records profit of Euro 4,243 thousand, net of income tax (Euro 1,830 thousand) and amortisation/depreciation (Euro 713 thousand).

Highlights

The tables below provide the economic, equity and financial highlights for FY 2012, compared with the same data for the previous year:

Income statement highlights (€ thousands)	**2013**	**2012**
Revenues	31,787	29,611
Ebitda	7,896	6,829
Ebit	7,029	6,079
Net profit	4,759	4,243

Balance sheet highlights (€ thousands)	**31 December 2013**	**31 December 2012**
Non current Assets	6,722	6,347
Non current liabilities	1,553	1,854
Current assets	16,025	16,166
Current liabilities	4,297	5,414
Net working Capital	11,728	10,752
Net Equity	16,898	15,245

Cash flow statement highlights (€ thousands)	**2013**	**2012**
Operating cash flow	4,835	3,359
Cash flow from investing activities	(1,140)	(917)
Cash flow from financial activities	(3,583)	(2,493)
Cash and cash equivalent at end of the year	112	(51)

Net financial position (€ thousands)	**2013**	**2012**
Current net financial position	1,691	1,264
Total net financial position	1,205	615

Economic trend

The general economic trend seen in FY 2013 shows a significant rise in turnover (+7.4%), which is particularly concentrated during the first three months of the financial year.

To provide a clearer representation of the economic management trend recorded in FY 2013 compared with the same period last year, the table below lists the major aggregates of B&C Speakers S.p.A.:

Analisi Andamenti Economici B&C Speakers S.p.A. *(€ thousands)*	**2013**	*Incidence*	**2012**	*Incidence*
Revenues	31,787	*100.0%*	29,611	*100.0%*
Other revenues	351	*1.1%*	300	*1.0%*
Total revenues	**32,138**	***101.1%***	**29,911**	***101.0%***
Change in inventory	(327)	*-1.0%*	1,103	*3.7%*
Purchases of raw materials and other	(12,147)	*-38.2%*	(13,047)	*-44.1%*
Labor cost	(5,171)	*-16.3%*	(4,378)	*-14.8%*
Services costs	(6,414)	*-20.2%*	(6,451)	*-21.8%*
Other costs	(183)	*-0.6%*	(309)	*-1.0%*
Ebitda	**7,896**	***24.8%***	**6,829**	***23.1%***
Depreciations of tangible assets	(669)	*-2.1%*	(596)	*-2.0%*
Amortizations of intangible assets	(112)	*-0.4%*	(117)	*-0.4%*
Writedowns	(86)	*-0.3%*	(37)	*-0.1%*
Ebit	**7,029**	***22.1%***	**6,079**	***20.5%***
Interest income	171	*0.5%*	265	*0.9%*
Finance costs	(145)	*-0.5%*	(210)	*-0.7%*
Ebt	**7,055**	***22.2%***	**6,134**	***20.7%***
Income taxes	(2,304)	*-7.2%*	(1,850)	*-6.2%*
Net Result	**4,751**	***14.9%***	**4,284**	***14.5%***
Other comprehensive result	8	*0.0%*	(42)	*-0.1%*
Total Comprehensive result	**4,759**	***15.0%***	**4,242**	***14.3%***

Note:

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. 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 neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Group may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

EBIT (Earning Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

EBT (Earnings Before Tax) represents the consolidated result before tax, as specified on the income statement prepared by the Directors as part of IAS/IFRS-compliant financial statements.

2013 revenues come to 31.8 million euros, up by approximately 7.4% on 2012 (29.6 million euros).

For the fourth consecutive year, the annual turnover is the highest ever achieved.

2013 sales have allowed us to improve on 2012 results, both thanks to quantitative growth (sales volumes are up by 7% on the previous year) and the improvement in quality, as a result of the greater impact of top-of-the-range products on turnover, which therefore enjoy a higher unit price.

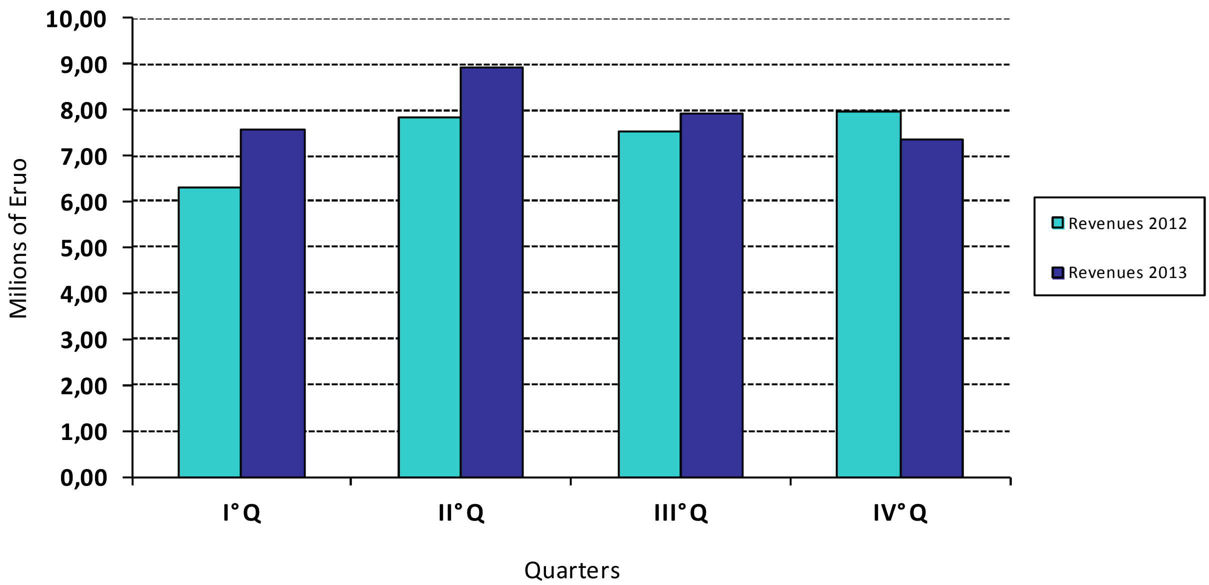
2013 exports remained at the levels achieved in 2012, continuing to account for 89% of the Company's turnover.
The result achieved in 2013 is primarily driven by growth on the Asian market (China in particular), where sales were up by 30% on last year, thereby securing turnover of 7.9 million euros, and today accounting for about 25% of the total.
The performance achieved on the Latin American market is also significant, having grown by 33% and thereby accounting for approximately 8% of the Company's turnover, worth around 2.6 million euros. Sales in Europe (excluding Italy) remained basically stable and continue to be the most important portion of the Company's sales (in 2013, they accounted for 39% of the total with a turnover of 12.4 million euros, while in 2011 they accounted for 42% of the total turnover).

The very positive trend in orders from customers continued in 2013, with a calendar year total of 31.5 million euros, in line with 2012.
The order book was worth a total of Euro 6.9 million at the end of FY 2013.

Revenues in the various quarters of FYs 2012 and 2013 are summarised in the table below:

Trend of B&C Spa revenues (€ millions)	**I° Quarter**	**II° Quarter**	**III° Quarter**	**IV° Quarter**	**Total**
Net sales revenues 2013	7.57	8.94	7.92	7.36	**31.79**
Net sales revenues 2012	6.29	7.84	7.52	7.96	**29.61**
Change 2013 - 2012	20.3%	14.0%	5.3%	-7.6%	7.4%

As the graph below shows, the trend of revenues throughout the quarters increased steadily above the figures reported in 2012, confirming the positive trend that began during the last financial year.



Costs for *Raw and ancillary materials and goods for resale*, together with the *Change in inventories*, grew at a proportionately slower rate than revenues for the same period, reducing their impact on these to 39.1%, as compared with the 40.3% booked for the same period of last year. This trend is the combined result of a product mix that privileged sales of products with greater added value and the reduction in the cost of certain strategic raw materials.

Labour costs increased by around 18% on FY 2012, also increasing their impact on revenues. Indeed, at the end of 2013, this came to 16.3% (14.8% in 2012), mainly due to the significant use of temporary staff in order to cope with the increased production levels.

Costs for services, leases and rental are almost unchanged in respect to the previous year, as a consequence their impact on revenues is decreased.

Other costs dropped by around Euro 126 thousand on 2012.

The increase seen in *Amortisation/depreciation of tangible and intangible fixed assets*, as compared with FY 2012, is mainly due to the full year amortization of investments made in FY 2012 and to the investments made in 2013 to support the increased production volumes and maintain plant productivity.

The table below summarises the EBITDA trend for the periods described.

(€ thousands)	**2013**	***Incidence***	**2012**	***Incidence***
Ebitda	**7,896**	***24.8%***	**6,829**	***23.1%***

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. 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 neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Company may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

These trends have meant that 2013 *EBITDA* amounted to 7.89 million euros, up 15.6% on 2012 (6.83 million euros); consequently, the *EBITDA margin* grew to 24.8% of period revenues, as compared with the 23.1% recorded in 2012.
The marginal recovery compared to the same period last year is a direct consequence of the considerable increase in turnover and improved business margins.

EBIT as at 31 December 2013 amounted to 7.03 million euros, again increasing (+15.6%) on the 6.07 million booked for 2012.

Net profits at the close of 2013 come to 4.76 million euros, accounting for 15% of revenues; this result is 12.2% higher than that achieved for FY 2012 (4.24 million euros).

Equity and financial trend

Below is the balance sheet reclassified according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2013**	**31 December 2012**	**Change**
Fixed Assets	**3,780**	**3,636**	**144**
Inventories	5,610	6,006	(396)
Receivables	6,516	7,693	(1,177)
Other receivables	1,455	489	966
Trade payables	(2,337)	(3,165)	828
Other payables	(1,171)	(1,504)	333
Working Capital	**10,073**	**9,519**	554
Provisions	**(1,039)**	**(1,187)**	148
Invested net working capital	**12,814**	**11,968**	**846**
Cash and cash equvalents	2,507	2,025	482
Investments	2,048	1,696	352
Other financial receivables	831	966	(135)
Financial assets	**5,386**	**4,687**	699
Invested net non operating capital	**5,386**	**4,687**	699
NET INVESTED CAPITAL	**18,200**	**16,655**	**1,545**
Equity	16,898	15,245	1,653
Short-term financial borrowings	816	761	55
Long-term financial borrowing	486	649	(163)
RAISED CAPITAL	**18,200**	**16,655**	**1,545**

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

Invested net working capital increases by around 0.8 million euros on 31 December 2012. This trend is due to the combined effect of the following factors:

- a reduction in warehouse inventories of 396 thousand euros, mainly in semi-finished products;
- a reduction in trade receivables totalling 1,177 thousand euros and an increase of 966 thousand euros in other receivables;
- a reduction in trade payables of about 828 thousand euros and in other payables of 333 thousand euros

The other asset categories showed no significant changes on 31 December 2012.

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

As far as *Raised Capital* is concerned, please note that equity accounts for almost all this category. The reduction in short- and medium/long-term financial debt is mainly due to the repayment of long-term loans and aims to stabilise the Group's cash flow.

Key performance indicators

To provide a more comprehensive representation of the Company's position, follow the performance and the result of the business as a whole are presented using both financial and non-financial key performance indicators.

Key performance indicators (B&C Speakers S.p.A.)	2013	2012
R.O.E.	28.1%	27.8%
Return on Equity; Net result/Equity		
R.O.I.	30.9%	27.0%
Return on Investments; Ebit/Total assets		
R.O.S.	22.1%	20.5%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2.89	2.10
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	20.70	20.02
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	3
Current Assets/Current Liabilities		
Net working capital	10,073	9,518
Primary liquidity ratio	58.4%	37.0%
Cash and cash equivalents/Current Liabilities		
	2013	2012
Days of Inventory Turnover	66.69	69.70
Days of Receivables Turnover	81.58	86.16
Days of Payables Turnover	82.67	77.52

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

Indicators relating to the rotation of the items of equity show a generalised improvement in collection terms 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, in its Report on Operations, in addition to providing the financial data envisaged by the IFRS, the Company has also presented some quantities derived from the latter, despite not being required by IFRS (non-GAAP measures). These figures are presented to allow a better evaluation of the Company's operating performance and should not be considered as alternatives to those of the IFRSs.

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

Alternative key economic performance indicators (Euro Thousands)	**2013**	**2012**
Ebitda	7,896	6,829
Ebit	7,029	6,079
Net Result	4,751	4,284

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

EBIT (Earning Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

The Company uses alternative performance indicators to measure its capacity to meet its financial commitments:

Alternative key financial performance indicators (Euro Thousands)	**2013**	**2012**
Invested net working capital	12,814	11,968
Net working capital	10,073	9,519

Invested Net Working Capital is defined by the Issuer's Directors as the difference between the (current and non-current) assets and (current and non-current) liabilities, except for assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Issuer's Directors as the difference between current assets and current liabilities, excluding 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 Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IASs/IFRSs. Therefore, the measurement criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and therefore, they may not be comparable.

The *Net Financial Position* was positive for 1.2 million euros (positive for 0.6 million euros as at 31 December 2012). The Company's financial stability remains good, particularly in view of the fact that in May 2013, dividends were paid for a total Euro 3,070 thousand (equal to Euro 0.28 per ordinary share in issue at coupon detachment) and that the company has made important investments in order to maintain a constant flow of raw material supplies and a production capacity that is in line with the volume of orders received.

Corporate structure

As at 31 December 2013 the Company workforce numbered 92 resources.

The following shows Company's workforce in the last three years:

Personnel headcount	31-dic-13	31-dic-12	31-dic-11
Workers	72	72	68
Employees	15	15	17
Lower management	4	4	1
Upper management	1	1	1
Total	**92**	**92**	**87**

Investments

In FY 2013, Company investments came to 0.9 million euros, mainly focusing on plants and industrial equipment intended for production as well as the development of a listening chamber for the Sound Architecture division.

There are two loudspeaker production lines operating in the plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines are highly efficient and productive.

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

All the investments made in structures and fixed installations have been agreed with parent ***Research and Development International S.r.l.*** The goal is to achieve a significant improvement in production capacity.

Research & Development

The company continues to maintain its commitment to managing cultural and organisational growth that will enable it to maintain the level of excellence achieved thus far, at a time when international competition is becoming fiercer with every day that passes.

Investments made in Research and Development remains consistent and the projects underway have reached a conclusion (see the Report on Operations as at 31 December 2012 for details); new projects have also been launched.

More specifically, with regards to the following projects:

- projects for two new intermediate-level drivers are currently drawing to a close, with a view to extending the range of products supplied and thereby bridge a gap between the lower and higher-end options;

- a new driver is also being studied with a flat membrane;

- research has begun on an ultrasound driver to be used in special applications;

- the design of a series of speakers (12-14-15”) with a new coil diameter (3.5”) has been completed, for medium-high end applications, with the development of two new moulds for said speakers.

In FY 2013, our company carried out research and development into technological innovation, mainly focusing its efforts on projects considered to be particularly innovative and regarding the Vallina plant in Florence.

Below is an analytic list of the projects developed in FY 2013:

Project 1 - Continuation of R&D into the identification, definition and implementation of new technical solutions intended for the development of a new compression driver with 75 mm coil.

Project 2 - Continuation of R&D for the design and development of a prototype air motion transformer driver

Project 3 - Continuation of R&D into the identification, definition and implementation of new technical solutions intended for the development of a measurement technique for the study of speaker suspensions

Project 4 - Continuation of R&D into the design and development of new technical measures in order to define small-diameter speakers

Project 5 - R&D into the identification of an acoustic dissuader for ungulates

Project 6 - Continuation of R&D for the development of multi-channel amplifiers

Project 7 - Continuation of R&D for the development of architectonic modules for sound diffusion

Project 8 - Continuation of R&D for the design and development of a prototype system of active acoustic absorbers (“Silence” project in collaboration with Ferrara University)

Project 9 - Continuation of the development of space-time processing techniques for acoustic beamshaping (collaboration with Milan “Politecnico” University)

Project 10 - R&D into the identification, definition and implementation of new technical solutions intended for the development of a new compression driver with 65 mm coil.

In order to develop these projects, last year the company incurred R&D costs of Euro 479,839; we believe that the success of these innovations will generate good turnover and thereby improve the company’s economic position.

Booking of R&D costs:

In accordance with Article 2426, point 5 of the Italian Civil Code, with the international financial reporting standards (IFRS) and Article 108 of Italian Presidential Decree no. 917/86 (the “TUIR” or Consolidated Income Tax Law), as subsequently amended, the cost incurred for research and development as specified above has been allocated in full to the income statement.

Although discretion is permitted in choosing whether or not to spend these costs during the year or by means of an amortisation plan (in any case spanning no more than five years), we have not chosen to capitalise these costs amongst the company’s assets. We made this choice because, although they relate to applied research and pre-competitive development aimed at developing a new, better product or production process, we believe that the statutory rules of prudence must prevail, also in view of the fact that the potential recovery of these expenses through future income (the essential requirement for the capitalisation of R&D costs) is an extremely subjective factor of great intrinsic uncertainty.

Transactions with related parties and subsidiaries under their management

The following table summarises 2013 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

In particular, we should mention the transactions implemented with ***Research & Development International S.r.l.***, with its registered office in Florence, at 60 Viale dei Mille, Tax Code 02342270481, share capital €90,000 (parent company of the Parent Company B&C Speakers S.p.A).

The parent company ***Research & Development International S.r.l.*** owns 62.10% of the shares of B&C Speakers S.p.A. (6,832,254 shares).

In accordance with Art. 2.6.2, paragraph 13 of the Regulation governing the Markets Organised and Managed by Borsa Italiana S.p.A., it is hereby certified that the conditions pursuant to Art. 37 of Consob Regulation no. 16191/2007 have been met.

The tables below also take due 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 transactions

Revenues and other revenues	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2013	31,787,131	-	2,059,582	621,162	2,680,745	8%
2012	29,611,214	-	1,924,185	268,369	2,192,554	7%

Service costs	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
2013	(6,414,322)	(918,083)	(62,006)	-	(980,089)	15%
2012	(6,451,003)	(827,051)	(63,817)	-	(890,868)	14%

The costs incurred with reference to Research & Development International S.r.l. relate the the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

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 fair value.

Equity transactions

Trade receivables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2013	6,516,107	-	792,134	486,975	1,279,109	20%
31 December 2012	7,693,336	-	895,134	621,333	1,516,467	20%

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 2013	213,058	88,950	-	-	88,950	42%
31 December 2012	213,308	88,950	-	-	88,950	42%

Trade payables	Total balance	Research & Development Intl. Srl	B&C Speakers NA LLC	B&C Speakers Brasil LTDA	Total related parties	Incidence
31 December 2013	(2,337,199)	(35,402)	-	-	(35,402)	2%
31 December 2012	(3,165,480)	(2,114)	-	-	(2,114)	0%

Payables due to Research & Development International S.r.l. as at 31 December 2013, refer to the debt originated as a result of the leased property hosting the Company's manufacturing plant and to which all production has been moved.

Receivables due from Research & Development International S.r.l. as at 31 December 2013, refer to credits for an IRAP rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Company 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 fair value.

Significant events of 2013

The following significant events occurred during FY 2013, affecting the company's performance:

- the growth trend has remained both consistent and considerable; this result is due to the gradual gaining of standing of the B&C Speakers brand on markets worldwide and particularly those of the East;
- the start-up of the marketing business of the Sound Architecture division, which in the year completed some important installations and received orders from the Middle Eastern market, is particularly worth of note;
- the Brazilian subsidiary has pursued its development in turnover, achieving major growth in sales (up by +22% on 2012) for FY 2013 too;
- FY 2013 saw the Company pursue ideal manufacturing efficiency, with the effect of a consistent increase in turnover. The production structure, for which investments have been made, is today extremely efficient and highly productive, particularly following the expansion of the production part that took place during the summer, enabling further earnings to be made in terms of output;
- the passage from the broad market to the Star Segment of the Italian Stock Exchange, which occurred in late September, gave to the Company a better visibility into the financial community.

Subsequent events

Since the closure of FY 2013, significant events have occurred affecting the company's trend, specifically:

- the company has sought to strengthen its technical and commercial presence in Asia, where greatest development has been seen recently, by hiring an Area Manager responsible for developing and consolidating this market;
- finally, the company is striving to exploit its technological know-how in order to penetrate new markets that are not directly connected with professional audio.

The sales volumes achieved during the early months of 2014 are a clear improvement on the same period of 2013.

Outlook

FY 2014 will doubtless continue to face the economic uncertainty permeating current outlook, but Management remains confident that the Company can continue to consolidate its presence on the market of professional loudspeakers. As described in the previous paragraph, it will also be looking to enter new products/markets offering interesting dimensional prospects and margins.

Essential elements of the adjustment plan as per arts. 36 and 39 of the 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 incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62 paragraph 3-*bis* of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group 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 summarised as follows:

- the scope of application concerns two subsidiaries, located in two different non-European Union Member States, which are of significant importance pursuant to paragraph 2 of said Art. 36;
- the accounting and administrative systems and reporting currently used 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 in preparing the consolidated financial statements;
- with regards to the request to receive a copy of the articles of Association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices;
- With regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent's annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense. Methods are, however, currently being examined by which to obtain centralised formal evidence of communication from its subsidiaries to the independent auditor.

Major shareholders and main data concerning Issuer's shares

As at the date of these financial statements (March 2014), official data reveals the following major shareholders:

- ***Research & Development International* S.r.l.**, with a 62.11% stake *(parent company)*;
- Ennismore Fund Management LTD, with 2.73% of shares;
- *Aldinio Colbachini*, with 2.01%;
- Norges Bank, with 2.012%.

Disclosure pursuant to Art. 79 of the Issuers' Regulation no. 11971/99

In relation to the disclosure obligations laid down by Art. 79 of the Issuers' Regulation no. 11971/99, with regard to holdings, in issuers themselves and their subsidiaries, pertaining to members of the administrative and auditing bodies, general managers and key managers, as well as by spouses (where not legally separated) and their under-age children, whether directly or through subsidiaries, trustees or third parties, as resulting from the book of members, communications received and other information acquired by the members of the administrative and auditing bodies, general managers and key managers, the following information is provided:

- as at 31 December 2013, the Director Lorenzo Coppini holds 54,700 shares in B&C Speakers S.p.A.
- as at 31 December 2013, the Director Simone Pratesi holds 2,570 shares in B&C Speakers S.p.A.
- as at 31 December 2013, the Director Alessandro Pancani holds 7,000 shares in B&C Speakers S.p.A.

Board of Directors

The Issuer's Board in office on the date on which these financial statements are approved numbers 5 members and was appointed by majority vote (in accordance with the voting rules laid down by the articles of association) by the ordinary Shareholders Meeting held on 27 April 2012; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2014.

Board of Statutory Auditors

Pursuant to art. 24 of the Issuer's articles of association, the Board of Statutory Auditors, in office since 27 April 2012, numbers three Statutory Auditors and two Alternate Statutory Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2014.

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For information on ***Corporate Governance*** system and the **Main risks and uncertainties** to which the Company is exposed, please refer to the Report on Operations accompanying the consolidated financial statements.

6 Notes to the separate financial statements as at 31 December 2013

6.1 Basis of preparation

The financial statements for B&C Speakers S.p.A. for the year ending on 31 December 2013 are the separate financial statements of the Parent company. They have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Bulletin no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

These financial statements are prepared on historical cost basis and considering the business as a going concern. Despite the difficult economic and financial context, the Company believes that there is no significant uncertainty (as defined by paragraph 25 of IAS 1) surrounding the business as a going concern, as the volume of business and the current order book, of both the Company and Group show no signs that may suggest any potential risk in this respect.

In compliance with the provisions of IAS 1, the Directors have re-stated some of the comparative data with respect to that published previously, in order to consider the accounting impacts deriving from the retrospective application of the new IAS 19, published in Regulation (EU) No. 475/2012. Consequently, following said retrospective application, the comparative income statement and balance sheet as at 31 December 2012 differ in some respects with those published originally.

These financial statements have been audited by Deloitte & Touche S.p.A..

Content and form of the financial statements

The financial statements comprise the Balance sheet, Income Statement, Statement of Changes in Equity, Statement of 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:

Statement of financial position

The Statement of financial position is presented with opposing sections and separate indication of assets, liabilities and shareholders' equity.

In turn, the assets and liabilities are recorded in the financial statements for the financial year on the basis of whether they are classified as current or non-current.

Comprehensive income statement

The income Statement is classified according to type. It highlights the aggregated result before tax and financial income and expenses, including all elements of income and cost, regardless of whether they are one-off or recurring and part of core business or otherwise; this is with the exception of financial items entered between the result before tax and financial income and expenses and the result before tax.

Statement of cash flow

The statement of cash flow is broken down according to areas of cash flow formation. The statement of cash flows adopted by the Company was drawn up using the indirect method. Cash and cash equivalents included in the statement of cash flow 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 income tax are included in the cash flows generated by operational management.

Statement of changes in equity

The statement of changes in equity is included, as required by the international accounting standards, with the separate highlighting of the result for the year and of all income, revenues, expenses and charges that is not recorded on the income statement, but rather charged directly to equity, in accordance with specific IAS/IFRS.

Measurement criteria

The most significant measurement criteria adopted for the preparation of financial statements at 31 December 2013 are set out below.

Impairment

As at the closing date, the Company reviews the book value of its tangible and intangible assets and holdings to determine if there is any indication that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. 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.
Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in 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 the 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 lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of

its recoverable amount; this shall not, however, exceed the net book value of that asset had it not been written down as impairment loss. Recovery of value is attributed to the Income statement.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, only if it is identifiable, controllable and predictable that it will 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 accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Below is a summary of the amortisation 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 depreciation 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 specified 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 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 recognised 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 charged directly to the income statement for the year, except if they are not attributable to specific tasks, in which case they are capitalised in accordance with the general policies of the Company as financial expense.
The costs of operating lease instalments 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.

Equity investments

Equity investments in subsidiaries are recorded at cost, adjusted for impairment.
The positive difference emerging at the time of purchase between the acquisition cost and the share of equity to current values of the investee pertaining 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, this is recognised in the income statement as devaluation. If any minority interest of the losses of the investee should exceed the carrying value of the investment and the company is obliged or intends to be held accountable, it proceeds to zero the value of participation and the share of further losses is entered as a fund under liabilities. If, on a later date, the loss of value should be lesser or reduced, it is recognised in the Income statement as a write-back, 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 only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and for the finished products or work-in-progress the production cost includes raw materials, 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.
Obsolete and slow-moving inventories are devalued in relation to their expandability or realisable future value by means of an inventory depreciation provision.

Receivables

Receivables are entered at their expected price of sale, corresponding to the nominal value adjusted according to a provision for doubtful debt. This provision is calculated on the basis of quantified collection 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 on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, assets that the Company intends to and can hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured 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" are entered in the income statement. Profits (losses) arising from changes in the "fair value" for financial assets available for sale are entered as 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 period income statement.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; their value may change significantly.

Financial liabilities and instruments representative of shareholders' 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

Interest-bearing bank loans and overdrafts are initially entered for the amount received, net of transaction costs. This value is 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 (amortised cost).

Long-term provisions

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

Payroll and similar provisions

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 statements. Consequently, T. F. R. is recalculated by applying the “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 financial statements represents the current 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 employment 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 employment services, including the current value of any refunds and reductions in future contributions to the plan.
Please note that during the first-time application, the Company had decided not to use the “Corridor Method” and, therefore, to record said actuarial components on the income statement.
The amendment to IAS 19 - Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, eliminates the option of deferring recognition of actuarial gains and losses with the “Corridor Method”, instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement. The effects of the introduction of the new standard on the Company’s financial statements are described in Attachment I to the financial statements.

Severance pay for Directors has been calculated using the Civil Code method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

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

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences 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 revised annually 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 based 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 attributed directly 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 conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euros 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 realisation.

Revenue entry

IFRS requires sales of assets to 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 on an accruals basis.

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 are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
"Contributions for plant investments" are recorded on the income statement according to the useful life of the asset against which they are disbursed.
"Contributions for operating expenses" are credited to the income statement in relation to costs against which they are disbursed.

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.

Income tax

Taxes for the year represent the sum of current and deferred tax.
They are included in the separate financial statement as 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. Income tax 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.
They are entered under "tax payables" net of of any advances and withholdings applied. 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.

Use of 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 reporting date.
Final results may differ from these estimates. The estimates are used to evaluate the tangible and

intangible assets subject to impairment testing as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortisation, employee benefits, taxes, fund restructuring, other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility that actual results will differ substantially from the estimates which may therefore, call for major revisions we are currently unable to predict.
The measurement of equity investments held in subsidiaries is perhaps the item most affected by this uncertainty, as the estimates and assumptions made by the directors for this measurement depend significantly on the euro/dollar exchange rate forecast for future periods.

Transactions with joint ventures and associates

Transactions with joint ventures and associates are described in the relevant paragraph of these Explanatory Notes and were completed at arm's length.

New accounting standards, amendments and interpretations applied since 1 January 2013

The following accounting standards, amendments and interpretations were applied by the Group from the first time as from 1 January 2013:
On 12 May 2011, the IASB issued IFRS 13 - Measuring fair value, which specifies that the fair value must be determined for financial reporting purposes and applies to all situations where the standards require or allow for the measurement of fair value or the presentation of information based on fair value, with some, limited exclusions. The standard also requires a more extensive disclosure on the measurement of fair value (fair value hierarchy) than is currently required by IFRS 7. The standard applies perspectively from 1 January 2013. The adoption of the standard had no effect.
On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee benefits, which eliminates the option of deferring recognition of actuarial gains and losses using the corridor method, instead requiring all actuarial gains or losses to be immediately recorded on the Statement of other comprehensive income or losses, meaning that the entire net amount of the defined benefits provisions (net of the plan assets) is recorded on the consolidated equity-financial position. The amendment also establishes that changes between one period and the next in the defined benefits provision and the plan assets must be broken down into three components: the components of cost connected with the working provision for the period must be booked to the income statement as "service costs"; the net financial expense calculated by applying the appropriate discount rate to the net balance of the defined benefits provision net of opening assets must be recorded on the income statement as such; and actuarial gains and losses deriving from the re-measurement of the assets and liabilities must be booked to the "Comprehensive statement of other income/(losses)". Moreover, the return on the assets included amongst net financial expenses as specified above must be calculated on the basis of the liability discount rate and no longer according to forecast return. Finally, the amendment also introduces new additional information to be given in the notes to the financial statements. The amendment applies retrospectively as from the financial year starting on or after 1 January 2013. The effects of the introduction of the new standard on the Group's separate and consolidated financial statements are described in attachments I to the individual and consolidated financial statements.
On 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of the financial statement, requiring companies to group all items listed among other comprehensive income/(losses) with their total value, depending on which they may or may not be reclassified subsequently in the income statement. The amendment applies as from financial years starting on or after 1 July 2012.
On 16 December 2011, the IASB published some amendments to "IFRS 7 Financial instruments: supplementary information". The amendments require the presentation of information on the effects or potential effects on the statement of financial position of a business, of the offsetting of financial assets and liabilities. The amendments apply to financial years starting on or after 1 January 2013. The

information must be provided retrospectively. The application of the amendments had no effect on these separate and consolidated financial statements.

On 13 March 2012, the IASB published its amendment to IFRS 1 First time adoption of IFRS - Government loans, amending the reference made to the booking of government loans when making the transition to IFRS. The amendments to IFRS 1 must be applied as from financial years starting on 1 January 2013 or thereafter.

On 17 May 2012, the IASB published its document entitled "Annual Improvements to IFRSs: 2009-2011 Cycle", which incorporates the changes made to the standards as part of the annual improvement process, focusing on the changes considered necessary, but not urgent. Below are those involving a change in the presentation, recording and measurement of the items of the financial statements; we have instead ignored those which only entail changes to terminology used or editorial alterations with negligible effect in terms of the accounts, and those affecting standards or interpretations that are not applicable to the Group:

IAS1 Presentation of financial statements - Comparative information: it is clarified that if additional comparative information is provided, it must be presented in accordance with the IAS/IFRS. It is also clarified that if an entity should alter an accounting standard or make a retrospective adjustment/reclassification, said entity must also submit an opening balance sheet at the start of the comparative period (the "third balance sheet" of the financial statements), whilst no comparative disclosures are also required in the explanatory notes for said "third balance sheet", apart from the items concerned.

IAS 16 Property, plant and machinery - Classification of servicing equipment: it is clarified that servicing equipment must be classified under Property, plant and machinery if used for more than one financial year, or as warehouse inventories, if not.

IAS 32 Financial instruments: presentation - Direct tax on distribution to holders of capital instruments and transaction costs of capital instruments: it is clarified that direct tax relating to these situations apply the rules laid down by IAS 12.

IAS 34 Interim financial statements - Total assets for a reportable segment: it is clarified that the total assets must only be reported if this information is regularly provided to the chief operating decision maker of the entity and there has been an effective change in the total assets of the segment with respect to that reported in the last annual financial statements.

The date on which the changes proposed shall take effect is scheduled for years as from 1 January 2013 or thereafter, with early application permitted. The application of the amendments had no effect on measurement and only a limited effect in terms of disclosures in the separate and consolidated financial statements.

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

On 12 May 2011, the IASB issued standard IFRS 10 - Consolidated financial statements, which will replace 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 main changes established by the new standard are as follows:

According to IFRS 10, there is a single underlying standard on which to consolidate all types of entities, and this standard is based on control. This change removes the incoherence perceived between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);

A more solid definition of control has been introduced as compared with the past, based on three elements: (a) power over the business acquired; (b) exposure, or rights, to variable returns deriving from its involvement with it; (c) capacity to use the power to influence the amount of said returned;

IFRS 10 requires an investors, in order to evaluate whether or not it controls the business acquired, to focus on the activities that significantly influence its returns;

in evaluating the existence of control, IFRS 10 declares that only substantive rights shall be considered, namely those that can be exercised in practical terms when major decisions are to be made concerning the

business acquired;
IFRS 10 lays down practical guides to assisting the evaluation as to whether or not there is control in complex situations, namely *de facto* control, potential voting rights, situations in which it is important to establish whether the decision-maker is acting as agent or principal, etc.
In general terms, the application of IFRS 10 requires a significant level of judgement on a certain number of application aspects.
The standard applies retrospectively from 1 January 2014. The adoption of this new standard has no effect on the Group's area of consolidation.
On 29 May 2013, the IASB issued some amendments to IAS 36 - Impairment of assets - Supplementary information on the value that can be recovered from non-financial assets. The amendments aim to clarify that the additional information to be supplied on the value that can be recovered from the asset (including goodwill) or the cash generating unit, if the recoverable value is based on fair value net of disposal costs, only concerns assets for which a loss of value has been recorded or eliminated during the year. The changes must be made retrospectively as from financial years starting on 1 January 2014.

6.2 Analysis of the breakdown of the main items of the Parent's balance sheet as at 31 December 2013

1. Tangible fixed assets

The structure of tangible assets on 31 December 2013 and their change during the year are highlighted in the following tables:

Historic cost	31-dic-12	Increases	Reclassification	(Decreases)	31-dic-13
Land and buildings	-	-	-	-	-
Leasehold improvements	635,244	113,081	-	-	748,325
Lightweight construction	12,778	-	-	-	12,778
Plants and machinery	3,592,567	600,572	-	-	4,193,139
Industrial equipment	3,732,725	179,418	-	-	3,912,143
Various equipment	740,839	17,845	-	-	758,684
Fixed assets in progress	0		-	-	0
total historic cost	**8,714,153**	**910,916**	**-**	**-**	**9,625,069**

Accumulated depreciation	31-dic-12	Increases	Reclassification	(Alienazioni)	31-dic-13
Land and buildings	-	-	-	-	-
Leasehold improvements	70,322	54,378	-	-	124,700
Lightweight construction	2,766	1,278	-	-	4,044
Plants and machinery	1,370,066	344,733	-	-	1,714,799
Industrial equipment	3,379,047	214,174	-	-	3,593,221
Various equipment	537,588	54,267	-	-	591,855
Fixed assets in progress	-		-	-	-
Total accumulated depreciation	**5,359,790**	**668,830**	**-**	**-**	**6,028,619**

Net value	31-dic-12	Net increases	Reclassification	(depreciacion)	Accumulated depreciation decrease	31-dic-13
Land and buildings	-	-	-	-	-	-
Leasehold improvements	564,922	113,081	-	(54,378)	-	623,625
Lightweight construction	10,012	0	-	(1,278)	-	8,734
Plants and machinery	2,222,502	600,572	-	(344,733)	-	2,478,341
Industrial equipment	353,678	179,418	-	(214,174)	-	318,922
Various equipment	203,251	17,845	-	(54,267)	-	166,829
Fixed assets in progress	0	0	-	-	-	0
Total net value	**3,354,363**	**910,916**	**-**	**(668,830)**	**-**	**3,596,449**

"Other assets" includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant changes that took place in 2013 chiefly refer to the installation of the photovoltaic system on the roof of the Company's administrative office building, in addition to the integration of production machinery and equipment of the new manufacturing plant.
Plants and machinery include (Euro 195 thousand) the new palletising machines; "other assets" refer to (Euro 34 thousand) two forklift trucks. These assets are held under two leasing contracts stipulated with Credem Leasing S.p.A.

2. Intangible fixed assets

The structure of the intangible assets on 31 December 2013, and the related changes are highlighted in the following table:

Intangible assets	31-dic-12	Reclassification	Increases	Other	Amortization	31-dic-13
Research & Development	72,772	-	-	-	36,386	36,386
Patent rights	208,497	-	13,953	-	75,340	147,110
Intangible assets in progress	-	-	-	-	-	-
Total	**281,268**	**-**	**13,953**	**-**	**111,726**	**183,495**

"Research and Development" refers to costs incurred for the project to develop a new product called Sound Architecture. This project involved costs for the staff dedicated to its execution and for the materials

and services (mainly consisting of technical expertise) required to develop the product.
In accordance with 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 2009, with the definition of all the prototypes required to commence production. Amortisation began on 1 January 2010 and will continue for the forecast useful life of five financial years. In 2012, marketing effectively began of the "Sound Architecture" division. On the date on which these notes are prepared, negotiations for further major orders are currently underway.
Pursuant to Art. 2426 of the Italian Civil Code, point no. 5, please note that equity is unavailable for the value of the research costs yet to be amortised, in the amount of Euro 36,686.

"Industrial and intellectual property rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

3. Equity investments in subsidiaries measured at cost

Equity investments in subsidiaries as at 31 December 2013 come to Euro 2,048 thousand (Euro 1,695 thousand as at 31 December 2012); they can be broken down as follows:

Investment in subsidiaries	% holding 31-dic-13	Balance 31-dic-13	% holding 31-dic-12	Balance 31-dic-12	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%	598,149	100%	246,108	352,041	143%
Total investment in subsidiaries		**2,047,935**		**1,695,894**	**352,041**	**21%**

The directors have identified the subsidiaries as cash-generating units (or "CGUs"), insofar as the assets are devoted entirely to the single business sector that can be identified as the sale of "top quality professional loudspeakers".

On this reporting date, there are no indicators of impairment pointing to a loss in the value of investments. More specifically, the value of the investment in the American and Brazilian subsidiaries have been impairment tested by calculating the current value of the cash flows that may originate from the five-year Business Plan approved by the Board of Directors of subsidiaries and by the Board of parent B&C Speakers S.p.A. during the meeting held on 07 March 2014.

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 verified at least once a year, even in the absence of indicators of impairment.

The basic assumptions underlying the drafting of the five-year business plan of B&C Speakers Usa NA LLC (approved by the subsidiary's Management and by the Board of parent Company) 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. These assumptions are:

- selling prices and product mix in line with the consolidated business in 2013;

- increase in revenues in line with the forecasts made by the subsidiary's management for 2014 (substantiated by the results, in terms of turnover, in the first two months of the current financial year). For 2015 and 2016, a 5% annual increase has been defined, whereas for 2017 and 2018 the increase has been defined as 3% per year.

- cost of sold products calculated proportionally to the purchase price list fixed with a euro/dollar exchange rate of 1.35.

- Discount Rate applied:

Main financial parameters on impairment tests (B&C USA)	31-dic-13	31-dic-12
Actuarial rate (WACC)	7.73%	10.45%
Perpetual growht rate	0.50%	0.50%

The basic assumptions underlying the drafting of the five-year business plan of Speakers Brasil LTDA (approved by the Board of the parent Company) 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. These assumptions are:

- mix of sales in line with the consolidated business in 2013.

- Prices increasing sufficiently to effectively cancel out 70% of the increase in the cost of goods sold forecast in relation to the change in the euro/real exchange rate (reference to market trade for forward contracts in currency obtained from external sources).

- increase in revenues in line with the forecasts made by the subsidiary's management for 2014 (substantiated by the results, in terms of turnover, in the first two months of the current financial year). For 2015 and 2016, an annual increase has been defined, respectively of 15% and 8%, whereas for 2017 and 2018 the increase has been defined as 3% per year.

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

- Discount Rate applied:

Main financial parameters on impairment tests (B&C Brasil)	31-dic-13	31-dic-12
Actuarial rate (WACC)	14.42%	n/a
Perpetual growht rate	0.50%	n/a

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 period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The closing 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.

On the basis of the impairment testing carried out, the current value of forecast cash flow generated by the two CGUs exceeds the book value of the equity investments held in the subsidiaries booked as at 31 December 2013.

4. Deferred tax assets

As at 31 December 2013, this item includes prepaid tax receivables for Euro 63 thousand (Euro 48 thousand as at 31 December 2012), 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.

Prepaid tax receivables 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 fixed receivables

As at 31 December 2013 this item is as follows:

Other non current assets	**31-dic-13**	**31-dic-12**	**Change**	**% Change**
Insurance poilcies	617,890	754,924	(137,034)	-18%
Guarantee deposits	57,096	56,846	250	0%
Ires refund receivables	156,212	156,212	-	0%
Total non current assets	**831,198**	**967,982**	**(136,784)**	**-14%**

As at 31 December 2013, insurance refers to receivables accrued in respect of the insurance companies “Milan Insurance” and “La Fondiaria Assicurazioni” in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors’ severance pay.
The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	**31-dic-12**	Increases	(Decreases)	**31-dic-13**
Insurance policies	754,924	48,755	(185,789)	617,890
Total	**754,924**	**48,755**	**(185,789)**	**617,890**

The period increase is due to the new payments made by the Company during the year and which amount to Euro 49 thousand. The reduction (Euro 186 thousand) represents the amount paid to the heirs of the Chairman of the Board of Directors, Roberto Coppini, who passed away in March 2013. The payments made during the period reflect the value of the provision made to the relevant *“Directors’ Severance Indemnity”* fund, as explained under note 13.

“Deposits” reflects the amount receivable for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina Via Poggio Moro n.1, for Euro 48 thousand, and other minor deposits for Euro 9 thousand.

“IRES rebate receivable” includes the credit generated in FY 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

6. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2013:

Inventories	31-dic-13	31-dic-12	Change	% Change
Row materials and consumables	535,576	604,593	(69,017)	-11%
Work in progress and semi-finished	4,834,523	5,245,185	(410,662)	-8%
Finished goods	482,970	349,692	133,278	38%
Gross Total	**5,853,069**	**6,199,470**	**(346,401)**	**-6%**
Provision for inventory writedowns	(243,317)	(193,317)	(50,000)	26%
Net Total	**5,609,752**	**6,006,153**	**(396,401)**	**-7%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence; as at 31 December 2013, it totals Euro 243 thousand.

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 inventories as at 31 December 2013 would appear to have decreased by 6% overall with respect to the 31 December 2012 total. The reduction in the value of inventories is mainly connected with the reduced quantities of semi-finished stock, as a consequence of the increased production and sales volumes recorded in 2013.

For more details on changes in inventories, please refer to the note below that comments the income statement.

7. Trade receivables

Trade receivables relate to standard sales made to domestic and foreign customers and are structured as follows on 31 December 2013:

Trade receivables	31-dic-13	31-dic-12	Change	% Change
Trade receivables	6,704,972	7,848,365	(1,143,393)	-15%
(Provision for doubtful accounts)	(188,865)	(155,029)	(33,836)	22%
Total	**6,516,107**	**7,693,336**	**(1,177,229)**	**-15%**

The adjustment of the nominal value of the credits to the realisable value was obtained by means of a suitable provision for doubtful debt, which on 31 December 2013 stood at Euro 189 thousand. The gross value of trade receivables has dropped with respect to 31 December 2013, following the improved collection times, particularly from customers based in Asia Pacific.

The table below shows changes in the provision.

Change in provision for doubtful accounts	31-dic-12	Increase	Use	31-dic-13
Provision for doubtful accounts	155,029	33,836	-	188,865
Total	**155,029**	**33,836**	**-**	**188,865**

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

The value of trade receivables toward customers not represented by bank receipts amounted to Euro 5,624 thousand. The table below shows the trend of receivables as at 31 December 2013, 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 2013	5,623,585	3,840,385	1,427,962	83,091	272,147
Incidence	100%	68%	25%	1%	5%

8. Tax receivables due within twelve months

As at 31 December 2013, tax receivables are as follows:

Tax receivables	31-dic-13	31-dic-12	Change	% Change
Advances on provision for serevance indemnitie	2,252	2,252	-	0%
VAT Receivables	471,263	276,644	194,620	70%
Total tax receivables	**473,516**	**278,896**	**194,620**	**70%**

There are no current tax receivables as at 31 December 2013, as the Company has a net debt with the Treasury.

9. Other current assets

As at 31 December 2013, "Other current assets" are as follows:

Other current assets	31-dic-13	31-dic-12	Change	% Change
Receivables towards suppliers	16,323	67,658	(51,335)	-76%
Securities	750,328	-	750,328	n/a
Other Receivables	5,362	5,017	345	7%
Total other receivables	**772,013**	**72,675**	**699,339**	962%
Commercial fairs	38,380	21,303	17,077	80%
Phone expenses	432	1,259	(827)	-66%
Assistance and assurance fees	53,827	40,074	13,753	34%
Specialist contracts	32,250	27,000	5,250	19%
Other	20,939	-	20,939	n/a
Total prepaid expenses and accrued income	**145,828**	**89,636**	**56,192**	63%
Total current assets	**917,841**	**162,311**	**755,530**	**465%**

Securities held in the portfolio refers to General Electric bonds maturing in 2026, held for the use of short-term liquidity. These securities were measured at fair value as at 31 December 2013 and the presumed loss (Euro 19 thousand) allocated to financial expenses on the income statement.

The item Specialist contract fees refers to accrued income for service fees on their share due in 2014 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-13	31-dic-12	Change	% Change
Bank and postal deposit	2,506,535	2,022,603	483,932	24%
Cash	810	2,866	(2,056)	-72%
Total cash and cash eqivalents	**2,507,345**	**2,025,469**	**481,876**	**24%**

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

11. Shareholders' equity and its components

Share capital

As at 31 December 2013, the Company's share capital stands at Euro 1,098 thousand (no change with respect to 31 December 2012); the share capital of B&C Speakers consists of 11,000,000 ordinary Shares, each worth Euro 0.10; the share capital is fully paid-in.

As a result of the continuation of the Buy-Back plan, on 31 December 2013 B&C Speakers S.p.A. holds a total 23,846 treasury shares equal to 0.22% of the share capital, bought at an average value of Euro 4.16 per share.

Other reserves

This item, equal to Euro 4,711 thousand on 31 December 2013, comprises the legal reserve for Euro 379 thousand, the extraordinary reserve for Euro 44 thousand, the reserve for capital gains on currency exchange not realised for Euro 2 thousand and the share premium reserve for Euro 4,286 thousand.

More specifically, the share premium reserve increased by Euro 36 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 Euro 12 thousand on 31 December 2013 is given by the effect of the adoption of the international accounting standards on the financial statements for the year ended on 31 December 2006; more specifically, this amount represents the net value of adjustments determined from the application of IFRS to equity on 01 January 2006, the date on which the transition was made to the International Accounting Standards.

Fair value reserve

This item includes the effects on shareholders' equity of the actuarial component of severance indemnity.

Comprehensive period result

This item comprises the net period result for Euro 4,750 thousand and other period profits/(losses) for a positive value of Euro 8 relative to the actuarial gains component deriving from the actuarial measurement of severance indemnity. This financial component is stated net of the related tax effect equal to Euro 3 thousand, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013. In order to allow for comparison with the comparative data, the actuarial loss component for FY 2012 has also been classified amongst the other components of the statement of comprehensive income.

12. Medium-/long-term financial debt

As at 31 December 2013, medium/long-term financial debt is as follows:

Long-term borrowings	31-dic-13	31-dic-12	Change	% Change
Fidi Toscana loan	0	24,999	(24,999)	-100%
Credemleasing loan	86,435	123,991	(37,556)	-30%
Long-term Simest loan	400,000	500,000	(100,000)	-20%
Total long-term borrowing	**486,435**	**648,991**	**(162,556)**	**-25%**

"Fidi Toscana loan" (Euro 25 thousand as at 31 December 2012) totals zero as at 31 December 2013, as the residual debt of the loan can be repaid in full in 2014. The loan accounts for 50% of the total contribution received from the Region of Tuscany through Fidi Toscana, intended to fund technological innovation plans pursued by the Parent.

The "Credem Leasing loan", (Euro 86 thousand on 31 December 2013), includes the portion due beyond the next twelve months of the embedded debt connected with two leasing contracts stipulated in 2010 and related to two forklift trucks and a palletising plant.

The item "Long-term Simest loan" (Euro 400 thousand on 31 December 2013), includes the portion due beyond the next twelve months of the unsecured long-term loan stipulated with Simest S.p.A. as of 19 April 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 and thus increase competitiveness on export markets.

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

Loans details	Finanziamento Simest
Lender	Simest S.p.A.
Original amount	500,000
Contract date	19-apr-11
Due date	31-dic-18
N. instalments	10
Advance instalments	5
Periodicity	Half-yearly
Interest rate	Preammortamento: 2,49% Ammortamento: 0,5%
Current portion	100,000
Non current portion	400,000

13. Payroll and similar provisions

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

In order to book the severance indemnity appropriately, the financial value- actuarial liabilities were recalculated for each employee 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 369 thousand.

Severance indemnity is a defined benefits obligation booked in accordance with IAS 19 - Employee benefits. The amount of the severance indemnity provision is calculated by applying the projected unit credit method, applying actuarial evaluations at the end of the reference period.

Please note that during the first-time application, the Group had decided not to use the "Corridor Method" and, therefore, to record said actuarial components on the income statement.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

As concerns the economic-financial scenario, the parameters used for the measurement as at 31 December 2013 were as follows:

- technical annual discounting rate 2.5% (2.4% as at 31.12.2012)
- annual inflation rate 2.00% (2.0% as at 31.12.2012)
- annual TFR increase rate 3.00% (3.0% as at 31.12.2012)

As concerns the discounting rate the index IBoxx Corporate AA for December 2013 was taken as reference; this duration is measured to the average length of time for which the group valued remains.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year, it changed as follows:

Provision for severance indemnities	**31-dic-12**	**Provision (interest & service cost)**	**(Use)**	**Actuarial effects**	**31-dic-13**
Provision for severance indemnities	432,359	10,906	(66,550)	(7,946)	368,769
Total provision for severance indemnities	**432,359**	**10,906**	**(66,550)**	**(7,946)**	**368,769**

In compliance with the provisions of the new IAS 19, the following table provides:

- sensitivity analysis for each relevant actuarial hypothesis at year end, showing the effects that would have been recorded following the changes made to actuarial hypotheses reasonably possible as at that date, in absolute terms;

- indication of the contribution for the following financial year;

- indication of the average financial term of the obligation for defined benefits plans.

Sensitivity Anlisys on most valuable parameters

	31-dic-13
Turnover Rate+1%	368,495
Inflation Rate +0,25%	373,237
Inflation Rate-0,25%	364,393
Actualization Rate +25%	362,311
Actualization Rate -25%	375,466

Future estimated disbursement	
Year	
1st	48,240
2nd	29,269
3rd	61,458
4th	22,491
5th	21,117

Service Cost & Duration	
Service Cost 2014	0.0
Duration of the Plan	7.8

In reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision equates to the value of the corresponding policies entered as assets and described in Note 5.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	**31-dic-12**	**Provision**	**(Use)**	**31-dic-13**
Executive retirement provision (TFM)	754,923	48,756	(185,789)	617,890
Total TFM	**754,923**	**48,756**	**(185,789)**	**617,890**

14. Deferred tax liabilities

As at 31 December 2013, the item includes deferred tax payables for Euro 27 thousand, originating as a result of the application of IFRS. These primarily refer to deferred taxes arising from the adjustment of the directors' severance indemnity provision.

15. Short-term financial debt

This item amounts to Euro 816 thousand as at 31 December 2012 (Euro 761 thousand as at 31 December 2012) and is structured as follows:

Short term borrowings	31-dic-13	31-dic-12	Change	% Change
Fidi Toscana loan	24,999	18,617	6,382	34%
Credemleasing loan	37,556	34,809	2,748	8%
Short-term Credem loan	-	424,974	(424,974)	-100%
Short-term Simest loan	100,000	-	100,000	n/a
Bank overdrafts	653,682	283,086	370,595	131%
Total	**816,237**	**761,486**	**54,751**	**7%**

The increase in current financial debt is mainly due to the increase in bank overdrafts.

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

16. Trade payables

This item includes amounts due to suppliers and provisions for invoices receivable.

Trade payables	31-dic-13	31-dic-12	Change	% Change
Payables	2,337,199	3,165,480	(828,282)	-26%
Total trade payables	**2,337,199**	**3,165,480**	**(828,282)**	**-26%**

The reduction in trade payables with respect to 31 December 2012 is connected with the concentration of some payments during the latter part of the year.

17. Tax payables

As at 31 December 2013, this item is as follows:

Tax liabilities	31-dic-13	31-dic-12	Change	% Change
Employee witholding taxes	130,712	124,439	6,272	5%
Income tax liabilities	281,060	221,149	59,912	27%
Total tax liabilities	**411,772**	**345,588**	**66,184**	19%

Current tax payables, entered net of advances paid over the year, refer to IRES for Euro 226 and to IRAP for Euro 55 thousand.

Withholding taxes represent the value of withholdings paid in the first months of 2014.

18. Other current liabilities

As at 31 December 2013, this item is as follows:

(in euros)

Other current liabilities	31-dic-13	31-dic-12	Change	% Change
Due to social security funds	220,520	217,232	3,288	2%
Unused vacation time and holidays	209,557	164,033	45,524	28%
Due to personnel	194,683	158,699	35,984	23%
Other liabilities	106,592	601,756	(495,164)	-82%
Total current liabilities	**731,352**	**1,141,720**	**(410,368)**	-36%

"Amounts due to social security entities" includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 194 thousand).

"Accrued payroll costs" includes the accrual for holidays remaining on 31 December 2013.

"Amounts due to employees for salaries" refers to payables for salaries and wages still to be paid on the reporting date.

Guarantees given to third parties

As at 31 December 2013, as also at 31 December 2012, there are no records of any guarantees given to third parties.

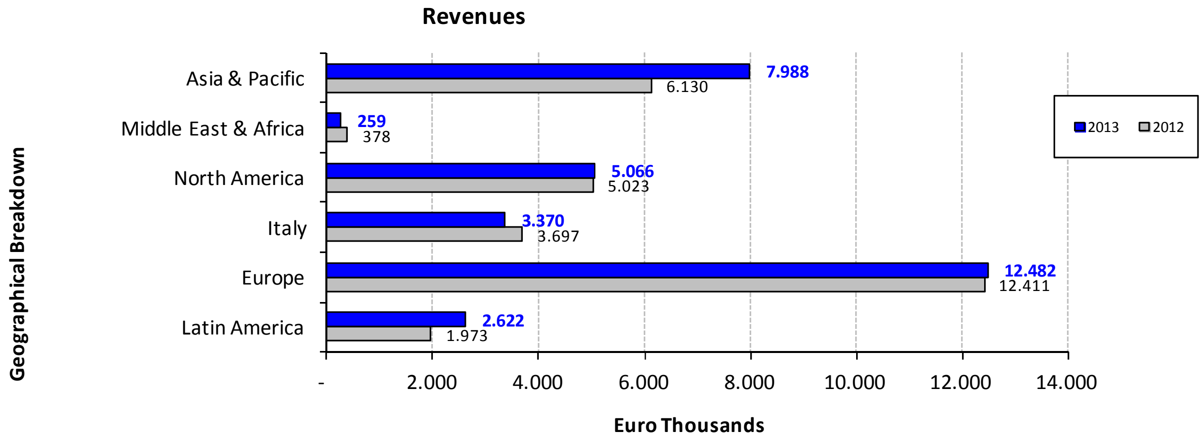
6.3 Structural analysis of main items of the parent company's income statement for FY 2013

19. Income from sales and services

2013 income from sales and services recorded a significant increase, up 7.5% compared to the previous year. The table below highlights income from sales and services broken down by geographical area:

Geographical Area	2013	%	2012	%	Change	% Change
Latin America	2,622,064	8%	1,972,701	7%	649,363	33%
Europe	12,481,684	39%	12,410,621	42%	71,063	1%
Italy	3,370,376	11%	3,697,272	12%	(326,895)	-9%
North America	5,065,638	16%	5,023,437	17%	42,201	1%
Middle East & Africa	259,092	1%	377,643	1%	(118,551)	-31%
Asia & Pacific	7,988,276	25%	6,129,541	21%	1,858,735	30%
Total revenues	**31,787,131**	**100%**	**29,611,214**	**100%**	**2,175,917**	**7%**

The turnover achieved in 2013 is primarily driven by growth on the Asian market (China in particular), where sales were up by 30% on last year, thereby securing turnover of 7.9 million euros, and today accounting for about 25% of the total.



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 products can be further broken down in terms of turnover based on the type of speakers sold. Below is a table summarising 2013 sales according to product category compared with their respective value in the previous year:

Product category	**2013**	**%**	**2012**	**%**	**Change**	**% Change**
LF FE Drivers	10,463,681	32.9%	8,559,241	28.9%	1,904,440	22%
LF ND Drivers	7,412,003	23.3%	7,691,174	26.0%	(279,171)	-4%
HF Drivers	10,497,295	33.0%	10,191,172	34.4%	306,123	3%
Coaxials	2,152,286	6.8%	1,973,464	6.7%	178,822	9%
Others	1,261,866	4.0%	1,196,162	4.0%	65,704	5%
Total revenues	**31,787,131**	**100.0%**	**29,611,213**	**100.0%**	**2,175,918**	**7%**

As described in greater detail in the Report on Operations, revenues during the quarters grew steadily and consistently above higher than the closing value in 2012.

Furthermore, as can be inferred from the above table, in 2013 the company's sales have privileged products with higher added value and profit margin (drivers).

The Company's most important client is ***D&B Audiotechnik***, which accounts for approximately 10% of total turnover.

For a more analytical analysis of revenues during the year, please refer to the relevant section of the Report on Operations at the start of this document.

20. Other revenues and income

This item is structured as follows:

Other revenues	**2013**	**2012**	**Change**	**% Change**
Other revenues	198,497	172,613	25,884	15%
Grants for R&D activities	115,073	115,528	(455)	-100%
Extraordinary income	37,174	12,124	25,050	207%
Total other revenues	**350,744**	**300,264**	**50,480**	**17%**

“Other Revenues” refers entirely to the recovery of business, transportation and miscellaneous expenses.

“Contributions to research & development” refers to the part share pertaining to the year of the contribution disbursed by the Region of Tuscany against the research project named “Silence”, which aims to develop a prototype of an innovative system, based on Professional Acoustic technologies, to reduce, even eliminate, noise pollution in the environments in which the system is used. Three companies operating in professional acoustics are involved in the project, all based in the province of Florence; a temporary consortium has therefore been formed, with B&C Speakers S.p.A. as leader.

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

The item is structured as follows:

Inventory change	2013	2012	Change	% Change
Semi-finished products inventory change	(460,662)	1,144,249	(1,604,911)	-140%
Finished products inventory change	133,278	(41,251)	174,529	-423%
Total inventory change	**(327,384)**	**1,102,997**	**(1,430,381)**	**-130%**

The reduction in inventories of semi-finished products is a consequence of the increased production and sales volumes achieved in 2013.

22. Costs for the purchase of raw and ancillary materials and consumables

The item is structured as follows:

Consumption of raw material, consumable and other products	2013	2012	Change	% Change
Purchases:				
Raw materials and finished products	1,700,773	1,110,546	590,227	53%
Consumable supplies	971,596	971,507	89	0%
Semi-finished products	8,448,217	9,446,305	(998,087)	-11%
Packings	373,750	354,955	18,796	5%
Stationery	11,564	11,924	(360)	-3%
Purchase of other products	574,973	751,915	(176,942)	-24%
Total purchases	**12,080,874**	**12,647,152**	**(566,278)**	**-4%**
Change of raw material, consumable and other products	**66,493**	**400,267**	**(333,774)**	**-83%**
Consumption of raw material, consumable and other products	**12,147,367**	**13,047,419**	**(900,052)**	**-6.9%**

As shown in the table above, consumption of raw materials has increased on the previous period, as a consequence of the increased production volumes recorded during the year; purchases of semi-finished products, on the other hand, have dropped, due to the intense use of stocks.

Please note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed.

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

23. Payroll cost

The item is structured as follows:

Labour cost	2013	2012	Change	% Change
Salary and retribution	3,265,462	2,960,644	304,818	10%
Social charges	1,026,445	901,403	125,041	14%
Severance indemnities	205,171	189,444	15,727	8%
Executive retirement indemnities	48,755	44,400	4,355	10%
Other employees costs	624,858	281,893	342,965	122%
Total labour cost	**5,170,690**	**4,377,784**	**792,906**	**18%**

The increase seen in “salaries and wages” and “social charges” was mainly due to the greater impact of extraordinary costs incurred during the year to satisfy increased production volumes.

The increase recorded in “Other payroll costs” (Euro 342 thousand), should be considered in relation to the greater use of temporary staff in 2013 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	2013	2012	Change	% Change
Services:				
Manteinance	662,580	583,003	79,577	14%
Advertising	159,121	158,984	137	0%
Emolumenti e rimborsi organi sociali	748,059	652,986	95,073	15%
Bank charges	22,000	26,802	(4,802)	-18%
External manufacturing costs	1,817,792	2,023,261	(205,469)	-10%
Shipping and logistics costs	785,651	807,800	(22,148)	-3%
Brokerage	125,422	134,906	(9,484)	-7%
Travelling expenses	166,970	167,933	(963)	-1%
Professional services	738,560	780,956	(42,396)	-5%
Other services	225,451	237,756	(12,305)	-5%
Total service costs	**5,451,606**	**5,574,385**	**(122,779)**	**-2%**
Rent and leasing expenses	962,716	876,618	86,098	10%
Total service, rent and leasing costs	**6,414,322**	**6,451,003**	**(36,681)**	**-1%**

Service costs are mainly related to maintenance and software for about Euro 207 thousand (Euro 192 thousand in 2012), and costs for utilities for Euro 326 thousand (Euro 222 thousand in 2011) and maintenance of instrumental assets and real estate for Euro 130 thousand (Euro 166 thousand in 2012).

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.

Professional services include business, technical, administrative and legal consulting services received by the Company in 2013.

Rental and leasing expenses refer to lease and rentals for about Euro 40 thousand and the costs for payable real estate rentals worth Euro 922 thousand.

25. Amortisation/depreciation of Tangible and Intangible Assets and impairment

The item is structured as follows:

Amortization, depreciation and writedowns	2013	2012	Change	% Change
Amortization of intangibles assets	111,726	117,325	(5,599)	-5%
Depreciation of tangible assets	668,830	595,627	73,203	12%
Total amortizations and depreciations	**780,556**	**712,952**	**67,604**	**9%**
Bad debt provision	33,836	37,380	(3,544)	-9%
Warranty provision	52,596	-	52,596	n/a
Total Writedowns	**86,432**	**37,380**	**49,052**	**131%**

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

The provision for impairment takes account of the risk of writing off current outstanding loans on 31 December 2013.

The provision made to the warranty fund coincides with the cost of interventions that Company management can reasonably expect to be carried out under warranty, according to past historical trends.

26. Other costs

The item is structured as follows:

Other costs	2013	2012	Change	% Change
Taxes	39,348	49,247	(9,900)	-20%
Other minor charges	61,788	183,573	(121,785)	-66%
Stock Exchange expenses	82,219	76,292	5,928	8%
Total other costs	**183,355**	**309,112**	**(125,757)**	**-41%**

"Other minor charges" includes miscellaneous expenses for about Euro 17 thousand, a penalty paid in 2013 for Euro 30 thousand and other minor expenses whose unitary value is not significant.

Stock Exchange expenses includes management costs related to Borsa Italiana S.p.A. and Consob.

27. Financial income and expenses

The item is structured as follows:

Financial income and expenses	**2013**	**2012**	**Change**	**% Change**
Bank interest income	45,923	17,742	28,181	159%
Dividends	36,941	77,761	(40,819)	-52%
Interest on securities	5,360	-	5,360	n/a
Exchange rate differences income	92,107	165,845	(73,738)	-44%
Exchange rate differences accruals	(9,104)	4,077	(13,181)	-323%
Total financial income	**171,227**	**265,425**	**(94,198)**	**-35%**
Interest expenses	32,258	38,373	(6,115)	-16%
Accrued loss on securities	18,849	-	18,849	n/a
Financial expenses for Defined Benefit Obligation	10,524	15,594	(5,070)	-33%
Fair Value expenses on forward agreement	18,165	0	18,165	n/a
Exchange rate difference expenses	74,618	154,018	(79,400)	-52%
Exchange rate differences accruals	(9,213)	2,313	(11,526)	-498%
Total financial expenses	**145,201**	**210,298**	**(65,097)**	**-31%**
Total financial income (expenses)	**26,026**	**55,127**	**(29,101)**	**-53%**

The reduction recorded under "Financial income" mainly relates to the smaller dividends collected by the US subsidiary and the lesser exchange gains realised in 2013. The detailed listing of the individual item entries shows an increase in interest income on current accounts, consequent to the increase of the average funds held in the current accounts during the period.

Presumed losses on securities, entered under current assets, refer to the economic effect of the fair value measurement of the bonds of General Electric, maturing in 2026 and held for short-term liquidity, classified under other current assets.

Presumed losses on forward contracts refer to the economic effect of the fair value measurement of the forward foreign currency purchase contract stipulated with BNL and in place as at 31 December 2013; it has the following characteristics:

Notional value : 500 thousand USD

Stipulation date : 03 September 2013

Expiry date : 05 March 2014

Forward exchange rate : 1.31

Fair value as at 31-Dec-2013 : -19 thousand euros

The reduction seen to "Financial expense" is mainly due to the reduction of exchange losses realised.

28. Tax

The item is structured as follows:

Current and deferred taxes	**2013**	**2012**	**Change**	**% Change**
IRES	1,883,708	1,611,929	271,779	17%
IRAP	430,264	374,251	56,013	15%
Total current taxes	**2,313,972**	**1,986,179**	**327,793**	**17%**
Ires refund	-	(156,212)	156,212	-100%
Deferred tax expenses/(income)	(10,004)	19,585	(29,589)	-151%
Total income taxes	**2,303,968**	**1,849,552**	**454,416**	25%

Current taxes include the tax expense that originated during the year in application.

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

Theoretical tax was determined by applying the IRES tax rate (27.5 % in 2012 and in 2011) to the pre-tax result. To ensure a better understanding of the reconciliation between the tax expense entered in the financial statements 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 distort 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 71 thousand (Euro 14 thousand in 2012) and the financial expenses recognised in the financial statements in application of IFRS worth Euro 10.5 thousand (Euro 11 thousand in 2012).

"Permanent decreases" include the dividends received by foreign subsidiaries for Euro 35 thousand (Euro 36 thousand in FY 2012), the tax incentive, referred to as "A.C.E." and the portion of IRAP relating to expenses for employees paid in 2013 in the amount of Euro 215 thousand (Euro 149 thousand in 2012).

With regard to the recovery of temporary differences entered in previous years, please note the Directors fees paid in 2013, but which actually related to the previous financial year (Euro 10 thousand), in addition to the fees relating to this year, but which have not yet been paid (Euro 30 thousand) and the part of depreciation in excess of the admissible deductible share (Euro 11 thousand).

As a result of the differences between permanent and temporary expenses described above, the effective tax rate (IRES) for the financial year 2013 amounted to 26.74% on pre-tax profit (this was 27.53% in FY 2012).

Prepaid tax assets 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 CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the net financial position of the company as at 31 December 2013 is detailed below:

	31 December 2013 (a)	31 December 2012 (a)	Change
Cash and cash equivalents	2,507	2,025	24%
A. Cash and cash equivalents	**2,507**	**2,025**	**24%**
Current borrowings	(816)	(761)	7%
B. Current borrowings	**(816)**	**(761)**	**7%**
C. Current net financial position (A+B)	**1,691**	**1,264**	**34%**
Non current borrowings	(486)	(649)	-25%
D. Non current borrowings	**(486)**	**(649)**	**-25%**
E. Net financial position (C+D)	**1,205**	**615**	**96%**

(a) Information taken and/or calculated from the financial statements prepared in compliance with IFRS adopted by the European Union.

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

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

30. Related party transactions

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

- ***Research & Development International S.r.l.***, with registered office in Florence, Viale dei Mille n. 60, tax code 02342270481, share capital €90,000, which holds 62.11% of the share capital of the Parent Company "B&C Speakers S.p.A.";
- ***B&C Speakers NA LLC***, a 100% subsidiary of the parent;
- **B&C Speakers Brasil LTDA**, owned 99.9% by the parent.

Details of transactions and the effects on the income statement and balance sheet arising from transactions with the above-mentioned related parties are provided in the relevant paragraph of the Report on Operations, to which we would refer you.

31. Transactions from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2013 the Company did not incur costs in connection with non-recurrent operations.

32. Transactions from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2013 the Company did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

33. Information on financial risks

The Company's business is exposed to a variety of financial risks: market risk (including 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 conducts business internationally and is therefore exposed to the risk generated by changes 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 2013, 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 summarised below:

- purchases in US Dollar equal to 7,247 thousand whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 5,457 thousand.

In 2013, the Company instead generated turnover from customers in a foreign currency; more specifically, *revenues* in a foreign currency are summarised below:

- Turnover in US Dollar equal to 3,040 thousand whose corresponding value in euros (calculated according to the average exchange rate for the year) is equal to Euro 2,289 thousand.

These figures show that purchases in a foreign currency account for approximately 45% of total purchases (in 2012, this percentage was about 55%), while sales in currency account for 7% of the Company's turnover (in FY 2012 this was 7%).
The value of purchases made in foreign currencies in 2013 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.

On the Balance sheet, the equivalent in euros of trade receivables entered in US dollars on 31 December 2013 amounts to Euro 948 thousand (considerably up on 31 December 2012, when it came to Euro 567 thousand, due to the greater credit due with regards to the American subsidiary), while the equivalent value of trade payables in US dollars on 31 December 2013 amounts to Euro 304 thousand (the total value on 31 December 2012 amounted to Euro 571 thousand). The equivalent in euro of trade payables in US dollars is significantly lower than the equivalent in euro in trade receivables in the same currency.
We must stress 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 period.
The incidence of tax receivables in currency reaches, based on the above data, approximately 14% of the overall trade value, while the incidence of trade payables in currency accounts for 13% 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 2013, with the associated costs and profits entered in the income statement.

Considering that the data in the Consolidated financial statements as at 31 December 2013 is 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. 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 significant financial assets or liabilities and its profitability is not significantly affected by interest rate trends.

34. Hierarchical levels of the fair value measurement

For financial instruments recorded on the statement of financial position at fair value, IFRS 7 requires these values to be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels are established:

level 1 - listings taken from an active market for the assets or liabilities being measured;

level 2 - inputs other than listed prices as per the point above, which can be observed directly (prices) or indirectly (price derivatives) on the market;

level 3 - inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 2013, according to the hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
Euro Thousands			
Financial Assets			
Cash and Cash equivalent		361,723	
Other Current Assets	750,328		
Total	**750,328**	**361,723**	**0**
Financial Liabilities			
Total	**0**	**0**	**0**

ATTACHMENT I: APPLICATION OF NEW IAS 19 – RE-STATEMENTS OF THE INCOME STATEMENT AND BALANCE SHEET

On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee benefits, eliminating the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the provision deficit or surplus, and the recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement of assets and liabilities amongst the "Comprehensive other profit/(losses)".
Moreover, the return on the assets included amongst net financial expenses must be calculated on the basis of the liability discount rate and no longer according to forecast return.
The amendment applies retrospectively as from the financial year starting on or after 1 January 2013.
Below is the comprehensive income statement re-stated as at 31.12.2012 and the balance sheet re-stated as at 01.01.2012 and 31.12.2012.

COMPREHENSIVE INCOME STATEMENT (Values in Euro)		2012	Actuarial evaluation of DBO	2012 restated
Revenues		29,611,214		29,611,214
	related parties	*2,192,554*		*2,192,554*
Other revenues		300,264		300,264
Change in inventory		1,102,997		1,102,997
Purchases of raw materials and other		13,047,419		13,047,419
Cost of labour		4,377,784		4,377,784
Cost of services		6,451,003		6,451,003
	related parties	*890,868*		*890,868*
Depreciations of tangible assets		595,627		595,627
Amortizations of intangible assets		117,325		117,325
Writedowns		37,380		37,380
Other costs		309,112		309,112
Earning before taxes and interests		**6,078,826**		**6,078,826**
Interest income		265,425		265,425
Finance costs		271,029	(60,730)	210,299
Earning before taxes		**6,073,222**		**6,133,952**
Income taxes		1,830,482	19,070	1,849,552
Profit for the year (A)		**4,242,740**		**4,284,401**
Other comprehensive income for the year				
Actuarial gain/(losses) on DBO (net of tax)		-	(41,661)	(41,661)
Total other comprehensive income for the year (B)		**-**		**(41,661)**
Total comprehensive income (A) + (B)		**4,242,740**		**4,242,740**

STATEMENT OF FINANCIAL POSITION (Values in Euro)		**1 January 2012**	**Actuarial evaluation of DBO**	**1 January 2012 restated**
ASSETS				
Non current assets				
Tangible assets		3,188,889		3,188,889
Other intangible assets		443,366		443,366
Investments in associates		1,695,894		1,695,894
Deferred tax assets		47,834		47,834
Other non current assets		56,846		56,846
Other assets (TFM insurance)		710,524		710,524
Total non current assets		**6,143,354**		**6,143,354**
Currents assets				
Inventory		5,303,423		5,303,423
Trade receivables		6,285,631		6,285,631
	related parties	*1,002,085*		1,002,085
Tax assets		218,366		218,366
Other current assets		96,204		96,204
	related parties	-		-
Cash and cash equivalents		1,896,002		1,896,002
Total current assets		**13,799,624**		**13,799,624**
Total assets		**19,942,978**		**19,942,978**

		1 January 2012	**DBO actuarial effect**	**1 gennaio 2012 riesposto**
Liabilities				
Equity				
Share capital		1,049,216		1,049,216
Other reserves		3,327,882		3,327,882
Retained Earnings		4,187,273	42,287	4,229,560
Fair value reserve			(42,287)	(42,287)
IAS FTA reserve		11,764		11,764
Profit/(loss) for the year		3,618,034		3,618,034
Total equity		**12,194,168**		**12,194,168**
Non current equity				
Long-term borrowings		1,126,944		1,126,944
Severance indemnities		1,105,848		1,105,848
Deferred tax liabilities		17,284		17,284
Total non current liabilities		**2,250,077**		**2,250,077**
Current liabilities				
Short-term borrowings		1,404,119		1,404,119
Trade liabilities		2,376,440		2,376,440
	related parties	*102,807*		102,807
Tax liabilities		456,245		456,245
Other current liabilities		1,261,929		1,261,929
Total current liabilities		**5,498,734**		**5,498,734**
Total Liabilities		**19,942,978**		**19,942,978**

STATEMENT OF FINANCIAL POSITION (Values in Euro)		**31 december 2012**	**Actuarial evaluation of DBO**	**31 december 2012 restated**
ASSETS				
Non current assets				
Tangible assets		3,354,333		3,354,333
Other intangible assets		281,268		281,268
Investments in associates		1,695,894		1,695,894
Deferred tax assets		47,319		47,319
Other non current assets		213,058		213,058
	related parties	*88,950*		*88,950*
Other assets (TFM insurance)		754,924		754,924
Total non current assets		**6,346,796**		**6,346,796**
Currents assets				
Inventory		6,006,153		6,006,153
Trade receivables		7,693,336		7,693,336
	related parties	*1,516,467*		*1,516,467*
Tax assets		278,896		278,896
Other current assets		162,311		162,311
Cash and cash equivalents		2,025,469		2,025,469
Total current assets		**16,166,165**		**16,166,165**
Total assets		**22,512,961**		**22,512,961**

		31 december 2012	**Actuarial evaluation of DBO**	**31 december 2012 restated**
Liabilities				
Equity				
Share capital		1,097,930		1,097,930
Other reserves		4,763,977		4,763,977
Retained Earnings		5,128,640	103,019	5,231,659
IAS FTA reserve			(103,019)	(103,019)
Fair value reserve		11,764		11,764
Profit/(loss) for the year		4,242,740		4,242,740
Total equity		**15,245,051**		**15,245,051**
Long-term borrowings				
Long-term borrowings		648,991		648,991
Provisions for risk and charges		1,187,283		1,187,283
Deferred tax liabilities		17,363		17,363
Total non current liabilities		**1,853,636**		**1,853,636**
Current liabilities				
Short-term borrowings		761,486		761,486
Trade liabilities		3,165,480		3,165,480
	related parties	*2,114*		*2,114*
Tax liabilities		345,588		345,588
Other current liabilities		1,141,719		1,141,719
Total current liabilities		**5,414,274**		**5,414,274**
Total Liabilities		**22,512,961**		**22,512,961**

7 Consolidated financial statements of the B&C Speakers S.p.A. Group at 31 December 2013

7.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Values in Euro)		Note	31 December 2013	31 december 2012 restated (Note 1)
ASSETS				
Fixed assets				
Tangible assets		1	3,620,503	3,390,492
Goodwill		2	1,393,789	1,393,789
Other intangible assets		3	189,481	281,331
Deferred tax assets		4	270,823	209,104
Other non current assets		5	218,613	218,603
	related parties	*31*	*88,950*	*88,950*
Other assets (TFM insurance)		5	617,890	754,924
Total non current assets			**6,311,099**	**6,248,243**
Currents assets				
Inventory		6	6,356,429	6,574,889
Trade receivables		7	5,947,160	7,092,314
Tax assets		8	890,022	614,467
Other current assets		9	926,864	202,153
Cash and cash equivalents		10	2,640,271	2,222,476
Total current assets			**16,760,746**	**16,706,299**
Total assets			**23,071,845**	**22,954,542**
			31 December 2013	**31 december 2012 restated (Note 1)**
Liabilities				
Equity				
Share capital		11	1,097,616	1,097,930
Other reserves		11	4,710,964	4,763,977
Retained Earnings		11	6,481,719	5,446,001
Fair value reserve		11	(144,680)	(103,019)
Profit/(loss) for the year		11	4,720,019	4,135,857
Total equity attributable to shareholders of the parent			**16,865,638**	**15,340,746**
Minority interest			-	-
Total equity			**16,865,638**	**15,340,746**
Non current equity				
Long-term borrowings		12	486,435	648,991
Severance Indemnities		13	986,659	1,187,283
Provisions for risk and charges		14	52,596	-
Deferred tax liabilities		15	26,935	17,363
Total non current liabilities			**1,552,625**	**1,853,637**
Current liabilities				
Short-term borrowings		16	816,237	761,486
Trade liabilities		17	2,338,064	3,149,423
	related parties	*31*	*35,402*	*2,114*
Tax liabilities		18	748,965	681,322
Other current liabilities		19	750,318	1,167,928
Total current liabilities			**4,653,584**	**5,760,159**
Total Liabilities			**23,071,847**	**22,954,542**

7.2 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR FY 2013

(Values in Euro)			**2013**	**2012 restated (Note 1)**
Revenues		*21*	32,292,140	30,708,276
Other revenues		*22*	350,744	229,303
Change in inventory of finished goods and work in progress		*23*	65,044	1,085,446
Cost of raw material and others		*24*	12,327,436	13,146,926
Cost of labour		*24*	5,408,847	4,614,204
Cost of services		*26*	6,694,714	6,619,026
	related parties	*31*	*918,082*	*827,051*
Depreciation of tangible assets		*27*	677,327	603,089
Amortization of intangible assets		*27*	111,726	117,325
Writedowns		*27*	86,743	60,452
Other costs		*28*	269,607	424,372
Earning before taxes and interests			**7,131,528**	**6,437,631**
Financial income		*29*	278,738	247,267
Financial costs		*29*	470,228	325,343
Earning before taxes			**6,940,038**	**6,359,555**
Income taxes		*30*	2,426,671	1,972,952
Profit for the year (A)			**4,513,367**	**4,386,603**
Other comprehensive income/(losses) for the year that will not be reclassified in icome statement:				
Exchange differences on translating foreign operations			198,808	(209,084)
Actuarial gain/(losses) on DBO (net of tax)			7,844	(41,661)
Total other comprehensive income/(losses) for the year (B)			**206,652**	**(250,746)**
Total comprehensive income (A) + (B)			**4,720,019**	**4,135,858**
Profit attributable to:				
Owners of the parent			4,513,367	4,386,603
Minority interest			-	-
Total comprehensive income atributable to:				
Owners of the parent			4,720,019	4,135,858
Minority interest			-	-

Note 1: in compliance with the provisions of IAS 1, the Directors have re-stated some of the comparative data with respect to that published previously, in order to consider the accounting impacts deriving from the retrospective application of the new IAS 19, published in Regulation (EU) No. 475/2012. Consequently, following said retrospective application, the comparative consolidated income statement as at 31 December 2012 and balance sheet as at 31 December 2012 differ in some respects with those published originally; these differences are detailed in Attacchment I to the notes accompanying the separate financial statements.

7.3 CONSOLIDATED STATEMENT OF CASH FLOW FOR FY 2013 PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Consolidated cash flow statement (Euro thousands)	Period		
	2013	2012	
A- Net current bank balances (indebtness) at the beginning of year	**1,939**	**1,945**	
B- Cash flow from operating activities			
Profit/loss for the period	4,720	4,345	
Income tax expense	2,427	1,954	
Amortization of intangibles assets	112	117	
Depreciation of tangible assets	677	603	
Goodwill writedown	0	0	
Sale of property, plant and equipment	0	0	
Finance cost	470	386	
Interest income	(279)	(247)	
Net change in provisions for risk and charges	(84)	44	
Change in provigion for leaving indemnities			
Allocations and revaluations	11	16	
Actuarial gain/(losses)	(8)	61	
(Use)	(67)	(39)	
(increase) decrease in current trade and other receivables	145	(1,630)	
(increase) decrease in deferred tax assets	(62)	(24)	
(increase) decrease in inventory	218	(629)	
Increase (decrease) in current trade and other payables	(1,317)	1,010	**Note 1**
increase (decrease) in deferred tax liabilities	10	0	
Net cash from/(used in) operating activities	**6,973**	**5,967**	
Paid interest costs	(470)	(386)	
Collected interest income	279	247	
Taxes paid	(2,268)	(2,279)	
Total (B)	**4,514**	**3,549**	
C- Cash flow from investing activities			
Net (investments) in non current tangible assets	(907)	(791)	
Net (investments) in non current intangible assets	(20)	45	
(increase) decrease in non current receivables	0	(156)	
(Investments) in associates and other financial acitivities	137	(45)	
Total (C)	**(790)**	**(947)**	
D- Cash flow from financing activities			
inflow/(outflow) from financial investment	(478)	(1,301)	
Purchase of treasury shares	(35)	1,485	
Dividend paid to shareholders	(3,070)	(2,678)	
Total (D)	**(3,583)**	**(2,494)**	
E- Cash flow for the period (B+C+D)	**141**	**107**	
F- Increase/decrease in cash and cash equivalents	**(93)**	**(113)**	
G- Cash and cash equivalents at end of the year	**1,987**	**1,939**	

Note 1: the liquidity generated by the change in the amounts owed to suppliers and other comprises the absorption liquid funds due to transactions with the parent R&D International S.r.l. for approximately Euro 33 thousand.

7.4 STATEMENT OF CHANGES IN EQUITY OF THE B&C SPEAKERS GROUP AS AT 31 DECEMBER 2013, PREPARED IN COMPLIANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

Below is the statement of changes in equity that took place in FY 2012 and FY 2013.

(In thousands of euros)

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO Result	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2011 (Note 1)	**1,049**	379	2,885	44	20	**3,328**	**(42)**	**4,244**	**3,686**	**97**	**(61)**	**12,301**	-	**12,301**
Allocation of 2011 net result						-	(61)	3,783	(3,686)	(97)	61	-		-
Dividend distribution						-		(2,678)				(2,678)		**(2,678)**
Treasury shares allocation	49		1,436			**1,436**						1,485		**1,485**
Effetti consolidamento e Riserva Utili su cambi						-		97				97		**97**
2012 Net result						-			4,387	(209)	(42)	4,136		**4,136**
Balance at 31 December 2012 (Note 1)	**1,098**	379	4,321	44	20	**4,764**	**(103)**	**5,446**	**4,387**	**(209)**	**(42)**	**15,341**	-	**15,341**

	Share Capital	Legal Reserve	Share premium reserve	Extraordinary reserve	Foreign exchange reserve	Other reserve	Fair value reserve	Retained earnings	Net profit	Exchange differences on translating foreign operations	DBO Result	Net group Equity	Minority interest	Total net Equity
Balance at 31 December 2012 (Note 1)	**1,098**	379	4,321	44	20	**4,764**	**(103)**	**5,446**	**4,387**	**(209)**	**(42)**	**15,341**	-	**15,341**
Allocation of 2012 net result						-	(42)	4,178	(4,387)	209	42	-		-
Dividend distribution						-		(3,070)				(3,070)		**(3,070)**
Treasury shares allocation			(35)			**(35)**						(35)		**(35)**
Consolidation and foreign exchange effect					(18)	**(18)**	-	(72)				(90)		**(90)**
2013 Net result						-			4,513	199	8	4,720		**4,720**
Balance at 31 December 2013	**1,098**	379	4,286	44	2	**4,711**	**(145)**	**6,482**	**4,513**	**199**	**8**	**16,866**	-	**16,866**

Note 1: items re-stated following the adoption of the new IAS 19 - Employee benefits.

8 Consolidated Report on Operations for the financial year ended on 31 December 2013

The B&C Speakers Group operates both in Italy and internationally, leading the international market and conducting its entire business in the production and marketing of "top-quality loudspeakers". Products are manufactured and assembled at the production plant of the Italian parent, which also deals directly with their marketing and sale in the various geographical areas covered.

Products are distributed on the American market via the Group's US subsidiary, which also provides the Parent with commercial support in North America.

The Brazilian market is serviced by the subsidiary B&C Brazil LTDA, which in 2013 acted as a distribution centre.

Profit recorded for FY 2013 came to Euro 4,720 thousand, net of tax for Euro 2,427 thousand and amortisation/depreciation for Euro 789 thousand.

FY 2012 records profit of Euro 4,136 thousand, net of income tax (Euro 1,954 thousand) and amortisation/depreciation (Euro 720 thousand).

Highlights

The tables below list the consolidated economic, capital and financial highlights for FY 2013 compared with the same items in the previous year:

Income statement highlights (€ thousands)	**2013**	**2012**
Revenues	32,292	30,708
Ebitda	8,008	7,218
Ebit	7,132	6,438
Net profit	4,721	4,136

Balance sheet highlights (€ thousands)	**31 December 2013**	**31 December 2012**
Non current Assets	6,311	6,248
Non current liabilities	1,553	1,854
Current assets	16,761	16,706
Current liabilities	4,654	5,760
Net working Capital	12,107	10,946
Net Equity	16,866	15,341

Cash flow statemen highlights (€ thousands)	**2013**	**2012**
Operating cash flow	4,514	3,549
Cash flow from investing activities	(790)	(947)
Cash flow from financial activities	(3,583)	(2,494)
Cash and cash equivalent at end of the year	141	107

Net financial position (€ thousands)	**31 December 2013**	**31 December 2012**
Current net financial position	1,824	1,461
Total net financial position	1,338	812

Economic trend

The general economic trend seen in FY 2013 shows a significant rise in turnover (+5.2%), which is particularly concentrated during the first three months of the financial year.

To provide a clearer representation of how economic management evolved in FY 2013 compared with the same period in the previous year, the table below lists the major aggregates of the B&C Speakers Group:

Analisi andamenti economici del Gruppo *(€ thousands)*	**2013**	***Incidence***	**2012**	***Incidence***
Revenues	32,292	*100.00%*	30,708	*100.00%*
Other revenues	351	*1.09%*	229	*0.75%*
Total revenues	**32,643**	***101.09%***	**30,937**	***100.75%***
Change in inventory	65	*0.20%*	1,085	*3.53%*
Purchases of raw materials and other	(12,327)	*-38.17%*	(13,147)	*-42.81%*
Labor cost	(5,409)	*-16.75%*	(4,614)	*-15.03%*
Services costs	(6,695)	*-20.73%*	(6,619)	*-21.55%*
Other costs	(269)	*-0.83%*	(423)	*-1.38%*
Ebitda	**8,008**	***24.80%***	**7,219**	***23.51%***
Depreciations of tangible assets	(677)	*-2.10%*	(603)	*-1.96%*
Amortizations of intangible assets	(112)	*-0.35%*	(117)	*-0.38%*
Writedowns	(87)	*-0.27%*	(60)	*-0.20%*
Ebit	**7,132**	***22.09%***	**6,439**	***20.97%***
Interest income	279	*0.86%*	247	*0.80%*
Finance costs	(470)	*-1.46%*	(325)	*-1.06%*
Ebt	**6,941**	***21.49%***	**6,361**	***20.71%***
Income taxes	(2,427)	*-7.52%*	(1,973)	*-6.43%*
Net Result	**4,514**	***13.98%***	**4,388**	***14.29%***
Minority interesr	0	*0.00%*	0	*0.00%*
Group Net Result	**4,514**	***13.98%***	**4,388**	***14.29%***
Other comprehensive result	207	*0.64%*	(252)	*-0.82%*
Total Comprehensive result	**4,721**	***14.62%***	**4,136**	***13.47%***

Note:

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. 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 neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Company trends in the operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Group may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

EBIT (Earning Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

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

Consolidated revenues realised in 2013 amounted to 32.3 million euros, an increase of about 5.2% compared to 2012 when their value was 30.7 million euros.

For the third year running, the annual turnover is the highest ever achieved.

2013 sales have allowed us to improve on 2012 results, both thanks to quantitative growth (sales volumes are up by 7% on the previous year) and the improvement in quality, as a result of the greater impact of top-of-the-range products on turnover, which therefore enjoy a higher unit price.

2013 exports remained at the levels achieved in 2012, continuing to account for 90% of the Company's turnover.

The result achieved in 2013 is primarily driven by growth on the Asian market (China in particular), where sales were up by 30% on last year, thereby securing turnover of 7.9 million euros, and today accounting for about 25% of the total.

The performance achieved on the Latin American market is also significant, having grown by 14% and thereby accounting for approximately 8% of the Company's turnover, worth around 2.7 million euros. Sales in Europe (excluding Italy) remained basically stable and continue to be the most important portion of the Company's sales (in 2013, they accounted for 39% of the total with a turnover of 12.4 million euros, while in 2012 they accounted for 40% of the total turnover).

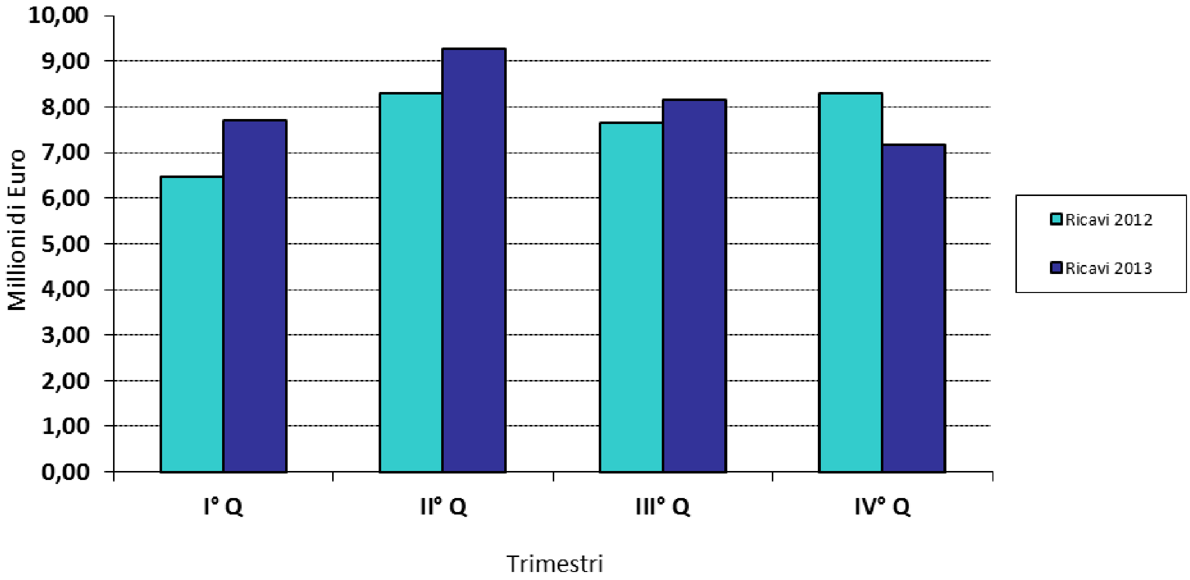
The very positive trend in orders from customers continued in 2013, with a calendar year total of 31.5 million euros, in line with 2012.
The order book was worth a total of Euro 6.9 million at the end of FY 2013.

In addition, it is important to note that the Brazilian subsidiary alone has achieved significant growth in sales (+22% on 2012).

Consolidated revenues in the four quarters (2012 and 2013) are summarised in the table below:

Trend of consolidated revenues (€ millions)	**I° Trimestre**	**II° Trimestre**	**III° Trimestre**	**IV° Trimestre**	**Totale**
Net sales revenues 2013	7.69	9.28	8.15	7.17	**32.29**
Net sales revenues 2012	6.48	8.29	7.64	8.29	**30.71**
Change 2013 - 2012	18.7%	12.0%	6.6%	-13.6%	5.2%

As the graph below shows, the trend of revenues throughout the quarters increased steadily above the figures reported in 2012, confirming the positive trend that began during the last financial year.



Costs for ***Raw and ancillary materials and goods for resale***, together with the ***Change in inventories***, grew at a proportionately slower rate than revenues for the same period, reducing their impact on these to 37.97%, as compared with the 39.28% booked for the same period of last year. This trend is the combined result of a product mix that privileged sales of products with greater added value.

Labour costs increased by around 17% on FY 2012, also increasing their impact on revenues. Indeed, at the end of 2013, this came to 16.7% (15.0% in 2012), mainly due to the significant use of temporary staff in order to cope with the increased production levels.

Costs for services, leases and rental are almost unchanged in respect to the previous year, as a consequence their impact on revenues is decreased.

Other costs dropped by around Euro 154 thousand on 2012.

The increase seen in ***Amortisation/depreciation of tangible and intangible fixed assets***, as compared with FY 2012, is mainly due to the full year amortization of investments made in FY 2012 and to the investments made in 2013 to support the increased production volumes and maintain plant productivity.

The table below summarises the **EBITDA** trend for the periods described.

(€ thousands)	**2013**	***Incidence***	**2012**	***Incidence***
Ebitda	8,008	*24.8%*	7,219	*23.5%*

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined by the Issuer's Directors as the "profit before tax and financial income and expenses", as resulting from the consolidated income statement approved by the Board of Directors, gross of amortisation of intangible fixed assets, depreciation of tangible fixed assets, provisions and impairment, as shown on said income statement. 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 neither in Italian Accounting Standards nor in the IAS/IFRS; it should therefore should not be considered as an alternative measure for assessing Group trends in the operating result. Since the structure of the EBITDA is not regulated by the reference accounting standards, the measuring criteria applied by the Group may not be the same as that used by other operators and/or groups and may, therefore, not be comparable.

These trends have meant that 2013 ***EBITDA*** amounted to 8 million euros, up 10.9% on 2012 (7.22 million euros); consequently, the ***EBITDA margin*** grew to 24.8% of period revenues, as compared with the 23.5% recorded in 2011.
The marginal recovery compared to the same period last year is a direct consequence of the considerable increase in turnover and improved business margins.

EBIT as at 31 December 2013 amounted to 7.13 million euros, again increasing (+10.7%) on the 6.43 million booked for 2012.

The ***Consolidated Net Profit*** of the Group for 2013 amounted to 4.7 million euros and accounts for 14.62% of consolidated revenues. It shows a 14.1% improvement on the profit for FY 2011 (4.13 million euros).

Equity and financial trend

Below is the balance sheet reclassified according to the allocation of sources and uses:

Reclassified Balance sheet *(€ thousands)*	**31 December 2013**	**31 December 2012**	**Change**
Property, plant & Equipment	**3,810**	**3,672**	**138**
Inventories	6,356	6,575	(218)
Receivables	5,947	7,092	(1,145)
Other receivables	2,088	1,026	1,062
Payables	(2,338)	(3,149)	811
Other payables	(1,526)	(1,867)	340
Working capital	**10,527**	**9,677**	**850**
Provisions	**(1,039)**	**(1,187)**	**148**
Invested net working capital	**13,298**	**12,161**	**1,136**
Cash and cash equvalents	2,640	2,222	418
Investments in associates	0	-	0
Goodwill	1,394	1,394	-
Other financial receivables	837	974	(137)
Financial assets	**4,871**	**4,590**	**281**
Invested net non operating capital	**4,871**	**4,590**	**281**
NET INVESTED CAPITAL	**18,168**	**16,751**	**1,417**
Equity	16,866	15,341	1,525
Short-term financial borrowings	816	761	55
Long-term financial borrowing	486	649	(163)
RAISED CAPITAL	**18,168**	**16,751**	**1,417**

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

Invested net working capital increases by around 1,136 thousand euros on 31 December 2012. This trend is due to the combined effect of the following factors:

- a reduction in warehouse inventories of 218 thousand euros, mainly in semi-finished products;

- a reduction in trade receivables totalling 1,145 thousand euros and an increase of 1,062 thousand euros in other receivables;
- a reduction in trade payables of about 811 thousand euros and in other payables of 340 thousand euros

The other asset categories showed no significant changes on 31 December 2012.

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

As far as ***Raised Capital*** is concerned, please note that equity accounts for almost all this category. The reduction in short- and medium/long-term financial debt is mainly due to the repayment of long-term loans and aims to stabilise the Group's cash flow.

Key performance indicators

To provide a more comprehensive representation of the Group's position, the performance and the result of the business as a whole are presented using both financial and non-financial key performance indicators.

Group Key performance indicators	2013	2012
R.O.E.	26.8%	28.3%
Return on Equity; Net result/Equity		
R.O.I.	30.9%	28.1%
Return on Investments; Ebit/Total assets		
R.O.S.	22.1%	21.0%
Return on Sales; Ebit/ Total Revenues		
Total indebtness ratio	2.72	2.01
Equity/ (Current and non current Liabilities)		
Financial indebtness ratio	12.95	10.88
Equity/ (Current Financial Liabilities)		
Secondary liquidity ratio	4	3
Current Assets/Current Liabilities		
Net working capital	10,527	9,677
Primary liquidity ratio	56.7%	39.0%
Cash and cash equivalents/Current Liabilities		
Days of Inventory Turnover	73.08	74.40
Days of Receivables Turnover	73.69	76.18
Days of Payables Turnover	81.24	76.70

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

Indicators relating to the rotation of the items of equity show a generalised improvement in collection terms 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, in its Report on Operations, in addition to providing the financial data envisaged by the IFRS, the Group has also presented some quantities derived from the latter, despite not being required by IFRS (non-GAAP measures). These figures are presented to allow for a better evaluation of the Group’s operating performance and should not be considered as alternatives to those of the IFRSs.

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

Alternative key economic performance indicators *(Euro Thousands)*	**2013**	**2012**
Ebitda	8,008	7,128
Ebit	7,132	6,438
Net Result	4,721	4,136

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

EBIT (Earning Before Interest and Tax) represents the result before tax and financial income and expense, as recorded in the income statement prepared by the Directors in preparing IAS/IFRS-compliant financial statements.

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

Alternative key financial performance indicators *(Euro Thousands)*	**2013**	**2012**
Invested net working capital	13,298	12,161
Net working capital	10,527	9,677

Invested Net Working Capital is defined by the Issuer's Directors as the difference between the (current and non-current) assets and (current and non-current) liabilities, except for assets and liabilities relating to financial management and goodwill.

Net Working Capital is defined by Issuer's Directors as the difference between current assets and current liabilities, excluding 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 Group's performance; they are not defined as accounting measures, neither by the Italian Accounting Standards nor by the IASs/IFRSs. Therefore, the measurement criteria applied by the Group may not be consistent with that adopted by other operators and/or groups and may, therefore, not be comparable.

The ***Net Financial Position*** was positive for 1.3 million euros (positive for 0.8 million euros as at 31 December 2012). The Group's financial stability remains good, particularly in view of the fact that in May 2013, dividends were paid for a total Euro 3,070 thousand (equal to Euro 0.28 per ordinary share in issue at coupon detachment) and that the Group has made important investments in order to maintain a constant flow of raw material supplies and a production capacity that is in line with the volume of orders received.

Corporate structure

As at 31 December 2013 the Group workforce numbered 97 resources.

The following shows the Group's workforce in the last three years:

Personnel headcount	**31-dic-13**	**31-dic-12**	**31-dic-11**
Workers	73	73	69
Employees	19	19	21
Lower management	4	4	1
Upper management	1	1	1
Total	**97**	**97**	**92**

Investments

In FY 2013, Company investments came to 0.9 million euros, mainly focusing on plants and industrial equipment intended for production as well as the development of a listening chamber for the Sound Architecture division.

There are two loudspeaker production lines operating in the plant: one is highly automated and suitable for mass production, whilst the other is more flexible and used for smaller scale, diversified production. Both production lines are highly efficient and productive.

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

All the investments made in structures and fixed installations have been agreed with parent ***Research and Development International S.r.l.*** The goal is to achieve a significant improvement in production capacity.

Research and development

For information on this topic, please refer to the relevant section in the Report on Operations to the separate financial statements of the Parent company.

Comparison of profits and shareholders' equity of the Parent company in accordance with IFRS accounting standards and profits and shareholders' equity of the group in accordance with IFRS as at 31 December 2013

The table below compares the profit and shareholders' equity of the Parent according to IFRS and profit and shareholders' equity of the Group on 31 December 2013.

(valori in Euro)	**Equity**	**Net Result**
Holding Equity and Net Result IFRS	**16,897,760**	**4,757,673**
Consolidamento Controllate-Eliminazione Partecipazione	(2,182,633)	-
Consolidamento Controllate-Attribuzione Riserve e Patrimonio	2,603,880	72,602
Dividends		(36,941)
Intercompany transactions	-	(172,208)
Intercompany inventory margins	(453,368)	(99,914)
Exchange rate effects		198,808
Group Equity and Net Result IFRS	**16,865,638**	**4,720,019**

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

Transactions with related parties and subsidiaries under their management

The following table summarises 2013 related party transactions, in addition to providing information on related party transactions and including that required by Consob Communication of 28 July 2006.

The parent company ***Research & Development International S.r.l.*** owns 62.11% of the shares of the Parent Company B&C Speakers S.p.A. (7,062,262 shares).

In particular, we should mention the transactions implemented with ***Research & Development International S.r.l.***, with its registered office in Florence, at 60 Viale dei Mille, Tax Code 02342270481, share capital €90,000 (parent company of the Parent Company B&C Speakers S.p.A).

Economic transactions

Service costs	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
2013	(6,694,714)	(918,083)	(918,083)	14%
2012	(6,619,026)	(827,051)	(827,051)	12%

The costs incurred with reference to Research & Development International S.r.l. relate the the lease charges for three portions of the plant in which the Company goes about its industrial business, and the rental charges for the administrative offices used by the AS division for design and commercial activities.

Equity transactions

Other non current receivables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2013	218,613	88,950	88,950	41%
31 December 2012	218,603	88,950	88,950	41%

Trade payables	Total balance	Research & Development Intl. Srl	Total related parties	Incidence
31 December 2013	(2,338,064)	(35,402)	(35,402)	2%
31 December 2012	(3,149,423)	(2,114)	(2,114)	0%

Receivables due from Research & Development International S.r.l. as at 31 December 2013, refer to credits for an IRES rebate of 2012, following the relevant request filed by the Parent Company for the years in which the Company was subject to consolidated taxation.

Payables due to Research & Development International S.r.l. as at 31 December 2013, arose as a result of the leased property hosting the Parent company's new production line.

In accordance with Art. 2.6.2, paragraph 13 of the Regulation governing the Markets Organised and Managed by Borsa Italiana S.p.A., it is hereby certified that the conditions pursuant to Art. 37 of Consob Regulation no. 16191/2007 have been met.

Significant events of 2013

The following significant events occurred during FY 2013, affecting the company's performance:

- the growth trend has remained both consistent and considerable; this result is due to the gradual gaining of standing of the B&C Speakers brand on markets worldwide and particularly those of the East;

- the start-up of the marketing business of the Sound Architecture division, which in the year completed some important installations and received orders from the Middle Eastern market, is particularly worth of note;
- the Brazilian subsidiary has pursued its development in turnover, achieving major growth in sales (up by +22% on 2012) for FY 2013 too;
- FY 2013 saw the Company pursue ideal manufacturing efficiency, with the effect of a consistent increase in turnover. The production structure, for which investments have been made, is today extremely efficient and highly productive, particularly following the expansion of the production part that took place during the summer, enabling further earnings to be made in terms of output;
- the passage from the broad market to the Star Segment of the Italian Stock Exchange, which occurred in late September, gave to the Company a better visibility into the financial community.

Subsequent events

Since the closure of FY 2013, significant events have occurred affecting the company's trend, specifically:

- the company has sought to strengthen its technical and commercial presence in Asia, where greatest development has been seen recently, by hiring an Area Manager responsible for developing and consolidating this market;
- finally, the company is striving to exploit its technological know-how in order to penetrate new markets that are not directly connected with professional audio.

The sales volumes achieved during the early months of 2014 are a clear improvement on the same period of 2013.

Outlook

FY 2014 will doubtless continue to face the economic uncertainty permeating current outlook, but Management remains confident that the Company can continue to consolidate its presence on the market of professional loudspeakers. As described in the previous paragraph, it will also be looking to enter new products/markets offering interesting dimensional prospects and margins.

Essential elements of the adjustment plan as per arts. 36 and 39 of the 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 incorporated and governed by the laws of non-European Union Member States" pursuant to in Art. 36 of said Regulation (implemented by Art. 62 paragraph 3-*bis* of Italian Legislative Decree no. 58/98, as amended on 18 June 2008 by Resolution no. 16515), the B&C Speakers Group has prepared its adjustment plan.

The Plan identifies the legislative framework for the B&C Speakers Group 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 summarised as follows:

the scope of application concerns two subsidiaries, located in two different non-European Union Member States, which are of significant importance pursuant to paragraph 2 of said Art. 36;

the accounting and administrative systems and reporting currently used 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 in preparing the consolidated financial statements;

with regards to the request to receive a copy of the articles of Association and organisation chart and the powers conferred upon the corporate bodies from said companies, the Parent enjoys continued access to lists of members of the corporate bodies of all its subsidiaries, together with descriptions of their offices;

With regard to the investigation by the Parent on the flow of information toward the central reviewer, essential to the auditing of the Parent's annual and interim accounts, it is believed that the current communication process with the independent auditing firm, structured into the various levels of the chain of corporate control and operative throughout the year, is an effectively tool in this sense. Methods are, however, currently being examined by which to obtain centralised formal evidence of communication from its subsidiaries to the independent auditor.

Major shareholders and main data concerning Issuer's shares

As at the date of these financial statements (March 2014), official data reveals the following major shareholders:

- ***Research & Development International* S.r.l.**, with a 62.11% stake *(parent company)*;
- Ennismore Fund Management LTD, with 2.73% of shares;
- *Aldinio Colabchini*, with 2.01%;
- Norges Bank, with 2.012%.

Disclosure pursuant to Art. 79 of the Issuers' Regulation no. 11971/99

In relation to the disclosure obligations laid down by Art. 79 of the Issuers' Regulation no. 11971/99, with regard to holdings, in issuers themselves and their subsidiaries, pertaining to members of the administrative and auditing bodies, general managers and key managers, as well as by spouses (where not legally separated) and their under-age children, whether directly or through subsidiaries, trustees or third parties, as resulting from the book of members, communications received and other information acquired by the members of the administrative and auditing bodies, general managers and key managers, the following information is provided:

- as at 31 December 2013, the Director Lorenzo Coppini holds 54,700 shares in B&C Speakers S.p.A.
- as at 31 December 2013, the Director Simone Pratesi holds 2,570 shares in B&C Speakers S.p.A.
- as at 31 December 2013, the Director Alessandro Pancani holds 7,000 shares in B&C Speakers S.p.A.

- as at 31 December 2013, the Chairman of the Board of Auditors, Manfredi Bufalini, holds 5,166 shares in 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, an annual “Report on Corporate Governance” is prepared 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 summarised listing of the main elements of Corporate Governance; for a more analytical description of the basic elements of Corporate Governance, please read the complete annual report, prepared with reference to 2008 and still in force, available on-line at www.bcspeakers.com, under the Investor Relations 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 its subsidiaries are, pursuant to art. 2497 *et seq.* of the Italian Civil Code, under the management and control of the parent company Research & Development International S.r.l.

The table below provides highlights from Research & Development International S.r.l.’s most recent set of approved financial statements: (31 December 2012):

Highlights R&D International S.r.l. (€ Thousand)	**31 december 2012**	**31 december 2011**
Total assets	11,178	11,226
Equity	9,455	11,094
Net income	1,360	1,037

The investment held by the Parent on 31 December 2013 is 62.11% of the Share Capital of the Parent.

Board of Directors

The Issuer’s Board in office on the date on which these financial statements are approved numbers 6 members and was appointed by majority vote (in accordance with the voting rules laid down by the articles of association) by the ordinary Shareholders Meeting held on 27 April 2012; it shall remain in office until the Meeting convened to approve the financial statements for the year ending on 31 December 2014.

Board of Statutory Auditors

Pursuant to art. 24 of the Issuer’s articles of association, the Board of Statutory Auditors in office since 27 April 2012 numbers three Statutory Auditors and two Alternate Statutory Auditors, who will remain in office until the Meeting convened to approve the financial statements as at 31 December 2014.

Main risks and uncertainties to which B&C Speakers S.p.A. and the Group are exposed

Risks connected with the general condition of the economy

The Group's economic, equity and financial position is influenced by various factors that together make up the macroeconomic context; these include the increase or decrease of the gross domestic product, the level of consumer faith and that of business, interest rate trends for consumer credit, the cost of raw materials and the unemployment rate.

In 2013, the world macroeconomic context began to show some initial signs of recovery, particularly during the second half of the year when demand recorded constant growth as compared with the same period of last year. The market in which the Company operates is extremely cyclical and tends to reflect the general trend of the economy, in some cases even extending its scope. Due to the difficulties in forecasting the dimension and duration of the economic cycles, it is impossible to provide any assurance with regards to future demand or supply trends of the products sold by the Company on the markets on which it operates.

Moreover, some important economies are still very much suffering the recession, or have experienced recent low growth rates or periods of a stagnant economy. These latter or new recession conditions in markets that have just left them behind, can ultimately influence the industrial development of a great many businesses, including those of the Company. There can be no certainty that the steps taken by the governments and monetary authorities will be successful in re-establishing the conditions required to ensure the sustainable recovery of economic growth. This is why so much uncertainty still remains with regards to the trend of the global economy, just as it is also possible that the economies of some countries may yet experience slow growth periods or recession.

In this context where the economic recovery is far from being consolidated, we must stress that the constant increase of demand led the Group to achieve considerably better economic performance in 2013 than last year. This trend would, moreover, appear to be confirmed by the continuity with which the Group has achieved its positive results during the first few months of FY 2014, thereby suggesting that this year too may also prove to be successful.

Dependence on suppliers

The Group believes that the suppliers of two transducer components - the cone and coil - would be difficult to replace quickly, given the specific technical characteristics and quality required of these, which affect the transducer yield. Therefore, should today's suppliers for some reason become unavailable, this could well have an adverse effect on the Group's business. In fact, although the Group could turn to other suppliers of these components, this may result in different conditions and technical standards to those enjoyed at present, and may result in delays in the production cycle, with all the relative negative fall-out on the Company's business.

Please also note that relations between the Parent Company and its suppliers are not governed by any long-term contracts; rather they are regulated by individual purchase orders in which prices are negotiated on the basis of the volumes of assets requested and the technical-quality characteristics offered by the different suppliers. Should one or more suppliers choose to cease working with the Company, or should disputes arise concerning the nature or terms of business, the Company will be unable to take the standard legal action applicable to supply contracts, framework agreements or other such long-term commitments; in this case, its business may suffer accordingly.

The Company seeks to mitigate this risk by using multiple vendors for the purchase of the components and for each process outsourced. In thus doing, it strives to limit the risk of interruption to production as far as possible, should the relationship with one or more suppliers be interrupted.

In the event of significant difficulties by key suppliers of the Parent Company, we cannot rule out major interventions and/or investments in terms of stocks and the purchases of components for production, in order to benefit from considerable economic savings, whilst keeping production unchanged.

Dependence on key figures

The Group is currently managed by some key figures, namely the directors of the Parent Company with their operative powers of attorney, whose consolidated experience in the industry allows them to make an important contribution towards the Company's success. Should the contracts be terminated between the Company and one or more of these key management figures, there is no guarantee that the Group can successfully replace them promptly with equally qualified persons able to ensure, in the short-term, the same contribution; the consequence would be a potentially negative effect on the Company's business.

Exchange rate fluctuation

The Group also operates in non-Eurozone countries and this exposes the Group to the risks deriving from changes in the exchange rates between the different currencies. We are therefore unable to exclude the possibility that repeated changes in exchange rates may have a negative impact on the Group's economic-financial position.

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 the Group's revenues come from orders placed by OEM customers. Should there be a reduction in the demand generated by these OEM customers, with which there are no particular contractual constraints, or should payments by these customers be delayed, this would negatively impact the Group's economic and financial position.

In accordance with its risk management policy, the Group places particular emphasis on the process of product development aiming to extend the life cycle of a product by means of high quality maintenance. 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, in 2005 and 2006) international patent applications, the products marketed by the Group are not protected by patents. Therefore, we cannot rule out the risk that the competitors of the Issuer may develop equivalent products and processes, to compete with those marketed by the Group; such circumstances may have an adverse effect on the Group's business.

Partial adoption of the code of corporate governance of listed companies

The Company strives towards the continuous gradual encompassing of the Governance regulations laid down by the code of conduct for listed companies, as far as the parts considered applicable to the dimension and complexity of the Company are concerned. More specifically, a Remunerations Committee has been established consisting of an independent director and a non-executive director; additionally, an Investor Relator has been appointed to manage relations with stakeholders in general, the organisational and control model pursuant to Italian Legislative Decree no. 231/01 has been approved and the supervisory body appointed and assigned the task of verifying the application of the model. In 2012, moreover, the Parent Company also appointed an Internal Auditor Manager.

Reference market and the threat posed by competition

Entry on the market of new Italian or foreign competitors may have a negative impact on the Group's economic-financial results in the medium/long-term. There is no certainty that the competitive structures of the reference market shall remain such as to allow the Group to pursue its strategies. We can also not exclude the possibility that in the future, producers of speaker systems may decide to produce electrical-acoustic transducers in-house, with all consequent negative effects on the Group's economic, equity and financial position.

The Group believes that adequate financial support to product development, with a view to maintaining and improving product quality and its potential customisation (the Group's real strength) can help to mitigate the risk of competition.

Fluctuation in the price of production factors

The prices of the components purchased by the group are subject to fluctuations as a result, for example, of changes in the price of the raw materials used to make the components themselves, such as steel, iron, aluminium and plastic. An increase in prices of raw materials and components used in the production could have negative effects on the Group's economic, equity and financial position.

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B&C Speakers S.p.A., as Parent Company, is basically exposed to the same risks and uncertainties as described above for the Group.

Hierarchical levels of the fair value measurement

For financial instruments recorded on the statement of financial position at fair value, IFRS 7 requires these values to be classified according to a hierarchy of levels that reflects the significance of the inputs used in determining their fair value. The following levels are established:

level 1 - listings taken from an active market for the assets or liabilities being measured;

level 2 - inputs other than listed prices as per the point above, which can be observed directly (prices) or indirectly (price derivatives) on the market;

level 3 - inputs not based on observable market data.

The table below shows the assets and liabilities measured at fair value as at 31 December 2013, according to the hierarchical level of fair value measurement.

	Level 1	**Level 2**	**Level 3**
Euro Thousands			
Financial Assets			
Cash and Cash equivalent		361,723	
Other Current Assets	750,328		
Total	**750,328**	**361,723**	**0**
Financial Liabilities			
Total	**0**	**0**	**0**

9 Notes to the consolidated financial statements as at 31 December 2013

9.1 Basis of preparation

The consolidated financial statements as at 31 December 2013 of B&C Speakers S.p.A. (hereinafter the "B&C Speakers Group" have been prepared in accordance with the International Accounting and Financial Reporting Standards ("IAS/IFRS") in force at the time, as issued by the International Accounting Standards Board ("IASB") and approved by the European Union. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations provided by the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC"). Moreover, in accordance with the measures taken to implement Art. 9 of Italian Legislative Decree no. 38/2005, the Board also considered the guidelines set by: Consob Resolution no. 15519 of 27 July 2006, establishing "Drafting principles for financial statements", Consob Resolution no. 15520 of 27 July 2006 establishing the "Amendments and supplements to the Issuers' Regulation adopted under Resolution no. 11971/99", Consob Bulletin no. 6064293 of 28 July 2006 on "Required corporate disclosure pursuant to Art. 114, Paragraph 5, Italian Legislative Decree no. 58/98" and Communication DEM/7042270 of 10 May 2007.

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

The financial statements of the subsidiaries, used for consolidation, have been duly amended and reclassified wherever necessary, in order to bring them into line with the international accounting standards and homogeneous classification criteria used throughout the Group.

These financial statements are prepared on historical cost basis and considering the business as a going concern. Despite the difficult economic and financial context, the Company believes that there is no significant uncertainty (as defined by paragraph 25 of IAS 1) surrounding the business as a going concern, as the volume of business and the current order book, of both the Company and Group show no signs that may suggest any potential risk in this respect.

These consolidated financial statements have been audited by Deloitte & Touche S.p.A.

Content and form of the financial statements

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

Consolidated statement of financial position

The consolidated balance sheet is presented with opposing sections and separate indication of assets, liabilities and shareholders' equity.

In turn, the assets and liabilities are recorded in the consolidated financial statements for the financial year on the basis of whether they are classified as current or non-current.

Consolidated statement of comprehensive income

The consolidated income statement is classified according to type. It highlights the aggregated result before tax and financial income and expenses, including all elements of income and cost, regardless of whether they are one-off or recurring and part of core business or otherwise; this is with the exception of financial items entered between the result before tax and financial income and expenses and the result before tax.

Consolidated statement of cash flow

The consolidated statement of cash flows is broken down according to cash-generating areas. The statement of cash flows adopted by the B&C Speakers Group was drawn up using the indirect method. Cash and cash equivalents included in the statement of cash flow 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 income tax are included in the cash flows generated by operational management.

Consolidated statement of changes to equity

The consolidated statement of changes in equity is included, as required by the international accounting standards, with the separate highlighting of the consolidated result for the year and of all income, revenues, expenses and charges that is not recorded on the income statement, but rather charged directly to consolidated equity, in accordance with specific IAS/IFRS.

Consolidation area

The consolidated financial statements as at 31 December 2013 prepared according to the IFRS fully consolidates the statements of the Parent Company and of all 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, where permitted by the law, and of the companies in which it has an autonomous control of the majority of the voting rights based on shareholder agreements.

The following companies therefore fall under the scope of the full consolidation area as at 31 December 2013:

Companies	Country	Group structure at 31 december 2013			Group structure at 31 December 2012		
		Direct	Indirect	Total	Direct	Indirect	Total
B&C Speaker S.p.A.	Italy	Parent Company			Parent Company		
B&C Speaker NA LLC	USA	100%	-	100%	100%	-	100%
B&C Speaker Brasil LTDA	Brasil	100%	-	100%	100%	-	100%

Below is the key data of the subsidiaries controlled by the Parent Company as at 31 December 2013:

Company		B & C SPEAKERS, NA LLC
Share Capital	Dollars	30,000
Net Equity	Dollars	835,782
Profit / Loss	Dollars	117,868
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	1,720,729
Net Equity	Real	1,528,982
Profit / Loss	Real	(46,293)
Stake held directly		100.00%
Stake held indirectly		0.00%
% capital shareholding		100.00%
Book value	Euro	598,149

Consolidation standards

The main criteria for consolidation, applied in preparing the consolidated financial statements as at 31 December 2013 in accordance with IFRS, in continuity with the previous year, are as follows:

a) the book value of the equity investments is eliminated against the relative equity, against the assumption of the assets and liabilities of the investees in accordance with the full integration method;

b) any greater book value of the equity investments with respect to the pertaining shareholders' equity at the time of the acquisition is, where possible, allocated to items of assets of the businesses included in the consolidation, up to their current value; any remaining portion is allocated to consolidation differences. In accordance with the transitional provisions of IFRS 3, the Group has fully applied this principle as from the preparation of the very first consolidated financial statements; consequently, the Group has ceased amortising the consolidation difference, instead subjecting it to impairment testing;

c) if a negative difference should emerge, IFRS 3 does not allow for the noting of a negative consolidation difference, hence the excess interest of the purchaser in the fair value of the assets, liabilities and potential liabilities that can be identified for the acquired business with respect to the cost of the acquisition is noted on the income statement, after having re-determined the fair value of the assets, liabilities and potential liabilities that can be identified for the acquired business;

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) equity investments in related companies are measured in accordance with the equity method;

f) significant operations between consolidated companies are derecognised, as are receivables and payables, costs and income and profits not yet realised deriving from transactions implemented between Group companies, net of any tax effect;

g) the interest share of minority shareholders in net assets of the consolidated subsidiaries is identified separately from the Group's shareholders' equity. This interest is determined according to the percentage they hold in the fair value of the assets and liabilities recorded as at the original purchase date and in the changes of shareholders' equity after said date. Thereafter, losses attributable to minority shareholders exceeding their share in the shareholders' equity, are assigned to the Group's shareholders' equity, with the exception of cases where minorities have a binding obligation and are able to make additional investments to cover the losses. For acquisitions made prior to the date of first-time application of the IFRS, as permitted by IFRS 1, consolidation takes place according to the standards previously in force. Therefore, the shareholders' equity of minorities was originally determined according to the share of shareholders' equity booked and pertaining to the minority shareholder as at the acquisition date.

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic context in which it operates (functional currency). For the purpose of the consolidated financial statements, the financial statements of each foreign entity are specified in euros, which is the Group's functional currency and the currency in which the consolidated financial statements are presented.

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries, whose functional currencies differ from the euro, are converted at exchange rates in force as at the reporting date. Income and expenses are converted at average rates for the period. The exchange differences resulting from this are noted under shareholders' equity in the "Conversion reserve" included on the statements amongst "Other reserves". This reserve is recognised on the income statement 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 as at 31 December 2013 and 31 December 2012 are shown in the following table:

Currency	31-dic-13		31-dic-12	
	Avg exch.	Final exch.	Avg exch.	Final exch.
EURO/USD	1.328	1.379	1.285	1.319
EURO/REAL	2.867	3.258	2.508	2.704

Accounting standards adopted

The measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2013 are as follows.

Intangible assets

An intangible asset purchased or manufactured in-house is entered entirely among assets, as required by IAS 38, only if it is identifiable, controllable and predictable that it will 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 accumulated amortisation and impairment. Amortisation is measured to the period of their expected life and begins when the asset is available for use.
Below is a summary of the amortisation periods of the various items of the 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 Consolidation difference 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.
Consolidation difference is not depreciated, rather once a year, or more frequently should specific events or changed circumstances indicate the possibility of impairment, it is tested to identify that loss, in

accordance with what established by IAS 36. Impairment of assets. After it initial reporting, Consolidation difference is entered at its cost net of any accumulated impairment.

Tangible fixed 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 depreciation 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 specified 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 the income statement.

Impairment

On the closing date, the Parent Company reviews the book value of its tangible and intangible assets and holdings to determine if there are indications that these assets may have reduced in value (impairment test). If there is any such indication, an estimate is prepared of the total amount recoverable amount for these assets, in order to determine the correct write-down in value. When the recoverable amount of an asset cannot be individually estimated, the Parent Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful life (goodwill) are taxed annually based on a test to determine if there is any loss in 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 the 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 lesser recoverable value. A loss is recognised immediately in the Income statement.
When there is no longer any reason to maintain the impairment, the book value of the asset or cash-

generating unit, with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount; this shall not, however, exceed the net book value of that asset had it 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.
Leased assets are recognised as assets pertaining to the Parent Company at “fair value” on the date of the contract, or, if lower, the current 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 not attributable to specific assets, in which case they are capitalised in accordance with the general policies of the Parent Company concerning financial expenses.
The costs of operating lease instalments 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 groups of assets held for disposal) are classified as available for sale when their book value is expected to be recovered through a disposal, instead of using them in business operations. This condition is only met when sale is considered to be highly likely and the asset (or group of assets) is available for immediate sale in its current condition. To this end, management must be committed to the sale, which should be completed within twelve months of classification in this entry.

Inventories

Inventories are entered at the lower of the purchase or production cost and the realisable value, as can be deduced from market trends on the reporting date. The cost includes all ancillary expenses, net of trade discounts and for the finished products or work-in-progress the production cost includes raw materials, 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.
Obsolete and slow-moving inventories are devalued in relation to their expandability or realisable future value by means of an inventory depreciation provision.

Receivables

Receivables are entered at their expected price of sale, corresponding to the nominal value adjusted according to a provision for doubtful debt. This provision is calculated on the basis of quantified collection from an analysis of the individual positions and the overall risk of a credit cap.
Appropriate impairment to estimate the amounts that cannot be recovered is recorded on the income statement when there is objective evidence that the receivables have reduced in value. Impairment is determined in the amount equal to the difference between the book value of the receivables and the current value of future forecast cash flow less the effective interest rate calculated at initial booking. 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 on and written off from the financial statements based on their trading date; they are initially booked at cost, inclusive of expenses directly connected with their acquisition.
In future financial statements, the financial assets that the Parent Company intends to and has the capacity to hold until maturity are entered at their amortised cost, according to actual interest rate, net of depreciation applied to reflect the loss in value.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured 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" are entered in the income statement. Profits (losses) arising from changes in the "fair value" for financial assets available for sale are entered as 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 period income statement.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and deposits redeemable on demand and other short-term financial investments that are highly liquid and therefore readily convertible to cash; their value may change significantly.

Financial liabilities and instruments representative of shareholders' 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

Interest-bearing bank loans and overdrafts are initially entered for the amount received, net of transaction costs. This value is 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 (amortised cost).

Long-term provisions

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

Payroll and similar provisions

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 statements. Consequently, T. F. R. is recalculated by applying the "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 financial statements represents the current

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 employment 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 employment services, including the current value of any refunds and reductions in future contributions to the plan.
Please note that during the first-time application, the Company had decided not to use the "Corridor Method" and, therefore, to record said actuarial components on the income statement.
The amendment to IAS 19 - Employee benefits, applicable retrospectively from the financial year starting on or after 1 January 2013, eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement. The effects of the introduction of the new standard on the Company's financial statements are described in Attachment I to the financial statements.

Severance pay for Directors has been calculated using the Civil Code method that provides for the annual provision of the amount accrued to be simultaneously paid into the corresponding insurance policy.

Payables

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

Deferred tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences 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 revised annually 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 based 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 attributed directly 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 Parent Company intends to liquidate the assets and current tax liabilities on a net value basis.

Foreign currency conversion criteria

Receivables and payables originally entered in foreign currencies are converted into euros 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 realisation.

Revenue entry

IFRS requires sales of assets to 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 on an accruals basis.

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 are booked if there is reasonable certainty of the Company complying with the conditions required to accrue the relevant right to receive such, in addition to reasonable certainty that said contributions will indeed be received.
"Contributions for plant investments" are recorded on the income statement according to the useful life of the asset against which they are disbursed.
"Contributions for operating expenses" are credited to the income statement in relation to costs against which they are disbursed.

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 Group operates in a single sector ("acoustic transducers") and consequently executive reporting pertains to this area of business alone.

Income tax

Taxes for the year represent the sum of current and deferred tax.
They are included in the consolidated financial statement as 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. Income tax 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.
They are entered under "tax payables" net of of any advances and withholdings applied. 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.

Earnings per share

The *basic earnings* per share are calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period. *Diluted earnings* per share are calculated by dividing the profit or loss attributable to the shareholders of the Company by the weighted average of the ordinary shares in issue, considering the effects of all potential ordinary shares with diluted effect.

Use of 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 reporting date.

Final results may differ from these estimates. The estimates are used to evaluate the tangible and intangible assets subject to impairment testing as described above, as well as to calculate provisions on loans, for obsolete inventory, depreciation, asset amortisation, employee benefits, taxes, fund restructuring, other provisions and funds. The estimates and assumptions are regularly reviewed and the effects of each change are reflected immediately in the income statement.
It should be noted that in light of the continued global economic and financial crisis, predictions of future trends are highly uncertain. Therefore, we cannot exclude the possibility that actual results will differ substantially from the estimates which may therefore, call for major revisions we are currently unable to predict.
Goodwill is the item of the financial statements mainly affected by such situations of uncertainty, insofar as the estimates and assumptions made by the directors for its measurement depend significantly on the trend of some key factors that lie outside the Group's control, including the euro/dollar exchange rate forecast for future periods.

Transactions with joint ventures and associates

Transactions with joint ventures and associates are described in the relevant paragraph of these Explanatory Notes and were completed at arm's length.

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

With reference to this paragraph, we would refer you to the comments given in the Explanatory Notes to the Financial statements of the Parent company.

9.2 Analysis of the breakdown of the main items of the consolidated balance sheet as at 31 December 2013

1. Tangible fixed assets

The structure of tangible assets on 31 December 2013 and their change during the year are highlighted in the following tables:

Historic cost	31-dic-12	Depreciation	Reclassification	Foreign exch.	(Decreases)	31-dic-13
Land and buildings	547	-	-	(24)	-	524
Leasehold improvements	635,244	113,081	-	-	-	748,325
Lightweight construction	12,778	-	-	-	-	12,778
Plants and machinery	3,652,744	600,572	-	(2,605)	-	4,250,711
Industrial equipment	3,736,108	179,418	-	(575)	-	3,914,950
Various equipment	781,976	18,430	-	(5,768)	-	794,638
Fixed assets in progress	-	-	-	-	-	-
Total	**8,819,398**	**911,501**	**-**	**(8,972)**	**-**	**9,721,927**

Accumulated depreciation	31-dic-12	Depreciation	Reclassificatio	Foreign exch.	(Decreases)	31-dic-13
Land and buildings	547	-	-	(24)	-	524
Leasehold improvements	70,322	54,378	-	-	-	124,700
Lightweight construction	2,766	1,278	-	-	-	4,044
Plants and machinery	1,420,939	347,800	-	(2,423)	-	1,766,316
Industrial equipment	3,379,391	214,783	-	(132)	-	3,594,043
Various equipment	554,940	59,088	-	(2,231)	-	611,797
Fixed assets in progress	-	-	-	-	-	-
Total	**5,428,906**	**677,327**	**-**	**(4,809)**	**-**	**6,101,423**

Net value	31-dic-12	Net increases	Reclassificatio	Foreign exch.	Depreciation	Accumulated depreciation	31-dic-13
Land and buildings	-	-	-	-	-	-	-
Leasehold improvements	564,922	113,081	-	-	(54,378)	-	623,625
Lightweight construction	10,012	-	-	-	(1,278)	-	8,734
Plants and machinery	2,231,806	600,572	-	(182)	(347,800)	-	2,484,396
Industrial equipment	356,716	179,418	-	(444)	(214,783)	-	320,908
Various equipment	227,037	18,430	-	(3,537)	(59,088)	-	182,842
Fixed assets in progress	-	-	-	-	-	-	-
Total	**3,390,492**	**911,501**	**-**	**(4,163)**	**(677,327)**	**-**	**3,620,503**

“Other assets” includes furniture and office machines, vehicles, equipment and internal means of transport.

The most significant changes that took place in 2013 chiefly refer to the investments made by the Parent Company and specifically to the extension of the photovoltaic system on the roof of the Company’s administrative office building, in addition to the integration of production machinery and equipment of the new manufacturing plant.

Plants and machinery include (Euro 195 thousand) the palletising machines; “other assets” refer to (Euro 34 thousand) two forklift trucks. These assets are held under two leasing contracts stipulated with Credem Leasing S.p.A.

2. Consolidation difference

The structure of this item on 31 December 2013 is highlighted in the following table:

Goodwill	31-dic-13	31-dic-12
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 traceable to goodwill from the consolidation of the stake in *B&C Speakers NA LLC* amounts to Euro 1.394 thousand as at 31 December 2013 (no change on 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 financial statements 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.

Impairment testing was carried out on the consolidation difference and other assets of the US subsidiary (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").

The test was carried out 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 14 March 2014.

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 American subsidiary (approved by the subsidiary's Management and by the Board of parent Company) 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.

- selling prices and product mix in line with the consolidated business in 2013.
- increase in revenues in line with the forecasts made by the subsidiary's management for 2014 (substantiated by the results, in terms of turnover, in the first two months of the current financial year). For 2015 and 2016, a 5% annual increase has been defined, whereas for 2017 and 2018 the increase has been defined as 3% per year.
- cost of sold products calculated proportionally to the purchase price list fixed with a euro/dollar exchange rate of 1.35.
- Discount Rate applied:

Main financial parameters on impairment tests (B&C USA)	31-dic-13	31-dic-12
Actuarial rate (WACC)	7.73%	10.45%
Perpetual growht rate	0.50%	0.50%

The Group has adopted a discount rate (WACC) 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 period for the plan, the closing value is entered to reflect the residual value that the CGU is expected to generate. The closing 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.

On the basis of the impairment testing carried out, the current value of forecast cash flow generated by the CGU exceeds the book value of the consolidation difference booked as at 31 December 2013.

3. Intangible fixed assets

The structure of the intangible assets on 31 December 2012, and the related changes are highlighted in the following table:

Intangible assets	31-dic-12	Reclassification	Increases	Other	Amortization	31-dic-13
Research & Develoment	72,772	-	-	-	36,386	36,386
Patent rights	208,559	-	19,876	-	75,340	153,095
Intangible assets in progress	-	-	-	-	-	-
Total	**281,331**	**-**	**19,876**	**-**	**111,726**	**189,481**

"Research and Development" refers to costs incurred for the project to develop a new product called Sound Architecture. This project involved costs for the staff dedicated to its execution and for the materials and services (mainly consisting of technical expertise) required to develop the product.
In accordance with 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 2009, with the definition of all the prototypes required to commence production. Amortisation began on 1 January 2010 and will continue for the forecast useful life of five financial years. In 2012, marketing effectively began of the "Sound Architecture" division. On the date on which these notes are prepared, negotiations for further major orders are currently underway.
Pursuant to Art. 2426 of the Italian Civil Code, point no. 5, please note that equity is unavailable for the value of the research costs yet to be amortised, in the amount of Euro 36,686.

"Industrial and intellectual property rights" comprise software purchased from external suppliers, B&C Speakers trademark registration costs and costs for patent registration.

4. Deferred tax assets

As at 31 December 2013, this item includes prepaid tax receivables for Euro 271 thousand (Euro 209 thousand as at 31 December 2012), 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 consist of prepaid tax arising following the taxation of non-deductible costs entirely during the year in relation to the Parent company and prepaid tax arising following derecognition of infra-Group margins.

Prepaid tax receivables 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 fixed receivables

As at 31 December 2013 this item is as follows:

Other non current assets	**31-dic-13**	**31-dic-12**	**Change**	**% Change**
Insurance poilcies	617,890	754,924	(137,034)	-18%
Guarantee deposits	57,096	56,846	250	0%
Ires refund receivables	156,212	156,212	-	0%
Others	5,305	5,545	(240)	-4%
Total non current assets	**836,503**	**973,527**	**(137,024)**	**-14%**

As at 31 December 2013, insurance refers to receivables accrued in respect of the insurance companies “Milan Insurance” and “La Fondiaria Assicurazioni” in relation to the capitalisation, guaranteed capital policies stipulated in order to guarantee suitable financial cover of the directors’ severance pay.
The value of the assets relating to insurance policies recorded in the financial statements has been measured according to the value of the premiums paid to the equivalent provisions made.

The table below summarises changes made to receivables for insurance policies during the year:

Changes in insurance policies	**31-dic-12**	Increases	(Decreases)	**31-dic-13**
Insurance policies	754,924	48,755	(185,789)	617,890
Total	**754,924**	**48,755**	**(185,789)**	**617,890**

The period increase is due to the new payments made by the Company during the financial year and that amounted to Euro 49 thousand; payments made in the course of the year represent the value of the provision made to *Severance Indemnity*, as expounded in note 13.

“Deposits” reflects the amount receivable for deposits issued based on contracts for the lease of a building located in Bagno a Ripoli, Loc. Vallina Via Poggio Moro n.1, for Euro 48 thousand, and other minor deposits for Euro 9 thousand.

“IRES rebate receivable” includes the credit generated for the Parent company in FY 2012 following the submission of the request for IRES rebate in accordance with Art. 4 of Italian Legislative Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012. More specifically, Art. 2 of Italian Law Decree no. 201 of 06 December 2011, converted with amendments into Italian Law no. 214 of 22 December 2011 establishes, as from FY 2012, the complete deductibility of the amount subject to IRAP from the IRES in relation to the expenses incurred for employees and similar. In addition, Art. 4 of Italian Law Decree no. 16 of 02 March 2012, converted with amendments into Italian Law no. 44 of 26 April 2012, has extended this deductibility to include years prior to 2012, providing the possibility to apply for rebate of the greater IRES paid, in the 48 preceding months, following the former system of tax deductibility. Under this legislation, the Company has therefore applied for the rebate of the greater IRES paid during the period 2007-2011.

6. Inventories

Warehouse inventories are calculated according to the FIFO method and structured as follows on 31 December 2013:

Inventories	31-dic-13	31-dic-12	Change	% Change
Row materials and consumables	535,576	604,593	(69,017)	-11%
Work in progress and semi-finished	4,834,523	5,245,185	(410,662)	-8%
Finished goods	1,229,647	918,428	311,219	34%
Gross Total	**6,599,746**	**6,768,206**	**(168,460)**	**-2%**
Provision for inventory writedowns	(243,317)	(193,317)	(50,000)	26%
Net Total	**6,356,429**	**6,574,889**	**(218,460)**	**-3%**

The value of inventories is entered at its cost, calculated according to FIFO method net of obsolescence; as at 31 December 2013, it totals Euro 243 thousand.

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 inventories as at 31 December 2013 would appear to have decreased by 2% overall with respect to the 31 December 2012 total. The reduction in the value of inventories is mainly connected with the reduced quantities of semi-finished stock, as a consequence of the increased production and sales volumes recorded in 2013.

For more details on changes in inventories, please refer to the note below that comments the income statement.

7. Trade receivables

Trade receivables relate to standard sales made to domestic and foreign customers and are structured as follows on 31 December 2013:

Trade receivables	31-dic-13	31-dic-12	Change	% Change
Trade receivables	6,203,606	7,317,981	(1,114,375)	-15%
(Provision for doubtful accounts)	(256,446)	(225,667)	(30,779)	14%
Total	**5,947,160**	**7,092,314**	**(1,145,154)**	**-16%**

The adjustment of the nominal value of the credits to the realisable value was obtained by means of a suitable provision for doubtful debt, which on 31 December 2013 stood at Euro 261 thousand. The gross value of trade receivables has dropped with respect to 31 December 2012, following the improved collection times, particularly from customers based in Asia Pacific.

The table below shows changes in the provision.

Change in provision for doubtful accounts	31-dic-12	Increase	Use	31-dic-13
Provision for doubtful accounts	225,667	34,147	(3,369)	256,445
Total	**225,667**	**34,147**	**(3,369)**	**256,445**

The Fund was used during the year 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

As at 31 December 2013, tax receivables are as follows:

Tax receivables	31-dic-13	31-dic-12	Change	% Change
Advances on provision for serevance indemnitie	2,252	2,252	-	0%
VAT receivables	471,263	276,644	194,620	70%
Tax receivables B&C Brasil	116,620	22,116	94,504	427%
Tax receivables B&C USA	299,886	313,455	(13,569)	-4%
Total tax receivables	**890,022**	**614,467**	**275,555**	**45%**

There are no current tax receivables as at 31 December 2013, as it is in debt with the Treasury.

9. Other current assets

As at 31 December 2013, "Other current assets" are as follows:

Other current assets	31-dic-13	31-dic-12	Change	% Change
Receivables towards supplier	16,323	67,658	(51,335)	-76%
Securities	750,328	0	750,328	n/a
Other minor receivables	14,385	44,859	(30,474)	-68%
Total other receivables	**781,037**	**112,517**	**668,519**	594%
Commercial fairs	38,380	21,303	17,077	80%
Phone expenses	432	1,259	(827)	-66%
Assistance and assurance fees	53,827	40,074	13,753	34%
Specialist contract	32,250	27,000	5,250	19%
Other	20,939	0	20,939	-
Total prepaid expenses and accrued income	**145,827**	**89,636**	**56,191**	**63%**
Total current assets	**926,864**	**202,153**	**724,711**	**358%**

Securities held in the portfolio refers to General Electric bonds maturing in 2026, held by the Parent company for the use of short-term liquidity. These securities were measured at fair value as at 31 December 2013 and the presumed loss (Euro 19 thousand) allocated to financial expenses on the income statement.

The item Specialist contract fees refers to accrued income for service fees on their share due in 2014 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 euros)

Cash and cash equivalents	31-dic-12	31-dic-11	Change	% Change
Bank and postal deposit	2,639,197	2,219,610	419,587	19%
Cash	1,074	2,866	(1,792)	-63%
Total cash and cash eqivalents	**2,640,271**	**2,222,476**	**417,795**	**19%**

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

11. Shareholders' equity and its components

Share capital

As at 31 December 2013, the share capital stands at Euro 1,098 thousand (no change with respect to 31 December 2011); the share capital of B&C Speakers consists of 11,000,000 ordinary Shares, each worth Euro 0.10; the share capital is fully paid-in.

As a result of the continuation of the Buy-Back plan, on 31 December 2013 the Parent Company holds a total 23,846 treasury shares equal to 0.22% of the share capital, bought at an average value of Euro 4.16 per share.

Other reserves

This item, equal to Euro 4,711 thousand on 31 December 2013, comprises the legal reserve for Euro 379 thousand, the extraordinary reserve for Euro 44 thousand, the reserve for capital gains on currency exchange not realised for Euro 2 thousand and the share premium reserve for Euro 4,286 thousand.

More specifically, the share premium reserve decreased by Euro 35 thousand, following entry of the result of treasury shares traded during the year.

Profit/(loss) carried forward

This item includes the economic results of previous years.

Fair value reserve

This item includes the effects on shareholders' equity of the actuarial component of severance indemnity.

Comprehensive period result

This item comprises the net period result for Euro 4,513 thousand and other period profits/(losses) for a positive value of Euro 107 relative to the profits generated by the conversion of the financial statements of foreign companies booked in compliance with IAS 1, revised for Euro 119 thousand, and the actuarial gains component deriving from the actuarial measurement of severance indemnity for Euro 8 thousand. This financial component is stated net of the related tax effect equal to Euro 3 thousand, amongst the other items of the statement of comprehensive income, as envisaged by the amendment to IAS 19 applicable as from 1 January 2013. In order to allow for comparison with the comparative data, the actuarial loss component for FY 2012 has also been classified amongst the other components of the statement of comprehensive income.

Earnings per share

Basic earnings per share have been calculated as indicated by IAS 33. The value of the said indicator is equal to Euro 0.43 per share. In FY 2012, basic earnings per share were Euro 0.38. This indicator has been calculated by dividing the profit or loss attributable to the shareholders of the Parent company by the weighted average of the ordinary shares in issue during the period.

12. Medium-/long-term financial debt

As at 31 December 2013, medium/long-term financial debt is as follows:

Long-term borrowings	31-dic-13	31-dic-12	Change	% Change
Fidi Toscana loan	0	24,999	(24,999)	-100%
Credemleasing loan	86,435	123,991	(37,556)	-30%
Long-term Simest loan	400,000	500,000	(100,000)	-20%
Total long-term borrowing	**486,435**	**648,991**	**(162,556)**	**-25%**

"Fidi Toscana loan" (Euro 25 thousand as at 31 December 2012) totals zero as at 31 December 2013, as the residual debt of the loan can be repaid in full in 2014. The loan accounts for 50% of the total contribution received from the Region of Tuscany through Fidi Toscana, intended to fund technological innovation plans pursued by the Parent.

The "Credem Leasing loan", (Euro 86 thousand on 31 December 2013), includes the portion due beyond the next twelve months of the embedded debt connected with two leasing contracts stipulated in 2010 and related to two forklift trucks and a palletising plant.

The item "Long-term Simest loan" (Euro 400 thousand on 31 December 2013), includes the portion due beyond the next twelve months of the unsecured long-term loan loan stipulated with Simest S.p.A. of 19 April 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 and thus increase competitiveness on export markets.

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

Loans details	Finanziamento Simest
Lender	Simest S.p.A.
Original amount	500,000
Contract date	19-apr-11
Due date	31-dic-18
N. instalments	10
Advance instalments	5
Periodicity	Half-yearly
Interest rate	Pre payment period: 2,49% Mortage period: 0,5%
Current portion	100,000
Non current portion	400,000

13. Payroll and similar provisions

The item includes liability accrued in relation to employee severance indemnity and liability accrued against the severance indemnity instead due to Directors at end of office.

In order to book the severance indemnity appropriately, the financial value- actuarial liabilities were recalculated for each employee 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 369 thousand.

Severance indemnity is a defined benefits obligation booked in accordance with IAS 19 - Employee benefits. The amount of the severance indemnity provision is calculated by applying the projected unit credit method, applying actuarial evaluations at the end of the reference period.

Please note that during the first-time application, the Group had decided not to use the "Corridor Method" and, therefore, to record said actuarial components on the income statement.

The amendment to IAS 19 - Employee benefits eliminates the option of deferring recognition of actuarial gains and losses with the "Corridor Method", instead requiring the presentation on the statement of financial position of the full provision deficit or surplus, and the separate recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement each year of assets and liabilities amongst the items of the comprehensive income statement.

As concerns the economic-financial scenario, the parameters used for the measurement as at 31 December 2013 were as follows:

- technical annual discounting rate	2.5% (2.4% as at 31.12.2012)
- annual inflation rate	2.00% (2.0% as at 31.12.2012)
- annual TFR increase rate	3.00% (3.0% as at 31.12.2012)

As concerns the discounting rate, in line with the parameter used as at 31.12.2013, the index IBoxx Corporate AA forDecember 2013 was taken as reference; this duration is measured to the average length of time for which the group valued remains.

This fund is entered net of any paid advances and of liquidations delivered upon resignation occurred during the year in review; during the year, it changed as follows:

Provision for severance indemnities	**31-dic-12**	**Provision (interest & service cost)**	**(Use)**	**Actuarial effects**	**31-dic-13**
Provision for severance indemnities	432,359	10,906	(66,550)	(7,946)	368,769
Total provision for severance indemnities	**432,359**	**10,906**	**(66,550)**	**(7,946)**	**368,769**

In compliance with the provisions of the new IAS 19, the following table provides:

- sensitivity analysis for each relevant actuarial hypothesis at year end, showing the effects that would have been recorded following the changes made to actuarial hypotheses reasonably possible as at that date, in absolute terms;

- indication of the contribution for the following financial year;

- indication of the average financial term of the obligation for defined benefits plans.

Sensitivity Anlisys on most valuable parameters	
	31-dic-13
Turnover rate +1%	368,495
Inflation rate +0,25%	373,237
Inflation rate -0,25%	364,393
Actualization rate +25%	362,311
Actualization rate -25%	375,466

Future estimated disbursement	
Year	
1st	48,240
2nd	29,269
3rd	61,458
4th	22,491
5th	21,117

Service Cost & Duration	
Service Cost 2014	0.0
Duration of the plan	7.8

In reporting on severance indemnity for directors, for each director a provision was made for the amount accrued during the period according to the agreement in place; the value of the provision equates to the value of the corresponding policies entered as assets and described in Note 5.

This provision has changed as follows during the year:

Executive retirement provision (TFM)	**31-dic-12**	**Provision**	**(Use)**	**31-dic-13**
Executive retirement provision (TFM)	754,923	48,756	(185,789)	617,890
Total TFM	**754,923**	**48,756**	**(185,789)**	**617,890**

14. Deferred tax liabilities

As at 31 December 2013, the item includes deferred tax payables for Euro 27 thousand (Euro 17 thousands on 31 December 2012), originating as a result of the application of IFRS. These primarily refer to deferred taxes arising from the adjustment of the directors' severance indemnity provision.

15. Short-term financial debt

This item amounts to Euro 816 thousand as at 31 December 2013 (Euro 761 thousand as at 31 December 2012) and is structured as follows:

Short term borrowings	**31-dic-13**	**31-dic-12**	**Change**	**% Change**
Fidi Toscana loan	24,999	18,617	6,382	0%
Credemleasing loan	37,556	34,809	2,748	8%
Short-term Credem loan	-	424,974	(424,974)	-100%
Short-term Simest loan	100,000	-	100,000	n/a
Bank overdrafts	653,682	283,086	370,595	131%
Total	**816,237**	**761,486**	**54,751**	**7%**

The increase in current financial debt is mainly due to the increase in bank overdrafts.

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

16. Trade payables

This item includes amounts due to suppliers and provisions for invoices receivable.

Trade payables	**31-dic-13**	**31-dic-12**	**Change**	**% Change**
Trade payables	2,338,064	3,149,423	(811,359)	-26%
Total trade payables	**2,338,064**	**3,149,423**	**(811,359)**	**-26%**

The reduction in trade payables with respect to 31 December 2012 is connected with the concentration of some payments during the latter part of the year.

17. Tax payables

As at 31 December 2013, this item is as follows:

Tax liabilities	**31-dic-13**	**31-dic-12**	**Change**	**% Change**
Employee witholding taxes	130,712	124,439	6,272	5%
Income tax liabilities	281,060	221,149	59,912	27%
Tax liabilities B&C USA	333,977	315,203	18,774	6%
Tax liabilities B&C Brasil	3,215	20,531	(17,316)	-84%
Total tax liabilities	**748,964**	**681,322**	**67,642**	10%

Current tax payables, entered net of advances paid over the year, relate to the Parent company and consist of IRES for Euro 226 thousand and to IRAP for Euro 55 thousand.

Withholding taxes represent the value of withholdings paid in the first months of 2014.

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

18. Other current liabilities

As at 31 December 2013, this item is as follows:

Other current liabilities	31-dic-13	31-dic-12	Change	% Change
Due to social security funds	220,520	217,232	3,288	2%
Unused vacation time and holidays	209,557	164,033	45,524	28%
Due to personnel	194,683	158,699	35,984	23%
Other liabilities	125,558	627,965	(502,407)	-80%
Total current liabilities	**750,318**	**1,167,928**	**(417,610)**	-36%

“Amounts due to social security entities” includes the amounts owed to welfare institutions, mainly consisting of amounts owed to INPS (Euro 195 thousand).

“Accrued payroll costs” includes the accrual for holidays remaining on 31 December 2013.

“Amounts due to employees for salaries” refers to payables for salaries and wages still to be paid on the reporting date.

Guarantees given to third parties

As at 31 December 2013, as also at 31 December 2012, there are no records of any guarantees given to third parties by Group companies.

9.3 Analysis of the breakdown of the main items of the consolidated income statement for 2013

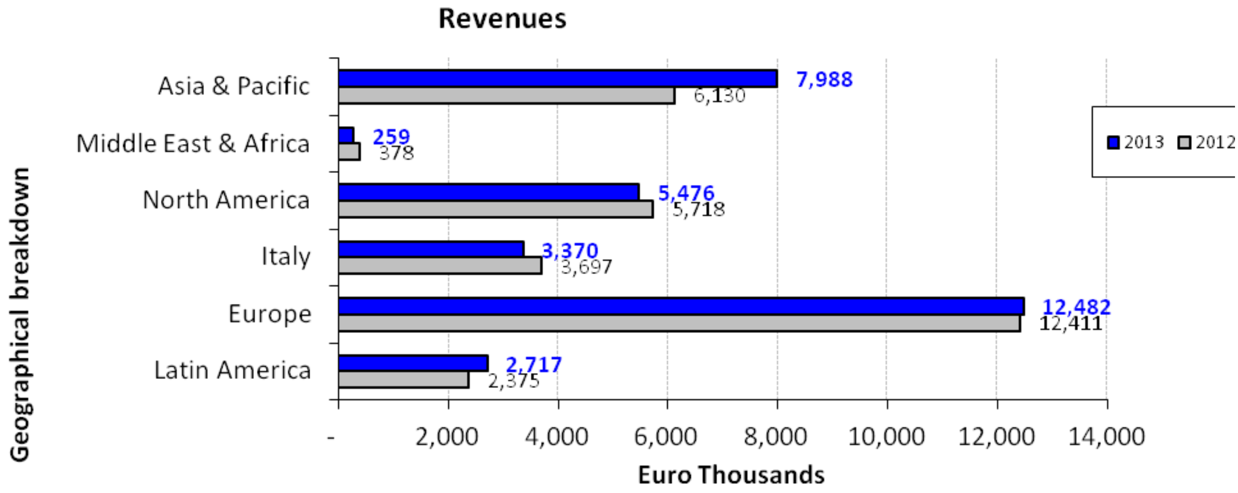
19. Income from sales and services

2013 income from sales and services recorded a significant increase, up 5% compared to the previous year. The table below highlights income from sales and services broken down by geographical area:

Geographical Area	2013	%	2012	%	Change	% Change
Latin America	2,717,168	8%	2,375,470	8%	341,697	14%
Europe	12,481,684	39%	12,410,621	40%	71,063	1%
Italy	3,370,376	10%	3,697,272	12%	(326,895)	-9%
North America	5,475,543	17%	5,717,730	19%	(242,187)	-4%
Middle East & Africa	259,092	1%	377,643	1%	(118,551)	-31%
Asia & Pacific	7,988,276	25%	6,129,541	20%	1,858,735	30%
Total revenues	**32,292,140**	**100%**	**30,708,276**	**100%**	**1,583,863**	**5%**

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

The result achieved in 2013 is primarily driven by growth on the Asian market (China in particular), where sales were up by 30% on last year, thereby securing turnover of 7.9 million euros, and today accounting for about 25% of the total.



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 table summarising 2012 sales according to product category compared with their respective value in the previous year:

Product category	2013	%	2012	%	Change	% Change
LF FE Drivers	10,629,920	32.9%	8,876,351	28.9%	1,753,569	20%
LF ND Drivers	7,529,759	23.3%	7,976,123	26.0%	(446,364)	-6%
HF Drivers	10,664,068	33.0%	10,568,744	34.4%	95,324	1%
Coaxials	2,186,480	6.8%	2,046,579	6.7%	139,901	7%
Others	1,281,914	4.0%	1,240,479	4.0%	41,435	3%
Total revenues	**32,292,140**	**100.0%**	**30,708,276**	**100.0%**	**1,583,864**	**5%**

As described in greater detail in the Report on Operations, revenues during the quarters grew steadily and consistently above higher than the closing value in 2012.

Furthermore, as can be inferred from the above table, in 2013 the company's sales have privileged products with higher added value and profit margin (drivers).

Sales reported here are net of infra-Group transactions made by the Company itself.

For a more detailed analysis of period revenue trends, please refer to the relevant section within the Report on Operations.

20. Other revenues and income

This item is structured as follows:

Other revenues	**2013**	**2012**	**Change**	**% Change**
Other revenues	198,496	101,652	96,844	95%
Grants for R&D activities	115,073	115,528	(455)	-100%
Extraordinary income	37,174	12,124	25,050	207%
Total other revenues	**350,743**	**229,303**	**121,440**	**53%**

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

"Contributions to research & development" refers to the part share pertaining to the year of the contribution disbursed by the Region of Tuscany against the research project named "Silence", which aims to develop a prototype of an innovative system, based on Professional Acoustic technologies, to reduce, even eliminate, noise pollution in the environments in which the system is used. Three companies operating in professional acoustics are involved in the project, all based in the province of Florence; a temporary consortium has therefore been formed, with B&C Speakers S.p.A. as leader.

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

The item is structured as follows:

Inventory change	**2013**	**2012**	**Change**	**% Change**
Semi-finished products inventory change	(460,662)	1,144,249	(1,604,911)	-140%
Finished products inventory change	525,706	(58,803)	584,509	-994%
Total inventory change	**65,044**	**1,085,446**	**(1,020,402)**	**-94%**

The reduction in inventories of semi-finished products is a consequence of the increased production and sales volumes achieved in 2013.

22. Costs for the purchase of raw and ancillary materials and consumables

The item is structured as follows:

Consumption of raw material, consumable and other products	**2013**	**2012**	**Change**	**% Change**
Purchases:				
Raw materials and finished products	1,880,843	1,210,053	670,790	55%
Consumable supplies	971,596	971,507	89	0%
Semi-finished products	8,448,217	9,446,305	(998,087)	-11%
Packings	373,750	354,955	18,796	5%
Stationery	11,564	11,924	(360)	-3%
Purchase of other products	574,972	751,915	(176,943)	-24%
Total purchases	**12,260,943**	**12,746,659**	**(485,716)**	**-4%**
Change of raw material, consumable and other products	**66,493**	**400,267**	**(333,774)**	**-83%**
Consumption of raw material, consumable and other products	**12,327,436**	**13,146,926**	**(819,490)**	**-6.2%**

As shown in the table above, consumption of raw materials has increased on the previous period, as a consequence of the increased production volumes recorded during the year; purchases of semi-finished products, on the other hand, have dropped, due to the intense use of stocks.

Please note that purchases of raw materials are mainly materials of ferrous origin used in the production process and the cost of which can be influenced by trends in the cost of the raw materials; purchases of semi-finished products are instead related to processing components that are directly installed in the product being processed.

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

23. Payroll cost

The item is structured as follows:

Labour cost	2013	2012	Change	% Change
Salary and retribution	3,503,619	3,197,064	306,555	10%
Social charges	1,026,445	901,403	125,042	14%
Severance indemnities	205,171	189,444	15,727	8%
Executive retirement indemnities	48,755	44,400	4,355	10%
Other employees costs	624,858	281,893	342,965	122%
Total labour cost	**5,408,847**	**4,614,204**	**794,643**	**17%**

The increase seen in “salaries and wages” and “social charges” was mainly due to the greater impact of extraordinary costs incurred during the year to satisfy increased production volumes.

The increase recorded in “Other payroll costs” (Euro 342 thousand), should be considered in relation to the greater use of temporary staff by the Parent Company in 2013 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	2013	2012	Change	% Change
Services:				
Manteinance	684,212	591,859	92,353	16%
Advertising	169,500	175,806	(6,306)	-4%
Emolumenti e rimborsi organi sociali	748,059	652,986	95,073	15%
Bank charges	21,716	26,802	(5,086)	-19%
External manufacturing costs	1,817,792	2,023,261	(205,469)	-10%
Shipping and logistics costs	857,103	822,240	34,863	4%
Brokerage	57,791	70,772	(12,981)	-18%
Travelling expenses	166,970	167,933	(963)	-1%
Professional services	744,718	792,613	(47,895)	-6%
Other services	456,200	409,674	46,526	11%
Total service costs	**5,724,061**	**5,733,945**	**(9,884)**	**0%**
Rent and leasing expenses	970,653	885,081	85,572	10%
Total service, rent and leasing costs	**6,694,714**	**6,619,026**	**75,687**	**1%**

Service costs are mainly related to maintenance and software for about Euro 206 thousand (Euro 191 thousand in 2012), and costs for utilities for Euro 319 thousand (Euro 222 thousand in 2012) and maintenance of instrumental assets and real estate for Euro 130 thousand (Euro 168 thousand in 2012).

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.

Professional services include business, technical, administrative and legal consulting services received by the Group in 2013.

Rental and leasing expenses refer to lease and rentals for about Euro 40 thousand and the costs for payable real estate rentals worth Euro 930 thousand, of which 922 pertaining to the Parent Company.

25. Amortisation/depreciation of Tangible and Intangible Assets and impairment

The item is structured as follows:

Amortization, depreciation and writedowns	**2013**	**2012**	**Change**	**% Change**
Amortization of intangibles assets	111,726	117,325	(5,599)	-5%
Depreciation of tangible assets	677,327	603,089	74,238	12%
Total amortizations and depreciations	**789,053**	**720,414**	**68,639**	**10%**
Bad debt provision	34,147	60,452	(26,305)	-44%
Warranty provision	52,596	-	52,596	n/a
Total Writedowns	**86,743**	**60,452**	**26,291**	**43%**

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 made to the provision for doubtful debt relates to that applied by the Parent Company. This was carried out in order to take account of the risk of writing off current outstanding loans on 31 December 2013.

The provision made to the warranty fund coincides with the cost of interventions that Group management can reasonably expect to be carried out under warranty, according to past historical trends.

26. Other costs

The item is structured as follows:

Other costs	**2013**	**2012**	**Change**	**% Change**
Taxes	39,355	49,663	(10,308)	-21%
Other minor charges	148,031	298,418	(150,387)	-50%
Stock Exchange expenses	82,219	76,292	5,928	8%
Total other costs	**269,605**	**424,372**	**(154,767)**	**-36%**

Stock Exchange expenses includes management costs related to Borsa Italiana S.p.A. and Consob.

"Other minor charges" includes miscellaneous expenses for about Euro 17 thousand, a penalty paid in 2013 for Euro 30 thousand in addition to other minor expenses whose unitary value is not significant in relation to the subsidiaries.

Stock Exchange expenses includes management costs related to Borsa Italiana S.p.A. and Consob.

27. Financial income and expenses

The item is structured as follows:

Financial expenses and income	2013	2012	Change	% Change
Bank interest income	45,923	17,742	28,181	159%
Interest on securities	5,360		5,360	n/a
Exchange rate differences income	92,239	168,485	(76,246)	-45%
Exchange rate differences accruals	134,107	51,819	82,288	159%
Other financial income	1,110	9,221	(8,111)	-88%
Total financial income	**278,739**	**247,267**	**31,472**	**13%**
Interest expenses	32,258	38,489	(6,231)	-16%
Loss accrual on securities	18,849	-	18,849	n/a
Accrued loss on securities	18,849			
Financial expenses for Defined Benefit Obligation	10,524	15,594	(5,070)	n/a
Exchange rate difference expenses	280,472	170,763	109,709	64%
Exchange rate differences accruals	104,920	91,412	13,508	15%
Other financial charges	4,356	9,085	(4,729)	-
Total financial expenses	**470,228**	**325,343**	**126,036**	**39%**
Total financial income (expenses)	**(191,489)**	**(78,076)**	**(113,413)**	**145%**

The increase recorded in “Financial income” mainly refers to the greater income deriving from the positive exchange adjustments. The detailed listing of the individual item entries shows an increase in interest income on current accounts, consequent to the increase of the average funds held in the current accounts during the period.

Presumed losses on securities, entered under current assets, refer to the economic effect of the fair value measurement of the bonds of General Electric, maturing in 2026 and held for short-term liquidity, classified under other current assets.

Presumed losses on forward contracts refer to the economic effect of the fair value measurement of the forward foreign currency purchase contract stipulated with BNL and in place as at 31 December 2013; it has the following characteristics:

Notional value : 500 thousand USD

Stipulation date : 03 September 2013

Expiry date : 05 March 2014

Forward exchange rate : 1.31

Fair value as at 31-Dec-2013 : -19 thousand euros

28. Tax

The item is structured as follows:

Current and deferred taxes	2013	2012	Change	% Change
IRES	1,883,708	1,611,929	271,779	17%
IRAP	430,264	374,251	56,013	15%
B&C USA current taxes	85,269	134,764	(49,495)	-37%
B&C Brasil current taxes	-	13,259	(13,259)	-
Total current taxes	**2,399,241**	**2,134,202**	**327,793**	**15%**
Ires refund	-	(156,212)	156,212	n/a
Deferred tax expenses/(income)	27,431	(5,039)	32,470	-644%
Total income taxes	**2,426,672**	**1,972,951**	**32,470**	**2%**

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 burdens relative to the profits made by foreign subsidiaries.

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

For a reconciliation of the actual tax expense in 2013 and the theoretical tax expense of the Parent B&C Speakers S.p.A., we would refer you 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 CESR recommendation of 10 February 2005 "Recommendations for the standardised implementation of the regulation of the European Commission on financial statements", the net financial position of the company as at 31 December 2011 is detailed below:

(in euros)

	31 December 2013 (a)	31 December 2012 (a)	Change
Cash and cash equivalents	2,640	2,222	19%
A. Cash and cash equivalents	**2,640**	**2,222**	**19%**
Current borrowings	(816)	(761)	7%
B. Current borrowings	**(816)**	**(761)**	**7%**
C. Current net financial position (A+B)	**1,824**	**1,461**	**25%**
Non current borrowings	(486)	(649)	-25%
D. Non current borrowings	**(486)**	**(649)**	**-25%**
E. Net financial position (C+D)	**1,338**	**812**	**65%**

(a) Information taken and/or calculated from the financial statements prepared in compliance with IFRS adopted by the European Union.

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

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

30. Related party transactions

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

> ***Research & Development International S.r.l.***, with registered office in Florence, Viale dei Mille n. 60, tax code 02342270481, share capital €90,000, which holds 62.11% 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 on Operations, to which we ask that you refer for details.

31. Transactions from non-recurring operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2013 the Group did not incur costs in connection with non-recurrent operations.

32. Transactions from atypical and/or unusual operations

Pursuant to Consob Communication of 28 July 2006, please note that in 2013 the Group did not engage in any atypical and/or unusual transactions, as per their definition in the Communication.

10 Other information

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

Company	Currency	Capital	Net profit/(loss)	Equity	% Investment	Book value (€)
B&C Speakers NA L.L.C. (Pompton Plains) *						
At 31 December 2012	Us Dollars/thousands	30	180	768	100%	1,450
At 31 December 2013	US Dollars/thousands	30	118	836	100%	1,450
B&C Speakers Brasile LTDA*						
At 31 December 2012	Real/thousands	603	58	458	100%	246
At 31 December 2013	Real/thousands	1,721	(46)	1,529	100%	598

* Subsidiaries

10.2 Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (thousands of euros) (art 78 reg. Consob no. 11971/99)

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	15	-	11	-	26
Lorenzo Coppini	Director	1/1 - 31/12/2012	2015	175	-	33	-	208
Simone Pratesi	Director	1/1 - 31/12/2012	2015	160	-	31	-	191
Alessandro Pancani	Director	1/1 - 31/12/2012	2015	180	-	31	-	211
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	Sindaco	1/1 - 31/12/2012	2015	6	-	-	-	6
Leonardo Tommasini	Sindaco	1/1 - 31/12/2012	2015	6	-	-	-	6

* Year in which the shareholders' meeting is held to approve the financial statements at which time the office expires.

** € thousands

*** As from 29 April 2013, following the passing away of Roberto Coppini, the office of Chairman of the BoD has been assumed by Lorenzo Coppini.

10.3 Information in accordance with Art. 149-duodecies of Consob Issuers' Regulation

The statement below, prepared in accordance with Art. 149-*duodecies* of the Consob Issuers' Regulation, highlights the fees of FY 2011 for auditing services and for services other than auditing provided by the same independent auditing firm. No services were provided by entities belonging to its network.

Service	Company	Client	Notes	Fees 2012	Fees 2013
Statutory audit	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.	A	55,238	59,504
		Consociate	B	14,947	16,725
Servizi di attestazione	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-	-
		Consociate		-	-
Fiscal services	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-	-
		Consociate		-	-
Other Services	Deloitte & Touche S.p.A.	Parent Cp. - B&C Speakers S.p.A.		-	-
		Consociate		-	-
Total				**70,185**	**76,229**

A: of which Euro 32,209 for the audit of financial statements of the Parent Company, Euro 4,509 for the quarterly audits of the regular bookkeeping of the Parent Company, Euro 10,764 for the audit of the consolidated group accounts and Euro 12,022 for limited auditing of the interim financial statement of the Group.

B: of which Euro 8,589 thousand relating to the audit of US subsidiary B&C Speakers NA LLC and Euro 8,136 relating to the audit of the Brazilian subsidiary B&C Speakers Brazil LTDA.

ATTACHMENT I: APPLICATION OF NEW IAS 19 – RE-STATEMENTS OF THE CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED BALANCE SHEET

On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee benefits, eliminating the option of deferring recognition of actuarial gains and losses with the “Corridor Method”, instead requiring the presentation on the statement of financial position of the provision deficit or surplus, and the recognition on the income statement of the cost components connected with the working provision and net financial expense, and the recording of actuarial gains and losses deriving from the re-measurement of assets and liabilities amongst the “Comprehensive other profit/(losses)”.
Moreover, the return on the assets included amongst net financial expenses must be calculated on the basis of the liability discount rate and no longer according to forecast return.
The amendment applies retrospectively as from the financial year starting on or after 1 January 2013.
Below is the consolidated comprehensive income statement re-stated as at 31.12.2012 and the consolidated balance sheet re-stated as at 01.01.2012 and 31.12.2012.

Consolidated Comprensive Income (Euro Values)	2012	Actuarial evaluation of DBO	2012 restated
Revenues	30,708,276		30,708,276
Other revenues	229,303		229,303
Change in inventory	1,085,446		1,085,446
Purchases of raw materials and other	13,146,926		13,146,926
Cost of labour	4,614,204		4,614,204
Cost of services	6,619,026		6,619,026
di cui verso parti Correlate	*827,051*		*827,051*
Depreciations of tangible assets	603,089		603,089
Amortizations of intangible assets	117,325		117,325
Writedowns	60,452		60,452
Other costs	424,372		424,372
Earning before taxes and interests	**6,437,631**		**6,437,631**
Interest income	247,267		247,267
Finance costs	386,074	(60,731)	325,343
Earning before taxes	**6,298,824**		**6,359,555**
Income taxes	1,953,882	19,070	1,972,952
Profit for the year (A)	**4,344,942**		**4,386,603**
Other comprehensive income for the year			
Exchange differences on translating foreign operations	(209,084)		(209,084)
Actuarial gain/(losses) on DBO (net of tax)	-	(41,661)	(41,661)
Total other comprehensive income for the year (B)	**(209,084)**		**(250,746)**
Total comprehensive income (A) + (B)	**4,135,858**		**4,135,858**
Profit attributable to:			
Owners of the parent	4,344,942		4,386,603
Minority interest			-
Total comprehensive income atributable to:			
Owners of the parent	4,135,858		4,135,858
Minority interest	-		-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)	1 January 2012	Actuarial evaluation of DBO	1 January 2012 restated
ASSETS			
Non current assets			
Tangible assets	3,202,634		3,202,634
Goodwill	1,393,789		1,393,789
Other intangible assets	443,471		443,471
Deferred tax assets	184,996		184,996
Other non current assets	62,501		62,501
Other assets (TFM insurance)	710,524		710,524
Total non current assets	**5,997,915**		**5,997,915**
Currents assets			
Inventory	5,944,672		5,944,672
Trade receivables	5,726,644		5,726,644
Tax assets	450,468		450,468
Other current assets	101,769		101,769
Cash and cash equivalents	2,048,100		2,048,100
Total current assets	**14,271,653**		**14,271,653**
Total assets	**20,269,568**		**20,269,568**

	1 January 2012	Actuarial evaluation of DBO	1 January 2012 restated
Liabilities			
Equity			
Share capital	1,049,217		1,049,217
Other reserves	3,327,882		3,327,882
Retained Earnings	4,201,545	42,287	4,243,832
Fair value reserve		(42,287)	(42,287)
Profit/(loss) for the year	3,722,896		3,722,896
Total equity attributable to shareholders of the parent	**12,301,540**		**12,301,540**
Minority interest	-		-
Total equity	**12,301,540**		**12,301,540**
Non current equity			
Long-term borrowings	1,126,944		1,126,944
Severance Indemnities	1,105,848		1,105,848
Deferred tax liabilities	17,284		17,284
Total non current liabilities	**2,250,076**		**2,250,076**
Current liabilities			
Short-term borrowings	1,404,119		1,404,119
Trade liabilities	2,375,590		2,375,590
related parties	*88,257*		*88,257*
Tax liabilities	647,336		647,336
Other current liabilities	1,290,907		1,290,907
Total current liabilities	**5,717,952**		**5,717,952**
Total Liabilities	**20,269,568**		**20,269,568**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Values in Euro)	31 december 2012	Actuarial evaluation of DBO	31 december 2012 restated
ASSETS			
Non current assets			
Tangible assets	3,390,492		3,390,492
Goodwill	1,393,789		1,393,789
Other intangible assets	281,331		281,331
Deferred tax assets	209,104		209,104
Other non current assets	218,603		218,603
related parties	*88,950*		*88,950*
Other assets (TFM insurance)	754,924		754,924
Total non current assets	**6,248,243**		**6,248,243**
Currents assets			
Inventory	6,574,889		6,574,889
Trade receivables	7,092,314		7,092,314
Tax assets	614,467		614,467
Other current assets	202,153		202,153
Cash and cash equivalents	2,222,476		2,222,476
Total current assets	**16,706,299**		**16,706,299**
Total assets	**22,954,542**		**22,954,542**

	31 december 2012	Actuarial evaluation of DBO	31 december 2012 restated
Liabilities			
Equity			
Share capital	1,097,930		1,097,930
Other reserves	4,763,977		4,763,977
Retained Earnings	5,342,982	103,019	5,446,001
Fair value reserve		(103,019)	(103,019)
Profit/(loss) for the year	4,135,857		4,135,857
Total equity attributable to shareholders of the parent	**15,340,746**		**15,340,746**
Minority interest	-		-
Total equity	**15,340,746**		**15,340,746**
Non current equity			
Long-term borrowings	648,991		648,991
Severance Indemnities	1,187,283		1,187,283
Deferred tax liabilities	17,363		17,363
Total non current liabilities	**1,853,637**		**1,853,637**
Current liabilities			
Short-term borrowings	761,486		761,486
Trade liabilities	3,149,423		3,149,423
related parties	*2,114*		*2,114*
Tax liabilities	681,322		681,322
Other current liabilities	1,167,928		1,167,928
Total current liabilities	**5,760,159**		**5,760,159**
Total Liabilities	**22,954,542**		**22,954,542**

11 Certification of the financial statements in accordance with Art. 154-*bis* of Italian Legislative Decree no. 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., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - that the financial statements reflect the business and structure and
   - that the administrative and accounting procedures for the formation of financial statements for year 2013 have been effectively applied.

2. The undersigned also certify that:

   2.1. the financial statements:

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

   b) correspond to the information in the accounting ledgers;

   c) provide a true and accurate representation of the issuer's economic, financial and equity position.

   2.2. The Report on Operations 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 Certification of the consolidated financial statements in accordance with Art. 154-*bis* of Italian Legislative Decree no. 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., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

    - that the financial statements reflect the business and structure and
    - that the administrative and accounting procedures for the formation of financial statements for year 2013 have been effectively applied.

2. The undersigned also certify that:

    2.1. the consolidated financial statements:

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

    b) correspond to the information in the accounting ledgers;

    c) provide a true and accurate representation of the issuer's economic, financial and equity position and that of the set of businesses included in the consolidation.

    2.2. The Report on Operations includes a reliable analysis of the progress and results of the management as well as the position of the issuer and companies consolidated, together with descriptions of the main risks and uncertainties to which they are exposed.

Simone Pratesi　　　　　　　　Francesco Spapperi

13 Attachment I – Independent auditor's report

Report to the separate financial statements of B&C Speakers S.p.A. at 31 December 2013

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
B&C SPEAKERS S.p.A.

1. We have audited the financial statements of B&C Speakers S.p.A., which comprise the statement of financial position as of December 31, 2013, the statement of comprehensive income, the statement of changes in Shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the notes to the financial statements and as required by the new IFRS provisions detailed in the paragraph "New accounting standards, amendments and interpretations applied since 1 January 2013", the Directors have adjusted certain comparative data related to the prior year's with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 5, 2013.

   These modifications to comparative data and related disclosures included in the notes to the financial statements have been audited by us for the purpose of expressing our opinion on the financial statements as of December 31, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of B&C Speakers S.p.A. as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of B&C Speakers S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance, published in the section "Investor Center" of the site of B&C Speakers S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the report on corporate governance with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance are consistent with the financial statements of B&C Speakers S.p.A. as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence
March 28, 2014

This report has been translated into the English language solely for the convenience of international readers.

Report to the consolidated financial statements of the B&C Speakers Group at 31 December 2013

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
B&C SPEAKERS S.p.A.

1. We have audited the consolidated financial statements of B&C Speakers S.p.A. and subsidiaries (the "B&C Speakers Group"), which comprise the consolidated statement of financial position as of December 31, 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in Shareholders' equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements and as required by the new IFRS provisions detailed in the paragraph "New accounting standards, amendments and interpretations applied since 1 January 2013", the Directors have adjusted certain comparative data related to the prior year's with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 5, 2013.

   These modifications to comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the B&C Speakers Group as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of B&C Speakers S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance, published in the section "Investor Center" of the site of B&C Speakers S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the report on corporate governance with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance are consistent with the consolidated financial statements of the B&C Speakers Group as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.
Signed by
Gianni Massini
Partner

Florence
March 28, 2014

This report has been translated into the English language solely for the convenience of international readers.

14 Attachment II - Report by the Board of Auditors

Report by the Board of Statutory Auditors to the shareholders' meeting of B. & C. Speakers S.p.A. (Art. 153 of Italian Legislative Decree no. 59/98 and Art. 2429, second paragraph, Italian Civil Code)

Dear Shareholders,

During the financial year ended on 31 December 2013, the Board of Auditors of B&C Speakers S.p.A. (the "Company") carried out auditing activities in compliance with the law. It operated in accordance with the standards of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Board of Chartered Accountants and Expert Book-keepers) for boards of auditors of capital companies with shares listed on regulated markets and with Consob communications on corporate control and the work of the board of auditors.

This audit report has been prepared in accordance with the law and the instructions given by Consob, in particular in communication no. DEM/1025564 of 06.04.2001.

In accordance with Italian Legislative Decree no. 58/1998, the independent auditing firm Deloitte & Touche S.p.A. was appointed to audit the accounts and we would refer you to their report.

Our work was hinged on the information received and the analyses performed by the Board. On this basis, we should mention the following major operations involving the Company and its subsidiaries, as examined and approved by the Board of Directors and as disclosed in the Directors' Report on Operations, as being some of the most important in economic, financial and equity terms.

As explained by the directors in their Report on Operations, FY 2013 saw the following significant events relating to the company's trend:

- growth has remained consistent and considerable; this is due to the gradual gaining of standing of the B&C Speakers brand on markets worldwide and particularly those of the east;
- the start-up of the marketing business of the Sound Architecture division, which in the year completed some important installations and received orders from the Middle Eastern market, is particularly worthy of note;
- the Brazilian subsidiary has pursued its development in turnover, achieving major growth in sales (up by +22% on 2012) for FY 2013 too;
- FY 2013 saw the Company pursue ideal manufacturing efficiency, with the effect of a consistent increase in turnover. The production structure, for which investments have been made, is today extremely efficient and highly productive, particularly following the expansion of the production part that took place during the summer, enabling further earnings to be made in terms of output.

In going about its duties, the Board of Auditors:

- met regularly and has prepared 5 sets of minutes on the work performed;
- attended all meetings of the Board of Directors (7), obtaining continuous information from the Directors on their work and on the most important operations, in terms of economics, financial and equity aspects, carried out by the Company and its subsidiaries;
- received regular reports from the Supervisory Board;
- attended the Company's Shareholders' Meeting held on April 29th 2013;
- conducted its reviews through meetings, direct observation and the collection of information from Company Department Managers and Executives, in addition to meeting regularly with the Control and Risks Committee;
- ensured that infra-Group and related party transactions were carried out in the interests of the Company. The key players involved and the economic effects are adequately described in the section "Transactions with related companies and with companies subject to their control" in the Report on Operations, to which we would refer you;
- did not find evidence in its audits of atypical and/or unusual transactions;
- met with the executives of the company responsible for the audit and review of the separate and

consolidated financial statements, with the aim of ensuring the mutual exchange of data and information;

- did not find evidence of any requests for information from Deloitte & Touche S.p.A., in the report issued on March 28th, 2014 pursuant to Art. 156 of Legislative Decree no. 58/98. The report certifies that the separate and consolidated financial statements as of 31 December 2013 are clearly written and provide a truthful 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 on Operations and the information referred to in Art. 123-*bis*, paragraph 1 (c), (d), (f), (l), (m) and paragraph 2 (b) of Legislative Decree no. 58/1998 contained in the report on corporate governance and on the organisational structure is consistent with the financial statements of the Company and with the consolidated financial statements of the Group;
- monitored the independence of the auditing firm, 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 2013, pursuant to Art. 2408 of the Civil Code, nor were complaints filed by its Shareholders.

In going about its duties, the Board of Auditors monitored:

- compliance with the law and articles of association and with principles of sound business practice, ensuring that operations approved and executed by Board members were compliant with the law and the articles of association, that they were inspired by rational economic principles and that they were not clearly imprudent or rash, in conflict with the Company's interests and with resolutions passed by the Shareholders' Meeting, or such to jeopardise the integrity of Company assets.

  Standard infra-Group and related party transactions are settled at arm's length and are described in the Report on Operations according to type, entity, economic transactions and payables/receivables in place as at 31 December 2013. Related party transactions, and in particular those involving members of the corporate bodies, are specifically resolved by the Board, if necessary also after having sought an expert opinion. In any case, related party transactions exceeding the established limit are disclosed in a quarterly report made to the Boards of Directors and Auditors, in accordance with Art. 150 of Legislative Decree no. 58/98.

  The Board of Directors applies a group procedure 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 procedural correctness. 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 evaluation 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 believes that the governance institutes and instruments adopted by the Company provide a valid means by which to ensure correct administrative in operating practice:

- on the suitability of the Company's organisational structure through awareness of it by means of meetings with the various Department Managers, with the Internal Auditing Manager and with the independent auditing firm, in order to ensure a mutual exchange of data and information.

  The Company's organisational structure is defined by structured proxies and powers of attorney that would appear to be appropriate to the size and management issues faced by the Group. In compliance with the Issuer's Regulations, the Company has specified roles, tasks and powers of the various corporate bodies. All changes introduced are described in the annual Directors' Corporate Governance Report;

- the adequacy of the internal auditing system, particularly through regular meetings with the Managing Director with the task of supervising Company management, with the Control and Risks Committee, through the exchange of information with the auditing firm and with the Supervisory Board. Internal auditing also aims to maintain the organisational model in accordance with Italian Legislative Decree no. 231/01 and sought to analyse and test the key issues arising in application of the various business procedures.

  The company has adopted a procedure for internal management and the disclosure of issuer documents and information, particularly as concerns inside information.

  With regard to internal dealing, the Board of Directors has introduced the concept of specific periods of the year during which no transactions can be carried out in financial instruments issued by the company;

- the adequacy and reliability of the accounting administrative system in terms of providing a correct presentation of management events, by obtaining information from the respective division managers, reviewing business documents and analysing results of work completed by the auditing firm. In accordance with the law and after having sought the compulsory opinion of the Board of Auditors, the Board of Directors has appointed a manager in charge of preparing the accounting documents; he has been duly assigned the powers and duties prescribed by law and conferred adequate powers and means by which to go about the related tasks;

- adequacy of the instructions issued by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of Legislative Decree no. 58/98, in order that they shall provide the information necessary to fulfil the obligations set forth by the law;

- compliance with the provisions of law governing the drafting of the separate and consolidated financial statements of the Group as of 31 December 2013, the respective explanatory notes and the accompanying Report on Operations, directly and with the assistance of Department Managers through information obtained by the auditing firm. More specifically, we hereby confirm that the separate and consolidated financial statements of B&C Speakers S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Union.

The monitoring and auditing activities carried out by the Board of Auditors, as described above, did not reveal any significant events worthy of note to the Shareholders, or to the Supervisory Boards.

Based on the above, a basic summary of the supervisory activities carried out during the year, and in accordance with Art. 153, paragraph 1 of Italian Legislative Decree no. 58/1998, the Board of Auditors has no comments to make insofar as it is competent with regards to the separate and consolidated financial statements and the related explanatory notes and Report on Operations; it agrees with the proposal made by the Board of Directors as to how the Shareholders' Meeting should best allocate the profits.

Florence, March 28th, 2014

The Board of Statutory Auditors

Manfredi Bufalini Chairman

Giovanni Mongelli Statutory Auditor

Leonardo Tommasini Statutory Auditor

Attachment to the Annual Report of the Board of Auditors:

List of offices held within the company as per Volume V, chapters V, VI and VII of the Italian Civil Code as at the reporting date

Manfredi Bufalini

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Chairman of the Board of Auditors	Financial Statement 31/12/2014
2	ADVALSO S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
3	QUANTA SYSTEM S.p.A	Statutory Auditor	Financial Statement 31/12/2013
4	TORMARESCA S.rl.	Chairman of the Board of Auditors	Financial Statement 31/12/2013
5	TRICOBIOTOS S.p.A.	Statutory Auditor	Financial Statement 31/12/2015
6	TENUTA CASTELFALFI S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
7	RIMIGLIANO S.r.l.,	Chairman of the Board of Auditors	Financial Statement 31/12/2013
8	TOSCO-FIN S.r.l.	Statutory Auditor	Financial Statement 31/12/2015
9	BRAGANTI ANTONIO S.r.l.	Statutory Auditor	Financial Statement 31/12/2013
10	C. CHIRURGIA AMB. M. BUFALINI S.r.l.	CEO	until revocation
11	TRUST IT S.r.l.	Member of the Board of Directors	Financial Statement 31/12/2019
12	CELINE PRODUCTION S.r.l.	Statutory Auditor	Financial Statement 31/12/2013
13	RESEARCH & DEVELOPMENT S.r.l.	Statutory Auditor	Financial Statement 31/12/2015

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.	Statutory Auditor	Financial Statement 31/12/2014
2	ABF S.r.l.	Chairman of the Board of Auditors	Financial Statement 31/12/2014
3	CO.FI.GI. S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
4	RIFLE HOLDING S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
5	SUPER RIFLE S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
6	RESEARCH & DEVELOPMENT S.r.l.	Statutory Auditor	Financial Statement 31/12/2014

Number of Appointment in public Companies:	1
Total Number of Appointment:	6

Giovanni Mongelli

	Company	Nomination	Expiry date
1	B&C SPEAKERS S.p.A.	Statutory Auditor	Financial Statement 31/12/2014
2	Andreotti Impianti S.p.A	Statutory Auditor	Financial Statement 31/12/2013
3	A.Frasconi S.rl.	Statutory Auditor	Financial Statement 31/12/2013
4	Consorzio Agrario Fi	Statutory Auditor	Financial Statement 31/12/2013
5	Fingest S.r.l.	Statutory Auditor	Financial Statement 31/12/2013
6	Samoa S.p.A.	Statutory Auditor	Financial Statement 31/12/2015
7	Tenuta Vicchiomaggio S.r.l.	Statutory Auditor	Financial Statement 31/12/2014
8	RESEARCH & DEVELOPMENT S.r.l.	Statutory Auditor	Financial Statement 31/12/2015
9	SIRMA S.p.A.	Statutory Auditor	Financial Statement 31/12/2013
10	HOTEL RIVOLI S.p.A	Statutory Auditor	Financial Statement 31/12/2015

Number of Appointment in public Companies:	1
Total Number of Appointment:	10