Annual Report 2014

Bringing Sound to Life

Our commitment is to restore a fully active life and joie de vivre to people with hearing difficulties by achieving complete satisfaction in auditive communication in all listening situations.

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2014 in a nutshell →

Investor Relations

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CORPORATE WEBSITE
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@AmplifonGroup
@GruppoAmplifon

2015 Financial Calendar

March 3, 2015
Board of Directors' meeting to approve the draft Financial Statements at 31 December 2014

April 21, 2015
Annual General Meeting to approve the Financial Statements at 31 December 2014

April 29, 2015
Board of Directors' meeting to approve the Interim Financial Report at 31 March 2015

July 23, 2015
Board of Directors' meeting to approve the Interim Management Report at 30 June 2015

October 22, 2015
Board of Directors' meeting to approve the Interim Financial Report at 30 September 2015

Message from the CEO

Dear Stakeholders,

It is a pleasure to draw your attention to Amplifon's positive performance in the last financial year.

Reaping benefits from the business optimization initiatives implemented in the challenging 2013, **Amplifon closed 2014 with a noticeable improvement in revenue and in all the profitability indicators.** I see this as a tangible sign proving that the measures put in place and shared by all people working in the Group are producing their expected impact and that **our business strategy is moving in the right direction.**

In detail, the Group achieved **record revenue of €890.9 million,** an increase of 7.7% against 2013. This growth was determined **by the brilliant performance of both Europe and the EMEA region in general, and by the ASIA-PACIFIC region that continues to grow at a lively pace.** Encouraging signs of recovery also come from the **AMERICAS** region which, despite the weaker performance early in the year, **fully recovered thanks to a sharp rise in revenue in the last quarter of 2014**.

2014 showed a **significant improvement in profitability**, also in terms of margins, thanks to our ongoing efforts to **boost productivity and make our business model increasingly efficient and profitable:**

the Group's **EBITDA** amounted to €137.7 million, an **increase of 17.6%** with respect to the prior year. Also in this case major contributions came from EMEA and ASIA-PACIFIC, while AMERICAS' profitability remained solid and above the Group's average.

Last year's performance is further proof of Amplifon's ongoing successful **international expansion and growth strategy** tenaciously pursued through **organic growth and new acquisitions**, with the aim of consolidating our world leadership in the sector.

2014 saw the Group committed on different fronts, starting with its **entry into two new markets, Israel and Brazil**, countries with **enormous growth potential**.

Besides adding strong research and development expertise to our own know-how, the **acquisition of a 60% stake in the Israeli market leader Medtechnica Orthophone** has laid the foundations for future expansion in the Eastern Mediterranean region.

The acquisition of a 51% stake in the Brazilian company Direito de Ouvir puts Amplifon in a position to meet the enormous growth potential of this market of more than 200 million people. Besides being the most "European" of the so-called "emerging economies", Brazil's demographic dynamics are particularly well-suited to the development of our business.

During 2014 we also **continued to pursue our development strategy**, further **improving our distribution network and service coverage** in important markets such as Italy, Germany, France, as well as in the Iberian Peninsula, Benelux, Eastern Europe, Canada, Australia, New Zealand, India, Egypt and Turkey.

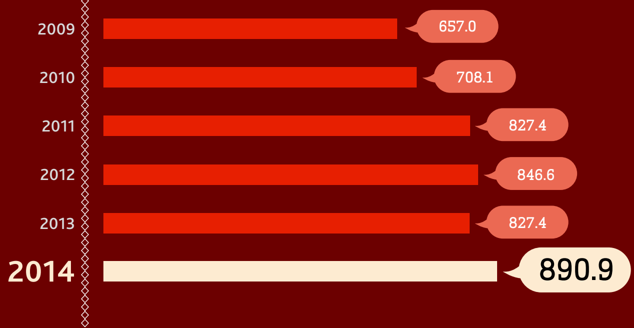
Our growth acceleration has allowed us to add more than **300 new shops and service centers** to our distribution network throughout the 22 countries where the Group operates, which now counts on almost 8,500 direct and indirect points of sale.

Our investment strategies have nevertheless maintained **very low risk levels:** for this reason, and thanks also to the ongoing cash flow generation typical of our business, we present our Report for your perusal having further strengthened Amplifon's already **solid capital structure,** which remains **ready to support our ambitious future projects in a market full of development opportunities.**

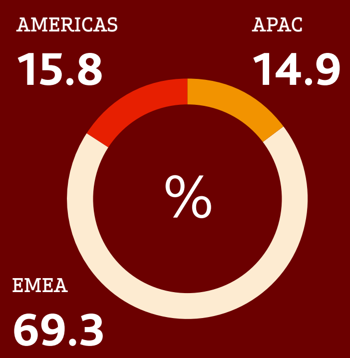
On behalf of the Board of Directors
Franco Moscetti

Highlights

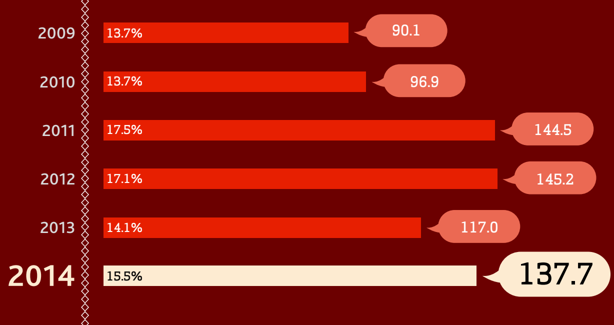
REVENUE (€ million)
CAGR 2009-2014: +6.3%



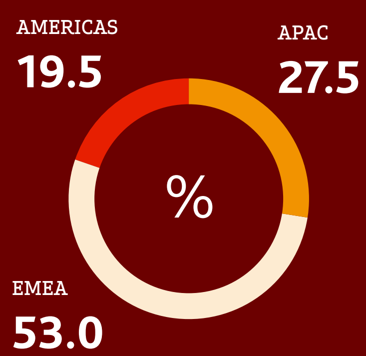
REVENUE by region



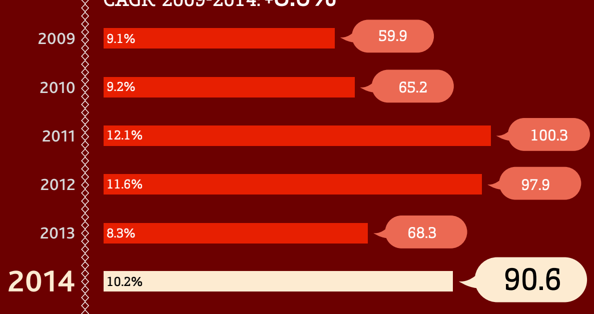
EBITDA (€ million)
CAGR 2009-2014: +8.8%



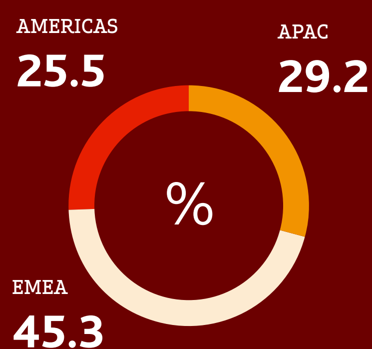
EBITDA by region



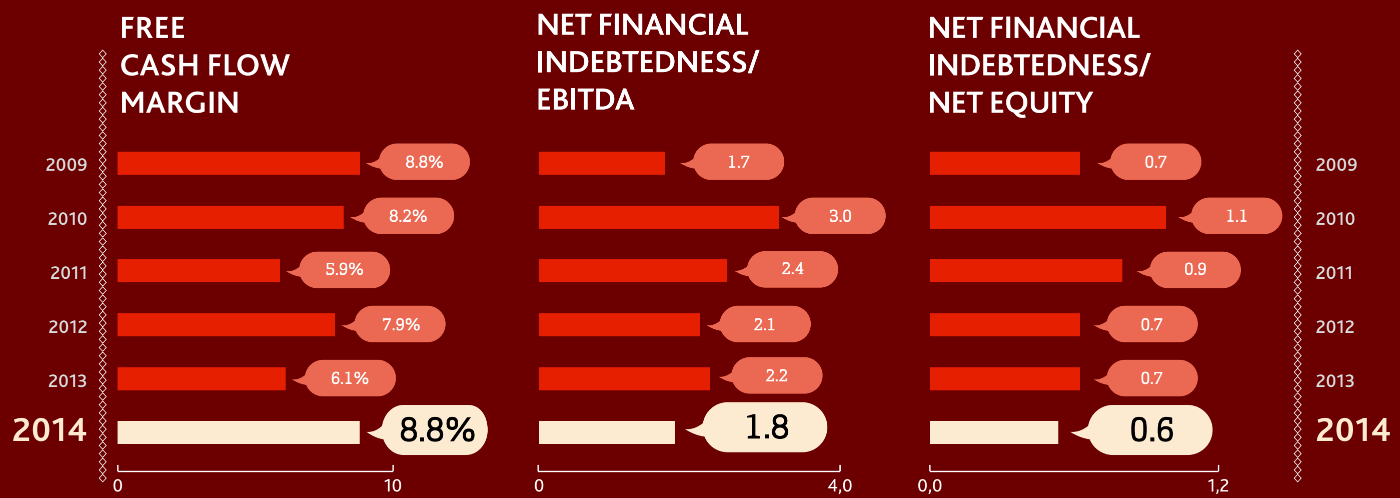
EBIT (€ million)
CAGR 2009-2014: +8.6%



EBIT by region



CAGR: Compound Annual Growth Rate: the weighted growth rate for the period considered.



COMMENTARY

The Amplifon Group closed 2014 with a sharp growth in revenue and improved all profitability and capital indicators

› **REVENUE:** The Group posted record consolidated revenue of €890.9 million, an 8.3% growth on 2013 at constant exchange rates and 7.7% at current exchange rates.

› **EBITDA:** The gross operating margin amounting to €137.7 million improved significantly, recording a 13.8% increase over the previous year at constant exchange rates and net of non-recurring costs.

› **EBIT:** The operating margin amounted to €90.6 million, a 22.6% improvement against the previous financial year net of exchange rates and non-recurring costs.

› **NET PROFIT:** Net profit amounted to €46.5 million, showing a strong growth against the previous year due to improved operating margins and a non-recurring tax income of €10.7 million. Based solely on recurring operations, the Group's net profit increase was 53.0%.

› **FREE CASH FLOW:** Free cash flow amounted to €78.4 million (of which €8.0 relating to the tax income received in Australia), a sharp improvement over last year's figure despite higher net operating investments, yielding a FCF margin of 8.8%.

› **NET FINANCIAL INDEBTEDNESS:** The Group's solid capital structure is confirmed: despite the acquisitions completed in the period, there was a further improvement in net financial indebtedness (NFI) and financial ratios NFI/EBITDA and NFI/Net Equity.

Main Economic and Financial Data

(€ thousands)	FY 2014 Recurring	FY 2014 % on recurring	FY 2014 Non-recurring	FY 2014 Total	FY 2014 % on total	FY 2013 * Recurring	FY 2013 * % on recurring	FY 2013 * Non-recurring	FY 2013 * Total	FY 2013 * % on total	Δ % on recurring
Revenue from sales and services	890,931	100%	-	**890,931**	100.0%	827,403	100%	-	827,403	100%	7.7%
EBITDA	137,668	15.5%	-	**137,668**	15.5%	122,863	14.8%	(5,820)	117,043	14.1%	12.1%
EBIT	90,616	10.2%	-	**90,616**	10.2%	75,435	9.1%	(7,086)	68,349	8.3%	20.1%
Profit (loss) before tax	66,556	7.5%	-	**66,556**	7.5%	51,626	6.2%	(14,783)	36,843	4.5%	28.9%
Group net profit (loss)	35,807	4.0%	10,668	**46,475**	5.2%	23,409	2.8%	(10,561)	12,848	1.6%	53.0%

(€ thousands)	31/12/2014	31/12/2013 *	Δ
Fixed assets	**818,392**	752,707	8.7%
Net invested capital	**691,639**	656,443	5.4%
Net equity	**443,222**	381,076	16.3%
Net financial indebtedness	**248,417**	275,367	-9.8%

RATIOS	31/12/2014	31/12/2013 *
Net Financial Indebtedness/ Group net equity	**0.56**	**0.72**
Net Financial Indebtedness/ Net equity	**0.56**	**0.72**
Net Financial Indebtedness/EBITDA	**1.77**	**2.23**

* Restated to reflect retrospective application of IFRS 11.

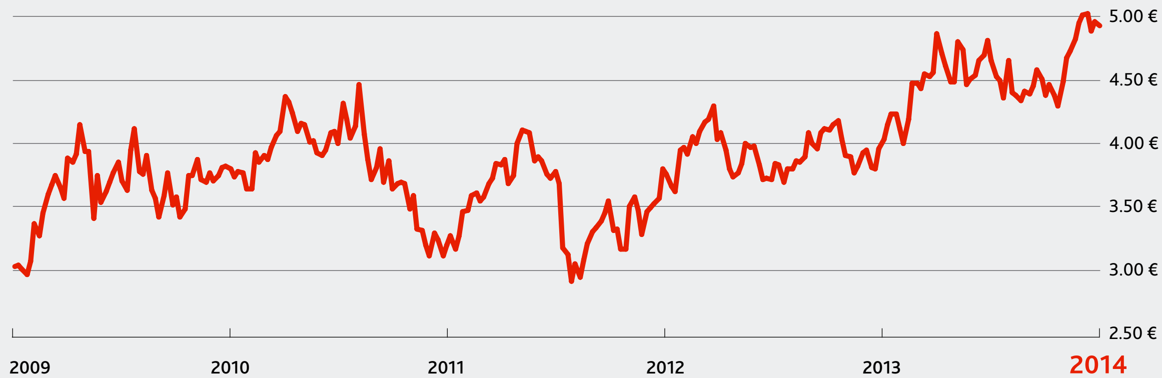
Revenue shows strong **growth** and all **profitability** indicators **improved** markedly. The company's already **solid capital structure** has been further strengthened and is ready to back the Group's ambitious growth projects.

- EBITDA is the operating result before depreciation, amortization and impairment of tangible and intangible assets.
- EBIT is the operating result before financial income, charges and taxes.
- Free cash flow is the cash flow from operations and investment activities before acquisitions and the payment of dividends.
- The net financial indebtedness/EBITDA is the ratio of net debt to EBITDA for the last four quarters (determined only with reference to recurring operations and on a pro-forma basis in the of event significant changes in the Group's structure).

Share performance

Evolution 2009 - 2014

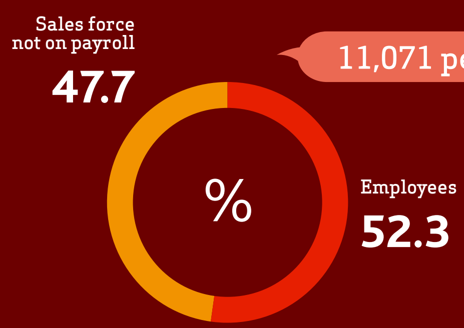
+61.6%



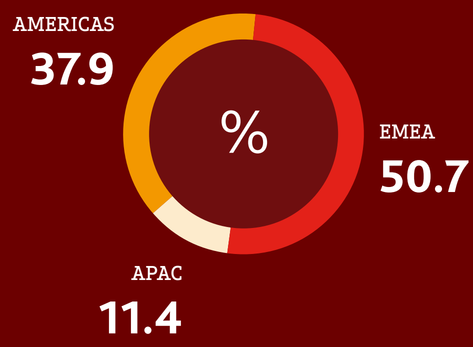
Our people

Global breakdown

11,071 people



Breakdown by region



Mission

"Bringing sound to life"

This is the Mission inspiring and driving Amplifon's daily activities, offering tailor-made high quality services designed to meet the growing demand for wellness and hearing care.

CUSTOMER-CENTRIC

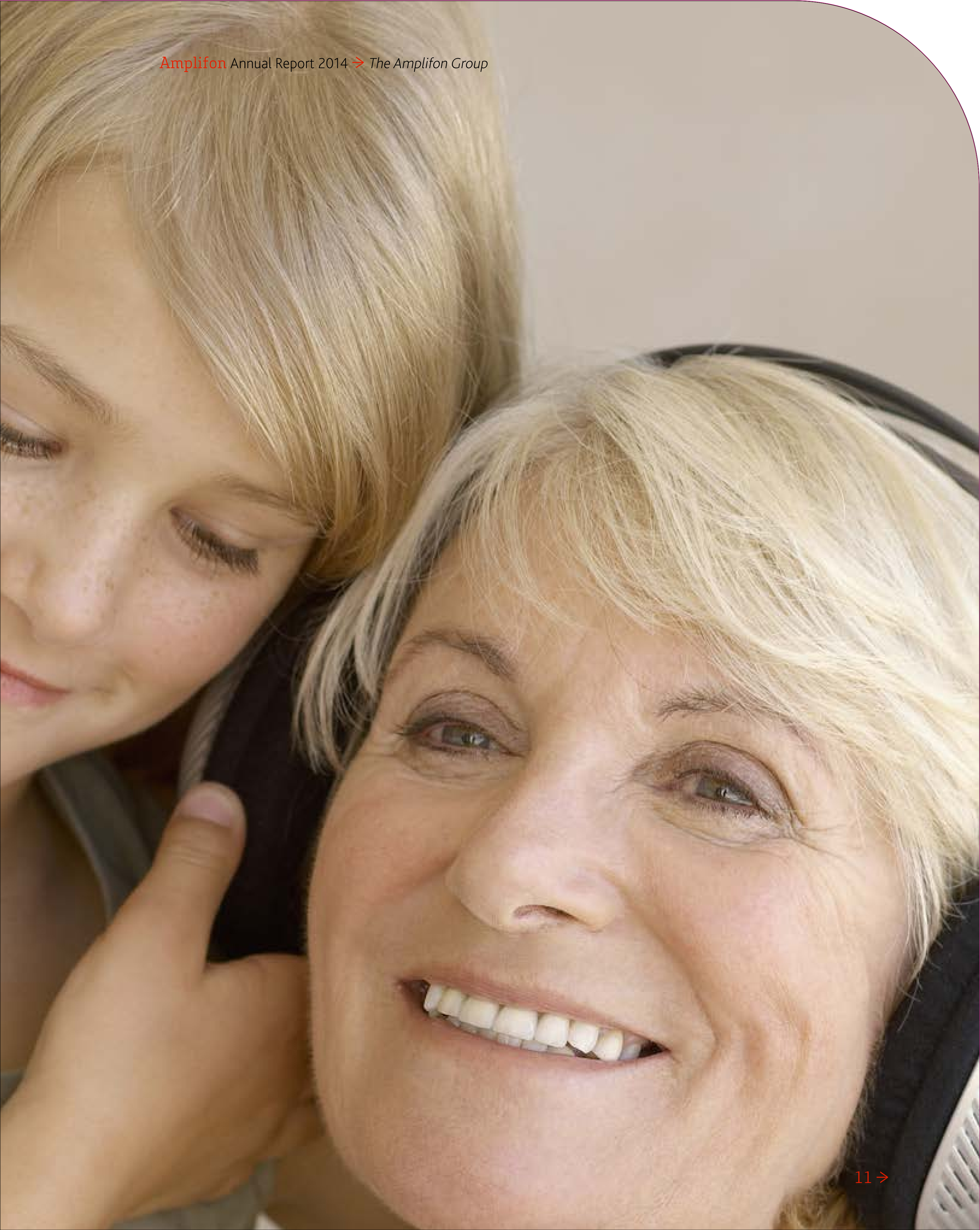
Strengthened by a global network of experience and know-how and by a business model focused on satisfying customer needs, Amplifon is committed **to offering all individuals with hearing loss the possibility to improve their hearing and enjoy life to its fullest.**

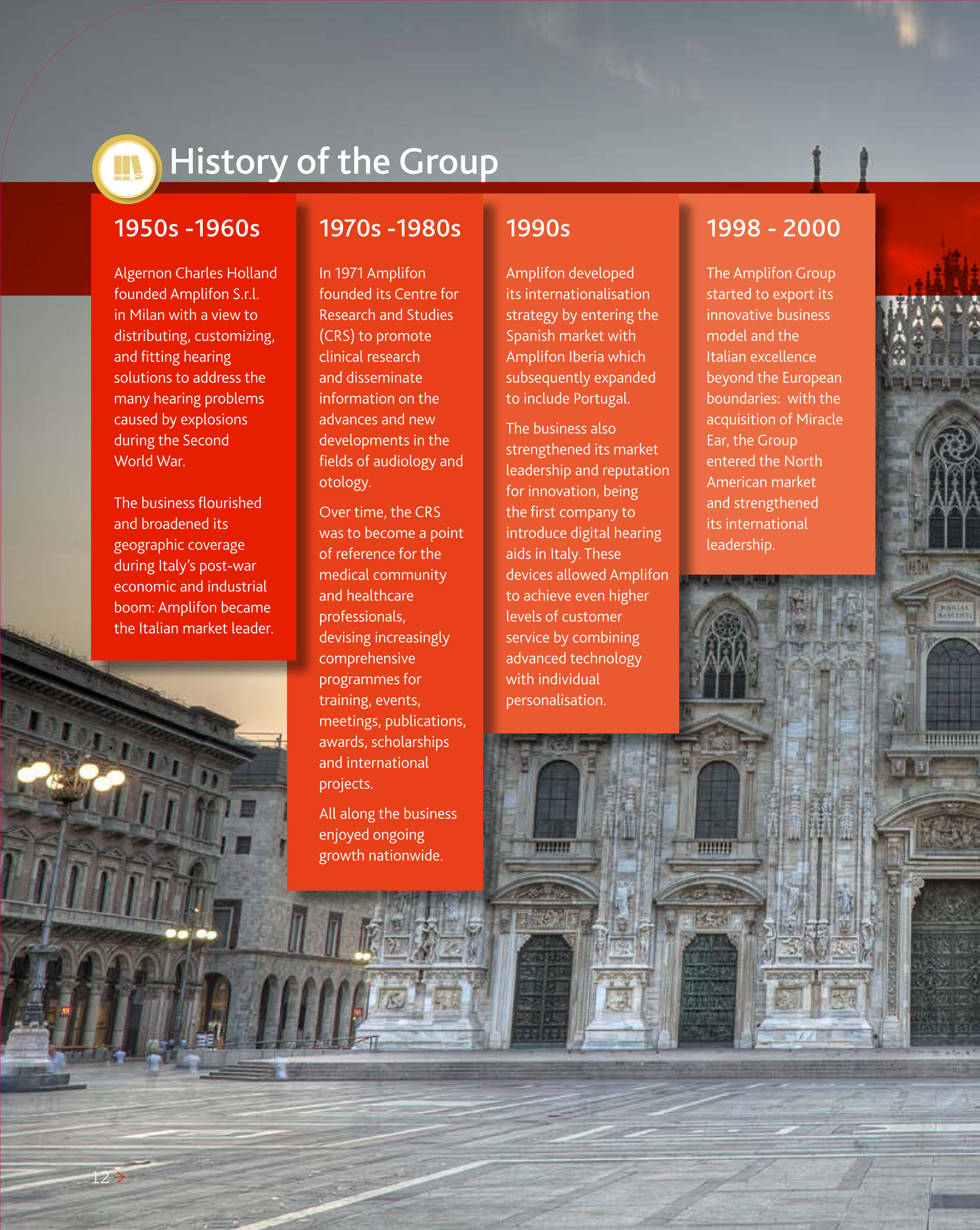
EXPERTISE MODEL

All our audiologists assist our customers offering step-by-step support during the gradual process of hearing rediscovery. **Highly qualified specialist expertise combined with psychological and listening skills** serve to devise customized and long-standing hearing rehabilitation programs.

TECHNOLOGY & INNOVATION

Through **innovative services and technologically advanced solutions for diagnosis, fitting and customization of hearing aids** produced by the world's leading manufacturers, we guarantee ultimate customer satisfaction for millions of people in every listening situation.





History of the Group

1950s -1960s

Algernon Charles Holland founded Amplifon S.r.l. in Milan with a view to distributing, customizing, and fitting hearing solutions to address the many hearing problems caused by explosions during the Second World War.

The business flourished and broadened its geographic coverage during Italy's post-war economic and industrial boom: Amplifon became the Italian market leader.

1970s -1980s

In 1971 Amplifon founded its Centre for Research and Studies (CRS) to promote clinical research and disseminate information on the advances and new developments in the fields of audiology and otology.

Over time, the CRS was to become a point of reference for the medical community and healthcare professionals, devising increasingly comprehensive programmes for training, events, meetings, publications, awards, scholarships and international projects.

All along the business enjoyed ongoing growth nationwide.

1990s

Amplifon developed its internationalisation strategy by entering the Spanish market with Amplifon Iberia which subsequently expanded to include Portugal.

The business also strengthened its market leadership and reputation for innovation, being the first company to introduce digital hearing aids in Italy. These devices allowed Amplifon to achieve even higher levels of customer service by combining advanced technology with individual personalisation.

1998 - 2000

The Amplifon Group started to export its innovative business model and the Italian excellence beyond the European boundaries: with the acquisition of Miracle Ear, the Group entered the North American market and strengthened its international leadership.

2001

On June 27, 2001 Amplifon S.p.A. was listed on the Italian Stock Exchange.

Just 7 years later, in 2009, Amplifon became part of the STAR segment of excellence.

2002 - 2009

The Group became increasingly international, strengthening its position in key markets such as the United States, the Netherlands and France, and expanding its activities in Canada, Hungary, Egypt, Germany, the United Kingdom and Ireland, Belgium and Luxembourg.

2010 - 2013

The acquisition of National Hearing Care (NHC) points of sale in Australia, New Zealand and India was a major step forward in Amplifon's growth strategy, expanding its presence to all five continents and consolidating its leadership on a global scale.

In 2012 the company entered Turkey by acquiring 51% of Maxtone, and also set up Amplifon Poland, bringing the number of countries served by the Group to a total of 20.

After achieving market leadership in India, Amplifon strengthened its position on the Hungarian market with the acquisition of Kind Hallàscentrum Kft in 2013.

2014

Amplifon continued its international network expansion both organically and through small acquisitions.

For the first time the Group entered the Israeli market thanks to the acquisition of 60% of Medtechnica Orthophone and embarked in South America with the acquisition of 51% of Direito de Ouvir, the Brazilian market leader with its current 82 service points distributed all over the country.

In addition, Amplifon completed the acquisition of the 55-shop Italian branch of the French group Audika spread throughout the country.

Market positioning

In a highly competitive market with diverse and fragmented offering, the Amplifon Group is the sector's only global retailer and the international market leader in terms of sales, turnover, distribution network and geographical coverage.

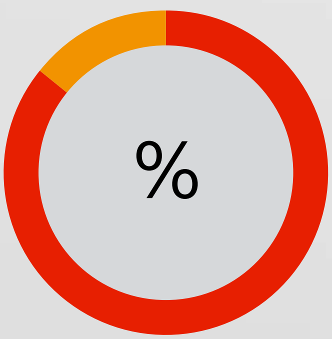
The countries in which the Group is present are grouped in 3 Regions - EMEA, AMERICAS and APAC - each of them responsible for the full implementation of the Group's strategic guidelines, for the coordination of local activities and for sharing best practices.

› Management teams in each country are responsible for developing the Group's business and implementing sales and marketing strategies, adapting them to local market needs and legislation thereby meeting customer needs worldwide.

AMERICAS

	Brand	#
USA	Miracle Ear/ Elite Hearing Network	1
Canada	Miracle Ear	-
Brazil	Direito de Ouvir	-

14.4
Sale of other products such as batteries, and accessories



85.6
Sale of hearing solutions and related fitting and personalisation services

11,000 people

3,300 points of sale

3,200 shop-in-shops & corners

2,000 network affiliates

Market share: 9% at global level

EMEA

	Brand	#
Italy	Amplifon	1
France	Amplifon	1
The Netherlands	Beter Horen	1
Germany	Amplifon	3
UK & Ireland	Amplifon	3
Spain	Amplifon	2
Portugal	Amplifon	4
Switzerland	Amplifon	1
Belgium & Luxembourg	Amplifon	2
Hungary	Amplifon	1
Turkey	Maxtone	4
Poland	Amplifon	-
Egypt	Amplifon	1
Israel	Medtechinica Orthophone	1

APAC

	Brand	#
Australia	NHC	2
New Zealand	Bay Audiology	1
India	Amplifon	1

Our Strengths

Amplifon's ability to fulfil its Mission, offering cutting-edge personalised solutions designed to meet the growing demand for hearing care, is based on several core strengths.

CUSTOMER-CENTRIC PHILOSOPHY

Our robust medical and retail expertise are combined to meet the specific needs of each and every customer.

EXPERTISE MODEL

Our unique professional know-how is rich of competence, expertise and best practices, built in over 60 years of international experience.

INNOVATION

We always offer cutting edge services and technology to ensure customer satisfaction and strengthen our market positioning.

GLOBAL REACH

Our global leadership, not only in terms of dimension, is key to our growth and ongoing performance improvement.

TERRITORIAL COVERAGE

We are close to our customers, also in terms of vicinity, through our global network of points of sales which offer a uniquely positive in-store experience.

PARTNER OF THE MEDICAL COMMUNITY

Amplifon's Centre for Research and Studies (CRS) is a specialised partner and international point of reference in the fields of audiology and otolaryngology.

EMPLOYER OF CHOICE

Our decision to invest in merit and performance makes Amplifon the employer of choice in the hearing care sector, attracting and supporting people who make a difference.

Industry and Market

Hearing loss

Hearing loss is a partial or total inability to hear. It can affect all age groups but it is more common in the elderly due to the natural cell ageing.

TYPES

Each person has their own individual hearing profile and for this reason no two cases of hearing loss are the same.

SENSORINEURAL:
the problem lies in the inner ear that becomes unable to convert sound vibrations into nerve impulses.

CONDUCTIVE: the sound transmission apparatus is impaired resulting in an attenuation of sound reaching the inner ear.

MIXED: a combination of conductive and sensorineural hearing loss.

CENTRAL: the problem lies in the cerebral cortex.

CAUSES

Hearing loss stems from injury, congenital or acquired malformations affecting one or more parts of the ear.

CONGENITAL HEARING LOSS:
is due to hereditary factors or illnesses arising during pregnancy and delivery.

ACQUIRED HEARING LOSS:
is due to the natural ageing process or external factors such as:

- an accident
- noise pollution
- infections
- neglected otitis
- otosclerosis
- drugs, alcohol and smoking

SYMPTOMS

In most cases, hearing loss is progressive and degenerative with symptoms varying in severity from one individual to another.

- Difficulty understanding a conversation in crowded places or outdoors.
- Constantly asking for words or whole sentences to be repeated.
- Louder tone of voice.
- Turning up the volume of the television or radio.
- Unpleasant ringing in the ears, known as tinnitus.

SOLUTIONS

HEARING AIDS | IMPLANTABLE DEVICES | COCHLEAR IMPLANTS

In 90% of cases hearing loss is sensorineural and hearing aids are the only solution.

Market scenario

Hearing problems are among the most common and growing health issues, but are also one of the most neglected and least treated.

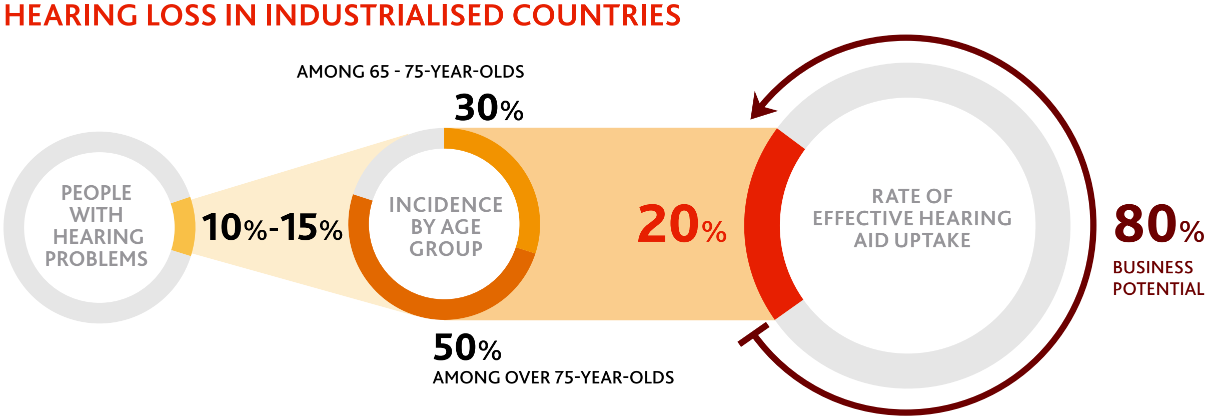
THE STATUS QUO

Average delay in seeking a solution:
7 years

REASONS

- difficulty admitting the problem
- social stigma linked to hearing loss
- prejudice relating to hearing aids
- dissatisfaction with the use of "old technologies"

HEARING LOSS IN INDUSTRIALISED COUNTRIES



MARKET GROWTH DRIVERS

The rapid development of emerging markets in terms of pro capita income, industrialization and urbanization.

The ongoing increase in noise pollution with urbanization and the growing use of new technologies exposing people to harmful noise levels (traffic, loud music, etc.).

Global demographic changes with rising life expectancy rates and accompanying increase in the elderly population.

The ageing of baby boomers (the generation born between 1945 and 1965), target population with the greatest potential for the hearing care sector and most susceptible to topics such as wellness and technology.

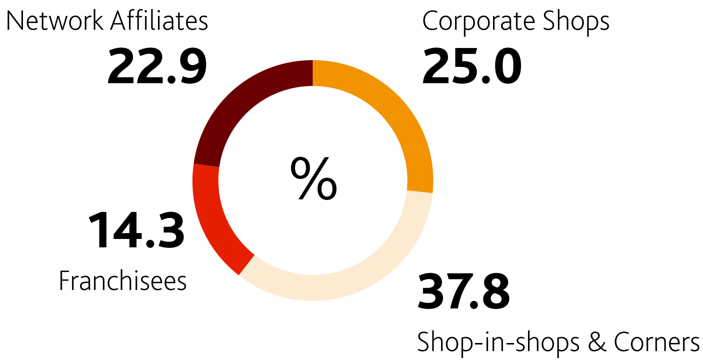
The increasingly widespread of the health and wellness culture among senior citizens who seek to enjoy a full and active life.

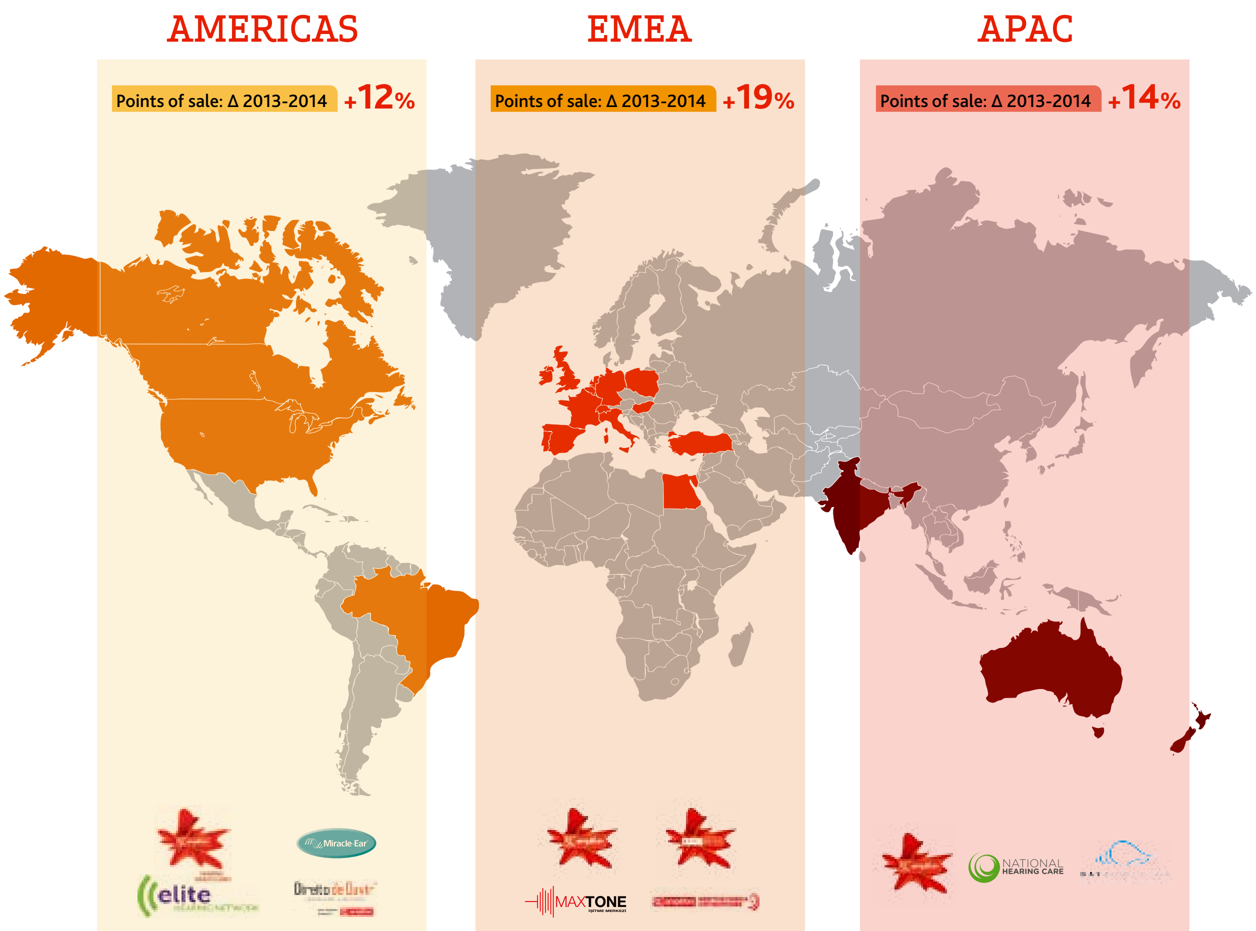
The technological evolution with continuous advances in the aesthetics, functional capabilities and size of hearing aids (wireless connectivity, device miniaturization, etc.).

Distribution Network

Total points of sale: **8,418**

Increase 2014: **+16%**





DIRECT POINTS OF SALE

CORPORATE SHOPS

These shops offer a direct contact between Amplifon and our end users.
The shops can be managed by Amplifon staff or by people working for the Company on a commission basis.

SHOP-IN-SHOPS & CORNERS

Located in third party premises (e.g. pharmacies, opticians and doctors' surgeries), this widespread network of outlets may be the first point of contact with customers who are then directed to a shop when necessary.

INDIRECT POINTS OF SALE

FRANCHISEES

Franchisees run retail outlets themselves under a franchising agreement, benefitting from a leading brand, advanced marketing tools and other value-added services made available by Amplifon. These shops purchase products exclusively from Amplifon and can make use of Service Centres as their first point of contact with customers.

NETWORK AFFILIATES

These independent retailers operate with their own brands, purchase products from the Amplifon Group, benefitting from a variety of support activities offered by the Group, and sell hearing solutions to end users.

COUNTRY	Corporate Shops	Shop-in-shops & Corners	Franchisees	Network affiliates	BRAND
Italy	553	2695			Amplifon
France	333	70			Amplifon
The Netherlands	188	50		1	Beter Horen
Germany	201				Amplifon
UK & Ireland	139	58			Amplifon
Spain & Portugal	114	39	15		Amplifon
Switzerland	78				Amplifon
Belgium & Luxembourg	68	65	17		Amplifon
Hungary	44	11			Amplifon
Poland	24	1			Amplifon
Israel	15			45	Medtechnica Orthophone
Turkey	14				Maxtone
Egypt	19				Amplifon
USA:	6		1,167		Miracle Ear
				1,881	Elite Hearing Network
Canada	16				Miracle Ear
Brazil	1	77	4		Direito de Ouvir
Australia	142	50			NHC
New Zealand	63	25			Bay Audiology
India	86	41		2	Amplifon
Total	2,104	3,182	1,203	1,929	

Business Model

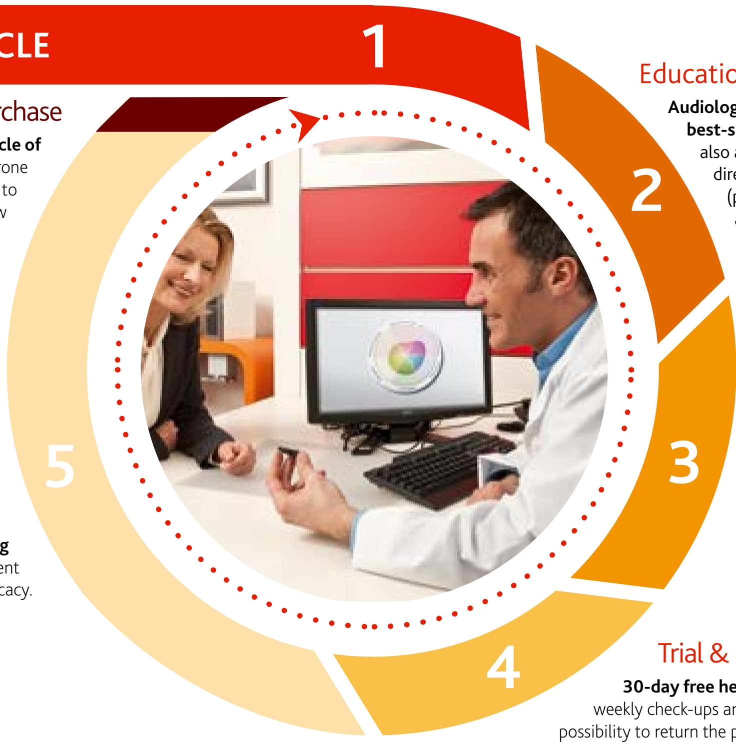
The Amplifon business model combines both medical and retail expertise within its core activities:

- **retail distribution** of hearing aids
- qualified **personalised fitting** service
- **adaptation** to specific customer needs (technical, psychoacoustic, aesthetic)

The end user enters the shop on medical advice holding a test result or prescription.

The end user enters the shop attracted by marketing and advertising campaigns.

SERVICE LIFE CYCLE



Assessment

Comprehensive **specialised audiological assessment.** Otoscopy and in-depth analysis of the patient's history.

Education & Counseling

Audiologists propose the solution best-suited to each customer, also addressing topics not directly related to hearing (psychological condition, aesthetic preferences, handling skills and life style).

Customization & Fitting

Fitting and custom-made adaptation using computer systems to meet the end user's needs.

Trial & Fine Tuning

30-day free hearing solution trial, weekly check-ups and fine tuning with the possibility to return the product at the end of the trial period or move forward with a purchase.

Follow up & Ongoing Support

All-round specialised and ongoing support throughout the hearing aid life cycle by means of regular assessment of the hearing solution efficacy.

Repurchase

A hearing aid has an average life cycle of 4-5 years: the customer is naturally prone to return to Amplifon and proceed to purchase a new device, undergoing new phases of assessment, customisation, fitting and fine tuning.

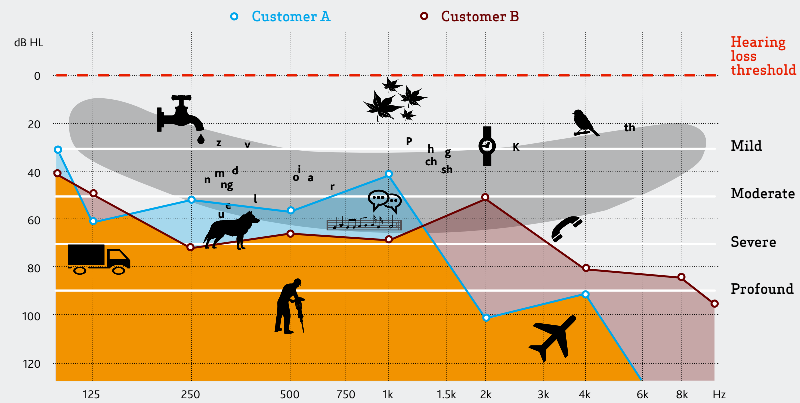
Why is personalisation important?

› THERE ARE NO TWO IDENTICAL CASES OF HEARING LOSS

Two people with the same type of hearing loss may need two different hearing aids and/or two different hearing solutions depending on their lifestyle, the recurrent sounds they listen to, aesthetic preferences, health and/or psychological conditions and whether it is the first device application or a repurchase.

› TECHNOLOGY ALONE IS NOT ENOUGH

The hearing device is an essential part of the hearing solution, but it is not enough to meet customer's needs. Improving the ability to hear and communicate depends not only on the hearing aid function and intrinsic quality, but above all on the audiologist's ability to choose the model best-suited to the customer on the basis of scientific evidence and tailor fit the device exploiting its technology to the fullest in relation to individual needs.



OUR ROLE IN THE VALUE CHAIN

Our business model makes us the market leader in the largest segment of the supply chain.

The added value coming from services is the most important part of the value chain in our sector.

Governance and Management Structures

Corporate Bodies

BOARD OF DIRECTORS

Title	Name	Executive	Non-Executive	Independent[1]	C.C.R.[2]	C.R.[3]
Honorary Chairperson	Anna Maria Formiggini		*			
Chairperson	Susan Carol Holland		*		*	*
CEO	Franco Moscetti	*				
Director	Giampio Bracchi		*	*	*	
Director	Maurizio Costa		*	*		*
Director	Andrea Guerra		*	*		*
Director	Giovanni Tamburi		*	*		
Director	Anna Puccio[4]		*	*	*	

BOARD OF STATUTORY AUDITORS

Chairperson	Giuseppe Levi
Standing auditor	Maria Stella Brena
Standing auditor	Emilio Fano
Standing auditor	Mauro Coazzoli
Standing auditor	Claudia Mezzabotta

Appointed during the Meeting of Shareholders held on 18th April 2012 and in office for the three-year period 2012-2014.

EXTERNAL AUDITORS

PricewaterhouseCoopers S.p.A.

REMUNERATION AND APPOINTMENT COMMITTEE

Chairperson	Maurizio Costa
Member	Susan Carol Holland
Member	Andrea Guerra

SUPERVISORY BOARD

Chairperson	Giampio Bracchi
Member	Maurizio Costa[4]
Member	Paolo Tacciaria

RISK AND CONTROL COMMITTEE

Chairperson	Giampio Bracchi
Member	Susan Carol Holland
Member	Anna Puccio[4]

LEAD INDEPENDENT DIRECTOR

Giampio Bracchi

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Ugo Giorcelli

SECRETARY OF THE BOARD OF DIRECTORS

Luigi Colombo

HEAD OF INTERNAL AUDIT

Paolo Tacciaria

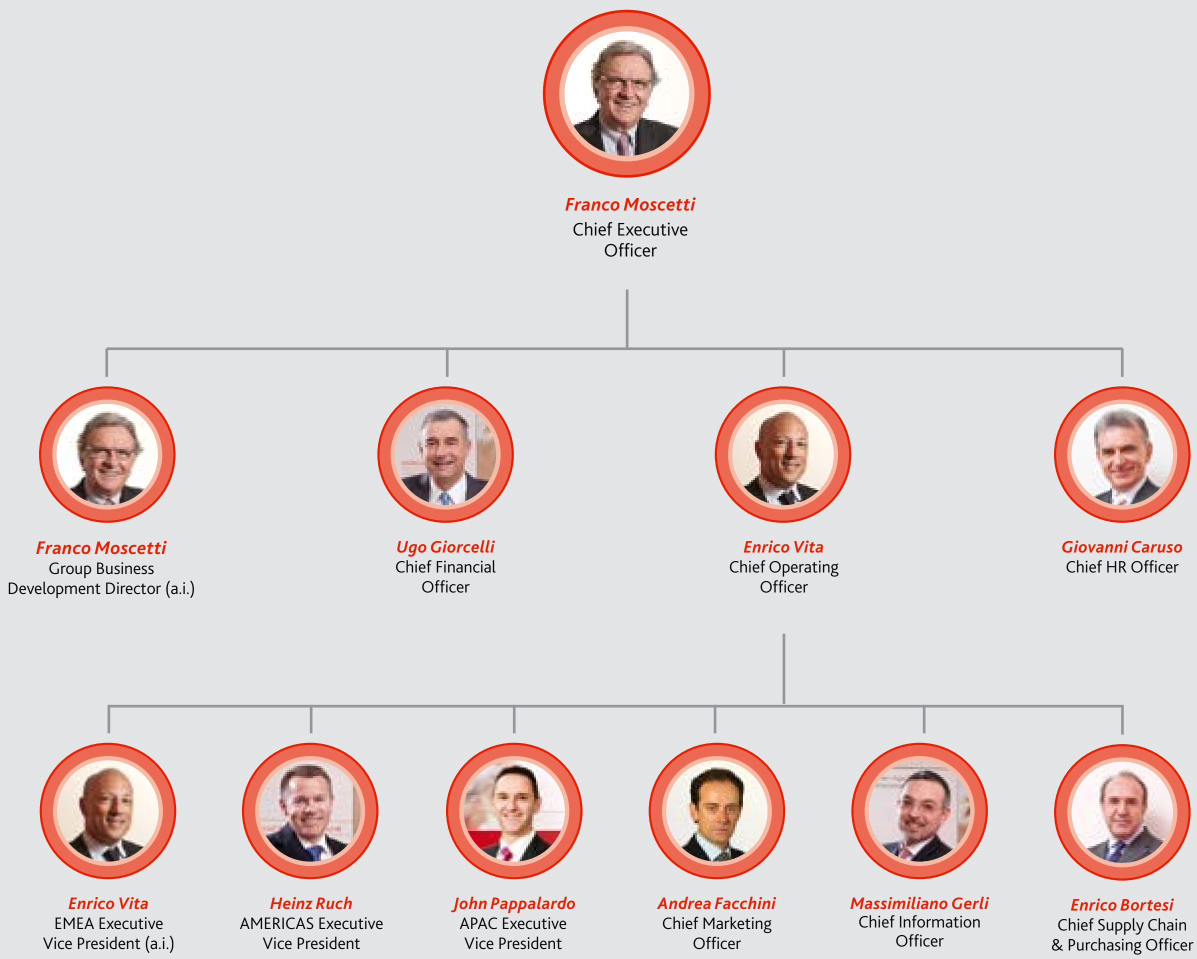
The Curricula Vitae of the Board members are available on the website www.amplifon.com
(1) These directors declare they qualify as independent as defined under current law and in the Italian Stock Exchange's Corporate Governance Code.
(2) CCR: Members of the Risk and Control Committee.
(3) CR: Members of the Remuneration and Appointment Committee.
(4) On 29/01/2015 the Board of Directors co-opted Anna Puccio as a new non-executive director in substitution of Luca Garavoglia who tendered his resignation on 07/01/2015. The Board of Directors also appointed the director Anna Puccio member of the Risk and Control Committee, and Maurizio Costa member of the Supervisory Board in substitution, once again, of the outgoing director Luca Garavoglia.

The Corporate Governance structure is based on the principles outlined in the Corporate Governance Code for Listed Companies, proposed by the Committee for the Corporate Governance of Listed Companies, and adopted by Amplifon in both of its versions - the first issued in 2001 and the subsequent version issued in December 2011.

A detailed description is available in its entirety in the 'Report on Corporate Governance and ownership structure' within the Report on Operations (pag. 93).

Executive Leadership Team

The Executive Leadership Team defines the Group strategies and is responsible for international steering and control.



Our People

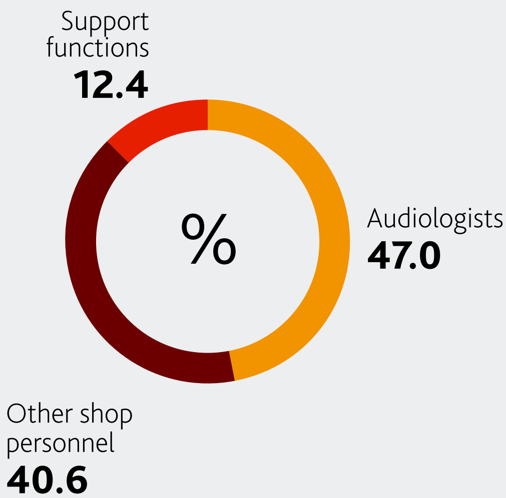
Human resources management

11,000 people

+ Expertise
+ Services
+ Innovation

INTERNATIONAL EXCELLENCE

BREAKDOWN BY ROLE



GEOGRAPHICAL BREAKDOWN

	2014				2013
	EMEA	AMERICAS	APAC	TOTAL	TOTAL
Audiologists	1,878	30	401	2,309	2,040
Other shop personnel	1,581	61	466	2,108	1,937
Sales Network	**3,459**	**91**	**867**	**4,417**	**3,997**
Support functions	775	207	390	1,372	1,216
Total employees	**4,234**	**298**	**1,257**	**5,789**	**5,193**
Sales force not on payroll	1,381	3,900**	1	5,282*	5,201*
Overall Total	**5,615**	**4,198**	**1,258**	**11,071**	**10,390**

* estimate number
** of which 2,900 Audiologists

GLOBAL HR VISION

In a business with service and expertise as its key success factors, we implement our competitive advantage through our people.

- we **share our business strategy and targets** with all our staff
- we develop and promote a **business culture based on performance and competence**
- we **capitalize** on our **international scale** and our **best practices**
- we define and disseminate **cutting-edge HR policies and systems**
- we **invest in talent development**, always maintaining a lean and efficient organization
- we pursue the **highest levels of integrity and ethics** in our daily work

+ Best practice → **+ Talent** → **= The drivers of our success**

Ongoing training and skills enhancement are the keys to Amplifon's growth. We foster these activities by investing dedicated resources and devising tailor-made programs for our different targets.

TALENT DEVELOPMENT

International programs to develop the managerial skills of key resources in partnership with leading international Business Schools.

T-LAB: TALENT MANAGEMENT PROGRAM
Periodic, structured and formal processes designed to survey staff and select resources with the capabilities and potential to take part in training paths to cover key positions at national or international level.

"COMPASS" PROGRAMS
Specific growth and learning paths to develop awareness and skills of both talented young people embarking on their careers and managers with potential for further growth.

ADVANCED MANAGEMENT EDUCATION

- Individual training programs run by top international Business Schools and designed for selected Senior Managers with growth potential.
- Ad hoc internal training programs for clusters of Group managers on advanced business strategy and leadership topics.

FIELD DEVELOPMENT

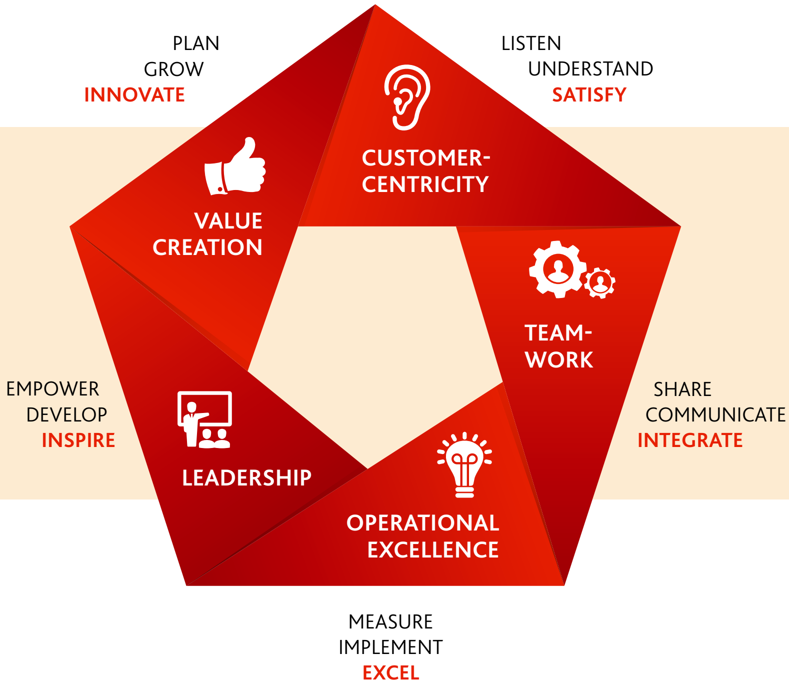
- **Frontal training, e-learning, workshops and coaching for shop staff in contact with our customers.**
- **Programs built to share our best practices within the Group.**

AUDIOLOGIST TRAINING

Comprehensive tailor-made training programs are designed to guarantee constant technical and audiological updates. These schemes also foster the behavioral and communication skills required to understand our customers' needs and to build long-lasting relations based on professionalism and trust.
Staff in each country are selected according to the specific qualifications required by current local legislation (varying in terms of legal requirements, training and insurance).

Our competencies

Amplifon has pinpointed the key competencies necessary to sustain its global market leadership and growth strategy, and is committed to the constant development and promotion of expertise throughout the organisation.



Remuneration policy

Amplifon invests in performance and merit to attract and develop people who can make a difference.

LEAN & COST EFFECTIVE

The Group's remuneration policy is based on the key principle of return on investment.

PERFORMANCE BASED

Remuneration and incentives are linked to the performance of the individual, team and Group based on roles and responsibilities, rewarding the achievement of objectives.

FAIR & EQUITABLE

Incentive systems are guided by proven methods of mapping and assessing roles to guarantee maximum internal fairness and compliance with transparency criteria.

COMPETITIVE & ATTRACTIVE

Remuneration is in line with the most advanced market standards. The flexibility and mix of remuneration packages attract top talents and foster company loyalty.

CODE OF ETHICS

Amplifon's Code of Ethics sets out the values and behaviors that guide our daily activities in different circumstances be they economic, social or institutional. We are constantly committed to creating all the conditions required to implement our Code of Ethics and divulge it amongst all the Group's stakeholders.

← www.amplifon.com (under: Company/Investors/Corporate Governance/Statutory and Codes)

Amplifon CRS

Our leadership goes beyond the market:

Key Opinion Leader

Point of Reference

OUR DUTY TO THE COMMUNITY INVOLVES:

Responsible actions

FOR PEOPLE

- spreading a culture of wellness and information
- promoting prevention
- supporting different social initiatives

FOR THE MEDICAL AND SCIENTIFIC COMMUNITY

strengthening our many activities as
- proactive supporter
- specialised partner

CRS - Centre for Research and Studies

As an international point of reference in the audiology and otolaryngology fields, Amplifon works as a **specialised partner for doctors and the academic and scientific community** through the CRS work.

Founded by Charles Holland in 1971, Amplifon's Centre for Research and Studies **aims to promote clinical research and disseminate information on the advances and new developments in the fields of audiology and otology.**

The CRS has an independent Scientific Committee comprising high profile academics who select the annual initiatives to be undertaken. Over the years this has fostered the development of important partnerships with universities, national and international scientific societies and other bodies.

MAIN CRS ACTIVITIES

- Organization of **ECM-accredited training courses and meetings.**
- Coordination of **research projects** with the European Commission.
- Numerous specialised **editorial initiatives**.
- Running a major **audiology and otolaryngology library** for professionals, researchers and students.

Amplifon's social role

Offering solutions for the treatment of hearing loss is an important social contribution given the key value of hearing for a person's growth.

Being able to "hear" is essential at any age as it allows the development of oral communication skills, speech comprehension and more generally interaction with the world. Hearing carries strong implications for the **topics of integration, equal opportunities and the right to quality of life and safety.**

To ensure the continuity of Amplifon's social commitment as the hallmark of its mission, **all the Group's brands promote and support various local social initiatives and public awareness campaigns,** involving Amplifon staff and in partnership with other bodies, institutions and businesses.

Amplifon on the Stock Exchange

Listing on the Italian Stock Exchange

Shares of the holding Amplifon S.p.A.

Since June 27, 2001
Online Stock Market (MTA)

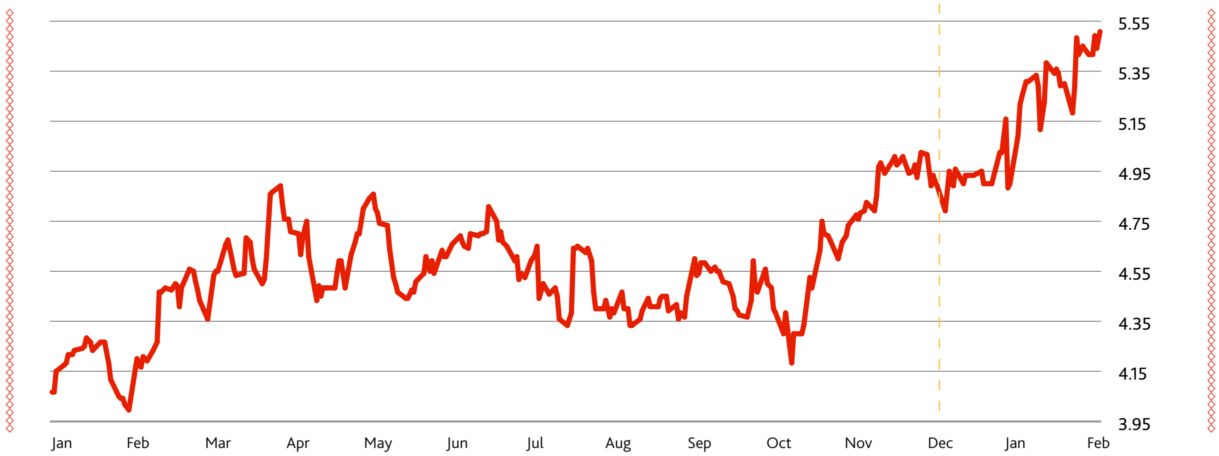
Since September 10, 2008
STAR Segment
(for shares meeting higher compliance requirements)

Specialist: Banca Akros.

FTSE Italia Mid Cap Index

The chart shows the performance of Amplifon's stock from January 2, 2014 to February 15, 2015.

Evolution 2014
+20.5%



MTA

Average daily amount:
Euro 1,007,909.82

Average daily volume traded:
221,300 shares

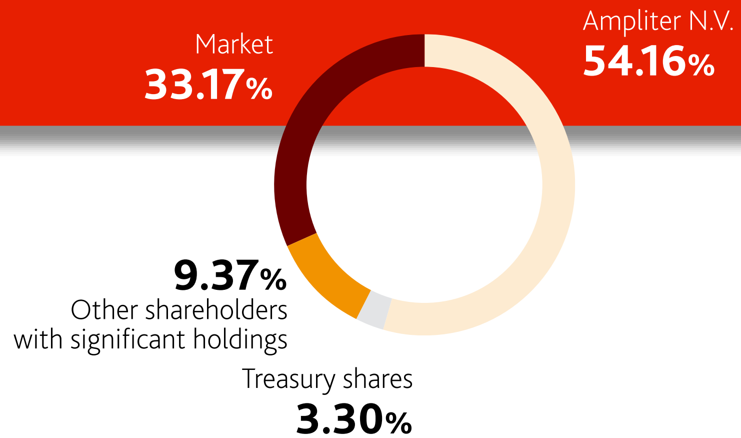
Total volume traded:
55,767,689 shares
(25.7% of the Company's total share capital, net of treasury shares.)

Market capitalization

Euro 1,065 million

Shareholder Structure

December 31, 2014



Broker Coverage

The stock is continuously covered by 16 brokers who followed the development of the company with specific research and analyses throughout 2014:

16 brokers

- Banca Akros
- Banca Aletti
- Bank of America Merril Lynch
- Banca IMI
- Citigroup
- Commerzbank
- Equita Sim
- Exane BNP Paribas
- Fidentiis Equities
- Goldman Sachs
- HSBC
- Intermonte
- Jefferies International
- Kepler Chevreux
- Mediobanca
- Sanford Bernstein

Report on Operations at 31 December 2014

Comments on the financial results

2014 was another year characterized by uncertainty and weak global market conditions. In the second part of 2014 the signals pointing to an economic recovery that seemed to finally be affecting the Euro zone countries failed to materialize and, on the contrary, a new economic slowdown is also being recorded in Germany. On a political level, the debate continues throughout the Euro zone about the need to take steps to sustain growth versus the need to maintain the austerity measures in place, but a consensus has yet to be reached; unemployment continues to grow and the uncertainty regarding the timing, methods and intensity of a European economic recovery continues to be very high. The United States and the Asia-Pacific have benefited from good growth rates accompanied by a drop in unemployment.

Despite this difficult environment, Amplifon was able to leverage on the business optimization carried out during a challenging FY 2013 and close 2014 with decided growth in turnover and all the performance indicators, tangible evidence that the steps taken are having the desired effects and that the direction undertaken is the right one.

More in detail, the year closed with total revenue of €890.9 million, (+7.7% against 2013), EBITDA of €137.7 million (+17.6% with respect to 2013) and a net profit of €46.5 million, a significant increase (+261.7%) with respect to the prior year (€12.8 million). Net profit for recurring operations rose 53.0% with respect to the comparison period to €35.8 million.

Revenue performance

Revenue from sales and services amounted to €890,931 thousand (€827,403 thousand in 2013), an increase of €63,528 thousand (+7.7%) with respect to the prior year explained primarily by organic growth. Acquisitions contributed €20,901 thousand (+2.5%) to this result, while negative exchange differences reached €4,774 thousand (-0.6%). Sales rose in all the geographic areas where the Group operates. More in detail:

- in Europe, the Middle East and Africa the Amplifon Group's revenue increased by €56,931 thousand (+10.2%), with positive performances posted in all the countries, but particularly in Germany (+34.9%), the Iberian Peninsula (+19.2%), the Netherlands (+12.0%) and France (+7.7%), with the exception of Italy where growth with respect to the prior year is explained by the contribution, as of May 2014, of Audika Italia (now Sonus Italia) purchased at the beginning of May 2014. An important contribution also came from the acquisition made in Israel, once again purchased early May 2014, where consolidated revenue amounted to €7,054 thousand;
- in the United States the excellent results posted, above all in the last quarter, by the Hear Po channel and the Elite wholesale channel made it possible, after the difficulties encountered in the first three quarters, to post overall growth in sales of 1.6%;
- in Asia-Pacific, the year closed with revenue up by 7.9% in local currency thanks to the excellent results achieved in all the region's countries: Australia (+7.3%), New Zealand (+7.6%) and India (+34.6%). In Euros growth of only 3.4% was recorded due to the weakening of the Australian dollar.

Profit performance

Gross operating profit (EBITDA) amounted to €137,668 thousand, an increase of €20,625 thousand against the prior year (+17.6%). Net of non-recurring costs, negative exchange differences of €2,167 thousand, and the non-recurring restructuring costs of €5,820 thousand incurred in the prior year, the increase in EBITDA reached €16,972 thousand (+13.8%) and is attributable to the solid performance recorded in Europe and Asia-Pacific, while the results posted in America were in line with the prior year. Recurring operations as a percentage of revenue reached 15.5%, an increase of 0.7% against 2013.

Changes in net debt

Net financial indebtedness came to €248,417 thousand at 31 December 2014, a decrease of €26,950 thousand with respect to 31 December 2013. Net of the acquisitions which amounted to €35,883 thousand (€4,817 thousand in 2013) and the tax refund of €8,013 thousand received in Australia and described in the section on the Group's net profit, total net cash flow improved by €19,535 thousand against the prior year.

The good cash flow generated by current operations was able to absorb the payment of long term incentives to top management for which provisions were made in previous years (€6,678 thousand), as well as interest payable and other financial expense of €21,525 thousand, capital expenditure totalling €42,930 thousand and the payment of tax amounting to €11,284 thousand (net of the refunds received in Australia described above), in addition to the €9,350 thousand in dividends paid to shareholders.

At 31 December 2014 total financial indebtedness amounted to €248,417 thousand against cash and cash equivalents totalling €211,124 thousand. Long term debt amounted to €442,484 thousand.

Thanks to the debt capital market transactions carried out in the prior year, the Group's debt is now primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement of €55.2 million, at the hedging rate, will fall due.

Cash and cash equivalents of €211,124 thousand, along with the unused portion of the long-term credit lines granted of €115 million, €90 million of which irrevocable and long-term, therefore ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

Consolidated Income Statement

(€ thousands)	FY 2014				FY 2013 (Revised)(*)				
	Recurring	Non recurring	Total	% on recurring	Recurring	Non recurring	Total	% on recurring	FY 2013 (Reported)
Revenues from sales and services	890,931	-	890,931	100.0%	827,403	-	827,403	100.0%	828,632
Operating costs	(752,124)	-	(752,124)	-84.4%	(707,629)	(4,454)	(712,083)	-85.5%	(712,942)
Other costs and revenues	(1,139)	-	(1,139)	-0.1%	3,089	(1,366)	1,723	0.4%	1,724
Gross operating profit (EBITDA)	**137,668**	**-**	**137,668**	**15.5%**	**122,863**	**(5,820)**	**117,043**	**14.8%**	**117,414**
Depreciation and write-downs of non-current assets	(31,907)	-	(31,907)	-3.6%	(31,976)	(1,196)	(33,172)	-3.9%	(33,355)
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**105,761**	**-**	**105,761**	**11.9%**	**90,887**	**(7,016)**	**83,871**	**11.0%**	**84,059**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(15,145)	-	(15,145)	-1.7%	(15,452)	(70)	(15,522)	-1.9%	(15,541)
Operating profit (EBIT)	**90,616**	**-**	**90,616**	**10.2%**	**75,435**	**(7,086)**	**68,349**	**9.1%**	**68,518**
Income, expenses, valuation and adjustments of financial assets	673	-	673	0.1%	123	-	123	0.0%	(1)
Net financial expenses	(22,986)	-	(22,986)	-2.6%	(22,774)	(7,697)	(30,471)	-2.8%	(30,479)
Exchange differences and non hedge accounting instruments	(1,747)	-	(1,747)	-0.2%	(1,158)	-	(1,158)	-0.1%	(1,164)
Profit (loss) before tax	**66,556**	**-**	**66,556**	**7.5%**	**51,626**	**(14,783)**	**36,843**	**6.2%**	**36,874**
Current tax	(25,709)	8,707	(17,002)	-2.9%	(29,353)	3,316	(26,037)	-3.5%	(26,068)
Deferred tax	(5,070)	1,961	(3,109)	-0.6%	1,208	906	2,114	0.1%	2,114
Net profit (loss)	**35,777**	**10,668**	**46,445**	**4.0%**	**23,481**	**(10,561)**	**12,920**	**2.8%**	**12,920**
Profit (loss) of minority interests	(30)	-	(30)	0.0%	72	-	72	0.0%	72
Net profit (loss) attributable to the Group	**35,807**	**10,668**	**46,475**	**4.0%**	**23,409**	**(10,561)**	**12,848**	**2.8%**	**12,848**

(*) Restated to reflect retrospective application of IFRS 11

EBITDA is the operating result before charging amortisation, depreciation and impairment of both tangible and intangible fixed assets.

EBITA is the operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations.

EBIT is the operating result before financial income and charges and taxes.

(€ thousands)	Q4 2014 Recurring	Q4 2014 Non recurring	Q4 2014 Total	Q4 2014 % on recurring	Q4 2013 (Revised)(*) Recurring	Q4 2013 (Revised)(*) Non recurring	Q4 2013 (Revised)(*) Total	Q4 2013 (Revised)(*) % on recurring	Q4 2014 (Reported)
Revenues from sales and services	267,581	-	267,581	100.0%	241,016	-	241,016	100.0%	241,386
Operating costs	(212,391)	-	(212,391)	-79.4%	(192,600)	(1,909)	(194,509)	-79.9%	(194,744)
Other costs and revenues	(758)	-	(758)	-0.3%	2,091	(1,846)	245	0.9%	245
Gross operating profit (EBITDA)	**54,432**	**-**	**54,432**	**20.3%**	**50,507**	**(3,755)**	**46,752**	**21.0%**	**46,887**
Depreciation and write-downs of non-current assets	(8,851)	-	(8,851)	-3.3%	(9,133)	(448)	(9,581)	-3.8%	(9,635)
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**45,581**	**-**	**45,581**	**17.0%**	**41,374**	**(4,203)**	**37,171**	**17.2%**	**37,252**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(3,928)	-	(3,928)	-1.5%	(3,719)	(70)	(3,789)	-1.5%	(3,793)
Operating profit (EBIT)	**41,653**	**-**	**41,653**	**15.6%**	**37,655**	**(4,273)**	**33,382**	**15.6%**	**33,459**
Income, expenses, valuation and adjustments of financial assets	38	-	38	0.0%	42	-	42	0.0%	(19)
Net financial expenses	(6,625)	-	(6,625)	-2.5%	(5,715)	(914)	(6,629)	-2.4%	(6,637)
Exchange differences and non hedge accounting instruments	(479)	-	(479)	-0.2%	(293)	-	(293)	-0.1%	(293)
Profit (loss) before tax	**34,587**	**-**	**34,587**	**12.9%**	**31,689**	**(5,187)**	**26,502**	**13.1%**	**26,510**
Current tax	(9,241)	-	(9,241)	-3.5%	(15,542)	1,370	(14,172)	-6.4%	(14,180)
Deferred tax	(4,998)	-	(4,998)	-1.9%	1,424	407	1,831	0.6%	1,831
Net profit (loss)	**20,348**	**-**	**20,348**	**7.6%**	**17,571**	**(3,410)**	**14,161**	**7.3%**	**14,161**
Profit (loss) of minority interests	(36)	-	(36)	0.0%	56	-	56	0.0%	56
Net profit (loss) attributable to the Group	**20,384**	**-**	**20,384**	**7.6%**	**17,515**	**(3,410)**	**14,105**	**7.3%**	**14,105**

(*) Restated to reflect retrospective application of IFRS 11.

Reclassified Consolidated Balance Sheet

The reclassified Consolidated Balance Sheet aggregates assets and liabilities according to operating functionality criteria, subdivided by convention into the following three key functions: investments, operations and finance.

(€ thousands)	31/12/2014	31/12/2013 (Revised)(*)	31/12/2013 (Reported)	Change (on Revised)
Goodwill	534,822	500,680	500,680	34,142
Non-competition agreements, trademarks, customer lists and lease rights	98,650	92,875	92,875	5,775
Software, licences, other intangible fixed assets, fixed assets in progress and advances	36,458	27,228	27,425	9,230
Tangible assets	96,188	87,690	88,119	8,498
Financial fixed assets (1)	48,583	41,490	40,295	7,093
Other non-current financial assets (1)	3,691	2,744	2,744	947
Non-current assets	**818,392**	**752,707**	**752,138**	**65,685**
Inventories	28,690	29,832	30,147	(1,142)
Trade receivables	109,355	103,687	104,018	5,668
Other receivables	33,059	28,822	28,940	4,237
Current assets (A)	**171,104**	**162,341**	**163,105**	**8,763**
Operating assets	**989,496**	**915,048**	**915,243**	**74,448**
Trade payables	(101,788)	(96,241)	(96,297)	(5,547)
Other payables (2)	(124,418)	(117,111)	(115,690)	(7,307)
Provisions for risks and charges (current portion)	(978)	(411)	(411)	(567)
Current liabilities (B)	**(227,184)**	**(213,763)**	**(212,398)**	**(13,421)**
Net working capital (A) - (B)	**(56,080)**	**(51,422)**	**(49,293)**	**(4,658)**
Derivative instruments (3)	(9,820)	(3,376)	(3,376)	(6,444)
Deferred tax assets	44,653	46,088	46,088	(1,435)
Deferred tax liabilities	(51,998)	(46,671)	(46,671)	(5,327)
Provisions for risks and charges (non-current portion)	(40,569)	(33,076)	(33,101)	(7,493)
Liabilities for employees' benefits (non-current portion)	(15,712)	(11,651)	(11,651)	(4,061)
Loan fees (4)	3,023	4,089	4,089	(1,066)
Other non-current payables	(250)	(245)	(245)	(5)
NET INVESTED CAPITAL	**691,639**	**656,443**	**657,978**	**35,196**
Group net equity	442,165	380,616	382,175	61,549
Minority interests	1,057	460	460	597
Total net equity	**443,222**	**381,076**	**382,635**	**62,146**
Net medium and long-term financial indebtedness (4)	442,484	435,426	435,426	7,058
Net short-term financial indebtedness (4)	(194,067)	(160,059)	(160,083)	(34,008)
Total net financial indebtedness	**248,417**	**275,367**	**275,343**	**(26,950)**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**691,639**	**656,443**	**657,978**	**35,196**

(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.

Notes for reconciling the condensed balance sheet with the statutory balance sheet:
(1) "Financial fixed assets" and "Other non-current financial assets" include equity interests valued using the net equity method, financial assets at fair value through profit and loss and other non-current assets;
(2) "Other payables" includes other liabilities, accrued liabilities and deferred income, current portion of liabilities for employees' benefits and tax liabilities;
(3) "Derivative instruments" includes cash flow hedging instruments not comprised in the net financial position;
(4) The item "loan fees" is presented in the balance sheet as a direct reduction of the short-term and medium/long-term components of the items "financial payables" and "financial liabilities" for the short term and long term portion respectively.

Condensed Reclassified Consolidated Cash Flow Statement

The condensed consolidated cash flow statement represents a summary version of the reclassified cash flow statement detailed in the following pages and its purpose is, starting from the EBIT, to detail the flows generated from or absorbed by operating, investing and financing activities.

(€ thousands)	FY 2014	FY 2013 (Revised)(*)	Esercizio 2013 (Reported)
Operating profit (EBIT)	**90,616**	**68,349**	**68,518**
Amortization, depreciation and write down	47,052	48,694	48,896
Provisions, other non-monetary items and gain/losses from disposals	18,887	16,346	16,348
Net financial expenses	(21,118)	(21,860)	(21,874)
Taxes paid	(11,284)	(37,697)	(37,825)
Changes in net working capital	(8,076)	6,695	6,567
Cash flow generated from (absorbed by) operating activities (A)	**116,077**	**80,528**	**80,630**
Cash flow generated from (absorbed by) operating investing activities (B)	(37,685)	(29,491)	(29,712)
Free cash flow (A+B)	**78,392**	**51,037**	**50,918**
Cash flow generated from (absorbed by) business combinations (C)	(35,883)	(4,817)	(4,817)
(Purchase) sale of other investments, businesses and securities (D)	(146)	768	768
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(73,714)**	**(33,540)**	**(33,761)**
Cash flows generated from (absorbed by) operating and investing activities	**42,363**	**46,988**	**46,869**
Dividends	(9,350)	(9,330)	(9,330)
Commissions and fees on long-term financing	-	(4,604)	(4,604)
Treasury shares	(2,456)	-	-
Capital increases, third parties contributions, dividends paid to third parties by subsidiaries	1,955	1,671	1,671
Hedging instruments and other changes in non-current assets	(5,656)	(8,036)	(8,036)
Net cash flow from the period	**26,856**	**26,689**	**26,570**
Net financial indebtedness at the beginning of the period	**(275,367)**	**(305,978)**	**(305,835)**
Effect of the disposal of assets and of exchange rate fluctuations on the net financial position	94	3,922	3,922
Change in net financial position	26,856	26,689	26,570
Net financial indebtedness at the end of the period	**(248,417)**	**(275,367)**	**(275,343)**

(*) Restated to reflect retrospective application of IFRS 11.

Cash flow for the period reflects payment of €2,557 thousand in non-recurring charges recognized in the prior year and benefitted from both the one-off tax refund of €8,013 thousand received in Australia and the decrease in taxes paid in the United States due to an advance on the tax depreciation of certain intangible assets of €3,735 thousand.

Indicators

	31/12/2014	31/12/2013 (Revised)	31/12/2013 (Reported)
Net financial indebtedness (€ thousands)	248,417	275,367	275,343
Net Equity (€ thousands)	443,222	381,076	382,635
Group Net Equity (€ thousands)	442,165	380,616	382,175
Net financial indebtedness/Net Equity	0.56	0.72	0.72
Net financial indebtedness/Group Net Equity	0.56	0.72	0.72
Net financial indebtedness/EBITDA	1.77	2.23	2.22
EBITDA/Net financial charges	6.51	4.39	4.41
Earnings per share (EPS) (€)	0.213789	0.059210	0.059210
Diluted EPS (€)	0.207547	0.057610	0.057610
Earnings per share – Recurring operations (EPS) (€)	0.164715	0.107880	0.107880
Diluted EPS – Recurring operations (€)	0.159906	0.104985	0.104965
Net Equity per share (€)	2.041	1.752	1.760
Dividend per share (DPS) (€) (*)	0.043	0.043	0.043
Pay-out ratio (%) (*)	20.11%	72.62%	72.62%
Dividend yield (%) (*)	0.88%	1.06%	1.06%
Period-end price	4.904	4.038	4.038
Highest price in period (€)	5.025	4.340	4.340
Lowest price in period (€)	3.996	3.560	3.560
Price/earnings ratio (P/E)	22.94	68.20	68.20
Price/earnings ratio (P/E) – Recurring operations	29.77	37.43	37.43
Share price/net equity per share	2.403	2.304	2.295
Market capitalisation (€ millions)	1,065.06	877.06	877.06
Number of shares outstanding	217,181,851	217,200,782	217,200,782

(*) values determined based on the dividend proposed by the Board of Directors at the Shareholders General Meeting convened for 21 April 2015.

- The **net financial indebtedness/Net Equity** ratio is the ratio of net financial indebtedness to total net equity.
- The **net financial indebtedness/group net equity** ratio is the ratio of the net financial indebtedness to the Group's net equity.
- The **net financial indebtedness/EBITDA** ratio is the ratio of net financial indebtedness to EBITDA for the last four quarters (determined with reference to recurring business only on the basis of pro forma figures where there were significant changes to the structure of the Group).
- The **EBITDA/net financial charges ratio** is the ratio of EBITDA for the last four quarters (determined with reference to recurring business only on the basis of restated figures where there were significant changes to the structure of the Group) to net interest payable and receivable of the same last 4 quarters.

- **Earnings per share (EPS) (€)** is net profit for the period attributable to the Parent's ordinary. shareholders divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively.
- **Diluted earnings per share (EPS) (€)** is net profit for the period attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period adjusted for the dilution effect of potential shares. In the calculation of outstanding shares, purchases and sales of treasury shares are considered as cancellations and issues of shares, respectively.
- **Earnings per share – recurring operations (EPS) (€)** is net income from recurring operations for the year attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively.
- **Diluted earnings per share – recurring operations (EPS) (€)** is net income from recurring operations for the year attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period adjusted for the dilution effect of potential shares. In the calculation of outstanding shares, purchases and sales of treasury shares are considered as cancellations and issues of shares, respectively.
- **Net Equity per share (€)** is the ratio of Group equity to the number of shares outstanding.
- **Dividend per share (DPS) (€)** is the dividend paid in the following year resolved by the shareholders' meeting approving the accounts for the year indicated. This indicator is not given in interim reports since it is only meaningful with reference to the full year result.
- **Pay-out ratio (%)** is the ratio of the dividend paid to EPS.
- **Dividend yield (%)** is the ratio of the dividend per share paid in the following year to the share price on 31 December of the year indicated.
- **Period-end price (€)** is the closing price on the last stock exchange trading day of the period.
- **Highest price (€) and lowest price (€)** are the highest and lowest prices from 1 January to the end of the period.
- **Price/Earnings ratio (P/E)** is the ratio of the share price on the last stock exchange trading day of the period to earnings per share.
- **Price/Earnings ratio (P/E) – recurring operations** is the ratio of the share price on the last stock exchange trading day of the period to earnings per share.
- **Share price/Net equity per share** is the ratio of the share closing price on the last stock exchange trading day of the period to net equity per share.
- **Market capitalisation** is the closing price on the last stock exchange trading day of the period multiplied by the number of shares outstanding.
- **The number of shares outstanding** is the number of shares issued less treasury shares.

Income Statement review

Consolidated Income Statement by Geographical Area

	FY 2014				
(€ thousands)	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	617,687	140,932	132,312	-	890,931
Operating costs	(543,094)	(114,756)	(94,274)	-	(752,124)
Other costs and revenues	(1,583)	636	(192)	-	(1,139)
Gross operating profit (EBITDA)	**73,010**	**26,812**	**37,846**	**-**	**137,668**
Depreciation and write-downs of non-current assets	(24,145)	(2,766)	(4,996)	-	(31,907)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**48,865**	**24,046**	**32,850**	**-**	**105,761**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(7,810)	(972)	(6,363)	-	(15,145)
Operating profit (EBIT)	**41,055**	**23,074**	**26,487**	**-**	**90,616**
Income, expenses, valuation and adjustments of financial assets					673
Net financial expenses					(22,986)
Exchange differences and non hedge accounting instruments					(1,747)
Profit (loss) before tax					**66,556**
Current and deferred tax					(20,111)
Net profit (loss)					**46,445**
Profit (loss) of minority interests					(30)
Net profit (loss) attributable to the Group					**46,475**

(€ thousands)	FY 2014 - Recurring only				
	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	617,687	140,932	132,312	-	890,931
Gross operating profit (EBITDA)	73,010	26,812	37,846	-	137,668
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	48,865	24,046	32,850	-	105,761
Operating profit (EBIT)	41,055	23,074	26,487	-	90,616
Profit (loss) before tax					66,556
Net profit (loss) attributable to the Group					35,807

	FY 2013 (*)				
(€ thousands)	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	560,756	138,663	127,984	-	827,403
Operating costs	(503,884)	(113,802)	(94,397)	-	(712,083)
Other costs and revenues	1,082	742	(101)	-	1,723
Gross operating profit (EBITDA)	**57,954**	**25,603**	**33,486**	**-**	**117,043**
Depreciation and write-downs of non-current assets	(23,892)	(3,266)	(6,014)	-	(33,172)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**34,062**	**22,337**	**27,472**	**-**	**83,871**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(8,044)	(1,192)	(6,286)	-	(15,522)
Operating profit (EBIT)	**26,018**	**21,145**	**21,186**	**-**	**68,349**
Income, expenses, valuation and adjustments of financial assets					123
Net financial expenses					(30,471)
Exchange differences and non hedge accounting instruments					(1,158)
Profit (loss) before tax					**36,843**
Current and deferred tax					(23,923)
Net profit (loss)					**12,920**
Profit (loss) of minority interests					72
Net profit (loss) attributable to the Group					**12,848**

(*) Restated to reflect retrospective application of IFRS 11.

(€ thousands)	FY 2013 (*) - Recurring only				
	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	560,756	138,663	127,984	-	827,403
Gross operating profit (EBITDA)	62,009	27,060	33,794	-	122,863
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	38,575	24,247	28,065	-	90,887
Operating profit (EBIT)	30,531	23,125	21,779	-	75,435
Profit (loss) before tax					51,626
Net profit (loss) attributable to the Group					23,409

(*) Restated to reflect retrospective application of IFRS 11.

continued Consolidated Income Statement by Geographical Area

(€ thousands)	Q4 2014 EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	193,124	39,497	34,960	-	267,581
Operating costs	(157,129)	(31,103)	(24,159)	-	(212,391)
Other costs and revenues	(926)	164	4	-	(758)
Gross operating profit (EBITDA)	**35,069**	**8,558**	**10,805**	**-**	**54,432**
Depreciation and write-downs of non-current assets	(6,569)	(806)	(1,476)	-	(8,851)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**28,500**	**7,752**	**9,329**	**-**	**45,581**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(2,093)	(226)	(1,609)	-	(3,928)
Operating profit (EBIT)	**26,407**	**7,526**	**7,720**	**-**	**41,653**
Income, expenses, valuation and adjustments of financial assets					38
Net financial expenses					(6,625)
Exchange differences and non hedge accounting instruments					(479)
Profit (loss) before tax					**34,587**
Current and deferred tax					(14,239)
Net profit (loss)					**20,348**
Profit (loss) of minority interests					(36)
Net profit (loss) attributable to the Group					**20,384**

(€ thousands)	Q4 2014 - Recurring only				
	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	193,124	39,497	34,960	-	267,581
Gross operating profit (EBITDA)	35,069	8,558	10,805	-	54,432
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	28,500	7,752	9,329	-	45,581
Operating profit (EBIT)	26,407	7,526	7,720	-	41,653
Profit (loss) before tax					34,587
Net profit (loss) attributable to the Group					20,384

	Q4 2013 (*)				
(€ thousands)	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	175,418	33,292	32,306	-	241,016
Operating costs	(143,386)	(28,804)	(22,319)	-	(194,509)
Other costs and revenues	(40)	293	(8)	-	245
Gross operating profit (EBITDA)	**31,992**	**4,781**	**9,979**	**-**	**46,752**
Depreciation and write-downs of non-current assets	(6,581)	(1,213)	(1,787)	-	(9,581)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**25,411**	**3,568**	**8,192**	**-**	**37,171**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(2,033)	(268)	(1,488)	-	(3,789)
Operating profit (EBIT)	**23,378**	**3,300**	**6,704**	**-**	**33,382**
Income, expenses, valuation and adjustments of financial assets					42
Net financial expenses					(6,629)
Exchange differences and non hedge accounting instruments					(293)
Profit (loss) before tax					**26,502**
Current and deferred tax					(12,341)
Net profit (loss)					**14,161**
Profit (loss) of minority interests					56
Net profit (loss) attributable to the Group					**14,105**

(*) Restated to reflect retrospective application of IFRS 11.

(€ thousands)	Q4 2013 (*) - Recurring only				
	EMEA	Americas	Asia Pacific	Elim.	Total
Revenues from sales and services	175,418	33,292	32,306	-	241,016
Gross operating profit (EBITDA)	34,330	6,238	9,939	-	50,507
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	27,759	5,478	8,137	-	41,374
Operating profit (EBIT)	25,727	5,279	6,649	-	37,655
Profit (loss) before tax					31,697
Net profit (loss) attributable to the Group					17,515

(*) Restated to reflect retrospective application of IFRS 11.

Revenues from sales and services

(€ thousands)	FY 2014	FY 2013 (*)
Revenues from sales and services	890,931	827,403

(€ thousands)	Q4 2014	Q4 2013 (*)
Revenues from sales and services	267,581	241,016

(*) Restated to reflect retrospective application of IFRS 11.

Revenue from sales and services reached €890,931 thousand in 2014 versus €827,403 thousand in 2013, an increase of €63,528 thousand (+7.7%) explained, for €47,371 thousand (+5.8%) by organic growth, for €20,901 thousand (+2.5%) by acquisitions, while exchange differences had a negative impact of €4,744 thousand (-0.6%).

In the fourth quarter alone, revenue from sales and services amounted to €267,581 thousand, an increase of €26,565 thousand (+11.0%) with respect to the same period of the period year, due primarily to organic growth of €14,784 thousand (+6.1%), acquisitions which contributed €7,799 thousand (+3.2%) and the positive exchange differences of €3,982 thousand (+1.7%).

The following table shows the breakdown of revenues from sales and services by geographical area:

(€ thousands)	FY 2014	%	FY 2013 (Revised) (*)	%	Change	Change %	Exchange diff.	Change % in local currency
Italy	228,957	25.7%	225,501	27.3%	3,456	1.5%		
France	105,866	11.9%	98,329	11.9%	7,537	7.7%		
The Netherlands	73,350	8.2%	65,509	7.9%	7,841	12.0%		
Germany	55,579	6.2%	41,201	5.0%	14,378	34.9%		
United Kingdom	37,374	4.2%	35,592	4.3%	1,782	5.0%	1,898	-0.3%
Spain	32,335	3.6%	27,134	3.3%	5,201	19.2%		
Switzerland	30,624	3.4%	27,269	3.3%	3,355	12.3%	409	10.8%
Belgium	23,511	2.6%	23,408	2.8%	103	0.4%		
Hungary	8,972	1.0%	6,782	0.8%	2,190	32.3%	(358)	37.6%
Israel	7,054	0.8%	-	0.0%	7,054	n.a.	n.a.	n.a.
Portugal	5,120	0.6%	4,337	0.5%	783	18.1%		
Turkey	3,355	0.4%	2,006	0.2%	1,349	67.2%	(494)	91.8%
Egypt	2,857	0.3%	2,434	0.3%	423	17.4%	(87)	20.9%
Poland	1,462	0.2%	-	0.0%	1,462	n.a.	n.a.	n.a.
Ireland	784	0.1%	736	0.1%	48	6.5%		
Luxembourg	662	0.1%	656	0.1%	6	0.9%		
Intercompany eliminations	(175)	0.0%	(138)	0.0%	(37)			
Total EMEA	**617,687**	**69.3%**	**560,756**	**67.7%**	**56,931**	**10.2%**	**1,368**	**9.9%**
USA	136,583	15.3%	134,467	16.3%	2,116	1.6%	(39)	1.6%
Canada	4,192	0.5%	4,196	0.5%	(4)	-0.1%	(299)	7.0%
Brazil	157	0.0%	-	0.0%	157	n.a.	n.a.	n.a.
Total Americas	**140,932**	**15.8%**	**138,663**	**16.8%**	**2,269**	**1.6%**	**(338)**	**1.9%**
Australia	89,954	10.1%	89,594	10.8%	360	0.4%	(6,149)	7.3%
New Zealand	39,060	4.4%	35,843	4.3%	3,217	9.0%	507	7.6%
India	3,298	0.4%	2,547	0.3%	751	29.5%	(132)	34.6%
Total Asia Pacific	**132,312**	**14.9%**	**127,984**	**15.5%**	**4,328**	**3.4%**	**(5,774)**	**7.9%**
Total	**890,931**	**100.0%**	**827,403**	**100.0%**	**63,528**	**7.7%**	**(4,744)**	**8.3%**

(*) Restated to reflect retrospective application of IFRS 11.

Europe, Middle East and Africa

Period (€ thousands)	2014	2013 (*)	Change	Change %
I quarter	127,940	125,394	2,546	2.0%
II quarter	161,391	149,858	11,533	7.7%
I Half-year	**289,331**	**275,252**	**14,079**	**5.1%**
III quarter	135,232	110,085	25,147	22.8%
IV quarter	193,124	175,419	17,705	10.1%
II Half-year	**328,356**	**285,504**	**42,852**	**15.0%**
Total year	**617,687**	**560,756**	**56,931**	**10.2%**

(*) Restated to reflect retrospective application of IFRS 11.

Revenue from sales and services in the EMEA region amounted to €617,687 thousand in 2014 versus €560,756 thousand in 2013, an increase of €56,931 thousand (+10.2%), explained primarily by organic growth which totalled €35,401 thousand (+6.3%), acquisitions for €20,162 thousand (+3.6%), while exchange differences had a positive impact of €1,368 thousand (+0.3%).

In the fourth quarter alone, revenue from sales and services amounted to €193,124 thousand, versus €175,419 thousand 2013, an increase of €17,705 thousand (+10.1%), explained primarily by organic growth which totalled €9,592 thousand (+5.5%), while acquisitions contributed €7,484 thousand (+4.3%) and exchange differences had a positive impact of €629 thousand (+0.3%).

Growth in Europe continued at a robust pace for the entire year and was driven primarily by the excellent results recorded:

- in Germany, where sales rose by €14,378 thousand (+34.9%) due to regulatory changes which resulted in higher subsidies beginning in November 2013, as well as the sales push implemented by management, in line with the reorganization carried out in 2013, and the contribution made by acquisitions which reached €3,805 thousand (+9.2%);
- in the Netherlands where sales rose by €7,841 thousand (+12.0%) as a result of both the market concentration that has formed around the players who were awarded tenders by the insurance companies (Amplifon is the only company to have a contract with all the main insurance companies), as well as the growth of the market itself and success of the commercial strategies implemented by Amplifon's management. The average sales price stabilized after falling in the first quarter;
- in France where sales rose overall by €7,537 thousand (+7.7%) due to continuous organic growth and the contribution made by acquisitions of €3,291 thousand (+3.3%);
- in Spain and Portugal where overall sales rose by €5,984 thousand (+19.0%) driven by a significant increase in volumes as a result of the repositioning of the business (completed mid-2013) which is now entirely focused on the retail sector and the opening of new stores.

After a difficult first part of the year, sales in the United Kingdom gradually picked up and were (in local currency) in line with the prior year (in Euros the growth reached 5.0% thanks to positive exchange differences).

With regard to Italy, the sales growth is attributable entirely to the acquisition made in the second quarter of Audika Italia S.r.l. (now Sonus Italia S.r.l.), present in Italy with 55 stores, which contributed €3,609 thousand (+1.6%) to revenue in the period. Net of the acquisition, the decline with respect to 2013 amounts to 0.1%, but operations were affected by a different seasonality with respect to 2013: following the difficulties experienced, above all, in the first quarter due primarily to bad weather conditions, both volumes and prices picked up and significant growth was recorded in the third quarter, while revenue fell slightly in the fourth quarter due to a slower start when compared to the same period of the prior year, to then gradually recover. The order backlog, in fact, at year-end was significantly higher than the prior year.

Important growth of €8,826 thousand (+198.8%) was reported in the Middle East and Africa, explained, for €7,054 thousand (+158.9%), by the acquisition made in Israel in early May 2014 and, for the remander (€1,772 thousand), to the continuous growth recorded in Egypt and Turkey.

The number of stores (direct and indirect) in the EMEA region reached 1,869 at 31 December 2014 compared to 1,644 at 31 December 2013. In addition to the stores (direct and indirect) there are also 2,984 customer contact points (2,892 at 31 December 2013).

Americas

Period (€ thousands)	2014	2013	Change	Change %
I quarter	32,970	34,435	(1,465)	-4.3%
II quarter	33,405	35,539	(2,134)	-6.0%
I Half-year	**66,375**	**69,974**	**(3,599)**	**-5.1%**
III quarter	35,060	35,397	(337)	-1.0%
IV quarter	39,497	33,292	6,205	18.6%
II Half-year	**74,557**	**68,689**	**5,868**	**8.5%**
Total year	**140,932**	**138,663**	**2,269**	**1.6%**

Revenue from sales and services amounted to €140,932 thousand in 2014 versus €138,663 thousand in 2013, an increase of €2,269 thousand (+1.6%). The negative exchange effect that impacted the results posted in the first part of the year was, in the end, immaterial (-0.3%) thanks to the strengthening of the US dollar against the Euro in the fourth quarter.

After the difficulties encountered in the first part of the year due to the bad weather conditions that struck a large part of the USA in the winter and a different mix of suppliers for high end hearing aids requested by the Elite network in the second quarter which generated temporary inefficiencies, the business performance improved gradually. Growth of €6,205 thousand (+18.6%) was posted in the fourth quarter attributable, for €3,101 thousand (+9.3%), to the increase recorded by all the channels, particularly Hear PO (which benefited significantly from a new contract with a primary insurance company) and the Elite wholesale channel, as well as, for €2,790 thousand (+8.4%), to the positive exchange differences. Acquisitions contributed €314 thousand (+0.9%), €157 thousand of which relating to Brazil, consolidated starting from November.

Amplifon has 22 direct in North America, 1,167 franchises and 1,881 wholesale points of sale. In Brazil Amplifon has 4 franchises and 77 customer contact points. At the end of the previous year, there were 18 direct stores, 1,157 franchises and 1,649 wholesale points of sale.

Asia Pacific

Period (€ thousands)	2014	2013	Change	Change %
I quarter	27,439	29,538	(2,099)	-7.1%
II quarter	33,306	33,834	(528)	-1.6%
I Half-year	**60,745**	**63,372**	**(2,627)**	**-4.1%**
III quarter	36,607	32,306	4,301	13.3%
IV quarter	34,960	32,306	2,654	8.2%
II Half-year	**71,567**	**64,612**	**6,955**	**10.8%**
Total year	**132,312**	**127,984**	**4,328**	**3.4%**

Revenue from sales and services in Asia-Pacific amounted to €132,312 thousand in 2014, an increase of €4,328 thousand (+3.4%) with respect to 2013 which was, however, penalized significantly by the adverse exchange effect which had a negative impact of €5,774 thousand (-4.5%). Organic growth reached €10,102 thousand (+7.9%).

In the fourth quarter alone revenue from sales and services amounted to €34,960 thousand, an increase of €2,654 thousand (+8.2%)against the comparison period. Net of the exchange differences which had a positive impact of €562 thousand (+1.7%), organic growth reached €2,092 thousand (+6.5%).

The first quarters of the year were impacted significantly by the weakening of the Australian and New Zealand dollar against the Euro, while the full year business performance was positive. In Australia overall growth reached 7.3% (in local currency) due to an increase in both volumes (facilitated by the introduction of a new portal which reduced the sales cycle for customers entitled to receive government subsidies) and the average sales price. In New Zealand, where the year got off to a weaker start, the performance improved gradually with overall growth reaching 7.6% (in local currency) due to both the reorganization (single brand) implemented at the end of the prior year and the regulatory changes that resulted in increased subsidies beginning in July. In India overall sales growth reached 34.6% in local currency.

At 31 December 2014 the Group had 291 stores in Asia Pacific (versus 306 at 31 December 2013), as well as 116 customer contact points (54 at 31 December 2013).

Gross operating profit (EBITDA)

(€ thousands)	FY 2014			FY 2013 (*)		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	137,668	-	137,668	122,863	(5,820)	117,043

(€ thousands)	Q4 2014			Q4 2013 (*)		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	54,432	-	54,432	50,507	(3,755)	46,752

(*) Restated to reflect retrospective application of IFRS 11.

Gross operating profit (EBITDA) amounted to €137,668 thousand in 2014 versus €117,043 thousand in 2013, an increase of €20,625 thousand (+17.6%) while the EBITDA margin rose 1.4% against the comparison period to 15.5%. Net of non-recurring costs, the €2,167 thousand in negative exchange differences and the €5,820 thousand in non-recurring costs and restructuring expenses incurred in the prior year, EBITDA would have increased €16,972 thousand (+13.8%) due to the good performances recorded in Europe and Asia Pacific, while the results posted in America were in line with the prior year. The EBITDA margin on recurring operations rose 0.7% against 2013 to 15.5%.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €54,432 thousand, an increase of €7,680 thousand (+16.4%) against the figure posted in the fourth quarter of the prior year. The EBITDA margin came to 20.3%, an increase of 0.9% with respect to the comparison period. Net of non-recurring costs, the €560 thousand in positive exchange differences and the €3,755 thousand in non-recurring costs and restructuring expenses incurred in the prior year, EBITDA would have increased €3,365 thousand (+6.7%). The EBITDA margin on recurring operations dropped 0.8% against the same period 2013 to 20.1%.

Higher revenue made it possible to better absorb a significant component of fixed costs (the cost of labour and services). Operating costs, which amounted to €752,124 thousand, fell as a percentage of sales by approximately 1.7 percentage points.

The following table shows a breakdown of EBITDA by geographical region:

(€ thousands)	FY 2014	EBITDA Margin	FY 2013 (*)	EBITDA Margin	Change	Change %
EMEA	73,010	11.8%	57,954	10.3%	15,056	26.0%
Americas	26,812	19.0%	25,603	18.5%	1,209	4.7%
Asia Pacific	37,846	28.6%	33,486	26.2%	4,360	13.0%
Total	**137,668**	**15.5%**	**117,043**	**14.1%**	**20,625**	**17.6%**

(€ thousands)	Q4 2014	EBITDA Margin	Q4 2013 (*)	EBITDA Margin	Change	Change %
EMEA	35,069	18.2%	31,992	18.2%	3,077	9.6%
Americas	8,558	21.7%	4,781	14.4%	3,777	79.0%
Asia Pacific	10,805	30.9%	9,979	30.9%	826	8.3%
Total	**54,432**	**20.3%**	**46,752**	**19.4%**	**7,680**	**16.4%**

(*) Restated to reflect retrospective application of IFRS 11.

The following table shows the breakdown of EBITDA by geographical area for recurring operations only:

(€ thousands)	FY 2014	EBITDA Margin	FY 2013 (*)	EBITDA Margin	Change	Change %
EMEA	73,010	11.8%	62,009	11.1%	11,001	17.8%
Americas	26,812	19.0%	27,060	19.5%	-248	-0.9%
Asia Pacific	37,846	28.6%	33,794	26.4%	4,052	12.0%
Total	**137,668**	**15.5%**	**122,863**	**14.8%**	**14,805**	**12.1%**

(€ thousands)	Q4 2014	EBITDA Margin	Q4 2013 (*)	EBITDA Margin	Change	Change %
EMEA	35,069	18.2%	34,330	19.6%	739	2.2%
Americas	8,558	21.7%	6,238	18.7%	2,320	37.2%
Asia Pacific	10,805	30.9%	9,939	30.8%	866	8.7%
Total	**54,432**	**20.1%**	**50,507**	**21.0%**	**3,925**	**7.8%**

(*) Restated to reflect retrospective application of IFRS 11.

Europe, Middle-East and Africa

Gross operating profit (EBITDA) amounted to €73,010 thousand in 2014, an increase of €15,056 thousand (+26.0%) against the €57,954 thousand posted in 2013. The EBITDA margin rose 1.5% against the comparison period to 11.8%. Net of non-recurring costs, the €266 thousand in negative exchange differences and the €4,055 thousand in non-recurring expenses incurred in the prior year, EBITDA would have increased €11,267 thousand (+18.2%) due primarily to the excellent results posted in Germany and the Netherlands. The EBITDA margin on recurring operations came to 11.8%, an increase of 0.7% with respect to 2013.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €35,069 thousand, an increase of €3,077 thousand (+9.6%) with respect to the fourth quarter of the prior year. The EBITDA margin came to 18.2%, unchanged with respect to the comparison period. Net of non-recurring costs, the €90 thousand in negative exchange differences and the €2,338 thousand in non-recurring expenses incurred in the prior year, EBITDA would have increased €829 thousand (+2.4%). The EBITDA margin on recurring operations came to 18.2%, a decrease of 1.4% with respect to the same period 2013.

Higher revenue made it possible to better absorb a significant component of fixed costs (the cost of labour and services). Operating costs, which amounted to €543,094 thousand, fell as a percentage of sales by approximately 2 percentage points.

Americas

Gross operating profit (EBITDA) amounted to €26,812 thousand in 2014 versus €25,603 thousand in 2013, an increase of €1,209 thousand (+4.7%). The EBITDA margin came to 19.0%, an increase of 0.5% with respect to the comparison period. Net of the €32 thousand in positive exchange differences and the €1,457 thousand in non-recurring expenses incurred in the prior year, EBITDA would have dropped €280 thousand (-1.0%). The EBITDA margin on recurring operations came to 19%, a decrease of 0.5% with respect to 2013.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €8,558 thousand, an increase of €3,777 thousand (+79.0%) with respect to the fourth quarter of the prior year. The EBITDA margin increased by 7.3%, rising from the 14.4% recorded in 2013 to 21.7%. Net of the €536 thousand in positive exchange differences and the €1,457 thousand in non-recurring expenses incurred in the prior year, EBITDA would have increased by €1,784 thousand (+28.6%). The EBITDA margin on recurring operations came to 21.7%, an increase of 2.0% against the same period 2013.

As already described in the section on sales, after the difficulties encountered in the first part of the year due to the bad weather conditions that struck a large part of the USA in the winter and a different mix of suppliers for high end hearing aids requested by the Elite network in the second quarter which generated temporary inefficiencies, the business performance improved gradually. Thanks, also, to the growth recorded by all the channels in the fourth quarter, particularly Hear PO (which benefited significantly from a new contract with a primary insurance company) and the Elite wholesale channel, it was possible to bridge the previous gap and close the year with results (on a recurring basis) that were in line with the prior year.

Asia Pacific

Gross operating profit (EBITDA) amounted to €37,846 thousand in 2014 versus €33,486 thousand in 2013, an increase of €4,360 thousand (+13.0%) with the EBITDA margin rising 2.4% against the comparison period to 28.6%. Net of the €1,932 thousand in negative exchange differences and the non-recurring costs of €308 thousand incurred in the same period of the prior year, EBITDA would have risen €5,984 thousand (+17.7%) explained primarily by the good performance posted in the Australian market, but also by the growth recorded in New Zealand a result of the restructuring carried out in 2013 and the regulatory changes that resulted in increased subsidies beginning in July. The contribution made by India was basically unchanged and the operating losses posted were largely in line with the comparison period. The EBITDA margin on recurring operations came to 28.6%, an increase of 2.2% against 2013.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €10,805 thousand, an increase of €826 thousand (+8.3%) with respect to the fourth quarter of the prior year. The EBITDA margin was unchanged at 30.9%. Net of the €115 thousand in positive exchange differences and the non-recurring costs of €40 thousand incurred in the same period of the prior year, EBITDA would have risen €751 thousand (+7.6%). The EBITDA margin on recurring operations came to 30.9%, an increase of 0.1% against the same period 2013.

Operating profit (EBIT)

(€ thousands)	FY 2014			FY 2013 (*)		
	Recurring	Non recurring	Recurring	Non recurring	Recurring	Non recurring
Operating profit (EBIT)	90,616	-	90,616	75,435	(7,086)	68,349

(€ thousands)	Q4 2014			Q4 2013 (*)		
	Recurring	Non recurring	Recurring	Non recurring	Recurring	Non recurring
Operating profit (EBIT)	41,653	-	41,653	37,655	(4,273)	33,382

(*) Restated to reflect retrospective application of IFRS 11.

Operating profit (EBIT) amounted to €90,616 thousand in 2014 versus €68,349 thousand in 2013, an increase of €22,267 thousand (+32.6%) with the EBIT margin rising 1.9% against the comparison period to 10.2%. EBIT for recurring operations, net of the €1,863 thousand in negative exchange differences, rose by €17,043 thousand (+22.6%) and is largely in line with the increase in EBITDA described above: the increase in amortization and depreciation as a result of the investments made beginning in the second half of 2013 offset the drop in amortization of the customer lists acquired in 2004 which was completed in December 2013.

In fourth quarter 2014 alone operating profit (EBIT) amounted to €41,653 thousand, an increase of €8,271 thousand (+24.8%) with respect to the figure posted in the fourth quarter of the prior year. The EBIT margin reached 15.6%, an increase of 1.7% against the comparison period. EBIT for recurring operations, net of the €394 thousand in positive exchange differences, rose €3,604 thousand (+9.6%).

The following table shows a breakdown of EBIT by geographical region:

(€ thousands)	FY 2014	EBIT Margin	FY 2013 (*)	EBIT Margin	Change	Change %
EMEA	41,055	6.6%	26,018	4.6%	15,037	57.8%
Americas	23,074	16.4%	21,145	15.2%	1,929	9.1%
Asia Pacific	26,487	20.0%	21,186	16.6%	5,301	25.0%
Total	**90,616**	**10.2%**	**68,349**	**8.3%**	**22,267**	**32.6%**

(€ thousands)	Q4 2014	EBIT Margin	Q4 2013 (*)	EBIT Margin	Change	Change %
EMEA	26,407	13.7%	23,378	13.3%	3,029	13.0%
Americas	7,526	19.1%	3,300	9.9%	4,226	128.1%
Asia Pacific	7,720	22.1%	6,704	20.8%	1,016	15.2%
Total	**41,653**	**15.6%**	**33,382**	**13.9%**	**8,271**	**24.8%**

(*) Restated to reflect retrospective application of IFRS 11.

The following table shows the breakdown of EBIT by geographical area for recurring operations only:

(€ thousands)	FY 2014	EBIT Margin	FY 2013 (*)	EBIT Margin	Change	Change %
EMEA	41,055	6.6%	30,531	5.4%	10,524	35.1%
Americas	23,074	16.4%	23,125	16.7%	(51)	-0.2%
Asia Pacific	26,487	20.0%	21,779	17.0%	4,708	21.6%
Total	**90,616**	**10.2%**	**75,435**	**9.1%**	**15,181**	**20.1%**

(€ thousands)	Q4 2014	EBIT Margin	Q4 2013 (*)	EBIT Margin	Change	Change %
EMEA	26,407	13.7%	25,727	14.7%	680	2.6%
Americas	7,526	19.1%	5,279	15.9%	2,247	42.6%
Asia Pacific	7,720	22.1%	6,649	20.6%	1,071	16.1%
Total	**41,653**	**15.6%**	**37,655**	**15.6%**	**3,998**	**10.6%**

(*) Restated to reflect retrospective application of IFRS 11.

Europe, Middle-East and Africa

Operating profit (EBIT) for the EMEA region amounted to €41,055 thousand in 2014 versus €26,018 thousand in 2013, an increase €15,037 thousand (+57.8%) with the EBIT margin rising 2.0% against the comparison period to 6.6%. EBIT for recurring operations, net of the €471 thousand in negative exchange differences, rose by €10,995 thousand (+36.0%) and is largely in line with the increase in EBITDA described above.

In fourth quarter 2014 alone operating profit (EBIT) amounted to €26,407 thousand, an increase of €3,029 thousand (+13.0%) against the figure posted in fourth quarter 2013. The EBIT margin rose 0.4% against the comparison period to 13.7%. EBIT for recurring operations, net of the €159 thousand in negative exchange differences, rose by €839 thousand (+3.3%).

Americas

Operating profit (EBIT) amounted to €23,074 thousand in 2014 versus €21,145 thousand in 2013, an increase of €1,929 thousand (+9.1%) with the EBIT margin rising 1.2% against the comparison period to 16.4%. EBIT for recurring operations, net of the €87 thousand in positive exchange differences, fell by €139 thousand (-0.6%) and is largely in line with the increase in EBITDA described above.

In fourth quarter 2014 alone operating profit (EBIT) amounted to €7,526 thousand, an increase of €4,226 thousand (+128.1%) against the figure posted in fourth quarter 2013. The EBIT margin rose 9.2% against the comparison period to 19.1%. EBIT for recurring operations, net of the €476 thousand in positive exchange differences, rose by €1,769 thousand (+33.5%).

Asia Pacific

Operating profit (EBIT) in Asia Pacific amounted to €26,487 thousand in 2014 versus €21,186 thousand in 2013, an increase of €5,301 thousand (+25.0%) with the EBIT margin rising 3.4% against the comparison period to 20.0%. EBIT for recurring operations, net of the €1,479 thousand in negative exchange differences, increased by €6,187 thousand (+28.4%) and is largely in line with the increase in EBITDA described above.

In fourth quarter 2014 alone operating profit (EBIT) amounted to €7,720 thousand, an increase of €1,016 thousand (+15.2%) against the figure posted in fourth quarter 2013. The EBIT margin rose 1.3% against the comparison period to 22.1%. EBIT for recurring operations, net of the €77 thousand in positive exchange differences, rose by €994 thousand (+14.9%).

Profit before tax

(€ thousands)		FY 2014			FY 2013 (*)	
	Recurring	Non recurring	Recurring	Non recurring	Recurring	Non recurring
Profit before tax	66,556	-	66,556	51,626	(14,783)	36,843

(€ thousands)		Q4 2014			Q4 2013 (*)	
	Recurring	Non recurring	Recurring	Non recurring	Recurring	Non recurring
Profit before tax	34,587	-	34,587	31,689	(5,187)	26,502

(*) Restated to reflect retrospective application of IFRS 11.

In 2014 profit before tax came to €66,556 thousand (with a gross profit margin of 7.5%) versus €36,843 thousand in 2013 (and a gross profit margin of 4.5%), an increase of €29,713 thousand which, net of non-recurring costs, drops to €14,930 thousand.

More in detail, financial charges in the comparison period reflected the €6,783 thousand incurred to pay commissions and cancel an interest rate swap as a result of the advance repayment of the syndicated loan on 23 July 2013 subsequent to the issue on 16 July 2013 of a €275 million Eurobond and the charges of €914 thousand recognized following a change in the discount rate applied to the loans granted by the American subsidiary to the members of the Sonus franchising network as part of the restructuring implemented in order to move the latter to the Elite channel's wholesale network. Net of these items financial charges were in line with the prior year, thanks also to the stable level of debt with respect to the comparison period. The increase in profit before tax for recurring operations is, therefore, in line with the increase in EBIT described above.

In the fourth quarter alone profit before tax amounted to €34,587 thousand, an increase of €8,085 thousand with respect to the fourth quarter of the prior year (+30.5%). Net of non-recurring costs the increase comes to €2,898 thousand.

Net profit attributable to the Group

(€ thousands)	FY 2014			FY 2013 (*)		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	35,807	10,668	46,475	23,409	(10,561)	12,848

(€ thousands)	Q4 2014			Q4 2013 (*)		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	20,384	-	20,384	17,515	(3,410)	14,105

(*) Restated to reflect retrospective application of IFRS 11.

The net profit attributable to the Group came to €46,475 thousand (with a profit margin of 5.2%) versus €12,848 thousand in 2013 (and a profit margin of 1.6%), an increase of €33,627 thousand (+261.7%) linked directly to both the higher pre-tax profit described above, but also to the tax income of AUD 15.7 million (€10.7 million) following the Australian tax authorities' allowance of tax deductions for the amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition. AUD 12.8 million of this amount relates to prior periods (for which tax refunds of AUD 11.8 million were received) and AUD 2.9 million reflects the change in deferred tax liabilities made to take into account the possibility that this amortization will be deducted in future periods. The increase in Group's net profit for recurring operations amounted to €12,398 thousand (+53.0%).

Net of the non-recurring tax income recorded in Australia, the lack of recognition of additional deferred tax assets against losses recorded in the United Kingdom, in accordance with the principle of prudence, along with the situation in Germany where tax is offset by the tax losses carried forward and for which no deferred tax assets were recognized, the tax rate would have reached 41.4%, versus 45.3% in 2013 calculated, again, net of the losses posted in the UK and Germany.

In the fourth quarter alone, the Group's net profit amounted to €20,384 thousand, an increase against the same period 2013 of €6,279 thousand (+44.5%). The increase in net profit for recurring operations reached €2,869 thousand (+16.4%).

Balance Sheet review

Consolidated balance sheet by geographical area

(€ thousands)	31/12/2014				
	EMEA	Americas	Asia Pacific	Elim.	Total
Goodwill	219,994	67,325	247,503	-	534,822
Non-competition agreements, trademarks, customer lists and lease rights	31,054	2,129	65,467	-	98,650
Software, licences, other intangible fixed assets, fixed assets in progress and advances	22,158	10,257	4,043	-	36,458
Tangible assets	76,354	3,829	16,005	-	96,188
Financial fixed assets	6,962	40,978	643	-	48,583
Other non-current financial assets	3,346	19	326	-	3,691
Non-current assets	**359,868**	**124,537**	**333,987**	**-**	**818,392**
Inventories	26,917	312	1,461	-	28,690
Trade receivables	78,367	25,459	6,307	(778)	109,355
Other receivables	25,724	6,781	564	(10)	33,059
Current assets (A)	**131,008**	**32,552**	**8,332**	**(788)**	**171,104**
Operating assets	**490,876**	**157,089**	**342,319**	**(788)**	**989,496**
Trade payables	(65,650)	(28,587)	(8,329)	778	(101,788)
Other payables	(99,055)	(4,236)	(21,137)	10	(124,418)
Provisions for risks and charges (current portion)	(978)	-	-	-	(978)
Current liabilities (B)	**(165,683)**	**(32,823)**	**(29,466)**	**788**	**(227,184)**
Net working capital (A) - (B)	**(34,675)**	**(271)**	**(21,134)**	**-**	**(56,080)**
Derivative instruments	(9,820)	-	-	-	(9,820)
Deferred tax assets	40,857	782	3,014	-	44,653
Deferred tax liabilities	(12,709)	(21,143)	(18,146)	-	(51,998)
Provisions for risks and charges (non-current portion)	(19,404)	(20,385)	(780)	-	(40,569)
Liabilities for employees' benefits (non-current portion)	(14,075)	(181)	(1,456)	-	(15,712)
Loan fees	2,751	-	272	-	3,023
Other non-current payables	-	(12)	(238)	-	(250)
NET INVESTED CAPITAL	**312,793**	**83,327**	**295,519**	**-**	**691,639**
Group net equity					442,165
Minority interests					1,057
Total net equity					**443,222**
Net medium and long-term financial indebtedness					442,484
Net short-term financial indebtedness					(194,067)
Total net financial indebtedness					**248,417**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS					**691,639**

(€ thousands)	31/12/2013 (*)				
	EMEA	**Americas**	**Asia Pacific**	**Elim.**	**Total**
Goodwill	205,645	57,217	237,818	-	500,680
Non-competition agreements, trademarks, customer lists and lease rights	22,115	2,367	68,393	-	92,875
Software, licences, other intangible fixed assets, fixed assets in progress and advances	17,970	8,740	518	-	27,228
Tangible assets	69,643	1,574	16,473	-	87,690
Financial fixed assets	5,893	34,945	652	-	41,490
Other non-current financial assets	2,418	14	312	-	2,744
Non-current assets	**323,684**	**104,857**	**324,166**	**-**	**752,707**
Inventories	27,868	115	1,849	-	29,832
Trade receivables	74,526	22,561	7,304	(704)	103,687
Other receivables	20,874	7,204	751	(7)	28,822
Current assets (A)	**123,268**	**29,880**	**9,904**	**(711)**	**162,341**
Operating assets	**446,952**	**134,737**	**334,070**	**(711)**	**915,048**
Trade payables	(62,299)	(25,235)	(9,411)	704	(96,241)
Other payables	(92,636)	(3,469)	(21,013)	7	(117,111)
Provisions for risks and charges (current portion)	(411)	-	-	-	(411)
Current liabilities (B)	**(155,346)**	**(28,704)**	**(30,424)**	**711**	**(213,763)**
Net working capital (A) - (B)	**(32,078)**	**1,176**	**(20,520)**	**-**	**(51,422)**
Derivative instruments	(3,376)	-	-	-	(3,376)
Deferred tax assets	40,175	3,303	2,610	-	46,088
Deferred tax liabilities	(9,549)	(16,874)	(20,248)	-	(46,671)
Provisions for risks and charges (non-current portion)	(16,779)	(15,601)	(696)	-	(33,076)
Liabilities for employees' benefits (non-current portion)	(10,269)	(265)	(1,117)	-	(11,651)
Loan fees	3,614	-	475	-	4,089
Other non-current payables	-	(11)	(234)	-	(245)
NET INVESTED CAPITAL	**295,422**	**76,585**	**284,436**	**-**	**656,443**
Group net equity					380,616
Minority interests					460
Total net equity					**381,076**
Net medium and long-term financial indebtedness					435,426
Net short-term financial indebtedness					(160,059)
Total net financial indebtedness					**275,367**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS					**656,443**

(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.

Non-current assets

Non-current assets amounted to €818,392 thousand at 31 December 2014 versus €752,707 thousand at 31 December 2013, in increase of €65,685 thousand explained: (i) for €42,930 thousand by capital expenditure; (ii) for €37,499 thousand by acquisitions; (iii) for €47,052 thousand by depreciation, amortization and impairment, and (iv) for €32,308 thousand by other net increases relating primarily to exchange differences.

Investments

In 2014 the Amplifon Group, in line with its strategy to further increase the focus on customer care and to maximize operating efficiency, continued and accelerated store renovation on the basis of the concept store developed over the last few years. Investments were, therefore, made in restructuring and relocating a few stores. The customer focus and the goal to increase control of operating activities drove the investments made in Information Technology. Of note, in this regard, is the significant work done on technological infrastructures, front office systems, relating specifically to sales force automation systems, CRM and renewal of the store system in Europe.

The following table shows a breakdown of non-current assets by geographical area:

(€ thousands)		31/12/2014	31/12/2013 (*)	Change
EMEA	Goodwill	219,994	205,645	14,349
	Non-competition agreements, trademarks, customer lists and lease rights	31,054	22,115	8,939
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	22,158	17,970	4,188
	Tangible assets	76,354	69,643	6,711
	Financial fixed assets	6,962	5,893	1,069
	Other non-current financial assets	3,346	2,418	928
	Non-current assets	**359,868**	**323,684**	**36,184**
Americas	Goodwill	67,325	57,217	10,108
	Non-competition agreements, trademarks, customer lists and lease rights	2,129	2,367	(238)
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	10,257	8,740	1,517
	Tangible assets	3,829	1,574	2,255
	Financial fixed assets	40,978	34,945	6,033
	Other non-current financial assets	19	14	5
	Non-current assets	**124,537**	**104,857**	**19,680**
Asia Pacific	Goodwill	247,503	237,818	9,685
	Non-competition agreements, trademarks, customer lists and lease rights	65,467	68,393	(2,926)
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	4,043	518	3,525
	Tangible assets	16,005	16,473	(468)
	Financial fixed assets	643	652	(9)
	Other non-current financial assets	326	312	14
	Non-current assets	**333,987**	**324,166**	**9,821**

(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.

Europe, Middle-East and Africa

Non-current assets came to €359,868 thousand at 31 December 2014 versus €323,684 thousand at 31 December 2013, an increase of €36,184 thousand explained:

- for €22,660 thousand, by investments in plant, property and equipment, relating primarily to the renewal of stores as part of the continuing introduction of the new concept store;
- for €8,290 thousand, by investments in intangible assets, relating primarily to technological infrastructure, the development and implementation of a new front-office system and the implementation of the new version of the Group's back-office system in France;
- for €33,659 thousand, by acquisitions made during the period;
- for €31,954 thousand, by amortization, depreciation and impairment;
- for €3,529 thousand, by other net increases, relating primarily to positive exchange differences.

Americas

Non-current assets came to €124,537 thousand at 31 December 2014 versus €104,857 thousand at 31 December 2013, an increase of €19,680 thousand explained:

- for €1,952 thousand, by investments in plant, property and equipment, relating primarily to store renewals and new openings in Canada;
- for €2,925 thousand, by investments in intangible assets relating primarily to joint investment plans with the franchisees for the renewal and relocation of stores and further implementation of front-office systems;
- for €3,840 thousand, by acquisitions made during the period, relating primarily to the acquisition of 51% of the Brazilian company Direito de Ouvir;
- for €3,738 thousand, by amortization, depreciation and impairment;
- for €14,701 thousand, by other net increases relating primarily to positive exchange differences, the loans granted to franchisees and the contributions made to the pension plans benefiting the franchisees.

Asia Pacific

Non-current assets came to €333,987 thousand at 31 December 2014 versus €324,166 thousand at 31 December 2013, an increase of €9,821 thousand explained:

- for €3,404 thousand, by investments in plant, property and equipment, relating primarily relating primarily to the opening, restructuring and relocation of a few stores;
- for €3,698 thousand, by investments in intangible assets, relating primarily to the implementation of the Group's back-office system and a new front-office system;
- for €11,360 thousand, by amortization, depreciation and impairment;
- for €14,079 thousand, by other net increases, primarily exchange differences.

Net invested capital

Net invested capital came to €691,639 thousand al 31 December 2014 versus €656,443 thousand at 31 December 2013, an increase of €35,196 thousand. The increase in non-current assets described above was partially offset by an increase in provisions for employee and agent benefits, liabilities for derivatives and deferred taxes, as well as a slight decrease in working capital. The latter reflects the payment of long term incentives to top management which was offset by an increase in other payables, relating primarily to liabilities for employee benefits and tax payables.

The following table shows the breakdown of net invested capital by geographical area.

(€ thousands)	31/12/2014	31/12/2013(*)	Change
EMEA	312,793	295,422	17,371
Americas	83,327	76,585	6,742
Asia Pacific	295,519	284,436	11,083
Total	**691,639**	**656,443**	**35,196**

(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.

Europe, Middle-East and Africa

Net invested capital came to €312,793 thousand at 31 December 2014, an increase of €17,371 thousand against the figure posted at 31 December 2013. The increase in non-current assets described above was partially offset by an increase in provisions for employee and agent benefits, liabilities for derivatives and deferred taxes (linked largely to the recognition of deferred taxes following the allocation of the purchase price for the acquisitions made), as well as a slight decrease in working capital. The latter reflects the payment of long term incentives to top management which was more than offset by an increase in other payables, relating primarily to liabilities for employee benefits and tax payables. Factoring without recourse in the period involved trade receivables with a face value of €47,452 thousand (€45,572 thousand in the prior year) and VAT credits with a face value of €14,057 thousand (€12,854 thousand in the prior year).

Americas

Net invested capital came to €83,327 thousand at 31 December 2014, an increase of €6,742 thousand with respect to 31 December 2013. The increase in non-current assets described above was partially offset by the increase in deferred tax liabilities recognized relating to the potential amortization of certain intangible assets and liabilities for benefits pertaining to the members of the sales network.

Asia Pacific

Net invested capital came to €295,519 thousand at 31 December 2014, an increase of €11,083 thousand against the figure recorded at 31 December 2013: the change in non-current assets described above was accompanied by a decrease in deferred taxes following recognition of the tax deductions allowed for the amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition.

Net financial indebtedness

(€ thousands)	31/12/2014	31/12/2013 (Revised)(*)	31/12/2013 (Reported)	Change (on Revised)
Net medium and long-term financial indebtedness	442,484	435,426	435,426	7,058
Net short-term financial indebtedness	17,057	10,262	10,262	6,795
Cash and cash equivalents	(211,124)	(170,321)	(170,345)	(40,803)
Net financial indebtedness	**248,417**	**275,367**	**275,343**	**(26,950)**
Group net equity	442,165	380,616	382,175	61,549
Minority interests	1,057	460	460	597
Net Equity	**443,222**	**381,076**	**382,635**	**62,146**
Financial indebtedness/Group net equity	**0.56**	**0.72**	**0.72**	
Financial indebtedness/net equity	**0.56**	**0.72**	**0.72**	

(*)Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.

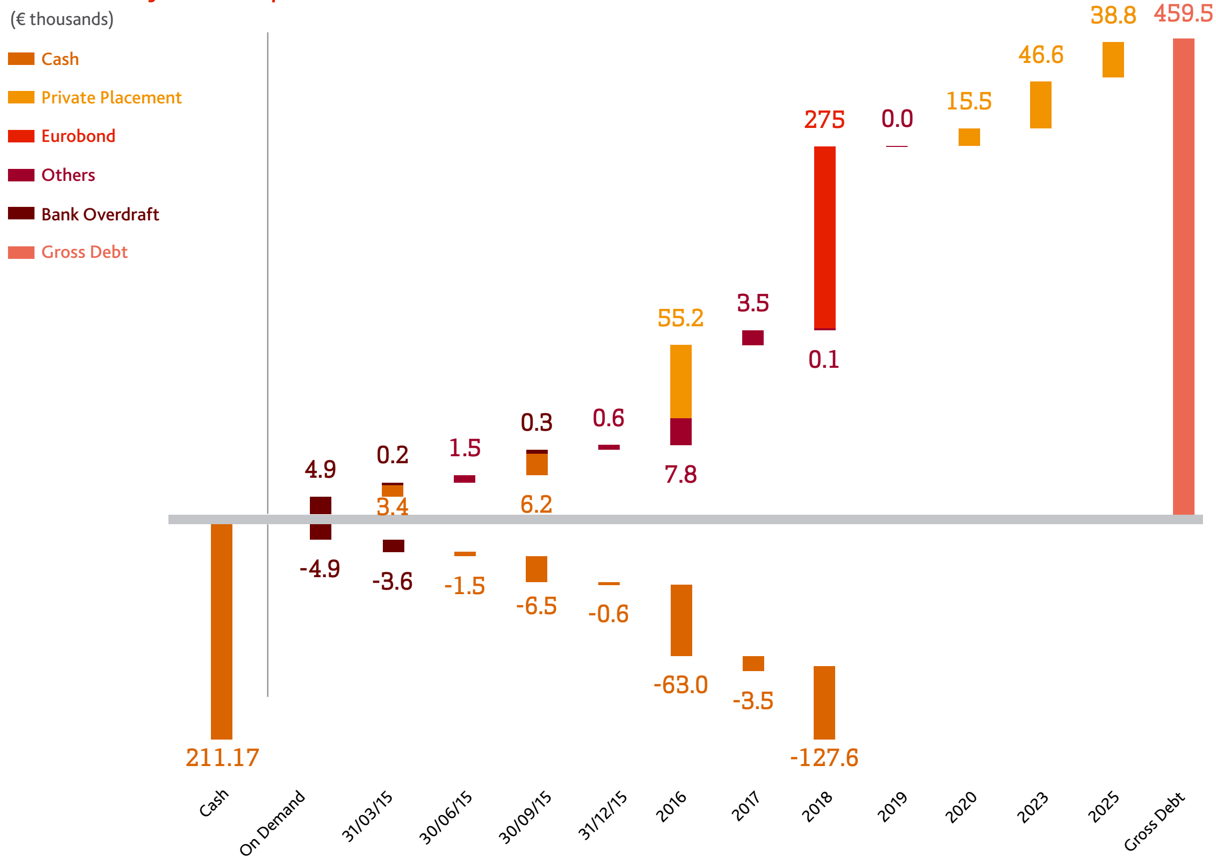
Net financial indebtedness amounted to €248,417 thousand at 31 December 2014, a decrease of €26,950 thousand with respect to 31 December 2013. Net of the acquisitions, which amounted to €35,883 thousand (€4,817 thousand in 2013), and the €8,013 thousand tax refund received in Australia described in the section on the Group's net profit, total net cash flow improved by €19,535 thousand against the prior year.
The good cash flow generated by current operations was able to absorb the payment of long term incentives to top management for which provisions were made in previous years (€6,678 thousand), as well as interest payable and other net financial charges of €21,525 thousand, capital expenditure totalling €42,930 thousand, the payment of taxes amounting to €11,284 thousand (net of the refunds received in Australia described above) and €9,350 thousand in dividends paid to shareholders.

At 31 December 2014 total financial indebtedness amounted to €248,417 thousand against cash and cash equivalents totalling €211,124 thousand. Long term debt amounted to €442,484 thousand, €10 million of which refer to liabilities for future payments on acquisitions made.

Thanks to the debt capital market transactions carried out in the prior year, the Group's debt is now primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement of €55.2 million, at the hedging rate, will fall due.

Cash and cash equivalents of €211,124 thousand, along with the unused portion of the long-term credit lines granted of €115 million, €90 million of which irrevocable and long-term, therefore ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

Debt Maturity & Cash Equivalents at 31.12.2014



Interest payable on financial indebtedness amounted to €21,938 thousand at 31 December 2014, versus €27,664 thousand at 31 December 2013 which included costs of €6,783 thousand incurred to pay commissions and cancel an interest rate swap as a result of the advance repayment of the syndicated loan on 23 July 2013 subsequent to the issue in July 2013 of a €275 million Eurobond.

Interest receivable on bank deposits at 31 December 2014 reached €1,013 thousand, versus €1,253 thousand at 31 December 2013.

Covenant

The USD 130 million private placement 2013-2025 (equal to €100.9 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

These ratios, in the event relevant acquisitions are made, may be increased to 2.0 and 4.0, respectively, for a period of not more than 12 months on two occasions over the life of the loan.

The USD 70 million private placement 2006-2016 (equal to €55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) is subject to the following covenants:
- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

At 31 December 2014 these ratios were as follows:

	Value
Net financial indebtedness/Group net equity	0.56
Net financial indebtedness/EBITDA for the last 4 quarters	1.77

As is typical international practice, the two private placements are also subject to other covenants which limit the ability to issue guarantees and complete sale and lease back, as well as extraordinary, transactions.

The Euro 275 million Eurobond, due in 2018 and issued in July 2013, is not subject to any covenants nor is the remaining Euro 0.5 million in long term debt, including the short term portion.

The net debt to net capital employed ratio at 31 December 2014 was 35.92% (41.85% at 31 December 2013).

The reasons for the changes in net debt are detailed in the next paragraph on the statement of cash flows.

Cash flow

The reclassified cash flow statement shows the change in net debt between the start and the end of the period. The financial statements include a cash flow statement based on cash holdings as per IAS 7 showing the change in cash holdings between the beginning and the end of the period.

(€ thousands)	FY 2014	FY 2013 (Revised)(*)	FY 2013 (Reported)
OPERATING ACTIVITIES			
Net profit (loss) attributable to the Group	46,475	12,848	12,848
Minority interests	(30)	72	72
Amortization, depreciation and write-downs:			
- Intangible fixed assets	22,055	22,321	22,302
- Tangible fixed assets	24,997	26,047	26,268
- Goodwill	-	326	326
Total amortization, depreciation and write-downs	47,052	48,694	48,896
Provisions	18,795	16,670	16,672
(Gains) losses from sale of fixed assets	92	(324)	(324)
Group's share of the result of associated companies	(201)	(7)	131
Financial income and charges	24,260	31,513	31,513
Current and deferred income taxes	20,111	23,923	23,954
Change in assets and liabilities:			
- Utilization of provisions	(8,107)	(7,983)	(7,983)
- (Increase) decrease in inventories	6,218	3,651	3,624
- Decrease (increase) in trade receivables	2,960	(2,219)	(2,271)
- Increase (decrease) in trade payables	(863)	449	439
- Changes in other receivables and other payables	(8,284)	12,798	12,758
Total change in assets and liabilities	(8,076)	6,696	6,567
Dividends received	408	176	176
Net interest charges	(21,525)	(22,036)	(22,050)
Taxes paid	(11,284)	(37,697)	(37,825)
Cash flow generated from (absorbed by) operating activities	**116,077**	**80,528**	**80,630**
INVESTING ACTIVITIES:			
Purchase of intangible fixed assets	(14,914)	(7,961)	(8,110)
Purchase of tangible fixed assets	(28,016)	(25,216)	(25,288)
Consideration from sale of tangible fixed assets and businesses	5,245	3,686	3,686
Cash flow generated from (absorbed by) investing activities	*(37,685)*	*(29,491)*	*(29,712)*
Cash flow generated from operating and investing activities (Free cash flow)	**78,392**	**51,037**	**50,918**
Business combinations (**)	(35,883)	(4,817)	(4,817)
(Purchase) sale of other investments and securities	(146)	768	768
Cash flow generated from acquisitions	*(36,029)*	*(4,049)*	*(4,049)*
Cash flow generated from (absorbed by) investing activities	**(73,714)**	**(33,540)**	**(33,761)**
FINANCING ACTIVITIES:			
Changes in hedging derivatives	-	(3,691)	(3,691)
Fees paid on medium/long-term financing	-	(4,604)	(4,604)
Other non-current assets	(5,656)	(4,345)	(4,345)
Dividend distributions	(9,350)	(9,330)	(9,330)
Treasury shares	(2,456)	-	-
Capital increases (reduction)/third parties contributions in subsidiaries / dividends paid to third parties by the subsidiaries	1,955	1,671	1,671
Cash flow generated from (absorbed by) financing activities	**(15,507)**	**(20,299)**	**(20,299)**
Changes in net financial indebtedness	**26,856**	**26,689**	**26,570**
Net financial indebtedness at the beginning of the period	(275,367)	(305,978)	(305,835)
Effect of disposal of assets on net financial indebtedness	-	-	-
Effect of exchange rate fluctuations on net financial indebtedness	94	3,922	3,922
Changes in net indebtedness	26,856	26,689	26,570
Net financial indebtedness at the end of the period	**(248,417)**	**(275,367)**	**(275,343)**

(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.
(**) The item refers to the net cash flow absorbed by the acquisition of businesses and equity investments.

The change in **net debt** of €26,950 thousand is explained by:

(i) Investment activities:
- capital expenditure on property, plant and equipment and intangible investments of €42,930 thousand relating primarily to the renewal and repositioning of stores in order to introduce the concept store, the technological infrastructure, the implementation of new front-office systems and of the new version of the Group's back-office system in France;
- acquisitions of €35,883 thousand including the debt of the acquired companies;
- net proceeds from the disposal of other assets, equity investments and securities amounting to €5,099 thousand.

(ii) Operating activities:
- interest payable on financial indebtedness and other net financial charges of €21,525 thousand;
- payment of taxes amounting to €11,284 thousand net of the €8,013 thousand in refunds received following the Australian tax authorities' allowance of tax deductions for the amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition;
- cash flow generated by operations of €148,886 thousand.

(iii) Financing activities:
- payment of €9,350 thousand in dividends to shareholders;
- net proceeds from capital increases following the exercise of stock options of €1,814 thousand;
- purchase of treasury shares amounting to €2,456 thousand;
- net proceeds from the subscription of capital increases by third parties net of the dividends paid by subsidiaries to third parties amounting to €141 thousand;
- increases in non-current assets of €5,656 thousand relating primarily to loans granted by the American companies to franchisees for the renewal of stores, investments and development in the US.

(iv)Positive exchange differences of €94 thousand.

Cash flow for the period reflects payment of €2,557 thousand in non-recurring charges recognized in the prior year and benefitted from both the one-off tax refund of €8,013 thousand received in Australia and the decrease in taxes paid in the United States due to an advance on the tax depreciation of certain intangible assets of €3,735 thousand.

Acquisition of companies and businesses

In 2014 the Group intensified its external growth and finalized a number of acquisitions.

At the beginning of May a chain of stores belonging to Audika Italia S.r.l., the Italian branch of the French group Audika, a hearing aid distributor, was purchased. With its 55 points of sale (sales reached €7.4 million in 2013), this new reality made it possible for Amplifon to strengthen its domestic presence in regions like Emilia Romagna, Piedmont, Lazio and Triveneto, as well as increase the reach of its distribution network and move closer to its customers, factors that are key to the Company's success. Synergies that could have a positive effect on the Group's profitability may also be generated. The transaction called for an investment of €6.9 million inclusive of retained cash flow.

At the end of April 60% of Medtechnica Orthophone Ltd, the leading Israeli provider of hearing aids and related services, was acquired. With a market share of around 30%, Medtechnica Orthophone operates through a network of 70 direct and indirect points of sale reaching revenue of approximately €10 million. This acquisition, in line with the Group's internationalization strategy, allowed Amplifon to enter a new market with great growth potential. Amplifon, leveraging on its own medical-retail expertise, will make it possible for Medtechnica Orthophone to further accelerate the development of its business. Medtechnica Orthophone, unlike the competition, also possesses great expertise in research and development, which has now become part of the Amplifon Group's culture of excellence. The transaction, value-accretive in terms of EV/Ebitda without taking into account potential synergies, called for a total investment of approximately €11.3 million, including the call option on the remaining 40% and the acquired company's debt.
In September Medtechnica Ortophone Ltd purchased the remaining 50% (as it already held 50%) of Ofakim Quality of Hearing Ltd., its main active partner in the indirect channel.

In November Amplifon, through the newly formed holding Amplifon South America Holding, finalized the acquisition of 51% of Direito do Ouvir, a Brazilian company specialized in the distribution of hearing aids and related services which, thanks to its 91 service centers found in the country's most affluent regions, has the most extensive service network in Brazil. The acquisition, financed entirely with available cash flow, called for an investment of €3.2 million including the net debt acquired, €583 thousand of which was paid at the closing, while the remainder reflects the best estimate of the deferred payment to be made based on the results the company achieves on 31 December 2016. Brazil - with more than 200 million inhabitants and an Italian community that is the second largest after the Portuguese one - is the most "European" of the emerging countries and represents a market with extremely high growth potential, as well as demographics that are particularly favourable for business development. Already today the market can count on the 300 thousand hearing aids sold each year (the same amount as were sold in Italy), even though the penetration rate is still below 4% (versus approximately 20% in mature markets). At the same

time, the supply of hearing solutions is still very fragmented and lacking in aggressive commercial strategies, though the private market (not directly subsidized by the government) is growing rapidly and today, albeit only recently developed, represents one third of the total.
In Brazil, lastly, the rate of internet usage is much higher with respect to other parts of the world and there is a strong propensity to gather information online. Given these characteristics, as well as the significant size of the region and this market's business model, Amplifon will be able to use the new digital marketing techniques to make the most of its development initiatives.

The Group made a few minor acquisitions in order to increase existing holdings, as well as coverage in a few countries, as described below:

- in Poland the Group acquired the controlling interest of Amplifon Poland (63%) by purchasing minority interests (9%) and, subsequently, subscribing the unexercised rights of a capital increase (7%);
- in Spain Ampli Leida (Barcellona) and Audiosalud (Murcia) held 80% and 75.1%, respectively, became wholly-owned subsidiaries;
- in Ireland, Amplifon Ireland (Wexford), held 75%, became a wholly-owned subsidiary;
- in Germany 13 stores were purchased in North Rhine-Westphalia, 3 in the Stuttgart region, 2 in Saarland and 1 in the Nuremberg region;
- in France 4 stores were purchased in Provence, 3 in the Haute Savoy region, 3 in a region west of Paris, 3 near Auxerre, 2 in the central west region of the country, and 1 in St. Malò;
- in Turkey two stores were purchased in the southeast;
- in Switzerland a client list and a store near Zurich were purchased;
- in Hungary the client lists of 4 stores in the north-eastern part of the country belonging to the hearing aid manufacturer (Starkey) were purchased;
- in India, in order to accelerate the strengthening of its position as market leader, an agreement was reached with Starkey Hearing Technologies for taking over the operation of 12 ENT service centers found inside doctors' offices and hospital-based clinics located in the country's main cities;
- in the United States a client list and a store in Missouri were purchased.

A total of €35,883 thousand was invested, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

Statement of changes in Net Equity and the results for the period of the Parent Company Amplifon S.p.A. and the Group Net Equity and results for the period in question as at 31 december 2014

(€ thousands)	Net equity	Net result
Net equity and year-end result as reported in the Parent company's financial statements	**341,764**	**21,332**
Elimination of carrying amount of consolidated investments:		
- difference between carrying amount and the pro-quota value of net equity	(376,150)	-
- pro-quota results reported by the subsidiaries	99,533	99,533
- pro-quota results reported by investments valued at equity	1,991	201
- difference from consolidation	361,754	-
Elimination of the effects of intercompany transactions:		
- elimination of impairment net of reversals of investments and intercompany receivables	15,500	15,686
- intercompany dividends	-	(89,859)
- intercompany profits included in the year-end value of inventories net of fiscal effect	(1,267)	(228)
- exchange differences and other changes	97	(220)
Net equity and year-end result as stated in the consolidated financial statements	**443,222**	**46,445**
Minority equity and result for the year	1,057	(30)
Group net equity and result for the year	**442,165**	**46,475**

Risk management

In line with the most advanced management systems and best practices in the design and implementation of internal control systems Amplifon focuses strongly on risk management.
All enterprises deal with risk: this exercise is all the more vital in a continually changing situation, where moreover there is an ongoing recession.
Amplifon's management carefully assesses the balance between risk and opportunity and channels resources towards the achievement of the best balance in line with the risk threshold which is considered acceptable.

Risks are identified both at Group level and locally, in the Group's countries of operation by regularly performing risk assessment exercises involving the whole management of the Group using the self-assessment method. Risks are then ranked according to priority in light of the Group's objectives and those of its subsidiaries and on the basis of the combined effect of probability and severity of the residual risks.

Systems are then put in place to monitor the factors contributing to risk with the aim of mitigating risk and exploiting business opportunities in relation to the ability to anticipate competitive trends.

In this way risk management and risk monitoring continuously complete the Group's risk analysis work.
For ease of assessment, risk factors are grouped into categories: those originating outside the company, those stemming from Amplifon's own organisation, and those of a more specifically financial nature.

The main external risks identified, grouped by type, are the following:

Political, economic, social, legal and regulatory:
The Amplifon Group operates in the "medical" sector which is regulated differently in different countries. A change in regulations (for example, in reimbursement conditions, the way in which coverage is calculated, in the ability to access national health coverage, in the role of the ENT doctors and, more in general, in the laws relating to hearing aids), does and will have a significant and immediate impact on performances, similar to the negative repercussions that affected the Netherlands in 2013, Switzerland and New Zealand in 2011, and the positive ones that affected Germany beginning year-end 2013 and New Zealand mid-2014, as would any changes in social policies which result in the public sector having a larger or smaller role in the treatment of hearing pathologies.

Typically the distortionary effects of any regulatory changes relating to refunds are felt for a limited time of between two and six quarters, after which the market returns to the pre-change growth rates. It is more difficult to understand the possible impact of changes in the regulations governing the final retail price of hearing aids, as any changes can cause an immediate decline in unit prices

and, consequently in results, while the impact on penetration rates and, therefore, on a possible acceleration in market growth is much slower. In the Netherlands, for example, the regulatory changes implemented early 2013 caused results to drop sharply in 2013, while the increase in volumes in 2014 allowed for an initial recovery in sales and profitability that were, however, still well below the levels recorded prior to the changes.
Well aware that other unexpected and unforeseen changes could take place in addition to those mentioned above (in Switzerland, New Zealand, the Netherlands and Germany), including in light of the persistent tensions in the debt market and pressure on public accounts, the Group has implemented a series of measures which ensure the ability to react in a timely manner to these events with a view to reducing the impact of any unfavourable changes or maximizing the upside in the event the changes are favourable.

More in detail: (i) regular reporting has been introduced in order to monitor the main changes in regulations, analyze the impact and address compliance strategies, that are discussed with the company management and approved by headquarters; (ii) mapping of the sector regulations in all countries of operation has been initiated, together with monitoring by a specific corporate function of regulatory changes in close cooperation with the Group's Compliance division with the support of Legal Affairs; (iii) mapping of trade bodies and associations in the Group's countries of operation has been initiated, including to ensure that Amplion's managers are sufficiently involved in determining the strategies to be undertaken.

With regard to the economic context, while the market sector in which the Amplifon Group operates is less sensitive than others to fluctuations in the general economic cycle, it is, however, influenced (both positively and negatively) and the current situation in Europe characterized by very low growth lessens the visibility of future results with the risk (as was the case in Italy in 2014) that lower or less buoyant sales will, in the short term, have a direct impact on margins due to the cost structure of the stores which is largely fixed. Conversely, in the United States, where the Group's business model is based on commercial partners and other indirect channels, the economic performance and financial solidity of the latter must be monitored carefully in order to react quickly, including by repositioning stores as was done over the past few years with some of the Miracle Ear franchise stores that are now part of structures managed by partners who were experiencing difficulties.

With regard to demographic changes, there are a number of factors including the growing number of senior citizens (baby boomers), the increased average life expectancy and the declining age at which the hearing aid market is being accessed, which represent both a great opportunity and a risk, as the opportunity could be missed as a result of the failure to correctly estimate the increased rate of penetration and, consequently, to calculate the growth opportunities. In the marketing plans, therefore, particular attention is paid to interpreting all the trend signals and to using them to develop effective communication while continuously monitoring the results.

Competition and the Market
The arrival of new market competitors and players, especially large distribution and optical chains, able to take advantage of distribution channels comprised of existing stores, as well as hearing aid manufacturers who can benefit from higher margins as a result of their manufacturing activities, or on-line retailers, could result in greater price pressure and also represent an obstacle to external growth due to increased competition for acquisition targets.

The risk that new players may enter the market could also be increased by regulatory changes relating to store personnel qualified to sell hearing aids in the event qualifications should become less stringent (as has already happened in some countries) and/or professions like audiologist/hearing aid specialist become more accessible, which would make it easier to recruit these professionals.

Both organic growth, supported with investments in store renovation, new openings and increased productivity, and external growth, through new acquisitions, are key to countering competition and developing the market. These activities call for significant financial resources and the Group, after completely restructuring its debt in 2013 through capital market issues with long term maturities falling due beginning in 2018, pays the utmost attention to both treasury management, as well as to the continuous maintenance of existing credit lines, in order to be able to dedicate the greatest possible amount of cash and operating cash flow to these important investment activities.

In the United States where the Group is totally focused on the indirect channel, the growth is, above all, linked to the ability to attract new partners. In 2014 all activities were focused on the channels that ensure the greatest volumes and are the most attractive to new partners (Elite wholesale, Miracle Ear and Hear PO).

Technological Innovation
The Amplifon Group's distinctive features are the quality of customer assistance at the sales stage and the customization of the hearing aid. Any technological changes affecting the development of self-fitting hearing aids would entail a reduction of the importance of customisation, but assistance and support given to the customer when choosing the best solution and post-sale service would remain of fundamental importance.

The Amplifon Group has set up a work-group to monitor continuously the technological changes in the fitting of products and to inform Corporate managers of all innovations or alterations. This work-group is also studying and developing alternatives to hearing aids and new marketing methods.

The risk that an alternative to the hearing aid may be developed to remedy hearing loss (e.g. surgical techniques or the use of pharmaceuticals) would have a very significant impact, but is considered very remote.

Relationships with the Medical Profession
Doctors are important influencers of our customers' buying choices. We consider our relationship with the medical profession of primary importance, though in different ways, both in countries where a prescription is obligatory (such as Italy, France, Germany, Belgium, Switzerland and Hungary), and in those where it is not, since there is a strong bond between patients and their doctors. We have therefore created a position in the corporate centre to coordinate relationships with the medical profession internationally, with the aim of disseminating information and providing professional and scientific support. At the same time the Group continues to be a reference-point - through our CSR (the Company's research centre) - for the international scientific community both by organising numerous conferences and scientific seminars and cooperating with numerous universities, and through its scientific publications.

Customer Relationships
Amplifon's business essentially consists of providing high quality service to customers in terms of both technical performance and personal relations. This is what distinguishes us from our competitors. Should customers not be satisfied, the Company would be running a risk.

To monitor customer satisfaction continuously, Amplifon carries out regular customer satisfaction surveys, and frequent training programmes for its audio-prosthesists; our sales policies are also oriented towards customer satisfaction.

The main internal risks identified, grouped by type, are as follows:

Organisation and Processes
In the current economic situation, in which the decisive factors for our business are highly volatile, the ability to take rapid strategic and tactical action is vital in all the countries where the Group operates. It follows that the Company must possess an adequate level of formalisation and application and control over its processes in order to maximise its operating efficiency and effectively control its stores in terms of the profitability, effectiveness and efficiency of each one. These processes are still more important with acquisitions, where it is crucial to assess all the risks arising from such operations: mistakes in assessing those risks, like slow and delayed integration of acquired businesses into the Group's processes, might entail significantly higher costs and inefficiency levels for the Group.

After having implemented a project to standardize IT processes, including in the geographical regions where recent acquisitions were made, as well as the Compliance 262 and the Business Performance Management projects in the stores, with a view to more effective monitoring and international comparison, along with the worldwide cash pooling project the purpose of which is to manage liquidity more efficiently, as well as monitor the Group's daily cash position in order to take timely action with regard to any critical areas, in 2014 the Group began deployment in Italy of a new proprietary front office system (FOX) developed based on the experience matured by Amplifon over the years. This system allows for more efficient and effective management of all store activities, and also makes customer information available immediately. It will be installed gradually in all the countries where the Group has directly operated stores.

Rapid implementation of strategic decisions is ensured by an organization based on uniform geographical regions and a leadership team that works with the Chief Executive Officer, along with the Vice Presidents of the three geographical regions (EMEA, Americas and APAC), the corporate heads of the various functions (innovation and development, HR, administration and finance, supply chain and purchasing).

Human Resources

One of Amplifon's strengths is its customer service and in this context our people are a vital factor, while they also present certain issues and areas of risk. Specifically:

- Limited availability of audio-prosthesists in our market, the difficulty of attracting new ones and some of them moving to the competition can pose significant risks for the Group's organic growth together with the risk of losing customers and increased labour cost due to salary increases;
- Deficiencies in staff's technical and sales skills might make the sales effort ineffective in certain countries and would be a significant risk in terms of reaching our organic growth targets;
- The risk of illegal acts or behaviour out of line with Group rules committed by the sales force.

To mitigate these risks the Group has taken the following actions:

- we have defined and set out our values in our Code of Conduct, which has been distributed in all our countries of operation and in Italy we have also implemented the Internal Organizational Model adopted pursuant to Legislative Decree 231/2001;
- we have drawn up the ideal audio-prosthesist's profile, with the aim of having a profile consistent with our recruitment methods and the Group's business policies. We have also acted to increase the supply of audio-prosthesists in the market, through agreements with universities and specialist courses;
- we have stepped up our internal training programmes and developed central coordination of training organised in our countries of operation;
- we have implemented a structured performance management system with the aim of aligning individual objectives, corporate strategies, the incentive system and the results achieved, and to provide all employees and collaborators with a valid tool for their professional development;
- we have increased the attention being paid to store procedures which, while present in all the countries, currently are being formalized and periodically checked in Italy, France and the UK with a view to defining a standard set in order to facilitate rapid implementation in countries where the Group's presence is more recent.

Financial risks

With a view to structured management of treasury activities and financial risks, since 2012 the Group has adopted a treasury policy which contains guidelines for the management of:
- currency risk;
- interest rate risk;
- credit risk;
- price risk;
- liquidity risk.

Currency risk

This includes the following types:
- *foreign exchange transaction risk*, that is the risk of changes in the value of a financial asset or liability, of a forecasted transaction or a firm commitment, changes due to exchange rate fluctuations;
- *foreign exchange translation risk*, that is the risk that the translation of the assets, liabilities, costs and revenues relating to net investment in a foreign operation into the reporting currency gives rise to an exchange gain or loss.

In the Amplifon Group, the foreign exchange transaction risk is largely limited in consideration of the fact that each country is largely autonomous in the operation of its business, incurring costs in the same currency as it realises revenues with the exception of Israel where purchases are made in Euros and US dollars. The size, however, of the subsidiary with respect to the Group and the fact that the products purchased subject to currency risk represent only a small part of total costs, ensures that any significant currency volatility will not have a material impact on the subsidiary or the Group. The foreign exchange transaction risk, therefore, derives primarily from intragroup transactions (medium-long term and short term loans, charge backs for intercompany service agreements) which result in currency risk for the companies operating in currencies other than that of the intragroup transaction. Additionally, investments in financial instruments denominated in a currency different from the investor's home currency can result in foreign exchange transaction risk. Foreign exchange translation risk arises from investments in the United States, United Kingdom, Switzerland, Hungary, Turkey, Poland, Israel, Australia, New Zealand, India, Egypt and Brazil.

The group's strategy aims to minimize the impact of currency volatility on the income statement and calls for significant positions in foreign currency to be hedged against foreign exchange risk. These include: (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) intercompany loans in currencies other than the Euro between Amplifon S.p.A. and the Group companies in the United Kingdom and Australia.

The intercompany loans between the Australian and New Zealand companies, as is a loan granted by Amplifon S.p.A. to the English subsidiary, are considered equity investments as they are non-interest bearing and need not be repaid. The impact of changes in exchange rates is, therefore, recognized directly in the translation reserve without passing through the income statement.

The risks arising from other intragroup transactions (two loans granted to the subsidiaries in, respectively, Hungary and Turkey) are not hedged as the amounts are not material.

In light of the above, during the year currency fluctuations did not result in significant foreign exchange gains or losses being recognized in the Amplifon Group's consolidated financial statements.

With regard to foreign exchange translation risk, given the complexity of the hedging transactions, the Australian dollar was only partially hedged, while no hedging against changes in the other currencies was carried out including due to the positive US dollar trend, the Group's other important currency. Overall the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which dropped two percentage points with respect to the Group's total EBITDA.

Interest rate risk
Interest rate risk includes the following situations:
- fair value risk, namely the risk that the value of a fixed rate financial asset or liability changes due to fluctuations in market interest rates;
- cash flow risk, namely the risk that the future cash flows of a floating rate financial asset or liability fluctuate due to changes in market interest rates.

In the Amplifon Group fair value risk arises on the issue of fixed rate bonds (Private Placement and Eurobond).The cash flow risk derives from floating rate bank loans.

The Group's strategy is to minimize cash flow risk, especially with regard to long-term exposures, through a balanced mix of fixed and floating rate loans, evaluating over the life of the loan when, based on market rates, to convert floating into fixed rate debt. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2014, the entire medium-term debt (€431 million) is linked to fixed rate capital market issues which to date have yet to be converted to floating rate debt as currently interest rates are low and the possibility that they will increase is limited. The risk, therefore, is that any conversions of debt from fixed to floating could result in financial costs that are, as a whole, higher with respect to the current fixed rate.

Credit risk
Credit risk is the risk that the issuer of a financial instrument defaults on its obligations resulting in a financial loss for the holder/investor.

In the Amplifon Group credit risk arises from:
(i) sales made as part of ordinary business operations;

(ii) the use of financial instruments that require settlement of positions with other counterparties;
(iii) from the sale of Group-owned American stores to franchisees, with the payment spread over up to 12 years, following the transformation of the subsidiary Sonus's business model from the direct to the indirect channel;
(iv) from the loans granted to indirect channel and commercial partners in the United States and in Spain for investments and business development.

With regard to the risk under (i) above, it is noted that the only positions with a high unit value are amounts due from Italian public-sector entities, whose risk of insolvency – while existing – is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, to specialist factoring companies. Additionally, the credit risk arising from sales with private individuals to whom payment by instalments has been agreed, is becoming significant as is that arising from sales to US indirect channel firms (wholesalers and franchisees), which in any case are related to a number of partners which individually owe Amplifon a limited amount that also with reference to the biggest of them does not exceed the few million US dollars. Due to the persistent general economic crisis, some may not be able to honour their debts. This causes a risk of increased working capital and bad debt losses.
The Group, through its Corporate functions, has set up a system of monthly reporting on its debtors, to monitor their composition and due dates for each country and decide with local management both the actions to be taken to recover overdue accounts and credit policy. In particular, with regard to private customers, who are however largely paying cash, instalment or financed sales have been limited to a maximum term of 12 months and where possible they are managed by external finance companies which advance the whole amount of the sale to Amplifon, while with regard to the indirect channel in the US, the situation is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to a sudden and unforeseeable counterparty default, is managed by diversifying among the main national and international investment-grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of derivative contracts. Counterparty limits are higher if the counterparty has a Standard & Poor's and Moody's short-term rating equal to at least A-1 and P-1, respectively. The Group's CEO and CFO may not carry out transactions with non-investment-grade counterparties unless specifically authorized to do so.
With regard to the risk referred to in (iii) above, in the event payments fail to be made on the stores sold, ownership will revert back to Amplifon, while with regard to the loans referred to in (iv), the US loans are generally personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the hearing aids purchased are paid, while in Spain, where the amounts are smaller, the situation is carelly monitored by local management and repayments are made by withholding the amount due from any payments owed to the partners.

Price risk

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) whether these changes arise from specific characteristics of the financial asset or liability or the issuer of the financial liability, or are caused by market factors. This risk is typical of financial assets not listed on an active market, which may not be easily realised at a value close to their fair value.

In the Amplifon Group price risk arises from certain financial investments in listed instruments, mainly bonds. Given the size of these investments, this risk is not significant and is therefore not hedged.

Liquidity risk

This risk often arises from the possibility that an entity may have difficulty finding sufficient funds to meet its obligations. It includes the risk that the counterparties that have granted loans or lines of credit may request repayment. This risk, which had become particularly significant, first as a result of the 2008 financial crisis and more recently as a result of the crisis involving the peripheral Euro zone countries' sovereign debt crisis and the single currency itself, still exists albeit smaller.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations and carefully managing credit lines to ensure that adequate irrevocable long term lines of credit are in place, even though, as a result of the debt capital market transactions carried out in the prior year, the Group's debt is now primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement of €55 million, at the hedging rate, will fall due, while the first significant amount will not fall due until mid-2018.

These activities, along with the liquidity, irrevocable medium/long term credit lines that currently amount to €90 million, and the positive cash flow that the Group continues to generate, lead us to believe that, at least in the short term, liquidity risk is not significant.

Hedging instruments

Hedging instruments are used by the Group exclusively to mitigate - in line with company strategy - interest rate and currency risk and are exclusively financial derivatives.

In order to maximise the effectiveness of these hedges Group strategy prescribes that:

- the counterparties be of large size and high credit standing and that transactions be within the limits laid down by treasury policy in order to minimise counterparty risk;
- the instruments used match, as far as possible, the characteristics of the risk they hedge;
- the performance of the instruments used be monitored, not least in order to check and, if necessary, optimise the appropriateness of the structure of the instruments used to attain the aims of the hedge.

The derivatives used by the Group are generally so-called plain vanilla financial instruments. In particular, the types of derivatives adopted are the following:
- cross currency swaps;
- interest rate swaps;
- interest rate collars;
- forward foreign exchange contracts.

On initial recognition these instruments are measured at fair value. At subsequent reporting dates the fair value of derivatives must be re-measured and:
(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;
(ii) if these instruments subsequently qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss;
(iii) if these instruments qualify as cash flow hedges, from that date any changes in the fair value of the derivative are taken to net equity; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the object of the hedge is the purchase of a non-financial asset, changes to the fair value of the derivative taken to net equity are reclassified to adjust the purchase cost of the asset hedged (so-called basis adjustment); any ineffectiveness of the hedge is recognised in profit and loss.

The Group's hedging strategy is reflected in the accounts as described above starting from the time when the following conditions are satisfied:
- the hedging relationship, its purpose and the overall strategy are formally defined and documented; the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk to be neutralised and the procedures whereby the entity will assess the effectiveness of the hedge;
- the effectiveness of the hedge may be reliably assessed and there is a reasonable expectation, confirmed by ex post evidence, that the hedge will be highly effective for the period in which the hedged risk is present;
- if the hedged risk is that there may be changes in cash flow arising from a future transaction, the latter is highly probable and has exposure to changes in cash flow that could affect profit and loss.

Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not qualify for hedge accounting, conversely they are classified consistently with the hedged item.

In detail, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

The Group does not have in place any hedges of a net investment.

Intercompany derivatives, if any, are eliminated on consolidation.

Treasury shares

On 1 October 2014 implementation began of the share buy-back plan approved during the Shareholders Meeting held on 16 April 2014. The program, the purpose of which is to increase treasury shares in order to service stock-based incentive plans, also provided the Company with a valid means with which to stabilize and sustain the stock, as well as ensure the availability of treasury shares to use as a form of payment for acquisitions.
As resolved by the shareholders, the treasury shares may be purchased on one or more occasions on a revolving basis for up to a total number of new shares, which together with the treasury shares already held and in accordance with the law, amounts to 10% of the company's share capital. The purchase price of the shares may not be 10% higher or lower than the stock price registered at the close of the trading session prior to each single purchase. The authorization for the buy-back plan expires on 15 October 2015.
As part of this program, at 31 December 2014 520,000 had been purchased at an average price of €4.72. The treasury shares held, including the shares purchased on the market as part of the buy-back plan approved during the Shareholders' Meeting held on 27 April 2006, now total 7,420,000 or 3.304% of the Company's share capital.

Treasury Shares purchased in 2005, 2006, 2007 and 2014 and held in the Company's portfolio are listed below.

	N. of shares	Average purchase price (Euro)	Total amount (Euro)
Held at 31 december 2013	6,900,000	6.39	44,091,446
Purchased in 2014	520,000	4.72	2,455,790
Total at 31 december 2014	**7,420,000**	**6.27**	**46,547,236**

Research and development

The Group did not carry out any research and development activities in the year.

Transactions between group companies and with related parties

Pursuant to and in accordance with Consob Regulation n. 17221 of 12 March 2010, on 24 October 2012, subject to the favourable opinion of the Independent Directors' Committee, Amplifon S.p.A.'s Board of Directors adopted new Regulations for Related Party Transactions which took effect 1 December 2012 and substituted the version approved by the Board on 3 November 2010.

In 2014 the Amplifon Group exercised the option for consolidated taxation jointly with the Parent Company Amplifin for the three-year period 2014-2016. The transaction was evaluated by the Committee of Independent Directors who expressed a favourable opinion and approved by the company's Board of Directors. This and other transactions with related parties, including intercompany transactions, do not qualify as atypical or unusual, and fall within the Group's normal course of business and are conducted at arm's-length as dictated by the nature of the goods and services provided.

Information on transactions with related parties, including specific disclosures required pursuant to Consob Bulletin of 28 July 2006, is provided in Note 35 of the consolidated financial statements and in Note 31 of the separate financial statements.

Contingent liabilities

As mentioned in the 2013 Annual Financial Report, in 2013 the Italian Finance Police ("Guardia di Finanza") began investigating a series of Italian banks in reference to medium/long term loans granted by the latter abroad in order to verify if the loans were subject to substitute tax, ordinary duties, stamps, liens, surveys and government subsidies. Between the latter part of 2013 and early 2014 the Italian Financial Administration challenged the failure of a number of banks to apply substitute tax on all the loans granted abroad, including the syndicated loan of €303.8 million and AUD 70 million granted to the Amplifon Group in December 2010 by a pool of 15 Italian and foreign banks to finance the acquisition of the Australian group NHC. Pursuant to the loan agreement, Amplifon S.p.A., Amplifon S.p.A. - French branch and Amplifon Nederland BV could be held responsible for the substitute tax. The Financial Administration was asking at total of €708 thousand from the different banks, in addition to interest and any other sanctions that might be determined, for up a maximum of double the amount in question.

The banks involved, the majority of which in collaboration with Amplifon and its consultants, appealed the findings and paid the Administration only the taxes and interest found to be owed in order to avoid fines in the event the appeal was rejected and submitted to higher courts. In the event the appeal is granted the amounts paid in advance will be refunded. A few banks requested a refund of the amount paid by them from Amplifon. At 31 December 2014 Amplifon had refunded the banks €476 thousand (including interest of €45 thousand).

Between year-end 2014 and the beginning of 2015, including in light of number of sentences issued in favour of the banking industry, several Provincial branches of the Financial Administration have submitted motions for self-assessment, cancelling the previously issued notices. Among these is the self-assessment motion granted by the Provincial branch in Florence which cancels the sanctions levied against MPS Capital Services relating also to the Amplifon loan. The Provincial Tax Commission of Florence was asked to declare the dispute resolved. Based on these facts, at the beginning of 2015 the banks involved filed self-assessment notices requesting that the findings of the audit be re-examined and, subsequently, annulled.

In light of the above Amplifon, its consultants and the banks involved believe that the reasons listed and documented in the appeals filed are enough to demonstrate that the tax was not due and, consequently, though the uncertainty typical of any dispute remains, the appeal will likely be granted in a higher court. In any case, the possibility of any penalties being imposed is viewed as remote and for this reason no provisions were made in the financial statements at 31 December 2014.

The petition filed with the Australian tax authorities requesting that it be allowed to deduct the amortization of a few intangible assets (in particular, the customer database) acquired as part of the NHC Group acquisition in December 2010 for tax purposes was granted in March 2014, and the positive effects of both the refunds received and the deductibility of amortization in the future are reflected in this financial report at 31 December 2014 and commented on in the paragraph relating to the Group's net profit.

Currently the Group is not subject to any other particular risks or uncertainties.

Subsequent events after 31 december 2014

The main events that took place after the end of the year are described below:

- on 7 January 2015 the director Luca Garavoglia tendered his resignation, effective immediately, for personal reasons, as non-executive independent director and as member of the Risk and Control Committee, of the Remuneration and Appointments Committee, as well as of the Supervisory Board. Consequently on 29 January 2015, Amplifon S.p.A.'s Board of Directors, after having acknowledged the waiver of the candidate Ugo Giorcelli who was on the same list as the outgoing Director presented to shareholders by Ampliter N.V. on 17 April 2013, co-opted Anna Puccio to act as the Company's new non-executive director. The appointment will be submitted to the shareholders for approval.
  The Board of Directors, in substitution of the outgoing director Luca Garavoglia, also appointed the director Anna Puccio member of the Risk and Control Committee and director Maurizio Costa member of the Supervisory Board.

- On 29 January 2015 shareholders met in extraordinary session and amended the by-laws in accordance with art. 127-quinquies of Legislative Decree n. 58 dated 24 February 1998 granting two votes for each share held by the same party without interruption for a period of at least 24 months as of the registration date shown in a specific register. Shareholders may request to be registered at any time. The registration will take place within the fifteenth day of the month subsequent to having received the request. As of the date of this report no share is recorded in the register.

- In order to continue to pursue opportunities for strategic business development, while ensuring the operational excellence, on 3 March Enrico Vita, EMEA Executive Vice-President, is appointed to Chief Operating Officer (COO) and Amplifon General Manager.
  The three regions (EMEA, Americas and Asia Pacific) as well as the IT, Marketing and Supply Chain functions will report to him.

- on 15 January 2015 the Swiss Central Bank decided to de-peg the Swiss Franc against the Euro and eliminated the cap on the Euro/ Franc exchange rate of 1.20 that had been maintained for three years. The decision provoked a decided strengthening of the Swiss Franc against the Euro and hit a level slightly above one Franc per Euro before recovering to about Swiss Franc 1.08 for a Euro. In the Amplifon Group's consolidated financial statements, the assets and liabilities denominated in Swiss Franc were translated at the year-end exchange rate (Swiss Franc 1.2024 per 1 Euro), while revenue and the costs incurred were translated at the 2014 average (Swiss Franc 1.2146 per 1 Euro). The valuation of assets, liabilities, revenue and costs at a rate of 1.08 Swiss Franc for 1 Euro would have resulted in an increase in assets of approximately €2.7 million, in net invested capital of €0.8 million, a drop in net debt of approximately €0.5 million, an almost €3.4 million rise in revenue, while EBITDA would have showed a rise of approximately €0.3 million.

- on 28 January 2015 and 2 March 2015 the Company's bylaws were updated following the partial subscription of a capital increase servicing existing stock option plans as resolved by the Board of Directors on 28 October 2010 and the consequent issue of 142,339 ordinary shares with a par value of €0.02 (3,839 of which relating to options exercised in December 2014). At 3 March 2015 the share capital subscribed and paid-in amounted to €4,494,807.02.

- on 2 February 2015 Amplifon S.p.A. sold the business unit that distributes, repairs and provides customer care for biomedical equipment in Italy, under the Amplifon Biomedica brand, to GN Otometrics, the diagnostic division of the Danish Group GN ReSound. The proceeds from the sale are not significant.

- in the first part of 2015 the buyback program, authorized during the Shareholders' Meeting held on 16 April 2014, continued and between year-end and the date of this report 70,000 shares were purchased at an average price of €5.39. At 3 March 2015 treasury shares amounted to 7,490,000 shares, equal to 3.333% of the Company's share capital, including the shares already purchased as part of the previous buyback programme authorized during the Shareholders' Meeting held on 27 April 2006.

- A few minor acquisitions were also made in Germany and France for a total of 14 and 4 stores, respectively.

Outlook

In 2015 the Amplifon Group will continue to operate under global market conditions that are still difficult in Europe, but where the gradual improvement in profitability that materialized in 2014 is expected to continue, thanks also to (i) the contribution of the Netherlands where despite persistent price pressure the Group expects the increase in volumes reported in the period to continue for the rest of the year, (ii) Germany where sales are expected to rise further in 2015, albeit at a less robust pace than in 2014 and (iii) the gradual recovery of Italy.

In the United States the Group expects, thanks also to the development of new initiatives, the growth that materialized in the latter part of 2014 to continue. In Asia-Pacific the Group expects to see stable organic growth in Australia and that New Zealand will benefit from the reorganization implemented, as well as the increased subsidies that took effect beginning in July 2014.

The recovery in profitability begun in the year is expected to continue, thanks also to the restructuring carried out and the specific programs put in place to increase productivity. The Group will continue to sustain organic growth through investments for store openings, in the area of digital marketing and CRM initiatives. External growth will remain a priority in order to reach adequate critical mass in specific regions, as well as enter new countries, like Israel, with a growing and wealthy elderly population segment.

Report on Corporate Governance and Ownership Structure at 31 December 2014

(in accordance with art. 123-*bis* TUF)

1. Issuer profile

Amplifon S.p.A., an Italian multinational company with its registered office in Milan, is world leader in the distribution, fitting, adaptation and personalization of hearing systems (hearing aids) designed to meet the needs of those suffering from hearing disabilities.

Founded in 1950, Amplifon also contributes to the development of detection and rehabilitation techniques, while also providing the medical community with the assistance and know-how that are key to otology diagnosis and the management of computerized and integrated auditory systems.

The Group is active in 22 Countries: directly in Italy through Amplifon S.p.A., through its subsidiaries in France, Germany, Switzerland, the Netherlands, Belgium, Luxemburg, the UK, Ireland, Spain, Portugal, Hungary, Poland, Turkey, Israel, the USA, Canada, Australia, New Zealand, India, Egypt and Brazil.
The hearing aids are fitted in dedicated points of sale, service centres and, to a marginal extent, at customers' homes. The points of sale are operated both directly and indirectly through agents and franchisees.

The Company's mission is to help the people with hearing difficulties to rediscover the joy of a full and active life through solutions which provide maximum hearing satisfaction in all of daily life's different situations.

Amplifon S.p.A.'s corporate governance is based on the traditional organizational model with Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors. Descriptions of these bodies are provided below and are found throughout this report.

The Shareholders' Meeting is convened at least once a year, in ordinary session, to approve the annual financial report, appoint and remove members of the Board of Directors and the Statutory Auditors, as well as approve their remuneration, and to also resolve on other matters falling under its prerogative as provided for by law. In extraordinary session, to amend the Company's articles of incorporation and association, as well as to resolve on other matters falling under its prerogative as provided for by law.

An auditing firm, listed in the special register kept by CONSOB, is responsible for carrying out the independent audit of the financial statements in accordance with the law.

2. Information on ownership structure (pursuant to art. 123-*bis*, par. 1 TUF) at 31 December 2014

a) Structure of share capital (pursuant to art. 123-*bis*, par. 1, letter a), TUF)

The share capital at 31 December 2014 amounted to €4,492,037.02 broken down in 224,601,851 ordinary shares with a nominal value of €0.02 each; 217,181,851 of which with voting rights and 7,420,000 of which with voting rights suspended pursuant to art. 2357 ter, paragraph 2 of the Italian Civil Code as they represent the Company's treasury shares.
There were no shares with limited voting rights at 31 December 2014.

	n. of shares	% of share capital	Listed (indicate the markets) / non listed	Rights and obligations
Ordinary shares	224,601,851	100%	MTA – STAR Segment	
Of which Shares with limited voting rights	-			
Of which Shares with no voting rights	7,420,000	3.304%		Treasury shares

The Company, as from financial year 2001, has implemented Stock Option Plans which involve capital increases: the description of these plans can be found in the notes to the accounts in the annual report under Note 32, 'Stock Options - Performance Stock Grant' and in the remuneration statement prepared as per art. 84-bis of the Issuers' Regulations published on the Company's website in the sections Investors/Financial Reports" and "Investors/Other Documents".

There were no instruments granting subscription rights of newly issued shares in existence at 31 December 2014.

b) Share transfer restrictions (pursuant to art. 123-*bis*, par. 1, letter b), TUF)

At 31 December 2014 the following share transfer restrictions were in effect:

- 55,785,124 ordinary shares of Amplifon were pledged by the shareholder Ampliter N.V. in favour of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of EUR 135 million, due in 2018, exchangeable into existing ordinary shares of Amplifon.

c) Significant interests in share capital (pursuant to art. 123-*bis*, par. 1, letter c), TUF)

Based on the declarations received under art. 120 of TUF, the following shareholders hold significant interests in the Company's share capital at 31 December 2014:

Declarant	Direct shareholder	% of ordinary capital (*)	% of voting capital (*)
Ampliter NV	Ampliter NV	54.843	56.007
FMR LLC	FMR LLC	5.136	5.296
Tamburi Investment Partners S.p.A.	Tamburi Investment Partners S.p.A.	4.025	4.392

(*) The percentages refer to the share capital disclosed to CONSOB pursuant to Art. 120 of TUF. With regard, specifically, to the majority shareholder Ampliter NV, reference is made to the declaration dated 20/03/2012.

At 31 December 2014 n. 55,785,124 ordinary shares of Amplifon or 24.895% of the share capital and 25.686% of the shares with voting rights had been pledged by Ampliter N.V. in favour of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of EUR 135 million due in 2018, exchangeable into existing ordinary shares of Amplifon.

d) Shares with special rights (pursuant to art. 123-*bis*, par. 1, letter d), TUF)

At 31 December 2014 there were no shares granting special rights of control.

On 29 January 2015 shareholders met in extraordinary session and amended the Company Statutory in accordance with art. 127-*quinquies* of Legislative Decree n. 58 dated 24 February 1998 TUF granting two votes for each share held by the same party without interruption for a period of at least 24 months as of the registration date shown in a specific register.
Shareholders may request to be registered at any time. The registration will take place within the fifteenth day of the month subsequent to having received the request.

e) Employee share ownership: exercise of voting rights (pursuant to art. 123-*bis*, par. 1, letter e), TUF)

No specific mechanisms for the exercise of voting rights under employee share ownership are provided for.

f) Restrictions on voting rights (pursuant to art. 123-*bis*, par. 1, letter f), TUF)

At 31 December 2014, the only limits on voting rights are those pursuant to art. 2357 *ter*, paragraph 2 of the Italian Civil Code (voting rights suspended) related to the Company's treasury shares as described in paragraph 2 a.

As part of the issue made by Ampliter N.V. of the senior secured bonds for a total aggregate amount of EUR 135 million, the voting rights pertaining to the Amplifon shares pledged by Ampliter N.V. may be exercised by the latter unless Ampliter NV fails to pay the bondholders, or if any other default events occur as per the Deed of pledge, and the Secured Parties exercise the voting rights.

Furthermore, at 31 December 2014, n. 2,361,358 shares had been loaned by Ampliter N.V. as part of the same transaction. These shares (included in the percentages shown in the table found in item c) above) do not grant voting rights to Ampliter N.V.

g) Shareholder agreements (pursuant to art. 123-*bis*, par. 1, letter g), TUF)

At 31 December 2014, there were no known shareholder agreements pursuant to art.122 of TUF.

h) Change of control clauses (pursuant to art. 123-*bis*, par. 1, letter h), TUF) and provisions relating to takeover bids (pursuant to art. 104, par. 1-*ter*, and 104-*bis*, par. 1)

In the course of their normal business, the Company and its subsidiaries may stipulate agreements with financial partners which, as is common practice in international contracts, include clauses which grant each of the parties the right to rescind or amend said agreements in the event the direct or indirect control of the parties themselves should change.

At 31 December 2014, a Eurobond issued by Amplifon S.p.A., which amounted to €275 million at 31 December 2014, maturing in 2018, the residual debt pertaining to a private placement expiring in 2016, which totalled USD 70 million at 31 December 2014, the residual debt pertaining to a second private placement made by the American subsidiary expiring between 2020 and 2025, which amounted to USD 130 million at 31 December 2014, contain, as is normally the practice in these kinds of financial transactions, change of control clauses in the event the controlling shareholder of Amplifon S.p.A. should change based on which the Company must advise the parties of same and the latter may request repayment.

i) Authority to increase share capital and authorizations to buyback shares (pursuant to art. 123-*bis*, par. 1, letter m), TUF)

i.1) Authority to increase share capital

Pursuant to the powers granted during the Extraordinary Shareholders' Meeting held on 27 April 2006 pursuant to art. 2443 of the Italian Civil Code, on 28 October 2010 the Board of Directors resolved to increase share capital against payment in one or more instalments for up to a maximum amount of €150,000.00 through the issue of 7,500,000 ordinary shares of a nominal value of €0.02 per share, with dividend rights, to be offered in subscription to employees of the Company and its subsidiaries without option rights pursuant to art. 2441, final paragraph, of the Italian Civil Code and art. 114-*bis* and art. 134, second paragraph, of Decree 58/98 and subsequent amendments, based on the strategic importance of the position held within the Group. Any board resolution to increase share capital as per the powers granted must be subscribed within the period indicated (at any rate, not after 31 December 2020) and the share capital will be considered increased by an amount equal to the subscriptions tendered at the expiration date.

On 16 April 2014 shareholders granted the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the power to increase share capital, without payment, for a period of five years from the resolution date, in one or more instalments for up to a maximum amount of €100,000.00, through the issue of a maximum of 5,000,000 ordinary shares of a nominal value of €0.02 per share, with dividend rights, to be assigned to employees of Amplifon S.p.A. and/or its subsidiaries pursuant to art. 2349 of the Italian Civil Code as part of the Company's existing or future stock grant plans. These capital increases must be made through the use of distributable earnings or available reserves as per the last regularly approved annual report.

For a detailed description of the Stock Option Plans, please refer to the notes to the accounts in the annual report, specifically Note 32, 'Stock Options - Performance Stock Grant', and the information circular prepared as per art. 84-*bis* of the Issuers' Regulations published on the Company's website in the 'Investors/Other Documents" section.

At 31 December 2014, other delegations were not in place to increase the share capital or to issue other securities.

i.2) Authorizations to buyback shares

On 16 April 2014 shareholders authorized, pursuant to and in accordance with article 2357 of the Italian Civil Code, the purchase, in one or more instalments, of up to a maximum of new ordinary shares which will result in the Company holding a maximum of 10% of the Company's share capital in the event the power granted is fully exercised in the timeframe indicated herein, as permitted by law and taking into account the treasury shares already held, in order to provide the Company with a means to:

(i) have treasury shares available to service stock-based incentive plans, both existing and future, benefiting directors and/or employees and/or partners of the Company or its subsidiaries;
(ii) use treasury shares as a means of payment in the acquisition of companies or the exchange of equity interests;
(iii) intervene, to the extent allowed by the law, directly or through authorized intermediaries, to stabilize or sustain the stock's performance in light of extreme volatility or limited liquidity;
(iv) provide shareholders with an additional instrument with which to monetize their investments.

The shares may be purchased for a period of eighteen months from the date of the shareholders' approval at a unit price that may not be 10% above or below the official stock price recorded by the stock exchange on the day prior to each single purchase and may be purchased on regulated markets including through the purchase and sale of derivatives traded on regulated markets that call for the physical delivery of the underlying shares, as well as by assigning proportional put options to shareholders; the purchases may be made in accordance with the methods provided in both article 132 of Legislative Decree n. 58 dated 24 February 1998 and article 144-*bis* of CONSOB resolution n. 11971 of 14 May 1999, with the sole exception of public tender and exchange offers, taking into account the specific exemption provided for in the third paragraph of article 132 of Legislative Decree n. 58 dated February 24th, 1998, as well as with any and all other applicable laws and regulations.

In the same resolution, on 16 April 2014 shareholders also authorized, pursuant to and in accordance with article 2357 *ter* of the Italian Civil Code, the disposal, in one or more instalments, at any time and for an unlimited period of time, of the treasury shares purchased, in accordance with laws and regulations in effect at the time of the transaction. The sale transactions may be carried out prior to having completed all purchases, on one or more occasions on the market, including as a result of trading or block sales, and/or through transfer to directors, employees or partners of the Company and/or its subsidiaries, in implementation of incentive plans and/or other disposals involving the exchange or disposal of blocks of stock, including through swaps or transfers, or lastly as a result of capital market transactions involving the assignment or disposal of treasury shares (including, for example, mergers, spin-offs, the issue of convertible bonds or warrants serviced by treasury shares).

At the close of financial year 2014 Amplifon held a total of 7,420,000 ordinary shares, equal to 3.304% of the share capital; 6,900,000 of these shares were already held at the close of financial year 2007 as part of the previous buyback programmes and 420,000 were purchased based on the resolution described above.

In 2014 no transactions involving the disposal of Amplifon's treasury shares purchased in prior years took place.

l) Co-ordination and direction activities (pursuant to art. 2497 *et seq.* of the Italian Civil Code)

The Company is not subject to direction or co-ordination by other parties.

It is opportune to point out that Anna Maria Formiggini, Sole Administrator of the direct Parent Company Ampliter N.V. and Chairperson of the Board of Directors of the indirect Parent Company Amplifin S.p.A., is the non-executive Honorary Chairperson of Amplifon S.p.A. and that Susan Carol Holland, Deputy Chairperson of the indirect Parent Company of Amplifin S.p.A., is the non-executive Chairperson of Amplifon S.p.A.

It is the Company's view that the mere presence of directors serving on the boards of both the Company and its parent companies is not to be construed as exercising control or co-ordination given the lack of involvement in operations.

Furthermore, none of the factors commonly recognized as indicative of exercising direction and co-ordination activities were found to exist with Amplifon S.p.A. and its parent company.

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The information requested in art. 123-*bis*, first paragraph, letter i), *"agreements between the company and the directors and members of the Management Board and the Supervisory Board which call for indemnity in the event of resignation or dismissal without cause or termination following a takeover bid"* can be found in the Remuneration Statement published in accordance with art. 123-*ter* of TUF.

The information requested in art.123-*bis*, first paragraph, letter l), *"the norms governing nomination and replacement of directors and members of the Management Board and the Supervisory Board, as well as amendments to the Articles of Association, if different from those provided for under the applicable laws and regulations"* can be found in the section regarding the Board of Directors found in this report.

3. Compliance (pursuant to art. 123-*bis*, par. 2, letter a), TUF)

The Company adopted the Corporate Governance Code issued in July 2014 as approved by the Corporate Governance Committee. The Corporate Governance Code is available on the Corporate Governance Committee's website at "http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf".

Neither the Company nor any of its subsidiaries are subject to foreign legislation which could impact or influence the Company's corporate governance structure.

4. Board of Directors

4.1 Appointment and replacement (pursuant to art. 123-*bis*, par. 1, letter l), TUF)

The Company is managed by a Board of Directors comprised of between three and eleven members, as resolved by shareholders.

The members of the Board of Directors are elected based on a list of candidates presented by the shareholders and/or a group of shareholders who own at least 1% of share capital (as per CONSOB Resolution n. 19109 of 28 January 2015).

The lists presented must indicate the candidates in sequential numerical order and must be filed at the Company's registered office at least 25 days prior to the date of the Shareholders' Meeting in first call. The Company will also publish the lists on its website and in accordance with other modalities indicated in the CONSOB regulation issued pursuant to art. 147-*ter*, par. 1-*bis* of Legislative Decree 58/1998 at least 21 days prior to the Shareholders' Meeting.

Each shareholder who submits a list or is party to a list must submit the certificate issued by the authorized intermediary, by the legal deadline set for the Company's publication of said lists.

Based on the Company's Articles of Association, at least one of the members of the Board of Directors or two if the Board is comprised of more than seven members, must meet the requisites for an independent statutory auditor set forth in the applicable norms and regulations.

Only those candidates included in lists presented by shareholders holding voting rights equal to half the amount required in order to be entitled to present lists will be considered.

Based on the Articles of Association, the Board of Directors will be appointed in compliance with the current law governing gender equality rounding up the number of candidates belonging to the least represented gender in the event application of the quota criteria does not result in a whole number.

The directors will be elected based on the lists submitted, the majority of votes obtained in the sequential numerical order in which the candidates appear on said lists. One director, in possession of the requisite of independence pursuant to the law and in no way connected, even indirectly, to the shareholders who submitted or cast more votes for the list, will be elected from the minority list on the basis of sequential numerical order and the majority of votes obtained.

The directors are appointed for a maximum term of three years and may be re-elected. If one or more of the Directors should resign, for whatever reason, during their term, the Board of Directors will act in accordance with art. 2386 of the Italian Civil Code.

If one or more of the resigned directors was included in a list containing candidates who were not elected, the Board of Directors will appoint substitute directors based on the sequential numerical order of said list providing the candidates are still eligible for election and willing to accept the assignment.

In any event the Board will ensure that the total number of independent directors appointed complies with the law, including with respect to gender quotas.

In the event the exiting director was an independent director, the Board will attempt, to the extent possible, to appoint the first of the non-elected independent directors included in the exiting directors' list.

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration. It meets at least once every three months and has adopted an organization and *modus operandi* which guarantee effective and efficient performance of its functions. The Board of Directors, including through its delegates, reports on a timely basis to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position; in particular, it reports on transactions representing a potential conflict of interests.

Succession planning

During the meeting held on 6 March 2013 the Board of Directors, pursuant to the Risk and Control Committee's proposal, approved the succession plan relative to the appointment of executive directors in the event of unexpected vacancies or expiration of the term.

Based on this procedure the Chairperson of the Board of Directors and, if unable, the Risk and Control Committee, after consulting with the Chairperson of the Board of Statutory Auditors, will:

- seek to understand the situation and decide which is more opportune: succession or a temporary appointment;
- inform the Directors and the Board of Statutory Auditors;
- call a Board of Directors' meeting in order to adopt the measures deemed opportune.

4.2. Composition (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

At 31 December 2014 the Board of Directors was comprised as follows:

Name and date of birth	Office held	In office since	Date of first appointment	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appoint-ments
Anna Maria Formiggini 19/02/1924	Honorary Chairperson	17/04/2013	19/02/2001	M		X			50	1
Susan Carol Holland 27/05/1956	Chairperson	17/04/2013	19/02/2001	M		X			100	1
Franco Moscetti 09/10/1951	Chief Executive Officer (CEO)	17/04/2013	14/12/2004	M	X				100	2
Giampio Bracchi 27/01/1944	Director	17/04/2013	24/04/2007	M		X	X	X	83	4
Maurizio Costa 29/10/1948	Director	17/04/2013	24/04/2007	M		X	X	X	100	2
Luca Garavoglia (*) 27/02/1969	Director	17/04/2013	17/04/2013	M		X	X	X	83	4
Andrea Guerra 26/05/1965	Director	17/04/2013	08/03/2011	M		X	X	X	66	1
Giovanni Tamburi 21/05/1954	Director	17/04/2013	17/04/2013	m		X	X	X	66	4

KEY
Office held: Chairperson, Deputy Chairperson, CEO, etc.
In office since: Date of first appointment.
List: indicated as M/m depending on whether the director was elected on a majority list or a minority list (art. 144-*decies* of the CONSOB's Issuers' Regulations).
Exec.: marked if the director qualifies as executive.
Non exec.: marked if the director qualifies as non-executive.
Ind.: marked if the director qualifies as independent under the Code's criteria.
Indip. TUF: marked if the director meets the independence qualifications established by par. 3, art. 148 of TUF (art. 144-decies of the CONSOB's Issuers' Regulations).
% BoD: indicates the director's attendance record in percentage terms at Board meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Board meetings held during the year or after the director's appointment).
Other appointments: indicates the total number of appointments held in other companies listed on regulated markets (in Italy or abroad), in financial, banking, insurance or large companies, identified on the basis of the criteria established by the Board of Directors.

(*) On 7 January 2015 the director Luca Garavoglia tendered his resignation, for personal reasons, as non-executive independent director and as member of the Risk and Control Committee, of the Remuneration and Appointments Committee, as well as of the Supervisory Board.

The professional characteristics of the Directors are described in the annual report in the section "Corporate Governance and personnel" (the annual report can be found on the Company's website in the section "Investors/Financial statements").

For a more detailed description of the criteria used to evaluate the independence of the directors, please refer to section 4.6 of this report.

The list of the other companies in which the Directors of Amplifon S.p.A. have other appointments can be found in Annex 1 of this report.

The members of the Board Committees formed as resolved on 17 April 2013 and their attendance records for the year are shown below.

Name	Office held	EC	% EC	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairperson	n/a	n/a	n/a	n/a	M	100	M	**100**
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			C	100
Maurizio Costa	Director	n/a	n/a	n/a	n/a	C	100		
Luca Garavoglia	Director	n/a	n/a	n/a	n/a	M	100	M	100
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	50		

KEY
n/a: not applicable.
E.C.: Executive Committee; C/M for chairperson/member of Executive Committee.
% E.C.: indicates the director's attendance record in percentage terms at Executive Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Executive Committee meetings held during the year or after the director's appointment to this committee).
N.C.: Nominations Committee; C/M for chairperson/member of the Nominations Committee.
% N.C.: indicates the director's attendance record in percentage terms at Nominations Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Nominations Committee meetings held during the year or after the director's appointment to this committee).
R.A.C.: C/M: chairperson/member of the Remuneration and Appointments Committee.
% R.A.C.: indicates the director's attendance record in percentage terms at Remuneration and Appointments Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Remuneration and Appointments Committee meetings held during the year or after the director's appointment to this committee).
R.C.C.: C/M: chairperson/member of the Risk and Control Committee.
%. R.C.C.: indicates the director's attendance record in percentage terms at Risk and Control Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Risk and Control Committee meetings held during the year or after the director's appointment to this committee).

Maximum number of appointments allowed in other companies
Pursuant to the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A. in March 2006, and updated in December 2011, on 19 December 2012 Amplifon S.p.A.'s Board of Directors defined general criteria for the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of director: *'Non-executive directors and the Chairperson will not be able to assume directorships or statutory auditorships in more than 5 companies listed on regulated markets (including foreign markets), financial, banking, insurance or large companies, while independent directors may not assume more than 10 directorships or statutory auditorships'.* Please note that *'the limit on the number of appointments does not include subsidiaries nor the parent companies of Amplifon S.p.A.'.*

Induction Programme
Following the appointment of the Directors specific meetings will be held with the company management during which information relating to the sector, the competitive environment, the Group structure, the Company and the organization will be provided.

4.3. Role of the Board of Directors (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

4.3.1 Activities carried out in 2014 and expected for 2015

During 2014 the Board of Directors met six times:
- 5 March
- 28 April
- 10 June
- 23 July
- 23 October
- 18 December

Meetings lasted an average of four hours each.

Four meetings have been scheduled for 2015, with the possibility of holding other ones in order to examine specific topics related to operations and to evaluate strategic development plans as, to date, the Company has not instituted a Strategic Committee insofar as the Company believes that this role can be filled through specific Board of Directors' meetings.

The Board meetings are called by the Chairperson, or on the Chairperson's behalf, by way of a registered letter sent to each director or standing auditor at least five days prior to the meeting or, in urgent cases, via telegram, fax, or return receipt e-mail at least one day prior to the scheduled meeting date.

The Board of Directors may also be called, after having notified the Chairperson of the Board itself, by two members of the Board of Statutory Auditors.

The Board members usually receive the documentation relating to the meeting together with the summons for the Board of Directors' meeting, unless for reasons of confidentiality or lack of readiness it is not advisable or possible.

In 2014 the Chairperson of the Board of Directors invited the Manager charged with preparing the Company's financial reports to attend all the meetings; several Group Market Directors were also invited to report directly to the Board on the micro and macro-economic trends in the countries for which they are responsible, as were a few members of the Leadership Team in order to discuss specific topics.

All other aspects relating to the functioning of the Board of Directors are governed by specific regulations, compliance with which is monitored by the Chairperson with the assistance of the Board Secretary.

4.3.2 Role of the Board of Directors

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the Company's purpose, with the exception of those powers attributed by law or the Articles of Association to the Shareholders' Meeting. In detail, the Board of Directors:

- resolves on the opening and closure of secondary offices and the transfer of the registered office within the borders of Italy;
- indicates which of the Directors should represent the Company;
- resolves on reduction of share capital in the event of shareholder withdrawal;
- resolves on the amendments needed to be made to the Articles of Association in light of new norms and regulations;
- within the limits envisaged in art. 2420 *ter*, art. 2443 and art. 2436 of the Italian Civil Code, assumes decisions on mergers and spin-offs pursuant to art. 2505, art. 2505 *bis* and art. 2506 *ter* of the Italian Civil Code;
- examines and approves the strategic, operational and financial plans of the Company and the Group companies and periodically monitors implementation; defines the corporate governance system for the Company and the Group structure;
- defines the nature and level of risk compatible with the Company's strategic objectives;
- evaluates the adequacy of the general organizational and administrative structure of the Company and its strategically relevant subsidiaries put in place by the Chief Executive Officer, particularly with regard to and on an annual basis, the adequacy, efficiency and effective functioning, of the internal control and risk management systems, and the management of conflicts of interest;
- grants and revokes the Chief Executive Officer's powers, defining the limits and means of operation, without prejudice to the powers reserved exclusively for the Board pursuant to art. 2381 of the Italian Civil Code, as well as in relation to art. 20 of the Articles of Association;
- determines, following the advice of the Remuneration and Appointments Committee a remuneration policy for the Directors, the Key Managers and the Head of Internal Audit; determines, after examining the proposals of the Remuneration and Appointments Committee and consulting the Board of Statutory Auditors pursuant to art. 2389. par. 3 of the Italian Civil Code, the remuneration of the Chief Executive Officer and the other Directors holding particular offices, including as members of Board committees, as well as, in the event the shareholders have not done so, the breakdown of the Board members' global compensation;
- evaluates the Company's general performance, paying particular attention to the information received from the executive Directors, and periodically comparing the results achieved with those forecast;
- examines and approves the Company's and its subsidiaries' operations, in case such operations have a significant impact on the Company's profitability, assets and liabilities or financial position, paying special attention to situations in which one or more Directors have a direct or indirect (through third parties) interest and, more in general, transactions involving related parties; toward this end establishes the general criteria to identify relevant transactions;
- evaluates, at least once a year, the size, composition and performance of the Board of Directors and its committees and may provide opinions about the profile of the professionals that should serve on the Board;
- evaluates the need to adopt a succession plan for the Chief Executive Officers;
- provides information in the report on corporate governance:
  - on the composition of the Board, indicating, for each member, the qualifications, office held within the Board, the main professional experiences, as well as how long the office has been held;
  - on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member;
  - on the principal characteristics of the internal control and risk management system expressing the Board's opinion as to the adequacy and efficacy of the latter with respect to Group's characteristics and risk profile;
- evaluates any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code authorized by the shareholders in light of organizational needs pointing out any critical areas to the shareholders during their next meeting. Toward this end, each Director will inform the Board, upon accepting his/her appointment of any activities carried out which could be considered in competition with the Company and, subsequently, of any relevant changes in this regard;
- provides the shareholders with information about the activities carried out and planned and works to ensure that the shareholders receive the information needed to be able to make informed decisions during Shareholders' Meetings. All the Directors usually attend the Shareholders' Meeting and any absences must be justified;
- assesses whether or not it is opportune, in the event of significant changes in the Company's market capitalization or in the composition of its shareholders, to propose that shareholder amend the Articles of Association with regard to the percentages needed to mobilize shares and the steps taken to protect minority shareholders.

During the meeting held on 28 April 2014, the Board allocated the overall remuneration approved, on the same date, by the Shareholders' Meeting to its individual members.

The Board also resolved to pay the Independent Directors, in the event they should be called upon to chair one of the committees instituted by the Board or the Supervisory Board, an additional fee of €25,000 for each chairmanship or, in the event they are called upon to serve on one of the committees instituted by the Board or the Supervisory Board, an additional fee of €15,000 for each membership.

The additional fees have no impact on the overall remuneration approved by the Shareholders' Meeting, insofar as they are not considered as being in addition to said amounts.

The Board, in all of the meetings dedicated to examining the yearly and periodic accounting records, also looks at the reports on operations of each single subsidiary and the Group as a whole prepared by the Chief Executive Officer.

In the resolution dated 17 April 2013, the Board determined the powers of the Chief Executive Officer and the limits on the exercise of powers which should be exercised in accordance with the guidelines approved by the Board of Directors, as well as the forecast investments and expenses indicated in the budgets approved by the Board of Directors.

Toward this end the Chief Executive Officer was granted single signatory powers for an amount of up to €10 million per transaction, as well as for the transfer of funds, without limits, between the Company's bank accounts.

The Chief Executive Officer may also exercise powers relating to bank loans and lines of credit in joint signature with the Group's CFO for an amount of up to €20 million per transaction, as well as transfer funds, without limits, to affiliates and associates; in joint signature with the Chief HR Officer or a member of the Board of

Directors the CEO may stipulate, take disciplinary action relating to, or terminate any employment contract with a company executive.

The Chief Executive Officer may also carry out extraordinary transactions by executing the necessary deeds and contracts for an amount of up to €10 million per transaction subject to the approval of the Board of Directors for which these sorts of transactions are reserved.
In the same resolution, the Board of Directors also granted the General Manager single signatory powers for an amount of up to €10 million per transaction to the extent that the transactions are in accordance with the guidelines, the investment plans and budgets approved by the Board of Directors.

During the meeting held on 24 October 2012, the Board of Directors approved the Regulations for related party transactions issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010. Please refer to Chapter 12 below for information on "Directors' interests and related party transactions".

The Risk and Control Committee, with the support of the Head of Internal Audit, prepared a report summarizing the interviews conducted with the members of the Board of Directors regarding the evaluation of the Board's composition and performance.

This report was submitted to the Board during the meeting held on 18 December 2014 and the comments included in the report were shared with those present, underlining the areas of improvement.

The Shareholders' Meeting did not authorise any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code.

4.4. Executive Bodies

4.4.1 Chief Executive Officers

To date the Company has deemed it sufficient to appoint a single Chief Executive Officer in the person of Franco Moscetti, who also serves as the General Manager.
During the meeting held on 17 April 2013 the Chief Executive Officer and General Manager were granted the powers described above in paragraph 4.3.2.
The Chief Executive Officer reported to the Board every three months on the activities carried out in order to fulfil his duties.

4.4.2 Chairperson

The Chairperson acts in accordance with the law and the Company's Articles of Association, without operational powers and does not have a specific role in determining Company strategies.

Reporting to the Board

The Chief Executive Officer must report to the Board at least every three months on the most significant events which occurred within the group and on the market conditions which could influence operations.
Furthermore, the heads of the various subsidiaries present in the markets where the Group operates provide, as deemed appropriate, the Board with information regarding each subsidiary's operation and the reference markets (please also refer to paragraph 4.3.1).

4.5. Other Executive Directors

The Chief Executive Officer is the only Executive Director.

If deemed opportune executive members of the Management and Leadership Teams may also be called upon to discuss specific transactions with the Board of Directors.

4.6. Independent Directors

In the meeting held on 18 December 2014, the Board of Directors evaluated the permanence of the independence qualifications of the five independent directors: Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi.

This evaluation was carried out on the basis of the criteria outlined in the Code and the prudent assessment of the Board with the abstention of the Director in question. More in detail, the Board examined, on the basis of the declarations made by the persons concerned and/or available information, the relationships which could potentially compromise independence.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, informing the Company of the following findings which will be included in the annual report on supervisory activities:

"The Board of Statutory Auditors verified correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of the directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi. The assessment criteria were found to be adequate."

On 18 December 2014 a meeting of the Independent Directors took place in order to discuss the Group's risk management and internal control systems, in general, including the quality and the functioning of the corporate governance and the qualifications of the independent directors.

Based on the Regulations for the Board of Directors "once a Director has stated to qualify as independent, he/she must maintain this status for the duration of the mandate and, in the event he/she no longer qualifies as independent, will resign, without prejudice to the Board of Directors' power to co-opt the same Director immediately".

4.7. Lead independent Director

Although without an active role in operations, the Chairperson of the Company is a representative of the issuer's Parent Company. Consequently, in accordance with the Code, on 17 April 2013 the Board, during the first meeting following appointment by the Shareholders' Meeting (held the same day), appointed Giampio Bracchi, non-executive independent director, Lead Independent Director.

In an effort to enhance their contribution and the performance of the Board itself, Giampio Bracchi acts as a point of reference for the non-executive Directors (in particular the Independent Directors). The Lead Independent Director works with the Chief Executive Officer in order to ensure that the Directors receive adequate information in a timely manner. The Lead Independent Director may also call, at his own initiative or at the request of other directors, special meetings for just the independent directors to discuss issues considered of interest in relation to the operation of the Board or management of the business.

The Lead Independent Director, in addition to chairing the meetings of the Independent Directors, carried out his activities by attending meetings of the Risk and Control Committee, as well as the Supervisory Board.

5. Treatment of corporate information

On 24 October 2012 the Board updated the "Procedures for the internal management and external disclosure of company documents and information, with particular reference to price sensitive information" approved on 15 March 2007.
The procedures can be found on the corporate website in the "Investors/Corporate Governance/Statutory and codes' section".

6. Board Committees (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

On 17 April 2013 the Board of Directors appointed the Risk and Control Committee, and the Remuneration and Appointments Committee, while it was deemed unnecessary, for the moment, to appoint a Nominations Committee as the functions are attributed to the Remuneration and Appointments Committee as provided for in the comment to art. 4 of the Corporate Governance Code.
As described in paragraph 4.3.2, committee members are to receive a supplementary fee in addition to the overall remuneration approved by the Shareholders' Meeting. The Board also indicated that the committees were to perform their activities in accordance with the guidelines found in the Corporate Governance Code.

The committees are comprised of at least three non-executive Directors, the majority of which are independent, and minutes are taken at the meetings. In order to perform their duties, the committees may access all information and company systems as deemed necessary and they may invite non-members to attend the meetings.

The Risk and Control Committee has a budget which is approved by the Board. The Risk and Control Committee and the Remuneration and Appointments Committee, therefore, have the power to make expenditures if deemed necessary.

7. Nominations committee

Pursuant to the amendments made to the Corporate Governance Code approved in December 2011 by Borsa Italiana's Committee for Corporate Governance, on 19 December 2012 the Board resolved not to form a Nominations Committee, including in light of the outcome of the self-assessment process relating to the balanced composition of the Board and its professional profile, attributing the functions to the Remuneration Committee as provided for in the comment to art. 4 of the Corporate Governance code.

During the meeting held on 17 April 2013 the Board, therefore, resolved to form a Remuneration and Appointments Committee, in accordance with the requirements for the composition of both Committees, with the duties described in articles 5 and 6 of the Corporate Governance Code. More in detail:

a) provide the Board of Directors with opinions about the size and composition of the Board of Directors and recommendations as to the professional profile of the Board members, as well as the maximum number of assignments as director and statutory auditor deemed compatible with serving on the Company's Board of Directors and relating to any exercise of the powers granted to the shareholders, in general, as well as any allowable exceptions to the non-compete clauses provided for in art. 2390 of the Italian Civil Code;
b) propose candidates to act as Directors in the event it is necessary for the Board to co-opt a director to substitute an Independent Director;
c) provide the Board of Directors with recommendations regarding succession plans for Group Executives with strategic responsibilities.

In 2014 the Remuneration and Appointments Committee met four times. During two of these four meetings succession plans for key resources were discussed, as were the profiles and evolution of the management team in light of the Group's strategy and organizational framework. For more information about the duration of the meetings, the composition and functioning of the Committee, please refer to section 1.3 of the Remuneration Statement published in accordance with art. 123-*ter* of TUF.

8. Remuneration Committee

Please refer to the **Remuneration Statement**
Part 1
Chapter 1 "Governance"- section 1.3 "Remuneration Committee".

9. Directors' compensation

Please refer to the **Remuneration Statement**
Part 1
Chapter 4 "Directors' Compensation";
Chapter 5 "Compensation of the Chief Executive Officer and the General Manager";
Chapter 6 "Compensation of Executives with strategic responsibilities";
Chapter 7 "Main changes with respect to the prior year".

10. Risk and Control Committee

10.1. Composition and duties of the Risk and Control Committee (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

After having appointed the Directors during the meeting held on 17 April 2013, the Board of Directors also formed a Risk and Control Committee which consists of:

- Giampio Bracchi: Chairperson, non-executive independent Director;
- Susan Carol Holland: non-executive Chairperson;
- Luca Garavoglia: non-executive independent Director[1].

The current members were found to possess the qualifications deemed necessary to fulfil the committee's duties as outlined in the Code.

In order to perform its tasks, the Risk and Control Committee works with the Group's Head of Internal Audit, Paolo Tacciaria, the former Head of Internal Control, appointed as per the Chief Executive Officer's recommendation in March 2005.

1. In January 2015 Luca Garavoglia tendered his resignation, for personal reasons, as non-executive independent director and as member of the Risk and Control Committee, of the Remuneration and Appointments Committee, as well as of the Supervisory Board. Please also refer to chapter 18 of this report for further information.

Furthermore, in order to carry out its "internal audit" activities, the Committee may engage KPMG Advisory S.p.A. as a 'co-sourcer', under the supervision of the Head of Internal Audit.

As indicated in Chapter 6, the Risk and Control Committee submits a budget to the Board and has the power to make expenditures as deemed necessary.

In 2014 the Risk and Control Committee met on six occasions, distributed evenly throughout the year:
- 30 January
- 26 February
- 10 June
- 22 July
- 22 October
- 10 December

Minutes are taken regularly during the meetings and filed with the office of the Head of Internal Audit.

All the members of the Risk and Control Committee attended the meetings, which lasted on average around two hours. The Chairperson of the Board of Statutory Auditors or who on his behalf also attended, as did the Head of Internal Audit.

In order to encourage a reciprocal exchange of information and in light of discussion involving certain issues, the Chief Executive Officer was invited to attend the meetings; in certain instances the Group's CFO and Manager charged with preparing the company's financial reports was also invited to attend, as were several consultants and Company managers.

In 2015 the Risk and Control Committee is expected to meet at least five times.

10.2. Functions of the Risk and Control Committee

The Risk and Control Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and proper working of the internal control system.

The Risk and Control Committee:
- assists the Board in the assessment of the adequacy and proper working of the Company's internal control system and risk management expressing its opinion on specific aspects;
- examines and approves the proposals presented by the management, the Head of Internal Audit and the independent auditors for improving the structure of the economic and financial reporting needed to monitor and fully represent the Company's performance;
- express an opinion regarding the appointment, dismissal, compensation and hiring of resources to be dedicated to Internal Audit;
- monitor the independence, adequacy, efficacy and efficiency of Internal Audit;
- assesses the work programme prepared by the Head of Internal Audit and receives his periodic reports;
- assesses any findings emerging from the periodic reports prepared by the Head of Internal Audit based on the information provided by the Board of Statutory Auditors and by its individual members;
- reports to the Board of Directors, at least once every six months, at the time the annual and half-year financial statements are approved, on its activity and on the adequacy of the internal control system;
- assesses, along with the Manager charged with preparing Company's financial reports and the independent auditors, the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- assesses the work of the independent auditors, also as regards the independence of their opinions, and the results thereof as set out in the independent auditors' report and their letter of recommendations;
- assesses the proposals presented by the independent auditing firm in order to obtain the relevant audit engagement;
- performs the other duties entrusted to it by the Board of Directors, particularly as regards to relations with the independent auditors.

In 2014 internal control, in line with the functions described above, was focused on the following activities:
- compliance with the Corporate Governance Code and with any new norms and regulations relating to Corporate Governance;
- guidance and supervision of the internal audit activities particularly with regard to maintaining an adequate Group control system, as well as the constant monitoring of the main risks, debt and the financial position;
- constant check of the activities involving the application of the Internal Organizational Model pursuant to Legislative Decree 231/2001;
- support to the Manager charged with preparing the Company's financial reports;
- other supervisory activities which, directly or indirectly, are aimed at obtaining information relating to the internal control system (including, for example, meetings with Company managers and consultants).

11.Internal control and risk management system

The internal control system consists of the set of rules, procedures and organizational structures designed to ensure, through a proper identification, assessment managing and monitoring of the primary risks process, that the business is run safely, correctly and in line with the objectives agreed upon. This internal control system helps guarantee the safeguarding of the Company's assets, the efficiency and efficacy of the Company's operations, the reliability of financial information as well as compliance with laws and regulations.

The Board of Directors is responsible for the internal control system and toward this end works with the Risk and Control Committee, the Chief Executive Officer and the Head of Internal Audit.

The Board of Directors provides the guidelines for the internal control and risk management system in a specific document which summarizes and describes the individuals involved, the different components and the mode of operation along with the criteria to be used to assess the system as a whole.

During the year the Board, based also on the contribution of the Risk and Control Committee and the Head of Internal Audit, expressed a positive opinion on the adequacy, efficiency and actual functioning of the internal control system through internal audit's activities, meetings with the Company management, the Board of Statutory Auditors and the independent auditors; examined the reports presented by the Chairman of the Supervisory Board, pursuant to Legislative Decree 231/2001, whose purpose is also to verify that the internal control system works properly, albeit for different reasons.

It should also be noted that during the meeting held on 18 December 2014, the Board acknowledged and assessed the Group's risk map on the basis of a report entitled "Group Risk Reporting 2014" in which there is a summary and an evaluation of the Group's primary risks selected through processing all the risks identified by each of the Countries which report regularly on risk identification, assessment and management.

The main features of the existing internal control and risk management systems in relation to the financial reporting process pursuant to art. 123-*bis*, par. 2b), TUF are discussed below.

Introduction
Amplifon, in line with the most advanced management systems and best practices for the design and implementation of internal control systems, treats risk management as one of its highest priorities. Every business faces risks and risk management is even more important in a constantly changing business environment characterized by recessionary pressures.
Amplifon's Management carefully weighs risks against opportunities, channelling resources to create the best possible balance in keeping with the acceptable threshold of risk.

Risks are appraised for the Group as a whole and at a local (Countries where the Group is present) level, through regular risk assessment exercises involving the Group's entire management team. The risks are then prioritized in relation to the Group's objectives and those of its subsidiaries, and in consideration of both the probability and impact of residual risks.
Accordingly, systems are set up to monitor the underlying risk factors, in order to mitigate the risks and take advantage of business opportunities arising from the ability to anticipate competitive dynamics.

Risk management and risk monitoring activities, therefore, complete the Group's risk analysis activities on an ongoing basis.

For ease of assessment, risk factors are grouped into homogeneous categories: those originating outside the Company, those stemming from Amplifon's own organization and those of a more specifically financial nature.

The internal control and risk management system used to monitor the financial reporting process should, therefore, be viewed not as an independent system, but as part of the overall risk management apparatus.

Below is a description of the main features of Amplifon's internal control and risk management systems in relation to the financial reporting process, i.e. the process leading to the preparation and public disclosure of the annual financial report and of the quarterly and half-year reports.

Main features of the existing internal control and risk management systems in relation to the financial reporting process
The Amplifon Group, through the work done by the Manager charged with preparing the Company's financial reports, has set up a system of administrative and accounting procedures for the preparation of the separate and consolidated financial statements and of the interim financial reports.

The system was designed and implemented with the help of a leading consulting firm and is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (CoSO). According to that framework, the internal control system is viewed as a process involving all business functions and, therefore, provides reasonable assurance as to:

- the effectiveness and efficiency of operations;
- the reliability, accuracy and timeliness of financial reporting;
- compliance with laws and regulations.

The model adopted, after preliminary activities and initial implementation, calls for a set of recurring activities that ensure it is kept up to date, in good working order and applied correctly.

Phases of the internal control and risk management processes in relation to the financial reporting process
In the initial "scoping" phase, the single account lines of the consolidated financial statements were studied to identify material and significant accounts, their underlying processes, and the specific Group companies on which to develop and implement the model.

The outcome of the "scoping" phase is reviewed each year to make sure it is adequate and provides the necessary coverage in light of the ever changing perimeter of consolidation and the important of the individual annual report items.

For purely operational reasons, and to ensure the consistency and governance of the entire system, the model was implemented gradually: starting with Amplifon S.p.A. and then expanding, little by little, to the other Group companies found to be material.
Within the individual companies the model was also implemented gradually, again for operational reasons only. It initially addressed certain cycles, and eventually reached full coverage of the processes defined as "in-scope". A simplified procedure, rather, was defined for immaterial or newly acquired companies based on the implementation of a set of key controls.
Currently the model is in place in all the countries deemed material based on the qualitative and quantitative criteria described above, in the countries where the Group has been present for at least two years and is in the process of being implemented in the countries where the most recent acquisitions were made.

For each Company and each process defined as "in-scope", the following steps are in place:

- Narrative mapping of the process with identification of key risks and controls to ensure:
  - completeness, i.e. that all transactions and data are entered and processed within the systems so that they are duly reflected in the financial statements;
  - accuracy, i.e. that the transactions and data are entered and processed correctly and neutrally so that the financial statements provide precise, objective information;
  - cut-off, i.e. that all transactions and data are entered for the period to which they pertain so that the financial statements represent the Company's and the Group's real economic and financial situation with respect to the period under review;
  - promptness, i.e. that all transactions and data are processed speedily so that the financial statements can be prepared correctly by the legal deadline;
  - reliability, i.e. that the information managed is fair, consistent with the accounting standards used and in line with the legal and regulatory standards.
- Assessment of controls design in respect of each objective listed above; identification of principal gaps.
- Identification of actions and remediation processes in order to implement any compensating controls, or process modifications, ensuring proper control of the areas in question.

- Preparation of a risk control matrix that summarizes:
  - the sub-process;
  - the risk;
  - the objective of the control;
  - the description of the control;
  - the type of control (preventive, detective, manual, automatic);
  - the possibility of fraud risk, if any;
  - IT support for the control;
  - the frequency (daily, monthly, quarterly, yearly);
  - the person in charge of the control;
  - the gap identified in the control, if any.
- On the basis of the Risk Control Matrix, at least once a year and under the coordination and supervision of the Manager charged with preparing the Company's financial reports, regular checks are performed by headquarter personnel, internal audit personnel or the external consultant to make sure the tests are being carried out.
- The initial narrative of the process then evolves into an actual Company procedure, which is reviewed at least once a year to make sure it reflects any changes that have occurred.
- The results of the tests, kept on file with the Consolidated Financial Statements function, and the progress reports of activities underway at individual Group companies, are analysed each quarter by a Steering Committee made up of:
  - the Manager charged with preparing the Company's financial reports;
  - the Head of Internal Audit;
  - the Group Accounting & Finance Director.

When data is submitted for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the country or company, the Market Directors and the CFOs of each country send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records, as well as compliant with the accounting standards used and with all laws and regulations, and that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Bodies and positions involved

Board of Directors: issued the regulations for the Manager charged with preparing the Company's financial reports and is brought regularly up to date on the activities of the Risk and Control Committee.

Manager charged with preparing the company's financial reports: through a specially appointed team, plays a proactive role in the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, and periodically checks the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations and, together with the Head of Internal Audit and the Group Accounting & Finance Director, defines the necessary actions to be taken.

Head of Internal Audit: works with the Manager charged with preparing the Company's financial reports on the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, updates the Steering Committee on tests performed at the request of and to support the Manager charged with preparing the Company's financial reports, and periodically checks the status of operations and the results of tests performed by external consultants or headquarter personnel. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Group Accounting & Finance Director.

Group Accounting & Finance Director: coordinates the implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, oversees testing at foreign affiliates, and updates the Steering Committee on the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Head of Internal Audit and defines the necessary actions to be taken.

Market Directors and Finance & Control Directors of the subsidiaries: oversee proper implementation of the administrative and accounting procedures defined in the model and, upon submission of data for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the Country or the company, send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records and compliant with the accounting standards used and with all laws and regulations, and confirming that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Company-level manager: a manager has been appointed, at each material subsidiary, to serve as the focal point for the implementation and progressive maintenance of the model.

Process owner: for each procedure, a process owner is appointed to oversee its ongoing progressive maintenance.

11.1. Executive Director in charge of the internal control and risk management system

The Chief Executive Officer oversees the planning and operation of the internal control and risk management system *(Sistema di Controllo Interno e di Gestione dei Rischi or 'SCIGR')*, along with the implementation of the system and identification of the primary business risks.
The responsibilities of the Director in charge of the SCIGR are outlined in the document "Board of Directors – Role, Organization and Mode of Operation" and accurately reflect the relative provisions found in the Corporate Governance Code (application criteria 7.C.4).
During the year the Chief Executive Officer, in his capacity as director in charge of the SCIGR, established channels of communication and worked with the Head of Internal Audit and the Risk and Control Committee.

As mentioned above, the Chief Executive Officer works with the Head of Internal Audit and the Company's divisions in order to identify the primary business risks and evaluates the procedures and rules which comprise the internal control system including with regard to the operating conditions, as well as laws and regulations.

11.2. Head of internal audit

The Board of Directors, as per the Chief Executive Officer's recommendation, appointed the Group Risk and Compliance Officer, Paolo Tacciaria, the Company's Head of Internal Audit (formerly Internal Control Officer). The proposal was first submitted to the Risk and Control Committee.

The Head of Internal Audit's compensation was established based on company policies and on the Remuneration and Appointments

Committee's recommendations and approved by the Board of Directors.
The Head of Internal Audit reports to the Board of Directors and reports on his activities to the Risk and Control Committee which oversees his activities, monitoring the independence, adequacy, efficacy and efficiency of his operations.
The Head of Internal Audit also interacts with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System in order to ensure that his duties are fulfilled consistently and comply with the requirement for independence as per the Company's corporate governance system and the Corporate Governance Code.

The Head of Internal Audit is not responsible for any operations and does not report to the head of any operational area.

The Head of Internal Audit must verify that the internal control and risk management system is adequate, fully operational and functional:

- carries out and facilitates the activities needed to identify, assess and manage the Company's risks;
- prepares an internal audit plan, which he presents to the Risk and Control Committee and, subsequently, to the Board of Directors, for the verification of the work being carried out by the Group's companies in order to ensure that the company's risks are being properly monitored in line with the best practices, including the recommendations found in the Corporate Governance Code;
- meets periodically with the Board of Statutory Auditors and the Independent Auditors;
- oversees and facilitates compliance with the Corporate Governance Code and the functioning of the corporate governance;
- carries out, coordinates and facilitates the activities linked to implementation of the Internal Organisational Model adopted pursuant to Legislative Decree 231/2001;
- provides autonomous and independent assistance to the Manager charged with preparing company's financial reports.

Periodically prepares reports on the work carried out which are presented to the Risk and Control Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, as well as assisting the Risk and Control Committee with the preparation of the periodic reports for the Board of Directors on the internal control system and risk management.

Pursuant to the Supervisory Board Regulations, the Head of Internal Audit is also a member of the Supervisory Board.

In order to fulfil his duties, the Head of Internal Audit has access to all the information deemed useful, as well as the resources and means included in the Risk and Control Committee's budget as per chapter 6 and may, after obtaining an initial estimate, make expenditures as deemed necessary.

The Head of Internal Audit carries out the internal audits, approved by the Board of Directors, which are performed in collaboration with the consulting company KPMG Advisory S.p.A., the co-sourcer.
The Head of Internal Audit works on internal orientation, planning, raising awareness and supervision, while the operations are carried out by the consultants who guarantee a direct and professional presence in all the different countries where the Group is active.
The internal audit plan is prepared based on the results of the Group's risk mapping, the indications provided by the managers and any organizational changes that have taken place, and also includes the follow-up activities relating to the work carried out in prior years.

11.3. Organizational model pursuant to Legislative Decree 231/2001

On 14 March 2005 the Board of Directors resolved to adopt an Internal Organizational Model ("the Model") in accordance with the recommendations of Decree 231/2001 which has made companies administratively responsible in criminal proceedings for certain types of crimes committed by directors, managers or employees in the interests of or to the benefit of the companies themselves.

The Model was prepared in order to prevent the occurrence of the crimes envisaged under the Decree and is based on the guidelines for Organizational Models issued by Confindustria (the Federation of Italian Industrialists) and other industry associations.

The Model consists of a general and an operational part. The general part sets out the guiding principles underlying the conduct of company transactions, describes how the Supervisory Committee is formed and works and describes the penalties. The operational part includes the procedures to be used to control the Company's activities, as well as the procedures to be used to supervise certain "sensitive" activities.

The model's adoption is a way for fostering the conduct of company activities in accordance with the principles of fairness and transparency in order to safeguard the company's image, the work of its employees and partners, while at the same time fostering the achievement of greater efficiency.
The Organizational Model is, by definition, dynamic and for this reason is updated each year to reflect regulatory and organizational changes, as well as with regard to any violations.
In the current version the most sensitive activities include crimes against public administrations, corporate crimes and market abuse.

The Supervisory Board, comprised of two independent Directors and the Head of Internal Audit, met five times in 2014:

- 30 January
- 26 February
- 22 July
- 22 October
- 10 December

11.4. Independent Auditors

The Shareholders' Meeting held on 21 April 2010 resolved to grant the assignment for the financial audit of the parent company and consolidated financial statements of Amplifon S.p.A. to the company PricewaterhouseCoopers S.p.A. for the nine-year period 2010-2018.

11.5. Manager charged with preparing the company's financial reports

The Company's Statutory call for the Board of Directors to appoint a Manager charged with preparing company's financial reports, subject to the unbinding opinion of the Board of Statutory Auditors. The Manager charged with preparing company's financial reports must possess certain professional requisites or precisely at least three years of management experience in the field of accounting, finance and control with the Group's companies or other listed companies.

In the meeting held on 25 June 2007 the Board, after having received a favourable opinion from the Board of Statutory Auditors, appointed the group's CFO, Ugo Giorcelli, Manager charged with preparing company's financial reports and approved the "Rules for the Manager charged with preparing company's financial reports" in the subsequent meeting held on 12 September 2007. These rules govern the responsibilities, the activities, the relationships with other corporate divisions, the powers and means of the Manager charged with preparing company's financial reports in accordance with proven best practices.

11.6. Coordination among the personnel involved in the internal control and risk management system

The Board of Directors prepares and approves the document "Guidelines for the Internal Control and Risk Management System" which, in addition to indicating the objectives of the internal control and risk management system, also describes the personnel involved, inside and outside of the Company, and describes the responsibilities and procedures for interaction.
The Director in charge of the Internal Control and Risk Management System is in charge of implementing the Board of Directors' guidelines.

12. Directors' interests and Related Party Transactions

During the meeting held on 24 October 2012, the Board of Directors approved the new "Regulations for related party transactions" issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010, designed to govern the definition, approval and execution of related party transactions entered into by the Company or its wholly owned Italian and foreign direct and indirect subsidiaries.

The document is available on the company's corporate website (www.amplifon.com) and may be accessed by clicking on the following link: http://www.amplifon.com/wps/wcm/connect/english_com/hearing_solutions/investors/corporate_governance/statutory_and_codes/.

The Regulations adopted by the Board of Directors are designed to ensure the real transparency, as well as the substantive and procedural fairness, of any related party transactions in accordance with current norms and regulations and, in particular, with CONSOB Regulations.

Please note that the Company, in light of its characteristics, structure, size, business and internal organization deemed it opportune to:
- not apply the procedures to other relevant parties;
- not define materiality thresholds lower than those indicated in the CONSOB Regulations for the definition of material related party transactions;
- not let the Shareholders' Meeting approve transactions underway in the event the Independent Directors' Committee issues a negative opinion;
- without prejudice to mandatory financial and accounting disclosures called for under applicable laws and regulations, not apply the Regulations to:
  - decisions relating to stock option plans approved during the Shareholders' Meetings in accordance with art. 114-*bis* of the TUF;
  - resolutions relating to the compensation of members of the Board of Directors and the Directors holding particular offices, executives with strategic responsibilities, as long as: (i) the Company has adopted a compensation policy; (ii) a committee comprising exclusively non-executive directors, primarily independent, was involved in the definition of the compensation policy; (iii) a report on the compensation policy was presented to the shareholders for approval; and (iv) the compensation assigned is in line with that policy;
  - ordinary transactions conducted in accordance with market or standard conditions;
  - the transactions entered into between the Company and its subsidiaries, including jointly controlled, or between affiliates, as long as no related party of Amplifon has a significant interest in the subsidiary or affiliate involved in the transaction;
  - the transactions which must be completed in order to comply with the supervisory authority's instructions;
  - immaterial transactions, meaning those related party transactions representing a total of not more €1,000,000;
- regulate the adoption of framework resolutions defining the characteristics and ensuring that complete information about their implementation is provided to the Board at least quarterly;
- apply the procedures to urgent transactions.

Pursuant to the Regulations, the Company adopted the operational procedures needed to select and manage the related party transactions and, similarly, the Board of Directors defined its own internal regulations governing the approval and execution of the transactions in which a director holds an interest, either directly or indirectly (through third parties).

13. Appointment of Statutory Auditors

As per art. 23 of the Company Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate auditors, in possession of the requisites (including professional and personal characteristics), including those relative to cumulative appointments and gender equality, with the functions established by law.
When forming the Board of Statutory Auditors, if application of the gender equality quota criteria does not result in a whole number, the number of candidates belonging to the least represented gender should be rounded up.
More in detail, with regard to the professional requisites, pursuant to article 1, paragraph 3 of Ministerial Decree n. 162 dated 30 March 2000 in reference to paragraph 2, letters b) and c) of the same article 1, strictly related to the company's activities is to be construed as related to commercial and corporate law, corporate finance, finance, statistics as well as like or analogous disciplines while sectors in which the company operates are to be construed as wholesale and retail production and commercialisation of the instruments, devices and products referred to in article 2 of the Articles of Association.

The ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration. The minority is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed, with the exception of what is specified in the second to last paragraph of art. 23 of the Articles of Association, on the basis of lists submitted by the shareholders or groups of shareholders who own at least 1% of the shares with voting rights. The lists, where the candidates are listed in sequential numerical order, must be filed at the company's registered office at least twenty five days before the date set for the Shareholders' Meeting. The Company will publish the lists on its website, as well as in accordance with the other modalities indicated by CONSOB in the regulation issued pursuant to art. 147-*ter*, paragraph 1-*bis* of Legislative Decree 58/1998 at least twenty one days before the Shareholders' Meeting.
Each shareholder who presents, or is party to a list, must present the certification issued by a licensed intermediary entitling the

shareholder to present the list along with the lists or within the timeframe in which the Company must publish the lists under the law.

With regard to the election of a minority Statutory Auditor, if several lists have obtained the same number of votes the list presented by the majority of shareholders shall prevail.

In the event two or more lists which are not connected, including indirectly, with the shareholders who presented or voted for the other, obtain the same number of votes, a run-off election is held between these lists with the participation of all the shareholders present at the Shareholders' Meeting, with the candidates on the list that obtains the simple majority of votes being elected.

If a standing auditor needs to be replaced due to death, resignation or expiration of the term, the alternate auditor belonging to the same list as the previous auditor takes over, without prejudice to the laws in effect governing gender equality.

14. Composition and role of the Board of Statutory Auditors (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

As per the corporate Articles of Association, the Board of Statutory Auditors is comprised of three Standing Auditors and two Alternate Auditors who remain in office for three financial years and may be re-elected.
The Board of Statutory Auditors, appointed on 18 April 2012 and in office through the Shareholders' Meeting to approve the 2014 annual report, consists of the following members:
The Statutory Auditors possess the requisite standing, professional abilities and independence provided for by law and the Articles of Association.

The Board of Statutory Auditors met five times during the year. The meetings lasted, on average, more than two hours.

The Board of Statutory Auditors plans to meet at least five times in 2015. The first meeting took place on 25 February.

The Board of Statutory Auditors fulfils its duties in accordance with the standards of professionalism and independence provided for by law, in the Articles of Association and the regulations for Corporate Governance to which the issuer adheres.
The Board of Statutory Auditors carries out its supervisory activities in accordance with the applicable law. Through a constant exchange of information regarding the independent auditors' activities, the Board of Statutory Auditors verifies that the independent auditors possess the requisite of independence in existence at the time of their appointment.

The Chairperson of the Board of Statutory Auditors or a delegated statutory auditor attended all the meetings of the Risk and Control Committee and the Remuneration and Appointments Committee and coordinated his supervisory activities through the exchange of information and updates provided by the Head of Internal Audit.

The Board of Statutory Auditors, in its capacity as "Internal Control and Internal Audit Committee", carried out all of the supervisory activities referred to in art. 19 of Legislative Decree 39/2010.

15. Relations with Shareholders

The company has created an extensive, easily accessible section on its corporate website, www.amplifon.com, containing all the information of interest to shareholders.

Mrs. Emilia Trudu, currently responsible for Investor Relations, manages the flow of information provided to shareholders, financial

Name and date of birth	Office held	In office since	Date of first appointment	List	Indep. as per Code	% attend. B.S.A.	Other appointments
Giuseppe Levi 03/10/1948	Chairperson	18/04/2012	27/04/2006	M	X	100%	13
Maria Stella Brena 31/03/1962	Standing	18/04/2012	18/04/2012	M	X	100%	15
Emilio Fano 19/01/1954	Standing	18/04/2012	18/04/2012	M	X	100%	13
Mauro Coazzoli (*) 25/03/1964	Alternate	18/04/2012	18/04/2012	M	X	--	13
Claudia Mezzabotta 03/02/1970	Alternate	18/04/2012	18/04/2012	M	X	--	10

The Alternate Statutory Auditor Mauro Coazzoli was a Standing Auditor from 22 April 2009 through 18 April 2012.

KEY
Office held: Chairperson, Standing Auditor, Alternate Auditor.
List: indicated as M/m depending on whether the statutory auditor was elected on a Majority list or a minority list (art. 144-*decies* of the Issuers' Regulations).
Indep.: marked if the statutory auditor qualifies as independent under the Code's criteria, indicating at the bottom of the table if these criteria have been amended or modified in anyway.
% attend. B.S.A.: indicates the statutory auditor's attendance record in percentage terms at meetings of the Board of Statutory Auditors (the calculation of this percentage reflects the number of meetings attended by the statutory auditor relative to the number of meetings of the Board of Statutory Auditors held during the year or after the statutory auditor's appointment or through the termination date).
Other appointments: indicates the total number of appointments held in companies described in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.

analysts and institutional investors in full compliance with the rules established for corporate disclosures. In order to fulfil her duties, the Investor Relator is supported by an internal resource and an external company specialized in media relations.
The Company actively endeavours to provide investors, the market and the press with adequate information in compliance with the law and the applicable regulations, particularly with regard to the handling of price sensitive information. Toward this end the company regularly issues press releases, meets periodically with institutional investors and the financial market and constantly updates the corporate documentation made available on its website.

16. Shareholders' meetings (pursuant to art. 123-*bis*, par. 2, letter c), TUF

The Shareholders' Meetings are regulated by a specific set of regulations which was approved by the Shareholders' Meeting held on 24 April 2007 and which can be found in the 'Investors/ Corporate Governance/Statutory and codes" section of the corporate website. The corporate Articles of Association and the Shareholders' Meetings Regulations govern all aspects of the Shareholders' Meetings in accordance with current norms and regulations.

With the exception of those powers attributed exclusively to shareholders and unless resolved otherwise by shareholders upon appointment, the Board of Directors is vested with the broadest powers for the company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the company's purpose (please also refer to paragraph 4.3.2 above).
The above mentioned Regulations guarantee each shareholder's right to take the floor and participate in discussions.

During the Shareholders' Meeting the Board reported on its activities in order to ensure that the shareholders were adequately informed and that they might help contribute to informed resolutions.

17. Other corporate governance practices (pursuant to art. 123-*bis*, par. 2, letter a), TUF)

No other Corporate Governance practices have been adhered to other than those described above.

18. Changes since year end

On 7 January 2015 the director Luca Garavoglia tendered his resignation, for personal reasons, as non-executive independent director and as member of the Risk and Control Committee, of the Remuneration and Appointments Committee, as well as of the Supervisory Board.
During the meeting held on 29 January 2015 the Board of Directors co-opted, in accordance with the Articles of Association, Mrs. Anna Puccio to act as Director and also revisited the composition of the Committees and the Supervisory Board which are now comprised as follows:

- Risk and Control Committee
  Chairperson: Giampio Bracchi
  Member: Susan Carol Holland
  Member: Anna Puccio

- Remuneration and Appointments Committee
  Chairperson: Maurizio Costa
  Member: Susan Carol Holland
  Member: Andrea Guerra

- Supervisory Board
  Chairperson: Giampio Bracchi
  Member: Maurizio Costa
  Member: Paolo Tacciaria (Head of Internal Audit)

Moreover, on 29 January 2015 shareholders met in extraordinary session and amended the Company Statutory in accordance with art. 127-quinquies of Legislative Decree n. 58 dated 24 February 1998 - TUF granting two votes for each share held by the same party without interruption for a period of at least 24 months as of the registration date shown in a specific register. Shareholders may request to be registered at any time. The registration will take place within the fifteenth day of the month subsequent to having received the request.

Annex
List of Amplifon S.p.A.'s directors' appointments in other companies at 31 December 2014[1]

Name	Office held in Amplifon S.p.A.	Other companies	Office held
Anna Maria Formiggini	Honorary Chairperson	Amplifin S.p.A.	Chairperson
Susan Carol Holland	Chairperson	Amplifin S.p.A.	Deputy Chairperson
Franco Moscetti	Chief Executive Officer	Diasorin S.p.A. Fideuram Investimenti SGR S.p.A.	Independent Director Independent Director
Giampio Bracchi	Independent non-executive Director	IntesaSanPaolo Private Banking S.p.A. CIR S.p.A. Banca del Sempione S.A. Perennius Capital Partners SGR	Chairperson Director Director Chairperson
Maurizio Costa	Independent non-executive Director	F.I.E.G. Federazione Italiana Editori Giornali Mediobanca S.p.A.	Chairperson Director
Luca Garavoglia	Independent non-executive Director	Davide Campari-Milano S.p.A. RCS MediaGroup S.p.A. COESIA S.p.A. Fondo Strategico Italiano S.p.A.	Chairperson Director Member of the Board of Directors Member of the Strategic Committee
Andrea Guerra	Independent non-executive Director	Luxottica Group S.p.A. through 1/9/2014 Ariston Thermo S.p.A.	Chief Executive Officer Director
Giovanni Tamburi	Independent non-executive Director	Tamburi Investment Partners S.p.A. Prysmian S.p.A. Interpump S.p.A. Zignago Vetro S.p.A.	Chairperson and Chief Executive Officer Director Director Director

1. The offices held with listed companies or, at any rate, of note are listed based on the information provided by the Directors.

Comments on the Financial Results of Amplifon S.p.A.

Reclassified Income Statement

	FY 2014				FY 2013			
(€ thousands)	Recurring	Non-recurring	Total	% on recurring	Recurring	Non-recurring	Total	% on recurring
Revenues from sales and services	226,531	-	226,531	100.0%	225,676	-	225,676	100.0%
Operating cost	(203,481)	-	(203,481)	-89.8%	(196,507)	(978)	(197,485)	-87.1%
Other income and revenues	17,127	-	17,127	7.6%	15,135	-	15,135	6.7%
Other expenses	(1,759)	-	(1,759)	-0.8%	(28)	-	(28)	0.0%
Gross operating profit (EBITDA)	**38,418**	**-**	**38,418**	**17.0%**	**44,276**	**(978)**	**43,298**	**19.6%**
Depreciation and write-downs of non-current assets	(8,188)	-	(8,188)	-3.6%	(7,128)	-	(7,128)	-3.2%
Operating profit (EBIT)	**30,230**	**-**	**30,230**	**13.3%**	**37,148**	**(978)**	**36,170**	**16.5%**
Income, expenses, valuation and adjustments of financial assets	32,541	-	32,541	14.4%	30,271	(4,578)	25,693	13.4%
Net financial expenses	(18,603)	(15,500)	(34,103)	-8.2%	(17,020)	(4,029)	(21,049)	-7.5%
Exchange differences and non *hedge accounting instruments*	(662)	-	(662)	-0.3%	(644)	-	(644)	-0.3%
Income (loss) before taxes	**43,506**	**(15,500)**	**28,006**	**19.2%**	**49,755**	**(9,585)**	**40,170**	**22.0%**
Current income taxes	(2,988)	-	(2,988)	-1.3%	(8,854)	1,322	(7,532)	-3.9%
Deferred income taxes	(3,686)	-	(3,686)	-1.6%	(50)	55	5	0.0%
Net profit (loss)	**36,832**	**(15,500)**	**21,332**	**16.3%**	**40,851**	**(8,208)**	**32,643**	**18.1%**

EBITDA: operating result before charging amortisation, depreciation and impairment of both tangible and intangible assets.
EBIT: operating result before financial income and charges and taxes.

Reclassified balance sheet

The reclassified Balance Sheet aggregates assets and liabilities according to operating functionality criteria, subdivided by convention into the following three key functions: investments, operations and finance.

(€ thousands)	31/12/2014	31/12/2013	Change
Goodwill	415	415	-
Other intangible assets	13,169	10,072	3,097
Tangible assets	20,125	19,709	416
Financial fixed assets	494,569	471,687	22,882
Other non-current financial assets	1,005	491	514
Other non-current financial assets – related parties	-	46	(46)
Non-current assets	**529,283**	**502,420**	**26,863**
Inventories	9,203	10,348	(1,145)
Trade receivables (1)	38,071	41,825	(3,754)
Other receivables (2)	12,603	8,808	3,795
Current assets (A)	**59,877**	**60,981**	**(1,104)**
Operating assets	**589,160**	**563,401**	**25,759**
Trade payables (3)	(29,378)	(27,851)	(1,527)
Other payables (4)	(34,660)	(37,651)	2,991
Current liabilities (B)	**(64,038)**	**(65,502)**	**1,464**
Net working capital (A)+(B)	**(4,161)**	**(4,521)**	**360**
Derivative instruments (5)	(9,822)	(3,376)	(6,446)
Deferred tax assets	24,368	26,282	(1,914)
Provisions for contingency and obligations (non-current portion)	(10,581)	(8,367)	(2,214)
Liabilities for employees' benefits (non-current portion)	(4,659)	(4,712)	53
Loan fees (6)	2,031	2,717	(686)
NET INVESTED CAPITAL	**526,459**	**510,443**	**16,016**
Net Equity	**341,764**	**327,462**	**14,302**
Net short-tem financial indebtedness	(180,284)	(156,054)	(24,230)
Net medium and long-term financial indebtedness	364,979	339,035	25,944
Total net financial indebtedness	**184,695**	**182,981**	**1,714**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**526,459**	**510,443**	**16,016**

(1) The item "Trade receivables" includes "Trade receivables" and "Receivables – related parties".
(2) The item "Other receivables" includes "Other receivables" and "Other receivables – related parties".
(3) The item "Trade payables" includes "Trade payables" and "Trade payables – related parties".
(4) The item "Other payables" includes "Other payables – third parties", "Other payables – related parties", "Liabilities for employees' benefits - current portion" and "Tax payables".
(5) The item "Derivative instruments" includes *cash flow hedges, fair value hedges* and *non hedge accounting instruments not comprised in the net financial position.*
(6) The item "Loan fees" is recognized in the balance sheet as a direct reduction of the short and long-term components of "Financial payables" and "Financial liabilities".

Condensed reclassified cash flow statement

The condensed cash flow statement represents a summary version of the reclassified cash flow statement detailed in the following pages and its purpose is, starting from EBIT, to detail the flows generated from or absorbed by operating, investing and financing activities.

(€ thousands)	FY 2014	FY 2013
Operating profit (EBIT)	**30,230**	**36,170**
Amortization, depreciation and write-downs	8,188	7,128
Provisions, other non-monetary items and gain/losses from disposals	6,527	3,162
Net financial expenses	(17,532)	(15,901)
Write down of financial current assets	(15,500)	-
Dividends received	32,541	30,271
Taxes paid	(1,206)	(9,835)
Change in net working capital	(4,800)	3,786
Cash flow generated from (absorbed by) operating activities (A)	**38,448**	**54,781**
Cash flow generated from (absorbed by) operating investing activities (B)	(11,720)	(10,191)
Free cash Flow (A +B)	**26,728**	**44,590**
Purchases of equity investments/share capital increases in subsidiaries (C)	(17,936)	(3,796)
(Purchase) sale of other investments and securities (D)	-	-
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(29,656)**	**(13,987)**
Hedging instruments	-	(2,410)
Other non-current assets	(513)	(100)
Fees paid on medium and long-term borrowings	-	(3,117)
Dividends paid	(9,350)	(9,330)
Treasury shares	(2,456)	-
Share capital increases	1,814	1,737
Net cash flow from the period	**(1,713)**	**27,574**
Net financial indebtedness at the beginning of the period	**(182,981)**	**(210,555)**
Changes in net financial position	(1,713)	27,574
Net financial indebtedness at the end of the period	**(184,694)**	**(182,981)**

Revenues from sales and services

(€ thousands)	FY 2014	%	FY 2013	%	Change	%
Hearing aid line sales	220,921	97.5%	219,141	97.1%	1,780	0.8%
Biomedical line sales	2,860	1.3%	3,553	1.6%	(693)	-19.5%
Total sales	**223,781**	**98.8%**	**222,694**	**98.7%**	**1,087**	**0.5%**
Hearing aid line services	1,997	0.9%	2,192	1.0%	(195)	-8.9%
Biomedical line services	753	0.3%	790	0.4%	(37)	-4.7%
Total services	**2,750**	**1.2%**	**2,982**	**1.3%**	**(232)**	**-7.8%**
Revenues from sales and services	**226,531**	**100.0%**	**225,676**	**100.0%**	**855**	**0.4%**

Revenue from sales and services, including the €148 thousand generated by the French branch, increased by €855 thousand (+0.4%) with respect to the prior year rising from the €225,676 thousand posted in 2013 to €226,531 thousand in 2014 due to increased hearing aid sales.

Revenue from the sale of hearing solutions was basically in line with the prior year. The rents for Audika Italia S.r.l. (now Sonus Italia S.r.l.) business units resulting from agreements signed gradually over the last quarter of the year generated additional revenue of approximately €1 million. The first quarter of the year was complex and the persistent economic crisis caused turnover to fall with respect to the same period 2013. A significant turnaround began in the second quarter and third quarter picked up dramatically allowing Amplifon S.p.A. to record noteworthy results in the second half. The television campaigns broadcast during periods that are typically not covered during the proved key. The July and December television campaigns, in particular, made it possible to post excellent results. The December campaign, moreover, led to a significant increase in trials at the end of the year which will undoubtedly prove to be an excellent vehicle for 2015.
In October a strategic agreement was reached with Salmoiraghi & Viganò which, in addition to providing additional regional coverage, will allow Amplifon to be present, for the first time, in large shopping centers. At year-end deployment of the new front office system, FOX, was underway in a majority of the stores and is expected be completed in early 2015. This new system is important to the productivity goals set for the Amplifon stores.
In 2014 Amplifon S.p.A. purchased Audika S.r.l., the Italian branch of the French competitor, Audika. This acquisition made it possible to further strengthen our domestic network in regions where Ampifon's presence is still not adequate.
The subsequent rent of Audika S.r.l. business units to Amplifon S.p.A. made it simpler to integrate the Audika stores in accordance with our Group's organizational model.

Gross operating profit (EBITDA)

	FY 2014			FY 2013		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	38,418	-	38,418	44,276	(978)	43,298

Gross operating profit (EBITDA) amounted to €38,418 thousand in 2014 versus €43,298 thousand in 2013, a decrease of €4,880 thousand (-11.3%).
EBITDA for recurring operations fell by €5,858 thousand (-13.2%) with respect to the comparison period.

In light of the different seasonality recorded in 2014, with respect to the prior year, and with a view to ensuring a quick takeoff in 2015, in December a marketing campaign was launched the costs for which were recorded in 2014 while the benefits in terms of revenue will materialize early 2015. During the year implementation and improvement of the new front office system was also intensified which, along with the reorganization of the sales network underway aiming to improve regional coverage, resulted in an increase in costs in the short time but, thanks to the more efficient and effective processes and organization, ensures future growth.

Operating profit (EBIT)

	FY 2014			FY 2013		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	30,230	-	30,230	37,148	(978)	36,170

Gross operating profit (EBITDA) amounted to €30,230 thousand in 2014 versus €36,170 thousand in 2013, a drop of €5,940 thousand (-16.4%). EBIT for recurring operations fell €6,918 thousand (-18.6%) with respect to the comparison period.

Profit before tax

	FY 2014			FY 2013		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	43,506	(15,500)	28,006	49,755	(9,585)	40,170

Profit before tax fell in 2014 with respect to 2013 by €12,164 thousand as a result, primarily, of the lower EBIT. Non-recurring transactions refer to the write downs of financial receivables due from the UK subsidiaries. Profit before tax for recurring operations fell €6,249 thousand (-12.6%) with respect to the comparison period.

Net profit

	FY 2014			FY 2013		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit	36,832	(15,500)	21,332	40,851	(8,208)	32,643

Net profit reached €21,332 thousand in 2014 versus a net profit of €32,643 thousand in 2013, a drop of €11,311 thousand. The decrease for recurring operations reached €4,019 thousand.

Non-current assets

(€ thousands)	31/12/2014	31/12/2013	Change
Goodwill	415	415	-
Other intangible assets	13,169	10,072	3,097
Tangible fixed assets	20,125	19,709	416
Financial fixed assets	494,569	471,687	22,882
Other non-current financial assets	1,005	491	514
Other non-current financial assets vs. related parties	-	46	(46)
Non-current assets	**529,283**	**502,420**	**26,863**

Non-current assets amounted to €529,283 thousand at 31 December 2014 versus €502,420 thousand at 31 December 2013, an increase of €26,863 thousand attributable to:

- an increase in intangible assets relating primarily to the development of new software to support both the sales network and head office;
- Increase in the value of equity investments as a result, primarily, of the creation of America Holding LTDA. (Brazil), the acquisitions of the interests in Audika Italia S.r.l. (now Sonus Italia S.r.l.), Medtechnica Orthophone Ltd (Israel), Amplifon Poland Sp.z.o.o. (Poland), the cell of a protected cell company (an insurance vehicle with segregated assets and liabilities and registered offices in Malta), as well as the periodic valuation of stock option and stock grant plans held by employees of subsidiaries.

Net invested capital

Net invested capital amounted to €526,459 thousand at 31 December 2014 versus €510,443 thousand at 31 December 2013, an increase of €16,016 thousand attributable to:

- the increase in non-current assets described above;
- a decrease in warehouse inventories of €1,145 thousand thanks to efficient management of trial returns and an increase in branch stock rotation;
- a decrease in trade receivables of €3,754 thousand due to improved receivable turnover;
- an increase in other receivables of €3,795 thousand due primarily to the increase in VAT credits and the tax payments made in excess of taxes owed at 31 December;
- an increase in "Trade payables" of €1,527 thousand as a result of the better payment terms obtained from the primary suppliers;
- a decrease in "Other payables" of €2,991 thousand due primarily to the payment of long term incentives to top management maturing in the year;
- a decrease in the fair value of derivatives of €6,446 thousand;
- an increase in provisions for risks and charges of €2,214 thousand, due mainly to a change in the discount rate used to calculate supplementary customer indemnities.

Net equity

(€ thousands)	31/12/2014	31/12/2013	Change
Share capital	4,492	4,482	10
Share premium account	191,906	189,316	2,590
Statutory reserve	934	934	-
Treasury shares	(46,547)	(44,091)	(2,456)
Stock option reserve	21,509	15,328	6,181
Cash flow hedge reserve	(7,421)	(2,715)	(4,706)
Extraordinary reserve	2,767	2,767	-
Other reserves	756	56	700
Income brought forward	152,036	128,742	23,294
Income for the year	21,332	32,643	(11,311)
Net Equity	**341,764**	**327,462**	**14,302**

Net equity amounted to €341,764 thousand at 31 December 2014 versus €327,462 thousand at 31 December 2013, an increase of €14,302 thousand, explained by:

- an increase in share capital and the share premium reserve of 501,050 shares following the exercise of stock options;
- an increase in treasury shares following the purchase of 540,000 shares;
- an increase in the stock option reserve;
- a decrease in the cash flow hedge reserve;
- the net profit posted in 2014.

Net financial indebtedness

(€ thousands)	31/12/2014	31/12/2013	Change
Net medium and long-term financial indebtedness	364,979	339,035	25,944
Short tem net financial indebtedness	(29,456)	(29,140)	(316)
Cash and equivalents	(150,828)	(126,914)	(23,914)
Net financial indebtedness	**184,695**	**182,981**	**1,713**

Net financial indebtedness amounted to €184,694 thousand at 31 December 2014, an increase of €1,713 thousand with respect to 31 December 2013.

The company maintained the debt structure set up in 2013 as a result of the USD 130 million private placement made by the American subsidiary Amplifon USA Inc. with 7, 10 and 12 year maturities (falling due between 2013 and 2025) and the issue of a €275 million 5-year bond loan reserved for non-

American institutional investors that is listed on the Luxembourg Stock Exchange's Euro MTF market. The transactions made in 2013 were summed together with the last USD 70 million tranche of the private placement made in 2006 falling due in 2016.

The undrawn portion of credit lines granted amounted to €110 million, €90 million of which irrevocable.

Covenant

The USD 130 million private placement 2013-2025 (equal to €100.9 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885) made by Amplifon USA Inc. and guaranteed by Amplifon S.p.A. is subject to the following covenants:

- the ratio of the consolidated net financial indebtedness to the Group's consolidated net equity must not exceed 1.5;
- the ratio of the consolidated net financial indebtedness to consolidated EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

These ratios, in the event relevant acquisitions are made, may be increased to 2.0 and 4.0, respectively, for a period of not more than 12 months on two occasions over the life of the loan.

The USD 70 million private placement 2006-2016 (equal to €55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) made by Amplifon USA Inc. and guaranteed by Amplifon S.p.A. is subject to the following covenants:

- the ratio of the consolidated net financial indebtedness to the Group's consolidated net equity must not exceed 1.5;
- the ratio of the consolidated net financial indebtedness to consolidated EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

At 31 December 2014 the value of the ratios was as follows:

	Value
Consolidated Net financial indebtedness/Group net equity	0.56
Consolidated Net financial indebtedness/Group EBITDA for the last 4 quarters	1.77

As is typical international practice, the two private placements are also subject to other covenants which limit the ability to issue guarantees and complete sale and lease back, as well as extraordinary, transactions.

The €275 million Eurobond due in 2018 and issued in July 2013 is not subject to any covenants.

Reclassified cash flow statement

The reclassified cash flow statement shows the change in net debt between the start and the end of the period. The notes to the financial statements include a cash flow statement based on cash holdings as per IAS 7 showing the change in opening and closing cash in the period.

(€ thousands)	FY 2014	FY 2013
OPERATING ACTIVITIES		
Net income (loss)	21,332	32,643
Amortization, depreciation and write-downs:		
- other intangible fixed assets	2,647	1,586
- tangible fixed assets	5,541	5,542
Total amortization, depreciation and write-downs	*8,188*	*7,128*
Provisions and other non-monetary items	6,509	3,156
(Gains) losses from sale of fixed assets	18	6
Financial income and charges	1,375	(4,515)
Current and deferred income taxes	6,674	7,527
Change in assets and liabilities		
- Utilization of provisions	(1,754)	(2,702)
- (Incremento) decremento delle rimanenze	1,831	761
- Increase) decrease in inventories	4,915	1,296
- Increase (decrease) in trade payables	1,527	(707)
- Increase (decrease) in other receivables/payables non-financial net of tax receivables/payables	(11,319)	5,138
Total change in current assets and liabilities	*(4,800)*	*3,786*
Dividends received	32,541	30,271
Interest received/paid	(16,683)	(15,386)
Taxes paid	(1,206)	(9,835)
Write down of financial current assets	(15,500)	-
Cash flow generated from (absorbed by) operating activities	**38,448**	**54,781**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(5,976)	(5,062)
Purchase of tangible fixed assets	(5,746)	(5,132)
Consideration from sale of tangible fixed assets and businesses	2	3
Cash flow generated from (absorbed by) investing activities	*(11,720)*	*(10,191)*
Cash flow generated from operating and investing activities (Free cash flow)	**26,728**	**44,590**
Business combinations	(17,936)	(3,796)
Cash flow generated from acquisitions	*(17,936)*	*(3,796)*
Cash flow generated from (absorbed by) investing activities	**(29,656)**	**(13,987)**
FINANCING ACTIVITIES:		
Hedging derivatives	-	(2,410)
Commissions paid for medium/long-term financing	-	(3,117)
Other non-current assets	(514)	(100)
Dividends distributions	(9,350)	(9,330)
Treasury shares	(2,456)	-
Capital increases	1,814	1,737
Cash flow generated from (absorbed by) financing activities	**(10,506)**	**(13,220)**
Net financial indebtedness at the beginning of the period	**(1,713)**	**27,574**
Opening net financial indebtedness	(182,981)	(210,555)
Changes in net indebtedness	(1,713)	27,574
Net financial indebtedness at the end of the period	**(184,695)**	**(182,981)**

The increase in net financial indebtedness of €1,713 thousand is attributable primarily to:

a) investment activities:

- net increase in property, plant and equipment and intangible assets of €11,720 thousand relating largely to investments in information technology, namely in the renewal of front office systems and the implementation of new centralized IT systems for the processing of corporate data;
- an increase in the value of equity investments following the acquisitions made in the year commented on in the section on non-current assets.

b) operating activities:

- interest payable on financial indebtedness and other net financial charges of €16,683 thousand;
- payment of taxes which amounted to €1,206 thousand;
- dividends received from subsidiaries amounting to €32,541 thousand;
- write downs of subsidiaries' financial assets amounting to €15,500 thousand;
- cash flow generated by current operations of €39,296 thousand.

c) financing activities:

- capital increase following the exercise of stock options of €1,814 thousand;
- purchase of treasury shares for €2,456 thousand;
- dividends paid amounting to €9,350 thousand.

Related party transactions

Pursuant to Consob Regulation n 17221 of 12 March 2010, on 24 October 2012, Amplifon S.p.A.'s Board of Directors, subject to the favourable opinion of the Independent Directors' Committee, approved new regulations for related party transactions in order to improve application. The new regulations took effect on 1 December 2012 and substituted the regulations approved by the Board on 3 November 2010.

The transactions carried out with related parties, including intra-group transactions, do not qualify as atypical, unusual, are part of the Group companies' normal course of business and are conducted at arm's length and are carried out in accordance with market conditions, taking into account the characteristics of the goods and services provided.

The information regarding related party transactions, including the information requested in Consob Bulletin of 28 July 2006, can be found in Note 31 of the separate financial statements.

Parent companies

Transactions carried out with the parent company Amplifin S.p.A. relate to:

- a lease for the premises owned by Amplifin S.p.A., located in Milan, via Ripamonti 133, where Amplifon S.p.A.'s registered office and head office are located, and the pertinent share of the condominium fees and maintenance costs;
- leases relating to stores owned by the parent company and used for commercial activities;
- a secondment agreement for the transfer of Amplifon S.p.A. employees;
- a tax consolidation contract for the three year period 2014 - 2017.

Subsidiaries

Financial transactions with subsidiaries
Amplifon S.p.A. and its subsidiaries have short and long term loans outstanding, and participate in cash pooling. All such transactions are subject to market rates.

Service contracts with subsidiaries
Amplifon S.p.A. has entered into contracts with its subsidiaries which govern certain centralized services, such as strategic planning, human resource management (with special reference to the shared remuneration policy, incentives, the training and hiring of personnel, and career internationalization programs), marketing, administration and control, assistance in banking relationships and the implementation of shared information systems. The cost of these services is charged to them by Amplifon S.p.A. as agreed upon in the relative contracts.

Business unit rental transactions with subsidiaries
Amplifon S.p.A. entered into agreements for the rental of business units with its Italian subsidiary Sonus Italia S.r.l. (formerly Audika Italia S.r.l.); more in detail, Sonus Italia S.r.l. rented 51 business units, each of which comprised of the single stores that the company has in Italy, to Amplifon S.p.A. The purpose of these transactions is to facilitate the integration of the store operations in accordance with Amplifon's organizational model following the acquisition of the company.

Security plan

On 11 March 2004 the Board of Directors approved the "Security Plan" pursuant to art. 34 (G) of Legislative Decree 196/2003, as amended. At the meeting of 24 April 2010 Franco Moscetti was appointed "Person in charge of the handling of personal data" in accordance with the law; this document was also updated in 2014.

Branch offices

Amplifon S.p.A. has set up a branch office - 'Amplifon Succursale de Paris' - with offices in Arcueil, 22 avenue Aristide Briand, France.

Outlook

While in the presence of what are persistently negative global market conditions, in the last quarter of 2014 there were weak signals that the propensity for consumption is improving which were also perceived by our sector. We believe that in 2015 this positive trend could gradually stabilize, though it does not appear that it will assume the connotations of a significant recovery in our country. These signals are felt to varying degrees by our sales network that is located throughout the country.

In a business context that is still complex as a result of exogenous factors, Amplifon S.p.A. will continue to face the market with determination, proceeding with all the marketing initiatives and investments needed to foster further and significant improvement in the turnover. The important performance recorded in the second part of 2014 indicates that the direction undertaken is correct. The revamping of the timing of our television campaigns, already begun in 2014, the development of digital marketing and further improvement in Customer Relationship Management (CRM) will be key to the quality of the company's performance in the year. We believe the investments in CRM, in particular, will prove part of a winning strategy that will make it possible to create a new way of working and of managing the processes needed to increase our turnover while, at the same time, increasing the ever important level of customer satisfaction. We want to reiterate the company's commitment to customer satisfaction that is an integral part of all our strategies.

The roll-out of the new store IT system, FOX, will be completed in the first part of the year. This will provide all the domestic branches with an advanced technological tool capable of becoming a factor that differentiates us from the competition.

Consolidated Financial Statements at 31 December 2014

Consolidated Statement of Financial Position

(€ thousands)		31/12/2014	31/12/2013 (*)	Change
ASSETS				
Non-current assets				
Goodwill	**Note 6**	534,822	500,680	34,142
Intangible fixed assets with finite useful life	**Note 7**	135,108	120,103	15,005
Tangible fixed assets	**Note 8**	96,188	87,690	8,498
Investments valued at equity		2,000	2,135	(135)
Financial assets measured at fair value through profit or loss	**Note 9**	4,512	4,131	381
Long - term hedging instruments	**Note 10**	7,568	2,382	5,186
Deferred tax assets	**Note 25**	44,653	46,088	(1,435)
Other assets	**Note 9**	45,762	37,968	7,794
Total non-current assets		**870,613**	**801,177**	**69,436**
Current assets				
Inventories	**Note 11**	28,690	29,832	(1,142)
Trade receivables	**Note 12**	109,355	103,687	5,668
Other receivables	**Note 12**	33,059	28,820	4,239
Hedging instruments	**Note 10**	467	2,572	(2,105)
Cash and cash equivalents	**Note 13**	211,124	170,322	40,802
Total current assets		**382,695**	**335,233**	**47,462**
TOTAL ASSETS		**1,253,308**	**1,136,410**	**116,898**

(*) Restated data. Refer to note 2.1 for details.

(€ thousands)		31/12/2014	31/12/2013 (*)	Change
LIABILITIES				
Net Equity	**Note 14**			
Share capital		4,492	4,482	10
Share premium account		191,903	189,312	2,591
Treasury shares		(46,547)	(44,091)	(2,456)
Other reserves		(9,568)	(31,367)	21,799
Profit (loss) carried forward		255,410	249,432	5,978
Profit (loss) for the period		46,475	12,848	33,627
Group net equity		**442,165**	**380,616**	**61,549**
Minority interests		**1,057**	**460**	**597**
Total net equity		**443,222**	**381,076**	**62,146**
Non-current liabilities				
Medium/long-term financial liabilities	**Note 16**	438,719	417,541	21,178
Provisions for risks and charges	**Note 17**	40,569	33,076	7,493
Liabilities for employees' benefits	**Note 18**	15,711	11,651	4,060
Hedging instruments	**Note 10**	8,773	16,850	(8,077)
Deferred tax liabilities	**Note 25**	51,998	46,671	5,327
Payables for business acquisitions	**Note 19**	10,034	3,446	6,588
Other long-term debt	**Note 19**	250	245	5
Total non-current liabilities		**566,054**	**529,480**	**36,574**
Current liabilities				
Trade payables	**Note 20**	101,788	96,241	5,547
Payables for business acquisitions	**Note 21**	1,692	621	1,071
Other payables	**Note 21**	123,667	108,854	14,813
Hedging instruments	**Note 10**	362	59	303
Provisions for risks and charges	**Note 22**	978	411	567
Liabilities for employees' benefits	**Note 23**	752	8,257	(7,505)
Short-term financial liabilities	**Note 24**	14,793	11,411	3,382
Total current liabilities		**244,032**	**225,854**	**18,178**
TOTAL LIABILITIES		**1,253,308**	**1,136,410**	**116,898**

(*) Restated data. Refer to note 2.1 for details.

Consolidated Income Statement

(€ thousands)		FY 2014 Recurring	FY 2014 Non recurring (*)	FY 2014 Total	FY 2013 (*) Recurring	FY 2013 (*) Non recurring	FY 2013 (*) Total	Change
Revenues from sales and services	Note 26	890,931	-	890,931	827,403	-	827,403	63,528
Operating costs	Note 27	(752,124)	-	(752,124)	(707,629)	(4,454)	(712,083)	(40,041)
Other income and costs	Note 28	(1,139)	-	(1,139)	3,089	(1,366)	1,723	(2,862)
Gross operating profit (EBITDA)		**137,668**	**-**	**137,668**	**122,863**	**(5,820)**	**117,043**	**20,625**
Amortisation, depreciation and impairment	**Note 29**							
Amortisation of intangible fixed assets		(22,008)	-	(22,008)	(21,471)	(70)	(21,541)	(467)
Depreciation of tangible fixed assets		(24,428)	-	(24,428)	(24,950)	(14)	(24,964)	536
Impairment and impairment reversals of non-current assets		(616)	-	(616)	(1,007)	(1,182)	(2,189)	1,573
		(47,052)	**-**	**(47,052)**	**(47,428)**	**(1,266)**	**(48,694)**	**1,642**
Operating result		**90,616**	**-**	**90,616**	**75,435**	**(7,086)**	**68,349**	**22,267**
Financial income, charges and value adjustments to financial assets	**Note 30**							
Group's share of the result of associated companies valued at equity		201	-	201	(7)	-	(7)	208
Other income and charges, impairment and revaluations of financial assets		472	-	472	130	-	130	342
Interest income and charges		(20,549)	-	(20,549)	(18,739)	(7,697)	(26,436)	5,887
Other financial income and charges		(2,436)	-	(2,436)	(4,035)	-	(4,035)	1,599
Exchange gains and losses		1,860	-	1,860	(4,599)	-	(4,599)	6,459
Gain (loss) on assets measured at fair value		(3,608)	-	(3,608)	3,441	-	3,441	(7,049)
		(24,060)	**-**	**(24,060)**	**(23,809)**	**(7,697)**	**(31,506)**	**7,446**
Profit (loss) before tax		**66,556**	**-**	**66,556**	**51,626**	**(14,783)**	**36,843**	**29,713**
Current and deferred income tax	**Note 31**							
Current tax		(25,709)	8,707	(17,002)	(29,353)	3,316	(26,037)	9,035
Deferred tax		(5,070)	1,961	(3,109)	1,208	906	2,114	(5,223)
		(30,779)	**10,668**	**(20,111)**	**(28,145)**	**4,222**	**(23,923)**	**3,812**
Total net profit (loss)		**35,777**	**10,668**	**46,445**	**23,481**	**(10,561)**	**12,920**	**33,525**
Net profit (loss) attributable to Minority interests		(30)	-	(30)	72	-	72	(102)
Net profit (loss) attributable to the Group		**35,807**	**10,668**	**46,475**	**23,409**	**(10,561)**	**12,848**	**33,627**

(*) Restated data. Refer to note 2.1 for details.

Income (loss) and earnings per share (€ per share)	**Note 34**	**FY 2014**	**FY 2013**
Earnings per share			
- base		0.213789	0.059542
- diluted		0.207547	0.057933
Dividend per share		0.043 (*)	0.043

(*) Proposed by the Board of Directors to the shareholders' meeting called for April 21st 2015.

Consolidated Statement of Comprehensive Income

(€ thousands)	FY 2014	FY 2013
Net income (loss) for the period	**46,445**	**12,920**
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit plans	(3,383)	754
Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss	652	(156)
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)	**(2,731)**	**598**
Other comprehensive income that will be reclassified subsequently to profit or loss		
Gains/(losses) on cash flow hedging instruments	(6,490)	2,586
Gains/(losses) on exchange differences from translation of financial statements of foreign entities	24,696	(58,153)
Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss	1,785	(660)
Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)	**19,991**	**(56,227)**
Total other comprehensive income (loss) (A)+(B)	**17,260**	**(55,629)**
Comprehensive income (loss) for the period	**63,705**	**(42,709)**
Attributable to the Group	63,725	(42,726)
Attributable to Minority interests	(20)	17

Statement of Changes in Consolidated Net Equity

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve
Balance at 1 January 2013		**4,468**	**186,775**	**934**	**2,770**	**(44,091)**
Appropriation of FY 2012 result						
Share capital increase		14	1,723			
Dividend distribution						
Implicit cost of stock options and stock grants	**Note 32**					
Other changes			814			
- Hedge accounting	**Note 10**					
- Actuarial gains (losses)						
- Translation difference						
- Result for FY 2013						
Total comprehensive income (loss) for the period						
Balance at 30 December 2013		**4,482**	**189,312**	**934**	**2,770**	**(44,091)**

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve
Balance at 1 January 2014 (*)		**4,482**	**189,312**	**934**	**2,770**	**(44,091)**
Appropriation of FY 2013 result						
Share capital increase		10	1,803			
Treasury shares						(2,456)
Dividend distribution						
Implicit cost of stock options and stock grants	**Note 32**					
Altre variazioni			787		837	
- Hedge accounting	**Note 10**					
- Actuarial gains (losses)						
- Translation difference						
- Result for FY 2014						
Total comprehensive income (loss) for the period						
Balance at 31 December 2014		**4,492**	**191,902**	**934**	**3,607**	**(46,547)**

(*) Restated data. Refer to note 2.1 for details.

Stock option reserve	Cash flow hedge reserve	Actuarial gains and losses	Profit (loss) carried forward	Translation difference	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
11,034	**(4,642)**		**219,601**	**9,531**	**43,182**	**429,562**	**596**	**430,158**
			43,182		(43,182)			
						1,737		**1,737**
			(9,330)			**(9,330)**		**(9,330)**
5,394						**5,394**		**5,394**
(814)			(2,462)			**(2,462)**	(153)	**(2,615)**
	1,926					*1,926*		*1,926*
		598				*598*		*598*
				(58,098)		*(58,098)*	*(55)*	*(58,153)*
					12,848	*12,848*	*72*	*12,920*
	1,926	**598**		**(58,098)**	**12,848**	**(42,726)**	**17**	**(42,709)**
15,614	**(2,716)**	**598**	**250,991**	**(48,567)**	**12,848**	**382,175**	**460**	**382,635**

Stock option reserve	Cash flow hedge reserve	Actuarial gains and losses	Profit (loss) carried forward	Translation difference	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
15,614	**(2,716)**	**598**	**249,432**	**(48,567)**	**12,848**	**380,616**	**460**	**381,076**
			12,848		(12,848)			
						1,813		**1,813**
						(2,456)		**(2,456)**
			(9,350)			**(9,350)**		**(9,350)**
7,861						**7,861**		**7,861**
(1,714)		(2,434)	2,480			**(44)**	617	**573**
	(4,705)					*(4,705)*		*(4,705)*
		(2,731)				*(2,731)*		*(2,731)*
				24,686		*24,686*	*10*	*24,696*
					46,475	*46,475*	*(30)*	*46,445*
	(4,705)	**(2,731)**		**24,686**	**46,475**	**63,725**	**(20)**	**63,725**
21,761	**(7,421)**	**(4,567)**	**255,410**	**(23,881)**	**46,475**	**442,165**	**1,057**	**443,222**

Consolidated Cash Flow Statement

(€ thousands)	FY 2014	FY 2013 (*)
ATTIVITÀ DI ESERCIZIO		
Net profit (loss)	46,445	12,920
Amortization, depreciation and write-downs:		
- intangible fixed assets	22,055	22,321
- tangible fixed assets	24,997	26,047
- goodwill	-	326
Provisions	18,795	16,670
(Gains) losses from sale of fixed assets	92	(324)
Group's share of the result of associated companies	(201)	7
Financial income and charges	24,260	31,499
Current, deferred tax assets and liabilities	20,111	23,923
Cash flow from operating activities before change in working capital	***156,554***	***133,389***
Utilization of provisions	(8,107)	(7,983)
(Increase) decrease in inventories	6,218	3,651
Decrease (increase) in trade receivables	2,960	(2,219)
Increase (decrease) in trade payables	(863)	449
Changes in other receivables and other payables	(8,284)	12,798
Total change in assets and liabilities	***(8,076)***	***6,696***
Dividends received	408	176
Interest received (paid)	(21,763)	(15,838)
Taxes paid	(11,284)	(37,697)
Cash flow generated from (absorbed by) operating activities (A)	**115,839**	**86,726**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(14,914)	(7,961)
Purchase of tangible fixed assets	(28,016)	(25,216)
Consideration from sale of tangible fixed assets	5,245	3,686
Cash flow generated from (absorbed by) operating investing activities (B)	***(37,685)***	***(29,491)***
Purchase of subsidiaries and business units	(38,050)	(4,844)
Increase (decrease) in payables through business acquisition	7,522	194
(Purchase) sale of other investments, business units and securities	(146)	768
Cash flow generated from (absorbed by) acquisition activities (C)	***(30,674)***	***(3,882)***
Cash flow generated from (absorbed by) investing activities (B+C)	**(68,359)**	**(33,373)**
FINANCING ACTIVITIES:		
Increase (decrease) in financial payables	2,936	35,172
(Increase) decrease in financial receivables	1,255	(5,481)
Derivatives instruments and other non-current assets	-	(3,691)
Commissions paid for medium/long-term financing	-	(4,604)
Other non-current assets and liabilities	(5,656)	(4,345)
Treasury shares	(2,456)	-
Dividends distributed	(9,350)	(9,330)
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	1,955	1,671
Cash flow generated from (absorbed by) financing activities (D)	***(11,316)***	***9,392***
Net increase in cash and cash equivalents (A+B+C+D)	**36,164**	**62,745**
Cash and cash equivalents at beginning of period	**170,322**	**111,100**
Effect of discontinued operations on cash & cash equivalents	(163)	-
Effect of exchange rate fluctuations on cash & cash equivalents	2,634	(3,550)
Liquid assets acquired	2,167	27
Cash and cash equivalents at beginning of period	**36,164**	**62,745**
Cash and cash equivalents at the end of period	**211,124**	**170,322**

(*) Restated data. Refer to note 2.1 for details.

Related-party transactions relate to rentals of the main office and certain stores, to recharges of maintenance costs and general services of the above-mentioned buildings and to commercial transactions, personnel costs and loans. They are detailed in Note 35, where the related financial flows can be easily deduced.

Supplementary Information to Consolidated Cash Flow Statement

The fair values of the assets and liabilities acquired are summarised in the following table:

(€ thousands)	FY 2014	FY 2013
- Goodwill	15,677	3,201
- Customer lists	16,201	1,683
- Trademarks and non-competition agreements	508	-
- Other intangible fixed assets	374	304
- Tangible fixed assets	4,668	369
- Financial fixed assets	37	-
- Current assets	14,367	528
- Provisions for risks and charges	(1,735)	(191)
- Current liabilities	(11,314)	(1,099)
- Other non-current assets and liabilities	(4,014)	(280)
- Minority interests	(551)	-
Total investments	**34,218**	**4,514**
Net financial debt acquired	3,831	330
Total business combinations	**38,050**	**4,844**
(Increase) decrease in payables for businesses combinations	(7,522)	(194)
Disposal of businesses (reduction in earn-outs), purchase of investments and shares	146	(768)
Cash flow absorbed by (generated from) acquisitions	**30,674**	**3,882**
(Cash and cash equivalents acquired)	(2,167)	27
Net cash flow absorbed by (generated from) acquisitions	**28,507**	**3,909**

Explanatory Notes

1. General Information

The Amplifon Group is global leader in the distribution of Hearing Aid systems and in their fitting and customization to meet the needs of hearing impaired patients.

The parent company, Amplifon S.p.A. is based in Milan, in Via Ripamonti 133. The Group is controlled directly by Ampliter N.V. and indirectly by Amplifin S.p.A., owned by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

The consolidated financial statements at 31 December 2014 have been prepared in accordance with International Accounting Standards and the regulations implementing Article 9 of legislative Decree No. 38 of 28 February 2005. These standards include the IAS and IFRS issued by the International Accounting Standard Board, as well as the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which were endorsed in accordance with the procedure set out in Article 6 of Regulation (EC) no. 1606 of 19 July 2002 by 31 December 2014. International Accounting Standards endorsed after that date and before the preparation of these financial statements are adopted in the preparation of the consolidated financial statements only if early adoption is allowed by the Endorsing Regulation and the accounting standard itself and the Group has elected to do so.

The publication of the consolidated financial statements of the Amplifon Group at 31 December 2014 was authorised by the resolution of the Board of Directors of 3 March 2015. These financial statements are subject to the approval of the Shareholders' Meeting of Amplifon S.p.A. on 21 April 2015.

2. Change of comparative data

2.1. Application of new accounting standards and correction of errors

- Beginning in 2014 IFRS 11 - “Joint arrangements” substituted IAS 31 – “Interests in joint ventures” and SIC-13 - “Jointly controlled entities: non-monetary contributions by venturers”. Based on the new standard, joint control is based on the rights and obligations stemming from contractual arrangements and not on the legal form of the parties and a distinction is made between equity investments in joint ventures (in the event, based on the agreement, the Group has rights to assets) and a joint operation (in the event, based on the agreement, the Group has rights to assets and obligations for liabilities).

  As a result of the application of this standard, the equity investment in the Dutch company Comfoor BV was accounted for by the Amplifon Group using the equity method rather than the proportional method used previously. The Group applied the transition rules provided for under the new principle restating the comparative data at 31 December 2013 and at 31 December 2014.
  The application of all the other new standards adopted in the year, rather, did not have a material impact on the financial statements (see paragraph 3.1 for details).

- During the year an error relating to tax payables recognized in Australia in 2010 and in 2012 was recognized. The comparative figures were, consequently, restated in accordance with IAS 8.

The impact of the adoption of the new standard and the correction of the error above is shown below.

(€ thousands)	31/12/2013 Restated	31/12/2013 Reported	Change
ASSETS			
Non-current assets			
Goodwill	500,680	500,680	-
Intangible fixed assets with finite useful life	120,103	120,300	(197)
Tangible fixed assets	87,690	88,119	(429)
Investments valued at equity	2,135	940	1,195
Financial assets measured at fair value through profit or loss	4,131	4,131	-
Long term hedging instruments	2,382	2,382	-
Deferred tax assets	46,088	46,088	-
Other assets	37,968	37,968	-
Total non-current assets	**801,177**	**800,608**	**569**
Current assets			
Inventories	29,832	30,147	(315)
Trade receivables	103,687	104,018	(331)
Other receivables	28,820	28,940	(120)
Hedging instruments	2,572	2,572	-
Cash and cash equivalents	170,322	170,345	(23)
Total current assets	**335,233**	**336,022**	**(789)**
TOTAL ASSETS	**1,136,410**	**1,136,630**	**(220)**

(€ thousands)	31/12/2013 Restated	31/12/2013 Reported	Change
LIABILITIES			
Net Equity			
Share capital	4,482	4,482	-
Share premium account	189,312	189,312	-
Treasury shares	(44,091)	(44,091)	-
Other reserves	(31,367)	(31,367)	-
Profit (loss) carried forward	249,432	250,991	(1,559)
Profit (loss) for the period	12,848	12,848	-
Group net equity	**380,616**	**382,175**	**(1,559)**
Minority interests	**460**	**460**	**-**
Total net equity	**381,076**	**382,635**	**(1,559)**
Non-current liabilities			
Medium/long-term financial liabilities	417,541	417,541	-
Provisions for risks and charges	33,076	33,101	(25)
Liabilities for employees' benefits	11,651	11,651	-
Hedging instruments	16,850	16,850	-
Deferred tax liabilities	46,671	46,671	-
Payables for business acquisitions	3,446	3,446	-
Other long-term debt	245	245	-
Total non-current liabilities	**529,480**	**529,505**	**(25)**
Current liabilities			
Trade payables	96,241	96,297	(56)
Payables for business acquisitions	621	621	-
Other payables	108,854	107,434	1,420
Hedging instruments	59	59	-
Provisions for risks and charges	411	411	-
Liabilities for employees' benefits	8,257	8,257	-
Short-term financial liabilities	11,411	11,411	-
Total current liabilities	**225,854**	**224,490**	**1,364**
TOTAL LIABILITIES	**1,136,410**	**1,136,630**	**(220)**

(€ thousands)	31/12/2013 Restated	31/12/2013 Reported	Change
Revenues from sales and services	827,403	828,632	(1,229)
Operating costs	(712,083)	(712,942)	859
Other income and costs	1,723	1,724	(1)
Gross operating profit (EBITDA)	**117,043**	**117,414**	**(371)**
Amortisation, depreciation and impairment			
Amortisation of intangible fixed assets	(21,541)	(21,641)	100
Depreciation of tangible fixed assets	(24,964)	(25,067)	103
Impairment and impairment reversals of non-current assets	(2,189)	(2,188)	(1)
	(48,694)	**(48,896)**	**202**
Operating result	**68,349**	**68,518**	**(169)**
Financial income, charges and value adjustments to financial assets			
Group's share of the result of associated companies valued at equity	(7)	(131)	124
Other income and charges, impairment and revaluations of financial assets	130	130	-
Interest income and charges	(26,436)	(26,436)	-
Other financial income and charges	(4,035)	(4,043)	8
Exchange gains and losses	(4,599)	(4,605)	6
Gain (loss) on assets measured at fair value	3,441	3,441	-
	(31,506)	**(31,644)**	**138**
Profit (loss) before tax	**36,843**	**36,874**	**(31)**
Current and deferred income tax			
Current tax	(26,037)	(26,068)	31
Deferred tax	2,114	2,114	-
	(23,923)	**(23,954)**	**31**
Total net profit (loss)	**12,920**	**12,920**	**-**
Net profit (loss) attributable to Minority interests	72	72	-
Net profit (loss) attributable to the Group	**12,848**	**12,848**	**-**

(€ thousands)	31/12/2013 Restated	31/12/2013 Reported	Change
OPERATING ACTIVITIES			
Net profit (loss)	12,920	12,920	-
Amortization, depreciation and write-downs:			
- intangible fixed assets	22,321	22,302	19
- tangible fixed assets	26,047	26,268	(221)
- goodwill	326	326	-
Provisions	16,670	16,672	(2)
Gains) losses from sale of fixed assets	(324)	(324)	-
Group's share of the result of associated companies	7	131	(124)
Financial income and charges	31,499	31,513	(14)
Current, deferred tax assets and liabilities	23,923	23,954	(31)
Cash flow from operating activities before change in working capital	***133,389***	***133,762***	***(373)***
Utilization of provisions	(7,983)	(7,983)	-
(Increase) decrease in inventories	3,651	3,624	27
Decrease (increase) in trade receivables	(2,219)	(2,271)	52
Increase (decrease) in trade payables	449	439	10
Changes in other receivables and other payables	12,798	12,758	40
Total change in assets and liabilities	***6,696***	***6,567***	***129***
Dividends received	176	176	-
Interest received (paid)	(15,838)	(15,853)	15
Taxes paid	(37,697)	(37,825)	128
Cash flow generated from (absorbed by) operating activities (A)	**86,726**	**86,827**	**(101)**
INVESTING ACTIVITIES:			
Purchase of intangible fixed assets	(7,961)	(8,110)	149
Purchase of tangible fixed assets	(25,216)	(25,288)	72
Consideration from sale of tangible fixed assets	3,686	3,686	-
Cash flow generated from (absorbed by) operating investing activities (B)	***(29,491)***	***(29,712)***	***221***
Purchase of subsidiaries and business units	(4,844)	(4,844)	-
Increase (decrease) in payables through business acquisition	194	194	-
(Purchase) sale of other investments, business units and securities	768	768	-
Cash flow generated from (absorbed by) acquisition activities (C)	***(3,882)***	***(3,882)***	***-***
Cash flow generated from (absorbed by) investing activities (B+C)	**(33,373)**	**(33,594)**	**221**
FINANCING ACTIVITIES:			
Increase (decrease) in financial payables	35,172	35,235	(63)
(Increase) decrease in financial receivables	(5,481)	(5,481)	-
Derivatives instruments and other non-current assets	(3,691)	(3,691)	-
Commissions paid for medium/long-term financing	(4,604)	(4,604)	-
Other non-current assets and liabilities	(4,345)	(4,345)	-
Dividends distributed	(9,330)	(9,330)	-
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	1,671	1,671	-
Cash flow generated from (absorbed by) financing activities (D)	***9,392***	***9,455***	***(63)***
Net increase in cash and cash equivalents (A+B+C+D)	**62,745**	**62,688**	**57**
Cash and cash equivalents at beginning of period	**111,100**	**111,180**	**(80)**
Effect of discontinued operations on cash & cash equivalents	-	-	-
Effect of exchange rate fluctuations on cash & cash equivalents	(3,550)	(3,550)	-
Liquid assets acquired	27	27	-
Cash flows	**62,745**	**62,688**	**57**
Cash and cash equivalents at the end of period	**170,322**	**170,345**	**(23)**

2.2 Presentation of certain income statement items

The Amplifon Group classifies costs by nature in the income statement, as such classification is deemed to be more representative of the mainly commercial and distribution activities carried out by the Group.

The income statement model used up until now showed purchasing costs, personnel expenses, and service costs separately.

(€ thousands)	**FY 2013**	**%**
Revenues from sales and services	827,403	100.0%
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(195,669)	-23.6%
Personnel expenses	(260,178)	-31.4%
Services	(256,236)	-31.0%
Other income and costs	1,723	0.2%
Gross operating profit (EBITDA)	**117,043**	**14.1%**

In order to be in line with the best international practices, beginning 2014 the Group changed the presentation of these items in order to distinguish the costs relating to the stores from centralized and back-office costs. As a result of this classification it is easier to understand the actual cost of the service provided to customers that is slightly higher than the cost of the hearing aid on a stand-alone basis.

In accordance with IAS 1, the comparative figures were reclassified as shown below:

(€ thousands)	**FY 2013**	**%**
Revenues from sales and services	827,403	100.0%
Operating expenses	(712,083)	-86.1%
Other income and costs	1,723	0.2%
Gross operating profit (EBITDA)	**117,043**	**14.1%**

Other additional information supplied in these notes includes:

- Breakdown of personnel expenses by store personnel and headquarter/back office personnel;
- Costs relative to sales commissions;
- Breakdown of rental expenses by store and other rents.

This additional information relative to 2013 is shown below.

(€ thousands)	**2013**
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(195,669)
Personnel expenses – Point of sale	(151,559)
Commissions – Point of sale	(68,822)
Rental costs – Point of sale	(43,088)
Total	**(459,138)**
Other personnel expenses	(108,619)
Other rental costs	(4,646)
Other costs for services	(139,679)
Total other operating costs	**(252,945)**
Total operating costs	**(712,083)**

2.3 Presentation of certain consolidated statement of financial position items

As of the end of the current fiscal year, the following items in the Statement of financial position have been merged:

- Tax receivables and other receivables in “other receivables”;
- Tax payables and other liabilities in “other liabilities”.

(€ thousands)	**31/12/2014**	**31/12/2013**	**Change**
Tax receivables	12,531	11,310	1,221
Other receivables	20,528	17,510	3,018
Other receivables	**33,059**	**28,820**	**4,239**

(€ thousands)	**31/12/2014**	**31/12/2013**	**Change**
Tax payables	19,770	16,556	3,214
Other payables	103,897	92,298	11,599
Other payables	**123,667**	**108,854**	**14,813**

“Tax receivables” and “Tax payables” are detailed in “Receivables” section (Note 12) and “Other payables“ sections (Note 21).

3. Accounting policies

3.1. Presentation of financial statement

The consolidated financial statements at 31 December 2014 have been prepared in accordance with the historical cost convention with the exception of derivative financial instruments, certain financial investments measured at fair value and assets and liabilities hedged by a fair value hedge, as more fully explained hereafter, as well as on the going concern assumption.
The following table lists the international accounting standards and the interpretations approved by IASB and endorsed to be adopted in Europe and applied for the first time in the financial year under review.

Description	Endorsement date	Publication in O.J.E.C.	Effective date	Effective date for Amplifon
Amendments to IFRS 10, IFRS 11 and IFRS 12 - Transition guidance	4 Apr '13	5 Apr '13	Financial years beginning on or after 1 Jan '14	1 Jan '14
IFRS 10 Consolidated Financial Statements	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
IFRS 11 Joint arrangements	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
IFRS 12 Disclosure of interest in other entities	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
IAS 27 Separate Financial Statements	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
IAS 28 Investments in associates and joint ventures	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
Amendments to IAS 32 Financial instruments – presentation offsetting financial assets and financial liabilities	13 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '14	1 Jan '14
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	20 Nov '13	21 Nov '13	Financial years beginning on or after 1 Jan '14	1 Jan '14
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	19 Dec '13	20 Dec '13	Financial years beginning on or after 1 Jan '14	1 Jan '14
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	19 Dec '13	20 Dec '13	Financial years beginning on or after 1 Jan '14	1 Jan '14

Based on the new IFRS 10 and the relative amendments the same definition of control applies to all businesses. It also provides guidelines to be used to determine whether or not control exists if the latter is difficult to assess. The new standard substitutes IAS 27 "Consolidated and separate financial statements" only with respect to the part relative to consolidated financial statements - and SIC 12 "Consolidation – Special purpose entities (vehicle companies)". Following issue of the new standard, IAS 27 – renamed "Separate financial statements"- now contains all the standards and guidelines for the preparation of just the separate financial statements.

IFRS 11 "Joint arrangements", substitutes IAS 31 – "Interests in joint ventures" and SIC-13 – "Jointly controlled entities: non-monetary contributions by venturers". Based on the new standard, joint control is based on the rights and obligations stemming from contractual arrangements and not on the legal form of the parties and a distinction is made between equity investments in joint ventures (in the event, based on the agreement, the Group has rights to assets) and a joint operation (in the event, based on the agreement, the Group has rights to assets and obligations for liabilities).

IFRS 12 and the relative amendments establish what information needs to be provided for each type of interest, including for subsidiaries, joint arrangements, associates and unconsolidated structured entities and other vehicles. Many of the disclosures called for under IFRS 12 were previously included in IAS 27, IAS 28 and IAS 31, while others are new.

The amendments to IAS 32 "Financial instruments: presentation" clarify the application of the criteria used to offset financial assets and liabilities and calls for retroactive application.

The amendments to IFRS 10, IFRS 12 and IAS 27 – "Investment entities" apply to entities defined as investment entities (for example, private equity and venture capital firms, pension funds), the purpose of which is to invest funds in order to obtain a return on capital or capital appreciation or both. Based on these amendments the subsidiaries of the investment entities must be not be accounted for line-by-line, but rather based on the fair value shown in the income statement.

The amendments to IAS 36 "Impairment of assets", governs the measurement of the recoverable value of assets based on fair value less disposal costs.

The amendments to IAS 39 – "Financial Instruments: Recognition and measurement, relating to novation of derivatives and the continuation of hedge accounting" confirm that hedge accounting may be used to measure a hedging instrument even when novation arises and the original counterparty is substituted as a consequence of laws and regulations in order to guarantee that obligations are fulfilled, as long as certain conditions are satisfied.

The impact of IFRS 11 adoption is described in paragraph 2.1.
The adoption of all the other standards and interpretations did not and will not have a material impact on either the measurement of the Group's assets, liabilities, costs and revenue or the information found in the financial statements.

With respect to the presentation of the financial statements the following should be noted that:
- statement of financial position: the Group distinguishes between current and non-current assets and liabilities;
- income statement: the Group classifies costs by nature, as such classification is deemed to be more representative of the mainly commercial and distribution activities carried out by the Group;
- statement of comprehensive income (loss): this includes the net result of the period and the effects of changes in exchange rates, the cash flow hedge reserve and actuarial gains and losses that are recognised directly in net equity; those items are disclosed on the basis of whether they will potentially be reclassified subsequently to profit or loss;

- statement of changes in net equity: the Group includes all changes in net equity, including those arising from transactions with the shareholders (dividend distributions, increases in share capital);
- cash flow statement: this is prepared using the indirect method for defining cash flows deriving from operating activities.

3.2. Use of estimates in preparing the financial statements

Preparation of the financial statements schedules and explanatory notes required the use of estimates and assumptions in respect of the following items:

- provisions for impairment, calculated on the basis of the asset's estimated realisable value;
- provisions for risks and charges, calculated on the basis of a reasonable estimate of the amount of the potential liability, not least in relation to any claim made by the counterparty;
- provisions for obsolescence, in order to adjust the carrying value of inventory to reflect realisable value;
- provisions for employee benefits, recognised on the basis of the actuarial valuations made;
- amortisation and depreciation, recognised on the basis of the estimated remaining useful life and recoverable amount;
- income tax, which is recognised on the basis of the best estimate of the expected tax rate for the full year;
- IRSs and currency swaps (instruments not traded on regulated markets), marked to market at the reporting date based on the yield curve and exchange rate fluctuations and subject to credit/debit valuation adjustments, which are supported by market quotations.

Estimates are periodically reviewed and any adjustments due to changes in the circumstances which determined such estimates or additional information are recognised in the income statement. The use of reasonable estimates is an essential part of the preparation of the financial statements and does not affect their overall reliability.

The Group tests goodwill for impairment at least once a year (see § 2.10). This requires an estimation of the value in use of the cash-generating unit to which the goodwill pertains. This calculation requires estimating of future cash flows and the after-tax discount rate reflecting market conditions at the date of the valuation.

3.3 Future accounting principles and interpretations

International accounting standards and the interpretations approved by IASB and endorsed in Europe

The following table lists the international accounting standards and the interpretations approved by IASB and to be adopted in Europe after 31 December 2014:

Description	Endorsement date	Publication in O.J.E.C	Effective date	Effective date for Amplifon
Interpretation IFRIC 21 Levies	13 Jun '14	14 Jun '14	Financial years beginning on or after 17 June '14	1 Jan '15
Defined benefit plans: employee contributions (amendments to IAS 19)	17 Dec '14	9 Jan '15	Financial years beginning on or after 1 Feb '15	1 Jan '16
Annual improvements to IFRSs 2010-2012	17 Dec '14	9 Jan '15	Financial years beginning on or after 1 Feb '15	1 Jan '16
Annual improvements to IFRSs 2011-2013	18 Dec '14	19 Dec '14	Financial years beginning on or after 1 Jan '15	1 Jan '15

IFRIC 21 "Levis", an interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets" provides guidance on when to recognize a liability for a levy imposed other than income tax and, in particular, establishes which event triggers the obligation and when the liability should be recognized.

The amendment to IAS 19 "Employee benefits" relates to the accounting of defined benefit plans that call for third party or employee contributions.

The annual improvements include minor amendments to different standards relating to sections of a few standards that were unclear.

International accounting standards and the interpretations approved by IASB and not endorsed in Europe

Below are the International Financial Reporting Standards, interpretations, amendments to existing standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB which on 19 February 2015 had not yet been endorsed for adoption in Europe:

Description	Effective date
IFRS 9: financial Instruments (Issued on 24 July 2014)	Financial years beginning on or after 1 Jan '18
IFRS 15: revenue from contracts with customers (issued on 28 May 2014)	Financial years beginning on or after 1 Jan '17
IFRS 14: regulatory deferral accounts (issued on 30 January 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IFRS 11: accounting for acquisitions of interests in Joint Operations (issued on 6 May 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IAS 16 and IAS 38: clarification of acceptable methods of depreciation and amortization (issued on 12 May 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IAS 16 and IAS 41: bearer plants (issued on 30 June 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an Investor and its associate or joint venture (issued on 11 September 2014)	To be defined
Annual Improvements to IFRSs 2012–2014 Cycle (issued on 25 September 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IAS 27: equity method in separate financial statements (issued on 12 August 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IFRS 10, IFRS 12 and IAS 28: investment entities: applying the consolidation exception (issued on 18 December 2014)	Financial years beginning on or after 1 Jan '16
Amendments to IAS 1: disclosure initiative (issued on 18 December 2014)	Financial years beginning on or after 1 Jan '16

Issue of the definitive version of IFRS 9 "Financial instruments" completed the project to revise the accounting standard relating to financial instruments. The new standard: (i) changes the way in which financial assets are classified and measured; (ii) introduces the concept of expected credit losses as one of the variables to be considered in the measurement and impairment of financial assets (iii) changes the hedge accounting model. The new IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Based on IFRS 15 "Revenue from contracts with customers", the company must recognize revenue when the control of the goods or services is transferred to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard introduces a five step model to be used to analyze and recognize revenue in relation to the timing and the amount. It is foreseeable that the new standard could result in a change in the timing of revenue recognition (earlier or later with respect to current standards), as well as the use of new methods (for example, the recognition of revenue at a specific point in time versus over time or vice versa). The new standard calls for additional information about the nature, amount, timing and uncertainty of the revenue streams and cash flows generated by contracts with customers. IFRS 15 will be effective for annual periods beginning on or after 1 January 2017 and may be applied in advance.

IFRS 14 "Regulatory deferral accounts" relates to rate regulated activities, namely sectors subject to regulated tariffs.

The objective of IFRS 11 “Accounting for acquisitions of interests in joint operations” is to clarify the accounting treatment of acquisitions of interests in jointly run business operations.

With the amendments to IAS 16 and IAS 38, IASB clarified that revenue-based amortization cannot be used for property, plant and equipment, insofar as this method is based on factors, such as volumes and sale prices, that do not reflect the actual consumption of the economic benefits pertaining to the underlying asset.

Amendments to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture”, refer to the accounting of fruit trees.

The amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” resolved a conflict between the two standards relating to the accounting to be used when a parent entity sells or transfers a subsidiary to another entity subject to joint control (“joint venture”) or “significant influence” (“associate entity”).

The “Annual Improvements to IFRSs (2012-2014 Cycle)” include amendments to different standards relating to sections of a few standards that were unclear.

Based on the amendment to IAS 27 “Separate financial statements” investments in subsidiaries, joint ventures and associates must be accounted for using the equity method in the separate financial statements.

“Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)”, clarifies certain aspects of investment entities.

“Disclosure initiative (Amendments to IAS 1)”, clarifies certain aspects relating to the presentation of financial statements, stressing the importance of materiality in the disclosures found in financial statements, pointing out that a specific order in the presentation of the explanatory notes is no longer called for and also provides for the possibility of aggregating/separating items in the financial statements and the items qualifying for minimum disclosure under IAS 1 may be aggregated if not viewed as material.

With regard to IFRS 9 and IFRS 15 described above, the Amplifon Group is assessing implementation and the impact on the consolidated financial statements, while the adoption of all the other standards and interpretations described above is not expected to have a material impact on the measurement of the Group’s assets, liabilities, costs and revenue.

3.4. Subsidiaries

The consolidation area includes companies which are controlled by the Group. Control is defined as the power to influence the financial and operating policies of a company. The existence of control over

a company is determined on the basis of: (i) voting rights, including potential ones, that the Group is entitled to and by virtue of which the Group may exercise the majority of the votes that can be cast at the ordinary Shareholders' meeting; (ii) the content of possible agreements between shareholders or the existence of specific clauses in the entity's by-laws which grant the Group the power to manage the company; (iii) control by the Group of a sufficient number of votes to exercise de facto control in the Shareholders' meeting of the company.
Income statement items are included in the consolidated financial statements starting from the date control is acquired and up to the date such control ceases. All payables and receivables, as well as the revenue and expense items deriving from transactions between companies included in the consolidation are eliminated entirely; capital gains and losses deriving from transfers of assets between consolidated companies are also eliminated, as are the profits and losses arising from transfers of assets between consolidated companies that come to form inventories of the acquiring company, write-downs and reversals of holdings in consolidated companies, and intragroup dividends. Assets, liabilities, costs and revenues of subsidiaries are recorded in full, allocating to minority shareholders their share of net equity and of the net result.
The financial statements of subsidiaries companies are adjusted in order to make the measurement criteria consistent with those adopted by the Group.

The closing dates of subsidiaries are aligned with that of the Parent company; where this is not the case, the subsidiaries prepare appropriate financial statements for consolidation purposes.

3.5. Jointly-controlled companies
A joint control arrangement is an agreement based on which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control

There are two types of joint control arrangements: joint operations or joint ventures.

In a joint operation agreement the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are referred to as joint operators and each joint operator recognizes the pertinent share of assets, liabilities, costs and revenue relative to the jointly operated activity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. A joint venturer recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method.

3.6. Associated companies
Investments in associates are accounted for using the equity method. A company is considered an associate if the Group participates in decisions relating to the company's operating and financial policies

even if the latter is not a subsidiary nor subject to joint control. Under the equity method, on initial recognition, the investment in an associate is recognized at cost in the balance sheet and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The goodwill relating to the associate is included in the carrying amount and is not subject to amortization. The profits generated as a result of transactions carried out by the Group with associates are eliminated to the extent of the Group's interest in the associate. The financial statements of companies accounted for based on the equity method are adjusted to be in line with the Group's accounting policies.

3.7. Business combinations

Business combinations are accounted for in the financial statements as follows:

- acquisition cost is determined on the basis of the fair value of assets transferred, liabilities taken over, or the shares transferred to the seller in order to obtain control;
- acquisition- costs related to business combinations are recognised in the income statement for the period in which the costs were incurred;
- the fair value of the shares transferred is determined according to the market price at the exchange date;
- where the agreement with the seller provides for a price adjustment linked to the profitability of the business acquired, over a defined timeframe or at a pre-established future date (earn-out), the adjustment is included in the acquisition price as of the acquisition date and is valued at fair value as at the date of acquisition;
- at the acquisition date, the assets and liabilities, including contingent ones, of the acquired company are recognised at their fair value at that date. When determining the value of these assets we also consider the potential tax benefits applicable to the jurisdiction of the acquired company;
- when the values of assets, liabilities and contingent liabilities recorded differ from their corresponding tax base at the acquisition date, deferred tax assets and liabilities are recognised;
- any difference between the acquisition cost of the investment and the corresponding share of net assets acquired is recorded as goodwill, if positive, conversely it is charged to the income statement, if negative;
- income items are included in the consolidated financial statements starting from the date control is acquired and up to the date control ceases.

3.8. Functional currency, presentation currency and translation criteria applied to foreign currency items

The consolidated financial statements of the Amplifon Group are presented in Euros, the functional currency of the parent company, Amplifon S.p.A.

The financial statements of subsidiaries and jointly-controlled companies are prepared in the functional currency of each company. When this currency differs from the reporting currency of the consolidated financial statements, the financial statements are translated using the current exchange rate method: income statement items are translated using the average exchange rates of the year, asset and liability items are translated using year-end rates and net equity items are translated at historical rates.

Exchange differences are recorded under "translation difference" in the consolidated net equity; when

the company is disposed of, the cumulative differences booked in net equity are taken to the income statement.
Foreign currency transactions are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency and valued at cost are reported at the exchange rate used upon initial recognition. Non-monetary assets and liabilities denominated in foreign currency and valued at fair value, at recoverable value, or realizable value, are translated using the exchange rate of the date when the value was determined.

Any exchange rate differences arising from the settlement of monetary assets and liabilities or from the translation at exchange rates that are different from those used upon initial recognition, during the year or in previous financial statements, are recognised in the income statement.

3.9. Intangible fixed assets
Intangible assets purchased separately and those acquired through business combinations carried out prior to the adoption of the IFRS are initially measured at cost, whilst those acquired through business combinations completed after the date of transition to the IFRS, are initially measured at fair value. Expenditure incurred after the initial acquisition is recorded as an increase in the cost of the intangible asset to the extent that the expenditure can generate future economic benefits.

Intangible assets having a finite useful life are amortised systematically along their useful life and written down for impairment (see § 3.12). Amortisation begins when the asset is available for use and ceases when the asset is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the amortisation charge for the current year and subsequent ones is adjusted.

The periods of amortisation are shown in the following table:

Asset type	Years
Software	2.5-5
Licences	2-5
Non-competition agreements	5-7
Customer lists	10-15
Trademarks and concessions	5-15
Other	4-10

3.10. Goodwill

Goodwill is recognised in the financial statements following business combinations and is initially recorded at cost, which is the excess of the cost of acquisition over the Group's share in the fair values of the assets, liabilities and contingent liabilities acquired.

Goodwill is classified as an intangible asset. As of the acquisition date, the goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units or groups of units. Subsequent to initial recognition, goodwill is not amortised but valued at cost less any cumulative impairment losses (see § 3.12).

If goodwill has been allocated to a cash-generating unit and the company disposes of an asset which is part of the unit, the goodwill associated with the asset disposed of is included in the book value of the asset when the gain or loss on disposal is calculated; this proportion is determined according to values relating to the asset disposed of and the retained portion.

3.11. Tangible assets

Tangible fixed assets are recorded at purchase or production cost, inclusive of accessory costs that are directly attributable to the assets. Operating assets acquired under finance lease agreements whereby all risks and benefits of ownership are substantially transferred to the Group are recognised at the time of signing the agreement (finance lease) at the lower of their fair value and the present value of the minimum payments due under the lease terms. A liability equal to the amount due to the lessor is recorded under financial liabilities.

Leases where the lessor does not substantially transfer all the risks and rewards of ownership associated with the assets are classified as operating leases. The costs incurred for operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

The value upon initial recognition of tangible fixed assets, or their significant elements (except for land), net of their residual value, is depreciated on a straight-line basis over their useful life and is written down for impairments (see § 3.12). Depreciation starts when the asset becomes available for use and terminates when it is classified as held for sale (or included as part of a disposal group classified as held for sale). The useful life and the depreciation rate, as well as the residual value, are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the depreciation charge for the current year and subsequent ones is adjusted.

Maintenance costs that do not add value to an asset are charged to the income statement in the year in which they are incurred. Maintenance costs that add value to an asset are recorded with the fixed asset item to which they relate and are depreciated on the basis of the future residual useful life of the asset.

Leasehold improvements, such as to premises, shops and branches held under operating leases, are capitalised and depreciated over the shorter of the term of the lease and the useful life of the tangible asset installed.

The periods of depreciation are shown in the following table:

Asset type	Years
Buildings, constructions and leasehold improvements	4-39
Plant and machinery	3-10
Industrial and commercial equipment	3-10
Motor vehicles	2.5-5
Computers and office machinery	2.5-5
Furniture and fittings	4-16
Other tangible fixed assets	4-10

3.12. Impairment of intangible fixed assets, tangible fixed assets, investments in associated companies and goodwill

The Group verifies the recoverable value of an asset whenever an impairment indicator exists and, for intangible fixed assets with an indefinite life, other tangible assets and goodwill, the assessment is carried out yearly. The recoverable value is defined as the higher of the asset's fair value less costs to sell and its value in use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (in an orderly transaction between market participants (at the measurement date).

Value in use is determined by reference to the present value of the future estimated cash flows that are expected to be generated by the continued use of an asset and its disposal at the end of its useful life, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks associated with the asset. Where the value in use of a single asset cannot be determined due to the fact that the asset does not generate independent cash flows, the value in use is estimated by reference to the cash-generating unit that the asset relates to.

With regard to goodwill, the impairment test is performed for the smallest cash-generating unit that the goodwill relates to and which is used by the Group to evaluate, either directly or indirectly, the return on the investment which includes the goodwill itself.

Impairment losses are recognised in the income statement when the carrying value of the asset is higher than its recoverable value. Except for goodwill, for which impairment losses cannot be reversed, when there is an indication that an impairment loss is no longer justified or may have decreased, the carrying value of the asset is adjusted to its recoverable value. The increased carrying value of an asset due to an impairment reversal does not, however, exceed the carrying value that the asset would have had (net of the write-down or depreciation) if the impairment had not been recognised in previous years. The reversal is immediately recognised in the income statement.

3.13. Financial assets (excluding derivatives)

Financial assets are initially recognised in the financial statements, at the transaction date, at their fair value. This value is increased by the transaction costs that are directly attributable to the purchase of the asset, excluding ancillary costs related to the purchase of financial assets held for trading that are recognised in the income statement when incurred.

Subsequent to initial recognition, the accounting treatment of financial assets depends on their functional destination:

- financial assets held for trading, acquired for the purpose of generating short-term gains from price fluctuations, are measured at fair value and any gains and losses arising from the changes in fair value are included in the income statement;
- receivables and loans represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are valued at amortised cost using the effective interest rate method and written down for impairment; any impairment losses are measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows based on the original effective interest rate of the financial asset; the amount of the impairment loss is charged to provision if it originated from revising an estimate, or is charged directly against the asset's carrying value in the event that it is related to a finally determined loss, and is recognised in the income statement. If in a subsequent period the amount of the impairment loss is reduced and such reduction can be objectively traced to an event occurring after the impairment was recognised, the impairment loss may be reversed up to its amortised cost by using provisions if it originated from revising an estimate, or it is charged directly against the asset's carrying value in the event that it is related to a finally determined loss, and is recognised in the income statement. Impairment losses are recognised where there are objective difficulties in recovering receivables, e.g. (i) financial difficulties experienced by the debtor, (ii) non-payment of several instalments under the contract and/or significantly delayed payment of instalments or (iii) the significant age of the receivables;
- shares and other securities which do not fall into the above categories are classifed as financial assets measured at fair value through profit or loss. Such classification is in line with the Group strategy which requires the return on such assets to be managed and measured at fair value.

Financial assets are derecognised from the financial statements when the related contractual rights expire, or when Amplifon S.p.A. substantially transfers all the risks and rewards of ownership associated with the financial asset. In the latter case the difference between the sale consideration and the net book value of the asset sold is recognised in the income statement.

3.14. Inventories

Inventories are valued at the lower of purchase or production cost and their net realizable value (represented by their open market value). Inventories are valued using the weighted average cost method.

3.15. Cash and cash equivalents and financial assets

The item cash and cash equivalents comprises liquid funds and financial investments with a maturity, at the acquisition date, of less than three months and for which there is an insignificant risk of a change in value. These financial assets are recorded at their nominal value.

3.16. Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature which are certain or probable and whose amount or timing is uncertain at the reporting date.

Provisions are recognised if the following conditions apply: (i) the Group has a present obligation (legal or constructive) that has arisen as a result of a past event; (ii) it is probable that the fulfilment of the obligation will require the use of resources which produce economic benefits; (iii) the amount can be estimated reliably.

The amount recognised as a provision in the financial statements represents the best estimate of the expenditure required by the company to settle the obligation at the reporting date or to transfer it to a third party.

When the time value of money is significant and the due dates of the obligations can be reliably estimated, the provision is discounted to its present value; when the provision is discounted, the increase in provision related to the passage of time is charged to the income statement as a financial charge.

Specifically:

- the agents' leaving indemnity includes the estimate of amounts due to agents, calculated using actuarial methods and having regard to the probability that such amounts will be paid, as well as the expectations as to the time of payment;
- the warranty and repair provision includes the estimate of costs for warranty services to be provided on products sold, calculated on the basis of historical/statistical data and the warranty period;
- the provision for risks arising from legal disputes includes the estimate of charges relating to legal disputes with employees or agents, or associated with the provision of services.

3.17. Employees' benefits

Post-employment benefits are defined on the basis of pension plans, even if not formalised, which due to their characteristics can be classified as either defined-contribution or defined-benefit plans.

Under a defined-contribution plan the company's obligation is limited to the payment of the contributions agreed with the employees and it is determined on the basis of the contributions due at the end of the period, as reduced by any amounts already paid.

Under defined-benefit plans the liability recorded in the books is equal to: (a) the present value of the defined-benefit obligation at the reporting date; (b) plus any actuarial gains (minus any actuarial losses); (c) less any past service costs that have not yet been recorded; (d) less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Under defined-benefit plans, the cost charged to the income statement is equal to the algebraic sum of the following elements: (a) current service cost; (b) the financial charges arising from the increase in liability due to the passage of time; (c) the expected return on plan assets; (d) past service cost; (e) the effect of any curtailments or settlements under the plan.

Actuarial gains and losses are recognised in other comprehensive income.

Net financial charges on defined-benefit plans are recognised in profit or loss under financial income and charges.

3.18. Stock option and stock grant

The Group grants certain top executives and other beneficiaries who hold key positions within the Group the right to participate in share capital plans (stock options and stock grants).

Stock options plans are the equity settled; the beneficiary has the right to purchase Amplifon S.p.A. shares at a predefined price if certain conditions are met. Stock grants are equity settled too and the beneficiary receives a free allotment of shares in Amplifon S.p.A. at the end of the vesting period (7 years).

For equity settled stock options and stock grants, the fair value is recognised in the income statement under personnel expenses over the period running from the date they are granted to the vesting date and a corresponding amount is recorded in a net equity reserve. The fair value of the stock options and stock grants is determined at the date they are granted, taking account of the market conditions at that date.

At each reporting date, the Group reviews the assumptions about the number of stock options and stock grants which are likely to be exercised and records the effect of any change in estimate in the income statement adjusting the corresponding net equity reserve. In the event that the stock

options are exercised, the amount received from the exercise of the stock options at the strike price is recorded as an increase in share capital and in the share premium account.
In case of free stock allotment (i.e. “stock grant”), the corresponding increase in share capital is recognised at the end of the vesting period.

3.19. Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, lease obligations and trade payables.
Financial payables are initially recognised at fair value less any directly attributable transaction costs. Lease obligations are initially recognised at the fair value of the operating assets that are the subject of the agreements or, if lower, at the present value of the minimum payments due. Trade payables are generally recorded at nominal value except in those cases where the fair value of the consideration significantly differs from the nominal value.

Subsequent to initial recognition, the financial liabilities are valued at the amortised cost; the difference between the initial book value and the repayment value is recognised in the income statement using the effective interest rate method.

When a financial liability is hedged against interest rate risk in a fair value hedge, any changes in fair value due to the hedged risk are not included in the calculation of the amortised cost. These changes are amortised starting from the moment fair value hedge accounting is discontinued (§ 3.23).

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

3.20. Revenues, interest income and dividends

Revenues are recognised on the basis of the fair value of the sale consideration agreed, net of discounts, reductions, returns, rebates and tax, if any. Revenues from the sale of products are recognised at the time when the Group transfers to the purchaser the risks and rewards of ownership, that is on transfer of title (which usually coincides with the dispatch or delivery of the products) or with the end of the trial period, if applicable.

Revenues are discounted to their present value and if the discounting effect is significant, the implicit financial element is separated, interest receivable being indicated separately. The financial element is allocated between the amount pertaining to the current year and future years, with the latter being accounted for as deferred income. Revenues from services are recognised when the services are provided, based on the accrual method of accounting and based on the stage of completion of the transaction at the reporting date.

Interest income is recognised on the basis of the effective interest rate. Dividends are recognised when the shareholders’ right to receive payment is established.

3.21. Current and deferred income taxes

Current income tax payables and receivables are recorded at the amount that is expected to be paid to/received from the tax authorities at the rates enacted or substantially enacted, and the laws in force at the reporting date.

Deferred tax assets and liabilities are recognised on the temporary differences between the value of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred income taxes are not recognised: (i) when they derive from the initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and which, at the time of the transaction, does not affect either the accounting profit or the taxable profit /loss; (ii) when they relate to temporary differences related to investments in subsidiaries and joint ventures, where the reversal of temporary differences may be controlled and it is probable that it will not occur in the foreseeable future.

Deferred tax assets, including those arising from unused tax losses and tax credits, are recorded only to the extent their recovery is highly probable.

Deferred tax assets are not discounted to present value and are calculated using tax rates that are expected to apply when the taxes are paid or settled in the respective countries where the Group operates.

Deferred tax assets and liabilities are debited or credited directly to net equity if they relate to elements which are recognised directly in net equity. Deferred tax assets and liabilities are recorded respectively under non-current assets and liabilities and are offset only when a legally enforceable right to offset current tax assets against current tax liabilities exists and this will result in a lower tax charge. Moreover, when there is a legally enforceable right of set-off, deferred tax assets and deferred tax liabilities are offset only if at the time of their reversal they will not generate any current tax asset or liability.

When an asset is revalued for tax purposes and the revaluation does not relate to an accounting revaluation of an earlier period, or to one that is expected to be carried out in a future period, deferred tax assets are recognised in the income statement on the temporary difference arising as a result of the revaluation.

By resolution of the Board of Directors on June 10, 2014, Amplifon S.p.A. has joined the group fiscal consolidation, in accordance with articles 117/129 of Income Tax Code ("Testo Unico delle Imposte sul Reddito"), already in place between the indirect Parent Company Amplifin S.p.A. and other companies controlled by the latter.

Amplifon S.p.A., as a consolidated company transfers its annual income/loss to the Parent Company, which is required to calculate the taxable income deriving from the algebraic sum of the profit of the companies that have joined the regime, taking into account the changes required by the tax law as well as the presentation of the tax return of the tax consolidation.

Amplifon S.p.A. pays directly to Amplifin S.p.A. advances and balances of taxes at the same time and in the same amount that would be payable to the Fiscal authorities if it had not joined the group fiscal consolidation. Any losses transferred to the group fiscal consolidation by Amplifon S.p.A., or the compensation of the losses of the other subjects participating in the group with income transfers from Amplifon S.p.A. are remunerated by the consolidating Amplifin S.p.A. through compensatory payments.

3.22. Value added tax

Revenues, costs and assets are recognised net of valued added tax (VAT), except where VAT applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or as part of the expense recorded in the income statement.

The net amount of indirect tax on sales which may be recovered from/paid to the tax Authorities is included in the financial statements under other receivables or payables, depending on whether it is a debit or a credit balance.

3.23. Derivative financial instruments

The Group enters into derivative financial instruments for the purpose of neutralizing the financial risks it is exposed to and which it decides to hedge in accordance with its adopted strategy (see § 4).
The documentation which formalises the hedging relationship for the purpose of the application of hedge accounting includes the identification of:

- hedging instrument;
- hedged item or transaction;
- nature of the risk;
- methods that the company intends to adopt to assess the hedge effectiveness in offsetting the exposure to changes in the fair value of the hedged item or the cash flows associated with the risk that is hedged against.

On initial recognition these instruments are measured at fair value. On subsequent reporting dates the fair value of derivatives must be re-measured and:

(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;

(ii) if these instruments qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss in an item separate from that in which changes in the fair value of the hedging instrument and the hedged item are recognised;

(iii) if these instruments qualify as cash flow hedges, starting from that date, any changes in the fair value of the derivative are recognised in net equity, but only to the extent of the effective amount of the hedge, with the amount of any hedge ineffectiveness being recognised in the income statement; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the hedged item is the purchase of a non financial asset, changes to the fair value of the derivative taken to equity are reclassified and adjusted according to the purchase cost of the asset which is the hedged item (referred to as basis adjustment);

(iv) if these instruments qualify as hedges of net investment of a foreign operation, starting from that date any changes in the fair value of the derivative are adjusted as part of the “translation difference”, to the extent of the effective amount of the hedge and the ineffective portion is charged to the income statement;

(v) hedging is carried out by the designated instrument, considered as a whole. In the case of options or forward contracts, however, only part of the derivative instrument is designated as the hedging instrument; the remainder is recognised in the income statement. More specifically, in the case of options, only the changes in fair value due to changes in the intrinsic value are designated as hedging instrument; conversely, fair value changes of options due to changes in the time value are recognised in the income statement and are not considered in the assessment of the hedge effectiveness. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument; conversely the fair value changes due to changes in the forward points are recognised in the income statement and are not considered in the assessment of the hedge effectiveness.

If the hedge becomes ineffective or the Group changes its hedging strategies, hedge accounting is discontinued. In particular, hedge accounting is discontinued prospectively when the hedge becomes ineffective or when there is a change in the hedging strategies.

If, in a fair value hedge, the hedged item is a financial instrument measured using the effective interest rate method, the adjustments made to the book value of the hedged item are amortised starting from the date when fair value hedge accounting is discontinued and the hedged item is no longer adjusted for fair value changes attributable to the hedged risk.

Financial instruments hedging exchange rate risk due to forecasted transactions and firm commitments are represented on the statement of financial position according to the cash-flow hedge accounting model.

Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not qualify for hedge accounting criteria, conversely they are classified according to the hedged item.

In particular, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

3.24. Share capital, treasury shares, dividend distribution and other net equity items
Ordinary shares issued by the parent company Amplifon S.p.A. are classified as part of net equity. Any costs incurred to issue new shares, also following the exercise of stock option plans, are classified as a reduction in net equity.

Purchases and disposals of treasury shares, as well as any gains or losses on purchase/disposal, are recognised in the financial statements as changes in net equity. Dividends distributed to the shareholders are recorded as a reduction in net equity and as a liability of the period when the dividend payment is approved by the Shareholders' Meeting.

3.25. Earnings (loss) per share
Earnings per share are determined by comparing the Group's net profit to the weighted-average number of shares outstanding during the accounting period. For the calculation of the diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the conversion of all potential shares with a dilutive effect.

4. Financial risk management

With a view to structured management of treasury activities and financial risks, since 2012 the Group adopted a Treasury Policy which contains guidelines for the management of:

- currency risk;
- interest rate risk;
- credit risk;
- price risk;
- liquidity risk.

Currency risk

This includes the following types:

- foreign exchange transaction risk, that is the risk of changes in the value of a financial asset or liability, of a forecasted transaction or a firm commitment, changes due to exchange rate fluctuations;
- foreign exchange translation risk, that is the risk that the translation of the assets, liabilities, costs and revenues relating to net investment in a foreign operation into the reporting currency gives rise to an exchange gain or loss.

In the Amplifon Group foreign exchange transaction risk is substantially limited in view of the fact that each country is largely autonomous in the management of its business, sustaining costs in the same currency as its income, with the exception of Israel, where purchases are made in Euros and US dollars.

The size, however, of the subsidiary with respect to the Group and the fact that the products purchased subject to currency risk represent only a small part of total costs, ensures that any significant currency volatility will not have a material impact on the subsidiary or the Group.
The foreign exchange transaction risk, therefore, derives primarily from intragroup transactions (medium-long term and short term loans, charge-backs for intercompany service agreements) which result in currency risk for the companies operating in currencies other than that of the intragroup transaction. Additionally, investments in financial instruments denominated in a currency different from the investor's home currency can result in foreign exchange transaction risk. Foreign exchange translation risk arises from investments in the United States, United Kingdom, Switzerland, Hungary, Turkey, Poland, Israel, Australia, New Zealand, India, Egypt and Brazil.

The group's strategy aims to minimize the impact of currency volatility on the income statement and calls for significant positions in foreign currency to be hedged against foreign exchange risk. These include: (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) intercompany loans in currencies other than the Euro between Amplifon S.p.A. and the Group companies in the United Kingdom and Australia.

The intercompany loans between the Australian and New Zealand companies, as is a loan granted by Amplifon S.p.A. to the English subsidiary, are considered equity investments as they are non-interest bearing and need not be repaid. The impact of changes in exchange rates is, therefore, recognized directly in the translation reserve without passing through the income statement.

The risks arising from other intragroup transactions (two loans granted to the subsidiaries in, respectively, Hungary and Turkey) are not hedged as the amounts are not material.

In light of the above, during the year currency fluctuations did not result in significant foreign exchange gains or losses being recognized in the Amplifon Group's consolidated financial statements.

With regard to foreign exchange translation risk, given the complexity of the hedging transactions, the Australian dollar was only partially hedged, while no hedging against changes in the other currencies was carried out including due to the positive US dollar trend, the Group's other important currency. Overall the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which dropped two percentage points with respect to the Group's total EBITDA.

Currency risk - sensitivity analysis
The two private placements denominated in US dollars, namely the outstanding portion of the 2006-2016 issue of USD 70 million and the USD 130 million 2013-2025 issue, are hedged against currency risk. As a result of the hedge the Euro/USD rate has been locked-in for the duration of the above mentioned loans.

Therefore, it is reasonable to assume that any change in exchange rates will not give rise to a significant profit and loss effect as the foreign currency positions and the hedging derivatives will automatically generate changes of the same amount but of the opposite sign.

Similar considerations may be made with regard both intercompany loans denominated in currencies other than Euro between Amplifon S.p.A. and UK and Australia subsidiaries.

The intercompany loans existing between the companies in Australia and New Zealand, as well as an intercompany loan granted by Amplifon S.p.A. to its UK affiliate, are considered equity investments insofar as they are not interest bearing and are not expected to be repaid. Any changes in exchange rates are, therefore, charged directly to the translation reserve without impacting the income statement.

As a consequence the sensitivity analysis of the above mentioned items is not disclosed.
The analysis excludes receivables, payables and future commercial flows which have not been hedged since, as stated above, these are not significant.

Interest rate risk

Interest rate risk includes the following situations:

- fair value risk, namely the risk that the value of a fixed rate financial asset or liability changes due to fluctuations in market interest rates;
- cash flow risk, namely the risk that the future cash flows of a floating rate financial asset or liability fluctuate due to changes in market interest rates.

In the Amplifon Group fair value risk arises on the issue of fixed rate bonds (Private Placement and Eurobond). The cash flow risk derives from floating rate bank loans.

The Group's strategy is to minimize cash flow risk, especially with regard to long-term exposures, through a balanced mix of fixed and floating rate loans, evaluating over the life of the loan when, based on market rates, to convert floating into fixed rate debt. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2014, the entire medium-term debt (€431 million) is linked to fixed rate capital market issues which to date have yet to be converted to floating rate debt as currently interest rates are low and the possibility that they will increase is limited. The risk, therefore, is that any conversions of debt from fixed to floating could result in financial costs that are, as a whole, higher with respect to the current fixed rate.

Interest rate risk - sensitivity analysis

As mentioned above, all the indebtedness generates interest at a fixed rate. More in detail:

- the USD private placements are hedged against interest rate risk. As a result of the swaps, the Euro interest rate was set at 5.815% for the outstanding amount of the 2006-2016 private placement (equal to USD 70 million) and to 3.9% (average rate) for the different tranches of the 2013-2025 private placement (equal to USD 130 million);
- the €275 million 5-year bond loan reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF issued on 16 July 2013 by Amplifon S.p.A. (Eurobond) has a coupon of 4.875%.

With respect to the remaining financial assets and liabilities at floating-rate the following table highlights the higher/lower income before tax arising from increases/decreases in interest rates.

In light of interest rate levels at 31 December 2014 (ECB euro rate of 0.25 %), sensitivity analysis considers an upside of 1% and a downside of -0.25%.

(€ thousands) 2014	Note	Balance as at 31 December 2014	Average exposure	Increase/decrease in interest rates (in %)	Effect on profit before tax
Current assets					
Bank current accounts and short-term bank deposits	13	210,454	152,498	1%	1,525
Current liabilities					
Bank current accounts	24	(387)	(1,362)	1%	(14)
Short-term bank borrowings	24	(4,232)	(2,752)	1%	(28)
Total effect on profit before tax					**1,484**
Current assets					
Bank current accounts and short-term bank deposits	13	210,454	152,498	-0,25%	(381)
Current liabilities					
Bank current accounts	24	(387)	(1,362)	-0,25%	3
Short-term bank borrowings	24	(4,232)	(2,752)	-0,25%	7
Total effect on profit before tax					**(371)**

(€ thousands) 2013	Note	Balance as at 31 December 2013 (*)	Average exposure	Increase/decrease in interest rates (in %)	Effect on profit before tax
Current assets					
Bank current accounts and short-term bank deposits	13	168,882	109,134	1%	1,091
Current liabilities					
Bank current accounts	24	(528)	(401)	1%	(4)
Short-term bank borrowings	24	(1,368)	(759)	1%	(8)
Total effect on profit before tax					**1,080**
Current assets					
Bank current accounts and short-term bank deposits	13	168,882	109,134	-0,25%	(273)
Current liabilities					
Bank current accounts	24	(528)	(401)	-0,25%	1
Short-term bank borrowings	24	(1,368)	(759)	-0,25%	2
Total effect on profit before tax					**(270)**

(*) Restated data. Refer to note 2.1 for details.

Credit risk

Credit risk is the risk that the issuer of a financial instrument defaults on its obligations resulting in a financial loss for the holder/investor.

In the Amplifon Group credit risk arises from:

(i) sales made as part of ordinary business operations;

(ii) the use of financial instruments that require settlement of positions with other counterparties;

(iii) from the sale of Group-owned American stores to franchisees, with the payment spread over up to 12 years, following the transformation of the subsidiary Sonus's business model from the direct to the indirect channel;

(iv) from the loans granted to indirect channel and commercial partners in the United States and in Spain for investments and business development.

With regard to the risk under (i) above, it is noted that the only positions with a high unit value are amounts due from Italian public-sector entities, whose risk of insolvency – while existing – is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, to specialist factoring companies. Additionally, the credit risk arising from sales with private individuals to whom payment by installments has been agreed, is becoming significant as is that arising from sales to US indirect channel firms (wholesalers and franchisees), which in any case are related to a number of partners which individually owe Amplifon a limited amount that also with reference to the biggest of them does not exceed the few million US dollars. Due to the persistent general economic crisis, some may not be able to honor their debts. This causes a risk of increased working capital and bad debt losses. The Group, through its Corporate functions, has set up a system of monthly reporting on its debtors, to monitor their composition and due dates for each country and decide with local management both the actions to be taken to recover overdue accounts and credit policy. In particular, with regard to private customers, who are however largely paying cash, installment or financed sales have been limited to a maximum term of 12 months and where possible they are managed by external finance companies which advance the whole amount of the sale to Amplifon, while with regard to the indirect channel in the US, the situation is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to a sudden and unforeseeable counterparty default, is managed by diversifying among the main national and international investment-grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of derivative contracts. Counterparty limits are higher if the counterparty has a Standard & Poor's and Moody's short-term rating equal to at least A-1 and P-1, respectively. The Group's CEO and CFO may not carry out transactions with non-investment-grade counterparties unless specifically authorized to do so.

With regard to the risk referred to in (iii) above, in the event payments fail to be made on the stores sold, ownership will revert back to Amplifon, while with regard to the loans referred to in (iv), the US loans are generally personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the hearing aids purchased are paid, while in Spain, where the amounts are smaller, the situation is carefully monitored by local management and repayments are made by withholding the amount due from any payments owed to the partners.

S&P's short-term credit rating for the Group's financial assets is detailed below:

			Short term S&P rating					
(€ thousands)	31/12/2014		A-1+	A-1	A-2	A-3	B	Other(**)
Non-current assets								
Financial assets at fair value through profit and loss	4,512	Note 9						4,512
Hedging instruments – long term	7,568	Note 10	7,568					
Current assets								
Hedging instruments	467			467				
Bank current accounts and short-term bank deposits	210,453	Note 13	55,303	56,896	16,027	51,597	95	30,535
Cash on hand	671							
Total cash and cash equivalents	**211,892**	**Note 13**						

(*) Financial assets measured at fair value in the income statement include investments in bonds and other listed securities made by the affiliate Amplinsure RE AG. These assets are grouped together into two portfolios managed by specialist asset managers. These investments present a low risk profile (the goal being long-term capital preservation and growth) and are monitored by management and the investment companies.
(**) Other financial assets consist of € 10.3 million of financing assets with Moody's rating of P - 1, and € 20.2 million of financial assets not rated .

Price risk

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) whether these changes arise from specific characteristics of the financial asset or liability or the issuer of the financial liability, or are caused by market factors. This risk is typical of financial assets not listed on an active market, which may not be easily realised at a value close to their fair value.

In the Amplifon Group price risk arises from certain financial investments in listed instruments, mainly bonds. Given the size of these investments, this risk is not significant and is therefore not hedged.

Liquidity risk

This risk often arises from the possibility that an entity may have difficulty finding sufficient funds to meet its obligations. It includes the risk that the counterparties that have granted loans or lines of credit may request repayment.
This risk, which had become particularly significant, first as a result of the 2008 financial crisis and more recently as a result of the crisis involving the peripheral Euro zone countries' sovereign debt crisis and the single currency itself, still exists albeit smaller.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations and carefully managing credit lines to ensure that adequate irrevocable long term lines of credit are in place, even though, as a result of the debt capital market transactions carried out in the prior year, the Group's debt is now primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement of €55 million, at the hedging rate, will fall due, while the first significant amount will not fall due until mid-2018.

These activities, along with the liquidity, irrevocable medium/long term credit lines that currently amount to €90 million, and the positive cash flow that the Group continues to generate, lead us to believe that, at least in the short term, liquidity risk is not significant.

Hedging instruments

Hedging instruments are used by the Group exclusively to mitigate - in line with company strategy - interest rate and currency risk and are exclusively financial derivatives. In order to maximise the effectiveness of these hedges Group strategy prescribes that:

- the counterparties be of large size and high credit standing and that transactions be within the limits laid down by treasury policy in order to minimise counterparty risk;
- the instruments used match, as far as possible, the characteristics of the risk they hedge;
- the performance of the instruments used be monitored, not least in order to check and, if necessary, optimise the appropriateness of the structure of the instruments used to attain the aims of the hedge.

The derivatives used by the Group are generally so-called plain vanilla financial instruments.
In particular, the types of derivatives adopted are the following:

- cross currency swaps;
- interest rate swaps;
- interest rate collars;
- forward foreign exchange contracts.

On initial recognition these instruments are measured at fair value. At subsequent reporting dates the fair value of derivatives must be re-measured and:

(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;
(ii) if these instruments subsequently qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss;
(iii) if these instruments qualify as cash flow hedges, from that date any changes in the fair value of the derivative are taken to net equity; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the object

of the hedge is the purchase of a non-financial asset, changes to the fair value of the derivative taken to net equity are reclassified to adjust the purchase cost of the asset hedged (so-called basis adjustment); any ineffectiveness of the hedge is recognised in profit and loss.

The Group's hedging strategy is reflected in the accounts as described above starting from the time when the following conditions are satisfied:

- the hedging relationship, its purpose and the overall strategy are formally defined and documented; the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk to be neutralised and the procedures whereby the entity will assess the effectiveness of the hedge;
- the effectiveness of the hedge may be reliably assessed and there is a reasonable expectation, confirmed by ex post evidence, that the hedge will be highly effective for the period in which the hedged risk is present;
- if the hedged risk is that there may be changes in cash flow arising from a future transaction, the latter is highly probable and has exposure to changes in cash flow that could affect profit and loss.

Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not qualify for hedge accounting, conversely they are classified consistently with the hedged item.

In detail, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

The Group does not have in place any hedges of a net investment.

Intercompany derivatives, if any, are eliminated on consolidation.

Reconciliation table

The following table illustrates the link between items reported on the statement of financial position and the categories of financial instrument defined by IAS 39 and IFRS 7.

			31 December 2014									
(€ thousands)			Included in net financial position					Excluded from net financial position				
		Total	Amortised cost		Fair Value Net equity		Fair Value through PL	Amortised cost		Fair Value through PL		Fair Value Net Equity
Consolidated statement of financial position	Note		Loans and rec	Fin. liab at amortised cost	FA/FL AFS	Cash flow hedge derivatives	Fair value hedge no HA	Loans and receivables	Fin. liab at amortised cost	FA/FL AFS	Non hedge derivatives	Cash flow hedge derivatives
Non-current assets												
Financial assets measured at FV through PL	Note 9	4,512								4,512		
Other assets	Note 9	32,399						32,399				
Hedging instruments	Note 10	7,568				2,433						5,135
Current assets												
Cash and cash equivalents	Note 13	211,124	211,124									
Trade receivables	Note 12	109,355						109,355				
Other receivables	Note 12	33,059						33,059				
Hedging instruments	Note 10	467					467					
Non-current liabilities												
Financial liabilities	Note 16	(438,719)	(247)	(440,819)					2,346			
Hedging instruments	Note 10	(8,773)				6,183						(14,956)
Payables for business acquisitions	Note 19	(10,034)	(10,034)									
Other long-term debt	Note 19	(250)						(250)				
Non-current liabilities												
Trade payables	Note 20	(101,788)							(101,788)			
Payables for business acquisitions	Note 21	(1,692)		(1,692)								
Other long-term debt	Note 21	(123,667)							(123,667)			
Hedging instruments	Note 10	(362)					(362)					
Financial lease liabilities		(823)	(823)									
Financial payables	Note 24	(13,971)	(5,087)	(9,561)					677			
Total			**194,933**	**(452,073)**	**-**	**8,616**	**105**	**174,563**	**(222,432)**	**4,512**	**-**	**(9,821)**
Total net financial position			$\underbrace{\hphantom{xxxxxxxxxxxxxxxx}}_{\text{(248.417)}}$									

			31 December 2013 (*)									
(€ thousands)			Included in net financial position					Excluded from net financial position				
		Total	Amortised cost		Fair Value Net equity		Fair Value through PL	Amortised cost		Fair Value through PL		Fair Value Net equity
Consolidated statement of financial position	**Note**		Loans and rec	Fin. liab at amortised cost	FA/FL AFS	Cash flow hedge derivatives	Fair value hedge no HA	Loans and rec	Fin. liab at amortised cost m.	FA/FL AFS	Non hedge derivatives	Cash flow hedge derivatives
Non-current assets												
Financial assets measured at FV through PL	**Note 9**	4,131								4,131		
Other assets	**Note 9**	25,652						25,652				
Hedging instruments	**Note 10**	2,382				(4,465)						6,847
Current assets												
Cash and cash equivalents	**Note 13**	170,322	170,322									
Trade receivables	**Note 12**	103,687						103,687				
Other receivables	**Note 12**	28,820						28,820				
Hedging instruments	**Note 10**	2,572					2,572					
Non-current liabilities												
Financial liabilities	**Note 16**	(417,541)	(128)	(420,759)					3,346			
Hedging instruments	**Note 10**	(16,850)				(6,628)						(10,222)
Payables for business acquisitions	**Note 19**	(3,446)	(3,446)									
Other long-term debt	**Note 19**	(245)						(245)				
Non-current liabilities												
Trade payables	**Note 20**	(96,241)							(96,241)			
Payables for business acquisitions	**Note 21**	(621)		(621)								
Other long-term debt	**Note 21**	(108,854)							(108,854)			
Other long-term debt	**Note 10**	(59)					(59)					
Hedging instruments	**Note 24**	(11,411)	(2,950)	(9,204)					743			
Total			**163,798**	**(430,583)**	**-**	**(11,093)**	**2,513**	**157,914**	**(201,006)**	**4,131**	**-**	**(3,375)**
Total net financial position					**(275,367)**							

(*) Restated data. Refer to note 2.1 for details.

Key:
Fin. liab. at amortised cost: financial liabilities at amortised cost
FA/FL AFS available for trading: financial assets/liabilities available for trading
FA/FL designated at FV: financial assets/liabilities designated at fair value
Fair value through net equity: fair value recognised directly in net equity

Fair value hierarchy levels and financial instruments measurement techniques

At 31 December 2014, the Amplifon Group held the following financial instruments measured at fair value:

- financial assets designated at fair value through profit or loss: this item includes investments in bonds and other listed securities made by the subsidiary Amplinsure RE AG which is a reinsurer. These assets are held in two portfolios managed by specialised managers. The fair value of these instruments at the reporting date is determined on the basis of stock exchange prices on the last trading day;
- hedging derivatives: these are instruments not listed in official markets; entered into for the purpose of hedging interest-rate and/or currency risk. The fair value of these instruments is determined by the dedicated department using valuation models based on market-derived inputs such as forward interest-rate curve, exchange rates, etc. (source: Bloomberg). The measurement technique adopted is the discounted cash flow approach. Own risk and counterparty risk (credit/debit value adjustments) were taken into account when calculating fair value. These credit/debit value adjustments were determined based on market information such as the value of CDSs (Credit Default Swaps) in order to determine the counterparty risk of individual banks and the yield to maturity of the Eurobond when determining Amplifon's risk and taking into account the mutual break close where present.

The following table shows the fair value measurement on the basis of a hierarchy reflecting the level of significance of the data used for the valuation.

This hierarchy consists of the following levels:

1. quoted (unadjusted) prices in active markets for identical assets and liabilities;
2. input data other than the above quoted prices, but which can be observed directly or indirectly in the market;
3. input data on assets or liabilities not based on observable market data.

		2014				2013			
(€ thousands)		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Financial assets at fair value through profit and loss	**Note 9**	4,512			**4,512**	4,131			**4,131**
Hedging instruments									
- Long-term	**Note 10**		7,568		**7,568**		2,382		**2,382**
- Short-term	**Note 10**		466		**466**		2,572		**2,572**
Liabilities									
Hedging instruments									
- Long-term	**Note 10**		(8,773)		**(8,773)**		(16,851)		**(16,851)**
- Short-term	**Note 10**		(362)		**(362)**		(59)		**(59)**

There were no transfers between the levels during the period.

5 . Segment information

The Amplifon Group operates in a single business and is present in three geographical macro-areas that refer to specific managerial responsibilities: Europe, Middle East and Africa - EMEA - (Italy, France, The Netherlands, Germany, UK, Ireland, Spain, Portugal, Switzerland, Belgium, Luxembourg, Hungary, Malta, Egypt, Turkey Poland and Israel), the Americas (USA, Canada and Brazil) and Asia-Pacific (Australia, New Zealand and India).

Performance is monitored for each macro geographical area, down to operating profit including amortization and depreciation (EBIT), along with the portion of the results of equity investments in associated companies valued using the equity method. Items in the statement of financial position are measured and monitored as individual financial statements line items. Financial charges are not monitored insofar as they are based on corporate decisions regarding the financing of each region (capital versus borrowings) and, consequently, neither are taxes.

Profit and loss and statement of financial position data by region are determined using the same methods and accounting principles as are applied when preparing the consolidated accounts.

Statement of Financial Position as at 31 December 2014

(€ thousands)	EMEA	THE AMERICAS	ASIA PACIFIC	ELIM.	CONSOLIDATED
ASSETS					
Non-current assets					
Goodwill	219,994	67,325	247,503	-	534,822
Intangible fixed assets with finite useful life	53,212	12,386	69,510	-	135,108
Tangible fixed assets	76,354	3,829	16,005	-	96,188
Investments valued at equity	1,357	-	643	-	2,000
Financial assets measured at fair value through profit and loss	4,512	-	-	-	4,512
Hedging instruments	7,568	-	-	-	7,568
Deferred tax assets	40,857	782	3,014	-	44,653
Other assets	4,439	40,997	326	-	45,762
Total non-current assets					**870,613**
Current assets					
Inventories	26,917	312	1,461	-	28,690
Receivables	104,091	32,240	6,871	(788)	142,414
Hedging instruments	467	-	-	-	467
Cash and cash equivalents					211,124
Total current assets					**382,695**
TOTAL ASSETS					**1,253,308**
LIABILITIES					
Net Equity					**443,222**
Non-current liabilities					
Medium/long-term financial liabilities					438,719
Provisions for risks and charges	19,404	20,385	780	-	40,569
Liabilities for employees' benefits	14,074	181	1,456	-	15,711
Hedging instruments	8,773	-	-	-	8,773
Deferred taxes	12,709	21,143	18,146	-	51,998
Payables for business acquisitions	5,282	2,444	2,308	-	10,034
Other long-term debt	-	12	238	-	250
Total non-current liabilities					**566,054**
Current liabilities					
Trade payables	65,650	28,587	8,329	(778)	101,788
Payables for business acquisitions	1,692	-	-	-	1,692
Other payables	98,376	4,164	21,137	(10)	123,667
Hedging instruments	362	-	-	-	362
Provisions for risks and charges	978	-	-	-	978
Liabilities for employees' benefits	678	74	-	-	752
Short-term financial liabilities					14,793
Total current liabilities					**244,032**
TOTAL LIABILITIES					**1,253,308**

Statement of Financial Position as at 31 December 2013 (*)

(€ thousands)	EMEA	THE AMERICAS	ASIA PACIFIC	ELIM.	CONSOLIDATED
ASSETS					
Non-current assets					
Goodwill	205,645	57,217	237,818	-	500,680
Intangible fixed assets with finite useful life	40,085	11,107	68,911	-	120,103
Tangible fixed assets	69,643	1,574	16,473	-	87,690
Investments valued at equity	1,483	-	652		2,135
Financial assets measured at fair value through profit and loss	4,131	-	-	-	4,131
Hedging instruments	2,382	-	-	-	2,382
Deferred tax assets	40,175	3,303	2,610	-	46,088
Other assets	2,697	34,959	312	-	37,968
Total non-current assets					**801,177**
Current assets					
Inventories	27,868	115	1,849	-	29,832
Receivables	95,399	29,765	8,055	(712)	132,507
Hedging instruments	2,572	-	-	-	2,572
Cash and cash equivalents					170,322
Total current assets					**335,233**
TOTAL ASSETS					**1,136,410**
LIABILITIES					
Net Equity					**381,076**
Non-current liabilities					
Medium/long-term financial liabilities					417,541
Provisions for risks and charges	16,779	15,601	696	-	33,076
Liabilities for employees' benefits	10,268	266	1,117	-	11,651
Hedging instruments	16,850	-	-	-	16,850
Deferred taxes	9,549	16,874	20,248	-	46,671
Payables for business acquisitions	1,373	-	2,073	-	3,446
Other long-term debt	-	11	234	-	245
Total non-current liabilities					**529,480**
Current liabilities					
Trade payables	62,299	25,235	9,411	(704)	96,241
Payables for business acquisitions	621	-	-	-	621
Other payables	86,020	2,845	19,997	(8)	108,854
Hedging instruments	59	-	-	-	59
Provisions for risks and charges	411	-	-	-	411
Liabilities for employees' benefits	6,615	625	1,017	-	8,257
Short-term financial liabilities					11,411
Total current liabilities					**225,854**
TOTAL LIABILITIES					**1,136,410**

(*) Restated data. Refer to note 2.1 for details.

Income Statement - FY 2014

(€ thousands)	EMEA	THE AMERICAS	ASIA PACIFIC	ELIM.	CONSOLIDATED
Revenues from sales and services	617,687	140,932	132,312	-	890,931
Operating costs	(543,094)	(114,756)	(94,274)	-	(752,124)
Other income and costs	(1,583)	636	(192)	-	(1,139)
Gross operating profit (EBITDA)	**73,010**	**26,812**	**37,846**	**-**	**137,668**
Amortisation, depreciation and impairment					
Amortisation	(12,028)	(3,312)	(6,668)	-	(22,008)
Depreciation	(19,458)	(426)	(4,544)	-	(24,428)
Impairment and impairment reversals of non-current assets	(468)	-	(148)	-	(616)
	(31,954)	**(3,738)**	**(11,360)**	**-**	**(47,052)**
Operating result	**41,055**	**23,074**	**26,487**	**-**	**90,616**
Financial income, charges and value adjustments to financial assets					
Group's share of the result of associated companies valued at equity	20	-	181	-	201
Other income and charges, impairment and revaluations of financial assets					472
Interest income and charges					(20,549)
Other financial income and charges					(2,436)
Exchange gains and losses					1,860
Gain (loss) on assets measured at fair value					(3,608)
					(24,060)
Net profit (loss) before tax					**66,556**
Current and deferred income tax					
Current income tax					(17,002)
Deferred tax					(3,109)
					(20,111)
Total net profit (loss)					**46,445**
Minority interests					(30)
Net profit (loss) attributable to the Group					**46,475**

Income Statement - FY 2013 (*)

(€ thousands)	EMEA	THE AMERICAS	ASIA PACIFIC	ELIM.	CONSOLIDATED
Revenues from sales and services	560,756	138,663	127,984	-	827,403
Operating costs	(503,884)	(113,802)	(94,397)	-	(712,083)
Other income and costs	1,082	742	(101)	-	1,723
Gross operating profit (EBITDA)	**57,954**	**25,603**	**33,486**	**-**	**117,043**
Amortisation, depreciation and impairment					
Amortisation	(11,240)	(3,601)	(6,700)	-	(21,541)
Depreciation	(19,315)	(334)	(5,315)	-	(24,964)
Impairment and impairment reversals of non-current assets	(1,381)	(523)	(285)	-	(2,189)
	(31,936)	(4,458)	(12,300)	-	(48,694)
Operating result	**26,018**	**21,145**	**21,186**	**-**	**68,349**
Financial income, charges and value adjustments to financial assets					
Group's share of the result of associated companies valued at equity	(218)	-	211	-	(7)
Other income and charges, impairment and revaluations of financial assets					130
Interest income and charges					(26,436)
Other financial income and charges					(4,035)
Exchange gains and losses					(4,599)
Gain (loss) on assets measured at fair value					3,441
					(31,506)
Net profit (loss) before tax					**36,843**
Current and deferred income tax					
Current income tax					(26,037)
Deferred tax					2,114
					(23,923)
Total net profit (loss)					**12,920**
Minority interests					72
Net profit (loss) attributable to the Group					**12,848**

(*) Restated data. Refer to note 2.1 for details.

6. Acquisitions and goodwill

Changes in goodwill and the amounts recorded for this, following acquisitions completed in the period, are provided in the following table, divided by country.

(€ thousands)	Net carrying value at 31/12/2013	Business combinations	Disposals	Impairment	Other net changes	Net carrying value at 31/12/2014
Italy	451	125	-	-	-	576
France	55,270	2,824	-	-	-	58,094
Iberian Peninsula	23,983	-	(8)	-	-	23,975
Hungary	1,052	-	-	-	(26)	1,026
Switzerland	11,674	-	-	-	244	11,918
The Netherlands	32,781	-	-	-	-	32,781
Belgium and Luxembourg	9,325	-	-	-	(20)	9,305
Germany	55,432	6,346	-	-	-	61,778
Poland	-	217	-	-	-	217
United Kingdom and Ireland	14,695	-	-	-	1,034	15,729
Turkey	982	73	-	-	2	1,057
Israel	-	3,537	-	-	1	3,538
USA and Canada	57,217	-	-	-	7,660	64,877
Brazil	-	2,555	-	-	(107)	2,448
Australia and New Zealand	235,633	-	-	-	9,439	245,072
India	2,185	-	-	-	246	2,431
Goodwill	**500,680**	**15,677**	**(8)**	**-**	**18,473**	**534,822**

Business combinations contains the provisional allocation to goodwill of the portion of the purchase price not directly attributable to the fair value of the assets and liabilities, but which reflects the expectations of obtaining a positive contribution in terms of free cash flow for an indefinite period.

In 2014 the Group intensified its external growth and finalized a number of acquisitions for a total investment of €35,883 thousand including the debt consolidated and the best estimate of the earn-outs linked to sales and profitability targets payable over the next few years. More in detail:

- 60% of Medtechnica Orthophone Ltd, the leading Israeli provider of hearing aids and related services, was acquired. The latter subsequently purchased the remaining 50% of the company Ofakim Quality of Hearing Ltd, already 50% held, its main active partner in the indirect channel;
- a chain of stores belonging to Audika Italia S.r.l., the Italian branch of the French group Audika, a hearing aid distributor, was purchased;

- in Poland the Group acquired the controlling interest of Amplifon Poland (now 63% held) by purchasing minority interests (9%) and, subsequently, subscribing the unexercised rights of a capital increase (7%);
- in Spain Ampli Leida (Barcelona) and Audiosalud (Murcia) held 80% and 75.1%, respectively, became wholly-owned subsidiaries and in Ireland, Amplifon Ireland (Wexford), held 75%, also became a wholly-owned subsidiary;
- through the newly formed Amplifon South America Holding, 51% of Direito do Ouvir, a Brazilian company specialized in the distribution of hearing aids and related services, was purchased;
- in Germany 13 stores were purchased in North Rhine-Westphalia, 3 in the Stuttgart region, 2 in Saarland and 1 in the Nuremberg region;
- in France 4 stores were purchased in Provence, 3 in the Haute Savoy region, 3 in a region west of Paris, 3 near Auxerre, 2 in the central west region of the country, and 1 in St. Malò;
- in Turkey two stores were purchased in the southeast;
- in Switzerland the client lists of a store near Zurich, of 4 stores in the northeastern part of Hungary belonging to the hearing aid manufacturer (Starkey), and of a store in Missouri (the United States) were purchased.

The item “Other net changes” refers mainly to exchange gains.

The table below summarises all the acquisitions made throughout 2014 (amounts in € thousand):

Nome	Date	Location	Total purchase price	Cash acquired	Financial debts acquired	Total cost	Expected annual turnover (*)	Contribution to turnover from the purchase date
Amplifon Poland Sp.z o.o.	20/02/2014	Poland						
AF Annecy SAS	01/04/2014	France						
Centre Aixois de l'Audition SAS	01/04/2014	France						
Saint-Malo Audition SAS	02/04/2014	France						
Medtechnica Ortophone Ltd	30/04/2014	Israel						
Audika Italia S.r.l	01/05/2014	Italy						
Institut de l'Audition Auxerrois SARL	02/05/2014	France						
Ofakim Quality of Hearing Ltd	01/09/2014	Israel						
Audiorel Entendre SAS	01/09/2014	France						
Entendre Courville SAS	01/09/2014	France						
Entendre Epernon SAS	01/09/2014	France						
Audition Sophie Belot SAS	01/10/2014	France						
Audition 86 SAS	01/10/2014	France						
Direito de Ouvir SA	03/11/2014	Brazil						
Total share deals			**25,747(**)**	**2,167**	**3,831**	**27,412**	**28,662**	**14,732**
Gerber Akustik GmbH, Forchheim	01/01/2014	Germany						
Beck und Norz Hörgeräteakustik GmbH	01/01/2014	Germany						
Carl-August Beck	01/01/2014	Germany						
İDEAL İşitme Merkezi San Tic Ltd Şti.	07/01/2014	Turkey						
Odyoset İşitme Cihazları ve Rehabilitasyon Eğitim San Tic Ltd Şti.	07/01/2014	Turkey						
Jäkel-Hören	01/03/2014	Germany						
Hörgeräte Lutz GmbH	01/04/2014	Switzerland						
Hörakustik Michaela Grüneberg	01/05/2014	Germany						
Hearing Pro	09/06/2014	USA						
Hörgeräte Richberg	01/07/2014	Germany						
MK-Audiológia	31/08/2014	Hungary						
Hörgeräte Böhlefeld GmbH & Co. KG	01/10/2014	Germany						
Hörzentrum Gruppe GmbH & Co. KG	01/10/2014	Germany						
Vita Hörgeräte Benrath GmbH	01/10/2014	Germany						
Hörzentrum Bochum GmbH & Co. KG	01/10/2014	Germany						
Hörzentrum Steele GmbH & Co. KG	01/10/2014	Germany						
Vita Hörakustik GmbH	01/10/2014	Germany						
Vita Hören und Sehen GmbH	01/10/2014	Germany						
Audition Bourraud	01/10/2014	France						
Total asset deals			**8,301**	**-**	**-**	**8,301**	**7,346**	**4,465**
Total			**34,049**	**2,167**	**3,831**	**35,713**	**36,009**	**19,197**

(*) Annual turnover is the best available estimate of the turnover of the firm or business acquired. Information on the turnover of the acquired firm or business since the beginning of the period is not available.

(**) The item "Total price" includes, in addition to the consideration paid to purchase 9% of the shares of Amplifon Poland as described above, the impact of the application of the IFRS 3 provisions relating to step up acquisitions which amounted to €211 thousand and represents the fair value of the 49% already held at the acquisition date. The consideration paid (€170 thousand) to obtain 100% of the following companies should be added to these amounts:
- Amplifon Ireland Ltd (Ireland) already 75% held;
- Audiosalud SL (Spain) already 75.1% held;
- Ampli Lleida SLU (Spain) already 80% held.

A summary of the book values and fair values of assets and liabilities, deriving from the provisional allocation of the purchase price due to business combinations, is provided in the following table.

(€ thousands)	Europe	MEA	The Americas	Total
Cost of acquisitions of the period	**22,188**	**8,750**	**3,322**	**34,260**
Assets and liabilities acquired - Book value				
Current assets	4,124	7,801	275	**12,200**
Current liabilities	(4,868)	(3,082)	(133)	**(8,083)**
Net working capital	**(744)**	**4,719**	**142**	4,117
Other intangible and tangible assets	2,376	1,878	787	**5,041**
Provisions for risks and charges	(1,434)	(301)	-	**(1,735)**
Other non-current assets and liabilities	(423)	(417)	-	**(840)**
Non-current assets and liabilities	**519**	**1,160**	**787**	**2,466**
Net invested capital	**(225)**	**5,879**	**929**	**6,583**
Minority interests	**(35)**	**40**	**(556)**	**(551)**
Net financial position	**1,492**	**(3,053)**	**(104)**	**(1,665)**
NET EQUITY ACQUIRED - BOOK VALUE	**1,232**	**2,866**	**269**	**4,367**
DIFFERENCE TO BE ALLOCATED	**20,956**	**5,884**	**3,053**	**29,893**
ALLOCATIONS				
Customer lists	13,640	2,108	453	**16,201**
Trademarks	-	463	45	**508**
Deferred tax assets	1,888	497	-	**2,385**
Deferred tax liabilities	(4,083)	(795)	-	**(4,878)**
Total allocations	**11,445**	**2,273**	**498**	**14,216**
TOTAL GOODWILL	**9,511**	**3,611**	**2,555**	**15,677**

Analysis of the recoverable value of the goodwill allocated to the cash-generating units was made; these CGUs are generally the same as the markets in which Amplifon operates and which can be identified with the countries where Amplifon is active.

Goodwill allocation by each single market is detailed in the table at the beginning of this section.

All cash generating units (CGUs) were tested for impairment determining the value in use using the discounted cash flow (DCF) method net of tax, thus aligned with the post-tax discount rates used.

An impairment test was not performed in Brazil, where a very recent acquisition was made (November 2014) as the price paid is close to fair value. Similarly, the goodwill relative to the acquisition of Sonus Italia S.r.l. (formerly Audika Italia S.r.l.) was not subject to impairment testing as it is part of the CGU Italy and is, therefore, tested separately.

The CGUs' value in use was determined by discounting estimated future cash flows as per the three

year business plan (2015-2017) with the exception of countries in which the business represented in the third plan year does not reflect full capacity, due to changes in the business model or start-up situations in new markets and cannot reasonably be used as a basis for the perpetual growth model. In these cases the impairment test was based on a five-year plan.
In the United Kingdom different scenarios were used for the purposes of impairment testing based on the extent to which the plan targets were achieved.

With regard specifically to Europe, the plans used for impairment testing reflect the overall decline in economic growth that is expected.

The DCF calculation assumed a weighted average cost of capital and used a discount rate that reflected the estimated current cost of borrowing taking into account, through the use of an adequate increase in Beta as described below, the specific risks of each CGU and the risk that the plan targets are not fully met.

The beta (the measure of a financial asset's risk) were determined based on the comparison with peers, excluding immaterial beta from the analysis, in accordance with international best practices.

The perpetual growth rate for each country was adjusted to reflect the International Monetary Fund's forecast for inflation in 2018. The 2019 forecasts were used for countries for which impairment testing was based on 5 year plans, with the exception of the United Kingdom (the indicator was prudently lowered to 0.5 percentage points).

	ITA	FRA	NL	GER	BEL LUX	UK & IRL (*)	CH	SPA POR	USA	HUN	OCEANIA	TUR	POL	IND	ISR
Growth rate	1.40%	1.20%	1.40%	1.70%	1.30%	1.5%	1.00%	1.60%	2.00%	3.00%	2.40%	6.20%	2.5%	6.10%	2.00%
WACC (**) 2014	5.38%	6.77%	7.21%	6.17%	5.17%	8.42%	5.95%	6.07%	6.36%	10.17%	8.07%	14.41%	9.32%	12.98%	6.18%
Cash flow time horizon	3 years	3 years	3 years	3 years	3 years	5 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	5 years	3 years
WACC 2013	6.72%	6.56%	9.02%	7.16%	6.85%	9.08%	6.16%	8.54%	6.45%	12.62%	9.63%	15.31%	n.a.	13.80%	n.a.

(**) WACC: weighted average cost of capital.
(*) 2013 impairment test on goodwill of the CGU "United Kingdom" has been performed using the "Fair Value " methodology.

A sensitivity analysis was also carried out to determine the changes in values of underlying assumptions, which after considering any consequent changes to the other variables used make the CGU's recoverable value equal to its book value.

This analysis is given in the following table and shows that, for all CGUs, only significant deviations from achievement of business objectives, variations in interest rate levels and in perpetual growth rates would reduce recoverable value to a level close to book value.

This analysis, reported in the following table, shows that only significant deviations from achievement of business objectives, variations in interest rate levels and in perpetual growth rates would reduce the recoverable amount to a level close to book value for all CGU with the sole exception of the United Kingdom for which the sensitivity below reported refer to the base case and shows a recoverable amount aligned to the carrying amount. If the achievement of business objectives would be lower so that to fall back in the worst case scenario, the recoverable amount would be lower than the book value; conversely if these objectives were achieved in a full (best case scenario), the recoverable amount would exceed the carrying amount.

	Negative % changes growth rate expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value	**Negative % changes in cash flow expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value**	**% changes in the discount rates which would make the CGU's recoverable value equal to its book value**
Italy	> 100%	98.0%	209.0%
France	7.2%	51.0%	6.1%
The Netherlands	2.8%	30.0%	2.4%
Germany	4.6%	44.0%	3.9%
Belgium and Luxembourg	> 100%	90.0%	39.5%
United Kingdom and Ireland	0.2%	2.2%	0.1%
Switzerland	23.0%	79.0%	15.7%
Iberian Peninsula	8.3%	60.0%	6.6%
USA	2.0%	85.0%	24.8%
Hungary	17.0%	58.0%	11.0%
Oceania	4.6%	40.0%	3.8%
India	3.4%	40.0%	2.4%
Poland	56.0%	83.0%	27.4%
Israel	6.2%	57.0%	5.2%
Turkey	4.7%	35.0%	3.8%

7. Intangible fixed assets

The following table shows the changes in intangible fixed assets:

(€ thousands)	Historical cost at 31/12/2013 (*)	Accumulated amortisation and write-downs at 31/12/2013 (*)	Net book value at 31/12/2013 (*)	Historical cost at 31/12/2014	Accumulated amortisation and write-downs at 31/12/2014	Net book value at 31/12/2014
Software	49,821	(39,895)	9,926	67,232	(46,432)	20,800
Licenses	9,932	(8,300)	1,632	9,411	(7,572)	1,839
Non-competition agreements	4,217	(4,217)	-	4,765	(4,765)	-
Customer lists	141,786	(72,454)	69,332	162,359	(86,407)	75,952
Trademarks and concessions	30,212	(7,121)	23,091	32,350	(10,085)	22,265
Other	13,987	(3,837)	10,150	20,402	(8,979)	11,423
Fixed assets in progress and advances	5,972	-	5,972	2,829	-	2,829
Total	**255,927**	**(135,824)**	**120,103**	**299,348**	**(164,240)**	**135,108**

(*) Restated data. Refer to note 2.1 for details.

(€ thousands)	Net book value at 31/12/2013 (*)	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2014
Software	9,926	7,842	(5)	(5,166)	115	-	8,088	20,800
Licenses	1,632	528	-	(753)	3	(1)	430	1,839
Non-competition agreements	-	-	-	-	-	-	-	-
Customer lists	69,332	156	(160)	(12,424)	16,201	-	2,847	75,952
Trademarks and concessions	23,091	-	-	(2,609)	508	-	1,275	22,265
Other	10,150	1,615	(236)	(1,056)	255	(23)	718	11,423
Fixed assets in progress and advances	5,972	4,773	-	-	-	(1)	(7,915)	2,829
Total	**120,103**	**14,914**	**(401)**	**(22,008)**	**17,082**	**(25)**	**5,443**	**135,108**

(*) Restated data. Refer to note 2.1 for details.

The change in "business combinations" can be explained as follows:
- for €13,870 thousand, to the temporary price allocation for the acquisitions made in Europe;
- for €2,571 thousand, to the temporary price allocation for the acquisitions made in the Middle East;
- for €641 thousand, to the temporary price allocation for the acquisitions made in America.

The increase in intangible assets in the period is primarily attributable to:

- investments in technological infrastructure, the development and implementation of a new front-office system and the implementation of the new version of the Group's back-office system in France;
- joint investment plans with the franchisees for the renovation and relocation of stores in the United States and further implementation of front-office, sales force automation and CRM systems.

Other net changes were mainly due to exchange rate fluctuations during the period.

8. Tangible fixed assets

The following table shows the changes in tangible fixed assets:

(€ thousands)	Historical cost at 31/12/2013 (*)	Accumulated amortisation and write-downs at 31/12/2013 (*)	Net book value at 31/12/2013 (*)	Historical cost at 31/12/2014	Accumulated amortisation and write-downs at 31/12/2014	Net book value at 31/12/2014
Land	162	-	162	162	-	162
Buildings, constructions and leasehold improvements	91,237	(56,057)	35,180	103,334	(64,522)	38,812
Plant and machines	28,939	(22,683)	6,256	30,778	(24,038)	6,740
Industrial and commercial equipment	32,541	(22,706)	9,835	38,184	(25,326)	12,858
Motor vehicles	5,177	(3,108)	2,069	5,619	(3,168)	2,451
Computers and office machinery	33,852	(27,141)	6,711	33,571	(26,347)	7,224
Furniture and fittings	65,038	(41,164)	23,874	68,245	(44,179)	24,066
Other tangible fixed assets	3,027	(1,824)	1,203	3,536	(2,391)	1,145
Fixed assets in progress and advances	2,400	-	2,400	2,730	-	2,730
Total	**262,373**	**(174,683)**	**87,690**	**286,159**	**(189,971)**	**96,188**

(*) Restated data. Refer to note 2.1 for details.

(€ thousands)	Net book value at 31/12/2013(*)	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2014
Land	162	-	-	-	-	-	-	162
Buildings, constructions and leasehold improvements	35,180	7,593	(685)	(8,824)	2,971	(241)	2,818	38,812
Plant and machines	6,256	1,329	(9)	(1,836)	491	(34)	543	6,740
Industrial and commercial equipment	9,835	5,251	(6)	(2,754)	113	(172)	591	12,858
Motor vehicles	2,069	1,390	(92)	(1,067)	31	(1)	121	2,451
Computers and office machinery	6,711	2,819	(57)	(3,424)	306	(18)	887	7,224
Furniture and fittings	23,874	5,065	(12)	(6,078)	739	(119)	597	24,066
Other tangible fixed assets	1,203	263	(2)	(445)	1	(6)	131	1,145
Fixed assets in progress and advances	2,400	4,306	(141)	-	16	-	(3,851)	2,730
Total	**87,690**	**28,016**	**(1,004)**	**(24,428)**	**4,668**	**(591)**	**1,837**	**96,188**

(*) Restated data. Refer to note 2.1 for details.

Capital expenditure made in the period mainly concerned the continuation of the store renovation and relocation programme based on the concept store programme. This programme includes expenditure on opening, renovating and in some cases relocating stores under the Group's strategy of increasing customer focus and increasing operative efficiency.

The increase in "business combinations" of €4,668 thousand can be explained as follows:
- for €2,146 thousand, by the temporary price allocation for the acquisitions made in Europe;
- for €1,878 thousand, by the temporary price allocation for the acquisitions made in the Middle East;
- for €644 thousand, by the temporary price allocation for the acquisitions made in America.

The caption "impairment" mainly relates to the shops' renovation and re location as described above.

Other net changes were mainly due to exchange rate fluctuations during the period.

9. Other non-current assets

(€ thousands)	31/12/2014	31/12/2013	Change
Financial assets measured at fair value through profit and loss	4,512	4,131	381
Financial long-term receivables	11,773	9,842	1,931
Deposits and other restricted amounts	20,626	15,810	4,816
Other non-current assets	13,363	12,316	1,047
Total	**50,274**	**42,099**	**8,175**

Financial assets designated at fair value through profit and loss essentially include investments in bonds and other listed securities made by the subsidiary Amplinsure RE AG which is a reinsurer of the insurances sold on the Dutch market. These assets are grouped in two portfolios managed by specialised managers. The interest rate on these securities varies between 1% and 4.75%.

Non-current financial assets refer largely to the loans granted by American subsidiaries to franchisees in order to support investment and development in the United States.

Security deposits and other secured amounts refer for €20,593 thousand to contributions made to the pension plans benefitting commercial partners in the United States.

The other long-term assets refer to the medium/long-term portion of the amounts payable to the American subsidiaries for the sale of freehold stores to franchisees which came to €8,627 thousand (€9,357 thousand in the comparison period).

Both long-term financial receivables and other non-current assets are discounted when the interest rate applied differs from the market rate.

10. Derivatives and hedge accounting

The following table shows the fair values of the derivatives outstanding at the end of the comparative period and at the reporting date giving separately the fair value of those derivatives that qualify as fair value hedges and cash flow hedges and those that do not qualify for hedge accounting.

(€ thousands)	Fair value 31/12/2014		Fair value 31/12/2013	
Type	**Assets**	**(Liabilities)**	**Assets**	**(Liabilities)**
Fair value hedge	-	-	-	-
Cash flow hedge	7,568	(8,773)	2,382	(16,850)
Total hedge accounting	**7,568**	**(8,773)**	**2,382**	**(16,850)**
Non hedge accounting	467	(362)	2,572	(59)
Total	**8,035**	**(9,135)**	**4,954**	**(16,909)**

Fair Value Hedges

The following table shows the gains or losses from the derivative instruments in place and the impact on profit and loss and the statement of financial position from the hedging instruments and the hedged items.

(€ thousands)	31/12/2014 (Loss) Gain	31/12/2013 (Loss) Gain
Hedging Instrument	-	(102)
Hedged item	-	50
Total impact on PL	**-**	**(52)**

Cash Flow Hedges

In 2014, cash flow hedging transactions involved the following financial risks:

- currency and interest rate risk relating to the last tranche of the USD 70 million 2006-2016 private placement;
- currency and interest rate risk relating to the USD 130 million 2013-2025 private placement.

(€ thousands)		Fair value 31/12/2014		Fair value 31/12/2013	
Purpose of hedging	**Hedged risk**	**Assets**	**(Liabilities)**	**Assets**	**(Liabilities)**
Private placement 2006-2016	Exchange rate and interest rate	7,568	(4,832)	2,382	(6,416)
Private placement 2013-2025	Exchange rate and interest rate	-	(3,941)	-	(10,434)
	Total	**7,568**	**(8,773)**	**2,382**	**(16,850)**

The following table details the gains or losses from the derivatives currently in place and the impact on the statement of financial position of the cash flow hedge reserve. Amounts are shown before the tax effect.

(€ thousands)	Recognised in net equity (Debit)/Credit	Reclassified to the income statement - Effective portion (Loss) Gain	Reclassified to the income statement -Ineffective portion(Loss) Gain
1/1/2013 - 31/12/2013	(11,557)	(14,372)	229
1/1/2014 - 31/12/2014	**13,385**	**20,014**	**(139)**

The maturity of the hedges is in line with the duration of the item hedged. Please refer to Note 16 for details.

Non hedge accounting derivatives

Non-hedge accounting derivatives comprise forwards hedging the exchange risk on intragroup loans denominated in currencies other than the Euro between Amplifon S.p.A. and subsidiaries in the UK and Australia. The maturities of these instruments are between January and March 2015.

During the year the exchange risk relative to the EBITDA posted in Australia was partially hedged with forward agreements, which will expire by year-end, that are non hedge accounting derivatives The impact on the income statement is described in "Other income and costs" (please refer to note 28).

11. Inventories

(€ thousands)	31/12/2014			31/12/2013 (*)		
	Cost	**Obsolescence provision**	**Net**	**Cost**	**Obsolescence provision**	**Net**
Goods	34,257	(5,567)	28,690	37,210	(7,413)	29,798
Work-in-progress	-	-	-	34	-	34
Total	**34,257**	**(5,567)**	**28,690**	**37,244**	**(7,413)**	**29,832**

(*) Restated data. Refer to note 2.1 for details.

The movements in the provision for obsolescence for inventories in the year are as follows.

(€ thousands)	
Balance at 31/12/2013 (*)	**(7,413)**
Provision	(2,156)
Utilization	3,863
Business combination	193
Translation differences and other movements	(54)
Balance at 31/12/2014	**(5,567)**

(*) Restated data. Refer to note 2.1 for details.

12. Receivables

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Trade receivables	*109,216*	*103,560*	*5,656*
Trade receivables - Subsidiaries	*64*	*32*	*32*
Trade receivables Parent company	*71*	*87*	*(16)*
Trade receivables - Associated companies and joint ventures	*4*	*8*	*(4)*
Total trade receivables	**109,355**	**103,687**	**5,668**
Tax receivables. Tax consolidation – Parent company	*3,069*	*-*	*3,069*
Other tax receivables	*9,462*	*11,310*	*(1,848)*
Total tax receivables	12,531	11,310	1,221
Other receivables	9,677	8,844	833
Non-financial prepayments and accrued income	10,851	8,666	2,185
Total other receivables	**33,059**	**28,820**	**4,239**
Total	**142,414**	**132,507**	**9,907**

(*) Restated data. Refer to note 2.1 for details.

Trade receivables

The breakdown of trade receivables is detailed in the table below:

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Trade receivables	122,068	112,571	9,497
Sales returns provision	(6,175)	(2,985)	(3,190)
Allowance for doubtful accounts receivables	(6,677)	(6,026)	(651)
Total	**109,216**	**103,560**	**5,656**

(*) Restated data. Refer to note 2.1 for details.

All the other receivables have payment term of between 30 and 120 days and there is no significant concentration of credit risk.

The current year movements in the allowance for doubtful accounts are as follows:

(€ thousands)	
Net value al 31/12/2013 (*)	**(6,026)**
Provisions	(2,321)
Reverslas	539
Utilisation for charges	2,003
Business combinations	(688)
Translation differences and other net changes	(184)
Net value at 31/12/2014	**(6,677)**

(*) Restated data. Refer to note 2.1 for details.

The face value of the factoring without recourse transactions carried out in the year amounted to €47,452 thousand and net proceeds to €46,047 thousand (versus €45,572 thousand and €43,897 thousand respectively, at 31 December 2013). The transactions relate to receivables generated in the year and, therefore, did not have a significant impact on the comparison of working capital with the prior year.

Tax receivables

Tax receivables, amounted to €12,531 thousand and include:

- €5,608 thousand of VAT receivables and other indirect taxes. The factoring transaction without recourse of VAT receivables during the period covered a total value of €14,057 thousand with a net proceeds reaching €13,639 thousand (€12,854 thousand and €12,220 thousand at December 31, 2013);
- €3,069 thousand IRES (corporate income tax) credits to the Parent company Amplifin S.p.A. under the contract of fiscal consolidation 2014 - 2016 which Amplifon SpA joined during the year;
- €3,000 thousand of tax advances;
- €761 thousand of withholding taxes.

Other receivables

Other receivables amounted to €9,577 thousand and refer:

- for €4,256 thousand to the current portion of the amounts owed to the US companies for the sale of freehold stores to franchisees and the loans granted to franchisees for store renovation, capital expenditure and development of the US market;
- for €823 thousand to advances paid suppliers.

Non-financial accrued income and prepaid expenses

This item refers primarily to prepaid rent of €2,713 thousand, advertising expenses of €2,686 thousand, services of €1,298 thousand and insurance premiums of €1,022 thousand.

13. Cash and cash equivalents

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Bank current accounts	122,162	109,334	12,828
Short-term bank deposits	78,267	59,549	18,718
Funds	10,024	-	10,024
Cash on hand	671	1,439	(768)
Total	**211,124**	**170,322**	**40,802**

(*) Restated data. Refer to note 2.1 for details.

Cash and cash equivalents are deposited with top rated banks (refer to the table in Section 3) and earn interest at market rates.

14. Share capital

At 31 December 2014 the fully paid in and subscribed share capital consisted of 224,601,851 ordinary shares with a par value of €0.02.

At 31 December 2013 share capital was made up of 224,100,782 shares. The increase recorded in the period is due to the exercise of 501,069 stock options, equivalent to 0.22% of the share capital.

On 1 October 2014 implementation began of the share buy-back plan approved during the Shareholders Meeting held on 16 April 2014. The program, the purpose of which is to increase treasury shares in order to service stock-based incentive plans, also provided the Company with a valid means with which to stabilize and sustain the stock, as well as ensure the availability of treasury shares to use as a form of payment for acquisitions. As resolved by the shareholders, the treasury shares may be purchased on one or more occasions on a revolving basis for up to a total number of new shares, which together with the treasury shares already held and in accordance with the law, amounts to 10% of the company's share capital. The purchase price of the shares may not be 10% higher or lower than the stock price registered at the close of the trading session prior to each single purchase. The authorization for the buy-back plan expires on 15 October 2015.
As part of this program, at 31 December 2014 520,000 had been purchased at an average price of €4.72. The treasury shares held, including the shares purchased on the market as part of the buy-back plan approved during the Shareholders' Meeting held on 27 April 2006, now total 7,420,000 or 3.304% of the Company's share capital.

Following are disclosed the information relating to treasury shares , arising from purchases made in the years 2005 , 2006, 2007 and 2014 .

(€ thousands)	N. shares	Average purchase price (Euro)	Total amount
31 December 2013	**6,900,000**	**6.39**	**44,091**
Purchases	520,000	4.72	2,456
31 December 2014	**7,420,000**	**6.27**	**46,547**

15. Net financial position

In accordance with the requirements of the Consob communication dated 28 July 2006 and in compliance with the CESR (now ESMA) Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position at 31 December 2014, was as follows:

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Liquid funds	(211,124)	(170,322)	(40,802)
Payables for business acquisitions	1,692	621	1,071
Other short term loans- third parties (including current portion)	468	169	299
Other financial payables	15,002	11,986	3,016
Non hedge accounting derivative instruments	(105)	(2,513)	2,408
Short-term financial position	**(194,067)**	**(160,059)**	**(34,008)**
Private placement 2006-2016	57,656	50,758	6,898
Private placement 2013-2025	107,075	94,264	12,811
Eurobond 2013-2018	275,000	275,000	-
Finance lease obligations	1,088	736	352
Other medium/long-term debt	247	128	119
Hedging derivatives	(8,616)	11,094	(19,710)
Medium/long-term acquisition payables	10,034	3,446	6,588
Net medium and long-term indebtedness	**442,484**	**435,426**	**7,058**
Net financial indebtedness	**248,417**	**275,367**	**(26,950)**

(*) Restated data. Refer to note 2.1 for details.

In order to reconcile the above items with the statutory statement of financial position, we detail the breakdown of the following items:

Long-term loans, the private placement 2006-2016 and 2013-2025, the Eurobond and finance lease obligations are shown in the statutory statement of financial position:

a. under the caption "Medium/long-term financial liabilities" described in § 16 of the explanatory notes for the long-term portion.

(€ thousands)	**31/12/2014**
Private placement 2006-2016	57,656
Private placement 2013-2025	107,075
Eurobond 2013-2018	275,000
Finance lease obligations	1,088
Other medium/long-term debt	247
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(2,347)
Medium/long-term financial liabilities	**438,719**

b. under the item "financial payables", described in § 24 of the explanatory notes for the current portion.

(€ thousands)	**31/12/2014**
Short term debt	14,180
Current portion of finance lease obligations	822
Short-term financial liabilities	**15,002**
Other short term debt (including current portion of other long- term debt)	468
Loan, private placement 2013-2025 and Eurobond fees	(677)
Financial liabilities	**14,793**

All the other items in the net financial indebtedness table correspond to items in the statement of financial position schedule.

The **short-term portion of the net financial position** was positive for some €194,067 thousand at 31 December 2014 versus €160,059 thousand at 31 December 2013, an improvement of €34,088 thousand explained primarily by the change in cash flow recorded in the period net of the change in short-term financial payables and the valuation of non-hedge accounting derivatives.

The **long/medium term portion of the net financial position** reached €442,484 thousand at 31 December 2014 versus €435,426 thousand at 31 December 2013. The change of €7,058 thousand is explained primarily by the put-call option on the purchase of the remaining 40% of Medtechnica Ortophone Ltd (Israel) exercisable by 2017 and the best estimate of the earn-out relating to the acquisition of the 51% interest in Direito de Ouvir, a Brazilian company specialized in the distribution of hearing aids and related services.

16. Financial liabilities

Long-term financial liabilities break down as follows:

(€ thousands)	31/12/2014	31/12/2013	Change
Private placement 2006-2016	57,656	50,758	6,898
Private placement 2013-2025	107,075	94,264	12,811
Eurobond 2013-2018	275,000	275,000	-
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(2,347)	(3,345)	998
Other medium long term debt	247	128	119
Finance lease obligations	1,088	736	352
Total medium/long-term financial liabilities	**438,719**	**417,541**	**21,178**
Short term debt	14,793	11,411	3,382
- of which loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(677)	(743)	66
- of which current-portion of lease obligations	822	885	(63)
Total short-term financial liabilities	**14,793**	**11,411**	**3,382**
Total financial debt	**453,512**	**428,952**	**24,560**

The Group's debt is primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement, amounting to €55 million will fall due.

Main long-term financial liabilities are detailed below.

Eurobond 2013-2018
A €275 million 5-year bond loan reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market issued on 16 July 2013.

Issue Date	Debtor	Maturity	Face value (/000)	Fair value (/000)	Nominal interest rate Euro
16-July-13	Amplifon S.p.A.	16-Jul-18	275,000	297,396	4.875%
	Total in Euro		**275,000**	**297,396**	

Private placement 2013-2025
A USD 130 million private placement made in the USA by Amplifon USA and guaranteed by Amplifon S.p.A. and other Group subsidiaries.

Issue Date	Issuer	Maturity	Currency	Face value (/000)	*Fair value (/000)*	Nominal interest rate (*)	Euro Interest rate after hedging (**)
30-May-13	Amplifon USA	31-Jul-20	USD	7,000	7,858	3.85%	3.39%
30-May 13	Amplifon USA	31- Jul -23	USD	8,000	9,591	4.46%	3.90%
31-Jul-13	Amplifon USA	31- Jul -20	USD	13,000	14,630	3.90%	3.42%
31- Jul -13	Amplifon USA	31- Jul -23	USD	52,000	62,558	4.51%	3.90%-3.94%
31-Jul-13	Amplifon USA	31- Jul -25	USD	50,000	62,111	4.66%	4.00%-4.05%
	Total			**130,000**	**156,747**		

(*) The rate applied if the Group's net debt/ EBITDA ratio is less than 2.75x. Above this level a step-up of 25 bps will be applied. When the ratio exceeds 3.25x but is less than or equal to 3.5x. an additional step-up of 25 bps will kick-in. If the ratio exceeds 3.50x an additional step-up of 75 bps will be applied.
(**) The hedging instruments that determine the interest rate as detailed above, are also fixing the exchange rate at 1.2885, the total equivalent of the bond resulting in €100,892 thousands.

Private placement 2006-2016

A private placement reserved for institutional investors made on 2 August 2006 by Amplifon U.S.A. Inc with a residual outstanding of USD 70 million.
Details of the last outstanding tranche are as follows:

Issue Date	Issuer	Maturity	Currency	Face value *(/000)*	Fair value (/000)	Interest rate after hedging (*)
02-aug-06	Amplifon U.S.A. Inc.	02-ago-16	70,000	78,262	5.815%	6.48%
	Total in USD		**70,000**	**78,262**		

(*) The hedging instruments also fix the exchange rate at 1.2676, the total Euro equivalent of the bond being €55,222 thousand.

The following table shows a breakdown of long-term debt by maturity:

(€ thousands)										
Debtor / **Repayments**	**Nominal amount and maturity date**	**Average rate 2014/360**	**Amount at 31/12/13**	**Exchange rate effect**	**Repayments as at 31/12/2014**	**New**	**Business combinations**	**Amount at 31/12/2014**	**Short-term portion**	**Medium and LT portion**
Eurobond Bullet 16/7/2018	**€ 275,000**	4.88%	**275,000**	-	-	-	-	**275,000**	-	275,000
	16/07/2018									
Private placement Amplifon 2006-2016 (*) Instalments at 2/8/2016	**USD 70,000**	6.41%	**50,758**	6,898	-	-	-	**57,656**	-	57,656
	02/08/2016									
Private placement 2013-2025 Amplifon USA (**) Instalments at 31/1 and 31/7 from 31/1/2014	**USD 7,000**	3.85%	**5,076**	690	-	-	-	**5,766**	-	5,766
	31/07/2020									
Private placement 2013-2025 Amplifon USA (**) Instalments at 31/1 and 31/7 from 31/1/2014	**USD 8,000**	4.46%	**5,801**	788	-	-	-	**6,589**	-	6,589
	31/07/2023									
Private placement 2013-2025 Amplifon USA (**) Instalments al 31/1 e 31/7 dal 31/1/2014	**USD 13,000**	3.90%	**9,426**	1,282	-	-	-	**10,708**	-	10,708
	31/07/2020									
Private placement 2013-2025 Amplifon USA (**) Instalments at 31/1 and 31/7 from 31/1/2014	**USD 52,000**	4.51%	**37,706**	5,124	-	-	-	**42,830**	-	42,830
	31/07/2023									
Private placement 2013-2025 Amplifon USA (**) Instalments at 31/1 and 31/7 from 31/1/2014	**USD 50,000**	4.66%	**36,255**	4,927	-	-	-	**41,182**	-	41,182
	31/07/2025									
TOTAL LONG TERM DEBT			**420,022**	**19,709**	**-**	**-**	**-**	**439,731**	**-**	**439,731**
Other			**297**	**64**	**(1,484)**	**220**	**1,676**	**773**	**526**	**247**
Total			**420,319**	**19,773**	**(1,484)**	**220**	**1,676**	**440,504**	**526**	**439,978**

(*) Considering the effect of the interest rate and currency hedges the total Euro equivalent of the private placement 2006-2016 is €55,222 thousand.
(**) Considering the effect of the interest rate and currency hedges disclosed above, the total Euro equivalent of the private placement 2013-2025 is €100,892 thousand.

The following table shows the maturities of medium/long-term debt at 31 December 2014 based on contractual obligations:

(€ thousands)

Repayments	Private placement *2013-2025* (**)	Eurobond 2013-2018	Private placement 2006-2016 (*)	Other	Total
2016	-	-	55,222	247	**55,469**
2017	-	-	-	-	**-**
2018	-	275,000	-	-	**275,000**
2020	15,522	-	-	-	**15,522**
2023	46,566	-	-	-	**46,566**
2025	38,804	-	-	-	**38,804**
Total	**100,892**	**275,000**	**55,222**	**247**	**431,361**

(*) Amounts related to the private placement are reported at the hedging exchange rate.

Covenant:

The USD 130 million private placement 2013-2025 (equal to €100.9 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

In the event of relevant acquisitions, the above ratios may be increased to 2.0 and 4.0, respectively, for a period of not more than 12 months, 2 times over the life of the loan.

The USD 70 million 2006-2016 private placement (equal to €55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

At 31 December 2014 these ratios were as follows:

	Value
Net financial indebtedness/Group net equity	0.56
Net financial indebtedness/EBITDA for the last 4 quarters	1.77

In determining the above mentioned ratios, the EBITDA value has been determined on the basis of restated figures, in order to include the main changes in the Group structure:

(€ thousands)	
Group EBITDA rolling	137,668
EBITDA normalised (from acquisitions and disposals)	653
Acquisition costs	1,937
EBITDA for covenant calculation	140,258

The two private placements are also subject to other covenants applied in current international practice which limit the ability to issue guarantees and complete sale and lease back, as well as extraordinary, transactions.

The €275 million Eurobond, due in 2018 and issued in July 2013, is not subject to any covenants nor is the remaining €0.5 million in long term debt, including the short term portion.

17. Provisions for risks and charges (medium/long term)

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Product warranty provision	7,722	6,360	1,362
Contractual risks	1,772	1,756	16
Agents' leaving indemnity	29,786	23,621	6,165
Other risk provisions	1,289	1,339	(49)
Total	**40,569**	**33,076**	**7,494**

(*) Restated data. Refer to note 2.1 for details.

(in € thousands)	Net value at 31/12/2013 (*)	Provision	Utilization	Other net changes	Translation differences	Business combinations	Net value at at 31/12/2014
Product warranty provision	6,360	3,880	(315)	(2,950)	4	743	7,722
Contractual risks	1,756	1,733	(435)	(1,444)	3	159	1,772
Agents' leaving indemnity	23,621	4,527	(713)	(160)	2,350	161	29,786
Other risk provisions	1,339	226	(27)	(275)	26	-	1,289
Total	**33,076**	**10,366**	**(1,490)**	**(4,829)**	**2,383**	**1,063**	**40,569**

(*) Restated data. Refer to note 2.1 for details.

The “contractual risk provision” refers to the risk of claims from employees and agents, as well as those arising from the supply of services.

Agents’ leaving indemnity mainly comprises the agents’ leaving indemnity provision recognised in Amplifon SpA’s separate financial statements amounting to €8,565 thousand and equivalent provisions in the US and Belgian subsidiaries amounting to €20.385 thousand and €835 thousand respectively.

The main assumptions used in the actuarial calculation of the agents’ leaving indemnity of Amplifon S.p.A were:

	FY 2014
Economic assumptions	
Annual discount rate	0.91%
Demographic assumptions	
Probability of agency contract termination by the company	2.70%
Probability of agent’s voluntary termination	8.25%
Mortality rate	RG48
Disability percentage	INPS tables divided by age and sex

18. Liabilities for employees’ benefits (medium/long term)

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Defined-benefit plans	11,889	8,514	3,375
Other defined-benefit plans	3,714	3,045	669
Other provisions for personnel	109	92	17
Total	**15,712**	**11,651**	**4,060**

(*) Restated data. Refer to note 2.1 for details.

Provisions for defined-benefit plans include mainly the severance pay potentially owed by the Parent Company, as well as severance owed by the Swiss subsidiaries.
The way in which these benefits are guaranteed varies based on the legal, tax and economic conditions of each country in which the Group operates.

The change in the provision for defined-benefit plans is detailed below:

(€ thousands)	
Net present value of the liability at the beginning of the year	**(8,514)**
Current service cost	(262)
Financial charges	(82)
Business combinations	(1,093)
Actuarial losses (gains)	(2,969)
Amounts paid	1,163
Translation differences	(132)
Net present value of the liability at the end of the year	**(11,889)**

It should be noted that the current cost of severance indemnity is recognised under personnel expense in the consolidated financial statements, while actuarial gains and losses are recognised, together with the financial component relating to the discounting of the provision, in financial charges of the period (see note 30 for details).

The main assumptions used in the actuarial estimate of the liability for employee benefits were as follows:

	Italy		**Switzerland**	
	FY 2014	**FY 2013**	**FY 2014**	**FY 2013**
Economic assumptions				
Annual discount rate	0.91%	2.50%	1.20%	2.30%
Expected annual inflation rate	0.60% 2015 1.20% 2016 1.50% 2017 and 2018 2.00% 2019 onwards	2.00%	1.00%	1.00%
Annual rate of increase of severance indemnity	1.950% 2015 2.400% 2016 2.625% 2017 and 2018 3.000% 2019 onwards	3.00%	2.00%	2.30%
Demographic assumptions				
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	RG48 mortality tables published by the General Accounting Office of the State	BVG 2010 GT tables	*BVG 2010 GT* tables
Disability percentage	INPS tables divided by age and sex	INPS tables divided by age and sex	BVG 2010 GT tables	BVG 2010 GT tables
Retirement age	100% on meeting requirements for compulsory national social insurance	100% on meeting requirements for compulsory national social insurance	100% on meeting requirements for compulsory national social insurance (65m / 60f)	100% on meeting requirements for compulsory national social insurance (65m / 60f)

The sensitivity analysis performed with a change of economic variables (above detailed) of 0.25% shows no material impacts.

Provisions for other benefits are explained primarily by:

- for €1,346 thousand, the payment of mandatory seniority benefits in Australia;
- for €2,036 thousand, the other severance benefits payable upon termination in France that are similar to the "trattamento di fine rapporto" or "TFR" in Italy.

19. Other long-term liabilities

(€ thousands)	31/12/2014	31/12/2013	Change
Payables for business acquisitions	10,034	3,446	6,588
Other long-term debt	250	245	5
Total	**10,284**	**3,691**	**6,593**

Acquisition liabilities include:

- the estimate of the contingent consideration to be paid on reaching certain sales and/or profit targets in respect of the acquisitions made in Germany (various asset deals), in Switzerland (Micro-Electric Hörgeräte AG), in Hungary (MK-Audiológia), in Turkey (Makstone Isitme Ürünleri Perakende Satis A.S.), in Brasil (Direito de Ouvir SA) and in India (Beltone);
- the value of the put - call option to purchase the remaining 40 % of Medtechnica Ortophone Ltd (Israel) in 2017.

20. Trade payables

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Trade payables – Associated companies	-	99	(99)
Trade payables – Joint venture	121	92	29
Trade payables – Related parties	1,142	467	675
Trade payables – Third parties	100,525	95,583	4,942
Total	**101,788**	**96,241**	**5,547**

(*) Restated data. Refer to note 2.1 for details.

Trade payables do not bear interest and are paid within 60 to 120 days.

21. Other payables

(€ thousands)	31/12/2014	31/12/2013 (*)	Change
Other payables	67,850	59,912	7,938
Accrued expenses and deferred income	36,047	32,386	3,661
Tax payables	19,770	16,556	3,214
Total other debt	**123,667**	**108,854**	**14,813**
Payables for business acquisitions	1,692	621	1,071
Total	**125,359**	**109,475**	**15,884**

(*) Restated data. Refer to note 2.1 for details.

The other payables mainly comprise: (i) €5,180 thousand relating to customer down-payments; (ii) €11,939 thousand relating to social security liabilities; (iii) €29,629 thousand liabilities to personnel; and (iv) €13,149 thousand relating to commission due to agents.

Accrued expenses and deferred income include €26,117 thousand relating to deferred income from after-sales services and guarantees.

Payables for business acquisitions refer to the current portion of the contingent consideration to be paid upon reaching certain sales and/or profitability targets relative to the acquisitions made in France and Germany (the acquisitions of various business units), Switzerland (Micro-Electric Hörgeräte AG), Belgium (Moons), Turkey (Makstone Isitme Ürünleri Perakende Satis A.S.) and in Israel (Medtechnica Ortophone Ltd).

Tax payables primarily include: (i) €12,050 thousand relating to tax payables; (ii) €4,118 thousand relating to withholding taxes; (iii) €3,602 thousand for VAT payables and other indirect taxes.

22. Provisions for risks and charges (current portion)

(€ thousands)	31/12/2014	31/12/2013	Change
Other provisions for risks	978	411	567
Total	**978**	**411**	**567**

23. Liabilities for employees' benefits - current portion

(€ thousands)	31/12/2014	31/12/2013	Change
Liabilities for employees benefits- current portion	752	8,257	(7,505)
Total	**752**	**8,257**	**(7,505)**

The variation of period is due for €6,678 thousand to the Key managers' long-term incentives payments accrued in the previous years.

24. Short-term financial debt

(€ thousands)	31/12/2014	31/12/2013	Change
Bank current accounts	387	528	(141)
Short-term bank borrowings	*4,232*	*1,368*	*2,864*
Current portion of long-term debts	*182*	*-*	*182*
Current portion of finance lease obligations	*822*	*885*	*(63)*
Payables to banks and other financing	5,623	2,781	2,842
Current portion of fees on loans	(677)	(743)	66
Short-term financial debt	286	168	118
Financial accrued expenses and deferred income	9,561	9,205	356
Total	**14,793**	**11,411**	**3,382**

For the current portion of medium and long term loans refer to § 16.

Accrued liabilities and deferred income of €9,561 thousand relate to the interest owed on the Eurobond and private placements (2006-2016 and 2013-2025).

25. Deferred tax assets and liabilities

The net balance of deferred tax assets and liabilities at 31 December 2014 was as follows:

(€ thousands)	31/12/2014	31/12/2013	Change
Deferred tax assets	44,653	46,088	(1,435)
Deferred tax liabilities	(51,998)	(46,671)	(5,327)
Net position	**(7,345)**	**(583)**	**(6,762)**

(€ thousands)	Balance at 31/12/2013	Recognised in PL	Recognised in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance at 31/12/2014
Deferred tax on severance indemnity and pension funds	2,092	(447)	652	26	(86)	2,237
Deferred tax on tax losses carried forward	8,844	(1,368)	-	64	50	7,590
Deferred tax on inventory	213	(18)	-	-	-	195
Deferred tax on tangible fixed assets	(2,839)	445	-	(137)	(328)	(2,859)
Deferred tax on trademarks and concessions	13,880	(965)	-	(121)	(365)	12,429
Deferred tax on intangible fixed assets	(35,367)	822	-	(2,757)	(3,200)	(40,502)
Deferred tax on provisions not adjusting assets	8,420	(779)	-	17	496	8,154
Deferred tax on receivables	3	21	-	-	(3)	21
Other deferred tax	4,171	(820)	1,785	415	(161)	5,390
Total	**(583)**	**(3,109)**	**2,437**	**(2,493)**	**(3,597)**	**(7,345)**

The difference between deferred tax assets and liabilities of € 6,762 thousand is attributable primarily to an increase in the deferred tax liabilities recognized in the United States relating to the potential amortization of certain intangible assets.

Deferred tax assets on prior-year losses carried forward are as follows:

(€ thousands)	31/12/2014	31/12/2013	Change
Iberian Peninsula	2,608	3,234	(626)
Germany	3,308	3,308	-
The Netherlands	1,599	1,864	(265)
United States and Canada	8	222	(214)
Switzerland	-	216	(216)
Israel	65	-	65
Total	**7,588**	**8,844**	**(1,256)**

At 31 December 2014 the following prior-year losses had not given rise to deferred tax assets:

(€ thousands)	Prior-year tax losses	Rate	Deferred tax assets not recognised in the accounts
UK	70,296	20.00%	14,059
Germany	31,524	32.00%	10,088
India	6,842	31.00%	2,121
Italy	2,357	27.50%	648
Turkey	107	20.00%	21
Portugal	92	23.00%	21
Total	**111,218**		**26,958**

26. Revenues from sales and services

(€ thousands)	FY 2014	FY 2013 (*)	Change
Revenues from sale of products	859,179	797,003	62,176
Revenues from services	31,752	30,400	1,352
Total	**890,931**	**827,403**	**63,528**

(*) Restated data. Refer to note 2.1 for details.

The increase of €63,528 thousand posted in the period is explained for €47,371 thousand by organic growth, for €20,901 thousand (+2.5%) by acquisitions, while the negative exchange difference amounted to €4,744 thousand.

27. Operating costs

(€ thousands)	FY 2014	FY 2013 (*)	Change
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(207,447)	(195,669)	(11,778)
Personnel expenses – Point of sale	(157,273)	(151,559)	(5,714)
Commissions – Point of sale	(72,213)	(68,822)	(3,391)
Rental costs – Point of sale	(44,429)	(43,088)	(1,341)
Total	**(481,362)**	**(459,138)**	**(22,224)**
Other personnel expenses	(115,532)	(108,619)	(6,913)
Other rental costs	(4,898)	(4,647)	(251)
Other costs for services	(150,332)	(139,679)	(10,653)
Total other operating costs	**(270,762)**	**(252,945)**	**(17,817)**
Total operating costs	**(752,124)**	**(712,083)**	**(40,041)**

(*) Restated data. Refer to note 2.1 for details.

The breakdown of "Personnel expenses – stores" and "Other personnel costs" is as follows:

(€ thousands)	FY 2014	FY 2013 (*)	Change
Wages and salaries	(205,002)	(195,030)	(9,972)
Stock options and performance stock grant	(7,861)	(5,394)	(2,467)
Social contributions	(44,386)	(41,598)	(2,788)
Other personnel costs	(14,417)	(17,038)	2,621
Directors' remuneration and oversight bodies	(1,138)	(1,117)	(21)
Total	**(272,805)**	**(260,178)**	**(12,627)**

(*) Restated data. Refer to note 2.1 for details.

Staff headcount by geographical area:

	31/12/2014		31/12/2013	
	Number	Average	Number	Average
Italy	459	424	429	433
France	728	705	679	673
Switzerland	235	231	219	226
Hungary	111	105	100	87
Germany	662	624	576	614
Iberian Peninsula	351	330	304	298
Belgium and Luxembourg	111	98	89	88
The Netherlands	642	650	666	692
Poland	64	64	-	-
United Kingdom and Ireland	520	522	521	522
Israel	156	156	-	-
Turkey	47	41	32	27
Egypt	148	148	148	136
Total EMEA	**4,234**	**4,098**	**3,763**	**3,796**
USA and Canada	261	240	230	229
Brasil	37	37	-	-
Total America	**298**	**277**	**230**	**229**
Australia	725	722	712	715
New Zealand	254	250	245	254
India	278	259	243	234
Total Asia Pacific	**1,257**	**1,231**	**1,200**	**1,203**
Total Group	**5,789**	**5,606**	**5,193**	**5,228**

28. Other income and costs

(€ thousands)	FY 2014	FY 2013	Change
Other income and costs	(1,139)	1,723	(2,862)
Total	**(1,139)**	**1,723**	**(2,862)**

The amount includes:

- acquisition costs amounting to €1,937 thousand;
- other income of €716 thousand (€706 thousand in 2013) attributable to the amounts invoiced by Amplifon USA Inc. for the use of the IT system Sycle.net by the franchisees;
- the €205 thousand in costs incurred to partially hedge Australia's EBITDA against currency risk.

29. Depreciation and amortisation

(€ thousands)	FY 2014	FY 2013 (*)	Change
Amortisation of intangible fixed assets	(22,008)	(21,541)	(467)
Depreciation of tangible fixed assets	(24,428)	(24,964)	536
Amortisation and depreciation	(46,436)	(46,505)	69
Impairment	(616)	(2,189)	1,573
Total	**(47,052)**	**(48,694)**	**1,642**

(*) Restated data. Refer to note 2.1 for details.

"Impairment" refers primarily to the restructuring and relocation of the shops.

30. Financial income, charges and changes in value of financial assets

(€ thousands)	FY 2014	FY 2013 (*)	Change
Proportionate of the result of associated companies valued at equity	**201**	**(7)**	**208**
Other income, charges, revaluation and write-downs of financial assets	**472**	**130**	**342**
Interest income on bank accounts	*1,013*	*1,251*	*(238)*
Interest payable on short and long-term bank loans	*(21,938)*	*(27,664)*	*5,726*
Interest income and expenses	**(20,925)**	**(26,413)**	**5,488**
Other financial income and charges	**(2,060)**	**(4,058)**	**1,998**
Exchange gains	**6,142**	**4,064**	**2,078**
Exchange losses	**(4,282)**	**(8,663)**	**4,381**
Gain/(losses) on financial assets at fair value – Non hedge derivatives	**(3,608)**	**3,441**	**(7,049)**
Total	**(24,060)**	**(31,506)**	**7,446**

(*) Restated data. Refer to note 2.1 for details.

Interest payable on financial indebtedness amounted to €21,938 thousand at 31 December 2014, versus €27,664 thousand at 31 December 2013 which included costs of €6,783 thousand incurred to pay commissions and cancel an interest rate swap as a result of the advance repayment of the syndicated loan on 23 July 2013 subsequent to the issue in July 2013 of a €275 million Eurobond

Interest receivable on bank deposits at 31 December 2014 reached €1,013 thousand, versus €1,253 thousand at 31 December 2013.

The gains and losses on financial assets measured at fair value refer primarily to currency hedges on intragroup loans offset by exchange gains and losses.

Financial charges include €1,409 thousand (€1,767 thousand in 2013) relating to the cost of factoring without recourse of receivables payable by the Italian public sector.

31. Income tax

(€ thousands)	FY 2014	FY 2013	Change
Current income tax	(17,002)	(26,068)	9,066
Deferred income tax	(3,109)	2,114	(5,223)
Total	**(20,111)**	**(23,954)**	**3,843**

The following table reconciles tax recognised in the consolidated financial statements to theoretical tax on the basis of Italy's current tax rates.

(€ thousands)	FY 2014	FY 2013
Profit (loss) before tax	66,556	36,874
Tax for the year	(20,111)	(23,954)
Tax rate	**-30.20%**	**-65.00%**
Corporate tax rate	**-27.50%**	**-27.50%**
Effect of variations from theoretical rate:		
Effect of different tax rate of companies not taxed in Italy	-6.02%	-8.30%
Non-deductible expense net of non taxable income and non taxable dividends	-4.04%	-1.60%
Australia recognition of a tax income following the Australian tax authorities' allowance of tax deductions for the amortization of part of the assets acquired in 2010	16.00%	-
Current and deferred taxes: change of tax rate and corrections of errors	-0.80%	-7.40%
Germany . United Kingdom and India : use of non-recognition of deferred taxes on the year's losses and non-recognition of deferred taxes on the year's losses	-3.04%	-11.90%
Effective tax rate net of IRAP	**-25.40%**	**-56.70%**
IRAP [regional tax on productive activity]	**-4.80%**	**-8.30%**
Effective tax rate	**-30.20%**	**-65.00%**

For a better understanding of the reconciliation of the recognised tax charge to the theoretical tax charge, IRAP and similar taxes are disclosed separately since it has a different tax base and would have a distorting effect from one year to the next. Theoretical tax was therefore determined applying only the current corporate tax rate in Italy (IRES of 27.5%) to pre-tax profit.

The tax rate shows a material 34.8 percentage points decrease, in respect to the comparative period, reaching 30.2% as against 65.0%.

The decrease is linked to the recognition of a tax income of AUD 15.7 million (€10.6 million) following the Australian tax authorities' allowance of tax deductions for the amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition. AUD 12.8 million of this amount relates to prior periods (for which tax refunds of AUD 11.8 million were received) and AUD 2.9 million reflects the change in deferred tax liabilities made to take into account the possibility that this amortization will be deducted in future periods.

Net of this item, the lack of recognition of additional deferred tax assets against losses recorded in the United Kingdom and India, in accordance with the principle of prudence, coupled with the situation in Germany where tax is offset by the tax losses carried forward and for which no deferred tax assets were recognized would have resulted in a tax rate of 41.4%, against 45.3% rate recorded in 2013 calculated, again, net of the losses posted in the UK and Germany.

It is also noted a lower incidence of IRAP in Italy and CVAE in France, a tax whose tax base is not directly linked to income before taxes and the impact of which benefited from greater profitability recorded by the Group in 2014.

32. Stock option - Performance stock grant

General characteristics of stock option plans:

- the purpose of the issue and therefore of the award of the option rights, is to offer the beneficiaries, who hold particularly important positions within the Group, the possibility to participate in Amplifon's share capital in order to align their interests with those of the Shareholders and to obtain their loyalty, given the significant strategic objectives to be attained;
- the award of the option rights is unconditional;
- the price of the shares includes the information related to the company's performance;
- the award of 14 March 2005, 30 September 2005 and 23 January 2006 were made in accordance with an EGM resolution taken on 19 February 2001 which authorised the Directors to increase Amplifon

S.p.A.'s share capital, in one or more stages, by up to 750,000 ordinary shares with a par value of €0.20 (that is 7,500,000 ordinary shares with a par value of €0.02 following the share split approved by shareholders on 27 April 2006);
- the award of 15 March 2007, 18 December 2008 and 6 November 2009, 16 December 2010 and 19 April 2011 were made in accordance with an EGM resolution taken on 27 April 2006 which authorised the Directors to increase Amplifon S.p.A.'s share capital, in one or more stages, by up to €150,000 par value through the issuance of 7,500,000 ordinary shares with a par value of €0.02;
- the shares servicing for the purposes of the stock option plan are ordinary shares, issued in accordance with article 2441, paragraphs 5 and 8 for the purpose of a stock option plan;
- the exercise of the rights shall be in compliance with the Regulations filed with Borsa Italiana S.p.A. and Consob;
- the Board of Directors is entitled to draft regulations, choose the beneficiaries and determine the quantity and values for the execution of the stock option plans;
- Amplifon S.p.A reserves the indisputable right to modify the plan and the regulations when deemed necessary or merely opportune, following any modification to the provisions of the laws in force at the time of the award, or for any other objective reason that might justify such modification.

The characteristic of the stock options plans currently in place are as follow:

A) Stock options award – March 14th 2005

On 14 March 2005 the Board of Directors resolved the first award of stock options.
- the objective of the plan is to offer option rights to the Group's CEO;
- one-third of the option rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date; non-exercised rights shall be automatically lost after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €39.94 or €3.994 after the share split;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche, is equal to 1,000 rights, as set out in the new regulation approved by the Remuneration Committee on 23 January 2006 and again on 27 April 2006.

Stock option plan of 14 March 2005

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**242,230**	**3.994**	**4.038**	**402,000**	**3.994**	**3.754**
(Option rights exercised in the period)	242,230	3.994	4.504 (*)	159,770	3.994	4.156 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**-**	**-**	**-**	**242,230**	**3.994**	**4.038**
of which exercisable at 31 December	*-*	*-*	*-*	*242,230*		

(*) Average weighted market price at the exercises.

B) Stock options award 30 September 2005

On 30 September 2005 the Board of Directors resolved the third award of stock options:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- one-third of the granted rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in France and Spain for whom the options vest for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date, with the exception of the employees of companies having their headquarters in Switzerland for whom the exercise period lasts 10 years;
- only for employee beneficiaries on the payroll at 1 October 2005 of the companies with registered office in Italy who have undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, 100% of their option rights may be exercised not earlier than three years from the date of award, meaning that the beneficiary shall subscribe to Amplifon shares and to the terms and conditions listed below only after three years have elapsed from the date of award. The deadline for subscribing to the shares is seven years from the vesting date;
- non-exercised rights shall be automatically lost after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is defined as equal to the price per share corresponding to the average of the prices reported in the last month before the granting date, that is €56.97 or €5.697 following the share split approved by the Shareholders' Meeting of 27 April 2006;
- only for employee beneficiaries on the payroll at 1 October 2005 of the companies with registered office in Italy who have undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, the price per share is fixed at €5.713;

- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 30 September 2005 - general rules

	FY 2014			FY 2013		
	No. of options	**Strike price (€)**	**Market Price (€)**	**No. of options**	**Strike price (€)**	**Market Price (€)**
Option rights at 1 January	**765,000**	**5.697**	**4.038**	**912,000**	**5.697**	**3.754**
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	50,000	-	-	115,000	-	-
(Option rights forfeited in the period)	349,328	-	-	32,000	-	-
Option rights at 31 December	**365,672**	**5.697**	**4.904**	**765,000**	**5.697**	**4.038**
of which exercisable at 31 December	*365,672*			*765,000*		

Stock options plan 30 September 2005

Italian beneficiaries who subscribed to the Regulation approved on 12 September 2007

	FY 2014			FY 2013		
	No. of options	**Strike price (€)**	**Market Price (€)**	**No. of options**	**Strike price (€)**	**Market Price €)**
Option rights at 1 January	**437,000**	**5.713**	**4.038**	**437,000**	**5.713**	**3.754**
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	12,000	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**425,000**	**5.713**	**4.904**	**437,000**	**5.713**	**4.038**
of which exercisable at 31 December	*425,000*			*437,000*		

C) Stock options award 23 January 2006

On 23 January 2006 the Board of Directors resolved the fourth award of stock options:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- one-third of the granted rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in Spain for whom the options mature for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date;
- solely for the Beneficiaries employed in companies with registered offices in Italy who have accepted the new Regulation, approved by the Remuneration Committee on 12 September 2007, 100% of the option rights awarded may not be exercised until three years following the award date, meaning that the beneficiary will only be able to subscribe ordinary shares of Amplifon under the terms and conditions indicated below following three years from the award date. The deadline for subscribing to the shares is seven years from the vesting date;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €57.31 or €5.731 after the share split;
- solely for employee beneficiaries on the payroll at 12 October 2007 of the companies with registered offices in Italy who have undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, the price per share is fixed at €5.749;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 23 January 2006 - general rules

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**15,000**	**5.731**	**4.038**	**115,000**	**5.731**	**3.754**
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	15,000	-	-	100,000	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**-**	**-**	**-**	**15,000**	**5.731**	**4.038**
of which exercisable at 31 December	*-*			*15,000*		

D) Stock options award 15 March 2007

On 15 March 2007, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the options awarded to employees resident in Italy vest after three years from the award date; one-third of the granted rights vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in France for whom the options mature for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €6.914 after the share split;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 15 March 2007

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	170,000	6.914	4.038	195,000	6.914	3.754
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	-	-	-	25,000	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	170,000	6.914	4.904	170,000	6.914	4.038
of which exercisable at 31 December	*170,000*			*170,000*		

E) Stock options award 18 December 2008

On 18 December 2008, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, under the following terms and conditions, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €0.735;
- on 19 December 2012 the Board of Directors approved an amendment to the operational regulation of the 2008 Stock Option Plan in respect of French beneficiaries only, in order to align it with local requirements for the qualification of the plan. This amendment applies more restrictive exercise conditions and resulted in a reduction in the fair value of the options concerned; higher costs are not therefore to be recognised;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock option plan of 18 December 2008

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**268,500**	**0.735**	**4.038**	**487,411**	**0.735**	**3.754**
(Option rights exercised in the period)	35,000	0.735	4.565 (*)	218,911	0.735	4.148 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**233,500**	**0.735**	**4.904**	**268,500**	**0.735**	**4.038**
of which exercisable at 31 December	*233,500*			*268,500*		

(*) Average weighted market price at the exercises.

F) Stock options award 6 November 2009

On 6 November 2009, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights grant awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, under the following terms and conditions, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €2.837;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock option plan of 6 November 2009

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**90,000**	**2.837**	**4.038**	**377,500**	**2.837**	**3.754**
(Option rights exercised in the period)	20,000	2.837	4.907 (*)	287,500	2.837	3.942 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**70,000**	**2.837**	**4.904**	**90,000**	**2.837**	**4.038**
of which exercisable at 31 December	*70,000*			*90,000*		

(*) Average weighted market price at the exercises.

G) Stock options award 16 December 2010

On 16 December 2010, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €3.746;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock option plan of 16 December 2010

	FY 2014			FY 2013		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**737,438**	**3.746**	**4.038**	**800,000**	**3.746**	**3.754**
(Option rights exercised in the period)	203,839	3.746	4.841 (*)	32,562	3.746	4.353 (*)
(Option rights cancelled in the period)	50,000	-	-	30,000	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**483,599**	**3.746**	**4.904**	**737,438**	**3.746**	**4.038**
of which exercisable at 31 December	*483,599*			*737,438*		

(*) Average weighted market price at the exercises.

H) Stock options award 19 April 2011

On 19 April 2011 Amplifon's Board of Directors, under the 2010-2011 stock option plan approved on 16 December 2010 and as indicated by its Remuneration Committee, granted 215,000 options to key Group employees. This completed the 2006-2011 stock option plan launched at the EGM held on 27 April 2006. The conditions set were as follows:
- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the vesting date;
- unexercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €4.227;
- the exercise of the vested option rights shall take place in one or several tranches, provided that the minimum quantity for each tranche shall be 1,000 rights.

Stock option plan of 19 April 2011

	FY 2014			FY 2013		
	No. of options	**Strike price (€)**	**Market Price (€)**	**No. of options**	**Strike price (€)**	**Market Price (€)**
Option rights at 1 January	215,000	4.227	4.038	215,000	4.227	3.754
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	20,000	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	195,000	4.227	4.904	215,000	4.227	4.038
of which exercisable at 31 December	*195,000*			*107,500*		

Residual life of awarded stock options

Options assigned up to 31/12/2014

		Residual life				Exercisable	
Strike price	Awarded on	< 1 year	1-5 years	5-10 years	Total	Number of shares	Average expiring date
5.697	30-Sep-05	23,667	342,005	-	365,672	365,672	2 years
5.713	30- Sep -05	-	425,000	-	425,000	425,000	1 year
6.914	15- Mar-07	13,333	156,667	-	170,000	170,000	2 years
0.735	18-Dec-08	100,000	133,500	-	233,500	233,500	1 year
2.837	06-Nov-09	-	70,000	-	70,000	70,000	2 years
3.746	16- Dec -10	-	483,599	-	483,599	483,599	3 years
4.227	19-Apr-11	-	195,000	-	195,000	195,000	4 years
Total		**137,000**	**1,805,771**	**-**	**1,942,771**	**1,942,771**	

General characteristics of the Performance Stock Grant Plan 2011-2020

On 16 December 2010 the Board of Directors – as resolved by the Shareholders' Meeting held on 13 December 2010 – approved the regulation of the Performance Stock Grant Plan 2011-2020 with the following general characteristics:

- The Plan provides for the grant of rights, each of which gives the right to Company stock to be granted to beneficiaries in key positions in the Group at the end of the vesting period (4 years).
- For each grant cycle, the Board of Directors is empowered to identify the beneficiaries and to set the number of rights to be granted to each beneficiary.
- The Board may also make such changes to the Plan as it considers necessary, at its sole discretion, with the aim e.g. of: (i) accommodating changes in the law; or (ii) making it possible for the Beneficiaries to benefit or continue to benefit from favorable regulations.
- The vesting of rights and the consequent grant of all or some of the Shares shall be subject to the following conditions:
  (i) on the award date of the shares the beneficiary must be an employee of a Group company, and not be working out a period of notice following dismissal or resignation;
  (ii) on the award date of the shares the reference price should be at least equal to the reference price;
  (iii) the individual performance levels assigned to the beneficiary must not be lower - throughout the reference period - than 100% achievement. Where these conditions are not met, the number of shares due to the beneficiary will be reduced by 25% for each reference period in which targets are not met.

On 24 April 2013 the Board of Directors approved, based on proposal of the Remuneration Committee of 27 February 2013, the amendments to the "2011-2020 Performance Stock Grant" plan as approved by the shareholders meeting held on 17 April 2013.

In particular the condition which links the transformation of rights to the performance of Amplifon's stock in the last three months of the vesting period was cancelled (see point II above). Furthermore the exercise period, subsequent to vesting, was extended to 2.5 years (each grant cycle, therefore, will have a total duration of 7 years), the prime objective of which is to reduce the risk of a large number of shares being sold at the same time. The remaining conditions are unchanged.

Below are reported the details of the cycles of assignment of the Performance Stock Grant plan 2011-2020.

A) Stock grant 15 January 2011

	FY 2014		FY 2013	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	1,170,500	4.038	1,275,875	3.754
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	79,750	-	105,375	-
Option rights at 31 December	1,090,750	4.904	1,170,500	4.038

B) Stock grant 16 May 2011

	FY 2014		FY 2013	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	937,500	4.038	1,144,500	3.754
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	25,000	-	207,000	-
Option rights at 31 December	912,500	4.904	937,500	4.038

C) Stock grant 15 March 2012

	FY 2014		FY 2013	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**2,032,750**	**4.038**	**2,297,500**	**3.754**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	139,750	-	264,750	-
Option rights at 31 December	**1,893,000**	**4.904**	**2,032,750**	**4.038**

D) Stock grant 2 May 2013

	FY 2014		FY 2013	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,757,000**	**4.038**	**-**	**-**
Rights granted in the period	-	-	1,862,000	3.844
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	102,750	-	105,000	-
Option rights at 31 December	**1,654,250**	**4.904**	**1,757,000**	**4.038**

General characteristics of the New Performance Stock Grant Plan 2014-2021

On 28 April 2014 the Board of Directors – as resolved by the Shareholders' Meeting held on 16 April 2014 and based on the recommendations of the Remuneration & Appointment Committee– approved the regulations of the New Performance Stock Grant Plan 2014-2021 with the following general characteristics:

- the plan provides for the grant of rights, each of which gives the right to a Company share to be granted at the end of the vesting period (3,5 years) to beneficiaries falling within one of the following clusters:
  1. Executives & Senior Managers;
  2. International Key Managers and Group & Country Talents;
  3. High Performing Audiologists & Sales Managers.
- the vesting of the rights and, therefore, the grant of the related shares is subject to the following main condition that as of the date of grant of the shares the beneficiary is an employee of one of the company of the Group and no notice period subsequent to resignation and/or withdrawal is under way. Furthermore for the Cluster 1 and Cluster 2 the plan foresee further conditions to attribute the financial instruments:
  - Cluster 1: achievement of Group 3 Yr business targets;

- Cluster 2: level of the Individual Performance of the Beneficiary are not lower, in all the Reference Periods, to Fully Meets Expectations;
- the exercise of the vested rights should be performed within the deadline of the exercise period (2.5 years from the date of vesting of the rights) and is subject to a minimum threshold value of the Amplifon Spa share defined by the Board of Directors.

For each cycle of assignment, the Board of Directors is empowered to identify the beneficiaries and to set the number of rights to be granted to each beneficiary.
The Board of Directors may at any time make changes to the Regulations as may be necessary and/or appropriate in connection with, in particular, the case of changes to the applicable law.

On 28 April 2014 were awarded to employees falling within the reference clusters rights to 2,796,500 shares subject to general terms and conditions described above with a vesting period of 3.5 years.

The unit fair value of the performance stock grant awarded in the period is €4.099.

The assumptions adopted in the calculation of the fair value are as follows:

Model used	**Binomial (Cox-Ross-Rubinstein)**
Current price	4.62 €
Reference price	3.5 €
Exercise price	0.00
Volatility (6 years)	45.23%
No-risk interest rate	1.152%
Duration (years)	3.5
Expected dividend	1.0%

The implicit cost of the above mentioned stock grants plan recognised in the income statement as of €1,906 thousands.

A) Stock grant 28 April 2014

	FY 2014	
	N. rights granted	**Market Price (€)**
Option rights at 1 January	**-**	**-**
Rights granted in the period	2,796,500	4.620
(Rights converted in the period)	-	-
(Rights cancelled in the period)	47,000	-
Option rights at 31 December	**2,749,500**	**4.904**

33. Subsidiaries with relevant non-controlling interests, joint ventures and associated

The following table shows the main income statement and balance sheet highlights of the subsidiaries with relevant minority shareholders. The figures are shown before intragroup elisions.

(€ thousands)	31/12/2014	31/12/2013
Non - current assets	2,643	1,161
Current assets	3,563	2,204
Non - current liabilities	598	266
Current liabilities	3,383	2,127
Revenues	8,089	6,433
Net profit (loss) for the year	(116)	51
Dividends paid to minorities	-	-
Net financial positions	(696)	(1,106)
Cash flows	410	n.a.

The following table shows the main income statement and balance sheet highlights of the Dutch joint venture Comfoor BV, accounted for using the equity method. The company is active in the hearing protection sector.

(€ thousands)	31/12/2014	31/12/2013
Non - current assets	1,344	1,252
Current assets	2,479	1,676
Non - current liabilities	51	51
Current liabilities	1,265	488
Revenues	6,517	4,823
Amortisation, depreciation and impairment	(412)	(404)
Interest income and charges	(12)	(29)
Net profit (loss)	418	248

The reconciliation of the economic-financial figures provided with the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is shown in the following table:

(€ thousands)	31/12/2014
Joint.venture net equity	2,507
% ownership	50%
Book value	**1,254**

The following table summarizes the key financial figures of the remaining associates accounted for using the equity method.

(€ thousands)	31/12/2014 (*)	31/12/2013
Non - current assets	514	716
Current assets	1,268	1,858
Non - current liabilities	193	639
Current liabilities	411	800
Revenues	4,612	4,563
Net profit (loss)	483	461

(*) The data of the company Audiogram Audifonos SL, included in detail, refer to 31/12/2013, the date of the last financial statements available to the Group.

The list of associates accounted for using the equity method, with the percentage of ownership from 20% to 50%, is reported in Annex 1.

34. Earnings per share

Basic EPS

Basic earnings per share is obtained by dividing the net profit for the year pertaining to the ordinary shareholders of the parent company by the weighted average number of shares outstanding in the year, considering purchases and disposals of own shares as cancellations and issues of shares.

Earnings per share is determined as follows:

Earnings per share from operating activities	FY 2014	FY 2013
Net profit (loss) pertaining to ordinary shareholders (€ thousand)	46,475	12,848
Average number of shares outstanding in the year	217,387,623	216,990,369
Average earnings per share (€ per share)	0.213789	0.05921

Diluted earnings per share

Diluted earnings per share is obtained by dividing the net income for the year pertaining to ordinary shareholders of the Parent company by the weighted-average number of shares outstanding during the year adjusted by the diluting effects of potential shares. In the calculation of shares outstanding, purchases and sales of treasury shares are considered as cancellation or issue of shares.

The 'potential ordinary share' categories refer to the possible conversion of Group employees' stock options and stock grants. The computation of the average number of outstanding potential shares is based on the average fair value of shares for the period; stock options and stock grants are excluded from the calculation since they have anti-diluting effects.

Weighted average diluted number of shares outstanding	FY 2014	FY 2013
Average number of shares outstanding in the year	217,387,623	216,990,369
Weighted average of potential and diluting ordinary shares	6,537,546	6,026,050
Weighted average of shares potentially subject to options in the period	223,925,169	223,016,419

The diluted earnings per share was determined as follows:

Diluted earnings per share	FY 2014	FY 2013
Net profit pertaining to ordinary shareholders (€ thousand)	46,475	12,848
Average number of shares outstanding in the period	223,925,169	223,016,419
Average diluted earnings per share (€)	0.207547	0.05761

35. Transactions with parent companies and related parties

The Parent company, Amplifon S.p.A. is based in Milan, in Via Ripamonti 133. The Group is directly controlled by Ampliter N.V. and indirectly by Amplifin S.p.A., owned by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

In 2014 the Amplifon Group exercised the option to consolidate tax with the parent company Amplifin for the three-year period 2014-2016. The transaction was evaluated by the Committee of Independent Directors which expressed a favorable opinion and approved by the company's Board of Directors. This and other transactions with related parties, including intercompany transactions, do not qualify as atypical or unusual, and fall within the Group's normal course of business and are conducted at arm's-length as dictated by the nature of the goods and services provided.

The following table details transactions with related parties.

Parent company and other related parties

	31/12/2014						FY 2014			
	Trade receivables	Tax receivables	Trade payables	Other rec.	Financial liabilities	Financial payables	Revenues for sales and services	Operating costs	Other income and charges	Interest income and expenses
Amplifin S.p.A.	71	3,069	-					(1,752)	226	
Total – Parent Company	**71**	**3,069**	**-**	**-**	**-**	**-**	**-**	**(1,752)**	**226**	**-**
Audiogram Audifonos SL (Spain)	1						19			
Comfoor BV (The Netherlands)	4		121				16	(2,617)		
Medtechnica Ortophone Shaked Ltd (Israel)	62			5			124	(151)		
Bon Ton Hearing & Speech Ltd (Israel)	387						171			
Ruti Levinson Institute Ltd (Israel)	223						259			
Kolan Ashdod Speech & Hearing Inst. Ltd (Israel)	253						318			
Afik - Test Diagnosis & Hearing Aids Ltd (Israel)	81			13			91			
Dilworth Hearing Ltd (New Zealand)	4									12
Total – Other related parties	**1,015**	**-**	**121**	**18**	**-**	**-**	**998**	**(2,768)**	**-**	**12**
Bardissi Import (Egypt)						115				
Meders (Turkey)			1,109		67	121		(109)		(34)
Krzysztof Piotr Borsuk (Poland)										(1)
Radoslaw Wieslaw Kowalski (Poland)										(1)
Nevo (Israel)	46						33			
Ortophone (Israel)	3		13	1				(153)		
Moti Bahar (Israel)								(100)		
Asher Efrati (Israel)								(64)		
Miki Goldin (Israel)				12						
Arigcom (Israel)			7					(43)		
Tera (Israel)				176						
Frederico Abrahao (Brasil)					154					(6)
Other			13		26					(8)
Total – Other related parties	**49**	**-**	**1,142**	**189**	**247**	**236**	**33**	**(469)**	**-**	**(50)**
Total	**1,135**	**3,069**	**1,263**	**207**	**247**	**236**	**1,031**	**(4,989)**	**226**	**(38)**
Total as per financial statement	**109,355**	**12,531**	**101,788**	**45,762**	**438,719**	**14,793**	**890,931**	**(752,124)**	**(1,139)**	**(20,549)**
% of financial statement total	**1.04%**	**24.49%**	**1.24%**	**0.45%**	**0.06%**	**1.60%**	**0.12%**	**0.66%**	**-19.84%**	**0.18%**

The trade receivables, revenue from sales and services and other income with related parties refer primarily to:

- the recovery of maintenance costs and condominium fees and the recharge of personnel costs to Amplifin S.p.A.;
- trade receivables payable by associates (mainly in Israel) which act as resellers and to which the Group supplies hearing aids.

The tax credits refer to Amplifon S.p.A.'s IRES (corporate income tax) credits that are held by the parent company as a result of the tax consolidation agreement entered into for the three year period 2014-2016.

The trade payables and operating costs refer primarily to:

- commercial transactions with Meders in Turkey, a company that belongs to the minority shareholder of Maxtone from which Maxtone buys hearing aids and general services;
- commercial transactions with Comfoor BV, joint venture from which hearing protection devices are purchased and then distributed in Group stores;
- existing agreements with the parent company Amplifin S.p.A. for:
  - the lease of the property in Milan at Via Ripamonti No. 133, the registered office and corporate headquarters of Amplifon S.p.A. and ancillary services including routine property maintenance, cafeteria, office cleaning, porters and security;
  - the rental of retail store space;
- the recharge of personnel costs to the Israeli subsidiary by the minority shareholder Moti Bahar e Asher Efrati, as well as rents, administrative and commercial services by Ortophone (Israel).

Financial transactions refer primarily to:

- two loans granted to the company Maxtone (Turkey) by the company Meders (a company owned by Maxtone's minority shareholder);
- a non-interest bearing loan granted by Bardissi Import to Amplifon Middle East SAE (Egypt);
- a loan granted to Dereito de Ouvir Amplifon by its minority shareholder;
- long term receivable owed by Tera (Israel).

Other related parties

The total remuneration of Group Directors, Board of Auditors and Key Managers for the period amounted to €10,209 thousand and is made up as follows:

Directors and Board of Auditors and Key managers:

First Name and Surname	Office Held	Period in which the office has been held	Term of office ends upon	Fixed compens.	Committee attendante fees	Non equity variable compensation: Bonuses and other incentives	Non equity variable compensation: Profit sharing	Fringe benefit.	Tot.	FV equity compen.	Termination allowance	Tot.
Anna Maria Formiggini	Honorary Chairman	01/01/2014-31/12/2014	Approval 2015 financ. stat	190	-	-	-	-	190	-	-	190
Susan Carol Holland	Chairman	01/01/2014-31/12/2014	Approval 2015 financ. stat	200	-	-	-	5	205	-	-	205
Franco Moscetti	CEO	01/01/2014-31/12/2014	Approval 2015 financ. stat	300	-	-	-	-	300	-	-	300
	Managing Director	Permanent	Permanente	704	-	1,125	-	8	1,837	533	-	2,370
Giampio Bracchi	Indep. Director	01/01/2014-31/12/2014	Approval 2015 financ. stat	55	50	-	-	-	105	-	-	105
Maurizio Costa	Indep. Director	01/01/2014-31/12/2014	Approval 2015 financ. stat	55	25	-	-	-	80	-	-	80
Luca Garavoglia (*)	Indep. Director	01/01/2014-31/12/2014	Approval 2015 financ. stat	55	45		-	-	100	-	-	100
Andrea Guerra	Indep. Director	01/01/2014-31/12/2014	Approval 2015 financ. stat	55	15	-	-	-	70	-	-	70
Giovanni Tamburi	Indep. Director	01/01/2014-31/12/2014	Approval 2015 financ. stat	55	-	-	-	-	55	-	-	55
Giuseppe Levi	Chairman of the Board of Auditors	01/01/2014-31/12/2014	Approval 2014 financ. stat	45	-	-	-	-	45	-	-	45
Emilio Fano	Standing Auditor	01/01/2014-31/12/2014	Approval 2014 financ. stat	30	-	-	-	-	30	-	-	30
Maria Stella Brena	Standing Auditor	01/01/2014-31/12/2014	Approval 2014 financ. stat	30	-	-	-	-	30	-	-	30
Total				**1,774**	**135**	**1,125**	**-**	**13**	**3,047**	**533**	**-**	**3,580**
Altri dirigenti con responsabilità strategiche del Gruppo A. Baroli E. Bortesi G. Caruso G. Ferraroli (**) M. Gerli U. Giorcelli P. Mirabelle H. Ruch E. Vita		Permanent		2,710	-	1,150	-	367	4,627	1,262	740	6,629
Total				**4,484**	**135**	**2,675**	**-**	**380**	**7,674**	**1,795**	**740**	**10,209**

(*) Tendered his resignation on 7 January 2015.
(**) Employment ended on 31 May 2014.

Below are detailed stock options and stock grant awarded to the Board of Directors, General Managers and Key Managers.

			Options held at the beginning of the period			Options granted in the period	Options exercised during the period				
First Name and Surname	**Office held**	**Plan (when approved)**	**No. Of options**	**Exercise price**	**Exercise period**	**No. of options**	**No. of options**	**Exercise price**	**Market price at the exercise date**	**Options held at the end of the period.**	**FV options in FY 2014 (€ '000)**
Franco Moscetti	CEO and Managing director	Stock options plan 14/03/2005	242,230	3.994	(45%) 14/03/2007 - 14/03/2014 (55%) 14/03/2008 - 14/03/2015	-	242,230	3.994	4.504	-	-
		Stock options plan 30/09/2005	200,000	5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	200,000	-
Total			**442,230**			**-**	**242,230**			**200,000**	**-**
Other key managers A. Baroli E. Bortesi G. Caruso G. Ferraroli (*) M. Gerli U. Giorcelli P. Mirabelle H. Ruch E. Vita		Stock options plan 30/09/2005 (general rules)	175,000	5.697	(1/3) 30/09/2006 - 30/09/2016 (1/3) 30/09/2007 - 30/09/2017 (1/3) 30/09/2008 - 30/09/2018	-	-	-	-	125,000	-
		Stock options plan 30/09/2005	130,000	5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	130,000	-
		Stock options plan 16/12/2010	227,438	3.746	(1/2) 17/12/2012 - 17/12/2017 (1/2) 17/12/2013 - 17/12/2018	-	-	-	-	227,438	-
			532,438			-	-			482,438	-
Total			**974,668**				**242,230**			**682,438**	**-**

(*) Employment ended on 31 May 2014.

			Financial instruments granted during the FY not vested during the period		Financial instruments granted in the period						
First Name and Surname	**Office held**	**Programme (when approved)**	**Num. of financial instruments**	**Vesting period**	**Num.and type of financial instruments**	***FV at grant date***	**Vesting period**	**Grant date**	**Market price on grant date**	**Cancelled during the period**	**Fair value FY 2014**
Franco Moscetti	CEO and Managing director	*Performance Stock Grant 15/03/2012*	300,000	30/06/2016							328
		Nuovo Performance Stock Grant 28/04/2014			300,000	4.099	30/06/2017	28/04/2014	4.62		205
Total			**300,000**		**300,000**						**533**
Other key managers : A. Baroli, E. Bortesi, G. Caruso, G. Ferraroli (*), M. Gerli, U. Giorcelli, P. Mirabelle, H. Ruch, E. Vita		*Performance Stock Grant 16/05/2011*	110,000	30/06/2015							159
		Performance Stock Grant 15/03/2012	450,000	30/06/2016						115,000	492
		Performance Stock Grant 2/05/2013	280,000	30/06/2017							239
		Performance Stock Grant 28/04/2014			545,000	4.099	30/06/2017	28/04/2014	4.62		372
Total			**840,000**		**545,000**						**1,262**
Grand total			**1,140,000**		**845,000**						**1,795**

(*) Employment ended on 31 May 2014.

36. Guarantees provided, commitments and contingent liabilities

Guarantees provided to third parties

At 31 December 2014 the item included the following:

(€ thousands)	Balance at 31/12/2014	Balance at 31/12/2013
Guarantees provided to third parties	81,329	75,335
Total	**81,329**	**75,335**

With regard to the guarantees relating to financial liabilities recognized in the financial statements, only the amount of the guarantee in excess of the liability recognized in the financial statements is shown, in addition to the interest not yet paid (where present).

The guarantees provided include:

- the guarantee issued to the subscribers of the 2006-2016 and 2013-2025 private placements issued by Amplifon USA of €52,450 thousand;
- pledges made to third parties relative to tenders and rental security deposits amounting to €3,621 thousand;
- surety bonds issued by Amplifon S.p.A. to the Revenue Office for VAT credits amounting to €19,146 thousand;
- miscellaneous guarantees, totaling €5,842 thousand, which include comfort letters issued on behalf of subsidiaries to third parties.

Obligations

Obligations with regard to future rent instalments amounted at the 31 December 2014 to €192,628 thousand, of which €168,104 thousand relates to the lease of stores. The average lease term is equal to 3.7 years.

Contingent liabilities and uncertainties

As mentioned in the 2013 Annual Financial Report, in 2013 the Italian Finance Police ("Guardia di Finanza") began investigating a series of Italian banks in reference to medium/long term loans granted by the latter abroad in order to verify if the loans were subject to substitute tax, ordinary duties, stamps, liens, surveys and government subsidies. Between the latter part of 2013 and early 2014 the Italian Financial Administration challenged the failure of a number of banks to apply substitute tax on all the loans granted abroad, including the syndicated loan of €303.8 million and AUD 70 million granted to the Amplifon Group in December 2010 by a pool of 15 Italian and foreign banks to finance the acquisition of the

Australian group NHC. Pursuant to the loan agreement, Amplifon S.p.A., Amplifon S.p.A. – French branch and Amplifon Nederland BV could be held responsible for the substitute tax. The Financial Administration was asking at total of €708 thousand from the different banks, in addition to interest and any other sanctions that might be determined, for up a maximum of double the amount in question.

The banks involved, the majority of which in collaboration with Amplifon and its consultants, appealed the findings and paid the Administration only the taxes and interest found to be owed in order to avoid fines in the event the appeal was rejected and submitted to higher courts. In the event the appeal is granted the amounts paid in advance will be refunded. A few banks requested a refund of the amount paid by them from Amplifon. At 31 December 2014 Amplifon had refunded the banks €476 thousand (including interest of €45 thousand).

Between year-end 2014 and the beginning of 2015, including in light of number of sentences issued in favor of the banking industry, several Provincial branches of the Financial Administration have submitted motions for self-assessment, canceling the previously issued notices. Among these is the self-assessment motion granted by the Provincial branch in Florence which cancels the sanctions levied against MPS Capital Services relating also to the Amplifon loan. The Provincial Tax Commission of Florence was asked to declare the dispute resolved.
Based on these facts, at the beginning of 2015 the banks involved filed self-assessment notices requesting that the findings of the audit be re-examined and, subsequently, annulled.
In light of the above Amplifon, its consultants and the banks involved believe that the reasons listed and documented in the appeals filed are enough to demonstrate that the tax was not due and, consequently, though the uncertainty typical of any dispute remains, the appeal will likely be granted in a higher court. In any case, the possibility of any penalties being imposed is viewed as remote and for this reason no provisions were made in the financial statements at 31 December 2014.

The dispute with a provider of hearing aids in the United States that was unresolved at 30 June and described in the half-year financial report at 30 June 2014 as a potential liability was subsequently closed without the company incurring any costs.

The petition filed with the Australian tax authorities requesting that it be allowed to deduct the amortization of a few intangible assets (in particular, the customer database) acquired as part of the NHC Group acquisition in December 2010 for tax purposes was granted in March 2014, and the positive effects of both the refunds received and the deductibility of amortization in the future are reflected in this financial report at 31 December 2014 and commented on in the paragraph relating to the Group's net profit.

Currently the Group is not subject to any other particular risks or uncertainties.

37. Transactions arising from untypical/unusual operations

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2013 the Group carried out no atypical and/or unusual transactions, as defined by the Communication.

38. Translation of foreign companies' financial statements

The exchange rates used to translate non-Euro zone companies' financial statements are as follows:

	31/12/2014		31/12/2013	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Canadian dollar	1.466	1.406	1.368	1.467
US dollar	1.328	1.214	1.328	1.379
Hungarian florin	308.706	315.54	296.873	297.040
Swiss franc	1.215	1.202	1.231	1.228
Egyptian lira	9.415	8.685	9.136	9.587
Turkish lira	2.906	2.832	2.534	2.961
British pound	0.806	0.779	0.849	0.834
Australian dollar	1.472	1.482	1.378	1.542
New Zealand dollar	1.599	1.552	1.621	1.676
Indian rupee	81.041	76.719	77.930	85.366
Polish Zloty	4.184	4.273	4.197	4.154
Brazilian Real (*)	3.086	3.221	-	-
New Israeli Sheqel (*)	4.722	4.720	-	-

(*) The weighted average exchange rate of the Israeli subsidiary is calculated beginning from the month of May (month of acquisition). With regard to the Brazilian weighted average exchange rate, it is calculated beginning from the month of June month of the Amplifon South America Holding LTDA incorporation.

39. Subsequent events

The main events that took place after the end of the year are described below:

- on 7 January 2015 the director Luca Garavoglia tendered his resignation, effective immediately, for personal reasons, as non-executive independent director and as member of the Risk and Control Committee, of the Remuneration and Appointments Committee, as well as of the Supervisory Board. Consequently on 29 January 2015, Amplifon S.p.A.'s Board of Directors, after having acknowledged the waiver of the candidate Ugo Giorcelli who was on the same list as the outgoing Director presented to shareholders by Ampliter N.V. on 17 April 2013, co-opted Anna Puccio to act as the Company's new non-executive director. The appointment will be submitted to the shareholders for approval.
  The Board of Directors, in substitution of the outgoing director Luca Garavoglia, also appointed the director Anna Puccio member of the Risk and Control Committee and director Maurizio Costa member of the Supervisory Board.

- On 29 January 2015 shareholders met in extraordinary session and amended the by-laws in accordance with art. 127-quinquies of Legislative Decree n. 58 dated 24 February 1998 granting two votes for each share held by the same party without interruption for a period of at least 24 months as of the registration date shown in a specific register. Shareholders may request to be registered at any time. The registration will take place within the fifteenth day of the month subsequent to having received the request. As of the date of this report no share is recorded in the register.

- In order to continue to pursue opportunities for strategic business development, while ensuring the operational excellence, on 3 March Enrico Vita, EMEA Executive Vice-President, is appointed to Chief Operating Officer (COO) and Amplifon General Manager.
  The three regions (EMEA, Americas and Asia Pacific) as well as the IT, Marketing and Supply Chain functions will report to him.

- on 15 January 2015 the Swiss Central Bank decided to de-peg the Swiss Franc against the Euro and eliminated the cap on the Euro/ Franc exchange rate of 1.20 that had been maintained for three years. The decision provoked a decided strengthening of the Swiss Franc against the Euro and hit a level slightly above one Franc per Euro before recovering to about Swiss Franc 1.08 for a Euro. In the Amplifon Group's consolidated financial statements, the assets and liabilities denominated in Swiss Franc were translated at the year-end exchange rate (Swiss Franc 1.2024 per 1 Euro), while revenue and the costs incurred were translated at the 2014 average (Swiss Franc 1.2146 per 1 Euro). The valuation of assets, liabilities, revenue and costs at a rate of 1.08 Swiss Franc for 1 Euro would have resulted in an increase in assets of approximately €2.7 million, in net invested capital of €0.8 million, a drop in net debt of approximately €0.5 million, an almost €3.4 million rise in revenue, while EBITDA would have showed a rise of approximately €0.3 million.

- on 28 January 2015 and 2 March 2015 the Company's bylaws were updated following the partial subscription of a capital increase servicing existing stock option plans as resolved by the Board of Directors on 28 October 2010 and the consequent issue of 142,339 ordinary shares with a par value of €0.02 (3,839 of which relating to options exercised in December 2014). At 3 March 2015 the share capital subscribed and paid-in amounted to €4,494,807.02.

- on 2 February 2015 Amplifon S.p.A. sold the business unit that distributes, repairs and provides customer care for biomedical equipment in Italy, under the Amplifon Biomedica brand, to GN Otometrics, the diagnostic division of the Danish Group GN ReSound. The proceeds from the sale are not significant.

- in the first part of 2015 the buyback program, authorized during the Shareholders' Meeting held on 16 April 2014, continued and between year-end and the date of this report 70,000 shares were purchased at an average price of €5.39. At 3 March 2015 treasury shares amounted to 7,490,000 shares, equal to 3.333% of the Company's share capital, including the shares already purchased as part of the previous buyback programme authorized during the Shareholders' Meeting held on 27 April 2006.

- A few minor acquisitions were also made in Germany and France for a total of 14 and 4 stores, respectively.

Milan, 3 March 2015

On behalf of the Board of Directors
CEO
Franco Moscetti

Annexes - Consolidation Area

As required by §§ 38 and 39 Law 127/91 and § 126 Consob resolution 11971 dated 14 May 1999, as amended by resolution 12475 dated 6 April 2000, the following is the list of companies included in the consolidation area of Amplifon S.p.A. at 31 December 2014.

Parent Company:

Company name	Head office	Currency	Share Capital
Amplifon S.p.A.	Milan (Italy)	EUR	4,492,037

Subsidiaries consolidated using the line-by-line method:

Company name	Head office	Directly/Indirectly owned	Currency	Share Capital	% ownership 31/12/2014
Amplimedical S.r.l. - in liquidation	Milan (Italy)	D	EUR	111,967	100.0%
Sonus Italia S.r.l.	Milan (Italy)	D	EUR	200,000	100.0%
Amplifon Groupe France SA	Arcueil (France)	D	EUR	48,550,898	100.0%
SCI Eliot Leslie	Lyon (France)	I	EUR	610	100.0%
Audition 86 SAS	Poitiers (France)	I	EUR	8,000	100.0%
Audition Sophie Belot SAS	Manosque (France)	I	EUR	20,000	100.0%
Amplifon Iberica SA	Barcelona (Spain)	D	EUR	26,578,809	100.0%
Amplifon Portugal SA	Lisboa (Portugal)	I	EUR	720,187	100.0%
Fundación Amplifon Iberica	Madrid (Spain)	I	EUR	30,000	100.0%
Amplifon Magyarország Kft	Budapest (Hungary)	D	HUF	3,500,000	100.0%
Amplibus Magyarország Kft	Budaörs (Hungary)	I	HUF	3,000,000	100.0%
Amplifon AG	Baar (Switzerland)	D	CHF	1,000,000	100.0%
Amplinsure RE AG	Baar (Switzerland)	I	CHF	2,800,000	100.0%
Hearing Supplies SA	Lugano (Switzerland)	I	CHF	100,000	100.0%
Amplifon Nederland BV	Doesburg (The Netherlands)	D	EUR	74,212,052	100.0%
Auditech BV	Doesburg (The Netherlands)	I	EUR	22,500	100.0%
Electro Medical Instruments BV	Doesburg (The Netherlands)	I	EUR	16,650	100.0%
Beter Horen BV	Doesburg (The Netherlands)	I	EUR	18,000	100.0%
Amplifon Customer Care Service BV	Elst (The Netherlands)	I	EUR	18,000	100.0%
Amplifon Belgium NV	Bruxelles (Belgium)	D	EUR	495,800	100.0%
Amplifon Luxemburg Sarl	Luxemburg (Luxembourg)	I	EUR	50,000	100.0%
Amplifon Deutschland GmbH	Hamburg (Germany)	D	EUR	6,026,000	100.0%
Amplifon München GmbH	München (Germany)	I	EUR	1,245,000	100.0%
Amplifon Bayern GmbH	München (Germany)	I	EUR	30,000	100.0%
Sanomed GmbH	Hamburg (Germany)	I	EUR	25,000	100.0%
Amplifon Poland Sp.z o.o.	Lodz (Poland)	D	PLN	3,340,760	63.0%
Amplifon UK Ltd	Manchester (UK)	D	GBP	69,100,000	100.0%

Company name	Head office	Directly/Indirectly owned	Currency	Share Capital	% ownership 31/12/2014
Amplifon Ltd	Manchester (UK)	I	GBP	1,800,000	100.0%
Ultra Finance Ltd	Manchester (UK)	I	GBP	75	100.0%
Amplifon Ireland Ltd	Wexford (Ireland)	I	EUR	1,000	100.0%
Amplifon Cell	Ta' Xbiex (Malta)	D	EUR	1,000,125	100.0%
Makstone İşitme Ürünleri Perakende Satış A.Ş.	Istanbul (Turkey)	D	TRY	300,000	51.0%
Medtechnica Ortophone Ltd (*)	Tel Aviv (Israel)	D	ILS	1,000	60.0%
Matan Rishon Ltd (**)	Rishon LeZion (Israel)	I	ILS	1,000	100.0%
Amplifon Middle East SAE	Cairo (Egypt)	D	EGP	200	100.0%
Miracle Ear Inc.	St. Paul – MN (USA)	I	USD	10	100.0%
Sonus USA LLC	Minneapolis – MN (USA)	I	USD	52,500,010	100.0%
Elite Network LLC	Minneapolis – MN (USA)	I	USD	10	100.0%
Miracle Ear Canada Ltd	Vancouver (Canada)	I	CAD	1,000	100.0%
Amplifon National Hearing Centers Inc.	Dover – DE (USA)	I	USD	1,000	100.0%
Amplifon USA Inc.	Dover – DE (USA)	D	USD	4,126,463	51.0%
Hear PO, Inc.	St. Paul – MN (USA)	I	USD	392,000,000	100.0%
Ampifon IPA, LLC	New York – NY (USA)	I	USD	392,000,000	100.0%
Amplifon South America Holding LTDA	São Paulo (Brazil)	D	BRL	126,116,260	100.0%
Direito de Ouvir Amplifon Brasil SA	Franca (Brazil)	I	BRL	100	100.0%
Amplifon Australia Holding Pty Ltd	Sydney (Australia)	D	AUD	100	100.0%
Amplifon Australia Pty Ltd	Sydney (Australia)	I	AUD	0	100.0%
NHC Group Pty Ltd	Sydney (Australia)	I	AUD	130,411,317	100.0%
ACN 119430018 Pty Ltd	Sydney (Australia)	I	AUD	10,000	100.0%
National Hearing Centres Pty Ltd	Sydney (Australia)	I	AUD	475,000,000	100.0%
National Hearing Centres Unit Trust	Sydney (Australia)	I	AUD	1,000,000	0.0%
Amplifon NZ Ltd	Takapuna (New Zealand)	I	NZD	130,411,317	100.0%
Bay Audiology Ltd	Takapuna (New Zealand)	I	NZD	10,000	100.0%
Amplifon India Pvt Ltd	New Delhi (India)	I	INR	475,000,000	100.0%
NHanCe Hearing Care LLP (***)	New Delhi (India)	I	INR	1,000,000	0.0%

(*) Medtechnica Ortophone Ltd, despite being owned by Amplifon at 60%, is consolidated 100% without exposure of non-controlling interest due to the put-call option to be exercised in 2017 and related to the purchase of the remaining 40%.
(**) Matan Rishon Ltd is owned 67% by Medtechnica Ortophone Ltd, in turn owned 60% by Amplifon S.p.A., but, as described above, 100% consolidated without exposure of non-controlling interest as a result of put-call option to be exercised in 2017 and related to the purchase of the remaining 40%. For this reason, non-controlling interest are considered equal to 33%.
(***) Consolidated entity subject to *de facto* control by the Amplifon Group.

Companies valued using the equity method:

Company name	Head office	Directly/Indirectly owned	Currency	Share Capital	% ownership 31/12/2014
Audiogram Audifonos SL	Palma de Mallorca (Spain)	I	EUR	3,006	49.0%
Comfoor BV	Doesburg (The Netherlands)	I	EUR	18,000	50.0%
Medtechnica Ortophone Shaked Ltd	Tel Aviv (Israel)	I	ILS	1,001	30.0%
Bon Ton Hearing & Speech Ltd	Sderot (Israel)	I	ILS	100	8.9%
Ruti Levinson Institute Ltd	Ramat HaSharon (Israel)	I	ILS	105	12.0%
Kolan Ashdod Speech & Hearing Inst. Ltd	Ashdod (Israel)	I	ILS	100	22.2%
Afik - Test Diagnosis & Hearing Aids Ltd	Jerusalem (Israel)	I	ILS	100	12.0%
Lakeside Specialist Centre Ltd	Mairangi Bay (New Zealand)	I	NZD	0	50.0%
Dilworth Hearing Ltd	Epsom (New Zealand)	I	NZD	232,400	40.0%
Dilworth Hearing Takapuna Ltd	Epsom (New Zealand)	I	NZD	28,000	31.0%
Dilworth Hearing Hamilton Ltd	Epsom (New Zealand)	I	NZD	100,000	24.0%

Information pursuant to § 149-duodecies of Consob Issuers' Regulations

The following table, prepared pursuant to §149-duodecies Consob Issuers' Regulations, shows the fees for both audit and non-audit services provided by the auditing company and entities that are part of its network in relation to the 2014 financial year.

	Subject that provided the service	Recipient	2014 fees (€)
Independent auditing services and certification services	PricewaterhouseCoopers	Parent company - Amplifon S.p.A.	262,333
	PricewaterhouseCoopers	Subsidiaries	995,491
	Other	Subsidiaries	15,850
Services other than auditing (*)	PricewaterhouseCoopers	Parent company - Amplifon S.p.A. and its subsidiaries	323,326
Total			**1,597,000**

(*) Other services mainly include tax assistance services rendered to American subsidiaries and legal consultancy in the field of privacy and for the development of a platform for the support of digital marketing.

Declaration in respect of the Consolidated Financial Statements pursuant to Article 154-bis of Legislative Decree 58/98

We, the undersigned, Franco Moscetti, Managing Director and Ugo Giorcelli, Executive Responsible for Corporate Accounting Information for Amplifon S.p.A., taking into account the provisions of § 154-bis, paragraphs 3 and 4 of Law 58/98, certify:

- the adequacy, by reference to the characteristics of the business and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2014.

We also certify that the consolidated financial statements at 31 December 2014:

- correspond to the underlying accounting entries and records;
- have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union as well as the provisions issued to implement § 9 of Law 38/2005, and give a true and fair view of the financial position, result of operations and cash flow of the issuer and of all of the companies included in the consolidation.

The report on operations includes a reliable operating and financial review of the Company and all of the companies included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

Milan, March 3th 2015

CEO
Franco Moscetti

Executive Responsible for Corporate Accounting Information
Ugo Giorcelli

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Amplifon SpA

1 We have audited the consolidated financial statements of Amplifon SpA and its subsidiaries ("Amplifon Group") as of 31 December 2014, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in net equity, cash flow statements and related explanatory notes. The directors of Amplifon SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union , as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. 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 and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. 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. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the consolidated financial statements of the prior year for comparative purposes. As described in the explanatory notes to the consolidated financial statements, the Directors restated certain comparatives relating to the prior year's annual consolidated financial statements compared with the figures previously audited by us and on which we issued our report on 7 March 2014. These restatements and the related disclosures, presented in the explanatory notes to the consolidated financial statements, have been examined by us for the purpose of issuing our report on the consolidated financial statements as of 31 December 2014.

3 In our opinion, the consolidated financial statements of the Amplifon Group as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Amplifon Group for the period then ended.

PricewaterhouseCoopers SpA

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4 The directors of Amplifon SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Amplifon SpA as of 31 December 2014.

Milan, 5 March 2015

PricewaterhouseCoopers SpA

Signed by
Ettore Corno
(Partner)

Creative design, Graphic composition and Strategic copy
MERCURIO GP© - Milan

March 2015

Concept strategico, Graphic design e Realizzazione a cura di:
MERCURIO GP© - Milano

Marzo 2015

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