amplifon

Annual Report 2016

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Translation from the original text in Italian

Message from the Chairperson and the Chief Executive Officer

2016, a year of record results and successful execution

Dear Shareholders,

2016 was a particularly important year in Amplifon's history: we have reached, for the second year in a row, record results which vouch for the effectiveness of Amplifon's business model as well as the quality and continuity of our investments in the Company's growth and future.

In 2016 revenues and EBITDA reached all-time highs coming in at 1,133.1 million euros and 186.9 million euros, an increase of, respectively, 10.4% and 12.9% at constant exchange rates compared to 2015. Net profit also grew to 63.6 million euros, an improvement of 35.9% compared to the previous year. These extremely favorable results, allow Amplifon to propose a dividend distribution of 0.07 euro for each ordinary share to shareholders, an increase of 63% compared to previous year.

The Company's results reflect the excellent performance reported in all the geographic regions in which we operate: from the strong organic growth trend recorded in EMEA which, together with the acquisitions carried out mainly in Germany and France, contributed to the region's substantial increase in profitability; the growth in AMERICAS, with a further acceleration in the second half of the year boosted by the investments in marketing; to the ongoing growth in APAC which maintains its high operational efficiency.

In March 2016, for the first time, Amplifon shared with the financial community its strategic objectives, growth opportunities and aspirations for the three-year period 2016-2018. On that occasion we also provided a clear definition of the four strategic pillars to strengthen our global leadership: consolidation of our position in core countries, also through network expansion; strengthening of customers' engagement with our brands through a new approach to communication; innovation of the business model and continuous investments to support an effective execution, as well as, implementation of the strategy.

In 2016 we consolidated our leadership position globally, adding 305 shops and shop-in-shops to our network, thus reaching 9,424 points of sale throughout the world. In particular, with regards to our core markets, we acquired 110 shops in Germany and

31 shops in France, doubled the distribution network in Canada and opened 28 shops in the Iberian Peninsula. On top of this, at the beginning of 2017 we announced the acquisitions of around 75 and 55 shops in Portugal and France.

2016 was also a particularly important year for Amplifon's image and communication: we launched our new global brand identity, rolled out our new consumer websites, further increased the impact of our TV campaigns in Italy, Germany, New Zealand and the United States and continued to innovate our business model, further enriched by the launch of Amplifon 360°, an exclusive and customized protocol which enables each customer to better understand his hearing needs resulting in even higher levels of satisfaction. It's clear that it was possible to achieve these strong results thanks to the ongoing investments in our integrated IT platform, and moreover, in the optimal management of human resources.

The results achieved in 2016 thanks to effective planning and impeccable execution provide an excellent basis for us to look with confidence to 2017 and achieve our medium-long term goals.

We wish, therefore, to thank the management team and all of our people for their commitment and the strong determination showed throughout the year, as well as all of our Shareholders for their support and renewed trust in our Company.

Susan Carol Holland
Chairperson

Enrico Vita
Chief Executive Officer

Hear the full spectrum
of Everyday sounds.

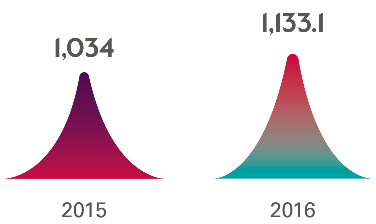
hear

2016 Highlights

All-time high revenues and EBITDA

Revenues
(million euros)

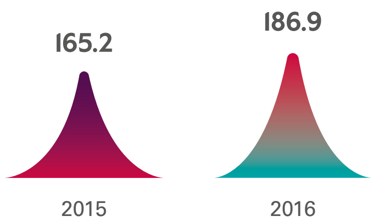
+9.6%



Revenues by region

EBITDA
(million euros)

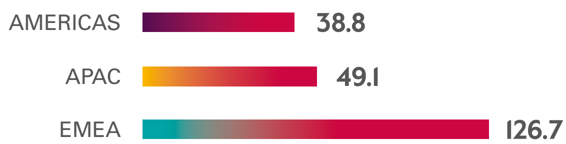
+13.1%



+16.0%
EBITDA margin

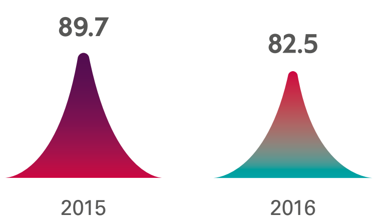
+16.5%
EBITDA margin

EBITDA by region*
(million euros)

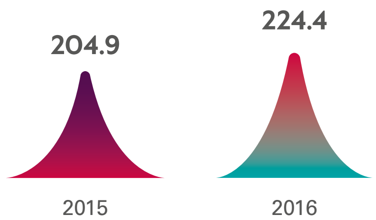


*Excluding corporate costs.

Free cash flow
(million euros)



Net debt
(million euros)



Global leader in hearing solutions and services

9%
Market share

22
Countries

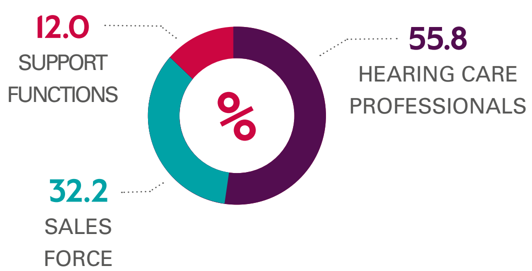
12,600
People

4,000
Direct points of sale

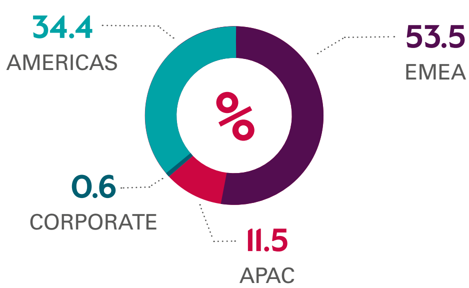
3,700
Shop-in-shops & corners

1,900
Affiliates

People
by role



People
by region



Key events

Successful execution on a solid strategy

March 17th, 2016

Investor Day

For the first time Amplifon's CEO, together with other members of the Executive Leadership Team, shares Amplifon's strategies, business objectives, growth opportunities and aspirations for the three-year period 2016-2018 with the financial community.

April 18th, 2016

Shareholders' Meeting

The Shareholders' Meeting appoints the Board of Directors for the period 2016-2018, confirming once again the professional and independent profile of its members.

June 7th, 2016

Launched the new brand identity

Amplifon announces the Company's new brand identity together with its new logo and website. The new brand line "Hear, feel, live" summarizes Amplifon's new brand identity and underlines the commitment to help people rediscover all the small pleasures of hearing. The new brand identity is part of the Company's broader strategy which aims to lead a real cultural change, redefining the way customers feel about their hearing and the way in which they are educated, involved and served.

July 18th,2016

Acquisition of 86 shops in Germany

Amplifon announces the acquisition of two high quality retail chains in Germany - Focus Hören AG and Die Hörmeister GmbH – for a total of 86 shops. Throughout the year a total of 110 points of sale were acquired in Germany, bringing the local distribution network to 370 shops. These acquisitions perfectly fit the Company's growth strategy, aimed at further strengthening the competitive position in the second largest retail market in the world.

August 4th, 2016

Acquisition of 21 shops in Canada

With the acquisition of the 21 Hear More shops in Ontario, Amplifon doubles its presence in Canada under the Miracle-Ear brand reaching over 40 direct points of sale.

October 3rd, 2016

Miracle-Ear - Sivantos supply agreement renewal

Miracle-Ear, Inc., Amplifon's US subsidiary, renews the supply agreement for the Miracle-Ear branded hearing aids with Sivantos, Inc., USA, for three years effective January 1st, 2017. The agreement signals the continuation of a strong partnership started over 15 years ago.

December 31st, 2016

Amplifon strengthens its management team

During the year the following professionals join the Company: Iacopo Lorenzo Pazzi, in the role of Executive Vice President EMEA; Cristian Finotti, as Chief Procurement Officer; and Gabriele Galli, who covers the role of Chief Financial Officer effective March 1st, 2017.

Events subsequent to December 31st, 2016

Network expansion in Portugal and France

Amplifon announces the acquisitions of around 75 MiniSom stores in Portugal (part of the AudioNova retail business) from Sonova and around 55 shops, always part of the AudioNova retail business, in France.

History

Listening to the future, all along

50's-60's

From small beginnings to market leader

Founded in Milan by Algernon Charles Holland to provide hearing solutions for people experiencing hearing loss after the World War II, Amplifon soon becomes the leader of the Italian market.

70's

The CRS

The Center for Research and Studies (CRS) is founded to promote clinical research and disseminate innovation in the fields of audiology and otology.

90's

Digital and international expansion

Amplifon enters the Spanish and Portuguese markets and continues to innovate and customize its services introducing digital hearing aids in Italy.

1999

Amplifon enters the American market

By acquiring the market leader Miracle-Ear, Amplifon enters the North American market, strengthening its international leadership.

2001
Listing on the Stock Exchange

On June 27th, 2001, Amplifon is listed on the Italian Stock Exchange and in 2008 becomes part of the STAR segment of excellence for stocks committed to complying with stricter requirements.

2002-2009
Continuous expansion

Besides consolidating its presence in markets like the US, the Netherlands and France, Amplifon expands its footprint in Canada, Hungary, Egypt, Germany, the UK & Ireland, Belgium & Luxembourg.

2010-2014
A new global dimension

With the acquisition of National Hearing Care (NHC) Amplifon expands its activities to Australia, New Zealand and India. Between 2012 and 2014, the Company continues its internal and external growth path and with the entrance in Turkey, Israel and Brazil it reaches 22 countries.

2015-2016
Non-stop growth

Amplifon keeps on growing organically and through acquisitions and in 2015 the Company exceeds the key threshold of one billion euros in sales. In 2016 Amplifon reports all-time high revenues and EBITDA thanks to careful planning and strong execution capabilities.

Mission

The clink of two glasses, a conversation in a restaurant, a concert featuring your favorite band. We want a world in which everybody can fully experience their passions.

Every day we work to improve people's quality of life bringing back the possibility of interacting with the world around them and the joy of hearing the full spectrum of everyday sounds.

Key differentiators

Customization

Our business model is based on listening and understanding our customers' needs in order to customize the solution to their lifestyle, to the sounds they hear every day and to their aesthetic preferences.

Innovation

We constantly evolve the way we interact with customers. We use the most advanced technologies and develop new ground-breaking tools and protocols in order to find the best hearing solution, always.

Customer experience

Our network of hearing care professionals blends solid technical know-how with behavioral - communication skills and innovative technologies to offer an experience that exceeds expectations.

**Keep in touch
with the World.**

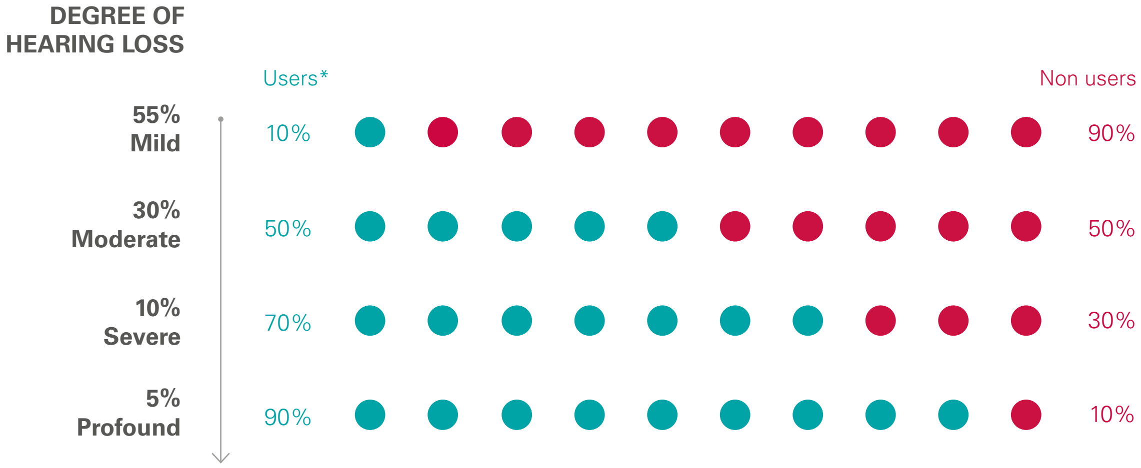
feel

Market scenario

The global retail hearing aids market has an estimated value of around €13 billion euros and is expected to grow by about 4% over the next few years as a result of demographics and increase in penetration rates.

Being able to hear is essential at any age as it allows people to be connected to the world around them and to enjoy a full personal and social life. Hearing loss can affect all age groups: approximately 15% of the world's adult population has some degree of hearing loss, which is more common in the elderly due to the natural aging of cells. Out of these, the World Health Organization estimates that 360 million people have a disabling hearing loss and this number is expected to double between 2030 and 2050 due to the increasing life expectancy of global population.

Hearing solutions adoption rate by degree of hearing difficulty in developed markets



*People who adopt hearing solutions

On average 7 years go by before people take action and approach a hearing care professional

The reasons for the delay are:

- Difficulty in admitting the problem
- Prejudice and stigma related to hearing aids
- Dissatisfaction with the use of non-advanced technologies
- Lack of information on the effects of overlooked hearing loss
- Lack of information on the development and progresses of hearing solution technologies & services

Growth drivers

The global retail hearing aids market is expected to grow by around 4% in the next 3-5 years, largely driven by demographics. Other long-term socio-economic factors – such as baby boomers turning 65+ and the ever increasing noise pollution – are increasing the number of people that could benefit from hearing solutions, mainly in North America and Europe which represent by far the largest markets worldwide.

Demographics

As life expectancy increases, so does the elderly population, meaning a greater number of people could benefit from hearing solutions. There was a global increase of 5 years in life expectancy between 2000 and 2015.

Baby boomers

The generation born between 1945 and 1965 is entering the stage of life in which they are most susceptible to hearing loss. Every day in the US alone 10,000 people turn 65.

Noise pollution

Urbanization and the increased use of headphones are posing a threat to people's hearing. About 40% of Europeans is exposed to road traffic noise exceeding 55 dB and around 1.1 billion young people worldwide are at risk for noise-induced hearing loss due to unsafe listening practices.

Technological innovation

Hearing solutions & services are advancing rapidly in terms of functionality, aesthetics and service level, increasing customer satisfaction. In 2009 customer satisfaction in the sector was around 75% and in 2016 it rose to over 80%.

Wellness culture

The desire to live full and active lives is also increasing with seniors. Many health issues associated with hearing difficulties such as falling, cognitive decline and depression could be offset by hearing solutions.

Value chain

Key retail trends

Size

The retail hearing solutions market is expected to grow by an average annual rate of around 4% driven by demographics and increased penetration.

Market structure

The hearing solutions retail market continues to consolidate even though it is still extremely fragmented with about 50% of the market in the hands of players with less than 10 shops.

Consumers

Customers' decision making process is particularly complex and involves several stakeholders, and as many channels and touchpoints. Brand and marketing are of paramount importance in customers' buying process.

Strategy

We aim at further strengthening our global leadership position and delivering sustainable sales growth and margin expansion, leveraging our unique business model.

Our four strategic pillars

Strengthen market leadership

Clear and differentiated growth strategy, focused on core worldwide countries: increase market share in the United States, consolidate leadership position in Italy and Australia, and expand network in Germany, France and Spain.

Marketing excellence

Further strengthening of customer engagement through a new approach to communication, the launch of a new brand identity, leadership in digital marketing and development of advanced CRM, supported by increased marketing investments.

Innovative business model

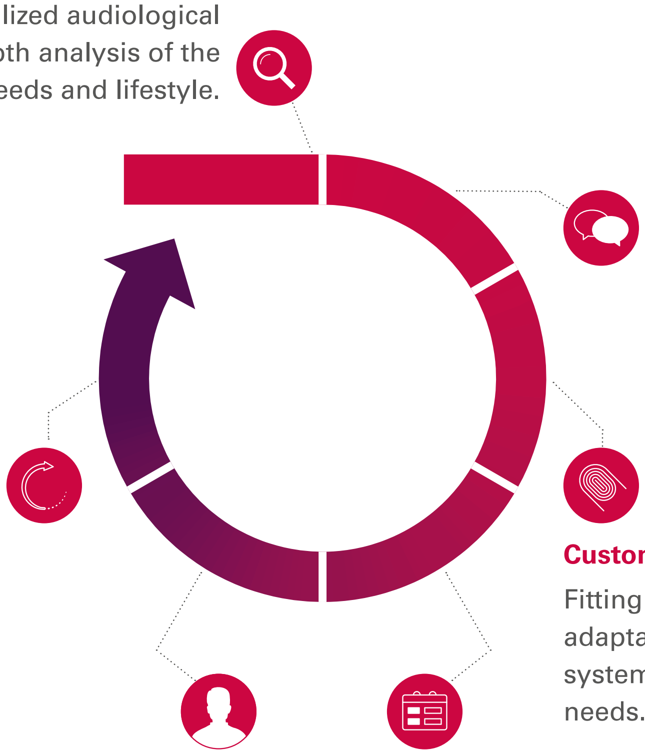
Innovation of the service model thanks to unique proprietary knowledge, superior in-store experience and innovative digital tools in a multi-channel approach and new state-of-the-art proprietary service technology and counseling tool, leveraging Amplifon's unrivalled network of hearing care providers worldwide.

Effective execution capability

Investments to support effective execution capability through a new, distinct people proposition, attraction of the best talents, sharing of best practices worldwide and the expansion of the integrated IT platform globally.

Business model

We offer an exclusive, all-round, highly customized experience. Guiding people throughout their journey, we help them rediscover the joy of hearing. All the way through, we keep up a constant dialogue with each person, whether that's through an initial appointment or one of the follow-up appointments set up to check and adapt the hearing solution to meet specific individual needs.



Assessment

Comprehensive specialized audiological assessment and in-depth analysis of the person's needs and lifestyle.

Education & counseling

Hearing care professionals propose the solution that is best-suited to each person, including based on lifestyle and aesthetic preferences.

Customization & fitting

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

Trial & fine tuning

30-day free trial, weekly check-ups and fine tuning, with the possibility to return the product at the end of the trial period.

Follow-up & ongoing support

All-round, specialized and ongoing support throughout the life cycle of the hearing aid by means of routine assessments of the person's evolving hearing needs.

Repurchase

A hearing aid has an average life cycle of 4-5 years. After that period the person is naturally prone to return to Amplifon and look for a new solution.

Strengths

Expertise model

Our hearing care professionals meet every person's needs by blending innovative technologies, scientific know-how with a personal approach.

Brands

Our strong brand portfolio allows us to be at the helm of a real cultural change in our industry, redefining the way customers feel about their hearing.

Global dimension

A unique global distribution network made of different types of points of sale allows us to always be close to our customers.

Pioneering

We are pioneers in adopting innovative technologies, developing proprietary services, tools and protocols, and in the way we interact with our customers.

Employer of choice

Investing in talent, in continuous professional development and in rewarding our people makes us the employer of choice in the industry.

Scientific leadership

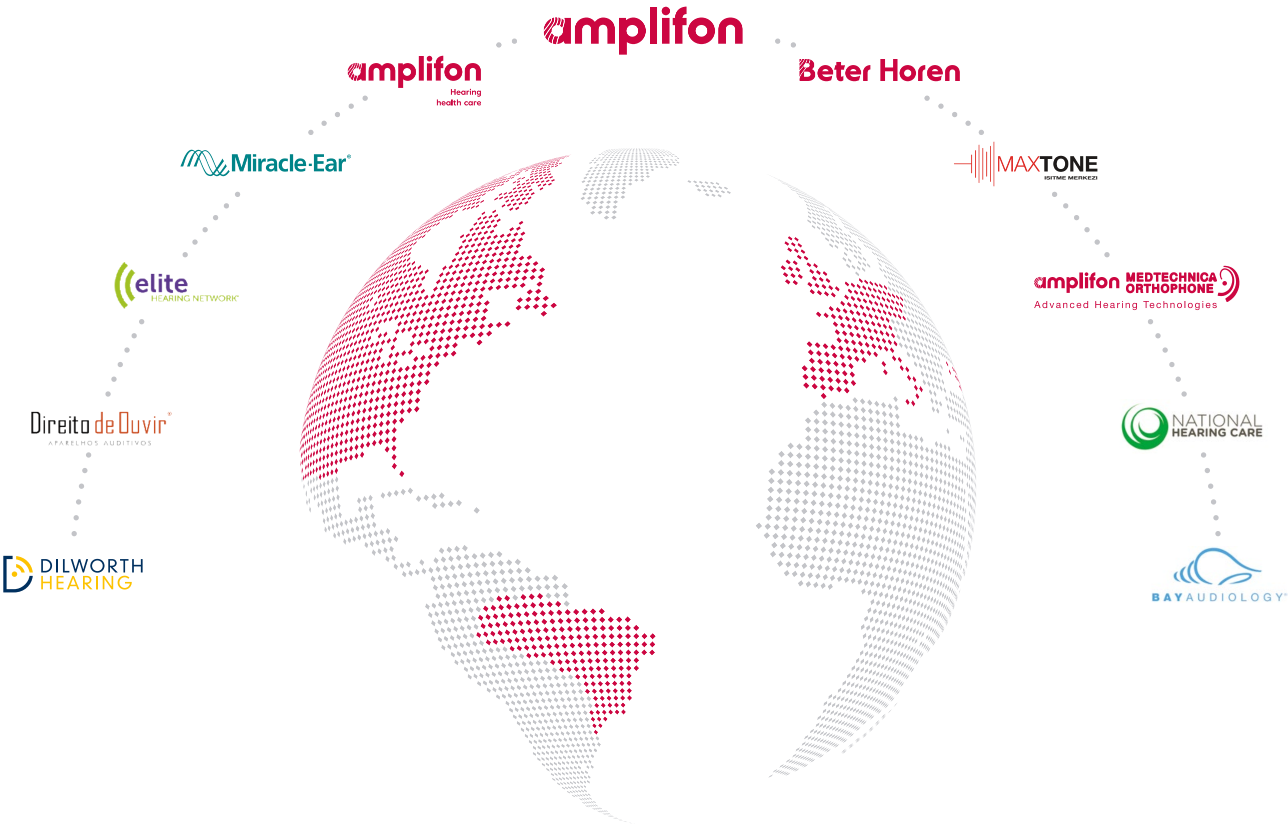
Amplifon's Center for Research and Studies (CRS) is a specialized partner to the medical and academic communities and leader in the fields of audiology and otolaryngology.

Global presence

Amplifon is the only pure global retailer in the industry and the leader in terms of sales, volumes, distribution network and geographic coverage.

The Company operates under three regions (EMEA, AMERICAS and APAC), each of which is responsible for implementing the Company's strategic guidelines, coordinating local activities and sharing best practices.

Management teams in each country are accountable for developing the Company's business as well as implementing sales and marketing strategies, adapting them to local market needs and legislation, ensuring customer satisfaction throughout the world.



Distribution network

Amplifon store

The format of Amplifon stores provides a highly innovative, unique 'store experience', in which the customer is guided step-by-step throughout the journey to rediscover the joy of hearing and living life to the fullest.

Our shop windows are designed to reduce the anxiety normally associated with medical experiences, so that entering an Amplifon store becomes an entirely positive emotional experience.

Inside our stores, each area is developed for a different purpose, but all of them are designed to put customers at ease. The assessment, counseling, fine tuning and follow-up appointments all take place inside our stores and are part of an integrated process designed to guarantee a pleasant experience, from a physical to a psychological standpoint.

The customer, the supporter (spouse, child, friend), the ENT specialist, the hearing care professional and the person responsible for customer care are then able to establish successful and enduring relationships and proceed with a detailed analysis of the customer's hearing profile and lifestyle, key factors for the selection and fitting of the ideal hearing solution.

Direct points of sale

2,512 Corporate shops

In these stores, customers are in direct contact with Amplifon. They can be managed by Amplifon staff or by people working on behalf of the Company on a commission basis.

3,667 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 store, when necessary.

Indirect points of sale

1,379 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. They purchase products exclusively from Amplifon and can make use of Service Centers as their first point of contact with customers. Mainly present in the US territory.

1,866 Affiliates

These independent retailers which operate with their own brands purchase products from Amplifon benefitting from a variety of support activities offered by the Group, and offer hearing solutions to end users. Mainly present in the US territory.

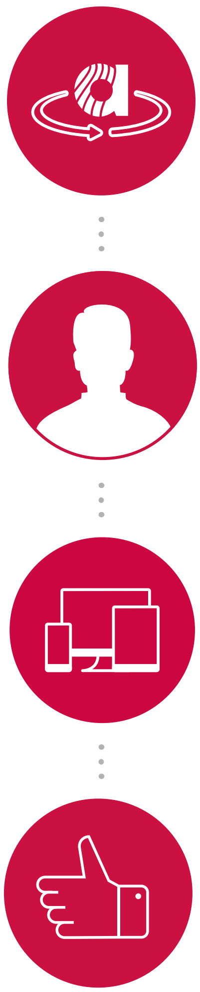
Country	Brand	Corporate Shops	Shop-in-shops & corners	Franchisees	Affiliates	
Italy	Amplifon	571	3,024	-	-	EMEA
France	Amplifon	418	87	-	-	
The Netherlands	Beter Horen	170	50	-	-	
Switzerland	Amplifon	84	-	-	-	
Spain & Portugal	Amplifon	165	51	-	-	
Germany	Amplifon	370	-	-	-	
Belgium & Luxembourg	Amplifon	82	53	11	-	
Hungary	Amplifon	61	-	-	-	
Poland	Amplifon	57	1	-	-	
UK & Ireland	Amplifon	134	53	-	-	
Egypt	Amplifon	21	-	-	-	
Turkey	Maxtone	20	-	-	-	
Israel	Medtechnica Orthophone	20	-	-	42	
USA	Miracle-Ear	13	-	1,363	-	AMERICAS
	Elite Hearing Network	-	-	-	1,824	
Canada	Miracle-Ear	45	-	-	-	
Brazil	Direito de Ouvir	1	108	5	-	
Australia	National Hearing Care	154	85	-	-	APAC
New Zealand	Bay Audiology/Dilworth	81	25	-	-	
India	Amplifon	45	130	-	-	
Total		**2,512**	**3,667**	**1,379**	**1,866**	

Value proposition

In the US alone 10,000 people turn 65 every day and this will happen for the next 10 years. A significant change in their lifestyle has been observed: the vast majority of baby boomers use internet every day for news & information, shopping, social media and video content. One third of our target population is influenced by a significant other, and their children are smart digital surfers.

Amplifon, making use of its unique global position and 65-year-long experience, is continually innovating its value proposition to be even more relevant to its fast evolving consumers.

The Company aims to deliver a hearing experience that allows people to hear, feel and live all the emotions of hearing. Amplifon's strategic intent is to sustain and unlock growth potential through an all-rounded customer centric strategy, especially when the next generation consumers knock at our doors.



SERVICE MODEL

Our network of highly qualified audiologists accompany people towards a more complete and immediate understanding of the hearing solution's benefits by means of a holistic service model that includes proprietary protocols and tools for hearing screening to ensure a superior customer experience.

BEST EXPERTS

Our hearing care professionals build strong, long-lasting relationships with customers and, through active listening, generate a better understanding of their behavior, motivation and needs, thus increasing their satisfaction.

INNOVATION

The relationship between Amplifon and its customers is managed throughout the entire customer journey thanks to an advanced IT platform which, together with an intense data mining activity, allows each and every point of contact with customers to be fully customized, thus creating a truly personalized experience.

MARKETING

Our communication approach no longer focuses on the hearing problem, but looks to empower people, uses digital tools in a multi-channel approach and blends physical with digital experiences to develop new consumer profiles.

All this allows Amplifon to be the clear worldwide leader in retail hearing solutions and services, forerunner in adopting innovative technology and leveraging outstanding retail expertise to deliver a superior customer experience throughout the whole customer journey. That's why our value proposition is unique.

Our new brand identity

In June 2016 we launched our new brand identity to further strengthen customer engagement. The new brand line "Hear, Feel, Live" summarizes Amplifon's new brand identity and underlines the commitment to help people rediscover all the small pleasures of hearing so that they can enjoy a full personal and social life, surprising them with a hearing experience that exceeds their expectations thanks to a perfect blend of know-how, technology and human touch.

The development of the new brand identity is part of the Company's broader strategy which aims to lead a real cultural change in our industry, redefining the way customers feel about their hearing and the way in which they are educated, involved and served. As industry leader, Amplifon wants to anticipate the needs of its always younger and more connected customers, continuing to use innovative technologies and proprietary solutions to improve their hearing experience.

The new brand identity is expressed consistently across all touchpoints, beginning with the new consumer websites in UK, Italy, Germany, the Netherlands, France, Portugal, Spain and US. They optimize user experience and seek to meet the needs of all users, from the most mature to the youngest, from the most active to those who only want more information or assistance. The new web experience, part of the Company's marketing and communication strategy, enhances the digital touchpoints and leverages the habits of millions of baby boomers.

amplifon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amplifon Hallásközpont
Vegye komolyan!


Aparaty słuchowe
amplifon
Aparaty słuchowe


Ouvir, sentir, viver.


amplifon Hallásközpont
Örs vezér tere
3
Szolgáltatásaink:


amplifon
amplifon


Toma asiento,
aquí te sentirás
como en casa.


1
Juntos
valorizamos as
2
Encontramos uma
solução auditiva
adaptada a si.
3
E permanecemos
a seu lado em todo
o processo


amplifon
Solutions
auditives


amplifon

Grasp the beauty
of every Moment.

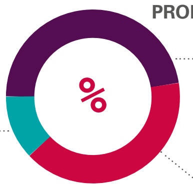
live

Our people

Global HR vision

Our goal is to improve people's quality of life thanks to our professional skills and highly customized services tailored to each customer, thus creating unparalleled value for our people, as well as for our stakeholders. To fulfill this objective and continue to be the employer of choice in the hearing care industry, we are committed to attracting, training, developing, retaining and rewarding the best talent throughout their career path.

People



By region	EMEA	AMERICAS	APAC	CORPORATE	2016 Total	2015 Total
Hearing care professionals	2,505	71	538	0	**3.,114**	2,629
Other shop personnel	1,946	99	535	0	**2,580**	2,287
Sales force	**4,451**	**170**	**1,073**	**0**	**5,694**	**4,916**
Support functions	798	259	372	81	**1,510**	1,417
Total employees	**5,249**	**429**	**1,445**	**81**	**7,204**	**6,333**
Sales force not on payroll	1,485*	3,900**	0	0	**5,385*** **	5,345
Overall Total	**6,734**	**4,329**	**1,445**	**81**	**12,589**	**11,678**

** of which 1,011 hearing care professionals*
*** estimated number, of which 2,900 hearing care professionals*
**** estimated number, of which 3,911 hearing care professionals*

Key resources

Hearing care professionals & client advisors

In our over 4,000 stores and 3,700 shop-in-shops and corners around the world there are more than 7,000 hearing care professionals and 4,000 client advisors. We offer them a unique opportunity: to become the best experts in the industry, to continue to develop their competencies, as well as the possibility to pursue alternative career paths.

Marketing & sales management

31% of the people who work in support functions are dedicated to marketing and sales management. We offer them diversified, stimulating and innovative roles, through which one can help to improve customer service and promote excellence in our points of sale.

Support functions

The 1,510 of our colleagues who cover support function roles guarantee excellence and innovation in key company processes and work closely with our people on the field in an exciting international environment.

Employer branding

We are committed to attracting and retaining the best talents who are prone to excelling, stimulated by the possibility of being part of a team in a dynamic international environment, and with a strong vocation for innovation. To this end, we have developed a global digital HR strategy which is expressed through a global website available in 6 different languages and 14 country websites dedicated to sharing the appeal of our industry and our Company, as well as the professional growth opportunities within the Company.

Having a true and intense conversation to tell who we are and explain the career opportunities available in our countries is of paramount importance to engage the best talents. For this reason, our brands are present on LinkedIn, Facebook, Twitter, Youtube and Instagram with pages dedicated to telling our success stories and showing the career opportunities we offer.

64% of the people who visit the Global Career Website also explore our Local Career Websites.

19% of the people who visit Local Career Websites show interest in our open positions.

Linkedin: over **17,000** followers.

Career Facebook: over **8,000** fans.

http://careers.amplifon.com/global

Engagement

In 2016, after years of experience in surveying our people at a country level, we conducted for the first time our Global Engagement Survey which covered the following areas:

- Achievement & development
- Caring & respect
- Trust & communication
- Ownership & pride

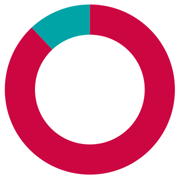
The survey results not only allowed us to better understand our people and the source of their motivation and engagement, but also provided us with interesting input and insights so that we can focus our efforts on finding ways to better meet their needs.

Key results

Response rate

88.4%
of our employees

Engagement index



based on the key questions most closely related to engagement at work

80.3%
of our employees

"I embrace the values and the mission of Amplifon."

91.8%
of all respondents

"I enjoy my job and am proud of the role I cover."

93.8%
of our Audiologists

"I am willing to go "above and beyond" in my job to help Amplifon be successful."

87.8%
of all respondents

95.8%
of all respondents

"I feel comfortable in recommending Amplifon services to my family and friends."

89.8%
of all respondents

"I feel that in my team we treat each other with respect."

95.8%
of all respondents

"I understand the impact of my job on the results of Amplifon."

Supporting growth

Continuous learning

Our training programs are designed on the specific needs of our people. For those who work directly with customers we offer classroom training, e-learning, coaching and workshops. We created the Audiologist Excellence, a comprehensive global training & career development program entirely dedicated to hearing care professionals from all over the world with the aim of enhancing the meaning of excellence in our stores.

Knowledge sharing

We continually promote the sharing of best practices and knowledge across our global network, also by means of innovative collaboration tools. The Audiologist Excellence program was also designed with a view to facilitating the exchange of best practices across our global network of hearing care professionals.

Mentoring

We propose personalized learning paths with our top performers in order to develop the competencies and unleash the potential of other colleagues in the organization.

Professional development

We support the development of career paths that are unique to each person and based on one's strengths and aspirations. Careers in Amplifon have no boundaries and can follow amazing, unconventional paths.

Rewarding results

We reward targets reached by means of performance reviews with transparent criteria to be sure that we all share the same ambitious business objectives. Every year our best professionals all over the world are assigned shares. Today about 610 of our hearing care professionals benefit from our Performance Stock Grant Plan since we firmly believe in sharing the value created by our Company with the people who make it possible.

Performance
Stock Grant Plan

610

HEARING CARE PROFESSIONALS

Talent management

T-Lab: preparing the leaders of tomorrow

The T-Lab program is a systematic, structured and formal process used to identify the resources with the capabilities and potential to cover key positions. We provide the participants with customized training programs, greater visibility, accelerated and international career opportunities, assignment to global projects, mentoring from the Company's Senior Managers, and specific incentive and retention plans.

Compass Programs

The Blue and Green Compass Programs are international programs aimed at boosting skills and encouraging knowledge exchange and international networking. Entirely designed by and for us, the Compass programs are delivered in partnership with the best-ranked business schools in the world and offered across all areas and levels within the Company.

aGO: Amplifon Onboarding Program

aGO is Amplifon's Global Onboarding Program thanks to which, every year, 50 international colleagues have the opportunity to increase their understanding of our truly global and cross-functional approach to business, meet our Executives and network.

Recognizing excellence

The High Achievers Club

Each year, based on performance monitoring, high-achievers will be invited to join their country's Club. Members receive excellent benefits, from networking opportunities to special event access.

CHA
Charles Holland Award

The Charles Holland Award

It is the highest recognition that can be achieved by a store team within Amplifon. The international award is based on 5 pillars: customer care, innovation, growth, teamwork and productivity, which every year allow us to identify the winning shops. Only 50 out of our over 4,000 stores worldwide stand out for their excellent performance and services and become part of Amplifon's history.

Social role

A virtuous cycle for the community

Providing hearing solutions and services is in itself an important contribution to the community as hearing is of paramount importance to the quality of people's lives.

We actively contribute to social wellbeing: being able to hear is essential at any age as it allows the development of oral communication skills, speech comprehension, the ability to interact with others and, therefore, has strong implications for integration and the right to quality of life and safety.

We are fully committed to spreading accurate information on hearing health and preventive education, as a well-informed society can improve people's quality of life and have a positive effect on society, in general. For this reason, all the Group's companies promote and support various social initiatives and public awareness campaigns also in partnership with other institutions.

Miracle-Ear Foundation

We believe everybody deserves high quality hearing solutions and services, that is why in the US the Miracle-Ear Foundation® provides hearing aids, follow-up care, and educational resources to people with hearing loss who do not have the financial resources needed to meet their hearing health needs. It also supports ongoing programs including Gift of Sound™ hearing aid program, Hear Again™ hearing aid recycling program, One Day Without Sound™ noise induced hearing loss awareness campaign. Since 1990 the Miracle-Ear Foundation® has donated more than 13,000 hearing aids in the U.S.A.

2,700	150,000	+28%
hearing solutions donated in 2016	hearing protection kits distributed in 2016	recycled hearing aids vs. 2015

Our commitment to all stakeholders

Our people

We firmly believe that it's only through strong investment in talent engagement, continuous professional development, support and recognition that our people can go ‘above and beyond’ and build a fulfilling career.

Our customers

We improve people’s quality of life by offering customized solutions and ongoing support. We are committed to giving back the joy of hearing, enriching people’s personal and social experiences, so that they can enjoy life to its fullest.

The community

We are fully committed to promoting the wellness culture, to spreading accurate information on hearing health and to continually evolving the efficiency of hearing solutions. We believe that more knowledgeable people respond more promptly to hearing loss and live better.

The medical community

Through the Amplifon Centre for Research and Studies (CRS), we disseminate the advances in the fields of audiology and otolaryngology, in addition to supporting the professional development of doctors, hearing care professionals and speech therapists.

Our partners

Our know-how, attitude for listening and expertise in hearing solutions and services generate positive synergies with our main partners, always aiming at improving customers’ experience.

Our shareholders

The results we deliver year after year vouch not only for our global leadership and our continued growth, but also for our commitment to our Shareholders ensuring solid returns to their investments.

The CRS

Centro ricerche e studi Amplifon

For over 40 years, through the CRS, we have been a specialized partner for the scientific community, supporting the development of doctors, hearing care professionals and speech therapists.

Founded by Charles Holland in 1971, to promote clinical research and disseminate information on the advances and new developments in the fields of audiology and otology, today the CRS is an international point of reference in the hearing care industry.

Projects

International research projects in partnership with prominent European institutions:

- AHEAD (Advancement of Hearing Assessment Methods & Devices)
- I e II, HEAR (Hereditary Deafness Epidemiology And Clinical Research)
- GENDEAF (Genetic Deafness), as a coordinator for the European Commission

Training

Training courses and scientific congresses:

- Over 700 events from 1971 to 2016
- 100-150 participants on average per event

Awards

- CRS International Award, presented to scholars for their contribution to the development in the fields of audiology and otology
- Best Italian thesis in ENT, Audiology and Speech Therapy

Editorial activities

- Developing and disseminating specialized publications
- Running a major audiology and otolaryngology library for professionals, researchers and students

Consensus Paper

Developed thanks to the CRS, it is Amplifon's most important initiative focused on increasing public awareness. The Consensus Paper is a short scientific paper, written for the general public, which addresses a specific topic of hearing each year which is commented and further explored by the most important international experts on the subject.

Hearing and the elderly
2011

2012
Hearing and children

Hearing and cognition
2013

2014
Hearing and diabetes

The effect of noise worldwide
2015

Amplifon's first steps towards a Sustainability Report

As the global leader in hearing solutions and services, we know we play a significant role in improving the quality of life of our customers, employees, and society in general.

Our stakeholders, and Amplifon itself, want us to deliver services and experiences that go beyond expectations. To this end, in 2016 we took the first steps from our existing commitments to our stakeholders to develop a global program for Corporate Social Responsibility (CSR) in order to establish CSR reporting processes in accordance with the Global Reporting Initiative (GRI) and report on sustainability matters each year.

Corporate bodies

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, adhered to by Amplifon in both its original version issued in 2001 and the subsequent version issued in December 2011.

A detailed description is available in the 'Report on Corporate Governance and Ownership Structure'.

Board of Directors

Role	Name	Executive	Non Executive	Independent[1]	R.C.S.C.[2]	R.A.C.[3]
Chairperson	**Susan Carol Holland**		•		•	•
CEO	**Enrico Vita**	•				
Director	**Andrea Casalini**		•	•		•
Director	**Alessandro Cortesi**[4]		•	•	•	
Director	**Maurizio Costa**		•	•		•
Director	**Laura Donnini**		•	•	•	
Director	**Maria Patrizia Grieco**		•	•		•
Director	**Lorenzo Pozza**		•	•	•	
Director	**Giovanni Tamburi**		•	•		

The Board of Directors was appointed by the Shareholders' Meeting held on April 18th, 2016 and will remain in office until the publication of the Financial Statements at December 31st, 2018. The Curricula Vitae of the members of the Board of Directors are available on the website: Amplifon.com/corporate.

[1] Directors that declare they qualify as independent as defined under current law and in the Italian Stock Exchange Corporate Governance Code.

[2] R.C.S.C.: Members of the Risk, Control and Sustainability Committee.

[3] R.A.C.: Members of the Remuneration and Appointment Committee.

[4] Director appointed by the minority shareholders and independent pursuant to the Corporate Governance Code for Listed Companies established by the Corporate Governance Committee for Listed Companies promoted by Borsa Italiana S.p.A..

The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on April, 21st, 2015 and will remain in office until the Shareholders' Meeting convene to approve the Financial Statements at December 31st, 2017.

[5] Member of the Supervisory Board expressed by the minority list.

Board of Statutory Auditors

Role	Name
Chairperson	**Raffaella Pagani**[5]
Standing auditor	**Maria Stella Brena**
Standing auditor	**Emilio Fano**
Alternate auditor	**Alessandro Grange**[5]
Alternate auditor	**Claudia Mezzabotta**

Risk, Control & Sustainability Committee

Role	Name
Chairperson	**Lorenzo Pozza**
Member	**Susan Carol Holland**
Member	**Alessandro Cortesi**
Member	**Laura Donnini**

Remuneration & Appointment Committee

Role	Name
Chairperson	**Maurizio Costa**
Member	**Susan Carol Holland**
Member	**Andrea Casalini**
Member	**Maria Patrizia Grieco**

Related Parties Transactions Committee

Role	Name
Chairperson	**Andrea Casalini**
Member	**Laura Donnini**
Member	**Giovanni Tamburi**

Supervisory Board

Role	Name
Chairperson	**Lorenzo Pozza**
Member	**Laura Donnini**
Member	**Paolo Tacciaria** (Head of Internal Audit)

Lead Independent Director

Lorenzo Pozza

Head of Internal Audit

Paolo Tacciaria

Executive responsible for financial reporting

Ugo Giorcelli*

Secretary of the Board of Directors

Luigi Colombo

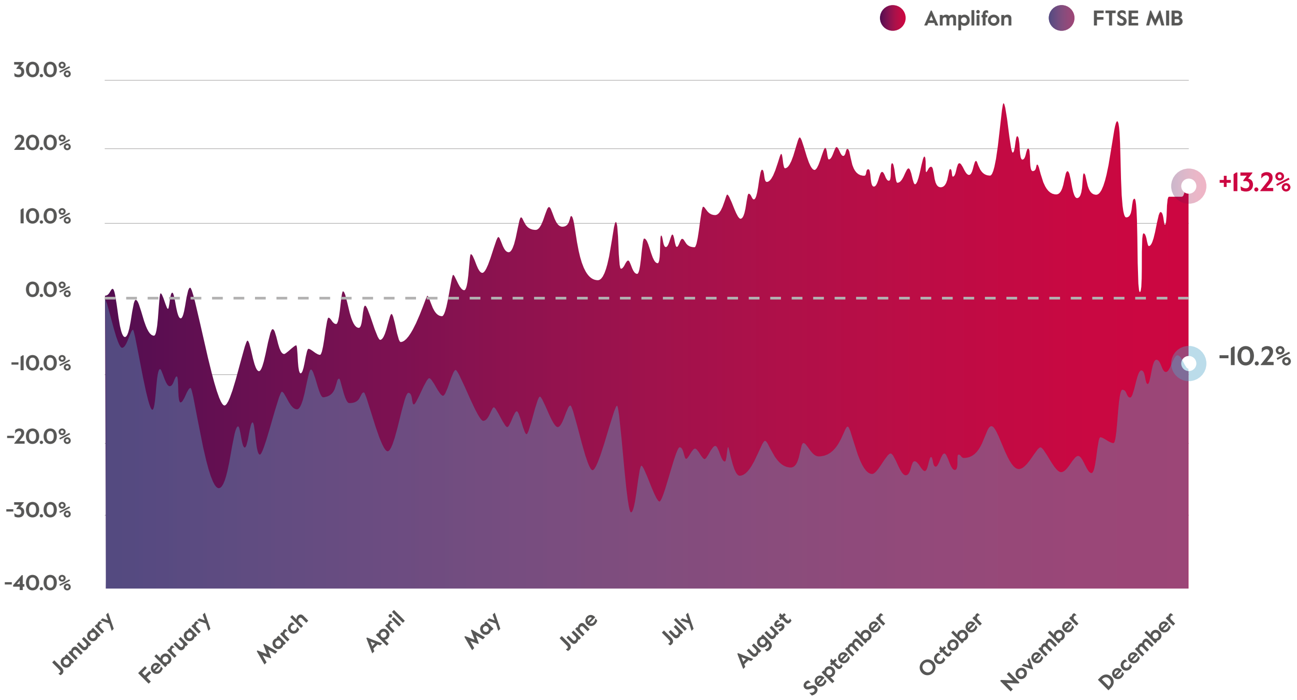
External auditors

PricewaterhouseCoopers S.p.A.

* The Board of Directors during its meeting on February, 28th, 2017 appointed Gabriele Galli Executive responsible for financial reporting effective March1st, 2017, date of his appointment as Chief Financial Officer.

Report for Investors

Amplifon in the stock exchange



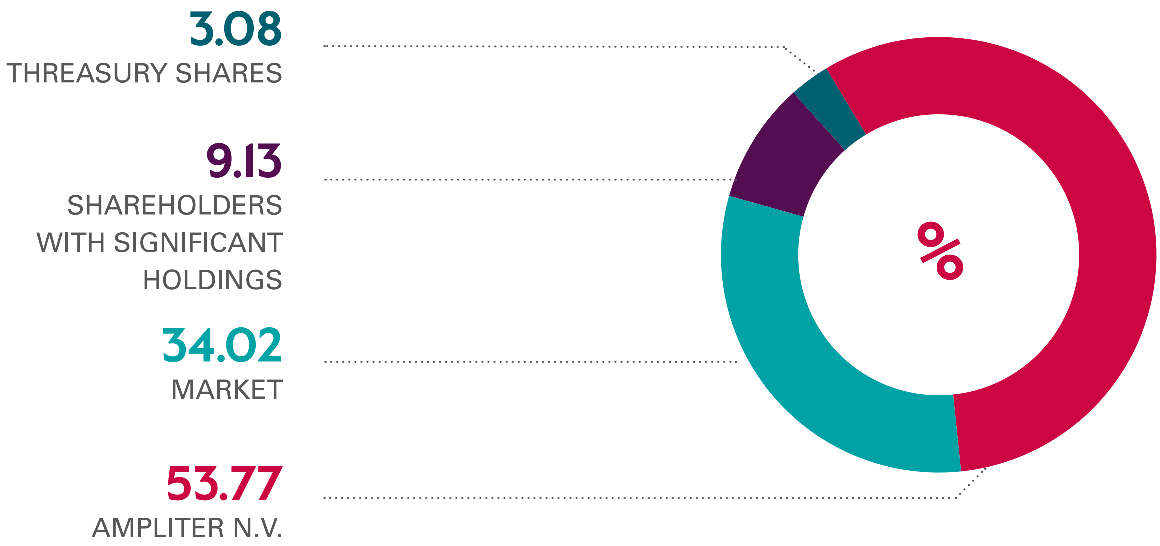
Key share data

Stock exchange	**MTA-STAR**	Nominal value	**€0.02**
Bloomberg ticker	**AMP:IM**	Average price[3]	**€8.458**
Share capital[1]	**€4,524**	Average volumes[3]	**527,019**
N° of shares outstanding[2]	**219,252,051**	Market capitalization[1]	**€2,047**

[1] At 31/12/2016, in million Euros
[2] Treasury shares excluded
[3] Last 12 months

Shareholding

Shareholder structure as of December 31st, 2016*



* The percentage refer to the share capital on December 31st, 2016 and to the shareholdings at the moment of the communication to Consob as provided for by the art. 120 of T.U.F.

Increased voting rights

The possibility of exercising increased voting rights, adopted by the Extraordinary Shareholders' Meeting held on January 29th, 2015, was established with a view to pursuing stability and loyalty of the shareholder base, and reflects the changes made to Corporate Law introduced in Article 20 of Legislative Decree 91 dated June 24th, 2014 (the "Competitiveness Decree"), which gives shareholders the option to obtain increased voting rights equal to two votes for each share held for at least 24 consecutive months from the registration date shown in the shareholder register prepared by the Company in accordance with current law and regulations. On December 31st, 2016, there were 113,545,051 registered shares (51.79% of the Company's voting capital), of which 112,547,280 shares (51.33% of the voting capital) owned by the majority shareholder Ampliter N.V..

Relations with the financial community

Stock coverage

As of December 31st, 2016 the stock was covered by 16 brokers who actively followed the company, published specific research and analyses, and issued generally positive recommendations.

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

Conference call

Amplifon organizes conference calls with the financial community (analysts and institutional investors) for the release of its annual, half-year and quarterly results. On March 17th, 2016 Amplifon also organized an Analyst & Investor Day during which the management team shared with the financial community its strategies, business objectives, growth opportunities and aspirations for the three-year period 2016-2018.

Roadshow

In 2016, the Company's management team - Chief Executive Officer and Chief Financial Officer - and Investor Relator organized several roadshows in the main global financial markets: London, Paris, Copenhagen, New York, Boston, Chicago, Toronto, Milano, Zurich, Geneva, Frankfurt, Munich, Lisbon and Amsterdam.

Conferences

Throughout the year the Company's management team - Chief Executive Officer and Chief Financial Officer - and Investor Relator attended numerous international healthcare conferences organized by primary institutions such as BofA Merrill Lynch Global, Commerzbank and Nordea; as well as conferences for Italian and/or medium sized companies organized by J.P. Morgan, Sanford Bernstein, Goldman Sachs, Unicredit, Kepler Cheuvreux, Mediobanca and Borsa Italiana with the support of Intermonte, Equita SIM and Banca IMI.

Report on Operations at 31 December 2016

Report on Operations at 31 December 2016

Comments on the Financial Results

In 2016 the Amplifon Group achieved for the second consecutive record year results thanks to the excellent performance recorded in all geographic areas in which it operates. It continues, in fact, the strong organic growth which, accompanied by the continued expansion of the network in strategic markets, has significantly contributed to increasing the Group's profitability.

Specifically, the year closed with total revenues of €1,133.1 million (+ 9.6% compared to 2015), profitability (EBITDA) amounted to €186.9 million (+13.1% compared to 2015) and a net profit of €63.6 million, with reference to recurring operations rose to €70.8 million, an increase of 34.2% over the previous year.

Revenue performance

In 2016 revenue from sales and services reached a record level of €1,133,097 thousand, an increase of 9.6% on the prior record set in 2015 (€1,033,977 thousand). This important result was achieved thanks mainly to continuous organic growth, comprehensive of the effect of new openings, which came to €76,217 thousand (+7.4%), along with acquisitions which contributed €30,870 thousand (+3.0%). Exchange differences had a negative impact of €7,967 thousand (-0.8%).

All the geographic areas contributed to the growth in sales. More in detail:

- in Europe, the Middle East and Africa a boost from strong organic growth (comprehensive of the effect of new openings), along with the acquisitions made mainly in Germany and France, caused revenue to increase by 9.5% at current exchange rates and by 10.5% at constant exchange rates compared to the prior year;
- in the Americas revenue rose 8.3% primarily in the second part of the year thanks in particular to higher investments in marketing;
- in Asia-Pacific sales were up 10.9% at current exchange rates and 11.6% at constant exchange rates.

Profit performance

The growth in revenue resulted in a significant increase in profitability across all the Group's geographies. Gross operating profit (EBITDA) amounted to a record €186,859 thousand, an increase of €21,682 thousand against the prior year (+13.1%). Net of the exchange differences, which had a positive impact of some €441 thousand in 2016, and non-recurring costs which amounted to €2,502 thousand in 2016 versus €2,186 thousand in 2015, the rise in EBITDA reaches €21,557 thousand (+12.9%). The recurring EBITDA margin reached 16.7%, an increase of 0.5 percentage points against 2015.

Changes in net debt

The Group's financial structure continues to be extremely solid with recurring free cash flow reaching €85,561 thousand (€88,896 thousand in 2015) after absorbing capital expenditure which was €14,413 thousand higher than in the comparison period. Net financial indebtedness came to €224,421 thousand at 31 December 2016, a slight increase of €19,510 thousand with respect to 31 December 2015 which is the direct consequence of the acquisitions made in the period (€79,355 thousand), the payment of dividends to shareholders in the second quarter (€9,427 thousand), the purchase of treasury shares net of the proceeds from the exercise of stock options (€16,145 thousand) and the non-recurring costs incurred for an acquisition which was not completed (€2,502 thousand).

At 31 December 2016 gross debt amounted to €408,255 thousand, €379,566 thousand of which long-term. Cash and cash equivalents of €183,834 thousand and the €277 million in available credit lines, €165 million of which irrevocable and expiring year-end 2021, ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

Consolidated Income Statement

(€ thousands)	FY 2016				FY 2015				
	Recurring	Non recurring (*)	Total	% on recurring	Recurring	Non recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	1,133,097	-	1,133,097	100.0%	1,033,977	-	1,033,977	100.0%	9.6%
Operating costs	(942,279)	-	(942,279)	-83.2%	(868,861)	(6,792)	(875,653)	-84.0%	8.4%
Other costs and revenues	(1,457)	(2,502)	(3,959)	-0.1%	2,247	4,606	6,853	0.2%	-164.8%
Gross operating profit (EBITDA)	**189,361**	**(2,502)**	**186,859**	**16.7%**	**167,363**	**(2,186)**	**165,177**	**16.2%**	**13.1%**
Depreciation and write-downs of non-current assets	(38,967)	-	(38,967)	-3.4%	(38,993)	(238)	(39,231)	-3.8%	-0.1%
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**150,394**	**(2,502)**	**147,892**	**13.3%**	**128,370**	**(2,424)**	**125,946**	**12.4%**	**17.2%**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(15,354)	(5,489)	(20,843)	-1.4%	(12,320)	(2,620)	(14,940)	-1.2%	24.6%
Operating profit (EBIT)	**135,040**	**(7,991)**	**127,049**	**11.9%**	**116,050**	**(5,044)**	**111,006**	**11.2%**	**16.4%**
Income, expenses, valuation and adjustments of financial assets	432	-	432	0.0%	334	1,253	1,587	0.0%	29.3%
Net financial expenses	(18,953)	-	(18,953)	-1.7%	(20,871)	(2,854)	(23,725)	-2.0%	-9.2%
Exchange differences and non hedge accounting instruments	(1,157)	-	(1,157)	-0.1%	(771)	-	(771)	-0.1%	50.1%
Profit (loss) before tax	**115,362**	**(7,991)**	**107,371**	**10.2%**	**94,742**	**(6,645)**	**88,097**	**9.2%**	**21.8%**
Current tax	(45,042)	785	(44,257)	-4.0%	(41,366)	2,053	(39,313)	-4.0%	8.9%
Deferred tax	662	-	662	0.1%	(675)	(1,397)	(2,072)	-0.1%	-198.1%
Net profit (loss)	**70,982**	**(7,206)**	**63,776**	**6.3%**	**52,701**	**(5,989)**	**46,712**	**5.1%**	**34.7%**
Profit (loss) of minority interests	156	-	156	0.0%	(93)	-	(93)	0.0%	-267.7%
Net profit (loss) attributable to the Group	**70,826**	**(7,206)**	**63,620**	**6.3%**	**52,794**	**(5,989)**	**46,805**	**5.1%**	**34.2%**

(*) See table on page 57 for details of non-recurring transactions.

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

(€ thousands)	Q4 2016				Q4 2015				
	Recurring	Non recurring (*)	Total	% on recurring	Recurring	Non recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	329,156	-	329,156	100.0%	300,229	-	300,229	100.0%	9.6%
Operating costs	(261,242)	-	(261,242)	-79.4%	(241,968)	-	(241,968)	-80.6%	8.0%
Other costs and revenues	(181)	-	(181)	-0.1%	822	2,590	3,412	0.3%	-122.0%
Gross operating profit (EBITDA)	**67,733**	**-**	**67,733**	**20.6%**	**59,083**	**2,590**	**61,673**	**19.7%**	**14.6%**
Depreciation and write-downs of non-current assets	(11,753)	-	(11,753)	-3.6%	(12,193)	(238)	(12,431)	-4.1%	-3.6%
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**55,980**	**-**	**55,980**	**17.0%**	**46,890**	**2,352**	**49,242**	**15.6%**	**19.4%**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(3,982)	(5,489)	(9,471)	-1.2%	(1,116)	(2,620)	(3,736)	-0.4%	256.8%
Operating profit (EBIT)	**51,998**	**(5,489)**	**46,509**	**15.8%**	**45,774**	**(268)**	**45,506**	**15.2%**	**13.6%**
Income, expenses, valuation and adjustments of financial assets	154	-	154	0.0%	116	-	116	0.0%	32.8%
Net financial expenses	(4,967)	-	(4,967)	-1.5%	(5,202)	-	(5,202)	-1.7%	-4.5%
Exchange differences and non hedge accounting instruments	(976)	-	(976)	-0.3%	373	-	373	0.1%	-361.7%
Profit (loss) before tax	**46,209**	**(5,489)**	**40,720**	**14.0%**	**41,061**	**(268)**	**40,793**	**13.7%**	**12.5%**
Current tax	(14,584)	-	(14,584)	-4.4%	(15,086)	1,305	(13,781)	-5.0%	-3.3%
Deferred tax	(1,797)	-	(1,797)	-0.5%	(2,428)	(3,031)	(5,459)	-0.8%	-26.0%
Net profit (loss)	**29,828**	**(5,489)**	**24,339**	**9.1%**	**23,547**	**(1,994)**	**21,553**	**7.8%**	**26.7%**
Profit (loss) of minority interests	56	-	56	0.0%	71	-	71	0.0%	-21.1%
Net profit (loss) attributable to the Group	**29,772**	**(5,489)**	**24,283**	**9.0%**	**23,476**	**(1,994)**	**21,482**	**7.8%**	**26.8%**

(*) See table on page 57 for details of non-recurring transactions.

The details of the non-recurring transactions included in the previous tables are shown below.

(€ thousands)	FY 2016	FY 2015	Q4 2016	Q4 2015
Advisory fees and expenses related to an acquisition process which was not completed	(2,502)	-	-	-
Expenses linked to the transition in the Group's leadership	-	(6,792)	-	-
Restructuring costs incurred in the Netherlands	-	(943)	-	(415)
Income generated in the United States as a result of early termination of commercial partnership and compensation for damages related to unfair competition	-	3,062	-	518
Income recognized in India following the cancellation of the earn-out related to the 2012 acquisition of the Beltone stores	-	2,487	-	2,487
Impact of the non-recurring items on EBITDA	**(2,502)**	**(2,186)**	**-**	**2,590**
Partial write-down of goodwill recognized in UK in 2006 with the acquisition of the Ultravox Group	(5,489)	-	(5,489)	-
Goodwill impairment recognized in India	-	(2,620)	-	(2,620)
Write-down of the residual assets of restructured stores in the Netherlands	-	(238)	-	(238)
Impact of the non-recurring items on EBIT	**(7,991)**	**(5,044)**	**(5,489)**	**(268)**
Make whole payment for advanced repayment of the 2006-2016 private placement	-	(4,289)	-	-
Income generated in the United States by eliminating the discounting of receivables entirely repaid by a partner following early termination of the commercial partnership	-	1,435	-	-
Income recognized in New Zealand following the acquisition of 100% of Dilworth Hearing Ltd (already 40% held) pursuant to IFRS 3R related to the accounting of step up acquisitions	-	1,253	-	-
Impact of the non-recurring items pre-tax	**(7,991)**	**(6,645)**	**(5,489)**	**(268)**
Impact of the above items on the taxes for the year	785	2,349	-	(33)
Write-down of deferred tax assets recognized in following change in IRES (corporate income tax) tax rate from 27.5% to 24%, effective as of 2017, as approved by the Parliament in December 2015	-	(1,693)	-	(1,693)
Impact of the non-recurring items on total net result	**(7,206)**	**(5,989)**	**(5,489)**	**(1,994)**

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)	31/12/2016	31/12/2015	Change
Goodwill	635,132	572,150	62,982
Non-competition agreements, trademarks, customer lists and lease rights	110,401	98,115	12,286
Software, licences, other intangible fixed assets , fixed assets in progress and advances	51,505	43,298	8,207
Tangible assets	119,794	102,675	17,119
Financial fixed assets (1)	45,271	42,326	2,945
Other non-current financial assets (1)	6,214	4,236	1,978
Non-current assets	**968,317**	**862,800**	**105,517**
Inventories	31,370	28,956	2,414
Trade receivables	127,278	111,727	15,551
Other receivables	42,162	34,068	8,094
Current assets (A)	**200,810**	**174,751**	**26,059**
Operating assets	**1,169,127**	**1,037,551**	**131,576**
Trade payables	(131,181)	(113,343)	(17,838)
Other payables (2)	(121,037)	(110,410) (*)	(10,627)
Provisions for risks and charges (current portion)	(2,346)	(1,646) (*)	(700)
Current liabilities (B)	**(254,564)**	**(225,399) (*)**	**(29,165)**
Net working capital (A) - (B)	**(53,754)**	**(50,648) (*)**	**(3,106)**
Derivative instruments (3)	(10,212)	(6,988)	(3,224)
Deferred tax assets	40,744	40,743	1
Deferred tax liabilities	(62,405)	(55,695)	(6,710)
Provisions for risks and charges (non-current portion)	(59,341)	(50,053) (*)	(9,288)
Liabilities for employees’ benefits (non-current portion)	(16,609)	(15,572)	(1,037)
Loan fees (4)	1,468	2,197	(729)
Other non-current payables	(26,127)	(21,708) (*)	(4,419)
NET INVESTED CAPITAL	**782,081**	**705,076**	**77,005**
Group net equity	557,371	499,471	57,900
Minority interests	289	694	(405)
Total net equity	**557,660**	**500,165**	**57,495**
Net medium and long-term financial indebtedness (4)	379,566	382,542	(2,976)
Net short-term financial indebtedness (4)	(155,145)	(177,631)	22,486
Total net financial indebtedness	**224,421**	**204,911**	**19,510**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**782,081**	**705,076**	**77,005**

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 item “Net medium and long-term financial indebtedness”;

(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.

(*) Pursuant to IAS 8, the comparative figures have been reclassified as shown in the following table.

(€ thousands)	31/12/2015 Revised	31/12/2015 Reported	Change
Other payables	(110,410)	(131,432)	21,022
Provisions for risks and charges (current portion)	(1,646)	(1,378)	(268)
Provisions for risks and charges (non-current portion)	(50,053)	(48,407)	(1,646)
Other non-current payables	(21,708)	(2,600)	(19,108)
Total	**(183,817)**	**(183,817)**	-

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 2016	FY 2015
Operating profit (EBIT)	**127,049**	**111,006**
Amortization, depreciation and write down	59,810	54,170
Provisions, other non-monetary items and gain/losses from disposals	22,997	23,944
Net financial expenses	(18,672)	(23,055)
Taxes paid	(40,539)	(38,242)
Changes in net working capital	(7,023)	326
Cash flow generated from (absorbed by) operating activities (A)	**143,622**	**128,149**
Cash flow generated from (absorbed by) operating investing activities (B)	(61,145)	(38,419)
Free cash flow (A+B)	**82,477**	**89,730**
Cash flow generated from (absorbed by) business combinations (C)	(79,355)	(41,073)
(Purchase) sale of other investments, securities and reductions of earn outs (D)	34	9,423
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(140,466)**	**(70,069)**
Cash flow generated from (absorbed by) operating and investing activities	**3,156**	**58,080**
Dividends	(9,427)	(9,356)
Fees paid on medium/long-term financing	(322)	-
Treasury shares	(18,841)	(6,601)
Capital increases, third parties contributions, dividends paid to third parties by subsidiaries	2,349	4,206
Hedging instruments and other changes in non-current assets	(305)	(2,015)
Net cash flow from the period	**(23,390)**	**44,314**
Net financial indebtedness at the beginning of the period	**(204,911)**	**(248,417)**
Effect of the exchange rate fluctuations on the net financial position	3,880	(808)
Change in net financial position	(23,390)	44,314
Net financial indebtedness at the end of the period	**(224,421)**	**(204,911)**

The impact of non-recurring transactions on free cash flow in the period is shown in the following table.

(€ thousands)	FY 2016	FY 2015
Free cash flow	**82,477**	**89,730**
Free cash flow generated by non recurring transactions (see page 88 for details)	(3,084)	834
Free cash flow generated by recurring transactions	**85,561**	**88,896**

Indicators

	31/12/2016	31/12/2015
Net financial indebtedness (€ thousands)	224,421	204,911
Net Equity (€ thousands)	557,660	500,165
Group Net Equity (€ thousands)	557,371	499,471
Net financial indebtedness/Net Equity	0.40	0.41
Net financial indebtedness/Group Net Equity	0.40	0.41
Net financial indebtedness/EBITDA	1.17	1.21
EBITDA/Net financial charges	11.19	7.93
Earnings per share (EPS) (€)	0.29008	0.21465
Diluted EPS (€)	0.28262	0.20812
Earnings per share – Recurring operations (EPS) (€)	0.32293	0.24212
Diluted EPS – Recurring operations (€)	0.31463	0.23475
Group Net Equity per share (€)	2.542	2.278
Dividend per share (DPS) (€) (*)	0.070	0.043
Pay-out ratio (%) (*)	24.13%	20.03%
Dividend yield (%) (*)	0.77%	0.54%
Period-end price	9.050	7.995
Highest price in period (€)	10.080	8.015
Lowest price in period (€)	6.710	4.824
Price/earnings ratio (P/E)	31.20	37.25
Price/earnings ratio (P/E) – Recurring operations	28.02	33.02
Share price/net equity per share	3.560	3.509
Market capitalisation (€ millions)	2,047.22	1,752.78
Number of shares outstanding	219,252,051	219,233,947

(*) values determined based on the dividend proposed by the Board of Directors at the Shareholders General Meeting convened for 20 April 2017

- 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 Segment and Geographic Area (*)

(€ thousands)	FY 2016					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	753,717	214,881	162,947	1,552	-	1,133,097
Operating costs	(625,856)	(175,970)	(113,801)	(26,652)	-	(942,279)
Other costs and revenues	(1,188)	(160)	(71)	(2,540)	-	(3,959)
Gross operating profit (EBITDA)	**126,673**	**38,751**	**49,075**	**(27,640)**	**-**	**186,859**
Depreciation and write-downs of non-current assets	(26,442)	(3,868)	(4,940)	(3,717)	-	(38,967)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**100,231**	**34,883**	**44,135**	**(31,357)**	**-**	**147,892**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(13,230)	(569)	(6,453)	(591)	-	(20,843)
Operating profit (EBIT)	**87,001**	**34,314**	**37,682**	**(31,948)**	**-**	**127,049**
Income, expenses, valuation and adjustments of financial assets						432
Net financial expenses						(18,953)
Exchange differences and non hedge accounting instruments						(1,157)
Profit (loss) before tax						**107,371**
Current tax						(44,257)
Deferred tax						662
Net profit (loss)						**63,776**
Profit (loss) of minority interests						156
Net profit (loss) attributable to the Group						**63,620**

(€ thousands)	FY 2016 - Only recurring operations					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	753,717	214,881	162,947	1,552	-	1,133,097
Gross operating profit (EBITDA)	126,673	38,751	49,075	(25,138)	-	189,361
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	100,231	34,883	44,135	(28,855)	-	150,394
Operating profit (EBIT)	92,490	34,314	37,682	(29,446)	-	135,040
Profit (loss) before tax						115,362
Net profit (loss) attributable to the Group						70,826

(*) For the purposes of reporting on economic data by geographic area, please note that the Corporate structures are included in EMEA.

(€ thousands)	FY 2015					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	688,057	198,494	146,897	529	-	1,033,977
Operating costs	(584,907)	(161,460)	(101,364)	(27,922)	-	(875,653)
Other costs and revenues	711	4,005	2,070	67	-	6,853
Gross operating profit (EBITDA)	**103,861**	**41,039**	**47,603**	**(27,326)**	**-**	**165,177**
Depreciation and write-downs of non-current assets	(24,381)	(3,860)	(7,603)	(3,387)	-	(39,231)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**79,480**	**37,179**	**40,000**	**(30,713)**	**-**	**125,946**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(7,844)	(640)	(6,456)	-	-	(14,940)
Operating profit (EBIT)	**71,636**	**36,539**	**33,544**	**(30,713)**	**-**	**111,006**
Income, expenses, valuation and adjustments of financial assets						1,587
Net financial expenses						(23,725)
Exchange differences and non hedge accounting instruments						(771)
Profit (loss) before tax						**88,097**
Current tax						(39,313)
Deferred tax						(2,072)
Net profit (loss)						**46,712**
Profit (loss) of minority interests						(93)
Net profit (loss) attributable to the Group						**46,805**

(€ thousands)	FY 2015 - Only recurring operations					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	688,057	198,494	146,897	529	-	1,033,977
Gross operating profit (EBITDA)	104,803	37,977	45,117	(20,534)	-	167,363
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	80,661	34,117	37,513	(23,921)	-	128,370
Operating profit (EBIT)	72,817	33,477	33,677	(23,921)	-	116,050
Profit (loss) before tax						94,742
Net profit (loss) attributable to the Group						52,794

(€ thousands)	Q4 2016					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	227,210	57,874	43,180	892	-	329,156
Operating costs	(175,046)	(47,584)	(30,638)	(7,974)	-	(261,242)
Other costs and revenues	(105)	(80)	46	(42)	-	(181)
Gross operating profit (EBITDA)	**52,059**	**10,210**	**12,588**	**(7,124)**	**-**	**67,733**
Depreciation and write-downs of non-current assets	(8,263)	(1,017)	(1,473)	(1,000)	-	(11,753)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**43,796**	**9,193**	**11,115**	**(8,124)**	**-**	**55,980**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(7,417)	(159)	(1,673)	(222)	-	(9,471)
Operating profit (EBIT)	**36,379**	**9,034**	**9,442**	**(8,346)**	**-**	**46,509**
Income, expenses, valuation and adjustments of financial assets						154
Net financial expenses						(4,967)
Exchange differences and non hedge accounting instruments						(976)
Profit (loss) before tax						**40,720**
Current tax						(14,584)
Deferred tax						(1,797)
Net profit (loss)						**24,339**
Profit (loss) of minority interests						56
Net profit (loss) attributable to the Group						**24,283**

(€ thousands)	Q4 2016 - Only recurring operations					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	227,210	57,874	43,180	892	-	329,156
Gross operating profit (EBITDA)	52,059	10,210	12,588	(7,124)	-	67,733
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	43,796	9,193	11,115	(8,124)	-	55,980
Operating profit (EBIT)	41,868	9,034	9,442	(8,346)	-	51,998
Profit (loss) before tax						46,209
Net profit (loss) attributable to the Group						29,772

(€ thousands)	Q4 2015					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	210,350	53,447	36,071	361	-	300,229
Operating costs	(164,801)	(44,514)	(25,450)	(7,203)	-	(241,968)
Other costs and revenues	183	914	2,286	29	-	3,412
Gross operating profit (EBITDA)	**45,732**	**9,847**	**12,907**	**(6,813)**	**-**	**61,673**
Depreciation and write-downs of non-current assets	(6,439)	(932)	(4,153)	(907)	-	(12,431)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**39,293**	**8,915**	**8,754**	**(7,720)**	**-**	**49,242**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(2,024)	(142)	(1,570)	-	-	(3,736)
Operating profit (EBIT)	**37,269**	**8,773**	**7,184**	**(7,720)**	**-**	**45,506**
Income, expenses, valuation and adjustments of financial assets						116
Net financial expenses						(5,202)
Exchange differences and non hedge accounting instruments						373
Profit (loss) before tax						**40,793**
Current tax						(13,781)
Deferred tax						(5,459)
Net profit (loss)						**21,553**
Profit (loss) of minority interests						71
Net profit (loss) attributable to the Group						**21,482**

(€ thousands)	Q4 2015 - Only recurring operations					
	EMEA	Americas	Asia Pacific	Corporate	Elim.	Total
Revenues from sales and services	210,350	53,447	36,071	361	-	300,229
Gross operating profit (EBITDA)	46,148	9,329	10,420	(6,814)	-	59,083
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	39,946	8,397	6,267	(7,720)	-	46,890
Operating profit (EBIT)	37,922	8,255	7,317	(7,720)	-	45,774
Profit (loss) before tax						41,061
Net profit (loss) attributable to the Group						23,476

Revenues from sales and services

(€ thousands)	FY 2016	FY 2015	Change	Change %
Revenues from sales and services	**1,133,097**	**1,033,977**	**99,120**	**9.6%**

(€ thousands)	Q4 2016	Q4 2015	Change	Change %
Revenues from sales and services	**329,156**	**300,229**	**28,927**	**9.6%**

In 2016 revenue from sales and services reached a record level of €1,133,097 thousand, an increase of 9.6% on the prior record set in 2015 (€1,033,977 thousand). This important result was achieved thanks mainly to continuous organic growth, comprehensive of the effect of new openings, which came to €76,217 thousand (+7.4%), along with acquisitions which contributed €30,870 thousand (+3.0%). Exchange differences had a negative impact of €7,967 thousand (-0.8%).

In the fourth quarter alone, revenue from sales and services amounted to €329,156 thousand, an increase of €28,927 thousand (+9.6%) with respect to the same period of the period year, due primarily to organic growth (comprehensive of the effect of new openings) of €18,105 thousand (+6.0%), acquisitions which contributed €10,004 thousand (+3.3%), while exchange differences had a positive impact of €818 thousand (+0.3%).

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

(€ thousands)	FY 2016	%	FY 2015	%	Change	Change %	Exchange diff.	Change % in local currency
EMEA	753,717	66.5%	688,057	66.5%	65,660	9.5%	(7,166)	10.5%
Americas	214,881	19.0%	198,494	19.2%	16,387	8.3%	95	8.2%
Asia Pacific	162,947	14.4%	146,897	14.2%	16,050	10.9%	(896)	11.6%
Corporate	1,552	0.1%	529	0.1%	1,023	193.4%	-	-
Total	**1,133,097**	**100.0%**	**1,033,977**	**100.0%**	**99,120**	**9.6%**	**(7,967)**	**10.4%**

Europe, Middle - East and Africa

Period (€ thousands)	2016	2015	Change	Change %	Change % in local currency
I quarter	169,899	151,505	18,394	12.1%	12.6%
II quarter	196,330	179,130	17,200	9.6%	10.6%
I Half Year	**366,229**	**330,635**	**35,594**	**10.8%**	**11.6%**
III quarter	160,278	147,071	13,207	9.0%	10.4%
IV quarter	227,210	210,351	16,859	8.0%	9.1%
II Half Year	**387,488**	**357,422**	**30,066**	**8.4%**	**9.7%**
Total Year	**753,717**	**688,057**	**65,660**	**9.5%**	**10.5%**

Revenue from sales and services amounted to €753,717 thousand in 2016 versus €688,057 thousand in 2015, an increase of €65,660 thousand (+9.5%), explained for €45,657 thousand (+6.6%) by organic growth comprehensive of the effect of new openings, for €27,169 thousand (+3.9%) by acquisitions, while exchange differences had a negative impact of €7,166 thousand (-1.0%).

In Italy the new communication strategy, the new TV campaign, as well as other integrated and digital marketing initiatives helped to achieve new records with strong growth compared to 2015. In France, where the comparison base was very challenging, growth was driven primarily by acquisitions (41 points of sale in 2016 alone). In the Netherlands, thanks to the significant increase in volumes and despite persistent price pressure, the Group's results were largely in line with the prior year. The Group reported an excellent performance in Germany where double digit growth was driven by both acquisitions (110 shops in 2016 alone), as well as solid organic growth. Good organic growth was also reported in the Iberian Peninsula, Switzerland, Belgium, Luxembourg, Hungary, Poland and the United Kingdom (which was then penalized by negative exchange differences). Strong growth in revenue was also recorded in the Middle East and Africa.

In the fourth quarter alone, revenue from sales and services amounted to €227,210 thousand, an increase of €16,859 thousand (+8.0%) against the same period of the prior year, explained for €10,190 thousand (+4.8%) by organic growth comprehensive of the effect of new openings, for €9,123 thousand (+4.3%) by acquisitions, while exchange differences had a negative impact of €2,454 thousand (-1.1%).

The number of stores (direct and indirect) in the EMEA region reached 2,173 at 31 December 2016 compared to 1,999 at the end of the prior year. In addition to the stores (direct and indirect), there are also 3,333 customer contact points (3,172 at 31 December 2015).

Americas

Period (€ thousands)	**2016**	**2015**	**Change**	**Change %**	**Change % in local currency**
I quarter	49,982	46,331	3,651	7.9%	6.2%
II quarter	51,489	49,642	1,847	3.7%	6.3%
I Half Year	**101,471**	**95,973**	**5,498**	**5.7%**	**6.2%**
III quarter	55,536	49,074	6,462	13.2%	13.6%
IV quarter	57,874	53,447	4,427	8.3%	6.7%
II Half Year	**113,410**	**102,521**	**10,889**	**10.6%**	**10.0%**
Total Year	**214,881**	**198,494**	**16,387**	**8.3%**	**8.2%**

Revenue from sales and services reached €214,881 thousand in 2016 versus €198,494 thousand in 2015, an increase of €16,387 thousand (+8.3%) explained for €13,553 thousand (+6.8%) by organic growth comprehensive of the effect of new openings, for €2,739 thousand (+1.4%) by acquisitions, while exchange differences had a positive impact of €95 thousand (+0.1%).

All the Group's businesses in North America recorded positive performances, particularly Miracle Ear which benefitted from greater investments in marketing, including the new TV campaign and new websites, and Amplifon Hearing Health which continued to develop the business generated by the agreements with several premiere insurance companies. The performance of Elite Hearing Network, which in the first part of the year was penalized by a challenging comparison base due to the termination of a contract with a commercial partner, also turned positive in the third quarter. In Canada growth was driven by network expansion and, more specifically, the acquisition in August of 21 Hear More stores in Ontario.
During the period Miracle-Ear also renewed the supply agreement with Sivantos, Inc. for three years effective 1 January 2017.

In the fourth quarter alone revenue from sales and services amounted to €57,874 thousand, an increase of €4,427 thousand (+8.3%) against the same period of the prior year explained for €2,740 thousand (+5.1%) by organic growth comprehensive of the effect of new openings, for €868 thousand (+1.6%) by acquisitions, while exchange differences had a positive impact of €819 thousand (+1.6%).

Amplifon has 58 direct stores in North America, 1,363 franchises and 1,824 wholesale points of sale. In Brazil Amplifon has one directly operated store, 5 franchises and 108 customer contact points. At the end of the previous year there were 27 directly operated stores, 1,310 franchises, 1,687 wholesale points of sale and 74 customer contact points.

Asia Pacific

Period (€ thousands)	**2016**	**2015**	**Change**	**Change %**	**Change % in local currency**
I quarter	34,435	33,455	980	2.9%	11.1%
II quarter	41,642	40,111	1,531	3.8%	11.2%
I Half Year	**76,077**	**73,566**	**2,511**	**3.4%**	**11.2%**
III quarter	43,690	37,260	6,430	17.3%	10.9%
IV quarter	43,180	36,071	7,109	19.7%	12.9%
II Half Year	**86,870**	**73,331**	**13,539**	**18.5%**	**11.9%**
Total Year	**162,947**	**146,897**	**16,050**	**10.9%**	**11.6%**

Revenue from sales and services amounted to €162,947 thousand in 2016 versus €146,897 thousand in 2015, an increase of €16,050 thousand (+10.9%) explained for €15,984 thousand (+10.9%) by organic growth comprehensive of the effect of new openings, for €962 thousand (+0.7%) by acquisitions, while exchange differences had a negative impact of €896 (-0.7%).

In Australia double digit growth in sales was recorded thanks to the constant focus on operating excellence and investments in marketing, while growth in New Zealand was lower due to a particularly challenging comparison base.

In the fourth quarter alone revenue from sales and services amounted to €43,180 thousand, an increase of €7,109 thousand (+19.7%) against the same period of the prior year which reflects €2,453 thousand (+6.8%) in positive exchange differences.

At 31 December 2016 the Group had 280 stores in Asia-Pacific (versus 307 at 31 December 2015), as well as 240 customer contact points (196 at 31 December 2015).

Gross operating profit (EBITDA)

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	189,361	(2,502)	186,859	167,363	(2,186)	165,177

(€ thousands)	Q4 2016			Q4 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	67,733	-	67,733	59,083	2,590	61,673

Gross operating profit (EBITDA) amounted to €186,859 thousand in 2016 (with an EBITDA margin of 16.5%) versus €165,177 thousand in the prior year (and an EBITDA margin of 16.0%), an increase of €21,682 thousand (+13.1%). The EBITDA margin rose 0.5 percentage points (p.p.).

In the fourth quarter alone, the gross operating profit (EBITDA) amounted to €67,733 thousand, an increase of €6,060 thousand (+9.8%) against the fourth quarter of the prior year. The EBITDA margin rose 0.1 p.p. against the comparison period to 20.6%.

The result for the period reflects the non-recurring costs of €2,502 thousand incurred linked to an acquisition which was not completed, while in 2015 net non-recurring costs amounted to €2,186 thousand, related to (i) the change in the Group's leadership (€6,792 thousand), (ii) the restructuring charges incurred in the Netherlands (€942 thousand), (iii) the non-recurring income posted in the United States in the third quarter as a result of the early termination of a franchising contract and damages paid by a former commercial partner for unfair competition (€3,062 thousand) and (iv) income recognized in India following the cancellation of the earn-out linked to the 2012 acquisition of the Beltone stores (€2,486 thousand).
Net of these items and the €441 thousand in positive exchange differences (€1,209 thousand in the fourth quarter alone), the increase comes to €21,557 thousand (+12.9%) against the previous year and to €7,441 thousand (+12.6%) for the fourth quarter alone.

The recurring EBITDA margin came to 16.7% (+0.5 p.p. against the comparison period) and to 20.6% in the fourth quarter alone (+0.9 p.p. against the comparison period).

The following table shows a breakdown of EBITDA by segment.

(€ thousands)	FY 2016	EBITDA Margin	FY 2015	EBITDA Margin	Change	Change %
EMEA	126,673	16.8%	103,861	15.1%	22,812	22.0%
Americas	38,751	18.0%	41,039	20.7%	(2,288)	-5.6%
Asia Pacific	49,075	30.1%	47,603	32.4%	1,472	3.1%
Corporate (*)	(27,640)	-2.4%	(27,326)	-2.6%	(314)	-1.1%
Total	**186,859**	**16.5%**	**165,177**	**16.0%**	**21,682**	**13.1%**

(€ thousands)	Q4 2016	EBITDA Margin	Q4 2015	EBITDA Margin	Change	Change %
EMEA	52,059	22.9%	45,732	21.7%	6,327	13.8%
Americas	10,210	17.6%	9,847	18.4%	363	3.7%
Asia Pacific	12,588	29.2%	12,907	35.8%	(319)	-2.5%
Corporate (*)	(7,124)	-2.2%	(6,813)	-2.3%	(311)	-4.6%
Total	**67,733**	**20.6%**	**61,673**	**20.5%**	**6,060**	**9.8%**

The table below shows the breakdown of the EBITDA by segment with reference to the recurring operations.

(€ thousands)	FY 2016	EBITDA Margin	FY 2015	EBITDA Margin	Change	Change %
EMEA	126,673	16.8%	104,803	15.2%	21,870	20.9%
Americas	38,751	18.0%	37,977	19.1%	774	2.0%
Asia Pacific	49,075	30.1%	45,117	30.7%	3,958	8.8%
Corporate (*)	(25,138)	-2.2%	(20,534)	-2.0%	(4,604)	22.4%
Total	**189,361**	**16.7%**	**167,363**	**16.2%**	**21,998**	**13.1%**

(€ thousands)	FY 2016	EBITDA Margin	FY 2015	EBITDA Margin	Change	Change %
EMEA	52,059	22.9%	46,148	21.9%	5,911	12.8%
Americas	10,210	17.6%	9,329	17.5%	881	9.4%
Asia Pacific	12,588	29.2%	10,420	28.9%	2,168	20.8%
Corporate (*)	(7,124)	-2.2%	(6,814)	-2.3%	(310)	4.5%
Total	**67,733**	**20.6%**	**59,083**	**19.7%**	**8,650**	**14.6%**

(*) The impact of the centralized costs is calculated as a percentage of the Group's total sales.

Europe, Middle - East and Africa

Gross operating profit (EBITDA) amounted to €126,673 thousand in 2016 (with an EBITDA margin of 16.8%) versus €103,861 thousand in the same period of the prior year (and an EBITDA margin of 15.1%), an increase of €22,812 thousand (+22.0%) in absolute terms and of 1.7 p.p. in the EBITDA margin.

In the fourth quarter alone, the gross operating profit (EBITDA) amounted to €52,059 thousand, an increase of €6,327 thousand (+13.8%) against the fourth quarter of the prior year. The EBITDA margin came to 22.9%, an increase of 1.2 p.p. against the comparison period.

Exchange differences had a positive impact on the whole year of €441 thousand and of €252 thousand on the fourth quarter alone.
The result was impacted by non-recurring costs of €942 thousand linked to the restructuring charges incurred in the Netherlands, €416 thousand of which in the fourth quarter alone.
Net of the above mentioned items, the increase against the comparison period reaches €21,429 thousand (+20.4%) for the full year and €5,659 thousand (+12.3%) for the fourth quarter alone.

The recurring EBITDA margin came to 16.8% in 2016 (+1.6 p.p. against 2015) and to 22.9% in the fourth quarter alone (+1.0 p.p. against the fourth quarter of the prior year).

Americas

Gross operating profit (EBITDA) amounted to €38,751 thousand in 2016 (with an EBITDA margin of 18.0%) versus €41,039 thousand in the same period of the prior year (and an EBITDA margin of 20.7%), a decrease of €2,288 thousand (-5.6%) with the EBITDA margin down (-2.7 p.p.) as a result of the increased marketing investments (around 40% compared to 2015) and strengthening of the internal structure dedicated to supporting the network, to accelerate future growth.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €10,210 thousand, an increase of €363 thousand (+3.7%) with respect to the fourth quarter of the prior year. The EBITDA margin fell 0.8 p.p. against the comparison period to 17.6%.

Exchange differences had a positive impact of €155 thousand on the full year and of €160 thousand on the fourth quarter alone.

The 2015 result benefitted from the €3,062 thousand in non-recurring income recognized in the United States as a result of the early dissolution of a commercial partnership and the damages paid by a former commercial partner for unfair competition.
Net of the above items, the increase in EBITDA reaches €619 thousand (+1.6%) for FY 2015 and €721 thousand (+7.7%) for the fourth quarter alone.

The recurring EBITDA margin came to 18.0% (-1.1 p.p. against the comparison period) and to 17.6% in the fourth quarter alone (+0.1 p.p. against the fourth quarter of the prior year).

Asia Pacific

Gross operating profit (EBITDA) amounted to €49,075 thousand in 2016 (with an EBITDA margin of 30.1%) versus €47,603 thousand in the same period of the prior year (and an EBITDA margin of 32.4%), an increase of €1,472 thousand (+3.1%), while the EBITDA margin was down 2.3 p.p.

In the fourth quarter alone gross operating profit (EBITDA) amounted to €12,588 thousand, a drop of €319 thousand (-2.5%) with respect to the fourth quarter of the prior year, mainly because of an increase in investments in marketing while remaining on the maximum profitability of the Group. The EBITDA margin fell 6.6 p.p. against the comparison period to 29.2%.

Exchange differences had a negative impact on the full year result of €153 thousand and a positive impact on the fourth quarter result of €795 thousand. The result for 2015 had benefitted from €2,486 thousand in non-recurring income recognized in India following the cancellation of the earn-out linked to the 2012 acquisition of the Beltone stores.
Net of the above mentioned items, the increase in EBITDA reaches €4,111 thousand (+9.1%) for FY 2015 and €1,373 thousand (+13.2%) for the fourth quarter alone.

The recurring EBITDA margin for the full year came to 30.1% (-0.6 p.p. with respect to FY 2015) and to 29.2% for the fourth quarter alone (+0.3 p.p. against the fourth quarter of the prior year).

Corporate

The net cost of centralized Corporate functions (corporate bodies, general management, business development, procurement, treasury, legal affairs, human resources, IT systems, global marketing and internal audit) which do not qualify as operating segments under IFRS 8 amounted to €27,640 thousand in 2016 (2.4% of the revenue generated by the Group's sales and services) versus €27,326 thousand in the same period of the prior year (2.6% of the revenue generated by the Group's sales and services).

In the fourth quarter alone, the net cost of centralized Corporate functions reached €7,124 thousand (2.2% of the revenue generated by the Group's sales and services), an increase of €311 thousand (+4.6%) against the comparison period.

The result for the period reflects the non-recurring costs of €2,502 thousand incurred linked to an acquisition which was not completed, while in 2015 non-recurring costs of €6,792 thousand were recorded connected to a transition in the Group's leadership.

Looking at recurring items alone, in 2016 the cost of centralized Corporate functions amounted to €25,138 thousand (2.2% of the revenue generated by the Group's sales and services), an increase of €4,604 thousand (+22.4%) against the comparison period.

Operating profit (EBIT)

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	**135,040**	**(7,991)**	**127,049**	**116,050**	**(5,044)**	**111,006**

(€ thousands)	Q4 2016			Q4 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	**51,998**	**(5,489)**	**46,509**	**45,774**	**(268)**	**45,506**

Operating profit (EBIT) amounted to €127,049 thousand in 2016 (with an EBIT margin of 11.2%) versus €111,006 thousand (with an EBIT margin of 10.7%) in prior year, an increase of €16,043 thousand (+14.5%). The EBIT margin rose 0.5 p.p.

In the fourth quarter alone operating profit (EBIT) amounted to €46,509 thousand, an increase of €1,003 thousand (+2.2%) with respect to the fourth quarter of the prior year. The EBIT margin fell 1.1 p.p. against the comparison period to 14.1%.

In addition to the non-recurring items described in the section on EBITDA, in 2016 EBIT was impacted by a partial write-down of goodwill recognized in UK in 2006 with the acquisition of the Ultravox Group on the basis of the impairment test results of €5,489 thousand, while in 2015 €2,620 thousand in goodwill impairment was recognized in India, along with €238 thousand in write-downs of the residual assets of restructured stores in the Netherlands.
Net of these items and the exchange differences which had a positive impact of €1,243 thousand (€1,310 thousand in the fourth quarter alone), the increase for the full year comes to €17,747 thousand (+15.3%) and to €4,914 thousand (+10.7%) for the fourth quarter alone.

The recurring EBIT margin came to 11.9% (+0.7 p.p. against the comparison period) and to 15.8% in the fourth quarter alone (+0.6 p.p. against the fourth quarter of the prior year).

In addition to the non-recurring items described above, with respect to the gross operating profit (EBITDA), EBIT was also influenced by higher depreciation and amortization as a result of acquisitions, the opening of new stores and investments in IT systems.

The following table shows the breakdown of EBIT by segment:

(€ thousands)	FY 2016	EBIT Margin	FY 2015	EBIT Margin	Change	Change %
EMEA	87,001	11.5%	71,636	10.4%	15,365	21.4%
Americas	34,314	16.0%	36,539	18.4%	(2,225)	-6.1%
Asia Pacific	37,682	23.1%	33,544	22.8%	4,138	12.3%
Corporate (*)	(31,948)	-2.8%	(30,713)	-3.0%	(1,235)	-4.0%
Total	**127,049**	**11.2%**	**111,006**	**10.7%**	**16,043**	**14.5%**

(€ thousands)	Q4 2016	EBIT Margin	Q4 2015	EBIT Margin	Change	Change %
EMEA	36,379	16.0%	37,269	17.7%	(890)	-2.4%
Americas	9,034	15.6%	8,773	16.4%	261	3.0%
Asia Pacific	9,442	21.9%	7,184	19.9%	2,258	31.4%
Corporate (*)	(8,346)	-2.5%	(7,720)	-2.6%	(626)	-8.1%
Total	**46,509**	**14.1%**	**45,506**	**15.2%**	**1,003**	**2.2%**

The following table shows the breakdown of EBIT by segment with reference to the recurring transactions:

(€ thousands)	FY 2016	EBIT Margin	FY 2015	EBIT Margin	Change	Change %
EMEA	92,490	12.3%	72,817	10.6%	19,673	27.0%
Americas	34,314	16.0%	33,477	16.9%	837	2.5%
Asia Pacific	37,682	23.1%	33,677	22.9%	4,005	11.9%
Corporate (*)	(29,446)	-2.6%	(23,921)	-2.3%	(5,525)	23.1%
Total	**135,040**	**11.9%**	**116,050**	**11.2%**	**18,990**	**16.4%**

(€ thousands)	Q4 2016	EBIT Margin	Q4 2015	EBIT Margin	Change	Change %
EMEA	41,868	18.4%	37,922	18.0%	3,946	10.4%
Americas	9,034	15.6%	8,255	15.4%	779	9.4%
Asia Pacific	9,442	21.9%	7,317	20.3%	2,125	29.0%
Corporate (*)	(8,346)	-2.5%	(7,720)	-2.6%	(626)	8.1%
Total	**51,998**	**15.8%**	**45,774**	**15.2%**	**6,224**	**13.6%**

(*) The impact of the centralized costs is calculated as a percentage of the Group's total sales.

Europe, Middle - East and Africa

Operating profit (EBIT) amounted to €87,001 thousand in 2016 (with an EBIT margin of 11.5%) versus €71,636 thousand in the same period of the prior year (and an EBIT margin of 10.4%), an increase of €15,365 thousand (+21.4%) and a rise of 1.1 p.p. in the EBIT margin.

In the fourth quarter alone EBIT amounted to €36,379 thousand, a drop of €890 thousand (-2.4%) against the fourth of the prior year. The EBIT margin fell 1.7 p.p. against the comparison period to 16.0%.

In addition to the non-recurring items described in the section on EBITDA, in 2016 EBIT was impacted by a partial write-down of goodwill recognized in UK in 2006 with the acquisition of the Ultravox Group on the basis of the impairment test results of €5,489 thousand, while in 2015 €238 thousand in write-downs of the residual assets of restructured stores in the Netherlands.
Net of these items and the exchange differences which had a positive impact of €1,026 thousand (€456 thousand in the fourth quarter alone), the increase for the full year comes to €18,647 thousand (+25.6%) and to €3,490 thousand (+9.2%) for the fourth quarter alone.

The recurring EBIT margin came to 12.3% (+1.7 p.p. against the comparison period) and 18.4% in the fourth quarter alone (+0.4 p.p. against the fourth quarter of the prior year).

In addition to the non-recurring items described above, with respect to the gross operating profit (EBITDA), EBIT was also influenced by higher depreciation and amortization as a result of acquisitions, the opening of new stores and investments in IT systems.

Americas

Operating profit (EBIT) amounted to €34,314 thousand in 2016 (with an EBIT margin of 16.0%) versus €36,539 thousand in the same period of the prior year (and an EBIT margin of 18.4%), a decrease of €2,225 thousand (-6.1%) and a decrease of 2.4 p.p. in the EBIT margin.

In the fourth quarter alone EBIT amounted to €9,034 thousand, an increase of €261 thousand (+3.0%) against the fourth quarter of the prior year. The EBIT margin came to 15.6%, down by 0.8 p.p. against the comparison period.

The exchange differences had a positive impact of €309 thousand on the whole period and of €226 thousand on the fourth quarter alone. In 2015 EBIT benefitted from the €3,062 thousand in non-recurring income (€518 thousand in the fourth quarter alone) described in the section on EBITDA.
Net of the above items, EBIT rose €528 thousand (+1.6%) against full year 2016 and €553 thousand (+6.7%) against the fourth quarter alone.

The recurring EBIT margin came to 16.0% for the full period (-0.9 p.p. against the comparison period) and to 15.6% for the fourth quarter alone (+0.2 p.p. against the fourth quarter of the prior year).

Asia Pacific

Operating profit (EBIT) amounted to €37,682 thousand in 2016 (with an EBIT margin of 23.1%) versus €33,544 thousand in the prior year (and an EBIT margin of 22.8%), an increase of €4,138 thousand (+12.3%) and an increase of 0.3 p.p. in the EBIT margin.

In the fourth quarter alone EBIT amounted to €9,442 thousand, an increase of €2,258 thousand (+31.4%) against the fourth quarter of the prior year. The EBIT margin came to 21.9%, rose 2.0 p.p. against the comparison period.

Exchange differences had a negative impact on the full year result of €90 thousand and a positive impact on the fourth quarter result of €626 thousand. In 2015 EBIT was impacted by non-recurring costs of €133 thousand, namely the net effect of the €2,487 thousand in non-recurring income recognized in India following the cancellation of the earn-out linked to the 2012 acquisition of the Beltone stores and €2,620 thousand in goodwill impairment relative to the same acquisition.
Net of the above mentioned items, the increase in EBIT reaches €4,095 thousand (+12.2%) for FY 2016 and €1,499 thousand (+20.5%) for the fourth quarter alone.

The recurring EBIT margin came to 23.1% (+0.2 p.p. against the comparison period) and to 21.9% in the fourth quarter alone (+1.6 p.p. against the fourth quarter of the prior year).

Corporate

The net costs of centralized Corporate functions at the EBIT level amounted to €31,948 thousand in 2016 (2.8% of the revenue generated by the Group's sales and services) versus €30,713 thousand in the same period of the prior year (3.0% of the revenue generated by the Group's sales and services).

In the fourth quarter alone centralized corporate costs amounted to €8,346 thousand (2.5% of the revenue generated by the Group's sales and services), an increase of €626 thousand (+8.1%) with respect to the comparison period.

The result for the period reflects the non-recurring costs of €2,502 thousand incurred linked to an acquisition which was not completed, while non-recurring costs of €6,792 thousand were recorded in 2015 connected to a transition in the Group's leadership.

Looking at recurring items alone, the cost of centralized functions amounted to €29,446 thousand (2.6% of the revenue generated by the Group's sales and services) in 2016, an increase of €5,525 thousand (+23.1%) against the comparison period.

Profit before tax

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	**115,362**	**(7,991)**	**107,371**	**94,742**	**(6,645)**	**88,097**

(€ thousands)	Q4 2016			Q4 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	**46,209**	**(5,489)**	**40,720**	**41,061**	**(268)**	**40,793**

Profit before tax amounted to €107,371 thousand in 2016 (with a gross profit margin of 9.5%) versus €88,097 thousand in the same period of the prior year (and a gross profit margin of 8.5%), an increase of €19,274 thousand (+21.9%).

The period under examination was impacted by non-recurring costs of €7,991 thousand linked to the partial write-down of goodwill relating to the Amplifon UK acquisition and the costs incurred for an acquisition which was not completed, while in the comparison period non-recurring costs totaled €6,645 thousand (explained, in addition to the non-recurring costs described in the section on EBITDA, for €4,289 thousand by the make whole payment made as a result of the advance repayment of the private placement 2006-2016, for €1,435 thousand by income recognized following elimination of provisions for receivables repaid entirely by a commercial partner as a result of early contract termination, and for €1,253 thousand by the income recognized in New Zealand following the acquisition of 100% of Dilworth Hearing Ltd based on the provisions of IFRS 3R relating to step up acquisitions).

Net of these one-offs, profit before tax reached €20,620 thousand (+21.8%). In addition to the increase in EBIT described above and the lower exchange costs, the profit before tax also benefitted from a decrease in interest payable as a result of the advance repayment of the last tranche of the private placement 2006-2016.

In the fourth quarter alone the profit before tax, net of the non-recurring items, reached €46,209 thousand, an increase of €5,148 thousand against the fourth quarter of the prior year.

Net profit attributable to the Group

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	**70,826**	**(7,206)**	**63,620**	**52,794**	**(5,989)**	**46,805**

(€ thousands)	Q4 2016			Q4 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	**29,772**	**(5,489)**	**24,283**	**23,476**	**(1,994)**	**21,482**

The Group's net profit, which was impacted by net non-recurring costs of €7,206 thousand, net of tax, amounted to €63,620 thousand in 2016, versus €46,805 thousand in the prior year when the net non-recurring costs came to €5,989 thousand.

The Group's recurring net profit amounted to €70,826 thousand (with a profit margin of 6.3%), an increase of €18,032 thousand (+34.2%) against 2015.

In the fourth quarter alone the Group's net profit, which was impacted by the goodwill impairment of €5,489 thousand recognized in the UK, amounted to €24,283 thousand, an increase of €2,801 thousand (+13.0%) against the prior year. Net of the goodwill impairment recognized in the UK and the other non-recurring transactions in the two quarters, the increase in the Group's net profit amounts to €6,296 thousand (+26.8%) against the fourth quarter of the prior year.

The tax rate reached 40.6% versus 47.0% in the prior year and reflects the net effects of the losses recorded by subsidiaries for which, in accordance with the principle of prudence, deferred tax assets are not recognized and the earnings for which no taxes were paid due to carried forward tax losses not recognized in the financial statements. Net of these items, the tax rate would have been 33.6% versus 38.2% in 2015.

Balance Sheet Review

Consolidated balance sheet by geographical area (*)

(€ thousands)			31/12/2016		
	EMEA	**Americas**	**Asia Pacific**	**Elim.**	**Total**
Goodwill	298,310	84,310	252,512	-	635,132
Non-competition agreements, trademarks, customer lists and lease rights	51,643	3,917	54,841	-	110,401
Software, licences, other intangible fixed assets, fixed assets in progress and advances	30,749	13,483	7,273	-	51,505
Tangible assets	98,968	3,884	16,942	-	119,794
Financial fixed assets	2,336	42,935	-	-	45,271
Other non-current financial assets	5,792	51	371	-	6,214
Non-current assets	**487,798**	**148,580**	**331,939**	**-**	**968,317**
Inventories	29,020	484	1,866	-	31,370
Trade receivables	89,203	32,400	8,973	(3,298)	127,278
Other receivables	32,220	8,825	1,124	(7)	42,162
Current assets (A)	**150,443**	**41,709**	**11,963**	**(3,305)**	**200,810**
Operating assets	**638,241**	**190,289**	**343,902**	**(3,305)**	**1,169,127**
Trade payables	(82,434)	(39,399)	(12,646)	3,298	(131,181)
Other payables	(98,105)	(5,100)	(17,839)	7	(121,037)
Provisions for risks and charges (current portion)	(2,346)	-	-	-	(2,346)
Current liabilities (B)	**(182,885)**	**(44,499)**	**(30,485)**	**3,305**	**(254,564)**
Net working capital (A) - (B)	**(32,442)**	**(2,790)**	**(18,522)**	**-**	**(53,754)**
Derivative instruments	(10,212)	-	-	-	(10,212)
Deferred tax assets	37,287	651	2,806	-	40,744
Deferred tax liabilities	(20,854)	(25,817)	(15,734)	-	(62,405)
Provisions for risks and charges (non-current portion)	(31,745)	(26,709)	(887)	-	(59,341)
Liabilities for employees' benefits (non-current portion)	(14,313)	(172)	(2,124)	-	(16,609)
Loan fees	1,393	12	63	-	1,468
Other non-current payables	(25,513)	(27)	(587)	-	(26,127)
NET INVESTED CAPITAL	**391,399**	**93,728**	**296,954**	**-**	**782,081**
Group net equity					557,371
Minority interests					289
Total net equity					**557,660**
Net medium and long-term financial indebtedness					379,566
Net short-term financial indebtedness					(155,145)
Total net financial indebtedness					**224,421**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS					**782,081**

(*) The balance sheet items are analyzed by the Chief Executive Officer and the Top Management by geographical area without separation of the Corporate structures that are natively included in EMEA.

(€ thousands)	31/12/2015				
	EMEA	Americas	Asia Pacific	Elim.	Total
Goodwill	250,714	74,125	247,311	-	572,150
Non-competition agreements, trademarks, customer lists and lease rights	35,188	3,173	59,754	-	98,115
Software, licences, other intangible fixed assets, fixed assets in progress and advances	25,894	11,383	6,021	-	43,298
Tangible assets	83,666	3,466	15,543	-	102,675
Financial fixed assets	2,256	40,070	-	-	42,326
Other non-current financial assets	3,879	21	336	-	4,236
Non-current assets	**401,597**	**132,238**	**328,965**	**-**	**862,800**
Inventories	26,983	262	1,711	-	28,956
Trade receivables	77,945	30,327	5,943	(2,488)	111,727
Other receivables	25,146	7,996	934	(8)	34,068
Current assets (A)	**130,074**	**38,585**	**8,588**	**(2,496)**	**174,751**
Operating assets	**531,671**	**170,823**	**337,553**	**(2,496)**	**1,037,551**
Trade payables	(67,532)	(37,219)	(11,080)	2,488	(113,343)
Other payables	(87,055) (*)	(3,634)	(19,729)	8	(110,410) (*)
Provisions for risks and charges (current portion)	(1,646) (*)	-	-	-	(1,646) (*)
Current liabilities (B)	**(156,233) (*)**	**(40,853)**	**(30,809)**	**2,496**	**(225,399) (*)**
Net working capital (A) - (B)	**(26,159) (*)**	**(2,268)**	**(22,221)**	**-**	**(50,648) (*)**
Derivative instruments	(6,988)	-	-	-	(6,988)
Deferred tax assets	37,160	1,117	2,466	-	40,743
Deferred tax liabilities	(15,223)	(23,564)	(16,908)	-	(55,695)
Provisions for risks and charges (non-current portion)	(25,406) (*)	(23,817)	(830)	-	(50,053) (*)
Liabilities for employees' benefits (non-current portion)	(13,806)	(175)	(1,591)	-	(15,572)
Loan fees	2,023	-	174	-	2,197
Other non-current payables	(21,324) (*)	(15)	(369)	-	(21,708) (*)
NET INVESTED CAPITAL	**331,874**	**83,516**	**289,686**	**-**	**705,076**
Group net equity					499,471
Minority interests					694
Total net equity					**500,165**
Net medium and long-term financial indebtedness					382,542
Net short-term financial indebtedness					(177,631)
Total net financial indebtedness					**204,911**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS					**705,076**

(*) In accordance with IAS 8, EMEA comparative figures have been reclassified as shown in the following table. See details on page 59 for the same information relating to the Group.

(€ thousands)	31/12/2015 Revised	31/12/2015 Reported	Change
Other payables	(87,055)	(108,077)	21,022
Provisions for risks and charges (current portion)	(1,646)	(1,378)	(268)
Provisions for risks and charges (non-current portion)	(25,406)	(23,760)	(1,646)
Other non-current payables	(21,324)	(2,216)	(19,108)
Total	**(135,431)**	**(135,431)**	-

Non-current assets

Non-current assets amounted to €968,317 thousand at 31 December 2016 versus €862,800 thousand at 31 December 2015, a net increase of €105,517 thousand explained (i) for €62,514 thousand by capital expenditure; (ii) for €92,172 thousand by acquisitions; (iii) for €59,810 thousand by depreciation, amortization and impairment, and (iv) for €10,641 thousand by other net increases relating primarily to the positive impact of exchange differences.

Investments

In 2016 the Amplifon Group, in line with its growth strategy continued with and accelerated the development of its distribution network, by opening new stores, as well as renewing, restructuring, and relocated existing ones for a total investment of almost €27 million. Increased customer focus and the objective to increase control of operations also drove IT investments, where a lot of work was done on the technological infrastructure, and the implementation of digital marketing, CRM systems, as well as store and back office/ERP systems.

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

(€ thousands)		31/12/2016	31/12/2015	Change
EMEA	Goodwill	298,310	250,714	47,596
	Non-competition agreements, trademarks, customer lists and lease rights	51,643	35,188	16,455
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	30,749	25,894	4,855
	Tangible assets	98,968	83,666	15,302
	Financial fixed assets	2,336	2,256	80
	Other non-current financial assets	5,792	3,879	1,913
	Non-current assets	**487,798**	**401,597**	**86,201**
Americas	Goodwill	84,310	74,125	10,185
	Non-competition agreements, trademarks, customer lists and lease rights	3,917	3,173	744
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	13,483	11,383	2,100
	Tangible assets	3,884	3,466	418
	Financial fixed assets	42,935	40,070	2,865
	Other non-current financial assets	51	21	30
	Non-current assets	**148,580**	**132,238**	**16,342**
Asia Pacific	Goodwill	252,512	247,311	5,201
	Non-competition agreements, trademarks, customer lists and lease rights	54,841	59,754	-4,913
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	7,273	6,021	1,252
	Tangible assets	16,942	15,543	1,399
	Financial fixed assets	-	-	-
	Other non-current financial assets	371	336	35
	Non-current assets	**331,939**	**328,965**	**2,974**

Europe, Middle - East and Africa

Non-current assets amounted to €487,798 thousand at 31 December 2016 versus €401,597 thousand at 31 December 2015, an increase of €86,201 thousand explained:

- for €39,120 thousand, by investments in plant, property and equipment, relating primarily to the opening of new and renewal of existing stores as part of the continuing introduction of the new concept store and the new brand;
- for €11,216 thousand, by investments in intangible assets, relating primarily to back-office systems and the implementation of new store and sales support systems, as well as digital marketing;
- for €82,663 thousand, by acquisitions made in the period;
- for €43,980 thousand, by amortization, depreciation and impairment including the partial write-down of goodwill in the UK of €5,489 thousand;
- for €2,818 thousand, by other net decreases relating primarily to exchange differences.

Americas

Non-current assets came to €148,580 thousand at 31 December 2016 versus €132,238 thousand at 31 December 2015, an increase of €16,342 thousand explained:

- for €658 thousand, by investments in plant, property and equipment;
- for €4,541 thousand, by investments in intangible assets relating primarily to the implementation of front-office systems and the website, renewal of the headquarters, relocation of proprietary stores and joint investment plans entered into with the franchisees;
- for €9,521 thousand by acquisitions made in the period;
- for €4,437 thousand, by amortization and depreciation;
- for €5,081 thousand, by exchange gains;
- for €978 thousand, by other net increases linked primarily to the new loans granted to franchisees net of repayments received.

Asia Pacific

Non-current assets came to €331,939 thousand at 31 December 2016 versus €328,965 thousand at 31 December 2015, an increase of €2,974 thousand explained:

- for €4,859 thousand, by investments in plant, property and equipment, relating primarily to the opening, restructuring and relocation of a few stores;
- for €2,120 thousand, by investments in intangible assets, relating primarily to the implementation of a new front-office system in Australia;
- for €11,393 thousand, by amortization and depreciation;
- for €7,388 thousand, by other net increases, relating primarily to exchange gains.

Net invested capital

Net invested capital came to €782,081 thousand al 31 December 2016 versus €705,076 thousand at 31 December 2015, an increase of €77,005 thousand linked to the increase in non-current assets described above, partially offset by an increase in both liabilities relating to acquisition accounting (deferred tax liabilities, deferred revenue linked to after sales services and provisions for product guarantees) and amounts payable to employees and agents.

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

(€ thousands)	31/12/2016	31/12/2015	Change
EMEA	391,399	331,874	59,525
Americas	93,728	83,516	10,212
Asia Pacific	296,954	289,686	7,268
Total	**782,081**	**705,076**	**77,005**

Europe, Middle - East and Africa

Net invested capital came to €391,399 thousand at 31 December 2016, an increase of €59,525 thousand against 31 December 2015. The increase in non-current assets described above was partially offset by an increase in both liabilities relating to acquisition accounting (deferred tax liabilities, deferred revenue linked to after sales services and provisions for product guarantees) and amounts payable to employees and agents.

Factoring without recourse in the period involved trade receivables with a face value of €43,948 thousand (€45,411 thousand in the prior year) and VAT credits with a face value of €21,096 thousand (€17,243 thousand in the prior year).

Americas

Net invested capital came to €93,728 thousand at 31 December 2016, an increase of €10,212 thousand against the amount recorded at 31 December 2015. The increase in non-current assets described above was partially offset by an increase in deferred tax liabilities and other liabilities relating to acquisition accounting.

Asia Pacific

Net invested capital came to €296,954 thousand at 31 December 2016, an increase of €7,268 thousand against the amount recorded at 31 December 2015. The increase in non-current assets described above was accompanied by an increase in working capital.

Net financial indebtedness

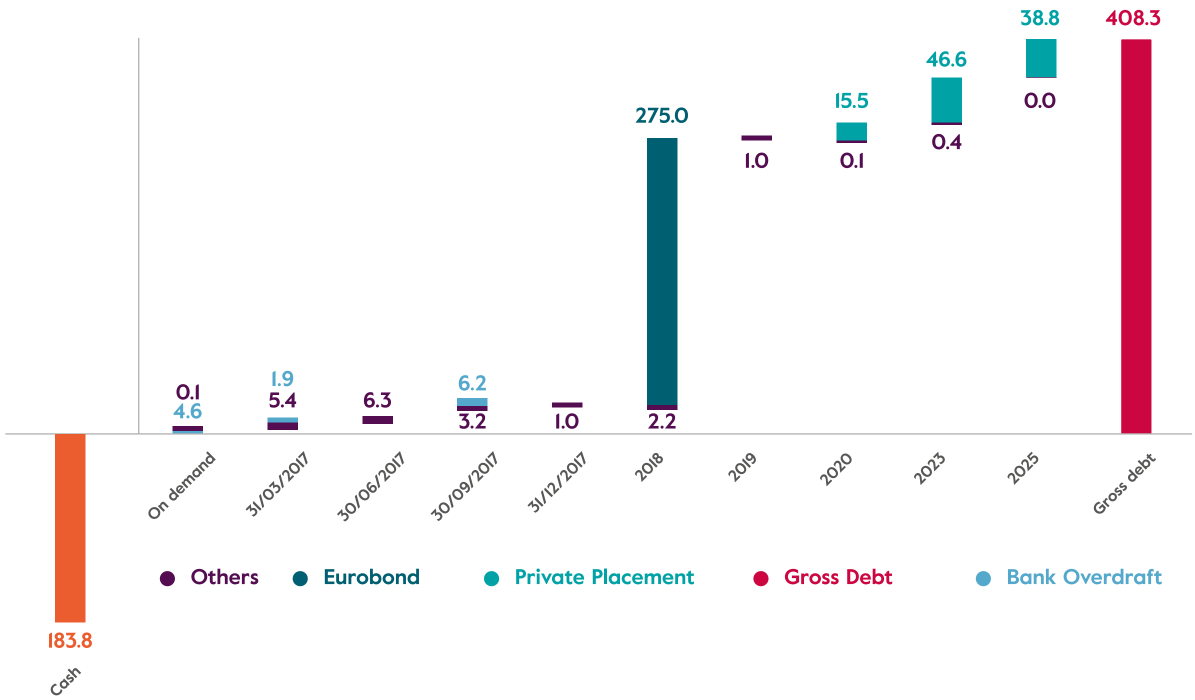
(€ thousands)	31/12/2016	31/12/2015	Change
Net medium and long-term financial indebtedness	379,566	382,542	(2,976)
Net short-term financial indebtedness	28,689	19,083	9,606
Cash and cash equivalents	(183,834)	(196,714)	12,880
Net financial indebtedness	**224,421**	**204,911**	**19,510**
Group net equity	557,371	499,471	57,900
Minority interests	289	694	(405)
Net Equity	**557,660**	**500,165**	**57,495**
Financial indebtedness/Group net equity	**0.40**	**0.41**	
Financial indebtedness/net equity	**0.40**	**0.41**	

Net financial indebtedness amounted to €224,421 thousand at 31 December 2016, an increase of €19,510 thousand with respect to 31 December 2015.

The increase in debt is the direct consequence of the acquisitions made in the period (€79,355 thousand), the payment of dividends to shareholders in the second quarter (€9,427 thousand), the purchase of treasury shares net of the proceeds from the exercise of stock options (€16,145 thousand) and the non-recurring costs incurred linked to an acquisition which was not completed (€ 2,502 thousand).
The ability of ordinary operations to generate excellent cash flow was confirmed with recurring free cash flow reaching a positive €85,561 thousand (€88,896 thousand FY 2015) after absorbing capital expenditure which was €14,413 thousand higher than in the comparison period.

At 31 December 2016 the Group's total financial indebtedness amounted to €224,421 thousand net of cash and cash equivalents totaling €183,834 thousand. Long-term debt amounted to €379,566 thousand, €2,087 thousand of which reflects the long term portion of deferred payments for acquisitions. Short-term debt amounted to €28,689 thousand relating for €7,917 thousand to the interest payable on the Eurobond and the private placement, for €14,485 thousand to the best estimate of the deferred payments for acquisitions and for €4,062 thousand to the utilization of credit lines. Excluding these items, as shown in the chart below, debt is primarily long term (falling due beginning in 2018). Cash and cash equivalents of €183 million, along with €277 million in available credit lines, €165 million of which irrevocable and expiring year-end 2021, ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

Debt Maturity & Cash Equivalents at 31.12.2016
(€ millions)



Interest payable on financial indebtedness amounted to €18,566 thousand at 31 December 2016, versus €24,269 thousand at 31 December 2015 which, however, was impacted by the €4,289 thousand make whole payment made as a result of the advance repayment of the USD 70 million private placement 2006-2016.

Interest receivable on bank deposits came to €624 thousand at 31 December 2016, versus €932 thousand at 31 December 2015. The drop is linked to both the decrease in average available funds and the overall decline in interest paid on deposits.

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:

- ratio of Group net debt/equity must not exceed 1.5;
- ratio of Group net debt/EBITDA in the last 4 quarters (determined based solely on recurring operations and figures which have been restated in the event the Group's structure has changed 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.

At 31 December 2016 these ratios were as follows:

	Value
Net financial indebtedness/Group net equity	0.40
Net financial indebtedness/EBITDA for the last 4 quarters	1.17

In accordance with standard international practices, the private placement is subject to other covenants, which limit the issue of guarantees, certain sale and lease back transactions, as well as other extraordinary transactions.

Neither the €275 million Eurobond maturing in 2018 issued in July 2013 nor the remaining €0.8 million of long term debt, including the short term portions, are subject to covenants.

The ratio of net debt/net invested capital at 31 December 2016 was 28.70% (29.06% at 31 December 2015).

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

Cash Flow

The reclassified statement of cash flows shows the change in net financial indebtedness from the beginning to the end of the period.

Pursuant to IAS 7 the financial statements include a statement of cash flows that shows the change in cash and cash equivalents from the beginning to the end of the period.

(€ thousands)	FY 2016	FY 2015
OPERATING ACTIVITIES		
Net profit (loss) attributable to the Group	63,620	46,805
Minority interests	156	(93)
Amortization, depreciation and write-downs:		
- Intangible fixed assets	*25,429*	*24,095*
- Tangible fixed assets	*28,892*	*27,455*
- Goodwill	*5,489*	*2,620*
Total amortization, depreciation and write-downs	59,810	54,170
Provisions	22,955	24,339
(Gains) losses from sale of fixed assets	42	(395)
Group's share of the result of associated companies	(419)	(126)
Financial income and charges	20,098	23,035
Current and deferred income taxes	43,594	41,386
Change in assets and liabilities:		
- Utilization of provisions	*(8,000)*	*(10,017)*
- (Increase) decrease in inventories	*175*	*2,288*
- Decrease (increase) in trade receivables	*(12,513)*	*(1,008)*
- Increase (decrease) in trade payables	*14,946*	*6,156*
- Changes in other receivables and other payables	*(1,631)*	*2,907*
Total change in assets and liabilities	(7,023)	326
Dividends received	1	10
Net interest charges	(18,673)	(23,065)
Taxes paid	(40,539)	(38,242)
Cash flow generated from (absorbed) by operating activities	**143,622**	**128,149**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(17,876)	(13,773)
Purchase of tangible fixed assets	(44,638)	(34,328)
Consideration from sale of tangible fixed assets and businesses	1,369	9,682
Cash flow generated from (absorbed) by investing activities	**(61,145)**	**(38,419)**
Cash flow generated from operating and investing activities (Free cash flow)	**82,477**	**89,730**
Business combinations (*)	(79,355)	(41,073)
(Purchase) sale of other investments, securities and reductions of earn-outs	34	9,423
Cash flow generated from acquisitions	**(79,321)**	**(31,650)**
Cash flow generated from (absorbed) by investing activities	**(140,466)**	**(70,069)**

(€ thousands)	FY 2016	FY 2015
FINANCING ACTIVITIES:		
Changes in hedging derivatives	-	-
Fees paid on medium/long-term financing	(322)	-
Other non-current assets	(305)	(2,015)
Distributed dividends	(9,427)	(9,356)
Treasury shares	(18,841)	(6,601)
Capital increases (reduction) third parties contributions in subsidiaries and dividends paid to third parties by the subsidiaries	2,349	4,206
Cash flow generated from (absorbed) by financing activities	**(26,546)**	**(13,766)**
Changes in net financial indebtedness	**(23,390)**	**44,314**
Net financial indebtedness at the beginning of the period	(204,911)	(248,417)
Effect of disposal of assets on net financial indebtness	-	-
Effect of exchange rate fluctuations on net financial indebtedness	3,880	(808)
Changes in net indebtedness	(23,390)	44,314
Net financial indebtedness at the end of the period	**(224,421)**	**(204,911)**

(*) The item refers to the net cash flow absorbed by the acquisition of businesses and equity investments.

The change in net debt of €19,510 thousand is explained by:

(i) Investing activities:

- capital expenditure on property, plant and equipment and intangible assets of €62,514 thousand relating primarily to the opening, renewal and repositioning of stores based on the concept store, new back-office systems and the implementation of new store and sales support systems, as well as digital marketing;
- acquisitions amounting to €79,355 thousand, including the impact of the acquired companies' debt;
- net proceeds from the disposal of other assets, equity investments, and securities amounting to €1,403 thousand.

(ii) Operating activities:

- interest payable on financial indebtedness and other net financial expenses of €18,673 thousand;
- payment of taxes amounting to €40,539 thousand;
- cash flow generated by operations of €202,834 thousand.

(iii) Financing activities:

- payment of €9,427 thousand in dividends to shareholders;
- payment of €322 thousand in initial fees on long-term credit lines negotiated in the year;
- net proceeds from capital increases following the exercise of stock options of €2,696 thousand;
- payment of €347 thousand in dividends to minorities by subsidiaries;
- purchase of treasury shares amounting to €18,841 thousand;
- increase in other non-current assets of €305 thousand.

(iv) Exchange gains of €3,880 thousand.

The non-recurring transactions described above in the section about the change in net financial debt had a negative impact on the cash flow generated during the period of €3,084 thousand in 2016 versus a positive €5,448 thousand in the prior year, as shown below:

(€ thousands)	FY 2016	FY 2015
Restructuring charges paid in FY 2015 and 2016	(582)	-
Restructuring charges paid in the year	-	(501)
Advisory fees and expenses related to an acquisition process which was not completed	(2,502)	-
Expenses linked to the transition in the Group's leadership	-	(5,700)
Penalty payment received following early termination of a commercial partnership in the United States	-	2,163
Trade receivables collected in the United States as a result of early termination of commercial partnership in the United States	-	1,159
Damages paid by a commercial partner in the United States for unfair competition	-	518
Make whole payment made following advance repayment of the 2006-2016 private placement	-	(4,289)
Cash flow generated (absorbed) by operating activities	***(3,084)***	***(6,650)***
Reimbursement of old debt relative to the sale of a business by a partner following early termination of the commercial partnership in the United States	-	7,484
Cash flow generated from (absorbed) by investing activities	***-***	***7,484***
Free Cash Flow	**(3,084)**	**834**
Cancellation of earn-outs in India	-	2,487
Recalculation of earn-outs in Brazil	-	2,127
Cash flow generated from acquisitions	***-***	***4,614***
Total cash flow generated by non recurring transactions	**(3,084)**	**5,448**

Acquisition of Companies and Businesses

In 2016 the Amplifon Group intensified its quest for external growth which, after a slow start attributable to the valuation of a sizeable acquisition which was ultimately not made, was focused mainly on Germany, France and Canada. A total of 183 new points of sale were purchased and an additional 17, previously operated indirectly, were transferred to the direct network. The overall investment, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years, amounted to €79,355 thousand.

More in detail:
- 110 points of sale were acquired in Germany; the most important acquisitions were Focus Hören AG, which operates 62 points of sale spread evenly throughout Germany, and Die Hörmeister GmbH which has 24 points of sale located primarily in northern Germany and a strong presence in the Hamburg area;
- 25 points of sale were acquired in Canada; of note is the acquisition of the Hear More Canada chain, which has 21 points of sale in the province of Ontario;
- 25 transactions were finalized in France, resulting in the purchase of a total of 41 points of sale;
- 2 points of sale were acquired in Israel;
- 1 point of sale was acquired in Switzerland;
- 10 points of sale, which were previously part of the indirect network, were purchased in Belgium;
- 3 points of sale were acquired in Spain;
- 1 point of sale was acquired in Turkey;
- 7 points of sale belonging to the Miracle Ear network were acquired in the United States which will rejoin the network once they are adequately reorganized and customer lists relating to seven stores were purchased.

Statement of changes

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 at 31 December 2016

(€ thousands)	Net equity	Net result
Net equity and year-end result as reported in the Parent company's financial statements	**393,437**	**38,970**
Elimination of carrying amount of consolidated investments:		
· difference between carrying amount and the pro-quota value of net equity	(107,029)	-
· pro-quota results reported by the subsidiaries	107,756	107,756
· pro-quota results reported by investments valued at equity	1,670	419
· difference from consolidation	153,810	(5,490)
Elimination of the effects of intercompany transactions:		
· elimination of impairment net of reversals of investments and intercompany receivables	9,211	16,790
· intercompany dividends	-	(95,485)
· intercompany profits included in the year-end value of inventories net of fiscal effect	(880)	(205)
· exchange differences and other changes	(315)	1,021
Net equity and year-end result as stated in the consolidated financial statements	**557,660**	**63,776**
Minority equity and result for the year	289	156
Group net equity and result for the year	**557,371**	**63,620**

Risk Management

Everything that we do involves risk. It is not possible for any business to create value added without assuming risk. Risk management is, therefore, an integral part of the company's operations: in environments characterized by extremely volatile and unstable global market conditions subject to rapid change, risk management is even more important and puts companies in a position to identify them, as well as take advantage of any opportunities that materialize.

Amplifon, in line with the most advanced management systems and best practices for the design and implementation of internal control and risk management systems, and the Corporate Governance Code issued by the Corporate Governance Committee of the Italian Stock Exchange to which it adheres, pays the utmost attention to the management of risk.

Risk management is an ongoing activity which, based on the initial identification and assessment of the events that could negatively impact the ability of the Group and its subsidiaries to reach targets (particularly strategic goals), includes defining which steps need to be taken to respond to risk and how to implement these steps, as well as updates which should be done at least one a year at a Group level.

Risk management allows for better informed business decisions, reduces the gaps between actual results and objectives and, lastly, nurtures a competitive advantage.

Risk management is entrusted to the Group's top management, Country General Managers and local Management teams which are supported by the Group Risk and Compliance Officer who use self-assessment techniques to gather information and assess risk, as well as find ways to address and mitigate them.

The management and updating of the risks identified is supported and monitored through a continuous dialogue between Group and local management, as well as with the Group Risk and Compliance Officer. At least once a year, during the annual risk review, the Chief Executive Officer contributes directly to the mapping of the Group's risk with a view to identifying priorities in order to align risk with strategies.

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

The main external risks

Political and regulatory environment

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 audiologist, in the requisites needed to sell hearing aids and related services, and, more in general, in the laws relating to hearing aids and/or social policies which result in a bigger or smaller role of the public sector in the treatment of hearing disorders), does and will continue to 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.
Typically the impact on the market of any regulatory changes relating to refunds is felt for a limited period of time, between two and six quarters, after which the market returns to the pre-change growth rates.
The impact of changes in the regulations governing the final sale price of hearing aids, however, lasts longer. Any changes can cause an immediate decline in unit prices and, consequently, in results. It takes longer to recover from the effects these changes have on penetration rates and market growth. In the Netherlands, for example, the regulatory changes implemented early 2013 caused results to drop sharply in 2013. Volumes began to pick-up in 2014, though sales and profitability are still well below the levels recorded prior to the changes.
In the medium term the regulatory changes focused on reducing the requisites needed to sell and customize hearing aids in order to increase access to the hearing solutions market (like separate after sales care providers or the sale of hearing aids over the counter without requiring specialized professional assistance) increase the competition between new potential players who can access the market more easily and can cause a loss of market share and increase price pressure. The recent pronouncements made by the Food and Drug Administration in the United States or the *Autorité de la cocurrence* in France, for example, not only caused temporary volatility in Amplifon's stock price, but also lessen the visibility of the medium term impact on the numerous other stakeholders.
Well aware that other fast and invariable changes could take place in addition to those mentioned above, including in light of the widespread adoption of austerity programs and the growing attention of the media, social networks and different regulatory authorities on the hearing aid sector, 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 unfavorable changes or maximizing the upside in the event the changes are favorable.
More in detail, the dedicated Corporate division was strengthened in order to: (i) develop and maintain continuous monitoring of regulatory changes and their repercussions in all the countries where the Group operates; (ii) define the responsibilities (local or central) in managing current or potential problems; (iii) develop, including with the support of outside experts, plans of action relative to the problems defined on a corporate and a local level, as well as monitor implementation; (iv) monitor news, information and discussions relating to the hearing aid sector on the main media and social networks; (v) develop and coordinate the Group's external communication strategy and actively participate in debates, associations, and institutions in order to make the voice of the sector "heard".

Economic environment

The market sector in which the Amplifon Group operates is less sensitive than others to fluctuations in the general economic cycle, but it is, however, influenced. More specifically, the current volatility of the global markets lessens the visibility of future results with the risk 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. 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 in the period 2011-2014 with some of the Miracle-Ear franchise stores that were part of structures managed by partners who were experiencing difficulties.

Competition and the Market

The biggest risk in this area is the vertical integration of the hearing aid manufacturers. More specifically, in the last two years two of them (Sonova and William Demant) have acquired two primary chains (Audionova and Audika, respectively) at significant multiples causing, in addition to an increase in sector concentration and competition, the market to look for higher multiples. In order to address these risks, when developing its purchasing strategy the Group also considers the competitive position of its suppliers and, with regard to acquisitions specifically, has strengthened both the corporate and the country teams in order to assess all opportunities more carefully.

Furthermore, as mentioned in the section on the political and regulatory environment, the arrival of new players on the market, like big retail distributors (including pharmaceutical companies) and optical chains or on-line retailers, could also be facilitated by regulatory changes relating to the separation of after sales assistance, as well as the store personnel authorized 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 it could become easier to recruit these professionals.

The arrival of new competitors on the market, in addition to being a potential obstacle to external growth due to increased competition for acquisition targets, increases the risk of greater price pressure which for Amplifon, a company that stands out for the quality of the service provided with high fixed costs, could mean lower margins, at least in the short term.

On the other hand, changing demographics and factors like 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, could drive market growth and, therefore, represent both an opportunity and, if the opportunity is missed, a risk. In the marketing plans, therefore, particular attention is paid to interpreting and influencing trends through the development of both communications and technology by making significant investments in digital marketing, CRM systems, as well as the continuous assessment of the outcomes of the campaigns/activities.

For Amplifon, therefore, it is extremely important to maintain a sustainable position in the high end of the market, and to differentiate from the competition through organic growth, supported by investments in the renewal of stores, new openings, increased productivity and marketing, particularly with regard to the new brand image and digital marketing, as well as external growth through acquisitions.

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 2016 Amplifon was granted €165 million in irrevocable five-year credit lines) and relationships with both banks and capital market investors, in order to easily finance new investments and growth, as well as repayments, with significant amounts of available cash, operating cash flow and "new finance".

Technological Innovation

The Amplifon Group stands out for the quality of its customer service and the personalization of the hearing solutions provided. Any technological changes affecting the development of "self-fitting" hearing aids would detract from the importance of customization. Testing, the assistance and support given to the customer when choosing the best solution, as well as post-sales service, would continue to be key.

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

Relationships with Customers

Amplifon's business consists essentially in providing high quality service to customers in terms of both technical performance and personal relations. This is what distinguishes the Group from the competition. The lack of customer satisfaction, therefore, represents a big risk for the Company.

In order to monitor and increase customer satisfaction continuously, Amplifon has developed, and continues to invest in, new store procedures focused on customer service excellence, regular customer satisfaction surveys, frequent training programs for its hearing aid specialists and the continuous development of sales policies focused on customer satisfaction.

The main internal risks

Organization and Processes

In the current economic situation, characterized by extreme volatility, and in light of the Group's strategy to grow both internally (new openings) and externally (through acquisitions), the organizational ability to define corporate processes capable of providing the information needed to make decisions in a timely manner, while also supporting operational efficiency and controls, is extremely important. These processes are even more important with acquisitions as it is crucial to assess all the risks arising from these transactions: mistakes in assessing those risks, like slow and delayed integration of acquired businesses, could result in significantly higher costs and inefficiencies for the Group.

Over time the Group has, therefore, implemented, in all the main countries of operation, a number of projects to standardize IT processes, guarantee the adequacy of and compliance with the administrative/accounting procedures defined in Law 262/2005 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 area. After the launch in Italy and other countries, the Group is now gradually deploying in Europe and Asia Pacific the 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. At the same time all the websites are beginning refreshed with innovative applications (relating, for example, to setting up appointments and the customer's personal profile) and new methodologies, marketing analysis tools, are being developed.
Furthermore, in line with changes in the sector and as the implementation of the Group's strategies progresses, the IT structures have been strengthened with a particular focus on project management and cyber security, as well as marketing, with a particular focus on digital marketing and the efficacy and efficiency of campaigns and the media mix.

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 and comprised of, in addition to the Vice Presidents of the three geographical regions (EMEA, Americas and Asia Pacific), the corporate heads of the various functions (strategic business development, human resources, marketing, administration and finance, purchasing and legal affairs).

Human resources

One of Amplifon's strengths is its customer service. Human resources, therefore, are very important in this regard, but they also present certain issues and areas of risk. Specifically:

- limited availability of hearing aid specialists, the difficulty of attracting new ones while also running the risk that others begin working for the competition can significantly affect the Group's organic growth, together with the risk of losing customers and increased labour costs due to salary increases;
- deficiencies in staff's technical and sales skills can lead to ineffective sales teams in certain countries and could pose a significant risk to the ability to reach organic growth targets;
- the risk that the sales force commits illegal acts or violates the Group's rules.

The Group has taken the following steps to address the above mentioned risks:

- defined and included its values in a Code of Conduct, which has been distributed in all countries of operation and in Italy the Compliance Program/Internal Organizational Model adopted pursuant to Legislative Decree 231/2001 was implemented;
- defined a profile of the ideal hearing aid specialist in order to assure that recruitment methods reflect the Group's commercial policies. Steps have also been taken to increase the supply of hearing aid specialists through agreements with universities and sector associations, as well as specialized training programs;
- strengthened both corporate and country specific Human Resources structures;
- developed and gone live with the Global Career Website and local career websites, the goal of which is to facilitate the recruiting of key talent including by providing more detailed information about the company, the Group and the opportunities offered;
- increased internal training and developed centralized coordination of the training carried out in individual countries;
- implemented a structured performance management system with a view to aligning individual objectives, corporate strategies, the incentive system and the results achieved, as well as providing all employees and staff members with a valid tool to support their professional development;
- increased the attention being paid to store procedures through both the development of a new procedure focused on providing excellent customer service and the definition of a standardized store manual 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, in 2012 the Group finalized and 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.

The Amplifon Group's foreign exchange transaction risk is largely limited as each country is largely autonomous in the operation of its business, sustaining costs in the same currency as it realizes revenue, 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 through specific derivative instruments. 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.

The intercompany loans between the Australian and New Zealand companies, between the American and Canadian companies, as well as the loan granted Amplifon S.p.A. to the English subsidiary, are considered equity investments insofar as the loans are non-interest-bearing and not expected to be repaid. The impact of exchange differences is recognized directly in the translation reserve at equity without passing through the income statement.

The risks arising from other intragroup transactions worth less than €1 million (or the equivalent if denominated in another currency) 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.

The foreign exchange translation risk, in accordance with the Group Treasury Policy, is not hedged. Overall the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which dropped by 0.2 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 respect to long-term exposures, through a balanced division between fixed- and floating-rate loans, judging whether to switch floating-rate borrowings to fixed-rate when each loan is taken out, as well as over the life of the loans including in light of the current market rates. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2016, all the medium/long debt (€376 million at the hedging exchange rate) 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 loans granted to members of the indirect channel and commercial partners in the United States and in Spain for investments and business development;
- (iv) from the residual amounts receivables for the sale of the American subsidiary Sonus in the period 2010-2011 which was switched from the direct to the indirect channel.

With regard to the risk under (i) above, the only positions with a high unit value are amounts due from Italian public-sector entities for which the risk of insolvency - while existing - is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, by specialized factoring companies. Conversely, the credit risk arising from sales to private individuals based on instalment payment plans is increasing, as is that arising from sales to US indirect channel firms (wholesalers and franchisees). This credit risk, however, is spread out over a number of partners and the amount owed by any single partner does not exceed a few million US dollars. Due to typical business risks, some may not be able to honor their debts. This would result in higher working capital and credit losses. While each subsidiary is responsible for collection of receivables, the Group has set up a centralized system of monthly reporting relative to trade receivables in order to monitor the composition and due dates for each country, and shares credit recovery initiatives and policies with local management. With regard to private customers, the majority of which do, however, use cash, payment options like installment plans or loans (with terms limited to a few months) are offered. These are managed by external finance companies, with the exception of Brazil which is not material for the Group as a whole, which advance the whole amount of the sale to Amplifon. The situation of the indirect channel in the US is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to sudden and unforeseeable counterparty default, is managed by diversifying 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. The 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 the receivables referred to in (iv) above, are generally personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the purchases of hearing aids are paid.

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) due to both characteristics specific to the financial asset or liability or the issuer, as well as market factors. This risk is typical of financial assets not listed on an active market, which may not be easy to liquidate at a level close to their fair value.
The Amplifon Group does not have investments in these kinds of instruments and, therefore, this risk currently does not exist.

Liquidity risk

This risk often arises when an entity is experiencing difficulty finding sufficient funds to meet its obligations and includes the risk that the counterparties that have granted loans or lines of credit may request repayment. This risk, which had become particularly significant due, initially, to the 2008 financial crisis and, more recently, to the sovereign debt crisis affecting the peripheral Euro zone countries and the single currency itself, while smaller, still exists.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations, while also carefully monitoring credit lines, even though gross debt is entirely long term. More in detail, in the last part of 2016 the Group was granted €165 million in irrevocable five-year credit lines which, along with the liquidity recorded at year-end and without taking into account future cash flow, already guarantee full coverage of the first significant portion of debt falling due in July 2018.

We believe therefore, including in light of the positive cash flow that the Group continues to generate, 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 comprise exclusively financial derivatives. In order to maximize the effectiveness of these hedges the Group's strategy calls for:

- large counterparties with high credit ratings and transactions that fall within the limits determined in the treasury policy in order to minimize counterparty risk ;
- the use of instruments that match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the effectiveness of the instruments used in order to check and, possibly, optimize the structure of the instruments used to achieve the purposes of the hedge.

The derivatives used by the Group are generally plain vanilla financial instruments. More in detail, the types of derivatives used include:

- cross currency swaps;
- foreign exchange forwards.

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.

Treasury Shares

Implementation of the buyback program approved during the Shareholders' Meetings held on 21 April 2015 and on 18 April 2016 continued in the year.

The purpose of the program is to increase treasury shares in order to service stock-based incentive plans, 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 treasury 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.

In 2016 2,199,000 shares were purchased under this program at an average price of €8.568.

A total of 1,502,999 of the performance stock grant rights were exercised in the period, as a result of which the Company transferred the same number of treasury shares to the beneficiaries.

At 31 December 2016 the treasury shares held amounted to 6,959,751 or 3.08% of the Company's share capital.

Information relating to the treasury shares held purchased in 2005, 2006, 2007, 2014, 2015, 2016, as well as sold in 2016, is provided below.

	N. of shares	Average purchase price (Euro) FV of transferred rights (Euro)	Total amount (€ thousand)
Held at 31 December 2015	**6,263,750**	**6.345**	**39,740**
Purchases	2,199,000	8.568	18,841
Transfers due to exercise of Performance Stock grants	(1,502,999)	6.922	(10,403)
Total at 31 December 2016	**6,959,751**	**6.922**	**48,178**

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.

The 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 31 of the consolidated financial statements and in Note 28 of the separate financial statements.

Contingent Liabilities

In November the suit filed against Amplifon by the owner of three stores leased to Amplifon Iberica (referred to beginning in 2015) complaining about the state of the property which was regularly returned by Amplifon Iberica in 2014 when the lease expired, along with other alleged breaches, was closed. Amplifon was not required to pay any damages.

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

Outlook

Amplifon expects to continue pursuing its strategic goals shared with the financial community in March 2016, namely the strengthening of its global leadership position, recording a favorable trend in revenues and in profitability driven by continuous organic growth and the solid contribution of external growth. These objectives will be achieved thanks to continuous investments in marketing to boost market share and increase the penetration rate of hearing solutions; in capital expenditure to foster network expansion and cash-out for piecemeal acquisitions in core countries; as well as investments in integrated IT infrastructure and optimal management of human capital to support an effective and attractive organization.

Amplifon's main initiatives and strategic objectives for 2017 include: leading further consolidation in core markets; continuous pursuit of strong organic growth, outpacing the market, thanks also to the intensification of digital and medical marketing, as well as the development of an advanced Customer Relationship Management (CRM) system and new levels of retail excellence; and further differentiation of the service provided to its consumers, enhancing the Amplifon 360° proprietary protocol. Amplifon, therefore, remains confident about its ability to implement the strategic guidelines announced in March 2016 and achieve the medium-term targets set in the plan.

Disclaimer

This report contains forward looking statements ("Outlook") relating to future events and the Amplifon Group's operating, economic and financial results. These forecasts, by definition, contain elements of risk and uncertainty, insofar as they are linked to the occurrence of future events and developments. The actual results may be very different with respect to the original forecast due to a number of factors, the majority of which are out of the Group's control.

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

Reclassified Income Statement

(€ thousands)	FY 2016				FY 2015			
	Recurring	Non recurring	Total	% on recurring	Recurring	Non recurring	Total	% on recurring
Revenues from sales and services	269,093	-	269,093	100.0%	247,823	-	247,823	100.0%
Operating cost	(235,633)	-	(235,633)	-87.6%	(219,678)	(6,792)	(226,470)	-88.6%
Other income and revenues	26,271	-	26,271	9.8%	18,217	-	18,217	7.4%
Other expenses	(2,761)	(2,502)	(5,263)	-1.0%	(80)	-	(80)	0.0%
Gross operating profit (EBITDA)	**56,970**	**(2,502)**	**54,468**	**21.2%**	**46,282**	**(6,792)**	**39,490**	**18.7%**
Depreciation and write-downs of non-current assets	(12,310)	-	(12,310)	-4.6%	(10,772)	-	(10,772)	-4.3%
Operating profit (EBIT)	**44,660**	**(2,502)**	**42,158**	**16.6%**	**35,510**	**(6,792)**	**28,718**	**14.3%**
Income, expenses, valuation and adjustments of financial assets	41,114	(7,588)	33,526	15.3%	40,507	(10,104)	30,403	16.3%
Net financial expenses	(15,074)	(9,211)	(24,285)	-5.6%	(17,001)	(3,918)	(20,919)	-6.9%
Exchange differences and non *hedge accounting* instruments	(2,747)	-	(2,747)	-1.0%	169	-	169	0.1%
Income (loss) before taxes	**67,953**	**(19,301)**	**48,652**	**25.3%**	**59,185**	**(20,814)**	**38,371**	**23.9%**
Current income taxes	(10,209)	785	(9,424)	-3.8%	(6,759)	2,133	(4,626)	-2.7%
Deferred income taxes	(258)	-	(258)	-0.1%	(2,075)	(1,693)	(3,768)	-0.8%
Net profit (loss)	**57,486**	**(18,516)**	**38,970**	**21.4%**	**50,351**	**(20,374)**	**29,977**	**20.3%**

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

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

The details of the non-recurring transactions included in the previous table are shown below.

(€ thousands)	FY 2016	FY 2015
Advisory fees and expenses related to an acquisition process which was not completed	(2,502)	-
Expenses related to the transition in the Group's leadership	-	(6,792)
Impact of the non-recurring items on EBITDA	**(2,502)**	**(6,792)**
Impact of the non-recurring items on EBIT	**(2,502)**	**(6,792)**
Write-down of the equity investments in Amplifon UK Ltd	(7,588)	(10,104)
Write-down of financial receivables payable by Amplifon UK Ltd	(9,211)	(3,918)
Impact of the non-recurring items pre-tax	**(19,301)**	**(20,814)**
Impact of the above items on the taxes for the year	785	2,133
Write-down of deferred tax assets recognized in Italy following change in IRES (corporate income tax) tax rate from 27.5% to 24%, effective as of 2017, as approved by the Parliament in December 2015	-	(1,693)
Impact of the non-recurring items on net profit (loss)	**(18,516)**	**(20,374)**

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)	31/12/2016	31/12/2015	Change
Goodwill	540	540	-
Other intangible assets	24,368	21,812	2,556
Tangible assets	22,863	19,621	3,242
Financial fixed assets	521,700	491,347	30,353
Other non-current financial assets	1,241	1,061	180
Non-current assets	**570,712**	**534,381**	**36,331**
Inventories	8,248	8,621	(373)
Trade receivables (1)	45,242	39,213	6,029
Other receivables (2)	12,114	11,176	938
Current assets (A)	**65,604**	**59,010**	**6,594**
Operating assets	**636,316**	**593,391**	**42,925**
Trade payables (3)	(34,252)	(26,760)	(7,492)
Other payables (4)	(44,616)	(36,762)	(7,854)
Current liabilities (B)	**(78,868)**	**(63,522)**	**(15,346)**
Net working capital (A)+(B)	**(13,264)**	**(4,512)**	**(8,752)**
Derivative instruments (5)	(10,212)	(6,990)	(3,222)
Deferred tax assets	20,802	20,523	279
Provisions for contingency and obligations (non-current portion)	(12,166)	(10,852)	(1,314)
Liabilities for employees' benefits (non-current portion)	(3,671)	(3,805)	134
Deferred tax liabilities	(1,596)	(1,841)	245
Loan fees (6)	1,069	1,490	(421)
NET INVESTED CAPITAL	**551,674**	**528,394**	**23,280**
Net Equity	**393,437**	**371,240**	**22,197**
Net short-tem financial indebtedness	(116,838)	(166,125)	49,287
Net medium and long-term financial indebtedness	275,075	323,279	(48,204)
Total net financial indebtedness	**158,237**	**157,154**	**1,083**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**551,674**	**528,394**	**23,280**

(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 item "Net medium and long-term financial indebtedness".
(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 2016	FY 2015
Operating profit (EBIT)	**42,158**	**28,718**
Amortization, depreciation and write-downs	12,310	10,772
Provisions, other non-monetary items and gain/losses from disposals	6,416	9,044
Net financial expenses	(17,247)	(15,631)
Write-down of financial current assets	(9,211)	(3,918)
Dividends received	41,114	40,082
Taxes paid	(3,058)	(2,416)
Change in net working capital	925	(6,269)
Cash flow generated from (absorbed by) operating activities (A)	**73,407**	**60,382**
Cash flow generated from (absorbed by) operating investing activities (B)	(18,138)	(11,554)
Free cash Flow (A +B)	**55,269**	**48,828**
Purchases of equity investments/share capital increases in subsidiaries (C)	(30,527)	(10,244)
(Purchase) sale of other investments and securities (D)	-	2,633
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(48,665)**	**(19,165)**
Hedging instruments	-	-
Other non-current assets	69	15
Fees paid on medium and long-term borrowings	(322)	-
Dividends paid	(9,427)	(9,356)
Treasury shares	(18,841)	(6,601)
Share capital increases	2,696	4,206
Net cash flow from the period	**(1,083)**	**29,481**
Net financial indebtedness at the beginning of the period	**(157,154)**	**(184,695)**
Changes in net financial position	(1,083)	29,481
Merger of Sonus Italia S.r.l.	-	(1,940)
Net financial indebtedness at the end of the period	**(158,237)**	**(157,154)**

Revenues from sales and services

(€ thousands)	FY 2016	%	FY 2015	%	Change	%
Hearing aid line sales	267,154	99.3%	245,679	99.1%	21,475	8.7%
Biomedical line sales	-	0.0%	284	0.1%	(284)	-100.0%
Total sales	**267,154**	**99.3%**	**245,963**	**99.2%**	**21,191**	**8.6%**
Hearing aid line services	1,939	0.7%	1,815	0.7%	124	6.8%
Biomedical line services	-	0.0%	45	0.0%	(45)	-100.0%
Total services	**1,939**	**0.7%**	**1,860**	**0.8%**	**79**	**4.2%**
Revenues from sales and services	**269,093**	**100.0%**	**247,823**	**100.0%**	**21,270**	**8.6%**

Revenue from sales and services, including the €90 thousand generated by the French branch, increased by €21,270 thousand (+8.6%) with respect to the prior year rising from the €247,823 thousand posted in 2015 to €269,093 thousand in 2016. This sizeable increase is even more significant considering that revenue was already up 9.4% in 2015.

In 2016 sales for hearing aids rose 8.5% to €251,826 thousand. The number of units sold rose by 6.5% to 148.1 thousand. The increase is turnover is attributable entirely to organic growth which confirms the strength of the strategies used in all regions. The efficacy of TV marketing in creating store traffic was confirmed, once again, in 2016. The new marketing channels are also the source of great satisfaction with digital marketing, in which the Group is making substantial investments, in first place. The important investments made in Customer Relationship Management (CRM) over the last few years have also made it possible for stores to have extremely accurate and valid customer databases which increase the ability to convert trials into sales. The training of the hearing aid specialists continues to be a crucial to the high level of customer satisfaction, one of Amplifon's strong points since its inception.
The consumer loans, developed with leading firms, have made it possible to provide payment options that are increasingly popular with customers.
The Hearing Solutions Services also achieved very strong results in 2016, posting growth of 6.8%.

Gross operating profit (EBITDA)

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	**56,970**	**(2,502)**	**54,468**	**46,282**	**(6,792)**	**39,490**

Gross operating profit (EBITDA) amounted to €54,468 thousand in 2016 versus €39,490 thousand in 2015, an increase of €14,978 thousand (+37.9%).
The non-recurring item relates to the costs incurred for a merger which was not completed.

Recurring EBITDA increased €10,688 thousand (+23.1%) against the comparison period.

The comparison of the increase in total net sales (+8.6%) with the increase in recurring EBITDA (+23.1%) illustrates the very satisfying result linked to careful cost control. EBITDA as a percentage of total net sales rose from the 18.7% posted in 2015 to 21.2% in 2016.

Operating profit (EBIT)

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	**44,660**	**(2,502)**	**42,158**	**35,510**	**(6,792)**	**28,718**

The operating profit (EBIT) amounted to €42,158 thousand in 2016 versus €28,718 thousand in 2015, an increase of €13,440 thousand (+46.8%). Recurring EBIT rose €9,150 thousand (+25.8%) against the comparison period.

Profit before tax

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	**67,953**	**(19,301)**	**48,652**	**59,185**	**(20,814)**	**38,371**

Profit before tax rose in 2016 with respect to 2015 by €10,281 thousand. In addition to the items discussed in the section on EBIT above, non-recurring transactions in the year also refer to the write-downs of an equity investment and financial receivables due from the UK subsidiaries in order to align them with their recoverable value. Recurring profit before tax shows an increase of €8,768 thousand (+14.8% against the comparison period).

Net profit

(€ thousands)	FY 2016			FY 2015		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit	**57,486**	**(18,516)**	**38,970**	**50,351**	**(20,374)**	**29,977**

Net profit for 2016, which was impacted by non-recurring expenses of €18,516 thousand net of tax, reached €38,970 thousand versus €29,977 thousand in 2015, an increase of €8,993 thousand.
The increase for recurring operations reached €7,135 thousand.

Non-current assets

(€ thousands)	31/12/2016	31/12/2015	Change
Goodwill	540	540	-
Other intangible assets	24,368	21,812	2,556
Tangible assets	22,863	19,621	3,242
Financial fixed assets	521,700	491,347	30,353
Other non-current financial assets	1,241	1,061	180
Non-current assets	**570,712**	**534,381**	**36,331**

Non-current assets amounted to €570,712 thousand at 31 December 2016 versus €534,381 thousand at 31 December 2015, an increase of €36,331 thousand attributable to:

- an increase in intangible assets as a result of the development of new software to support both the sales network and head office;
- an increase in plant, property and equipment following the purchase of new hardware, furnishings, decorations and equipment for the branches and headquarters;
- an increase in the value of equity investments explained: for €21,500 thousand, by the capital increase of Amplifon Deutschland Gmbh; for €2,314 thousand, by the capital increase of Amplifon Poland Sp.z o.o.; for €1,014 thousand by the purchase of the Swiss company Hörhilfe Walter Blättler AG; for €7,415 thousand by the periodic valuation of stock option and stock grant plans held by employees of subsidiaries;
- a decrease in the value of equity investments as a result of the cancellation of receivables and the subsequent write-down of Amplifon UK Ltd for a total net impact of €1,890 thousand.

Net invested capital

Net invested capital amounted to €551,674 thousand at 31 December 2016 versus €528,394 thousand at 31 December 2015, an increase of €23,280 thousand attributable primarily to:

- the increase in non-current assets described above;
- a decrease in warehouse inventories of €373 thousand thanks to efficient management of trial returns and an increase in branch stock rotation;
- an increase in trade receivables of €6,029 thousand due to the significant increase in sales posted in the year;
- an increase in other receivables of €938 thousand due mainly to a change in the refundable VAT credits at 31 December;
- an increase in trade payables due to the increase in purchases of goods and services and careful management of the payment conditions;
- an increase in other payables due primarily to the increase in amounts owed the parent company linked to tax consolidation;
- a decrease in the fair value of derivatives of €3,222 thousand.

Net equity

(€ thousands)	31/12/2016	31/12/2015	Change
Share capital	4,524	4,510	14
Share premium account	201,652	197,779	3,873
Statutory reserve	934	934	-
Treasury shares	(48,178)	(39,740)	(8,438)
Stock option reserve	25,281	21,558	3,723
Cash flow hedge reserve	(7,544)	(5,096)	(2,448)
Extraordinary reserve	2,767	2,767	-
Other reserves	791	785	6
Profit (loss) carried forward	174,240	157,766	16,474
Profit (loss) for the year	38,970	29,977	8,993
Net Equity	**393,437**	**371,240**	**22,197**

Net equity amounted to €393,437 thousand at 31 December 2016 versus €371,240 thousand at 31 December 2015, an increase of €22,197 thousand, explained by:

- an increase in share capital and the share premium reserve of 714,105 shares following the exercise of stock options;
- an increase in treasury shares following the purchase of 2,199,000 shares and the exercise of 1,502,999 stock grants;
- a decrease in the cash flow hedge reserve;
- the net profit posted in 2016.

Net financial indebtedness

(€ thousands)	31/12/2016	31/12/2015	Change
Net medium and long-term financial indebtedness	275,075	323,279	(48,204)
Short-term net financial indebtedness	10,847	(22,387)	33,234
Cash and equivalents	(127,685)	(143,738)	16,053
Net financial indebtedness	**158,237**	**157,154**	**1,083**

Net financial indebtedness amounted to €158,237 thousand at 31 December 2016, an increase of €1,083 thousand with respect to 31 December 2015.

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 undrawn portion of credit lines granted amounted to €264 million, €165 million of which irrevocable and expiring year-end 2021.

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.

At 31 December 2016 these ratios were as follows:

(€ thousands)	Value
Net financial indebtedness/Group net equity	0.40
Net financial indebtedness/EBITDA for the last 4 quarters	1.17

As is typical international practice, the private placement is 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 2016	FY 2015
OPERATING ACTIVITIES		
Net income (loss)	38,970	29,977
Amortization, depreciation and write-downs:		
- other intangible fixed assets	*5,976*	*4,499*
- tangible fixed assets	*6,334*	*6,273*
Total amortization, depreciation and write-downs	*12,310*	*10,772*
Provisions and other non-monetary items	6,396	9,028
(Gains) losses from sale of fixed assets	20	16
Financial income and charges	(6,961)	(10,200)
Current and deferred income taxes	9,681	8,394
Change in assets and liabilities		
- Utilization of provisions	*(1,179)*	*(5,013)*
- (Increase) decrease in inventories	*473*	*1,169*
- Decrease (increase) in trade receivables	*(6,214)*	*(335)*
- Increase (decrease) in trade payables	*7,503*	*(1,417)*
- Increase (decrease) in other receivables/payables non-financial net of tax receivables/payables	*342*	*(673)*
Total change in current assets and liabilities	925	(6,269)
Dividends received	41,114	40,082
Interest received/paid	(16,779)	(15,084)
Taxes paid	(3,058)	(2,416)
Write-down of financial current assets	(9,211)	(3,918)
Cash flow generated from (absorbed by) operating activities	**73,407**	**60,382**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(9,623)	(5,688)
Purchase of tangible fixed assets	(8,544)	(5,910)
Consideration from sale of tangible fixed assets and businesses	29	44
Cash flow generated from (absorbed by) investing activities	**(18,138)**	**(11,554)**
Cash flow generated from operating and investing activities (Free cash flow)	**55,269**	**48,828**
Business combinations	(30,527)	(10,244)
(Purchase) sale of other investments, securities and reductions of earn-out	-	2,633
Cash flow generated from acquisitions	**(30,527)**	**(7,611)**
Cash flow generated from (absorbed by) investing activities	**(48,665)**	**(19,165)**

(€ thousands)	FY 2016	FY 2015
FINANCING ACTIVITIES:		
Hedging derivatives	-	-
Commissions paid for medium/long-term financing	(322)	-
Other non-current assets	69	15
Dividends distributions	(9,427)	(9,356)
Treasury shares	(18,841)	(6,601)
Capital increases	2,696	4,206
Cash flow generated from (absorbed by) financing activities	**(25,825)**	**(11,736)**
Net financial indebtedness at the beginning of the period	**(1,083)**	**29,481**
Opening net financial indebtedness	(157,154)	(184,695)
Merger of Sonus Italia S.r.l.	-	(1,940)
Changes in net indebtedness	(1,083)	29,481
Net financial indebtedness at the end of the period	**(158,237)**	**(157,154)**

The increase in net financial indebtedness of €1,083 thousand is attributable primarily to:

a) investing activities:
- net increase in property, plant and equipment and intangible assets of €18,167 thousand relating largely to investments in information technology, the development of digital, hardware and updating of the headquarters;
- an increase in the value of equity investments due mainly to Amplifon Deutschland Gmbh's capital increase.

b) operating activities:
- interest payable on financial indebtedness and other net financial charges of €16,779 thousand;
- payment of taxes which amounted to €3,058 thousand;
- dividends received from subsidiaries amounting to €41,114 thousand;
- write-downs of subsidiaries' financial assets amounting to €16,779 thousand;
- cash flow generated by current operations of €68,928 thousand.

c) financing activities:
- net proceeds from the capital increase following the exercise of stock options of €2,696 thousand;
- purchase of treasury shares for €18,841 thousand;
- dividends paid shareholders amounting to €9,427 thousand;
- payment of €322 thousand in initial fees on long-term credit lines negotiated in the year;
- decrease in non-current assets of €69 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. 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 28 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 - 2016.

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.

Representative of Data controller

During the Board of Directors meeting held on 22 October 2015 the Board appointed Enrico Vita, currently the Group's Chief Executive Officer, representative of "Data controller" in accordance with the law.

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

2017 opens with an important number of trials underway which has resulted in a positive outlook for the first quarter of 2017.
Amplifon S.p.A. will continue to face the market with renewed vigor, implementing all the marketing initiatives and making all the investments needed to further increase the important level of turnover achieved in 2016. Toward this end, the important investments made to support digital marketing and the further steps taken to enhance Customer Relationship Management (CRM) will be crucial to business development, along with the television channel.
Amplifon S.p.A. will look to further improve the funnel performance boost in the stores. This, along with the excellent technical expertise of the staff on the field, will be key to achieving the ambitious targets set for 2017.

Consolidated Financial Statements at 31 December 2016

Consolidated Financial Statements at 31 December 2016

Consolidated Statement of Financial Position

(€ thousands)		31/12/2016	31/12/2015	Change
ASSETS				
Non-current assets				
Goodwill	**Note 2**	635,132	572,150	62,982
Intangible fixed assets with finite useful life	**Note 3**	161,906	141,413	20,493
Tangible fixed assets	**Note 4**	119,794	102,675	17,119
Investments valued at equity	**Note 29**	1,759	1,433	326
Financial assets measured at fair value through profit or loss	**Note 5**	43	29	14
Long - term hedging instruments	**Note 6**	12,223	11,526	697
Deferred tax assets	**Note 21**	40,744	40,743	1
Other assets	**Note 5**	49,683	45,100	4,583
Total non-current assets		**1,021,284**	**915,069**	**106,215**
Current assets				
Inventories	**Note 7**	31,370	28,956	2,414
Trade receivables	**Note 8**	127,278	111,727	15,551
Other receivables	**Note 8**	42,162	34,068	8,094
Hedging instruments	**Note 6**	35	451	(416)
Cash and cash equivalents	**Note 9**	183,834	196,714	(12,880)
Total current assets		**384,679**	**371,916**	**12,763**
TOTAL ASSETS		**1,405,963**	**1,286,985**	**118,978**

(€ thousands)		31/12/2016	31/12/2015	Change
LIABILITIES				
Net Equity				
Share capital	**Note 10**	4,524	4,510	14
Share premium account		201,648	197,774	3,874
Treasury shares		(48,178)	(39,740)	(8,438)
Other reserves		14,938	2,587	12,351
Profit (loss) carried forward		320,819	287,535	33,284
Profit (loss) for the period		63,620	46,805	16,815
Group net equity		**557,371**	**499,471**	**57,900**
Minority interests		**289**	**694**	**(405)**
Total net equity		**557,660**	**500,165**	**57,495**
Non-current liabilities				
Medium/long-term financial liabilities	**Note 12**	399,166	394,152	5,014
Provisions for risks and charges	**Note 13**	59,341	50,053 (*)	9,288
Liabilities for employees' benefits	**Note 14**	16,609	15,571	1,038
Deferred tax liabilities	**Note 21**	62,405	55,695	6,710
Payables for business acquisitions	**Note 15**	2,087	5,450	(3,363)
Other long-term debt	**Note 15**	26,127	21,708 (*)	4,419
Total non-current liabilities		**565,735**	**542,629 (*)**	**23,106**
Current liabilities				
Trade payables	**Note 16**	131,181	113,343	17,838
Payables for business acquisitions	**Note 17**	14,485	4,581	9,904
Other payables	**Note 17**	120,298	109,385 (*)	10,913
Hedging instruments	**Note 6**	3	6	(3)
Provisions for risks and charges	**Note 18**	2,346	1,646 (*)	700
Liabilities for employees' benefits	**Note 19**	739	1,025	(286)
Short-term financial liabilities	**Note 20**	13,516	14,205	(689)
Total current liabilities		**282,568**	**244,191 (*)**	**38,377**
TOTAL LIABILITIES		**1,405,963**	**1,286,985**	**118,978**

(*) In accordance with IAS 8 the comparative figures were restated as shown in the following table.

(€ thousands)	31/12/2015 Revised	31/12/2015 Reported	Change
Provisions for risks and charges (non-current portion)	50,053	48,407	1,646
Other long-term debt	21,708	2,600	19,108
Other payables	109,385	130,407	(21,022)
Provisions for risks and charges (current portion)	1,646	1,378	268
Total	**182,792**	**182,792**	**-**

Consolidated Income Statement

(€ thousands)		FY 2016			FY 2015			
		Recurring	Non recurring	Total	Recurring	Non recurring	Total	Change
Revenues from sales and services	**Note 22**	1,133,097	-	1,133,097	1,033,977	-	1,033,977	99,120
Operating costs	**Note 23**	(942,279)	-	(942,279)	(868,861)	(6,792)	(875,653)	(66,626)
Other income and costs	**Note 24**	(1,457)	(2,502)	(3,959)	2,247	4,606	6,853	(10,812)
Gross operating profit (EBITDA)		**189,361**	**(2,502)**	**186,859**	**167,363**	**(2,186)**	**165,177**	**21,682**
Amortisation, depreciation and impairment	**Note 25**							
Amortisation of intangible fixed assets		(25,424)	-	(25,424)	(23,952)	-	(23,952)	(1,472)
Depreciation of tangible fixed assets		(27,033)	-	(27,033)	(26,562)	(238)	(26,800)	(233)
Impairment and impairment reversals of non-current assets		(1,864)	(5,489)	(7,353)	(799)	(2,620)	(3,419)	(3,934)
		(54,321)	**(5,489)**	**(59,810)**	**(51,313)**	**(2,858)**	**(54,171)**	**(5,639)**
Operating result		**135,040**	**(7,991)**	**127,049**	**116,050**	**(5,044)**	**111,006**	**16,043**
Financial income, charges and value adjustments to financial assets	**Note 26**							
Group's share of the result of associated companies valued at equity		419	-	419	126	-	126	293
Other income and charges, impairment and revaluations of financial assets		13	-	13	208	1,253	1,461	(1,448)
Interest income and charges		(17,942)	-	(17,942)	(20,483)	(2,854)	(23,337)	5,363
Other financial income and charges		(1,011)	-	(1,011)	(388)	-	(388)	(591)
Exchange gains and losses		(2,445)	-	(2,445)	2,681	-	2,681	(5,126)
Gain (loss) on assets measured at fair value		1,288	-	1,288	(3,452)	-	(3,452)	4,740
		(19,678)	**-**	**(19,678)**	**(21,308)**	**(1,601)**	**(22,909)**	**3,231**
Profit (loss) before tax		**115,362**	**(7,991)**	**107,371**	**94,742**	**(6,645)**	**88,097**	**19,274**
Current and deferred income tax	**Note 27**							
Current tax		(45,042)	785	(44,257)	(41,366)	2,053	(39,313)	(4,944)
Deferred tax		662	-	662	(675)	(1,397)	(2,072)	2,734
		(44,380)	**785**	**(43,595)**	**(42,041)**	**656**	**(41,385)**	**(2,210)**
Total net profit (loss)		**70,982**	**(7,206)**	**63,776**	**52,701**	**(5,989)**	**46,712**	**17,064**
Net profit (loss) attributable to Minority interests		156	-	156	(93)	-	(93)	249
Net profit (loss) attributable to the Group		**70,826**	**(7,206)**	**63,620**	**52,794**	**(5,989)**	**46,805**	**16,815**

Income (loss) and earnings per share (€ per share)	**Note 30**	**FY 2016**	**FY 2015**
Earnings per share:			
- base		0.29008	0.21465
- diluted		0.28262	0.20812
Dividend per share		0.070 (*)	0.043

(*) Proposed by the Board of Directors to the shareholders' meeting called for April 20th 2017.

Statement of Comprehensive Income

(€ thousands)		FY 2016	FY 2015
Net income (loss) for the period		**63,776**	**46,712**
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit plans	**Note 14**	80	221
Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss		16	(58)
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)		**96**	**163**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments	**Note 6**	(3,222)	3,530
Gains/(losses) on exchange differences from translation of financial statements of foreign entities		10,737	9,473
Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss		773	(1,205)
Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)		**8,288**	**11,798**
Total other comprehensive income (loss) (A)+(B)		**8,384**	**11,961**
Comprehensive income (loss) for the period		**72,160**	**58,673**
Attributable to the Group		72,265	58,856
Attributable to Minority interests		(105)	(183)

Statement of Changes in Consolidated Net Equity

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve	Stock option reserve
Balance at 1 January 2015		**4,492**	**191,902**	**934**	**3,607**	**(46,547)**	**21,761**
Appropriation of FY 2014 result							
Share capital increase		18	4,188				
Treasury shares						(6,601)	
Dividend distribution							
Implicit cost of stock options and stock grants	**Note 28**						10,719
Other changes			1,684		29	13,408	(10,645)
- Hedge accounting	**Note 6**						
- Actuarial gains (losses)							
- Translation difference							
- Result for FY 2015							
Total comprehensive income (loss) for the period							
Balance at 31 December 2015		**4,510**	**197,774**	**934**	**3,636**	**(39,740)**	**21,835**

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve	Stock option reserve
Balance at 1 January 2016		**4,510**	**197,774**	**934**	**3,636**	**(39,740)**	**21,835**
Appropriation of FY 2015 result							
Share capital increase		14	2,682				
Treasury shares						(18,841)	
Dividend distribution							
Implicit cost of stock options and stock grants	**Note 28**						11,261
Other changes			1,192			10,403	(7,555)
- Hedge accounting	**Note 6**						
- Actuarial gains (losses)							
- Translation difference							
- Result for FY 2016							
Total comprehensive income (loss) for the period							
Balance at 31 December 2016		**4,524**	**201,648**	**934**	**3,636**	**(48,178)**	**25,541**

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
(7,421)	**(4,567)**	**255,410**	**(23,881)**	**46,475**	**442,165**	**1,057**	**443,222**
		46,475		(46,475)	-		-
					4,206		**4,206**
					(6,601)		**(6,601)**
		(9,356)			**(9,356)**		**(9,356)**
					10,719		**10,719**
		(4,994)			**(518)**	(180)	**(698)**
2,325					***2,325***		***2,325***
	163				**163**		***163***
			9,563		**9,563**	*(90)*	***9,473***
				46,805	***46,805***	*(93)*	***46,712***
2,325	163		9,563	46,805	**58,856**	(183)	**58,673**
(5,096)	**(4,404)**	**287,535**	**(14,318)**	**46,805**	**499,471**	**694**	**500,165**

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
(5,096)	**(4,404)**	**287,535**	**(14,318)**	**46,805**	**499,471**	**694**	**500,165**
		46,805		(46,805)	-		-
					2,696		**2,696**
					(18,841)		**(18,841)**
		(9,427)			**(9,427)**		**(9,427)**
					11,261		**11,261**
		(4,094)			**(54)**	(300)	**(354)**
(2,449)					***(2,449)***		***(2,449)***
	96				***96***		***96***
			10,998		***10,998***	*(261)*	***10,737***
				63,620	***63,620***	*156*	***63,776***
(2,449)	96		10,998	63,620	**72,265**	(105)	**72,160**
(7,545)	**(4,308)**	**320,819**	**(3,320)**	**63,620**	**557,371**	**289**	**557,660**

Consolidated Cash Flow Statement

(€ thousands)	FY 2016	FY 2015
OPERATING ACTIVITIES		
Net profit (loss)	63,776	46,712
Amortization, depreciation and write-downs:		
- intangible fixed assets	25,429	24,095
- tangible fixed assets	28,892	27,455
- goodwill	5,489	2,620
Provisions	22,955	24,339
(Gains) losses from sale of fixed assets	42	(395)
Group's share of the result of associated companies	(419)	(126)
Financial income and charges	20,098	23,035
Current, deferred tax assets and liabilities	43,594	41,386
Cash flow from operating activities before change in working capital	***209,856***	***189,121***
Utilization of provisions	(8,000)	(10,017)
(Increase) decrease in inventories	175	2,288
Decrease (increase) in trade receivables	(12,513)	(1,008)
Increase (decrease) in trade payables	14,946	6,156
Changes in other receivables and other payables	(1,631)	2,907
Total change in assets and liabilities	***(7,023)***	***326***
Dividends received	1	10
Interest received (paid)	(18,606)	(25,114)
Taxes paid	(40,539)	(38,242)
Cash flow generated from (absorbed by) operating activities (A)	**143,689**	**126,101**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(17,876)	(13,773)
Purchase of tangible fixed assets	(44,638)	(34,328)
Consideration from sale of tangible fixed assets	1,369	9,682
Cash flow generated from (absorbed by) operating investing activities (B)	***(61,145)***	***(38,419)***
Purchase of subsidiaries and business units	(82,115)	(42,333)
Increase (decrease) in payables through business acquisition	3,967	528
(Purchase) sale of other investments, business units and securities	34	9,423
Cash flow generated from (absorbed by) acquisition activities (C)	***(78,114)***	***(32,382)***
Cash flow generated from (absorbed by) investing activities (B+C)	**(139,259)**	**(70,801)**
FINANCING ACTIVITIES:		
Increase (decrease) in financial payables	5,615	(60,802)
(Increase) decrease in financial receivables	52	1,902
Derivatives instruments and other non-current assets	-	-
Commissions paid for medium/long-term financing	(322)	-
Other non-current assets and liabilities	(305)	(2,015)
Treasury shares	(18,841)	(6,601)
Dividends distributed	(9,427)	(9,356)
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	2,349	4,206
Cash flow generated from (absorbed by) financing activities (D)	**(20,983)**	**(72,666)**
Net increase in cash and cash equivalents (A+B+C+D)	**(16,553)**	**(17,366)**

(€ thousands)	FY 2016	FY 2015
Cash and cash equivalents at beginning of period	**196,714**	**211,124**
Effect of discontinued operations on cash & cash equivalents	-	-
Effect of exchange rate fluctuations on cash & cash equivalents	913	1,696
Liquid assets acquired	2,760	1,260
Flows of cash and cash equivalents	(16,553)	(17,366)
Cash and cash equivalents at end of period	**183,834**	**196,714**

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 31. The impact of these transactions on the Group's cash flows is not material.

Supplementary Information to Cash Flow Statement

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

(€ thousands)	FY 2016	FY 2015
- Goodwill	62,796	32,353
- Customer lists	24,819	14,403
- Trademarks and non-competition agreements	-	-
- Other intangible fixed assets	1,115	163
- Tangible fixed assets	3,238	1,357
- Financial fixed assets	-	-
- Current assets	10,863	4,185
- Provisions for risks and charges	(3,589)	(3,165)
- Current liabilities	(14,938)	(7,319)
- Other non-current assets and liabilities	(8,562)	(1,984)
- Minority interests	-	705
Total investments	**75,742**	**40,698**
Net financial debt acquired	6,373	1,635
Total business combinations	**82,115**	**42,333**
(Increase) decrease in payables for businesses combinations	(3,967)	(528)
Disposal of businesses (reduction in earn-outs), purchase of investments and shares	(34)	(9,423)
Cash flow absorbed by (generated from) acquisitions	**78,114**	**32,382**
(Cash and cash equivalents acquired)	(2,760)	(1,260)
Net cash flow absorbed by (generated from) acquisitions	**75,354**	**31,122**

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 2016 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 2016. 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 2016 was authorised by the resolution of the Board of Directors of 28 February 2017. These financial statements are subject to the approval of the Shareholders' Meeting of Amplifon S.p.A. on 20 April 2017.

The valuation criteria adopted in the preparation of the consolidated financial statements and a disclosure of the accounting principles and interpretation of future application are detailed in section §37.

2. Acquisitions and goodwill

In 2016 the Amplifon Group intensified its quest for external growth which, after a slow start attributable to the evaluation of a sizeable acquisition which was ultimately not made, was focused mainly on Germany, France and Canada. A total of 183 new points of sale were purchased and an additional 17, previously operated indirectly, were transferred to the direct network for an overall investment, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years, of €79,355 thousand.

More in detail:

- 110 points of sale were acquired in Germany; the most important acquisitions were Focus Hören AG, which operates 62 points of sale spread evenly throughout Germany, and Die Hörmeister GmbH which has 24 points of sale located primarily in northern Germany and a strong presence in the Hamburg area;
- 25 points of sale were acquired in Canada; of note is the acquisition of the Hear More Canada chain, which has 21 points of sale in the province of Ontario;
- 25 transactions were finalized in France, resulting in the purchase of a total of 41 points of sale;
- 2 points of sale were acquired in Israel;
- 1 point of sale was acquired in Switzerland;
- 10 points of sale, which were previously part of the indirect network, were purchased in Belgium;
- 3 points of sale were acquired in Spain;
- 1 point of sale was acquired in Turkey;
- 7 points of sale belonging to the Miracle Ear network were acquired in the United States which will rejoin the network once they are adequately reorganized and customer lists relating to seven stores were purchased.

The table below summarises all the acquisitions made throughout 2016 (amounts in € thousand):

SHARE DEALS

Company Name	Date	Location	Company Name	Date	Location
SOS Audition Sarl	01/01/2016	France	Pierre Vertier Audition SAS	01/08/2016	France
CAB SAS	01/02/2016	France	Hear More Canada, Inc.	01/08/2016	Canada
SBA Sarl	01/02/2016	France	Die Hörmeister GmbH	01/08/2016	Germany
Audiolandes SAS	01/03/2016	France	Die Hörmeister Nord GmbH	01/08/2016	Germany
Laboratoire Acoustique Médicale SAS	01/04/2016	France	Focus Hören AG	01/09/2016	Germany
Audition Conseil Tarnos Sarl	01/04/2016	France	Depuydt Audiologie BVBA	01/10/2016	Belgium
Kolan Ashdod Speech & Hearing Inst. Ltd	01/04/2016	Israele	Correction Auditive du Midi Sarl	01/11/2016	France
Lugot Audition Sarl	01/05/2016	France	J'Ecoute SAS	01/11/2016	France
Audition Privat Gandon SAS	01/05/2016	France	Euphonia SAS	01/12/2016	France
Audition Privat Auray Sarl	01/05/2016	France	Audition Bien Etre Bain Sarl	01/12/2016	France
Audics BVBA	01/05/2016	Belgium	Audioconfort SAS	01/12/2016	France
Audiomedica Hearing Clinic, Inc.	15/06/2016	Canada	Audition du Pays d'Aix SAS	01/12/2016	France
Audiopro SAS	01/07/2016	France	Audition du Pays Varois SAS	01/12/2016	France
AJ2C SAS	01/07/2016	France	Cyrex Concept SAS	01/12/2016	France
Hörhilfe Walter Blättler AG	01/07/2016	Switzerland			

ASSET DEALS

Company Name	Date	Location	Company Name	Date	Location
Akustik Dieterich GmbH	01/01/2016	Germany	Murray's Hearing Aid Center	01/07/2016	USA
Pavel Hörgeräte Biebrich GmbH. Kiel	01/01/2016	Germany	Advanced Hearing Solutions	01/07/2016	USA
Pavel Hörgeräte Cloppenburg GmbH. Kiel	01/01/2016	Germany	Matignon	11/07/2016	France
Pavel Hörgeräte Ettlingen GmbH. Kiel	01/01/2016	Germany	Hörakustik Dröst-Frömel	01/08/2016	Germany
Yeni Antakya Isitme Cihazları Tıbbi Gereçler Ith,Ihr,Tic,Ltd,Sti,	01/02/2016	Turkey	Siska Dekelver	01/09/2016	Belgium
Audionova España-Exp Audición. S,L,	11/02/2016	Spain	Geyer	07/09/2016	France
Saint-Chamond	21/03/2016	France	Audiogram Audifonos	15/09/2016	Spain
Krog Optik GmbH & Co, KG	01/04/2016	Germany	Fanny Caillis	27/09/2016	France
Bolbec	20/04/2016	France	New Age Hearing Aids. Inc	01/10/2016	USA
Richardson to ME Corp Retail	30/04/2016	USA	Anja Niemann Hörgeräte GmbH	01/11/2016	Germany
Auric Hör- und Tinnitus-Zentrum Berlin-Kladow GmbH & Co, KG	01/06/2016	Germany	Spanuth GmbH	01/11/2016	Germany
Auric Hör- und Tinnitus-Zentrum Berlin-Neukölln GmbH & Co, KG	01/06/2016	Germany	Ontario Limited (Oshawa)	01/11/2016	Canada
Guthmann Hörsysteme	01/06/2016	Germany	Hearing for Tomorrow	01/11/2016	USA
Stefan Pavel Hörgeräte (Erfurt)	01/06/2016	Germany	Fischer Hörakustik GmbH	01/12/2016	Germany
Stefan Pavel Hörgeräte (Reutlingen)	01/06/2016	Germany	Accurate Health Hearing Centers. Inc	01/12/2016	USA
Akustika Spezial GmbH	01/07/2016	Germany	Accurate Health Hearing Centers. Inc	01/12/2016	USA

(€ thousands)

	Total Purchase Price	Cash acquired	Financial debts acquired	Total Cost	Expected annual turnover (*)	Contribution to turnover from the purchase date
Total share deals	62,736	2,765	6,378	66,349	37,086	13,217
Total asset deals	13,006			13,006	11,527	4,322
Total	**75,742**	**2,765**	**6,378**	**79,355**	**48,613**	**17,539**

(*) Annual turnover is the best available estimate of the turnover of the firm or business acquired

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)	EMEA	Americas	APAC	Total
Cost of acquisitions of the period	**68,242**	**7,500**	**-**	**75,742**
Assets and liabilities acquired – Book value				
Current assets	7,620	483	-	**8,103**
Current liabilities	(10,160)	(566)	-	**(10,726)**
Net working capital	**(2,540)**	**(83)**	**-**	**(2,623)**
Other intangible and tangible assets	3,392	961	-	**4,353**
Provisions for risks and charges	(3,589)	-	-	**(3,589)**
Other non-current assets and liabilities	153	13	-	**166**
Non-current assets and liabilities	**(44)**	**974**	**-**	**930**
Net invested capital	**(2,584)**	**891**	**-**	**(1,693)**
Minority interests	**-**	**-**	**-**	**-**
Net financial position	**(1,895)**	**(1,718)**	**-**	**(3,613)**
NET EQUITY ACQUIRED - BOOK VALUE	**(4,479)**	**(827)**	**-**	**(5,306)**
DIFFERENCE TO BE ALLOCATED	**72,721**	**8,327**	**-**	**81,048**
ALLOCATIONS				
Customer lists	23,705	1,114	-	**24,819**
Deferred tax assets	1,239	27	-	**1,266**
Deferred tax liabilities	(7,599)	(234)	-	**(7,833)**
Total allocations	**17,345**	**907**	**-**	**18,252**
GOODWILL	**55,376**	**7,420**	**-**	**62,796**

The variations of goodwill and of the amounts booked as such as a consequence of the acquisitions completed during the period are detailed in the table below.

(€ thousands)	Net carrying value at 31/12/2015	Business combinations	Disposals	Impairment	Other net changes	Net carrying value at 31/12/2016
Italy	540	-	-	-	-	540
France	63,902	6,616	-	-	(27)	70,491
Iberian Peninsula	23,975	-	-	-	-	23,975
Hungary	1,025	-	-	-	8	1,033
Switzerland	13,226	375	-	-	118	13,719
The Netherlands	32,781	-	-	-	-	32,781
Belgium and Luxembourg	9,444	1,692	-	-	-	11,136
Germany	84,215	46,656	-	-	-	130,871
Poland	217	-	-	-	-	217
United Kingdom and Ireland	16,693	-	-	(5,489)	(2,384)	8,820
Turkey	1,049	11	-	-	(10)	1,050
Israel	3,647	25	-	-	5	3,677
USA and Canada	74,125	7,421	-	-	2,764	84,310
Australia and New Zealand	247,311	-	-	-	5,201	252,512
Total Goodwill	**572,150**	**62,796**	**-**	**(5,489)**	**5,675**	**635,132**

“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.

“Impairment” refers to the partial write-down of goodwill recognized in the UK in 2006 when the Ultravox Group was acquired based on the results of impairment testing.

The item “Other net changes“ is almost entirely related to differences in exchange rates.

The recoverable value of the goodwill assigned to each cash generating unit was calculated; the cash generating units generally coincide with the markets in which the Group operates. The goodwill allocated to each market is shown in the table at the beginning of this section.
All the cash generating units (CGU) are subject to impairment tests based on value in use calculated using the discounted cash flow (DCF) method net of tax consistent with the post-tax discount rates used.

The value in use of the cash generating units was determined by discounting the estimated future cash flows forecast in the three-year business plan (2017-2019). The impairment test of the CGU “United Kingdom and Ireland”, which is still in a transition phase and for which the third year of the business plan does not reflect a situation at full capacity, were done based on a 5-year plan developed in line with the three-year business plan (2017-2019) but adjusted to take into account the repeated failure to reach the budget’s targets over the last few years, the difficult market environment and the uncertainties linked to Brexit.

The DCF calculation assumed a weighted average cost of capital which reflects the current market borrowing costs and takes into account, through adequate increases in the "Beta" as described below, the specific risks of each CGU, including the risk that the plan targets fail to be fully met.

In accordance with international best practices, the "Beta" (the gauge of a financial asset's systemic risk) was determined based on the data found in a well-known international database relative to the sector "medical retail products and services".

The perpetual growth rate for each country was adjusted to reflect the International Monetary Fund's forecast for inflation in 2020. As the impairment test for the United Kingdom was based on a 5-year plan, the IMF forecast for 2021 was used.

	Italy	France	NL	Germany	BeLux	CH	Iberica	UK	USA	Hungary	Oceania	India	Turkey	Poland	Israel	Brazil	Egypt
Growth rate	1.2%	1.9%	1.2%	2.0%	1.6%	1.0%	1.5%	2.0%	2.2%	3.0%	2.5%	4.9%	7.1%	2.5%	2%	4.5%	7.0%
WACC (*) 2016	6.6%	5.6%	5.7%	5.6%	5.6%	5.8%	6.7%	8.9%	7.0%	8.0%	9.0%	16.7%	16.7%	8.6%	7.0%	18.4%	16.0%
Cash flow time horizon	3 years	3 years	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	3 years	3 years
WACC (*) 2015	7.56%	6.84%	6.87%	6.60%	6.77%	6.87%	7.75%	10.35%	7.91%	8.97%	9.24%	16.5%	16.67%	9.03%	7.95%	20.59%	13.23%

(*) WACC: weighted average cost of capital

No loss in value was found as a result of impairment testing with the exception of the CGU "United Kingdom and Ireland" for which a partial write-down of goodwill (€5,489 thousand) was made in order to align the book value with the recoverable value (€8.8 million). A decrease in perpetual growth of 0.5% would have caused impairment to be €1,341 thousand higher while an increase of 0.5% in the WACC would have caused impairment to be €1,672 thousand higher.

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, shown in the table below, showed that only significant deviations from the business targets, in interest rates and perpetual growth rates, would reduce recoverable value to a level close to book value for all the CGU.

	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%	96.0%	>100%
France	16.0%	77.0%	11.9%
The Netherlands	12.4%	69.0%	9.4%
Germany	11.7%	70.0%	8.8%
Belgium and Luxembourg	>100%	89.0%	37.0%
Switzerland	>100%	89.0%	43.0%
Iberian Peninsula	11.0%	65.0%	8.5%
United States	89.0%	88.0%	32.0%
Hungary	6.0%	54.0%	5.0%
Oceania	7.9%	48.0%	6.0%
India	9.0%	45.0%	6.8%
Poland	23.0%	75.0%	15.0%
Israel	25.0%	78.0%	16.0%
Turkey	30.0%	60.0%	14.0%
Brazil	>100%	83.0%	53.0%

3. Intangible fixed assets

The following table shows the changes in intangible fixed assets.

(€ thousands)	Historical cost at 31/12/2015	Accumulated amortisation and write-downs at 31/12/2015	Net book value at 31/12/2015	Historical cost at 31/12/2016	Accumulated amortisation and write-downs at 31/12/2016	Net book value at 31/12/2016
Software	77,302	(54,375)	22,927	93,004	(62,284)	30,720
Licenses	9,992	(8,365)	1,627	10,931	(9,122)	1,809
Non-competition agreements	3,684	(3,684)	-	4,685	(4,390)	295
Customer lists	178,612	(100,357)	78,255	202,766	(110,496)	92,270
Trademarks and concessions	31,946	(12,644)	19,302	33,002	(15,816)	17,186
Other	18,884	(5,814)	13,070	22,333	(7,073)	15,260
Fixed assets in progress and advances	6,232	-	6,232	4,366	-	4,366
Total	**326,652**	**(185,239)**	**141,413**	**371,087**	**(209,181)**	**161,906**

(€ thousands)	Net book value at 31/12/2015	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2016
Software	22,927	7,355	(1)	(7,952)	7	-	8,384	30,720
Licenses	1,627	752	-	(759)	20	-	169	1,809
Non-competition agreements	-	886	-	(591)	-	-	-	295
Customer lists	78,255	37	-	(11,993)	24,819	-	1,152	92,270
Trademarks and concessions	19,302	-	-	(2,688)	-	-	572	17,186
Other	13,070	2,563	(366)	(1,440)	772	(5)	666	15,260
Fixed assets in progress and advances	6,232	6,283	(82)	-	316	-	(8,383)	4,366
Total	**141,413**	**17,876**	**(449)**	**(25,423)**	**25,934**	**(5)**	**2,560**	**161,906**

The variation of the item "Business combinations" is detailed as follows:

- for €24,498 thousand to the temporary allocation of the considerations paid for the acquisitions made in EMEA;
- for €1,436 thousand to the temporary allocation of the consideration paid for one acquisition made in the Americas.

The increase in intangible assets in the period is primarily attributable to investments in back office systems, new deployment of store and sales support systems and investments in Digital Marketing.

The item "other net changes" is mainly due to exchange rate fluctuations during the period and to the allocation of the fixed assets in progress completed in the period to the related fixed assets lines.

4. Tangible fixed assets

The following table shows the changes in tangible fixed assets.

(€ thousands)	Historical cost at 31/12/2015	Accumulated amortisation and write-downs at 31/12/2015	Net book value at 31/12/2015	Historical cost at 31/12/2016	Accumulated amortisation and write-downs at 31/12/2016	Net book value at 31/12/2016
Land	162	-	162	162	-	162
Buildings, constructions and leasehold improvements	115,835	(75,551)	40,284	140,239	(87,869)	52,370
Plant and machines	33,685	(25,976)	7,709	35,243	(27,225)	8,018
Industrial and commercial equipment	40,648	(27,039)	13,609	40,660	(28,785)	11,875
Motor vehicles	6,588	(3,410)	3,178	6,259	(3,589)	2,670
Computers and office machinery	35,507	(28,043)	7,464	39,066	(30,932)	8,134
Furniture and fittings	74,639	(49,391)	25,248	84,918	(54,698)	30,220
Other tangible fixed assets	4,148	(3,032)	1,116	504	(379)	125
Fixed assets in progress and advances	3,905	-	3,905	6,220	-	6,220
Total	**315,117**	**(212,442)**	**102,675**	**353,271**	**(233,477)**	**119,794**

(€ thousands)	Net book value at 31/12/2015	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2016
Land	162	-	-	-	-	-	-	162
Buildings, constructions and leasehold improvements	40,284	16,511	(311)	(11,534)	532	(529)	7,417	52,370
Plant and machines	7,709	2,646	(16)	(2,012)	1,153	(410)	(1,052)	8,018
Industrial and commercial equipment	13,609	2,851	(27)	(2,375)	507	(2)	(2,688)	11,875
Motor vehicles	3,178	1,004	(119)	(1,122)	55	-	(326)	2,670
Computers and office machinery	7,464	3,610	(263)	(3,376)	195	(120)	624	8,134
Furniture and fittings	25,248	10,669	133	(6,522)	722	(796)	766	30,220
Other tangible fixed assets	1,116	125	(4)	(92)	6	-	(1,026)	125
Fixed assets in progress and advances	3,905	7,222	(48)	-	68	(2)	(4,925)	6,220
Total	**102,675**	**44,638**	**(655)**	**(27,033)**	**3,238**	**(1,859)**	**(1,210)**	**119,794**

The investments made in the period refer primarily to network expansion with the opening of new stores and renewal of existing ones based on the concept store. This program includes investments in restructuring and relocating stores as part of the Group's strategy to focus even more on customers and maximize operational efficiency.

The increase of "Business combinations" in the period, equal to €3,238 thousand is detailed below:

- for €2,599 thousand to the to the temporary allocation of the price related to the acquisitions made in the EMEA region;
- for €639 thousand to the temporary allocation of the price related to the acquisition made in the Americas region.

The amount related to "impairment" is primarily due to the shops' renovation and relocation activity described above.

"Other net changes" were mainly due to exchange rate fluctuations during the period and to the allocation of the fixed assets in progress completed in the period to the related other fixed assets lines.

5. Other non-current assets

(€ thousands)	31/12/2016	31/12/2015	Change
Financial assets measured at fair value through profit and loss	43	29	14
Long-term financial receivables	12,084	11,726	358
Deposits and other restricted amounts	27,219	24,343	2,876
Other non-current assets	10,380	9,031	1,349
Total	**49,726**	**45,129**	**4,597**

Long-term financial receivables refer largely to the loans granted by American subsidiaries to franchisees and partners of the Elite network in order support investment and development in the United States.

Deposits and other restricted amounts refer for €26,817 thousand to contributions made to asset plans linked to the deferred compensation plans of commercial partners in the United States against which a liability is recognized as described in note 13.

The other non-current assets include the medium/long-term portion of the amounts payable to the American subsidiaries for the sale of freehold stores to franchisees which came to €3,869 thousand (€4,418 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.

The following tables show non-current assets in accordance with the accounting treatment applied:

31 December 2016					
(€ thousands)					
Consolidated statement of financial position		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Non-current assets					
Financial assets measured at FV through PL					43
Financial long-term receivables	39,303				
Other non-current assets	10,380				

31 December 2015					
(€ thousands)					
Consolidated statement of financial position		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Non-current assets					
Financial assets measured at FV through PL					29
Financial long-term receivables and Deposits and other restricted amounts	36,069				
Other non-current assets	9,031				

6. Derivatives and hedge accounting

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 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)

Type	Fair value 31/12/2016		Fair value 31/12/2015	
	Assets	(Liabilities)	Assets	(Liabilities)
Fair value hedge	-	-	-	-
Cash flow hedge	12,223	-	11,526	-
Total hedge accounting	**12,223**	**-**	**11,526**	**-**
Non hedge accounting	35	(3)	451	(6)
Total	**12,258**	**(3)**	**11,977**	**(6)**

Cash Flow Hedges

In 2016, cash flow hedging transactions involved the currency and interest rate risk relating to the USD 130 million 2013-2025 private placement.

(€ thousands)

Purpose of hedging	Hedged risk	Fair value 31/12/2016		Fair value 31/12/2015	
		Assets	(Liabilities)	Assets	(Liabilities)
Private placement 2013-2025	Exchange rate and interest rate	12,223	-	11,526	-
	Total	**12,223**	**-**	**11,526**	**-**

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	Reclassified to the income statement - Effective portion	Reclassified to the income statement - Ineffective portion
	(Debit) Credit	(Loss) Gain	(Loss) Gain
1/1/2015 - 31/12/2015	23,826	20,094	280
1/1/2016 - 31/12/2016	697	3,222	-

The maturity of the hedges is in line with the duration of the item hedged. Please refer to Note 12 for details.

Non hedge accounting derivatives

Non-hedge accounting derivatives comprise forwards hedging the exchange risk on intragroup loans denominated in British pound between Amplifon S.p.A. and a subsidiary in the UK. The instruments mature in February 2017.

The following tables show the derivative instruments in accordance with the accounting treatment applied:

(€ thousands)	31 December 2016					
Consolidated statement of financial position	Amortised cost		Fair value Net Equity	Fair Value thorugh PL		
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge	Financial non HA	Loans and receivables at FVPL
Hedging instruments - Cash flow hedge			12,223			
Assets Derivative Instruments - Non hedge accounting					35	
Liabilities Derivative Insturments - Non hedge accounting					(3)	

(€ thousands)	31 December 2015					
Consolidated statement of financial position	Amortised cost		Fair value Net Equity	Fair Value thorugh PL		
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge	Financial non HA	Loans and receivables at FVPL
Hedging instruments - Cash flow hedge			11,526			
Assets Derivative Instruments - Non hedge accounting					451	
Liabilities Derivative Insturments - Non hedge accounting					(6)	

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.

	2016				2015			
(€ thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Hedging instruments								
- Long-term		12,223		**12,223**		11,526		**11,526**
- Short-term		35		**35**		451		**451**
Liabilities								
Hedging instruments								
- Long-term								
- Short-term		(3)		**(3)**		(6)		**(6)**

There were no transfers between the levels during the period.

7. Inventories

(€ thousands)	31/12/2016			31/12/2015		
	Cost	Obsolescence provision	Net	Cost	Obsolescence provision	Net
Goods	35,652	(4,282)	31,370	33,619	(4,741)	28,878
Work-in-progress	-	-	-	78	-	78
Total	**35,652**	**(4,282)**	**31,370**	**33,697**	**(4,741)**	**28,956**

Movements in the provision for obsolescence for inventories in the year were as follows:

(€ thousands)	
Balance at 31/12/2015	**(4,741)**
Provision	(466)
Utilization	927
Business combination	-
Translation differences and other movements	(2)
Balance at 31/12/2016	**(4,282)**

8. Receivables

(€ thousands)	31/12/2016	31/12/2015	Change
Trade receivables	127,085	111,593	*15,492*
Trade receivables - Subsidiaries	*165*	*100*	*65*
Trade receivables - Parent company	*15*	*32*	*(17)*
Trade receivables - Associated companies and joint ventures	*13*	*2*	*11*
Total trade receivables	**127,278**	**111,727**	**15,551**
Tax receivables	12,049	10,122	1,927
Other receivables	17,284	12,229	5,055
Non-financial prepayments and accrued income	12,829	11,717	1,112
Trade receivables	**42,162**	**34,068**	**8,094**
Total	**169,440**	**145,795**	**23,645**

Trade receivables

The breakdown of trade receivables is detailed in the table below:

(€ thousands)	31/12/2016	31/12/2015	Change
Trade receivables	142,942	126,134	16,808
Sales returns provision	(8,242)	(7,825)	(417)
Allowance for doubtful accounts	(7,615)	(6,716)	(899)
Total	**127,085**	**111,593**	**15,492**

All the other receivables have payment term of between 30 and 120 days and there is no significant concentration of credit risk.

Movements in the allowance for doubtful accounts in the year were as follows:

(€ thousands)	
Net value al 31/12/2015	**(6,716)**
Provisions	(2,994)
Reversals	593
Utilisation for charges	2,077
Business combinations	(479)
Translation differences and other net changes	(96)
Net value at 31/12/2016	**(7,615)**

The face value of the factoring without recourse transactions carried out in the year amounted to €43,948 thousand and net proceeds to €43,315 thousand (versus €45,411 thousand and €44,289 thousand at 31 December 2015), 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 €12,049 thousand and include:

- €8,537 thousand in VAT and other indirect tax credits. Factoring without recourse of VAT credits amounted to €21,096 thousand with net proceeds reaching €20,812 thousand (respectively €17,243 thousand and €16,789 thousand at 31 December 2015);
- €2,800 thousand in tax advances;
- €586 thousand in withholding taxes.

Other receivables

Other receivables amounted to €17,284 thousand and include:

- the current portion of the amounts owed to US companies for the sale of freehold stores to franchisees and loans granted to franchisees and partners of the Elite network in order support investment and development in the United States which amounts to €5,030 thousand;
- €1,523 thousand in receivables from employees;
- advances paid suppliers which amounted to €1,121 thousand.

Non-financial prepayments and accrued income

This item refers primarily to prepaid rent of €3,115 thousand, advertising expenses of €2,834 thousand, services of €1,396 thousand and insurance premiums of €856 thousand.

9. Cash and cash equivalents

(€ thousands)	31/12/2016	31/12/2015	Change
Bank current accounts	107,998	130,640	(22,642)
Short-term bank deposits	35,020	40,163	(5,143)
Funds	39,993	25,131	14,862
Cash on hand	823	780	43
Total	**183,834**	**196,714**	**(12,880)**

Cash and cash equivalents are deposited with top rated banks and earn interest at market rates.

The credit rating of financial assets represented by S&P rating (short-term for current items and long-term for the relevant items) is detailed below:

			Rating S&P short-term					
(€ thousands)	31/12/2016		A-1+	A-1	A-2	A-3	B	Others (*)
Non-current assets								
Financial assets at fair value through profit and loss	43	**Note 5**						43
Hedging instruments – long term	12,223	**Note 6**					12,223	
Current assets								
Hedging instruments	35			7	22	6		
Bank current accounts, short-term bank deposits and funds	183,011	**Note 9**	28,121	13,483	13,353	40,944	226	86,884
Cash on hand	823							

(*) Other financial assets are primarily representative of investments in time deposits with unrated counterparties but that amply meet the minimum capital requirements by Banca d’Italia, and investments in money market liquidity funds mainly targeted towards bank deposits, usually with credit institutions having their registered office in an EU member state, that are repayable on demand and money market instruments and government of European Union bonds.

10. Share capital

At 31 December 2016 the fully paid in and subscribed share capital consisted of 226,211,802 ordinary shares with a par value of €0.02.

At 31 December 2015 share capital was made up of 225,497,697 shares. The increase recorded in the period is due to the exercise of 714,105 stock options, equivalent to 0.03% of the share capital.

During the period, continued the share buy-back program started following the resolution of the Shareholders Meetings held on 21 April 2015 and 18 April 2016 when the Assembly authorized (after revoking the current shares buy-back plan due to expire in October 2016) a new plan of shares buy-back and disposal, pursuant the dispositions of articles 2357 and 2357-ter of the Italian Civil Code and of Legislative Decree n. 58 of 24 February 1998, effective for a period of 18 months starting from 18 April 2016.

The program has the purpose to increase treasury shares in order to service stock-based incentive plans and, if necessary, to 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.

As part of this program during 2016, 2,199,000 shares have been purchased at an average price of €8.568.

During the period have been exercised 1,502,999 performance stock grants rights. The Company transferred to the beneficiaries an equivalent number of treasury shares.

The total amount of treasury shares held at 31 December 2016 equals 6,959,751 or 3.08% 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, 2014, 2015 and 2016 and from the sales during 2016.

	N. of shares	Average purchase price (Euro) FV of transferred rights (Euro)	Total amount (€ thousands)
Held at 31 December 2015	**6,263,750**	**6.345**	**39,740**
Purchases	2,199,000	8.568	18,841
Transfers due to exercise of performance stock grants	(1,502,999)	6.922	(10,403)
Total at 31 December 2016	**6,959,751**	**6.922**	**48,178**

II. 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 2016, was as follows:

(€ thousands)	31/12/2016	31/12/2015	Change
Liquid funds	(183,834)	(196,714)	12,880
Payables for business acquisitions	14,485	4,581	9,904
Bank overdraft and other short-term loans from third parties (including current portion of medium/long-term debt)	681	967	(286)
Other financial payables	13,555	13,978	(423)
Non hedge accounting derivative instruments	(32)	(443)	411
Short-term financial position	**(155,145)**	**(177,631)**	**22,486**
Private placement 2013-2025	123,328	119,408	3,920
Eurobond 2013-2018	275,000	275,000	-
Finance lease obligations	1,165	1,130	35
Other medium/long-term debt	421	70	351
Hedging derivatives	(22,435)	(18,516)	(3,919)
Medium/long-term acquisition payables	2,087	5,450	(3,363)
Net medium and long-term indebtedness	**379,566**	**382,542**	**(2,976)**
Net financial indebtedness	**224,421**	**204,911**	**19,510**

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 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 paragraph 12 of the explanatory notes for the long-term portion.

(€ thousands)	31/12/2016
Private placement 2013-2025	123,328
Eurobond 2013-2018	275,000
Finance lease obligations	1,165
Other medium/long-term debt	421
Loan, private placement 2013-2025 and Eurobond fees	(748)
Medium/long-term financial liabilities	**399,166**

b. under the item "financial payables", described in paragraph 20 of the explanatory notes for the current portion.

(€ thousands)	31/12/2016
Short term debt	12,432
Current portion of finance lease obligations	1,123
Short-term financial liabilities	**13,555**
Bank overdraft and other short term debt (including current portion of other long-term debt)	681
Loan, private placement 2013-2025 and Eurobond fees	(720)
Financial liabilities	**13,516**

All the other items in the net financial indebtedness table correspond to items in the statement of financial position schedule.

The **medium/long-term portion of the net financial position** reached €379,566 thousand at 31 December 2016 versus €382,542 thousand at 31 December 2015, an improvement of €2,976 thousand strictly related to the reclassification to the short term of debts for acquisitions due within a year.

The **short-term net financial position** registered a negative variation equal to €22,486 thousand going from a positive amount of €177,631 thousand at 31 December 2015 to an amount, always positive, equal to €155,145 thousand at 31 December 2016. The change of the period is mainly explained by €79,355 thousand related to acquisition investments utilizing the available liquidity.

12. Financial liabilities

Long-term financial liabilities break down as follows:

(€ thousands)	31/12/2016	31/12/2015	Change
Private placement 2013-2025	123,328	119,408	3,920
Eurobond 2013-2018	275,000	275,000	-
Medium/long-term financial liabilities	**398,328**	**394,408**	**3,920**
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(748)	(1,456)	708
Other medium/long-term debt	421	70	351
Finance lease obligations	1,165	1,130	35
Total medium/long-term financial liabilities	**399,166**	**394,152**	**5,014**
Short-term debt	13,516	14,205	(689)
- of which loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(720)	(740)	20
- of which current-portion of lease obligations	1,123	1,201	(78)
Total short-term financial liabilities	**13,516**	**14,205**	**(689)**
Total financial debt	**412,682**	**408,357**	**4,325**

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
16/07/2013	Amplifon S.p.A.	16/07/2018	275,000	293,898	4.875%
	Total in Euro		**275,000**	**293,898**	**4.875%**

- *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 (**)
30/05/2013	Amplifon USA	31/07/2020	USD	7,000	7,616	3.85%	3.39%
30/05/2013	Amplifon USA	31/07/2023	USD	8,000	9,311	4.46%	3.90%
31/07/2013	Amplifon USA	31/07/2020	USD	13,000	14,170	3.90%	3.42%
31/07/2013	Amplifon USA	31/07/2023	USD	52,000	60,691	4.51%	3.90%-3.94%
31/07/2013	Amplifon USA	31/07/2025	USD	50,000	60,456	4.66%	4.00%-4.05%
	Total			**130,000**	**152,224**		

(*) 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 thousand.

The following table shows a breakdown of long-term debt by maturity:

(€ thousands)

Debtor **Repayments**	**Nominal amount and maturity date**	**Average rate 2016/360**	**Amount at 31/12/15**	**Exchange rate effect**	**Repayments as at 31/12/2016**	**New loans**	**Business Combination**	**Amount at 31/12/2016**	**Short-term portion**	**Medium and LT portion**
Eurobond *Bullet* 16/07/2018	**EUR 275,000** 16/07/2018	4.88%	**275,000**	**-**	-	-	-	**275,000**	-	275,000
Private placement 2013-2025 Amplifon USA (*) Instalments at 31/1 and 31/7 from 31/1/2014	**USD 7,000** 31/07/2020	3.85%	**6,430**	**211**				**6,641**	-	6,641
Private placement 2013-2025 Amplifon USA (*) Instalments at 31/1 and 31/7 from 31/1/2014	USD 8,000 31/07/2023	4.46%	7,348	241				7,589	-	7,589
Private placement 2013-2025 Amplifon USA (*) Instalments at 31/1 and 31/7 from 31/1/2014	USD 13,000 31/07/2020	3.90%	11,941	392				12,333	-	12,333
Private placement 2013-2025 Amplifon USA (*) Instalments at 31/1 and 31/7 from 31/1/2014	USD 52,000 31/07/2023	4.51%	47,763	1,568				49,331	-	49,331
Private placement 2013-2025 Amplifon USA (*) Instalments at 31/1 and 31/7 from 31/1/2014	USD 50,000 31/07/2025	4.66%	45,926	1,508				47,434	-	47,434
TOTAL LONG TERM DEBT			**394,408**	**3,920**	**-**	**-**	**-**	**398,328**	**-**	**398,328**
Other			480	19	(339)	337	330	**827**	406	421
TOTAL			**394,888**	**3,939**	**(339)**	**337**	**330**	**399,155**	**406**	**398,749**

(*) 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.

As shown in the table almost all Group's financial debt is placed in the long term, with the first significant reimbursement due in 2018.

The following table shows the maturities of medium/long-term debt at 31 December 2016 based on contractual obligations:

(€ thousands)	Private placement 2013-2025 (*)	Eurobond 2013-2018	Other	Total
2018		275,000	421	**275,421**
2020	15,522			**15,522**
2023	46,566			**46,566**
2025	38,804			**38,804**
Total	**100,892**	**275,000**	**421**	**376,313**

(*) Amounts related to the private placement are reported at the hedging exchange rate.

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.

At 31 December 2016 these ratios were as follows:

	Value
Net financial indebtedness/Group net equity	0.40
Net financial indebtedness/EBITDA for the last 4 quarters	1.17

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 2016	186,859
EBITDA normalised (from acquisitions and disposals)	921
Acquisitions and non recurring costs	4,788
EBITDA for covenant calculation	192,568

The private placement is 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 €0.8 million in long term debt, including the short term portion.

The following tables show financial liabilities in accordance with the accounting treatment applied:

(€ thousands)	31 December 2016				
		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Total non-current financial liabilities		399,166			
Total current financial liabilities		13,516			

(€ thousands)	31 December 2015				
		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Total non-current financial liabilities		394,152			
Total current financial liabilities		14,205			

13. Provisions for risks and charges (medium/long term)

(€ thousands)	31/12/2016	31/12/2015 (*)	Change
Product warranty provision	18,767	14,531	4,236
Contractual risk provision	1,815	515	1,300
Agents' leaving indemnity	37,613	33,150	4,463
Other risk provisions	1,146	1,857	(711)
Total	**59,341**	**50,053**	**9,288**

(*) Data revised. See page 123 for more details.

(€ thousands)	Net value at 31/12/2015(*)	Provision	Reversals	Utilisation	Other net changes	Translation differences	Business combinations	Net value at at 31/12/2016
Product warranty provision	14,531	6,753	(268)	(5,284)	(571)	17	3,589	18,767
Contractual risk provision	515	773	(520)	(298)	1,345	-	-	1,815
Agents' leaving indemnity	33,150	1,224	(354)	-	2,711	882	-	37,613
Other risk provisions	1,857	245	(6)	(220)	(720)	(10)	-	1,146
Total	**50,053**	**8,995**	**(1,148)**	**(5,802)**	**2,765**	**889**	**3,589**	**59,341**

(*) Data revised. See page 123 for more 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.

The "Agents' leaving indemnity" mainly comprises the agents' leaving indemnity provision recognised in Amplifon S.p.A.'s separate financial statements amounting to €10,270 thousand and equivalent provisions in the US and Belgian subsidiaries amounting to €26,709 thousand and €634 thousand respectively.

The main assumptions used in the actuarial calculation of the agents' leaving indemnity of Amplifon S.p.A. were:

	FY 2016
Economic assumptions	
Annual discount rate	0.86%
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

14. Liabilities for employees' benefits (medium/long term)

(€ thousands)	31/12/2016	31/12/2015	Change
Defined-benefit plans	11,959	11,698	261
Other defined-benefit plans	4,527	3,806	721
Other provisions for personnel	123	67	56
Total	**16,609**	**15,571**	**1,038**

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)	FY 2016
Net present value of the liability at the beginning of the year	**(11,698)**
Current service cost	(476)
Financial charges	(29)
Business combinations	(11)
Actuarial losses (gains)	1
Amounts paid	356
Translation differences	(102)
Net present value of the liability at the end of the year	**(11,959)**

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, in the other comprehensive income.

The main assumptions used in the actuarial estimate of the liability for employee benefits were as follows:

	Italy		Switzerland	
	FY 2016	**FY 2015**	**FY 2016**	**FY 2015**
Economic assumptions				
Annual discount rate	0.86%	1.39%	0.70%	0.90%
Expected annual inflation rate	1.80% 2017 1.80% 2018 1.80% 2019 2.00% from 2020 onward	1.50% 2016 1.80% 2017 1.70% 2018 1.60% 2019 2.00% from 2020 onward	1.00%	1.00%
Annual rate of increase of severance indemnity	2.850% 2017 2.850% 2018 2.850% 2019 3.000% from 2020 onward	2.625% 2016 2.850% 2017 2.775% 2018 2.700% 2019 3.000% from 2020 onward	2.00%	2.00%
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 2015 GT *tables*	BVG 2010 GT *tables*
Disability percentage	INPS tables divided by age and sex	INPS tables divided by age and sex	BVG 2015 GT *tables*	BVG 2010 GT *tables*
Retirement age	100% on meeting the requirements for compulsory national social insurance	100% on meeting the requirements for compulsory national social insurance	100% on meeting the requirements for compulsory national social insurance (65m / 64f)	100% on meeting the requirements for compulsory national social insurance (65m / 64f)

The sensitivity analysis performed with a change of economic variables (detailed above) of 0.25% shows no material impacts.

Provisions for other benefits are explained primarily by:
- for €2,124 thousand, the payment of mandatory seniority benefits in Australia;
- for €2,164 thousand, the other severance benefits payable upon termination in France that are similar to the “trattamento di fine rapporto” or “TFR” in Italy.

15. Other long-term liabilities

(€ thousands)	31/12/2016	31/12/2015 (*)	Change
Payables for business acquisitions	2,087	5,450	(3,363)
Other long-term debt	26,127	21,708	4,419
Total	**28,214**	**27,158**	**1,056**

(*) Data revised. See page 123 for more details.

Acquisition liabilities include the estimate of the contingent consideration to be paid on acquisitions made mainly in Germany if certain sales and/or profit targets are reached.

Other long-term debt includes primarily the deferred income from after-sales services, insurances and guarantees for a total amount of € 23,926 thousand.

The following tables show the long-term liabilities in accordance with the accounting treatment applied:

(€ thousands)	31 December 2016				
	Amortised cost		Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Payable for business acquisition		2,087			
Other long-term debt		26,127			

(€ thousands)	31 December 2015				
	Amortised cost		Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Payable for business acquisition		5,450			
Other long-term debt		21,708			

16. Trade payables

(€ thousands)	31/12/2016	31/12/2015	Change
Trade payables – Associated companies	4	3	1
Trade payables – Joint ventures	145	245	(100)
Trade payables – Related parties	1,366	1,496	(130)
Trade payables – Third parties	129,666	111,599	18,067
Total	**131,181**	**113,343**	**17,838**

Trade payables do not bear interest and are paid within 60 to 120 days.

17. Other payables

(€ thousands)	31/12/2016	31/12/2015 (*)	Change
Other payables	75,872	72,116	3,756
Accrued expenses and deferred income	18,979	19,234	(255)
Tax payables	25,447	18,035	7,412
Total other debt	**120,298**	**109,385**	**10,913**
Payables for business acquisitions	14,485	4,581	9,904
Total	**134,783**	**113,966**	**20,817**

(*) Data revised. See page 123 for more details.

The other payables mainly comprise: (i) €2,919 thousand relating to customer down-payments; (ii) €15,429 thousand relating to social security liabilities; (iii) €32,936 thousand liabilities to personnel; and (iv) €13,869 thousand relating to commission due to agents.

Accrued expenses and deferred income include €18,979 thousand relating to deferred income from after-sales services and guarantees.

Payables for business acquisitions refer to the current portion of the contingent consideration (earn-out) to be paid upon reaching certain sales and/or profitability targets relative to acquisitions made in Germany, France, Belgium and Canada (various acquisitions of companies and business units), Israel (Medtechnica Ortophone Ltd), Turkey (Makstone Isitme Ürünleri Perakende Satis A.S.) and Switzerland (Micro-Electric Hörgeräte AG).

Tax payables include mainly: (i) €10,030 thousand in direct taxes; (ii) €5,531 thousand in withholding taxes; (iii) € 4,755 thousand in VAT and other indirect taxes; (iv) €5,131 thousand in IRES (corporate income tax) owed by Amplifon S.p.A. to the Parent Company as part of the current domestic tax consolidation scheme.

The following tables show other payables in accordance with the accounting treatment applied:

(€ thousands)	31 December 2016				
		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Other debts		120,298			
Payables for business acquisitions		14,485			

(€ thousands)	31 December 2015				
		Amortised cost	Fair value Net Equity	Fair Value thorugh PL	
	Loans and receivables	Financial Liabilites	Cash flow Hedge derivatives	Fair Value Hedge non HA	Financial Loans and receivables at FVPL
Other debts		109,385			
Payables for business acquisitions		4,581			

18. Provisions for risks and charges (current portion)

(€ thousands)	31/12/2016	31/12/2015 (*)	Change
Other provisions for risks	2,346	1,646	700
Total	**2,346**	**1,646**	**700**

(*) Data revised. See page 123 for more details.

The other risk provisions mainly include the current portion of provisions for product warranties and the costs allocated for restoring premises to the original condition when leases expire.

19. Liabilities for employees' benefits (current portion)

(€ thousands)	31/12/2016	31/12/2015	Change
Liabilities for employees benefits- current portion	739	1,025	(286)
Total	**739**	**1,025**	**(286)**

This item mainly includes the current portion of long-term incentives for some employees of the Group.

20. Short-term financial debt

(€ thousands)	31/12/2016	31/12/2015	Change
Bank current accounts	*340*	*443*	(103)
Short-term bank borrowings	*4,061*	*4,447*	(386)
Current portion of long-term debts	*230*	*410*	(180)
Current portion of finance lease obligations	*1,123*	*1,201*	(78)
Payables to banks and other financing	5,754	6,501	(747)
Current portion of fees on loans	(720)	(740)	20
Short-term financial debt	452	557	(105)
Financial accrued expenses and deferred income	8,030	7,887	143
Total	**13,516**	**14,205**	**(689)**

For the current portion of medium and long-term loans refer to § 12.

Accrued expenses and deferred income of €8,030 thousand relate to the interest owed on the Eurobond (€6,171 thousand) and the 2013-2025 private placement (€1,746 thousand).

21. Deferred tax assets and liabilities

The net balance of deferred tax assets and liabilities at 31 December 2016 was as follows:

(€ thousands)	31/12/2016	31/12/2015	Change
Deferred tax assets	40,744	40,743	1
Deferred tax liabilities	(62,405)	(55,695)	(6,710)
Net position	**(21,661)**	**(14,952)**	**(6,709)**

The changes in deferred tax assets and liabilities during the year, without considering the balances compensations, are detailed below:

Deferred tax assets

(€ thousands)	Balance at 31/12/2015	Recognised in PL	Recognised in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance at 31/12/2016
Deferred tax on severance indemnity and pension funds	3,276	81	-	40	71	3,468
Deferred tax on tax losses carried forward	7,689	(421)	-	-	15	7,283
Deferred tax on tangible fixed assets	3,218	(876)	-	1,111	(94)	3,359
Deferred tax on trademarks and concessions	15,401	(1,713)	-	-	-	13,688
Deferred tax on other provisions	7,732	395	-	115	144	8,386
Other deferred tax	3,427	595	787	-	(249)	4,560
Total	**40,743**	**(1,939)**	**787**	**1,266**	**(113)**	**40,744**

Deferred tax liabilities

(€ thousands)	Balance at 31/12/2015	Recognised in PL	Recognised in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance at 31/12/2016
Deferred tax on severance indemnity and pension funds	(42)	10	-	-	(10)	(42)
Deferred tax on tangible and intangible fixed assets	(50,042)	1,816	-	(7,833)	(1,305)	(57,364)
Deferred tax on trademarks and concessions	(5,561)	775	-	-	(163)	(4,949)
Deferred tax on other provisions	(48)	-	-	-	-	(48)
Other deferred tax	(2)	-	-	-	-	(2)
Total	**(55,695)**	**2,601**	**-**	**(7,833)**	**(1,478)**	**(62,405)**

The net change in deferred tax assets and liabilities is detailed below:

(€ thousands)	Balance at 31/12/2015	Recognised in PL	Recognised in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance at 31/12/2016
Deferred tax on severance indemnity and pension funds	3,234	91	-	40	61	3,426
Deferred tax on tax losses carried forward	7,689	(421)	-	-	15	7,283
Deferred tax on tangible and intangible fixed assets	(46,824)	940	-	(6,722)	(1,399)	(54,005)
Deferred tax on trademarks and concessions	9,840	(938)	-	-	(163)	8,739
Deferred tax on other provisions	7,684	395	-	115	144	8,338
Other deferred tax	3,425	595	787	-	(249)	4,558
Total	**(14,952)**	**662**	**787**	**(6,567)**	**(1,591)**	**(21,661)**

Deferred tax assets on prior-year tax losses carried forward are as follows:

(€ thousands)	31/12/2016	31/12/2015	Change
Iberian Peninsula	2,615	2,457	158
Germany	3,858	3,308	550
The Netherlands	601	1,517	(916)
United States and Canada	23	167	(144)
Israel	186	240	(54)
Total	**7,283**	**7,689**	**(406)**

At 31 December 2016 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	Due date
UK	65,194	17%	11,083	No expiry
Germany	49,464	32%	15,828	No expiry
India	12,018	30.90%	3,714	5-10 years
Canada	6,256	26.50%	1,658	15-20 years
Poland	1,215	19%	231	5 years
Total	**134,147**		**32,514**	

22. Revenues from sales and services

(€ thousands)	FY 2016	FY 2015	Change
Revenues from sale of products	1,096,827	1,000,185	96,642
Revenues from services	36,270	33,792	2,478
Total	**1,133,097**	**1,033,977**	**99,120**

The increase of €99,120 thousand in revenues from sales and services in the period is explained for €76,217 thousand (+7.4%) by organic growth including the contribution of new store openings and, for €30,870 thousand (+3.0%), by acqusitions, while foreign exchange differences had a negative impact of €7,967 thousand (-0.8%).

23. Operating costs

(€ thousands)	FY 2016	FY 2015	Change
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(254,142)	(243,505)	(10,637)
Personnel expenses – Points of sale	(199,560)	(175,042)	(24,518)
Commissions – Points of sale	(85,130)	(79,618)	(5,512)
Rental costs – Points of sale	(54,218)	(50,584)	(3,634)
Total	**(593,050)**	**(548,749)**	**(44,301)**
Other personnel expenses	(139,308)	(139,419)	111
Other rental costs	(5,448)	(4,780)	(668)
Other costs for services	(204,473)	(182,705)	(21,768)
Total other operating costs	**(349,229)**	**(326,904)**	**(22,325)**
Total operating costs	**(942,279)**	**(875,653)**	**(66,626)**

The breakdown of “Personnel expenses – Points of sale” and “Other personnel expenses” is as follows:

(€ thousands)	FY 2016	FY 2015	Change
Wages and salaries	(256,735)	(231,997)	(24,738)
Stock options and performance stock grant	(11,261)	(10,719)	(542)
Social contributions	(52,589)	(49,595)	(2,994)
Other personnel costs	(17,074)	(21,049)	3,975
Directors’ remuneration and oversight bodies	(1,209)	(1,101)	(108)
Total	**(338,868)**	**(314,461)**	**(24,407)**

Staff headcount by geographical area:

	31/12/2016		31/12/2015	
	Number	Average	Number	Average
Italy	449	439	428	443
France	897	853	812	769
Switzerland	256	247	241	239
Hungary	147	129	111	113
Germany	1,170	967	841	745
Iberian Peninsula	503	461	416	383
Belgium and Luxemburg	144	130	117	113
The Netherlands	691	673	648	647
Poland	130	110	87	76
United Kingdom and Ireland	509	505	506	517
Israel	202	164	167	159
Turkey	67	56	50	48
Egypt	165	168	171	165
Total EMEA	**5,330**	**4,900**	**4,595**	**4,417**
USA and Canada	385	383	298	279
Brasil	44	39	37	37
Total Americas	**429**	**423**	**335**	**316**
Australia	803	784	755	739
New Zealand	347	338	321	297
India	295	315	327	301
Total Asia Pacific	**1,445**	**1,437**	**1,403**	**1,337**
Total Group	**7,204**	**6,760**	**6,333**	**6,070**

24. Other income and costs

(€ thousands)	FY 2016	FY 2015	Change
Other income and costs	(3,959)	6,853	(10,812)
Total	**(3,959)**	**6,853**	**(10,812)**

The balance includes costs for advisory fees and expenses related to an acquisition process which was not completed (€2,502 thousand) and other costs for acquisitions (€2,286 thousand). Please note that during the year 2015, the balance included Income generated in the United States as a result of early termination of commercial partnership and compensation for damages related to unfair competition (€3,062 thousand) and income recognized in India following the cancellation of the earn-out related to the 2012 acquisition (€2,487 thousand).

25. Depreciation and amortisation

(€ thousands)	FY 2016	FY 2015	Change
Amortisation of intangible fixed assets	*(25,424)*	*(23,952)*	*(1,472)*
Depreciation of tangible fixed assets	*(27,033)*	*(26,800)*	*(233)*
Amortisation and depreciation	(52,457)	(50,752)	(1,705)
Impairment	(7,353)	(3,419)	(3,934)
Total	**(59,810)**	**(54,171)**	**(5,639)**

"Impairment" refers primarily to the partial write-down of goodwill recognized in the UK in 2006 when the Ultravox Group was acquired based on the results of impairment testing (€5,489 thousand).

26. Financial income, charges and changes in value of financial assets

(€ thousands)	FY 2016	FY 2015	Change
Proportionate share of the result of associated companies valued at equity	**419**	**126**	**293**
Other income, charges, revaluation and write-downs of financial assets	**13**	**1,461**	**(1,448)**
Interest income on bank accounts	624	932	(308)
Interest expenses on short and long-term bank loans	(18,566)	(24,269)	5,703
Interest income and expenses	**(17,942)**	**(23,337)**	**5,395**
Other financial income and charges	**(1,011)**	**(388)**	**(623)**
Exchange gains	3,101	7,550	(4,449)
Exchange losses	(5,546)	(4,869)	(677)
Gain/(losses) on financial assets at fair value – Non hedge accounting derivatives	1,288	(3,452)	4,740
Exchange differences and non hedge accounting derivatives	**(1,157)**	**(771)**	**(386)**
Total	**(19,678)**	**(22,909)**	**3,231**

Interest payable on financial indebtedness amounted to €18,566 thousand at 31 December 2016 (versus €24,269 thousand at 31 December 2015 that included the make whole payment of €4,289 thousand as a result of the early repayment of the USD 70 million private placement 2006-2016).

Interest receivable on bank deposits came to €624 thousand at 31 December 2016, versus €932 thousand at 31 December 2015. The drop is linked to both the decrease in average available funds and the overall decline in interest paid on deposits.

Other financial income and charges include €633 thousand (€1,122 thousand in 2015) relating to the cost of factoring without recourse of receivables payable by the Italian public sector.

The gains and losses on financial assets measured at fair value refer primarily to currency hedges on loans denominated in British pounds granted by Amplifon S.p.A. to a UK subsidiary offset by exchange gains and losses. The net balance of €1,157 thousand is explained, for €706 thousand, by the negative impact of exchange differences on the revaluation of the debt relating to the put-call option on the remaning 40% of the shares of Medtechnica Ortophone (Israel) which it was not possible to hedge at the time of the acquisition (April 2014) given the great uncertainty as to the final exercise price (linked to the 2016 results).

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 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.

(€ thousands)

2016	Note	Balance at 31 December 2016	Average exposure	Increase/decrease in interest rates (in %)	Effect on profit before tax
Current assets					
Bank current accounts and short-term bank deposits	9	183,011	166,647	1%	1,666
Current liabilities					
Bank current accounts	20	(340)	(1,405)	1%	(14)
Short-term bank borrowings	20	(4,061)	(8,975)	1%	(90)
Total effect on profit before tax					**1,563**
Current assets					
Bank current accounts and short-term bank deposits	9	183,011	166,647	-0.25%	(417)
Current liabilities					
Bank current accounts	20	(340)	(1,405)	-0.25%	4
Short-term bank borrowings	20	(4,061)	(8,975)	-0.25%	22
Total effect on profit before tax					**(391)**

(€ thousands)					
2015	**Note**	**Balance at 31 December 2015**	**Average exposure**	**Increase/decrease in interest rates (in %)**	**Effect on profit before tax**
Current assets					
Bank current accounts and short-term bank deposits	9	195,934	160,310	1%	1,603
Current liabilities					
Bank current accounts	20	(443)	(1,712)	1%	(17)
Short-term bank borrowings	20	(4,446)	(4,955)	1%	(50)
Total effect on profit before tax					**1,536**
Current assets					
Bank current accounts and short-term bank deposits	9	195,934	160,310	-0.25%	(401)
Current liabilities					
Bank current accounts	20	(443)	(1,712)	-0.25%	4
Short-term bank borrowings	20	(4,446)	(4,955)	-0.25%	12
Total effect on profit before tax					**(384)**

In light of interest rate levels at 31 December 2016 (ECB Euro Rate of 0.05%), sensitivity analysis considers an upside of 1% and a downside of -0.25%.

Currency risk - sensitivity analysis:

The 2013-2015 private placement issued in US Dollars and equal to 130 million, is object of currency risk hedging. In particular, as a consequence of the derivative instruments in place, the Group has fixed the Euro/Dollar exchange rate for the whole duration of the loan.
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 subsidiary.

The intercompany loans between the Australian and New Zealand companies, between American and Canadian companies and a loan granted by Amplifon S.p.A. to the UK subsidiary, 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.

Taking into account the above comments on foreign exchange costs net of the hedging effect, the residual currency risk on receivables, payables and future revenue streams which have not been hedged is not significant.

27. Income tax

(€ thousands)	FY 2016	FY 2015	Change
Current income tax	(44,257)	(39,313)	(4,944)
Deferred income tax	662	(2,072)	2,734
Total	**(43,595)**	**(41,385)**	**(2,210)**

(€ thousands)	FY 2016	FY 2015	Change
Profit (loss) before tax	107,371	88,097	19,274
Tax for the year	(43,595)	(41,385)	(2,210)
Tax rate	**-40.6%**	**-47.0%**	**6.4%**

The following table reconciles tax recognised in the consolidated financial statements to theoretical tax charge calculated on the basis of Italy's current tax rates.

(€ thousands)	December 2016 Tax effect	%	December 2015 Tax effect	%
Reconciliation to effective tax rate				
Effective tax rate	**43,595**	**40.60%**	**41,385**	**47.00%**
United Kingdom and other minor: use of non-recognition of deferred taxes on the year's losses and non-recognition of deferred taxes on the year's losses; partial write-down of godwill recognized in UK	(7,516)	-7.00%	(5,373)	-6.10%
Effect of different tax rate of companies not taxed in Italy	(4,080)	-3.80%	(3,964)	-4.50%
Current and deferred taxes: change of tax rate and corrections of errors	2,040	1.90%	(3,171)	-3.60%
Non-deductible expense net of non taxable income	(1,825)	-1.70%	(2,202)	-2.50%
Effective tax rate net of IRAP/CVAE	**32,214**	**30.00%**	**26,675**	**30.30%**
IRAP [regional tax on productive activity] , CVAE and other taxes not linked to PBT	(2,684)	-2.50%	(2,290)	-2.80%
Corporate Tax Rate	**29,529**	**27.50%**	**24,385**	**27.50%**

The tax rate reached 40.6% versus 47.0% in the prior year and reflects the net effects of the losses recorded by subsidiaries on which, in accordance with the principle of prudence, deferred tax assets are not recognized and the earnings on which no taxes were paid due to carried forward tax losses not recognized in the financial statements. Net of these items, the tax rate would have been 33.6% versus 38.2% in 2015.

28. 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 awards 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 awards 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 follows:

A) Stock options award 30 September 2005

On 30 September 2005 the Board of Directors resolved the following 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**175,000**	**5.697**	**7.995**	**365,672**	**5.697**	**4.904**
(Option rights exercised in the period)	158,333	5.697	8.908 (*)	118,002	5.697	7.175 (*)
(Option rights cancelled in the period)	-	-	-	4,000	5.697	-
(Option rights forfeited in the period)	-	-	-	68,670	5.697	-
Option rights at 31 December	**16,667**	**5.697**	**9.05**	**175,000**	**5.697**	**7.995**
of which exercitable at 31 December	*16,667*			*175,000*		

(*) Average weighted market price at the exercises

B) 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**156,667**	**6.914**	**7.995**	**170,000**	**6.914**	**4.904**
(Option rights exercised in the period)	33,334	6.914	8.801(*)	-	-	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	79,999	-	-	13,333	-	-
Option rights at 31 December	**43,334**	**6.914**	**9.05**	**156,667**	**6.914**	**7.995**
of which exercitable at 31 December	*43,334*			*156,667*		

(*) Average weighted market price at the exercises

C) Stock option 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**120,000**	**0.735**	**7.995**	**233,500**	**0.735**	**4.904**
(Option rights exercised in the period)	120,000	0.735	8.890 (*)	113,500	0.735	6.940 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**-**	**-**	**-**	**120,000**	**0.735**	**7.995**
of which exercitable at 31 December	-			*120,000*		

(*) Average weighted market price at the exercises

D) Stock option 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**70,000**	**2.837**	**7.995**	**70,000**	**2.837**	**4.904**
(Option rights exercised in the period)	35,000	2.837	8.887 (*)	-	-	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**35,000**	**2.837**	**9.05**	**70,000**	**2.837**	**7.995**
of which exercitable at 31 December	*35,000*			*70,000*		

(*) Average weighted market price at the exercises

E) Stock option 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**402,589**	**3.746**	**7.995**	**483,599**	**3.746**	**4.904**
(Option rights exercised in the period)	367,438	3.746	8.435 (*)	81,010	3.746	5.721 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**35,151**	**3.746**	**9.05**	**402,589**	**3.746**	**7.995**
of which exercitable at 31 December	*35,151*			*402,589*		

(*) Average weighted market price at the exercises

F) 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 2016			FY 2015		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**70,000**	**4.227**	**7.995**	**195,000**	**4.227**	**4.904**
(Option rights exercised in the period)	-	-	-	125,000	4.227	5.858 (*)
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**70,000**	**4.227**	**9.05**	**70,000**	**4.227**	**7.995**
of which exercitable at 31 December	*70,000*			*70,000*		

(*) Average weighted market price at the exercises

Residual life of awarded stock options

Options assigned up to 31/12/2016							
		Residual life				Exercitable	
Strike price	Awarded on	< 1 year	1-5 years	5-10 years	Total	Number of shares	Average expiring date
5.697	30/09/2005	8,333	8,334	-	16,667	16,667	1 year
6.914	15/03/2007	43,334	-	-	43,334	43,334	1 year
2.837	06/11/2009	35,000	-	-	35,000	35,000	1 year
3.746	16/12/2010	10,161	24,990	-	35,151	35,151	1 year
4.227	19/04/2011	-	70,000	-	70,000	70,000	2 years
Total		**96,828**	**103,324**		**200,152**	**200,152**	

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;
- 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; and
  (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

Stock grant 15 January 2011				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**235,292**	**7.995**	**1,090,750**	**4.904**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	118,792	8.596 (*)	828,333	7.070 (*)
(Rights cancelled in the period)	-	-	27,125	-
Option rights at 31 December	**116,500**	**9.05**	**235,292**	**7.995**

(*) Average weighted market price at the exercises

B) Stock grant 16 May 2011

Stock grant 16 May 2011				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**210,333**	**7.995**	**912,500**	**4.904**
Options rights restored in period	-	-	10,000	-
Rights granted in the period	-	-	-	-
(Rights converted in the period)	106,500	8.398 (*)	672,417	7.222 (*)
(Rights cancelled in the period)	-	-	39,750	-
Option rights at 31 December	**103,833**	**9.05**	**210,333**	**7.995**

(*) Average weighted market price at the exercises

C) Stock grant 15 March 2012

Stock grant 15 March 2012				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,540,375**	**7.995**	**1,893,000**	**4.904**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	1,247,707	8.836 (*)	300,000	7.036 (*)
(Rights cancelled in the period)	43,875	-	52,625	-
Option rights at 31 December	**248,793**	**9.05**	**1,540,375**	**7.995**

(*) Average weighted market price at the exercises

D) Stock grant 2 May 2013

Stock grant 2 May 2013				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,438,000**	**7.995**	**1,654,250**	**4.904**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	30,000	7.919 (*)	12,500	7.200 (*)
(Rights cancelled in the period)	111,250	-	203,750	-
Option rights at 31 December	**1,296,750**	**9.05**	**1,438,000**	**7.995**

(*) Average weighted market price at the exercises

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 companies 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 3Yr 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 21 April 2015, following the proposal of the Board of Directors of 3 March 2015 and heard the opinion of the Remuneration and Appointment Committee, the Shareholders' Meeting discussed and approved the modifications to the stock plan for the period 2014-2021 (the "New Plan of Performance Stock Grant").

In particular, the modification approved by the Shareholders' Meeting concerns the extension of the plan also to collaborators not related to the Company by employment contracts and the subsequent variation in the identification of the beneficiaries who are currently defined as employees and collaborators of a Group entity, belonging to the following categories:

- Cluster 1: Executives & Senior Managers;
- Cluster 2: International Key Managers; Group & Country Talents;
- Cluster 3: High Performing Audiologists & Sales Managers.

This extension will allow to include also the agents currently working in Italy Spain and Belgium with the aim to adequately sustain, also in terms of retention, the different business models through which the Amplifon Group operates.

On 29 April 2015 the Board of Directors of the Company, approved the modification to the operative Regulation of the plan, in line with the changes approved by the Shareholders' Meeting.

On 18 April 2016, following the proposal of the Board of Directors and heard the opinion of the Remuneration and Appointment Committee, the Shareholders' Meeting discussed and approved the modifications to the share plan for the period 2014-2021. The purpose of the modification is to align the Plan to a new provision introduced in France as the result of Law n. 2015-990 dated August 6th, 2015 (the "Macron Law").
The amendment allows the beneficiaries and the Company to take advantage of a more favorable fiscal and social contribution regime.
The provisions that, in line with the Macron Law, have been amended, regard in particular:
a) the elimination of an exercise period of 2.5 years;
b) the introduction of specific "closed periods" during which the employees cannot sell the shares obtained in relation to the incentive plan.

All the key characteristics of the Plan, among which the number of available rights, the timing and conditions for the rights' maturation remain unchanged.

The amendment affects only French beneficiaries and does not have any retroactive effects on previous awards to French beneficiaries. On 27 April 2016, the Board of Directors approved the amendments to the Rules of the performance stock grant plan 2014-2021 in execution of what resolved by the Shareholders' Meeting described above.

Below are reported the details of the cycles of assignment of the New Performance Stock Grant plan 2014-2021 currently in place, including new assignments that have taken place in the year 2016.

A) Stock Grant 28 April 2014

Stock grant 28 April 2014	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**2,125,500**	**7.995**	**2,749,500**	**4.904**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	300,000	7.027 (*)
(Rights cancelled in the period)	103,500	-	324,000	-
Option rights at 31 December	**2,022,000**	**9.05**	**2,125,500**	**7.995**

(*) Average weighted market price at the exercises

B) Stock Grant 29 April 2015

Stock grant 29 April 2015				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**2,399,500**	**7.995**	**-**	**-**
Rights granted in the period	-	-	2,518,000	6.88
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	180,000	-	118,500	-
Option rights at 31 December	**2,219,500**	**9.05**	**2,399,500**	**7.995**

C) Stock Grant 22 October 2015

Stock grant 22 October 2015				
	FY 2016		FY 2015	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**191,500**	**7.995**	**-**	**-**
Rights granted in the period	-	-	191,500	7.19
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	1,000	-	-	-
Option rights at 31 December	**190,500**	**9.05**	**191,500**	**7.995**

D) Stock Grant 27 April 2016

The unitary fair value of the stock grant assigned in the period is equal to €7.55, with regard to the award subject to the general rules and to €6.96 with regard to the plan for the French beneficiaries.

The assumptions adopted in the calculation of the fair value are the following.

	Assignment – General Rule	Assignment – French Rule
Model used	Binomial (Cox-Ross-Rubinstein method)	
Price at grant date	8.055 €	
Threshold	5 €	
Exercise Price	0.00	
Volatility	25.07% (6 years)	23.84% (3 years)
Risk free interest rate	0.203%	0.0%
Maturity (in years)	3.5	
Vesting Date	3 months after the date of approval from the Board of the project of Consolidated Financial Statement as of 31.12.18 (i.e. June 2019)	
Expected Dividend Yield	0.75%	

The figurative cost of this award cycle recorded in the income statement at 31 December 2016 amounted to €2,612 thousand.

Stock grant 27 April 2016 – General rules		
	FY 2016	
	N. rights granted	Market Price (€)
Option rights at 1 January	-	-
Rights granted in the period	2,021,500	8.055
(Rights converted in the period)	-	-
(Rights cancelled in the period)	125,500	-
Option rights at 31 December	**1,896,000**	**9.05**

Stock grant 27 April 2016 – French rules		
	FY 2016	
	N. rights granted	Market Price (€)
Option rights at 1 January	-	-
Rights granted in the period	65,000	8.055
(Rights converted in the period)	-	-
(Rights cancelled in the period)	-	-
Option rights at 31 December	**65,000**	**9.05**

E) Stock Grant 26 October 2016

The unitary fair value of the stock grant assigned in the period is equal to €9.30, with regard to the award subject to the general rules and to €9.33 with regard to the plan for the French beneficiaries.

The assumptions adopted in the calculation of the fair value are the following.

	Assignment – General Rule	Assignment – French Rule
Model used	Binomial (Cox-Ross-Rubinstein method)	
Price at grant date	9.7	
Threshold	5 €	
Exercise Price	0.00	
Volatility	23.72% (6 years)	21.27% (3 years)
Risk free interest rate	0.063%	0.0%
Maturity (in years)	3.5	
Vesting Date	3 months after the date of approval from the Board of the project of Consolidated Financial Statement as of 31.12.18 (i.e. June 2019)	
Expected Dividend Yield	0.75%	

The figurative cost of this award cycle recorded in the income statement at 31 December 2016 amounted to €157 thousand.

Stock grant 26 October 2016 – General rules		
	FY 2016	
	N. rights granted	Market Price (€)
Option rights at 1 January	-	-
Rights granted in the period	289,500	9.7
(Rights converted in the period)	-	-
(Rights cancelled in the period)	-	-
Option rights at 31 December	**289,500**	**9.05**

Stock grant 26 October 2016 – French rules		
	FY 2016	
	N. rights granted	Market Price (€)
Option rights at 1 January	-	-
Rights granted in the period	40,000	9.7
(Rights converted in the period)	-	-
(Rights cancelled in the period)	-	-
Option rights at 31 December	**40,000**	**9.05**

Residual life of awarded stock grants

Rights assigned up to 31/12/2016							
		Vesting				Exercise	
Plans	**Assignment date**	**< 1 year**	**1-5 years**	**5-10 years**	**Total**	**N. of rights**	**Average expiring date**
Performance Stock Grant 2011 - 2020	15/01/2011					116,500	1 year
	16/05/2011					103,833	1 year
	15/03/2012					248,793	2 years
	02/05/2013	1,296,750			1,296,750		
New Performance Stock Grant 2014 - 2021	28/04/2014	2,022,000			2,022,000		
	29/04/2015		2,219,500		2,219,500		
	22/10/2015		190,500		190,500		
	27/04/2016		1,961,000		1,961,000		
	of which General Rules		*1,896,000*		*1,896,000*		
	of which French Rules		*65,000*		*65,000*		
	26/10/2016		329,500		329,500		
	of which General Rules		*289,500*		*289,500*		
	of which French Rules		*40,000*		*40,000*		
	Total	**3,318,750**	**4,700,500**		**8,019,250**	**469,126**	

29. Subsidiaries with relevant non-controlling interests, joint ventures and associated companies

The following table shows the main income statement and balance sheet figures of the subsidiaries with relevant minority shareholders. The figures are shown before intragroup eliminations.

(€ thousands)	31/12/2016	31/12/2015
Non-current assets	1,514	1,679
Current assets	3,277	3,070
Non-current liabilities	745	335
Current liabilities	2,880	3,052
Revenues	9,867	9,654
Net profit (loss) for the year	319	(191)
Dividends paid to minorities	-	-
Net financial positions	(1,131)	(653)
Cash flows	116	(23)

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)	31/12/2016	31/12/2015
Non-current assets	1,219	1,374
Current assets	4,634	3,064
Non-current liabilities	51	51
Current liabilities	2,326	1,765
Revenues	8,146	7,846
Amortisation, depreciation and impairment	(396)	(457)
Interest income and charges	(44)	(24)
Net profit (loss)	853	116
Net financial positions	1,150	189
Cash flows	1,068	143

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)	31/12/2016	31/12/2015
Net equity of joint-ventures	3,476	2,624
% held	50%	50%
Book value	1,738	1,312

The following table summarizes the key financial figures of the remaining associates accounted for using the equity method.

(€ thousands)	31/12/2016	31/12/2015
Book value	21	121
Non-current assets	62	61
Current assets	124	143
Non-current liabilities	10	-
Current liabilities	176	62
Revenues	402	355
Net profit (loss)	40	10

The list of associates accounted for using the equity method, with the percentage of ownership from 20% to 50%, is reported in Annex 1.

30. 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 2016	FY 2015
Net profit (loss) pertaining to ordinary shareholders (€ thousand)	63,620	46,805
Average number of shares outstanding in the year	219,322,356	218,047,951
Average earnings per share (€ per share)	0.29008	0.21465

Diluted EPS

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 2016	FY 2015
Average number of shares outstanding in the year	219,322,356	218,047,951
Weighted average of potential and diluting ordinary shares	5,747,819	6,843,633
Weighted average of shares potentially subject to options in the period	225,107,974	224,891,584

The diluted earnings per share was determined as follows:

Diluted earnings per share	FY 2016	FY 2015
Net profit pertaining to ordinary shareholders (€ thousand)	63,620	46,805
Average number of shares outstanding in the period	225,107,974	224,891,584
Average diluted earnings per share (€)	0.28262	0.20812

31. 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.

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

(€ thousands)	31/12/2016								FY 2016		
	Trade receivables	Others receivables	Trade payable	Other assets	Financial liabilities	Other debts	Financial payables	Tax payables	Revenues from sales and services	Operating costs	Interest income and expenses
Amplifin S.p.A.	15	242						5,131		(1,596)	
Total – Parent Company	**15**	**242**	**-**	**-**	**-**	**-**	**-**	**5,131**	**-**	**(1,596)**	**-**
Comfoor BV (The Netherlands)	13		146						30	(3,082)	
Comfoor GmbH (Germany)			4							(44)	
Medtechnica Ortophone Shaked Ltd (Israel)	165			5					270		
Ruti Levinson Institute Ltd (Israel)	385								481	(20)	
Afik - Test Diagnosis & Hearing Aids Ltd (Israel)	131		3	21					302	(11)	1
Total – Other related parties	**694**	**-**	**153**	**26**	**-**	**-**	**-**	**-**	**1,083**	**(3,157)**	**1**
Bardissi Import (Egypt)			167			53	52			(1,603)	
Meders (Turkey)			1,196							(2,712)	(4)
Nevo (Israel)	57										
Ortophone (Israel)	4									(284)	
Moti Bahar (Israel)										(341)	
Asher Efrati (Israel)										(273)	
Arigcom (Israel)										(75)	
Tera (Israel)				109						(52)	7
Frederico Abrahao (Brazil)					286		178				(44)
Others		18									
Total – Other related parties	**61**	**18**	**1,363**	**109**	**286**	**53**	**230**	**-**	**-**	**(5,340)**	**(41)**
Total	**770**	**260**	**1,516**	**135**	**286**	**53**	**230**	**5,131**	**1,083**	**(10,093)**	**(40)**
Total as per financial statement	**127,278**	**42,162**	**131,181**	**49,683**	**399,166**	**75,872**	**13,516**	**25,447**	**1,133,097**	**(942,279)**	**(17,942)**
% of financial statement total	**0.61%**	**0.62%**	**1.16%**	**0.27%**	**0.07%**	**0.07%**	**1.70%**	**20.16%**	**0.10%**	**1.07%**	**0.23%**

The trade receivables, revenues from sales and services and other income from related parties refer primarily to:

- the recovery of maintenance costs and condominium fees and the recharge of personnel costs to Amplifin S.p.A.;

- the receivables payable to Amplifin S.p.A. for the partial renovation of one floor at headquarters based on modern and efficient standards for the use of work spaces;
- trade receivables payable by associates (mainly in Israel) which act as resellers and to which the Group supplies hearing aids.

The trade payables and operating costs refer primarily to:

- commercial transactions with Comfoor BV and Comfoor GmbH, joint ventures from which hearing protection devices are purchased and then distributed in Group stores;
- commercial transactions involving the purchase of hearing aids, other products and services in Turkey and Egypt with, respectively, Meders and Bardissi Import (both companies that belong to their minority shareholders). These companies distribute hearing aids in their respective countries and the purchase conditions applied, defined in the Group's framework agreement, are in line with market conditions;
- 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 shareholders Moti Bahar and Asher Efrati, as well as rents, administrative and commercial services by Ortophone (Israel).

The tax payables refer to the IRES (corporate income tax) payable by Amplifon S.p.A. to the parent company as a result of the tax consolidation agreement entered into for the three year period 2014-2016.

Financial transactions refer primarily to loans granted to Group companies in Egypt and Brazil by their respective minority shareholders and a long-term receivable payable by an affiliate in Israel.

Other related parties

The total remuneration of Group Directors, Board of Auditors and Key Managers for the period amounted to €10,002 thousand and is made up as follows:

Directors, Board of Auditors and Key managers.

(€ thousands)

First Name and Surname	Office Held	Period in which the office has been held	Term of office ends upon	Fixed compens.	Committee attendance fees	Non equity variable compensation Bonuses and other incentives	Profit sharing	Fringe benefit.	Tot.	FV equity compen.	Termination allowance	Non competition agreement	Total
Susan Carol Holland	Chairman	01/01/2016 - 31/12/2016	Approval 2018 financ. stat	200	-	-	-	2	202	-	-	-	**202**
Franco Moscetti	Vice-Chairmen non Executive	01/01/2016 - 18/04/2016	Approval 2015 financ. stat	-	-	-	-	-	-	-	-		
	Director	01/01/2016 - 18/04/2016	Approval 2015 financ. stat	-	-	-	-	-	-	-	-	350(*)	**350**
Enrico Vita	CEO	01/01/2016 - 31/12/2016	Approval 2018 financ. stat	200	-	-	-	-	200	-	-	-	**1,867**
	Managing Director	Permanent		533	-	488	-	29	1,050	617	-	-	
Andrea Casalini	Indep. Director	18/04/2016 - 31/12/2016	Approval 2018 financ. stat	37	20	-	-	-	57	-	-	-	**57**
Alessandro Cortesi	Indep. Director	18/04/2016 - 31/12/2016	Approval 2018 financ. stat	37	13	-	-	-	50	-	-	-	**50**
Maurizio Costa	Indep. Director	01/01/2016 - 31/12/2016	Approval 2018 financ. stat	37	20	-	-	-	57	-	-	-	**57**
Laura Donnini	Indep. Director	18/04/2016 - 31/12/2016	Approval 2018 financ. stat	37	23	-	-	-	60	-	-	-	**60**
Maria Patrizia Grieco	Indep. Director	18/04/2016 - 31/12/2016	Approval 2018 financ. stat	37	13	-	-	-	50	-	-	-	**50**
Lorenzo Pozza	Indep. Director	18/04/2016 - 31/12/2016	Approval 2018 financ. stat	37	30	-	-	-	67	-	-	-	**67**
Anna Puccio	Indep. Director	01/01/2016 - 18/04/2016	Approval 2015 financ. stat	21	-	-	-	-	21	-	-	-	**21(**)**
Giovanni Tamburi	Indep. Director	01/01/2016 - 31/12/2016	Approval 2018 financ. stat	37	3	-	-	-	40	-	-	-	**40**
Raffaella Pagani	Chairman of the Board of Auditors	21/04/2015 - 31/12/2015	Approval 2017 financ. stat	45	-	-	-	-	45	-	-	-	**45**
Emilio Fano	Standing Auditor	01/01/2015 - 31/12/2015	Approval 2017 financ. stat	30	-	-	-	-	30	-	-	-	**30**
Maria Stella Brena	Standing Auditor	01/01/2015 - 31/12/2015	Approval 2017 financ. stat	30	-	-	-	-	30	-	-	-	**30**
Total				**1,318**	**122**	**488**	**-**	**31**	**1,959**	**617**	**-**	**350**	**2,926**
Other (Key managers) **A. Baroli (***)** **G. Caruso** **A. Facchini** **C. Finotti (****)** **M. Gerli** **U. Giorcelli** **J. Pappalardo** **I. Pazzi (*****)** **G. Pizzini** **H. Ruch**		Permanent		2,607	-	1,563	-	299	4,469	2,503	104	-	**7,076**
Total				**3,925**	**122**	**2,051**		**330**	**6,428**	**3,120**	**104**	**350**	**10,002**

(*) The amount reported refers to the non-competition agreement signed by Amplifon and Franco Moscetti
(**) The amount reported refers to the assignment of the previous Board of Directors
(***) Employment ended on 1 February 2016
(****) Employment started on 16 March 2016
(*****) Employment started on 4 April 2016

Below are detailed stock options and stock grants awarded to the Board of Directors, General Managers and Key Managers.

Stock option

			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 (and approval date)**	**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 2016 (Euro/000)**
Enrico Vita	CEO and Managing Director		-			-	-			-	-
Other key managers (Key managers): **A. Baroli (**)** **G. Caruso** **A. Facchini** **C. Finotti (***)** **M. Gerli** **U. Giorcelli** **J. Pappalardo** **I. Pazzi (****)** **G. Pizzini** **H. Ruch**		Plan 30 September 2005	125,000	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	5.697	9.133 (*)	-	-
		Plan 16 December 2010	227,438	3.746	(1/2) 17/12/2012 - 17/12/2017 (1/2) 17/12/2013 - 17/12/2018	-	227,438	3.746	8.04 (*)	-	-
Total			**352,438**			**-**	**352,438**			**-**	**-**
Grand Total			**352,438**			**-**	**352,438**			**-**	**-**

(*) Weighted average of the market price of the underlying shares at the exercise date
(**) Employment ended on 1 February 2016
(***) Employment started on 16 March 2016
(****) Employment started on 4 April 2016

Stock grant

			Financial instruments granted in previous years and not vested during the period		Financial instruments granted in the period				
Name and surname	**Office held**	**Plan (and approval date)**	**Num. of financial instruments**	**Vesting period**	**Num. of financial instruments**	**FV at grant date**	**Vesting period**	**Grant date**	**Market price on grant date**
Enrico Vita	CEO and Managing Director	New Performance Stock Grant 28/04/2014	100,000	June 2017					
		New Performance Stock Grant 29/04/2015	120,000	June 2018					
		New Performance Stock Grant 27/04/2016			120,000	7.55	June 2019	27/04/16	8.055
Total			**220,000**		**120,000**				
Other key managers: A. Baroli (**) G. Caruso A. Facchini C. Finotti (***) M. Gerli U. Giorcelli J. Pappalardo I. Pazzi (****) G. Pizzini H. Ruch		Performance Stock Grant 15/03/2012	235,000	June 2016					
		Performance Stock Grant 02/05/2013	287,500	June 2017					
		New Performance Stock Grant 28/04/2014	395,000	June 2017					
		New Performance Stock Grant 29/04/2015	390,000	June 2018					
		New Performance Stock Grant 22/10/2015	30,000	June 2018					
		New Performance Stock Grant 27/04/2016			370,000	7.55	June 2019	27/04/16	8.055
Total other key managers			**1,337,500**		**370,000**				
Grand Total			**1,557,500**		**490,000**				

(*) Weighted average of the market price of the underlying shares at the exercise date
(**) Employment ended on 1 February 2016
(***) Employment started on 16 March 2016
(****) Employment started on 4 April 2016

Financial instruments cancelled or expired during the period	Financial instruments vested during the period		Financial instruments exercised during the period		Financial instruments at the end of period	Fair Value FY 2016 (Euro/000)
	Vested financial instruments not exercised	Vested financial instruments exercised	Num. of financial instruments	Market price at exercise date		
					100,000	162
					120,000	229
					120,000	226
					340,000	**617**
		235,000	235,000	8.591(*)	-	118
					287,500	246
					395,000	639
80,000					310,000	745
					30,000	58
50,000					320,000	696
130,000		**235,000**	**235,000**		**1,342,500**	**2,503**
130,000		**235,000**	**235,000**		**1,682,500**	**3,120**

32. Guarantees provided, commitments and contingent liabilities

Guarantees provided to third parties

At 31 December 2016 the item included the following:

(€ thousands)	31/12/2016	31/12/2015
Guarantees provided to third parties	97,432	116,157
Total	**97,432**	**116,157**

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 2013-2025 private placements issued by Amplifon USA of €40,783 thousand;
- the guarantee issued by Amplifon USA and National Hearing Centres Pty to the investitors in the Eurobond 2013-2018 issued by Amplifon S.p.A in 2013, amounting to €20,641 thousand;
- pledges made to third parties relative to tenders and rental security deposits amounting to €3,560 thousand;
- surety bonds issued by Amplifon S.p.A. to the Revenue Office for VAT credits amounting to €24,672 thousand;
- miscellaneous guarantees, totaling €8,323 thousand, which include comfort letters issued on behalf of subsidiaries to third parties.

Obligations

Obligations with regard to future rent installments amounted at the 31 December 2016 to €255,554 thousand, of which €227,965 thousand relates to the lease of stores, €14,553 thousand relates to the rent of offices, €10,062 thousand relates to the operating leasing of cars and €2,974 thousand relates to other operating leasing. The average lease term is equal to 4.3 years.

Contingent liabilities and uncertainties

In November the suit filed against Amplifon by the owner of three stores leased to Amplifon Iberica (referred to beginning in 2015) complaining about the state of the property which was regularly returned by Amplifon Iberica in 2014 when the lease expired, along with other alleged breaches, was closed. Amplifon Iberica was not required to pay any damages.

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

33. Transactions arising from untypical/unusual operations

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2016 the Group carried out no atypical and/or unusual transactions, as defined by the Communication.

34. Financial risks

With a view to structured management of treasury activities and financial risks, in 2012 the Group finalized and 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.

The Amplifon Group's foreign exchange transaction risk is largely limited as each country is largely autonomous in the operation of its business, sustaining costs in the same currency as it realizes revenue, 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 through specific derivative instruments. These include: (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) intercompany loans in currency other than the Euro between Amplifon S.p.A. and the Group companies in the United Kingdom.

The intercompany loans between the Australian and New Zealand companies, between the American and Canadian companies, as well as the loan granted Amplifon S.p.A. to the English subsidiary, are considered equity investments insofar as the loans are non-interest-bearing and not expected to be repaid. The impact of exchange differences is recognized directly in the translation reserve at equity without passing through the income statement.

The risks arising from other intragroup transactions worth less than €1 million (or the equivalent if denominated in another currency) 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.

The foreign exchange translation risk, in accordance with the Group Treasury Policy, is not hedged. Overall the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which dropped by 0.2 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 respect to long-term exposures, through a balanced division between fixed- and floating-rate loans, judging whether to switch floating-rate borrowings to fixed-rate when each loan is taken out, as well as over the life of the loans including in light of the current market rates. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2016, all the medium/long debt (€376 million at the hedging exchange rate) 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 loans granted to members of the indirect channel and commercial partners in the United States and in Spain for investments and business development;
(iv) from the residual amounts receivable for the sale of stores owned by the American subsidiary Sonus in the period 2010-2011 which were switched from the direct to the indirect channel.

With regard to the risk under (i) above, the only positions with a high unit value are amounts due from Italian public-sector entities for which the risk of insolvency - while existing - is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, by specialized factoring companies. Conversely, the credit risk arising from sales to private individuals based on instalment payment plans is increasing, as is that arising from sales to US indirect channel firms (wholesalers and franchisees).This credit risk, however, is spread out over a number of partners and the amount owed by any single partner does not exceed a few million US dollars. Due to typical business risks, some may not be able to honor their debts.This would result in higher working capital and credit losses. While each subsidiary is responsible for collection of receivables, the Group has set up a centralized system of monthly reporting relative to trade receivables in order to monitor the composition and due dates for each country, and shares credit recovery initiatives and policies with local management. With regard to private customers, the majority of which do, however, use cash, payment options like installment plans or loans (with terms limited to a few months) are offered. These are managed by external finance companies, with the exception of Brazil which is not material for the Group as a whole, which advance the whole amount of the sale to Amplifon. The situation of the indirect channel in the US is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to sudden and unforeseeable counterparty default, is managed by diversifying 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. The 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 the receivables referred to in (iv) above, are generally personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the purchases of hearing aids are paid.

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) due to both characteristics specific to the financial asset or liability or the issuer, as well as market factors. This risk is typical of financial assets not listed on an active market, which may not be easy to liquidate at a level close to their fair value.
The Amplifon Group does not have investments in these kinds of instruments and, therefore, this risk currently does not exist.

Liquidity risk

This risk often arises when an entity is experiencing difficulty finding sufficient funds to meet its obligations and includes the risk that the counterparties that have granted loans or lines of credit may request repayment. This risk, which had become particularly significant due, initially, to the 2008 financial crisis and, more recently, to the sovereign debt crisis affecting the peripheral Euro zone countries and the single currency itself, while smaller, still exists.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations, while also carefully monitoring credit lines, even though gross debt is entirely long term. More in detail, in the last part of 2016 the Group was granted €165 million in irrevocable five-year credit lines which, along with the liquidity recorded at year-end and without taking into account future cash flow, already guarantee full coverage of the first significant portion of debt falling due in July 2018.

We believe therefore, including in light of the positive cash flow that the Group continues to generate, 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 comprise exclusively financial derivatives. In order to maximize the effectiveness of these hedges the Group's strategy calls for:

- large counterparties with high credit ratings and transactions that fall within the limits determined in the treasury policy in order to minimize counterparty risk ;
- the use of instruments that match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the effectiveness of the instruments used in order to check and, possibly, optimize the structure of the instruments used to achieve the purposes of the hedge.

The derivatives used by the Group are generally plain vanilla financial instruments. More in detail, the types of derivatives used include:

- cross currency swaps;
- foreign exchange forwards.

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.

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

35. Translation of foreign companies' financial statements

The exchange rates used to translate non-Euro zone companies' financial statements are as follows:

	31 December 2016		31 December 2015	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Australian dollar	1.488	1.460	1.478	1.490
Canadian dollar	1.466	1.419	1.419	1.512
New Zealand dollar	1.589	1.516	1.593	1.592
US dollar	1.107	1.054	1.110	1.089
Hungarian florin	311.438	309.830	309.996	315.980
Swiss franc	1.090	1.074	1.068	1.084
Egyptian lira	11.071	19.211	8.552	8.520
Turkish lira	3.343	3.707	3.025	3.177
New Israeli sheqel	4.249	4.048	4.312	4.248
Brazilian real	3.856	3.431	3.700	4.312
Indian rupee	74.372	71.594	71.196	72.022
British pound	0.819	0.856	0.726	0.734
Polish zloty	4.363	4.410	4.184	4.264

36. Segment information

In accordance with IFRS 8 "*Operating Segments*", the schedules relative to each operating segment are shown below.

The Amplifon Group's business (distribution and personalization of hearing solutions) is organized in three specific geographical areas which comprise the Group's operating segments: Europe, Middle East and Africa - EMEA - (Italy, France, The Netherlands, Germany, the United Kingdom, Ireland, Spain, Portugal, Switzerland, Belgium, Luxemburg, Hungary, Egypt, Turkey, Poland and Israel), Americas (USA, Canada and Brazil) and Asia-Pacific (Australia, New Zealand and India).

The Group also operates via centralized Corporate functions (Corporate bodies, general management, business development, procurement, treasury, legal affairs, human resources, IT systems, global marketing and internal audit) which do not qualify as operating segments under IFRS 8.

These areas of responsibility, which coincide with the geographical areas (the Corporate functions are recognized under EMEA), represent the organizational structure used by management to run the Group's operations. The reports periodically analyzed by the Chief Executive Officer and Top Management are divided up accordingly, by geographical area.

Performances are monitored and measured for each operating segment/geographical area, through 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. Financial expenses are not monitored insofar as they are based on corporate decisions regarding the financing of each region (own funds versus borrowings) and, consequently, neither are taxes. Items in the statement of financial position are analyzed by geographical area without being separated from the Corporate functions which remain part of EMEA. All the information pertaining to the income statement and the statement of financial position is determined using the same criteria and accounting standards used to prepare the consolidated financial statements.

Income Statement – FY 2016 (*)

(€ thousands)	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	753,717	214,881	162,947	1,552	-	1,133,097
Operating costs	(625,856)	(175,970)	(113,801)	(26,652)	-	(942,279)
Other income and costs	(1,188)	(160)	(71)	(2,540)	-	(3,959)
Gross operating profit by segment (EBITDA)	**126,673**	**38,751**	**49,075**	**(27,640)**	**-**	**186,859**
Amortisation, depreciation and impairment						
Amortisation	(10,382)	(3,576)	(7,498)	(3,968)	-	(25,424)
Depreciation	(22,005)	(861)	(3,827)	(340)	-	(27,033)
Impairment and impairment reversals of non-current assets	(7,285)	-	(68)	-	-	(7,353)
	(39,672)	**(4,437)**	**(11,393)**	**(4,308)**	**-**	**(59,810)**
Operating result by segment	**87,001**	**34,314**	**37,682**	**(31,948)**	**-**	**127,049**
Financial income, charges and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	419	-	-	-	-	419
Other income and charges, impairment and revaluations of financial assets						13
Interest income and charges						(17,942)
Other financial income and charges						(1,011)
Exchange gains and losses						(2,445)
Gain (loss) on assets measured at fair value						1,288
						(19,678)
Net profit (loss) before tax						**107,371**
Current and deferred income tax						
Current income tax						(44,257)
Deferred tax						662
						(43,595)
Total net profit (loss)						**63,776**
Minority interests						156
Net profit (loss) attributable to the Group						**63,620**

(*) For the purpose of reporting on economic data by geographical area please note that the corporate structures are placed in EMEA.

Income Statement – FY 2015 (*)

(€ thousands)	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	688,057	198,494	146,897	529	-	1,033,977
Operating costs	(584,907)	(161,460)	(101,364)	(27,922)	-	(875,653)
Other income and costs	711	4,005	2,070	67	-	6,853
Gross operating profit by segment (EBITDA)	**103,861**	**41,039**	**47,603**	**(27,326)**	**-**	**165,177**
Amortisation, depreciation and impairment						
Amortisation	(10,341)	(3,715)	(7,128)	(3,387)	619	(23,952)
Depreciation	(21,277)	(716)	(4,188)	-	(619)	(26,800)
Impairment and impairment reversals of non-current assets	(607)	(69)	(2,743)	-	-	(3,419)
	(32,225)	**(4,500)**	**(14,059)**	**(3,387)**	**-**	**(54,171)**
Operating result by segment	**71,636**	**36,539**	**33,544**	**(30,713)**	**-**	**111,006**
Financial income, charges and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	53	-	73	-	-	126
Other income and charges, impairment and revaluations of financial assets						1,461
Interest income and charges						(23,337)
Other financial income and charges						(388)
Exchange gains and losses						2,681
Gain (loss) on assets measured at fair value						(3,452)
						(22,909)
Net profit (loss) before tax						**88,097**
Current and deferred income tax						
Current income tax						(39,313)
Deferred tax						(2,072)
						(41,385)
Total net profit (loss)						**46,712**
Minority interests						(93)
Net profit (loss) attributable to the Group						**46,805**

(*) For the purpose of reporting on economic data by geographical area please note that the corporate structures are placed in EMEA.

Statement of Financial Position as at 31 December 2016 (*)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
ASSETS					
Non-current assets					
Goodwill	298,310	84,310	252,512	-	635,132
Intangible fixed assets with finite useful life	82,392	17,400	62,114	-	161,906
Tangible fixed assets	98,968	3,884	16,942	-	119,794
Investments valued at equity	1,759	-	-	-	1,759
Financial assets measured at fair value through profit and loss	43	-	-	-	43
Hedging instruments	12,223	-	-	-	12,223
Deferred tax assets	37,287	651	2,806	-	40,744
Other assets	6,326	42,986	371	-	49,683
Total non-current assets					**1,021,284**
Current assets					
Inventories	29,020	484	1,866	-	31,370
Receivables	121,423	41,225	10,097	(3,305)	169,440
Hedging instruments	35	-	-	-	35
Cash and cash equivalents					183,834
Total current assets					**384,679**
TOTAL ASSETS					**1,405,963**
LIABILITIES					
Net Equity					**557,660**
Non-current liabilities					
Medium/long-term financial liabilities					399,166
Provisions for risks and charges	31,745	26,709	887	-	59,341
Liabilities for employees' benefits	14,313	172	2,124	-	16,609
Deferred taxes	20,854	25,817	15,734	-	62,405
Payables for business acquisitions	2,052	35	-	-	2,087
Other long-term debt	25,513	27	587	-	26,127
Total non-current liabilities					**565,735**
Current liabilities					
Trade payables	82,434	39,399	12,646	(3,298)	131,181
Payables for business acquisitions	11,671	2,814	-	-	14,485
Other payables	97,497	4,969	17,839	(7)	120,298
Hedging instruments	3	-	-	-	3
Provisions for risks and charges	2,346	-	-	-	2,346
Liabilities for employees' benefits	608	131	-	-	739
Short-term financial liabilities					13,516
Total current liabilities					**282,568**
TOTAL LIABILITIES					**1,405,963**

(*) The items in the statement of financial position are analyzed by the CEO and the Top Management by geographical area without being separated from the Coporate functions which are included in EMEA.

Statement of Financial Position as at 31 December 2015 (*) (**)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
ASSETS					
Non-current assets					
Goodwill	250,714	74,125	247,311	-	572,150
Intangible fixed assets with finite useful life	61,082	14,556	65,775	-	141,413
Tangible fixed assets	83,666	3,466	15,543	-	102,675
Investments valued at equity	1,433	-	-	-	1,433
Financial assets measured at fair value through profit and loss	29	-	-	-	29
Hedging instruments	11,526	-	-	-	11,526
Deferred tax assets	37,160	1,117	2,466	-	40,743
Other assets	4,673	40,091	336	-	45,100
Total non-current assets					**915,069**
Current assets					
Inventories	26,983	262	1,711	-	28,956
Receivables	103,091	38,323	6,877	(2,496)	145,795
Hedging instruments	451	-	-	-	451
Cash and cash equivalents					196,714
Total current assets					**371,916**
TOTAL ASSETS					**1,286,985**
LIABILITIES					
Net Equity					**500,165**
Non-current liabilities					
Medium/long-term financial liabilities					394,152
Provisions for risks and charges	25,406	23,817	830	-	50,053
Liabilities for employees' benefits	13,806	175	1,590	-	15,571
Hedging instruments	-	-	-	-	-
Deferred taxes	15,223	23,564	16,908	-	55,695
Payables for business acquisitions	5,384	66	-	-	5,450
Other long-term debt	21,324	15	369	-	21,708
Total non-current liabilities					**542,629**
Current liabilities					
Trade payables	67,532	37,219	11,080	(2,488)	113,343
Payables for business acquisitions	4,515	66	-	-	4,581
Other payables	86,118	3,546	19,729	(8)	109,385
Hedging instruments	6	-	-	-	6
Provisions for risks and charges	1,646	-	-	-	1,646
Liabilities for employees' benefits	937	88	-	-	1,025
Short-term financial liabilities					14,205
Total current liabilities					**244,191**
TOTAL LIABILITIES					**1,286,985**

(*) The items in the statement of financial position are analyzed by the CEO and the Top Management by geographical area without being separated from the Coporate functions which are included in EMEA.

(**) In accordance with IAS 8 the comparative figures for EMEA were restated as shown in the following table, while details relative to the Group figures are shown on page 123.

(€ thousands)	31/12/2015 Revised	31/12/2015 Reported	Change
Provisions for risks and charges (non-current portion)	25,406	23,760	1,646
Other long-term debt	21,324	2,216	19,108
Other payables	86,118	107,140	(21,022)
Provisions for risks and charges (current portion)	1,646	1,378	268
Total	**134,494**	**134,494**	-

37. Accounting policies

37.1. Presentation of financial statements

The condensed consolidated interim financial statements at 31 December 2016 have been prepared in accordance with the historical cost convention with the exception of derivative financial instruments, certain financial investments measured at fair value, 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 12 and IAS 28: Investment Entities	22 Sept '16	23 Sept '16	Financial years beginning on or after 1 Jan '16	1 Jan '16
Amendments to IAS 27: equity method in separate financial statements	18 Dec '15	23 Dec '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
Amendments to IAS 1- Disclosure initiative	18 Dec '15	19 Dec '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
Annual Improvements to IFRSs 2012–2014 Cycle	15 Dec '15	16 Dec '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
Amendments to IAS 16 and IAS 38: clarification of acceptable methods of depreciation and amortization	2 Dec '15	3 Dec '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
Amendments to IFRS 11: accounting for acquisitions of interests in Joint Operations	24 Nov '15	25 Nov '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
Amendments to IAS 16 and IAS 41: bearer plants	23 Nov '15	24 Nov '15	Financial years beginning on or after 1 Jan '16	1 Jan '16
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

The adoption of these principles does not significantly affect the valuation of assets, liabilities, costs and revenues of the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce minor clarifications to the requirements when accounting for investment entities.
The modifications to the IFRS 10 confirm the exemption from the preparation of consolidated financial

statements for an intermediate parent (which is not an investment entity itself) controlled by an investment entity.

For what concerned IAS 28, the amendments clarify that any interest held in related companies or joint ventures, which are investment entity themselves, could be evaluated with the equity or fair value method.

The amendment to IAS 27 "Equity method in the separate financial statements", has introduced the equity method as accounting option to recognize investments in subsidiaries, associates and joint ventures, whereas previously the IAS 27 stated that they were valued at cost or in accordance with IFRS 9 (IAS 39 for companies that have not adopted IFRS 9).

The amendments to IAS 1 "Disclosure Initiative (Amendments to IAS 1)" clarify certain aspects with regard to the presentation of financial statements stressing the emphasis on the significance of the disclosures of the financial statements, making clear that it is no longer provided for a specific order for the presentation of the notes on the balance sheet and allowing the possibility of aggregate/disaggregate items so that the line items provided at least in IAS 1 can be aggregated if deemed insignificant.

The "Annual improvements to IFRSs 2012-2014 Cycle" include amendments to different standards relating to sections that were unclear. In detail the amendments relate to the following:

- with the amendment to IAS 19 "Employee Benefits", the IASB clarified that the discount rate of a bond for defined benefit plans must be determined on the basis of "high - quality corporate bonds or government bonds" denominated the same currency used to pay benefits;
- IFRS 7 "Financial Instruments: Disclosures": the IASB has clarified that an entity which transferred the financial instruments and has derecognized them entirely from its own balance sheet - is obligated to provide the information required by reference to his continuing involvement if applicable. Furthermore the disclosures required by IFRS 7 with reference to offsetting of financial assets and liabilities are required only in relation to the annual financial statements and will be disclosed, in interim financial statements, if deemed to be necessary;
- with the amendment to IAS 34, the IASB clarified that the additional disclosures required by this standard can be included in the notes to the interim financial statements or can be included in other documents (such as risk reports), inserted through referrals in the interim financial statements, provided that users of the interim financial statements will have access to the same conditions and at the same time the interim financial statements.

The "Annual improvements to IFRSs 2012-2014 Cycle" also include amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are not currently relevant for the Amplifon Group.

With the amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", 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.
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.

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

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 to IFRSs 2010-2012 Cycle" include amendments to different standards relating to sections of a few standards that were unclear.
In detail:

- with the amendments to IFRS 2 "Share-based Payment", the IASB has clarified the criteria and characteristics that must comply with a "performance condition";
- with the amendment to IFRS 3 "Business Combinations", the IASB clarified the aspects of classification and valuation of contingent consideration;
- with the amendment to IFRS 8 "Operating Segments", the IASB introduced a new reporting requirement, that is a brief description of the operating segments that have been aggregated and the economic indicators that have been used for such aggregation and made it clear that the reconciliation of activities of the reportable operating segments with total assets of the entity it is required only in cases where such information is provided regularly by the entity's chief operating decision maker ("CODM");
- with the amendment to IFRS 13, the IASB clarified that the amendments to IAS 39 subsequent to the publication of IFRS 13 had not intended to exclude the possibility of assessing receivables and short-term debts without taking into account the discounting effect, if such effect is considered immaterial. The amendments to IFRS 13, since they relate only to the Basis for Conclusions, are not subject to approval by the European Union;
- with the amendments to IAS 16 and IAS 38, the IASB has clarified the application of the revaluation method required by the above-mentioned principles;
- with the amendment to IAS 24, the IASB has extended the definition of "related party" to "management companies".

With respect to the presentation of the financial statements, the following should be noted:

- 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.

37.2. 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. 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.

37.3. 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 2016:

Description	Endorsement date	Publication in O.J.E.C.	Effective date	Effective date for Amplifon
IFRS 9: Financial Instruments	22 Nov '16	22 Nov '16	Financial years beginning on or after 1 Jan '18	1 Jan '18
IFRS 15 Revenue from contracts with customers and related Amendment (Effective Date of IFRS 15)	22 Sep '16	29 Oct '16	Financial years beginning on or after 1 Jan'18	1 Jan '18

The 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 Group does not expect that the adoption of this new standard will result in material impact in the measurement of assets, liabilities, revenues and costs of the Amplifon Group.

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 analyse and recognize revenue in relation to the timing and the amount.

The Group has started an assessment in collaboration with a primary consultancy firm in order to identify for each area impacted by the Standard, the required accounting treatment. The application of the principle would have impacts primarily on methods and timing of revenue recognition for after-sale services, warranties and costs classified as contract cost. In accordance with the current state of the analysis, any possible impact derived from the application of the principle is not currently estimable.

International accounting standards and the interpretations approved by IASB not yet 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 20 February 2017 had not yet been endorsed for adoption in Europe.

Description	Effective date
IFRS 14 regulatory deferral accounts (issued on 30 January 2014)	Financial years beginning on or after 1 Jan '16
IFRS 16 Leases (Issued on 13 January 2016)	Financial years beginning on or after 1 Jan '19
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)	Deferred awaiting definition
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Issued on 19 January 2016)	Financial years beginning on or after 1 Jan '17
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	Financial years beginning on or after 1 Jan '17
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Financial years beginning on or after 1 Jan '18
Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions (issued on 20 June 2016)	Financial years beginning on or after 1 Jan '18
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	Financial years beginning on or after 1 Jan '18
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Financial years beginning on or after 1 Jan '17/18
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Financial years beginning on or after 1 Jan '18
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Financial years beginning on or after 1 Jan '18

With the publication of the new accounting standard IFRS 16 "Leases", the IASB replaces the accounting rules provided by IAS 17 and the IASB requires that all leases should be recognized in the balance sheet as assets and liabilities are they "financial", whether "operative".
With reference to IFRS 16 Amplifon Group is continuing the analysis in order to determine the future impacts on the consolidate financial statements and to identify the solution to implement on the information systems. For a first evidence of the magnitude of the expected impacts of the adoption of IFRS 16 refer to note 32 "Guarantees, commitments and contingent liabilities" where the future commitments for operating lease are exposed, and to note 23 "operating costs" rental cost for shops, offices and other property are displayed.

With regard to other standards and interpretations detailed below, it is not expected that the adoption will significantly affect the valuation of assets, liabilities, costs and revenues of the Group.

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

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").

Amendments to "IAS 12: recognition of deferred tax assets for unrealized losses" clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

IFRS 15 "*Revenue from Contracts with Customers-Clarifications to IFRS 15*" issued by the IASB, is aimed to clarify and simplify few dispositions, in order to reduce the costs and the complexity for those entity whose apply for the first time the new Standard.

"Amendments to IAS 7: Disclosure Initiative" improves the information provided to users of financial statements about an entity's financing activities. The standard has been revised as a consequence of the amendments introduced to IAS 1, in order to ensure coherence between the international accounting standard.

The amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" specifies the accounting treatments for share-based payment transactions.

"IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" is intended to address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the Board is developing.

The International Accounting Standards Board (the Board) has published several amendments to the current standards, and one IFRIC interpretation, in order to clarify several dispositions, such as:
- "Annual Improvements to IFRS Standards 2014-2016 Cycle" related to IFRS 1, IFRS 12 and IAS 28;
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"; and
- The amendments to IAS 40 "Investment Property: Transfers of Investment Property".

37.4. 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 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.

37.5. 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.

37.6. 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.

37.7. 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.

37.8. 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.

37.9. 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 § 37.12). Amortisation begins when the asset is available for use and ceases at the time of termination of the useful life or 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	1- 5
Licences	2-15
Non-competition agreements	5
Customer lists	6-20
Trademarks and concessions	3-15
Other	2-5

37.10. 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 § 37.12).

37.11. 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 § 37.12). Depreciation starts when the asset becomes available for use and ceases at the time of termination of the useful life or 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	3-25
Plant and machinery	4-13
Industrial and commercial equipment	5-10
Motor vehicles	4-8
Computers and office machinery	2.5-7
Furniture and fittings	3-10
Other tangible fixed assets	5-8

37.12. 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.

37.13. Financial assets and liabilities

37.13.1 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.

37.13.2. 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 (§ 37.22).

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

37.13.3. 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 § 34).

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.

37.14. 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.

37.15. 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.

37.16. 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.

37.17. 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.

37.18. 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.

37.19. 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.

37.20. 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.

37.21. 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.

37.22. 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.

37.23. 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.

38. Subsequent events

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

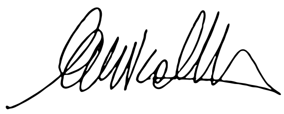
External growth continued in the first few months of 2017 with important acquisitions:

- on 10 January 2017 Amplifon Portugal signed a definitive agreement with the Sonova Group for the purchase of MiniSom SA which operates Audionova's retail business in Portugal through a network of about 75 points of sale (stores and shop-in-shops). The closing of this acquisition, for approximately €16 million, is subject to approval by the antitrust authorities.
- again with Sonova there's an ongoing negotiations regarding the potential acquisition of Audionova France S.A.S. which operates 55 stores in France. This operation was subject to a works council information and consultation procedure and signing and closing are expected in the coming days;
- an additional 60 points of sale were also purchased in Germany, France, India and Canada.

Implementation of the buyback program approved during the Shareholders' Meeting held on 18 April 2016 continued in January and February 2017 and a total of 390,000 shares were purchased between year-end 2016 and the date of this report at an average price of €9.492. The exercise of performance stock grants continued in the period as a result of which, as at 28 February 2017, Amplifon transferred a total of 98,241 treasury shares to the beneficiaries. The treasury shares held at the date of this report, therefore, now total 7,251,510 or 3.206% of the Company's share capital.

Milano, 28 February 2017

On behalf of the Board of Directors
CEO
Enrico Vita



Annexes

Consolidation Area

As required by § 38 and 39 of Law 127/91 and § 126 of Consob's 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 2016.

Parent company:

Company name	Head office	Currency	Share Capital
Amplifon S.p.A.	Milano (Italia)	EUR	4,524,236

Subsidiaries consolidated using the line-by-line method:

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held at 31/12/2016
Amplifon Groupe France SA	Arcueil (France)	D	EUR	48,550,898	100.0%
SCI Eliot Leslie	Lyon (France)	I	EUR	610	100.0%
Cyrex Concept SAS	Fréjus (France)	I	EUR	10,000	100.0%
Audition du Pays Varois SAS	Brignoles (France)	I	EUR	10,000	100.0%
Audition du Pays d'Aix SAS	Aix en Provence (France)	I	EUR	8,000	100.0%
Audioconfort SAS	Betton (France)	I	EUR	6,000	100.0%
Euphonia SAS	Le Folgoêt (France)	I	EUR	10,000	100.0%
J'Ecoute SAS	Beaugency (France)	I	EUR	24,000	100.0%
Audition Bien Etre Bain Sarl	Bain de Bretagne (France)	I	EUR	10,000	100.0%
Correction Auditive du Midi Sarl	Carry Le Rouet (France)	I	EUR	16,160	100.0%
Amplifon Iberica SA	Barcelona (Spain)	D	EUR	26,578,809	100.0%
Fundación Amplifon Iberica	Madrid (Spain)	I	EUR	30,000	100.0%
Amplifon Portugal SA	Lisboa (Portugal)	I	EUR	720,187	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%
Hörhilfe Walter Blättler AG	Luzern (Switzerland)	D	CHF	100,000	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 (Luxemburg)	I	EUR	50,000	100.0%
Amplifon Deutschland GmbH	Hamburg (Germany)	D	EUR	6,026,000	100.0%

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held at 31/12/2016
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%
die Hörmeister GmbH	Hamburg (Germany)	I	EUR	25,000	100.0%
die Hörmeister Nord GmbH	Hamburg (Germany)	I	EUR	25,000	100.0%
Focus Hören AG	Willroth (Germany)	I	EUR	485,555	100.0%
focus hören Deutschland GmbH	Willroth (Germany)	I	EUR	25,000	100.0%
Amplifon Poland Sp.z o.o.	Lodz (Poland)	D	PLN	3,342,640	100.0%
Amplifon UK Ltd	Manchester (UK)	D	GBP	69,100,000	100.0%
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 Isitme Ürünleri Perakende Satıs A.S.	Istanbul (Turkey)	D	TRY	300,000	51.0%
Medtechnica Ortophone Ltd (*)	Tel Aviv (Israel)	D	ILS	1,000	60.0%
Bon Ton Hearing & Speech Ltd (*)	Sderot (Israel)	I	ILS	100	60.0%
Kolan Ashdod Speech & Hearing Inst. Ltd (*)	Ashdod (Israel)	I	ILS	100	60.0%
Matan Rishon Ltd (*)	Rishon LeZion (Israel)	I	ILS	200	60.0%
Amplifon Middle East SAE	Cairo (Egypt)	D	EGP	3,000,000	51.0%
Miracle Ear Inc.	St. Paul – MN (USA)	I	USD	5	100.0%
Elite Hearing, LLC	Minneapolis – MN (USA)	I	USD	1,000	100.0%
Amplifon USA Inc.	Dover – DE (USA)	D	USD	52,500,010	100.0%
Amplifon Hearing Health Care, Inc.	St. Paul – MN (USA)	I	USD	10	100.0%
Ampifon IPA, LLC	New York – NY (USA)	I	USD	1,000	100.0%
Miracle Ear Canada Ltd.	Vancouver (Canada)	I	CAD	25,800,200	100.0%
Audiomedica Hearing Clinic Inc.	Calgary (Canada)	I	CAD	0	100.0%
Hear More Canada, Inc.	Burlington (Canada)	I	CAD	0	100.0%
Amplifon South America Holding LTDA	São Paulo (Brazil)	D	BRL	3,636,348	100.0%
Direito de Ouvir Amplifon Brasil SA	Franca (Brazil)	I	BRL	4,126,463	51.0%
Amplifon Australia Holding Pty Ltd	Sydney (Australia)	D	AUD	392,000,000	100.0%
National Hearing Centres Pty Ltd	Sydney (Australia)	I	AUD	100	100.0%
National Hearing Centres Unit Trust	Sydney (Australia)	I	AUD	0	100.0%
Amplifon NZ Ltd	Takapuna (New Zealand)	I	NZD	130,411,317	100.0%
Bay Audiology Ltd	Takapuna (New Zealand)	I	NZD	0	100.0%
Dilworth Hearing Ltd	Auckland (New Zealand)	I	NZD	0	100.0%
Amplifon India Pvt Ltd	New Delhi (India)	I	INR	850,000,000	100.0%
NHanCe Hearing Care LLP (on liquidation) (**)	New Delhi (India)	I	INR	1,000,000	0.0%

(*) Medtechnica Ortophone Ltd and its subsidiaries despite being owned by Amplifon at 60%, is consolidated 100 % as are its subsidiaries without exposure of non-controlling interest due to the put-call option exercisable from 2017 and related to the purchase of the remaining 40 % not yet owned.
(**) Consolidated company because the Amplifon Group has de facto control

Companies valued using the equity method:

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held at 31/12/2016
Comfoor BV	Doesburg (The Netherlands)	I	EUR	18,000	50.0%
Comfoor GmbH	Emmerich am Rhein (Germany)	I	EUR	25,000	50.0%
Medtechnica Ortophone Shaked Ltd	Tel Aviv (Israel)	I	ILS	1,001	30.0%
Ruti Levinson Institute Ltd	Ramat HaSharon (Israel)	I	ILS	105	12.0%
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%

Annex II

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 2016 financial year.

	Subject that provided the service	Recipient	2016 fees (€)
Independent auditing services	PricewaterhouseCoopers	Parent company - Amplifon S.p.A.	264,833
Certification services	PricewaterhouseCoopers	Parent company - Amplifon S.p.A.	3,250
Total – Parent Company			*268,083*
Independent auditing services	PricewaterhouseCoopers	Subsidiaries	1,087,878
	Other	Subsidiaries	20,622
Services other than auditing (*)	PricewaterhouseCoopers	Parent company - Amplifon S.p.A. and its subsidiaries	317,463
	Other	Other subsidiaries	15,641
Total			**1,709,688**

(*) Other services mainly include tax assistance to the American, Swiss and Indian subsidiaries; the activities of legal advice regarding privacy; certification activities for front-office system in Portugal and due diligence activities carried out in Belgium.

Declaration in respect of the Consolidated Financial Statements pursuant to Article 154-bis of Legislative Decree 58/98

We, the undersigned, Enrico Vita, 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 2016.

We also certify that the consolidated financial statements at 31 December 2016:

- have been prepared in accordance with the international accounting standards recognized in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the underlying accounting entries and records;
- provides a true and fair view of the performance and financial position 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.

28 February 2017

CEO	**Executive Responsible for Corporate Accounting Information**
Enrico Vita	Ugo Giorcelli

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Amplifon SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Amplifon Group, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Amplifon SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Amplifon Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Amplifon SpA, with the consolidated financial statements of the Amplifon Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Amplifon Group as of 31 December 2016.

Milano, 2 March 2017

PricewaterhouseCoopers SpA

Signed by

Ettore Corno
(Partner)

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